

DONGXIANG

China Dongxiang (Group) Co., Ltd. 中國動向(集團)有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 3818



Environmental, Social and Governance Report 2022/2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

REPORTING BOUNDARY

The purpose of this report is to disclose to stakeholders the work and achievements on environmental, social and governance (“ESG”) matters of China Dongxiang (Group) Co., Ltd. and its subsidiaries (together, “China Dongxiang” the “Group” or “we”). Unless otherwise stated, this report covers the period from 1 April 2022 to 31 March 2023.

BASIS FOR PREPARATION

This report is prepared in accordance with Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix 27 of the Main Board Listing Rules on The Stock Exchange of Hong Kong Limited. This report should be read in conjunction with the “Corporate Governance Report” set out in our annual report as well as “Social Responsibility” section on the official website of the Group.

REPORTING PRINCIPLES

In the preparation of this report, the presentation of contents and information reported is defined according to the principles of “materiality”, “quantitative”, “balance” and “consistency”.

Materiality: In preparing this report, our principal stakeholders and their ESG concerns have been identified and specific disclosures have been made in the report according to the relative materiality of such concerns. For details of materiality assessment, please refer to the sub-sections headed “Engagement with Stakeholders” and “Materiality Analysis”.

Quantitative: This report has adopted a quantitative approach to present key performance indicators for the environmental and social aspects. The standards, methods, assumptions and/or computational tools for the measurement of key performance indicators in this report, as well as the source of conversion coefficient, have been stated where relevant.

Balance: The purpose of this report is to present both positive and negative ESG information and performance of the Group in a transparent and objective manner, including environment, employees, product responsibility and community investment, among others, in order to avoid any possible influence on readers of this report that might lead to undue decisions or judgements.

Consistency: Data disclosed in this report are based on statistical methods consistent with those adopted for the previous year. Explanatory notes have been made where any changes have been made to ensure consistency.

INFORMATION SOURCE OF THE REPORT

All information, data and cases cited in this report are sourced from official documents, statistical reports, financial reports or publicly available documents of the Group and ESG implementation information computed and compiled by the functional departments of the Group. The board of directors (the “Board”) owns responsibility for the truthfulness, accuracy and completeness of the contents of the report.

OBTAINING AND COMMENTING ON THIS REPORT

The electronic version of this report may be viewed on the official website of the Group (www.dxsport.com) and the official website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk). You are welcome to furnish any comments or suggestions on the contents of this report by emailing to ir@dxsport.com.cn.

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ESG MANAGEMENT

We are committed to establishing a high-standard ESG management system with ongoing optimisation and improvement of ESG strategies and ESG governance structure to implement ESG concepts in the Group's development with a view to gradual enhancement of its ESG management standard. During the Reporting Period, we obtained BBB of MSCI ESG Rating and scored 21 points in S&P Global Corporate Sustainability Assessment in the international mainstream ESG ratings.

ESG STRATEGIES

We endeavour to incorporate our ESG strategies into the Group's daily operations and business development. Our efforts are focused on four aspects: "Quality products through win-win collaboration", "Sustainability through responsible operations", "Care for and co-growth with staff" and "Protecting the environment and upholding green practices"

Quality Products Through Win-Win Collaboration

Driven by its mission of "helping users to boost their self-confidence and experience the delight of being themselves as well as a healthy lifestyle with quality", we have exercised stringent control over product quality, consistently enhanced supplier management, forged a sustainable supply chain and empower partners along the value chain in a joint effort to supply consumers with a variety of products of premium quality.

Sustainability Through Responsible Operations

We are committed to providing thoughtful and worry-free services to consumers, genuine protection of customers' interests, optimising compliant advertising management and promotion and regulating product label information, as part of our effort to build the image of a responsible corporation. Moreover, we emphasise the fostering of a corporate environment underpinned by probity and integrity in the course of business development. We also place a strong emphasis on rewarding the society, as we endeavour to achieve mutually beneficial co-development with the community.

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Care for and Co-Growth With Staff

We regard staff as the cornerstone of sustainable development for the enterprise and the protection of staff interests as a fundamental condition for its sound operation, and we believe it is our responsibility and obligation to provide a safe and healthy workplace for them. Accordingly, we have formulated and implemented a range of systems in relation to staff employment and the protection of labour rights and established a comprehensive regime for staff performance appraisal, promotion and remuneration and benefits to care for the health, safety and comprehensive development of staff and attain the co-growth of the corporation and the staff.

Protecting The Environment and Upholding Green Practices

With a consistent strong emphasis on environmental protection, the Group has actively undertaken corporate responsibilities in supporting the dual carbon goal and has been consistently optimising its environmental management policy and measures and effectively implementing energy-saving and emission reduction practices to alleviate the environmental impact of the Company's manufacturing, transportation and other operational segments, with a view to fulfilling environmental principles in a joint effort with its staff, suppliers and other partners along the value chain.

OUR ESG GOVERNANCE STRUCTURE**Board Statement**

The Board of China Dongxiang is responsible for ESG strategy and reporting and for supervising the Group's ESG matters. Assisted by ESG Committee, the Board carries out supervisory duties in respect of the Group's ESG policies and practices. The ESG Committee reviews the ESG management principles and work progress and furnish recommendations to the Board. It also examines and make decisions on working goals, disclosure of reports and related material ESG matters on a regular basis. The Group, its subsidiaries and ESG-related departments are responsible for the launch of specific ESG initiatives, including the implementation of ESG-related action plans and efficient and orderly conduct of ESG initiatives in a concerted manner and promoting implementation of ESG practices.

We assess the materiality of ESG issues on a regular basis. The process and outcomes of assessment are described in the sub-section headed "Engagement with Stakeholders" and "Materiality Analysis" in the Group's annual ESG report and have been reviewed by the Board. The ESG Committee under the Board of the Group assists the Board to comprehensively identify material ESG risks related to the Group, including raw material procurement, labour standards of supply chain, anti-corruption and climate change, among others, and formulates response measures. We also require the relevant departments to implement specific actions in their operation and management.

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During the reporting year, the ESG Committee attended 2 ESG work report meetings to consider and gain insight into important matters such as the ESG trends, ESG disclosure and management effectiveness of the previous year and ESG work plan for the current financial year, and made recommendations to the Group’s ESG management in future. The Board reviews the completion of environmental goals on an annual basis and sets up goals for the next financial year. During the reporting year, the Board has reviewed and revised the environmental goals relevant to our business operations in connection with carbon emission, energy consumption, water consumption efficiency and waste reduction. The Board has conducted reviews and discussions in respect of such goals.

This report has also disclosed the aforesaid ESG-related matters in detail, and has been reviewed and approved by the Board on 21 June 2023.

SUMMARY OF OUR SUSTAINABILITY ACTIONS

The United Nations Sustainable Development Goals (“SDGs”) aim to provide guidance to the world for solving development issues in the social, economic and environmental dimensions and redirecting to a path of sustainability, and to encourage all sectors in the society to actively contribute their efforts to this cause. We have identified our SDG priorities based on the Group’s business characteristics and integrated them with the Group’s ESG strategy to guide the Group’s ESG effort. In vigorous support of the SDGs and *China’s National Plan on Implementation of the 2030 Agenda for Sustainable Development*, we have taken the following actions in the key SDG areas identified:

SDGs	China’s National SDG Plan ¹	Our sustainability actions
	<ul style="list-style-type: none"> To promote fair and accessible basic medical and health care. 	<ul style="list-style-type: none"> Caring for staff occupational health and safety by providing labour protection gear, medical insurance and other assurances for staff health and safety. Arranging staff health check on a regular basis and training and promoting literacy in occupational health and safety.
	<ul style="list-style-type: none"> To enhance awareness of gender equality across all sectors in the community and to eliminate all forms of discrimination and prejudices against women and girls. 	<ul style="list-style-type: none"> Standing against any form of discrimination, endeavouring to foster diversity and resolutely opposing any acts of discrimination based on ethnicity, nationality, religion, gender, age, marital status or disability.

¹ Extracted from “China’s National Plan on Implementation of the 2030 Agenda for Sustainable Development”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SDGs

China's National SDG Plan¹

Our sustainability actions



- To ensure economic growth at medium- to high-speed and to procure medium- to high-end industrial development.
- To curb illegal acts and crimes such as child labour and forced labour in accordance with the law and to afford special protection to minor workers aged between 16 and 18.
- To safeguard the proper rights of workers, such as reward for labour, rest and leaves and social insurance.
- To improve the employment and business venture service regime and implement the lifelong vocational skills training system.

- Active business expansion and development and co-growth with partners to contribute to economic growth and provide more quality jobs for the community.
- Improvement of the employee candidate information identification system and stringent vetting of the age of employee candidates to ensure candidates have reached the legal age for employment.
- Formulation of internal rules and regulations including *Recruitment Management System* and *Remuneration Management Regulation* to facilitate regulated management of staff recruitment, remuneration and work hours.
- Developing a staff training regime for the support of staff development and growth.



- To establish a fairer and more sustainable social insurance system with ongoing improvements to strengthen protection of the rights of social groups such as women, minors and the disabled.

- Organising community welfare activities as well as a diverse range of business promotion activities leveraging our brand advantage to inspire vigour and enthusiasm.



- To adjust the economic structure and transform the approach of development with a major effort to drive sustainable production.
- To control the total volume of energy consumption and drive the optimisation of the mix of energy utilisation for a substantially higher level of reuse of energy resources.

- Making improvements to the supplier management regime to focus on the management of environmental and social risks associated with supply chains.
- Increasing application of eco-friendly materials and formulation of management systems and procedures governing the use of chemicals and glue agents to reduce the consumption of toxic chemicals.
- Forging a sustainable supply chain and encouraging suppliers to incorporate environmental concepts into their own management regimes.

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SDGs

China's National SDG Plan¹

Our sustainability actions



- To procure promotion and education relating to climate change and environmental protection, disseminate knowledge in climate change and the concept of low carbon development, and guide active participation by the public in actions addressing climate change.

- We have identified the Group's principal risks and opportunities relating to climate change and conducted analysis on the impact of each risk or opportunity on the Group's future operation.
- Promoting the green office and green production to reduce energy consumption and lower greenhouse gas (GHG) emission.
- Enhancing management of environmental risks in the supply chain and empowering suppliers to adopt eco-friendly practices.



- To rectify and investigate in a resolute manner misconduct and corruption practices that infringe upon public interests, ensuring stringent execution at each level of management to enhance accountability.

- Formulating systems for the management of anti-corruption measures, such as the *System for the Countering of Improper Competition and Business Bribery* and fostering a corporate image characterised by integrity and probity to ensure systematic development of the Group's business.
- Emphasising probity in procurement and further regulating open, fair and impartial procurement while improving standards and regulations for the admission of suppliers, as well as relevant assessment procedures and supervisory mechanism on an ongoing basis.
- Specialised training on probity for all Directors and staff to enhance staff understanding of the risks associated with probity and pertinent laws and regulations, so as to prevent such illegal acts.



- Drawing on experiences and financing strategies available from partnerships to encourage and promote effective partnerships with the public sector, public/private sector and civic community.

- We have participated in the Sixth FIS International Footwear Innovation Summit and Eighth Footwear Materials Summit to gain insights into the latest achievements of raw material suppliers in sustainability and join hands with other brands to explore further options in the promotion and use of low-carbon raw materials, as well as innovative means for solving bottlenecks in the application of technologies for the reduction of carbon emission.

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ENGAGEMENT WITH STAKEHOLDERS

We attach great importance to communication with stakeholders and always see the views and demands of stakeholders as an important factor for consideration in the Group's strategic planning and business management as well as driving force for our ongoing improvements in ESG management. We actively engage with stakeholders through multiple channels to understand and respond to their needs in a timely manner.

Based on the characteristics of its business, the Group has identified the government and regulatory authorities, shareholders and other investors, employees, suppliers, consumers and the community as its major stakeholders. The ESG concerns of our major stakeholders and our channels for communication with and response to them are set out as follows:

Major stakeholders	Primary expectations and concerns	Major means of communication	Our response
Government and regulatory authorities	Compliance with laws and regulations Operational Compliance Energy conservation and emission reduction Addressing climate change Anti-corruption	Execution of policies and laws and regulations Correspondence with government authorities Information disclosure On-site inspection	Compliance with laws and regulations Placing ourselves under supervision and management Tax payment in accordance with the law Green operation Establishing a sound corporate governance regime
Shareholders and other Investors	Corporate governance Return on investment Operational compliance Green operation	General meetings Regular reports Official website Results announcement	Establishing a sound corporate governance regime Ongoing enhancement of risk management standards Regular information disclosure Improving operating results
Employees	Remuneration and benefits Career development Health and safety Work-life balance	Corporate events Staff opinion poll Internal staff meetings Internal corporate announcements Mechanism for staff feedback Trade union	Establishing a comprehensive staff management system Bringing into play the role of the trade union Ensuring a smooth channel for communication Safeguarding staff rights Organising staff activities
Suppliers	Management of suppliers Sunshine procurement Mutual benefit Addressing climate change	Meetings Evaluation of suppliers Relevant meetings Negotiations for strategic cooperation	Concern for suppliers' environmental and social risks Establishing a sound supplier management mechanism Fostering long-term win-win partnerships Fairness and impartiality in procurement

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Major stakeholders	Primary expectations and concerns	Major means of communication	Our response
Consumers	Product responsibility Addressing climate change Protection of customer privacy Diversified demand Change in consumer preference	Customer service hotlines Interviews Consumer satisfaction poll Reward for consumers Daily operation/engagement Mechanism and channel for complaints and response	Enhancing product quality management Enhancing service quality Protecting consumer rights Establishing mechanisms for customers' complaints and response
Community	Operational Compliance Community welfare Environmental protection	Community activities Social welfare Daily operation Questionnaire	Conducting volunteer programmes Launching products with community welfare features

MATERIALITY ANALYSIS

We have comprehensively identified ESG issues related to the Group through ongoing effective engagement with major stakeholders and adoption of recommendations of the management and external experts, taking into consideration the business characteristics of the Group. The outcomes are adopted as references to provide a guide for the direction of subsequent actions and efforts, in order to ensure that the expectations of stakeholders are accurately reflected in our actions and reports. The steps and details of our major efforts are set out as follows:

1. Identifying relevant ESG issues

The Group identifies major, relevant ESG issues based on its current business characteristics and future direction of business development.

2. Evaluating material issues for major stakeholders

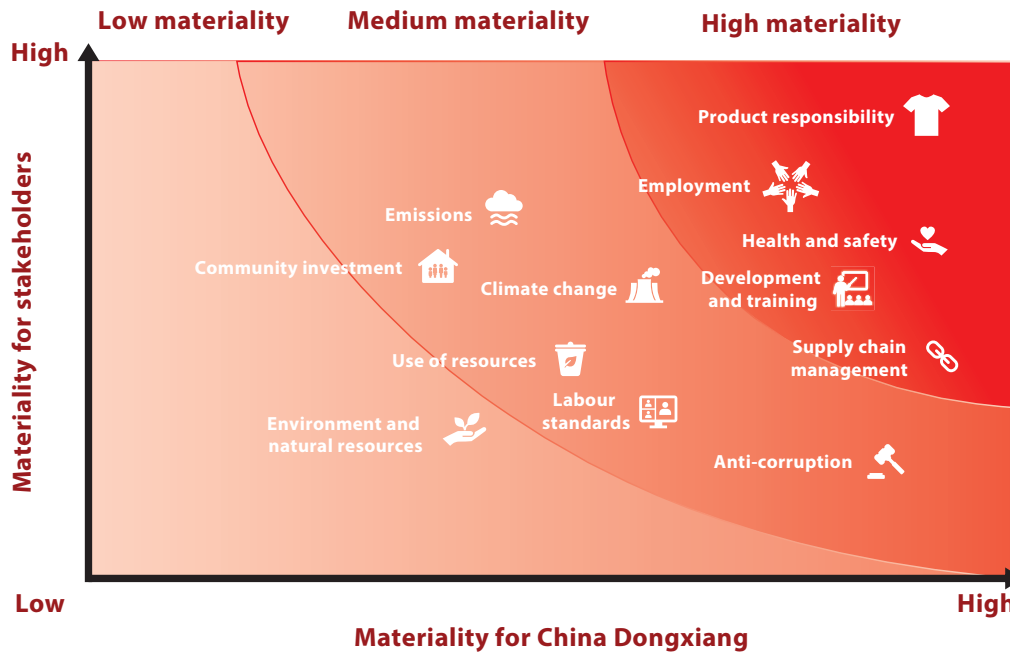
Based on day-to-day business operation, the Group's business characteristics and communication with stakeholders during the course of business and with reference to material issues identified by peers, relevant ESG issues are analysed with respect to their materiality and ranked accordingly.

3. Confirming material ESG issues

Based on the outcomes of the materiality analysis for relevant ESG issues, material ESG issues are identified and adopted as the reference for the preparation of this report and the direction of the Group's next moves.

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Based on the analysis of material ESG issues, we have identified key issues with varying degrees of materiality for the Group.



FY2022 China Dongxiang ESG Materiality Matrix

Ranking	ESG agenda	Ranking	ESG agenda
1	Product responsibility	7	Climate change
2	Employment	8	Emissions
3	Health and safety	9	Use of resources
4	Development and training	10	Labour standards
5	Supply chain management	11	Community investment
6	Anti-corruption	12	Environment and natural resources

Materiality ranking of China Dongxiang ESG agenda for FY2022

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QUALITY PRODUCTS THROUGH WIN-WIN COLLABORATION

Driven by its mission of “helping users to boost their self-confidence and experience the delight of being themselves as well as a healthy lifestyle with quality”, we have exercised stringent control over product quality, consistently enhanced supplier management, forged a sustainable supply chain and empower partners along the value chain in a joint effort to supply consumers with a variety of products of premium quality.

OPTIMISING OUR PRODUCT QUALITY

The Group regards the provision of quality products to customers as the cornerstone of brand development and firmly believes that sound product quality holds the key to a successful brand. Throughout the process of product development, sampling, production and sales, the Group conducts itself in stringent compliance the *Product Quality Law of the People’s Republic of China* and in accordance with national and industry standards including *GB 18401–2010 National Basic Safety Technical Specifications for Textiles*, *GB 30585–2014 Children’s Shoes Safety Technical Specification*, *GB 20400–2006 National Standard for Limits of Harmful Substances in Leather and Fur*, *GB 31701–2015 Safety Technical Specifications for Infant and Children Textile Products* and *QB/T 2673–2013 Footwear Product Labeling*.

The Group has formulated a range of standards relating to product quality, such as the *Kappa Materials Internal Control Standards*, *KAPPA Apparel Quality Standards*, *Apparel Template Sewing Process Manual*, *Dongxiang Group Operational Manual for (Footwear) Sample Development* and *Dongxiang Group Operational Manual for (Footwear) Technology and Production*, to regulate the process standards for all sections from product development to commercial production. During the 2022 financial year, we updated the *Standards for Properties of Raw Materials for Footwear* and *Footwear Property Testing Methods* to improve methods for testing low-temperature brittleness of footwear products, introduce methods for testing elastic materials, prolong the test period for rubber bloom, and add new parameters for the humidity environment, with the aim of comprehensively inspecting the bending resistance of fabric in a low-temperature environment, accurately measuring the rebound performance of sole materials and consistently increasing the level of difficulty for testing the products and the materials in a bid to safeguard product quality through diversified testing methods and stringent testing standards.

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We exercise stringent control over product quality at all stages:



Stage of Product Development

- Upon the receipt of raw materials at the plant, the Group conducts comprehensive inspection of the indicators of physical properties of the materials to be used and the plant conducts random tests based on the materials test reports, directly returning and prohibiting the use of substandard materials to control product quality at source;
- The Group conducts stringent assessment of the safety performance of products during the development stage to prevent the occurrence of safety issues in the products during use.



Stage of Sampling Test

- Evaluation of potential safety risks associated with products in use is conducted jointly by the Group's product development department, production department and design and planning department to prevent the supply of defective products to the market;
- Samples manufactured at plants are stringently inspected by the Group and trial use of sample products by internal staff members is arranged to identify and solve any design issues at an early stage and manufacturing will not commence until the samples pass the performance test and trial test.



Stage of Manufacturing

- Prior to the manufacturing process, the Group's resident officers at the plant would convene meetings for plant personnel on a regular basis to discuss and clarify issues in product structure, materials and production processes to ensure product quality;
- During the course of production, the Group complies strictly with safe production standards and its technical and production staff stringently track and supervise the full process of production, while the Group organises inspection groups on a regular basis to inspect non-compliant production activities and ensure compliance with production standards and requirements;
- Upon completion of production, the Group's designated development and production officer conducts stringent quality inspection to ensure compliance in product quality and sends back defective products for repair or remanufacturing;
- After the products are delivered to the Group's warehouse, the Group exercises enhanced incoming inspection with its warehouse quality assurance staff conducting random tests in accordance with relevant standards to ensure compliance of product quality with stipulated requirements and timely recall of defective items to the plant for handling as required.



Stage of Sales

- The Group arranges quality inspection and testing of ordered products by third parties to prevent the marketing of any products that are subject to quality issues;
- The Group values and monitors on a continuous basis the opinions and suggestions of consumers and conducts store inspection from time to time to solicit consumers' opinions and make adjustments in connection with product issues identified through consumers' feedback, as well as provide target-specific repair and replacement services based on the experience in use and needs of consumers;
- The Group has formulated the binding *Undertaking for Three Guaranteed Services relating to Product Quality and Standards for Return of Defective or Substandard Products* as well as the process for recalling and handling defective and substandard products and furnish feedback on quality issues to suppliers on a regular basis to facilitate improvement in product quality.

Meanwhile, we have continued to enhance product quality training for staff and suppliers to increase their awareness for and competence in quality control. The Group regularly organises product quality training and sharing sessions for staff, such as quality analysis meetings and technical exchange meetings, in association with quality inspection agencies, providing training and answers to any queries regarding the Group's quality standards. In FY2022, the Group organised a Kappa technical exchange conference to share information on product quality tests and notable product quality issues in the current financial year, as well as the future directions for product R&D. A platform for studying product quality conditions, deliberating measures for enhancing the quality of innovative products and formulating quality improvement plans has been developed to enhance staff ability to identify and avoid potential product quality issues. For supplier partners, the Group organises quality management training by stages each year to enhance suppliers' awareness for quality control to ensure that they have sufficient understanding of the Group's product quality standards.

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Quality Training for Suppliers

In connection with defective or substandard products, the Group has formulated the *Standards for Return of Defective or Substandard Products* and continued to optimise its recall and handling process and upgrade its quality improvement measures to consistently optimise its product quality. At the Group operation level, we maintain close liaison with end-sales outlets to obtain real-time updates on product quality. In the event of any sales of non-compliant products in the market, we will forthwith, once such non-compliance is confirmed, inform the sales team at the end-sales outlet to deshelve relevant items within one business day, uniformly seal off such items and transfer them to the Group's warehouse for centralised handling. Through local sales channels, we would recall defective or substandard products and return them to the warehouse on a regular basis to ascertain defective or substandard products and conduct analysis and inspection of defective or substandard issues. The Group's quality assurance department would confirm whether these products should be sent back to the factory for processing or scrapped, depending on the defective or substandard conditions. At the supply chain level, the Group would send feedback to the supplier on a regular basis containing a consolidated account of issues in design, manufacturing and quality of materials, requesting the supplier to conduct rectifications in light of the issues, so as to assure the steady improvement in product quality. During the reporting period, the Group did not recall any products because of health and safety reasons.

ENHANCING SUPPLY-CHAIN MANAGEMENT

We have continued to improve our supplier management regime and formulated and implemented the *KAPPA New Supplier Admission Assessment Standards* and other supplier management systems to ensure stability in product quality and facilitate consistent supply of premium products to consumers. We visit the suppliers regularly to obtain understanding of their production and quality conditions as well as solicit the opinions and suggestions of major suppliers. Meanwhile, we have commenced quarterly assessment of suppliers, whereby suppliers receiving substandard scores for two consecutive quarters will be suspended for the supply of our raw materials and required to conduct rectification. As at the end of the financial year, the Group had 62 suppliers on list, which were all covered by its supplier management initiatives.

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Number of Suppliers by Geographical Region in FY2022

Indicator	FY2022
Number of suppliers in Eastern China	40
Number of suppliers in Central China	2
Number of suppliers in Northern China	2
Number of suppliers in Southern China	15
Number of suppliers in Northeastern China	3
Total number of suppliers	62

Criteria for Supplier Admission

In connection with suppliers' admission, we require suppliers to have experience in manufacturing for first-tier domestic and international brands and all suppliers are subject to on-site visit and general assessment by the Group before they are admitted to the Group's suppliers' list. We have formulated stringent evaluation standards to assess and rate suppliers in a comprehensive manner in relation to their corporate background, operational credentials, business philosophy, environmental and social risks, financial conditions, development capabilities, technological strength, production regime and quality standards. Suppliers are rated in four classes, A, B, C, or D, based on their assessment scores, and Class D suppliers will not be considered. In the meantime, we conduct supplier audit on a number of areas, including infrastructure and hardware facilities, development and production capabilities, production process management, operational capabilities, on-site management capabilities and implementation of relevant standards. Priority is given to suppliers who are in compliance with ISO9001 Quality Management Systems accreditation and OEKO-TEX series accreditation to ensure that their product manufacturing process and quality management are standardised, reasonable and institutionalised. The audit results are shared on the supply chain platform within the regime. During the financial year, all newly appointed and existing on-list suppliers were covered by our supplier admission assessment.



Audit at Supplier's Plant

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Assessment of Suppliers

In addition to developing long-term, stable partnerships with suppliers, we have also been enhancing assessment of environmental and social risks at each section of the supply chain in a bid to forge a sustainable supply chain. Our assessment of environmental and social risks associated with suppliers includes mainly the following:

**Environmental risk assessment**

To exercise stringent control over the eco-friendliness of our materials, we conduct on-site audit and assessment of suppliers' environmental protection facilities and raw materials. At the stage of supplier selection, we require compliance with the requirements of pertinent environmental laws and regulations and give preference to suppliers who have passed ISO14001 environmental management system certification and ISO50001 energy management system certification standards. For example, we conduct investigations to see whether processes generating heavy pollution, such as printing, dyeing and spraying, are carried out at the suppliers' factories in a manner compliant with national and local environmental standards and whether they have undermined the environment. If there are any violations on the part of the supplier, we will demand rectification within a designated timeframe, failing which we will terminate cooperation with such supplier.

In addition, we have continued to increase the use of eco-friendly materials and formulated management systems and procedures for the use of chemicals and adhesive agents to reduce the use of hazardous chemicals. Moreover, to forge a sustainable supply chain, we encourage suppliers to incorporate environmental principles into their own management regimes. We require suppliers to regularly furnish accreditation testing reports under standard regimes such as CTI (Centre Testing International Group), ITS (Intertek Testing Services), SGS (Societe Generale de Surveillance S.A.), ZDHC (Zero Discharge of Hazardous Chemicals) or FSC (Forest Stewardship Council) to encourage the supply of sustainable raw materials and reduce the use of hazardous chemicals on the part of suppliers. Whilst protecting the occupational health and safety of our employees and the environment, we have also provided safer, healthier and more eco-friendly products to consumers.

**Social risk assessment**

We attach great importance to compliance and occupational health and safety management relating to labour along the supply chain. Priority is given to suppliers in compliance with domestic and international industry standards, such as ISO45001 Occupational Health and Safety Management Systems accreditation and Business Social Compliance Initiative (BSCI). We are concerned with the legal compliance of labour employment as well as the skill level and operational proficiency of workers. We assess whether a supplier can assure stable supply of products and make estimations on its actual production capacity to facilitate reasonable order arrangements based on judgements in relation to its existing workforce, production lines and equipment. Suppliers' performances in workhour management, remuneration and benefits and staff training are also included in our assessment. In the meantime, we assess the safety of the raw materials and production processes selected by suppliers through on-site inspection at its factories in respect of production safety to safeguard the health and safety of suppliers' employees and consumers.

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In FY2022, 100% of the Group's raw material suppliers had obtained ISO14001 Environmental Management Systems and ISO9001 Quality Management System accreditations.



In FY2022, 80% of the primary fabric suppliers along our footwear supply chain had obtained ISO50001 Energy Management Systems accreditation and 70% of the suppliers had obtained ISO45001:2018 Occupational Health and Safety Management Systems accreditation.



In FY2022, the countries of origin of more than 95% of our cotton products were traceable.



In FY2022, orders for eco-friendly cotton apparel made with SORONA composite elastic polyester fibre and recycled polyester yarn, among others, amounted to 446,841 pieces, accounting 10% of our apparel orders in aggregate.



By the end of FY2029, 100% of the glue used by the Group will have obtained RoHS and REACH accreditation (or equivalent environmental certification).

Empowering Suppliers

We place a strong emphasis on communication with suppliers with a view to achieving cooperation and mutual benefits along the supply chain. Supplier training has been conducted in numerous aspects including production management, quality standards, consumer demands and developments in the industry, with a view to encouraging suppliers to revamp their product technologies. Drawing on latest quality and process technique standards, the Group's process technique quality management personnel conducts quality management training at the plants of suppliers on a regular basis to enhance suppliers' understanding of the Group's requirement for product quality and facilitate co-growth with suppliers.



Supplier Training and Education

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SUSTAINABILITY THROUGH RESPONSIBLE OPERATIONS

We are committed to providing thoughtful and worry-free services to consumers, genuine protection of customers' interests, optimising compliant advertising management and promotion and regulating product label information, as part of our effort to build the image of a responsible corporation. Moreover, we emphasise adherence to business ethics and the fostering of a corporate environment underpinned by probity and integrity in the course of business development. We also place a strong emphasis on rewarding the society, as we endeavour to achieve mutually beneficial co-development with the community.

PROTECTION OF CUSTOMERS' INTERESTS

In strict accordance with the *E-commerce Law of the People's Republic of China*, *Cyber Security Law of the People's Republic of China*, *Product Quality Law of the People's Republic of China* and *Law of the People's Republic of China on Protection of Consumer Rights and Interests* and other pertinent laws and regulations, the Group has formulated the *Customer Service Operation Process* and *Customer Complaint Handling Process* with ongoing refining amendments to regulate the procedures for addressing and handling customer complaints and improve management of consumer privacy protection in consistent enhancement of the quality and standards of customer services. In accordance with national laws and regulations and pertinent Group regulations such as the *Undertaking for Three Guaranteed Services relating to Product Quality*, the Group provides consumers with services such as after-sales consultation, assessment of defective and substandard items, product repair and product replacement to offer genuine protection of consumer interests and provide customers with the experience of worry-free purchases and satisfactory after-sales services. For the Reporting Period, the Group's customer satisfaction rating² rose to 95.18%.

The Group has established a complaint management taskforce and customer service quality assurance (QA) team to be in charge of the end-to-end management of customer complaints prior to the occurrence, after the occurrence and after the settlement of a complaint.



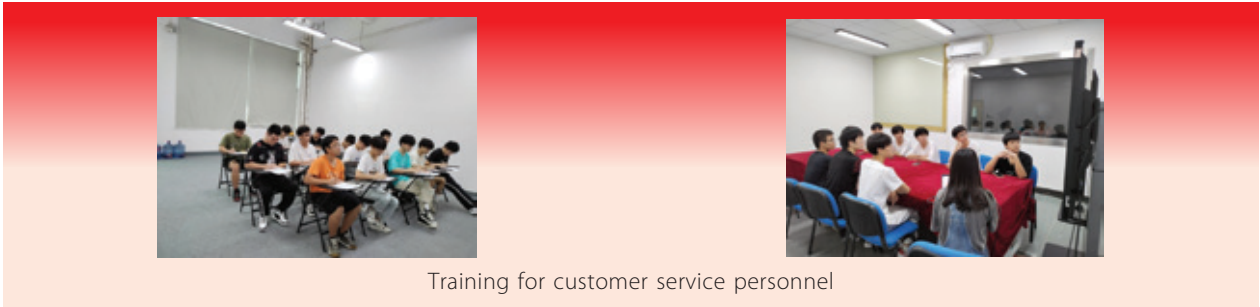
During FY2022, the Group received 5 cases of consumer complaints directly at the headquarters, 119 cases through the industrial and commercial market supervision department and 2,948 cases³ via the e-commerce platform. All consumer complaints have been received, handled and settled.

² The measurement of "customer satisfaction" comprises satisfaction for "servicing items" relating to customer services and "non-servicing items" relating to product quality.

³ The higher number of consumer complaints received in FY2022 compared to the previous year was mainly attributable to the periodic suspension of courier services during the Reporting Period owing to the pandemic, resulting in an increase in the number of related consumer complaints.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With a view to providing standardised, efficient and quality customer services to consumers, the Group has continued to organise skills enhancement training for its customer service teams. Induction training and appraisal is provided for newly recruited customer service personnel, who are required to pass the appraisal prior to taking up the position. Moreover, the Group has also organised quarterly training sessions on product knowledge for all customer service personnel, while building a platform for sharing and exchange among customer service personnel through sessions such as weekly case sharing meetings on customer service chat records and monthly service review meetings, among others, with a view to consistently improving the service standard of our customer service teams.



Training for customer service personnel

The Group places a strong emphasis on the security of consumer information and privacy, with relevant terms for the protection of consumer privacy being specified in the *Confidentiality Agreement* formulated by the Group. At the same time, we also strictly comply with the e-commerce platform consumer privacy protection policy to reinforce our foundation in terms of systems and institutions. In terms of implementation, we enhance the security of consumers' accounts and minimise the risk of leaking personal information of consumers by upgrading our online order processing system with encrypted control over the personal information of consumers and strict management over authorisation of access to and operation on sensitive consumer information. During FY2022, we facilitated further upgrades of the enterprise resource planning (ERP) system and warehouse management system (WMS) by introducing the electronic ordering and billing function of Kuaishou Platform and ERP data encryption enabled by ezhangxiu.com to further enhance the encrypted protection of consumer information for the security of personal information and privacy of consumers.

RESPECT FOR INTELLECTUAL RIGHTS

In persistent strict compliance with the *Trademark Law of the People's Republic of China*, *Patent Law of the People's Republic of China*, *Civil Code of the People's Republic of China*, *Regulations for Product Logo and Marks* and other pertinent laws and regulations, the Group has formulated internal regulations including the *Measures for the Management of Trademark Registration*, *Measures for the Management of Design Vetting* in ongoing improvement of trademark and patent management and enhancement of protection for intellectual properties.

To protect the Group's intellectual properties, the legal rights in trademarks in particular, we drafted the *Pre-signing Checklist and Operational Guide for Signing Co-branding (IP) Contracts* in FY2022, requiring business departments to submit authorisation agreements, registration certificates of the creative work and trademark registration certificates, among others, for vetting by the legal department prior to the execution of any co-branding contracts to ensure legal compliance of such co-branding. In the meantime, we have also provided seal management training to the seal management staff of the Group and its subsidiaries to further enhance the intellectual property awareness of relevant personnel. Moreover, we have established a complete file for its trademarks to exercise control over the use of trademarks, printing of logos and production of anti-counterfeit codes for the rigorous protection of the Group's intellectual properties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In FY2022, we have continued to conduct the registration and renewal of our trademarks and patents. To avoid infringement of third-party intellectual property rights, trademark design requirements submitted by various departments are subject to vetting by the Group's legal department in accordance with pertinent laws and regulations as to the source and creative originality of the designs. In FY2022, we successfully completed 56 trademark registrations and 6 patent renewals.

We have been actively engaged in the protection of our trademark rights against external parties and encouraged our staff members or third-party agents to report and furnish evidence of any illegal counterfeit of our Group's trademarks to our legal department. Upon receipt of such reports and evidence, the legal department will swiftly take a series of actions including information verification, product authentication and filing complaints and reports, among others. In FY2022, the Group reported on 16 stores which either conducted unauthorised sales on Taobao or marketed counterfeits of the Group's products and assisted the industrial and commercial administration authorities and public security authorities to take action in 4 counterfeit cases and forfeit close to 2,375 counterfeit products.

RESPONSIBLE MARKETING

The Group exercises stringent management over its advertising practices in strict accordance with the *Advertising Law of the People's Republic of China*, *Administrative Measures Governing Internet Advertising*, *Administrative and Enforcement Procedures and Regulations of Cyber and Information Authorities*, *Guideline for Enforcement relating to Absolute Terms in Advertising* and other pertinent laws and regulations in an endeavour to practice responsible marketing.

- **In connection with the contents of commercials**, we have consistently adopted an approach of decentralised management under a centralised leadership based on the principles of truthfulness and compliance. For the respect of third-party intellectual property rights, the unauthorised editing, tampering and dissemination any graphics, typefaces, texts, software and musical compositions, among others, is prohibited to ensure the truthfulness of the promotional materials and avoid misleading consumers.
- **In connection with the vetting of commercials**, we have continued to improve the vetting system and procedures for product advertising and promotion, requiring all information and contents to stringently undergo the Group's vetting procedures prior to dissemination and strictly prohibiting untruthful statements or exaggerated advertising. In FY2022, we introduced a new vetting procedure regarding speeches used in customer service communications and materials disseminated to third parties to prevent the use of terms prohibited under the *Guideline for Enforcement relating to Absolute Terms in Advertising* promulgated by the State Administration for Market Regulation. Actions will be taken in a timely manner to rectify any violations identified.
- **In connection with the placement of commercials**, we have adopted a project accountability system, under which designated personnel are appointed to manage the placement of commercials, to ensure the lawfulness and compliance of the advertising contents, so as to prevent any infringement of rights in advertising. Meanwhile, any individual or enterprise that publishes advertisements or other promotional materials in the name of the Group without approval or authorisation will instantly be held legally liable.

Moreover, the Group attaches great importance to the transparency and regulation of product label information. In strict accordance with GB/T 8685-2008 *Textiles Care Labelling Code Symbols*, GB 5296.4-2012 *Instructions for Use of Consumer Goods Part 4: Textiles and Apparel* and other pertinent national and industry standards, we require truthful communication of product information in the product labels and prohibit any untruthful information to enable consumers to clearly identify and access product information, thereby enhancing consumers' trust in the brand and fostering a responsible corporate image.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

FIRM ADHERENCE TO BUSINESS ETHICS

We have formulated internal systems such as *China Dongxiang (Group) Co., Ltd. System for the Management of Non-productive Procurement*, *China Dongxiang (Group) Co., Ltd. Anti-corruption and Anti-bribery Reporting and Reward System* and *China Dongxiang (Group) Co., Ltd. System Against Improper Competition and Business Bribery* in strict accordance with the Company Law of the People's Republic of China, *Anti-Unfair Competition Law of the People's Republic of China*, *Anti-Money Laundering Law of the People's Republic of China* and other pertinent laws and regulations to safeguard the Group's business development in proper order and establish a corporate image of integrity and probity.

Whistleblowing procedure and handling

We have established a comprehensive mechanism for the reporting of corruption and bribery to encourage and support all employees to report any incidents of improper competition or business bribery. An employee may choose to report such incident to his/her immediate supervisor in the unit where he/she works, or directly to the Group's internal audit department. The lawful interests of any whistleblower are rigorously protected by the Group and any acts of retaliation against legal reporting are prohibited. The Group reserves the right to press for criminal or civil liabilities in accordance with the law against any acts in violation of national laws and regulations. During the reporting period, there was no litigation cases on corruption against the Group or its employees for which trial had been concluded.

Enhanced awareness for integrity

In FY2022, the Group required all staff at the managerial grade or above to sign a confirmation ensuring sufficient knowledge of and compliance with the *System Against Improper Competition and Business Bribery*, *Reward and Penalty System*, *Measures for the Administration and Use of Seals*, *Cash Expenditure Regulation*, *Confidentiality Agreement*, *Undertaking of Confidentiality of Salary*, *Employee Turnover Management System* and other internal management system of the Group on the part of the Group management, with a view to enhancing the anti-corruption awareness of the Company's management personnel members. In addition, internal audits on subsidiaries and departments are conducted on a regular basis to examine the process and outcomes of implementation of the business ethical management system and ensure effective execution of the Group's relevant management systems.

We have always placed a strong emphasis on the education of business ethics and the fostering of a sound corporate culture of probity. In FY2022, the Group conducted 2 hours of specialised training for all Directors and staff, covering measures against improper competition, anti-corruption, anti-bribery and anti-money laundering, among others, to enhance staff understanding of the risks associated with business ethics and pertinent laws and regulations, so as to prevent such illegal acts.

Sunshine procurement management

In FY2022, we have further regulated open, fair and impartial procurement and continued to improve standards and regulations for the admission of suppliers, as well as relevant assessment procedures and supervisory mechanism. Moreover, we have formulated the *Cash Expenditure Regulations* and the *Gift Management Regulations* which set out our Group's standards and approval process for gifts to avoid the development by employees of any relationships involving personal interests with third parties which are engaged in business with the Group. In the event that such relationships are formed, the employee concerned is required to inform his/her immediate supervisor and avoid any direct or indirect involvement in any business activities with the said entities. In FY2022, we collected personal information from the middle and senior management members of the Group to examine whether they were involved in related transactions with suppliers, so as to avoid abuse of office for personal gains.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

FOSTERING CARE FOR COMMUNITY

We emphasise the development of a stable and effective mechanism for community engagement and insist on rewarding the community with our achievements in corporate development, as we embark on vigorous fulfilment of our social responsibility. We take into consideration the impact of our business activity on the community and listen to the voice of the community and contribute to its development through engagement and interaction. During the year, we organised a diverse range of business promotion activities leveraging our brand advantage to forge a brand image of “passion, character and sophistication” that inspires vigour and enthusiasm amongst youngsters of the new age.

CARE FOR AND CO-GROWTH WITH STAFF

We regard staff as the cornerstone of sustainable development for the enterprise and the protection of staff interests as a fundamental condition for its sound operation, and we believe it is our responsibility and obligation to provide a safe and healthy workplace for them. Accordingly, we have formulated and implemented a range of systems in relation to staff employment and the protection of labour rights and established a comprehensive regime for staff performance appraisal, promotion and remuneration and benefits to care for the health, safety and comprehensive development of staff and attain the co-growth of the corporation and the staff.

COMPLIANCE AND EQUALITY IN EMPLOYMENT

We operate in strict compliance with the *Labour Law of the People's Republic of China*, *Labour Contract Law of the People's Republic of China*, *Social Insurance Law of the People's Republic of China*, *Law of the People's Republic of China on the Protection of Minors*, *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, *Regulation on Work-Related Injury Insurances*, *Regulations on Paid Annual Leaves for Employees*, *Special Rules on the Labor Protection of Female Staff*, *Provisions on Minimum Wages* of various local regions and other pertinent laws and regulations. We have continued to optimise internal rules and regulations such as the *Recruitment Management System*, *Remuneration Management Regulation* and *Attendance Management Regulation* to facilitate regulated management of staff recruitment, remuneration and work hours and protection of legal staff rights in accordance with the law.

We have made improvements to our staff employment and labour rights protection system to prevent child labour and forced labour in a resolute manner. Improvements have also been made to our new staff information identification system to facilitate stringent vetting of the age information of appointed staff to ensure they have reached the legal age for employment. We stand against any form of discrimination as we endeavour to foster diversity and resolutely oppose any acts of discrimination based on ethnicity, nationality, religion, gender, age, marital status or disability. If any employment of child labour or forced labour is identified, the Company will forthwith commence investigation in accordance with the requirements of local labour bureaus and take actions such as pressing for liability and termination of employment based on the outcome of investigation, in order to eliminate violations as soon as practicable.

We have developed diverse channels for talent recruitment, including campus recruitment, public recruitment and staff referral, among others, with a view to attracting high-calibre candidates in a wide spectrum and improve the efficiency of matching positions with talents. As at 31 March 2023, we had 471 employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment indicator FY2022

Indicator		FY2022
Number of staff by gender	Male staff (person)	155
	Female staff (person)	316
Number of staff by age group	Total number of staff aged 30 or below (person)	51
	Total number of staff aged 31 to 50 (person)	400
	Total number of staff aged 51 or above (person)	20
Number of staff by grade	Total number of management staff (person)	86
	Total number of non-management staff (person)	385
Number of staff by geographical region	Total number of staff in Mainland China (person)	469
	Total number of staff in overseas regions, Hong Kong, Macau and Taiwan (person)	2

Staff turnover in FY2022

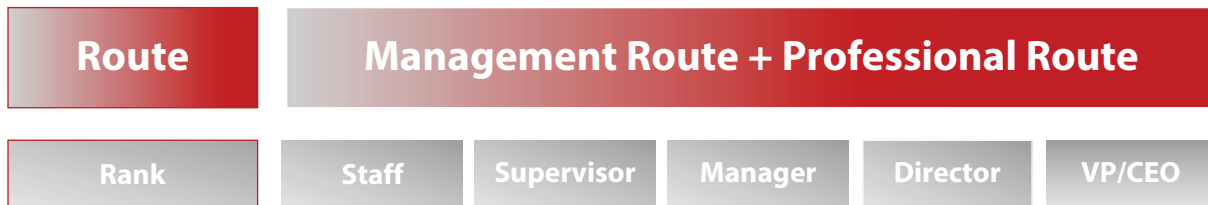
Staff type		Staff turnover rate ⁴
Group staff turnover rate (%)		26.98%
Staff turnover rate by gender	Male staff (%)	26.89%
	Female staff (%)	27.02%
Staff turnover rate by age group	Staff aged 30 or below (%)	32.00%
	Staff aged 31 to 50 (%)	26.61%
	Staff aged 51 or above (%)	20.00%
Staff turnover rate by staff grade	Management staff (%)	25.86%
	Non-management staff (%)	27.22%
Staff turnover rate by geographical region	Staff in Mainland China (%)	27.06%
	Staff in overseas region, Hong Kong, Macau and Taiwan (%)	0.00%

⁴ The computation of staff turnover rate is as follows: Staff turnover rate = headcount of staff turnover for the Reporting Period / (headcount of staff turnover for the Reporting Period + total staff headcount at the end of the Reporting Period)*100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CAREER DEVELOPMENT

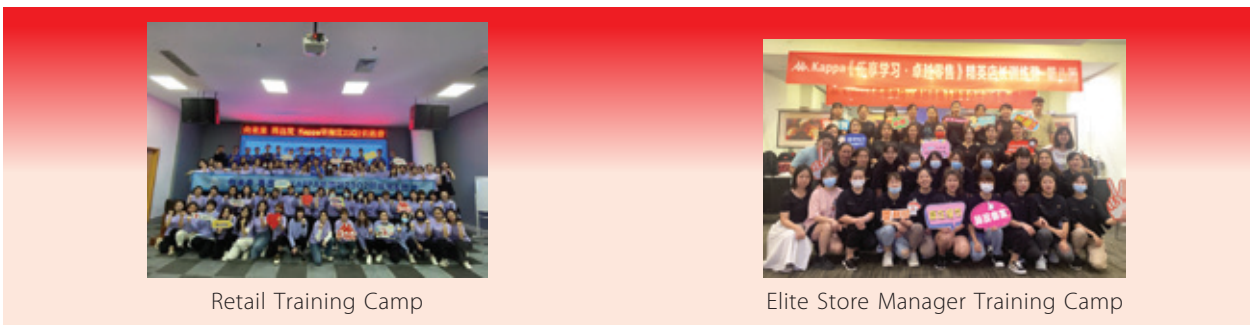
We have continued to develop and improve our staff promotion mechanism. With the formulation of the Promotion Management System and Group Staff Career Development System, we have established a systematic mechanism for staff promotion covering the application for promotion, qualification vetting for promotion, work report for promotion and assessment of promotion. To broaden the scope for staff career development, we have established a dual ranking regime comprising the professional route and the management route. For different positional pathways, we have formulated a promotion route to provide staff with diversified career development pathways.

**Job Position Route**

In ongoing improvement of our performance appraisal and management system, we require all departments to formulate key performance indicators and provide tracking, instruction and feedback in respect of staff performance. In the course of daily operation, we communicate with staff from time to time to understand their realistic issues and needs in work and provide timely support. Moreover, we conduct performance assessment on a regular basis and work out performance improvement plans together with our staff based on the outcomes of assessment, in order to help them to enhance their competence and performance. To ensure fairness and impartiality of the performance assessment, we have introduced a feedback mechanism at the close of performance assessment, under which staff may file complaints in writing if they disagree with the outcome of performance assessment. The Group will reassess the results of relevant performance appraisals to ensure fairness and impartiality.

Persisting in a “staff-centric” approach, we consistently strengthen our team building in a bid achieve both staff growth and corporate development in a win-win scenario. We have formulated a range of internal training systems, including the *Training Management System*, *System for the Management of Training of New Employees* and *System for the Management of External Training*, among others, and launched differentiated training programmes tailored to the requirements for development of staff at different job positions, grades and business segments. In FY2022, we have organised a series of offline training sessions, including senior management training, product training, retail store manager training, sales service enhancement training and rudimentary vocational skills training, in order to enhance the general aptitude and competence of staff. Moreover, our Group attaches great importance to training in quality management, as we organise internal quality management literacy and skills improvement sessions for process quality management personnel each year on a regular basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



To foster an ambience of co-growth through learning, we have launched the “Vocational Power Platform” to support online learning for staff any time anywhere. We have developed 6 principal learning areas on the platform, namely new retail, marketing management, self-management, office skills, tips from outstanding colleagues and product literacy, which are complemented by feature columns including New Staff Training Navigation and I Love Dongxiang, designed to further assist employees to enhance their work skills, professional knowledge and understanding in our corporate culture.

Staff Training in FY2022

Classification	FY2022
Percentage of employees receiving training by gender	
Percentage of male staff receiving training (%)	71.61%
Percentage of female staff receiving training (%)	73.10%
Percentage of employees receiving training by staff category	
Percentage of management staff receiving training (%)	69.77%
Percentage of non-management staff receiving training (%)	71.95%
Average training hour per employee by gender	
Average length of training per person for male staff (hour)	13.26
Average length of training per person for female staff (hour)	15.80
Average training hour per employee by staff category	
Average length of training per person for management staff (hour)	9.02
Average length of training per person for non-management staff (hour)	16.53

DEFENDING HEALTH AND SAFETY

We have strictly complied with pertinent laws and regulations, such as the *Labour Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases*, *Regulation on Work-Related Injury Insurances* and *Fire Control Law of the People's Republic of China* and formulated internal systems such as the *System for Benefit Management* in an effort to provide a healthy and safe workplace for staff. During the Reporting Period, there was no material breach of laws and regulations pertaining to staff health and safety by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In connection with occupational health and safety, we have established a comprehensive occupational health and safety management system in firm adherence to the principle of "life above everything else", requiring all workshop production personnel to be uniformly equipped with protective gear. Production safety supervisors conduct periodic inspection and rectify in a timely manner any irregularities in safe production operation and incorrect use of labour safety gear. All plants are subject to fire safety inspection and organise fire drills and fire safety training in accordance with regulations to enhance staff awareness in safety and protection as well as their ability in self-rescue, with a view to fortifying the bottomline for safety protection. Moreover, the footwear factories of the Group are uniformly engaged in the use of non-toxic soluble adhesives which are safer in use to reduce the emission of toxic substances such as benzenes and aromatic amine in genuine protection of the occupational health and safety of employees.

In connection with the physical and psychological health of staff, we provide heartwarming health benefits. We have purchased supplementary medical insurance and life insurance for staff covering death by illness, death by accident, outpatient medical care, hospitalisation and maternity, among others, as well as employer's liability insurance for retail store staffers, with a view to providing multi-dimensional medical protection. Based on the gender and age of our staff, different categories of health check insurance are purchased to meet the differential needs of staff with varying health conditions.

In connection with protection against the COVID-19 pandemic, we have actively supported national and local government initiatives in the combat against the pandemic. The Group has organised propagation of anti-epidemic knowledge while providing sufficient supplies of protective tools such as face masks, hand-rub sanitisers, thermometers, disinfectants and disposable gloves. We carry out disinfection of office and public areas at an interval of 2 hours, while tweeting tips on psychological well-being to staff via online platforms to protect their health and safety.

Lost days due to work-related injuries in FY2022 (day)	Number of fatality caused by work-related injuries in the past three years (person)	Rate of fatality caused by work-related injuries in the past three years (%)
34.5	0	0

CARING FOR THE DAILY LIFE OF STAFF

In line with a "people-centric" philosophy, we provide a diverse range of staff benefits to enhance personal care. Moreover, we organise a rich variety of staff activities and encourage active staff participation to strengthen team identity, unity and solidarity.

Staff benefits

In gratitude to our staff for their dedication and hard work, we have provided them with a wide range of benefits on top of their salaries and wages, including a number of exclusive benefits such as internal purchase discounts, meal allowance, communication allowance, factory residence allowance, nursery allowance and daily necessities, among others. Moreover, we have built facilities such as the gym room, dance club and boxing club to encourage workout and exercise after office hours for a better work-leisure balance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Staff Gym Room at the Group

Festive greetings

We show thoughtful care for our staff. During traditional festivals such as Chinese New Year, Mid-Autumn Festival, Dragon Boat Festival, Children’s Day and Women’s Day, among others, the Group would prepare special festive gift packs for staff. We also organise visits to staff families, fine dining festivals and birthday celebrations, such that employees and their families would genuinely feel the warmth of being part of the Group as a big family.



Women’s Day Activity Hosted by the Group



Chinese New Year Festive Celebrations Hosted by Nanjing Subsidiary



Wuhan Subsidiary Prepares Chinese New Year Festive Gift packs for staff



Dalian Subsidiary Prepares Christmas Presents for Staff

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Mother's Day Activity at Tianjin Subsidiary



Women's Day Activity at Hangzhou Subsidiary

Joy of team-building

We advocate work-life balance for our employees and regularly organise a variety of team-building and outward-bound activities for them. In FY2022, we hosted team-building activities such as tug-of-war, skiing and skateboarding challenges, nourishing physical health and emotional delight for our staff and enhancing team coordination and interaction in a bid foster a greater sense of happiness and belonging on their part.



The Group's Sports Challenge at Shougang KAPPA Extreme Park Under the Theme of "Passion and Character"



Team-building at Shenzhen Subsidiary Under the Theme of "Regearing for the Future"

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Phenix Team-Building Skiing



Team-building at Harbin Subsidiary Under the Theme of "Setting Sail from Strength to Strength"

PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES

With a consistent strong emphasis on environmental protection, the Group has been actively optimising its environmental management policy and measures and effectively implementing energy-saving and emission reduction practices to alleviate the environmental impact of the Company's manufacturing, transportation and other operational segments, with a view to fulfilling environmental principles in a joint effort with its staff, suppliers and other partners along the value chain.

In rigorous compliance with the *Environmental Protection Law of the People's Republic of China*, *Energy Conservation Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, *Water Pollution Prevention and Control Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* and other pertinent laws and regulations, we have formulated systems pertaining to environmental protection such as *Shanghai Kappa Waste Sorting System* and *Shanghai Kappa Energy Conservation Management System*. Taking into account the Group's development objectives and business nature, we monitor the implementation of past environmental goals on a continuous basis and draw up practicable environmental goals, under the guidance of which environmental protection measures will be vigorously implemented.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental goals and progress of implementation

Category	Details	Progress in FY2022
Energy conservation goals	Since FY2021, 100% of the lightings at the Beijing office has been replaced with LED models As at the end of FY2022, all water heating equipment for daily use by staff at Taicang Factory were powered by solar energy.	Completed
	Starting from FY2022, Taicang Factory will gradually introduce variable frequency-based sewing machines and variable frequency-based overlocking machines	Amended and in progress ⁵
	Taicang Factory has planned to replace all lightings with LED models within three years starting from FY2022	Amended and in progress ⁶
Water conservation goals	Tai Cang Factory will reduce water consumption by 10% by FY2025 versus FY2019	In progress
	As at the end of FY2023, 100% of the faucets at the Beijing and Shanghai offices will have been replaced with water-saving models	Added during the current financial year, in progress
Waste reduction goals	Since FY2021, the Group has achieved 100% garbage sorting Taicang Factory has achieved 100% compliant sewage and exhaust gas discharge and zero environmental pollution incident Since FY2021, the Group has been purchasing FSC-certified eco-friendly paper for office use As at the end of FY2022, Tai Cang Factory had achieved 100% recycling of waste raw materials from production	Completed
	In FY2023, paper consumption at the Beijing office will be reduced by 10% compared to FY2022 through the application of online office system	Added during the current financial year, in progress
	By the end of FY2026, all shoe boxes and paper packaging materials purchased by the Group will have been FSC-certified	

CLIMATE CHANGE

We are highly concerned with climate change and we monitor related issues on an ongoing basis in active response to the national goals of “carbon peak and carbon neutrality”. We have identified the Group’s principal risks and opportunities relating to climate change and conducted analysis on the impact of each risk or opportunity on the Group’s future operation. Based on the potential impact of such risks and opportunities, we will consistently enhance management and implement various measures in active response to climate change. The climate change risks and opportunities to which the Group is subject include mainly acute physical risks, chronic physical risks, the risk of policy and legal changes and opportunities arising from market changes. The outcomes of our analysis are presented in the following table.

⁵ Tai Cang Factory had originally planned to introduce the general use of variable frequency-based sewing machines in FY2021. However, as the useful life of some of the equipment had yet to expire, we only replaced equipment of which useful life had expired for the sake of conserving resources. In FY2022, Tai Cang Factory replaced 550 variable frequency-based sewing machines and 24 variable frequency-based overlocking machines, accounting for 95% and 35%, respectively.

⁶ Tai Cang Factory had originally planned to achieve 100% LED light installation in FY2022. However, as the useful life of some of the fluorescent lamps in non-office areas had yet to expire, we only replaced fluorescent lamps of which useful life had expired for the sake of conserving resources. In FY2022, Tai Cang Factory had completed 100% replacement with LED lights in the office areas.

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Type of risk/ opportunity	Potential impact	Measures in response
Physical risks — acute	<p>Acute physical risks faced by the Group include but are not limited to drastic climatic conditions thunderstorm, flood, typhoon and extreme low temperature, among others. The Group’s major directly-operated plant are located in Jiangsu Province, a region along the eastern coast of China which is more susceptible to climate change. Meanwhile, the Group’s operational outlets and warehouses are located across various regions in China, which could be subject to a higher level of acute risks.</p> <p>Drastic climatic conditions may damage the power facilities, water supply facilities and production and operational equipment required by the Group’s production and operation and could increase its operating costs as a result. In the event of extreme climatic conditions, the Group may be required to suspend operation and production because of inclement weather and unable to distribute its product shipments according to normal schedules owing to the blockade of transport routes resulting in failure to deliver its orders on time, which will in turn undermine the Group’s revenue.</p>	<p>The Group will establish an extreme weather warning mechanism and formulate in stages the extreme weather emergency plan and administrative measures for business continuity, acquire professional emergency and first aid equipment and organise safety knowledge training and emergency drills.</p> <p>The Group will carry out inspection of equipment on a regular basis and identify and eliminate any safety hazards in a timely manner.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type of risk/ opportunity	Potential impact	Measures in response
Physical risks — chronic	<p>Chronic physical risks faced by the Group include but are not limited to rising sea level, rising average temperature, and increasing frequency and severity of extreme weather conditions, among others. Raw materials for the outfit, footwear and accessories manufactured and marketed by the Group are to a large extent dependent on natural fibres such as cotton. Therefore, the pattern of agricultural plantation and cost of agricultural produces are closely associated with the Group's operating costs and access to raw materials.</p> <p>Rising sea level caused by chronic climate change could shrink the size of arable land on a global basis, therefore reducing the volume of cotton production; rising average temperature could affect the growth cycle of cotton, thereby reducing the volume of cotton production; increasing frequency and severity of extreme weather could also affect the volume of cotton production. With the decrease in production volume, the unit price of cotton will go up, thereby increasing the Group's procurement cost.</p>	<p>The Group will continue to monitor climate changes and the frequency of extreme weather conditions in the lands of origin of its raw materials, as well as climate change conditions such as rising sea level, in order to identify in a timely manner any chronic physical risks that might affect the production volume of raw materials.</p> <p>We will prudently assess the climate change risks faced by suppliers and consider a diversified procurement strategy to reduce our dependence on any single supplier, thereby enhancing the stability of our raw material supply chain and reducing the risk of supply-chain disruption caused by climate change.</p> <p>We will also conduct optimisation estimates on the consumption of fabrics at the stage of fabric procurement and perform precision cutting at the stage of production to enhance the efficiency of fabric consumption in a comprehensive manner.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type of risk/ opportunity	Potential impact	Measures in response
Risks associated with the transitional period — policy and law	<p>The Chinese government is highly concerned with climate change and has continued to enhance relevant laws and regulations in terms of volume and their binding force, whilst setting the goals for “carbon peak and carbon neutrality”. Meanwhile, the stock exchange and other regulatory authorities have imposed more exacting requirements for the disclosure of climate-related information by listed companies, directing corporations to provide more complete, detailed and reliable disclosures of their initiatives to address climate change.</p> <p>The increasingly rigorous regulatory policy requires the Group to enhance its competence in climate change management, data statistics and information disclosure, presenting challenges to the Group in terms of sustainable operation and compliance in information disclosure relating to climate change which could increase the Group’s compliance cost.</p>	<p>The Group will closely monitor policies relating to climate change to determine the policy situation, conduct investigations on legal compliance relating to climate change on a regular basis and review compliance status of the Group’s relevant systems and practices, and will update the relevant systems in a timely manner as required under the laws and regulations.</p> <p>In view of increasingly rigorous requirements for information disclosure, the Group will enhance its knowledge and manpower in relation to climate change issues and strengthen staff training in association with external institutions to improve its ability to respond to policy changes regarding climate change. We have been actively involved in work relating to climate change, including participation in initiatives such as “30 • 60 Accelerating Carbon Neutrality for the Chinese Textile and Garment Industry”, “Sixth FIS International Footwear Innovation Summit” and “Eighth Footwear Materials Summit”, among others, to explore and roll out initiatives in carbon emission test and evaluation for the full life cycle of textile products.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type of risk/ opportunity	Potential impact	Measures in response
Opportunities — market changes	Increasingly, consumers have become aware of the severity of the issue of climate change and have switched their buying preference towards low-carbon products and eco-friendly enterprises. Therefore, the building of an eco-friendly brand image and the provision of more low-carbon and eco-friendly products to consumers could attract more consumers to become followers of our brand and could contribute to growth in the Group's revenue.	<p>The Group will enhance innovation and application of low-carbon products and give priority to low-carbon and eco-friendly products and services by introducing more applications of eco-friendly materials in its footwear and tee-shirt products, such as bio-based fibre and recycled polyester yarn, among others. The Group will also enhance its effort to promote low-carbon products and the low-carbon philosophy, in order to foster a positive brand image while actively undertaking responsibilities in carbon reduction.</p> <p>In addition, we will closely monitor changes in consumer preference and increase our effort in the R&D of innovative green products, in order to supply consumers with green products meeting their sporting preferences and needs.</p>

We closely monitor the trend of low-carbon development in the industry while actively participating in exchange activities in the industry relating to climate change in order to learn from outstanding cases and investigate sustainable and innovative measures to promote green development of the garment and textile industry.

In FY2022, the Group participated in the Sixth FIS International Footwear Innovation Summit and the Eighth Footwear Materials Summit to gain insights into the latest achievements of raw material suppliers in sustainability and join hands with other brands to explore further options in the promotion and use of low-carbon raw materials, as well as innovative means for solving bottlenecks in the application of technologies for the reduction of carbon emission.



Sixth FIS International Footwear Innovation Summit

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ENHANCING ENERGY CONSERVATION AND REDUCTION OF EMISSION

In persistent adherence to the “low-carbon” environmental principle, the Group has promoted green office and green production to reduce energy consumption and lower GHG emission. The Group has actively utilised clean energy such as solar energy and installed solar water heater at the Beijing office as well as solar power and air energy systems at Tai Cang Factory for the supply of hot water to staff. The Group encourages subsidiaries to conduct regular appraisals on staff performance in energy conservation and reducing consumption and give out titles such as “top department in energy conservation” and “outstanding employee in energy conservation” to advocate active implementation of low-carbon operation among employees. The impact of the Group’s operations on the environment and natural resources mainly comes through emissions and consumption of resources at the office buildings and Tai Cang Factory.

Management of energy conservation at offices

- **Energy conservation management of office equipment:** We have formulated *Shanghai Kappa Energy Conservation Management System* and other management measures for energy conservation and consumption reduction to regulate the management of power consumption and green office requirements and specified the officer in charge of energy conservation and an energy conservation inspection system. We have continued to optimise the operating hours and parameters of energy-consuming equipment, as the internal office automation (OA) system would remind staff to switch off the power of computers, copiers and drinking machines in a timely manner each Friday and prior to holidays, in order to reduce unnecessary power consumption, while also reducing the safety hazard of catching fire by ensuring that equipment are turned off and power supply is halted when no one is using the office. The Group will actively consider energy-saving models to phase out equipment requiring high energy consumption when it carries out conversion and upgrades of its infrastructure and equipment.



- **Energy conservation management of air-conditioning:** We have installed variable-frequency air-conditioners in office areas and exercised strict control over the starting temperature at not lower than 26°C in summer and not higher than 23°C in winter. We advocate the switching off of air-conditioners half an hour before the end of office hours to reduce energy consumption through air-conditioning. Prior to and before the end of the refrigeration season each year, we would carry out regular inspection and maintenance of the air-conditioners to ensure they operate at a low level of energy consumption.



- **Management of lightings:** We fully utilise natural light and give priority to natural lighting when the office areas are covered by sufficient light. LED lightings with low energy consumption levels are installed in the office areas and we actively call for “fewer lights for fewer people and no lights when no one is in the room”. At premises where the lighting requirement is lower, such as stairwells, corridors and washrooms in the office areas, sound-activated automatic switches are installed to prevent lights from being turned on for a prolonged period. Power supply at the Beijing office is automatically cut off at 8:30 p.m. each night to reduce power consumption caused by prolonged lighting at the office areas when not in use. Whenever staff is engaged in overtime work, we would supply power only to the building floors on which the overtime work takes place.



- **Low-carbon eco-friendly travel:** We exercise stringent management over the use of corporate vehicles and encourage our staff to commute and visit our stores via public transportation to reduce consumption of transport resources and carbon emissions generated by business traveling.

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Low-carbon storage and transportation

In collaboration with freight contractors who have obtained ISO14001 environmental management system accreditation, the Group uses new energy vehicles in place of fuel-powered ones for the transportation of its products in selected cities to lower carbon emission in the course of logistical transit. The Group also works with low-carbon warehouse parks that have installed rooftop or wall-mounted solar power systems and actively utilised clean energy to lower carbon emission along the value chain. The low-carbon warehouse parks that the Group cooperates with has a solar energy area of approximately 1,000 square metres and a total installed solar energy capacity of 160kW for an annual power generation of approximately 100,000 kWh.

Energy conservation management at stores

We have installed LED lights in our stores to reduce the use of main lights requiring large power output. We also reduce or adjust the flood lights according to lighting conditions to reduce power consumption. We have also installed variable-frequency air-conditioners in all stores to reduce energy consumption. After the close of business each day, the store staff would conduct careful inspection to ensure all electrical equipment are turned off.

Propagation of low-carbon awareness

On the annual Earth Day, we disseminated a poster to all staff via our internal OA system to promote energy conservation, reduction of emission and other eco-friendly green concepts to advocate low-carbon office and low-carbon living among staff.



Earth Day poster

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WATER CONSERVATION

We practice water conservation in daily operation and actively utilise reclaimed water in ongoing enhancement of our water resources management. Moreover, we are also engaged in water conservation in joint efforts with our partners along the value chain by leasing warehouse parks equipped with water conservation facilities.



- **Water conservation management in daily operation:** Water-conserving faucets are installed and water conservation marks are posted in washrooms. We encourage staff to follow the guidance of “turning off water supply when not in use”. Aged water supply pipes are being inspected and replaced on a regular basis. Daily maintenance and management of water-consuming equipment in office areas is enhanced to reduce wastage of water resources caused by damage in facilities. Our water supply is provided by the municipal fresh water pipe network, and our Group has not encountered any problem in obtaining suitable water sources.



- **Enhanced use of reclaimed water:** We encourage “multiple use of water” as reclaimed water is used for toilet flushing and cleaning at the Group’s Beijing office to reduce sewage discharge through active use of reclaimed water.



- **Water conservation management along the supply chain:** The Group leases from a warehouse park equipped with a rain water recycling system which reduces water consumption in the park to alleviate its impact on the environment.

WASTE REDUCTION INITIATIVES

We place a strong emphasis on the classified management and compliant disposal of waste, with a view to enhancing the utilisation rate of waste and obsolete materials and reducing waste generated from production and office activities. Hazardous wastes generated by the production operation of the Group include mainly ink boxes and toner cartridges of printing equipment, which are centrally handled by qualified third parties for disposal in compliance with relevant regulations.

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- **Waste reduction at production:** At the stage of product design and production, we maximise the use of raw materials to minimise the generation of waste fabric leftovers by making precise layout according to parameters provided by the fabric warehouse, such as tested width and shrink rate. At the stage of product distribution and transportation, we prioritise the use of reusable paper boxes to reduce wastage of wood products. At the stage of product recycling, we enhance the recycling of fabric and sample garment to advocate for the recycling of resources.



- **Waste reduction at office:** We have set up a used paper recycling area beside the printers to collect waste paper, waste courier document paper bags and paper boxes for recycled use by staff who need it. We purchase bottled drinking water on a centralised basis to minimise the number of waste bottles generated. We have replaced the personal waste bins at staff desks with a public waste sorting bin, at the side of which waste sorting requirements are displayed alongside a promotional poster to enhance management of waste sorting. Our Shanghai Office has formulated *Shanghai Kappa Waste Sorting System* according to *Shanghai Regulations for the Administration of Household Waste*, providing guidance to staff for the implementation of waste sorting requirement to enhance waste recycling. Electronic product components that are usable are reused to the extent practicable, while qualified third parties are engaged for the collection and disposal of electronic waste such as mice and computers.



- **Waste reduction at stores:** All clothes hangers used at the stores of the Group are certified under Global Recycling Standards (GRS) with reusable value. During the course of store renovation, the Group would centrally approve and purchase fitting materials that are compliant with environmental requirements and minimise the use of wall panel coating to reduce the impact of decoration and fitting materials on the environment. When a store is renovated and upgraded, our contractors would recycle reusable materials such as lightings and hangers to reduce undue consumption of resources.



- **Paperless office:** Starting from March 2023, the Group has fully implemented an online office system to further reduce wastage of resources and carbon emission caused by traditional office processes such as document printing, and transmission of paper-based documents through functions such as online editing and online approval of cloud documents. Through measures such as default printer setting for double-sided printing, smaller fonts in documents and printing invoices on a half-size paper, the use of printing consumables has been reduced.

GREEN PRODUCTS

With a strong emphasis on innovative R&D and production of low-carbon products, the Group has continued to mitigate the negative impact of its products on the environment and natural resources by increasing the use of eco-friendly materials and reducing the consumption of hazardous chemicals, thereby conveying the green spending principles to consumers and fostering the image of a responsible corporation.

We have continued to promote to footwear suppliers the factories the use of non-toxic, pollution-free and non-combustible soluble adhesives which were safer in use to reduce the emission of hazardous substances. We have increased the use of TPU (thermoplastic polyurethanes) in our footwear products. TPU is recyclable and reusable and does not produce waste such as escaped burrs and extruded waste glue, thereby effectively increasing the efficiency of the consumption of materials. We use degradable PU (polyurethane) materials in the production of insoles to reduce environmental pollution. Moreover, our shoeboxes are 100% made from eco-friendly and recyclable materials in an ongoing reduction of our environmental footprints. As at the end of the Reporting Period, the Group's Kappa brand has produced more than 200,000 pairs of footwear containing TPU and more than 60,000 pairs of footwear containing PU, accounting for approximately 22% and 6%, respectively, of the total quantity of its footwear orders.

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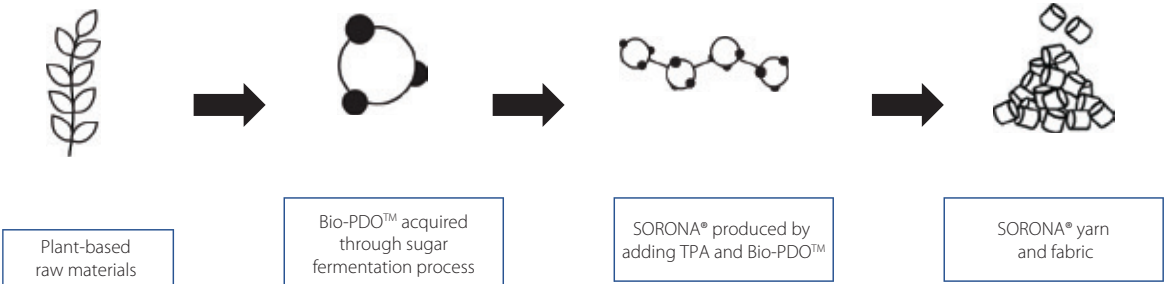
In active response to the call for eco-friendliness and green practices, we have increased the application of eco-friendly materials in our apparel products and utilised water repellent agent of C6 or C0 standards for woven fabrics to reduce the discharge of toxic chemical substances in the manufacturing process.

Some of the eco-friendly fabric used by the Group in its apparel products are set out as follows:

Fabric type	Characteristics	Application
Bio-based fiber — SORONA®	This fabric contains 37% plant-based renewable raw materials (plant-based starch sugar). Compared to traditional nylon fabric, the product manufacturing process of SORONA® could reduce consumption of petroleum resources by approximately 37%, energy consumption by 30% and greenhouse gas emission by 63%.	In FY2022, the Group sold 330,000 pieces of apparel products made with SORONA® fabric.
Recycled Polyester Yarn	This fabric is made by way of a physical processing technique, whereby waste PET plastic bottles are melt and made into PE chips before undergoing spinning and weaving, thereby effectively alleviating the burden on the ecological environment.	During the current financial year, the fabric has been extensively used in the Group’s apparel products, such as tee-shirt, hoodie, windbreaker, pants and down jacket, among others. As of the current financial year, all woven logos of the entire ALK PHENIX line made by the Group are made with recycled polyester yarn. For FY2022, the Group sold more than 70,000 apparel products containing recycled polyester yarn.
Smawarm® Insulation Cotton	Oyster shells are processed through a series of procedures and nanosized using Smawarm® technology and re-spun together with recycled eco bottles to form a natural material without additives which afford insulating, antistatic, anti-bacterial, anti-mildew, odour removing, quick drying and anti-UV properties whilst being eco-friendly.	During the current financial year, Smawarm® Insulation Cotton has been used in 20% of our PHENIX products.
PrimaLoft® Eco Cotton	Made from recycled plastics and recyclable, this insulating fabric is conducive to resource conservation and efficient utilisation.	In FY2022, PrimaLoft® Eco Cotton was used in the PHENIX SP27 Series.

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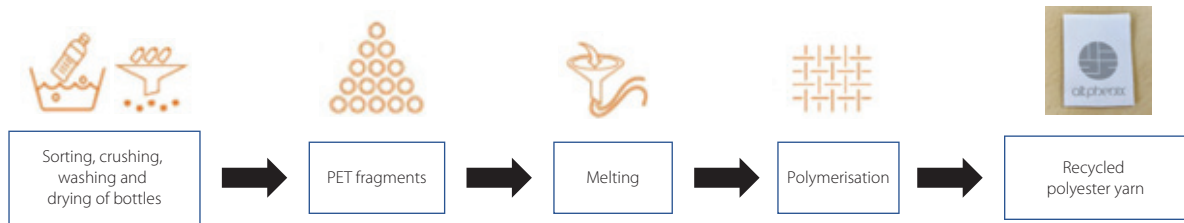
- Bio-based fiber — SORONA®:



Products containing SORONA® fabric

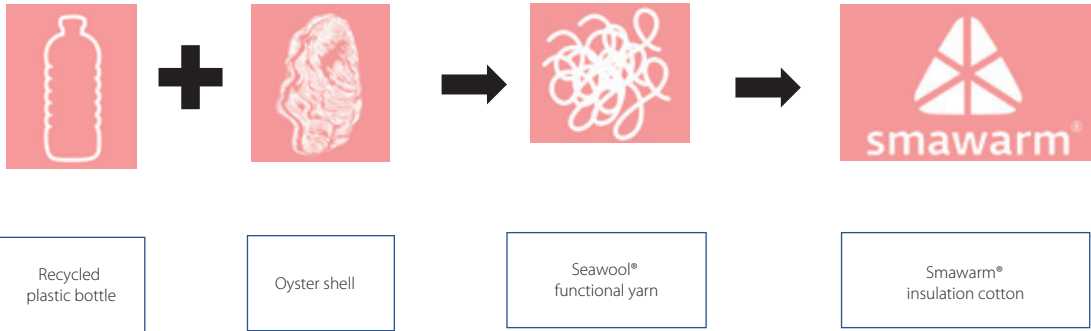
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- Recycled Polyester Yarn:



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- Smawarm® Insulation Cotton:



PHENIX PST Series outfit containing Smawarm® Insulation Cotton

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- PrimaLoft® Eco Cotton:



Recyclable
 Converting recycled plastic bottles into fibre



Reducing carbon emission
 PrimaLoft® patented regenerative manufacturing process has achieved 70% reduction in carbon emission



Procuring recycled use
 PrimaLoft® products are recyclable



PHENIX SP27 Series outfit containing PrimaLoft® Eco Cotton

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TABLE OF KEY ENVIRONMENTAL PERFORMANCE INDICATORS

Unless otherwise stated, scope of environmental statistics includes the data of the Group and its subsidiaries in China (excluding outlets).

Emissions

Indicator	FY2022	FY2021	FY2020
Total greenhouse gas emissions (scopes 1 and 2) ⁷ (in tonnes)	1,244.86	1,308.64	1,317.54
Direct emissions (scope 1) (in tonnes)	16.79	26.12	31.09
Petrol	12.63	20.04	23.00
Diesel	4.15	6.08	8.09
Indirect emissions (scope 2) (in tonnes)	1,228.07	1,282.51	1,286.45
Purchased electricity	1,228.07	1,282.51	1,286.45
Greenhouse gas emission intensity (in tonnes/person)	1.98	1.56	1.47
Greenhouse gas emission intensity (in tonnes/m ²)	0.05	0.06	0.06
Total hazardous wastes ⁸ (in tonnes)	0.12	0.13	0.23
Hazardous wastes per capita (in tonnes/person)	0.0002	0.0002	0.0003
Total non-hazardous wastes ⁹ (in tonnes)	54.05	28.56	55.93
Non-hazardous wastes per capita (in tonnes/person)	0.08	0.03	0.06

⁷ Due to its business nature, the significant air emissions of the Group are greenhouse gas emissions, arising mainly from the use of fuels and electricity generated from fossil fuels. The Group's greenhouse gas inventories encompass carbon dioxide, methane and nitrous oxide. Greenhouse gas accounting is presented in carbon dioxide equivalent in accordance with 2019 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the People's Republic of China and the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories issued by Intergovernmental Panel on Climate Change (IPCC).

⁸ Hazardous wastes involved in the Group operations primarily include waste toner cartridges and ink boxes.

⁹ Non-hazardous wastes involved in the operations of the Group primarily include office waste, leftover materials and waste electronic equipment. Office waste is disposed of collectively by property management companies, while leftover materials and waste electronic equipment approved for retirement are recycled and disposed of by recycling operators. During the financial year, the Group extended the scope of data on non-hazardous waste to be measured to include the Nanjing subsidiary. Meanwhile, Tai Cang Factory further improved and regulated its measurement of non-hazardous waste by expanding the categories of non-hazardous waste, including paper boxes, paper tubes, scrap cloth and waste wire, among others.

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Consumption of resources

Indicator	FY2022	FY2021	FY2020
Total energy consumption ¹⁰ (in MWh)	2,008.73	2,129.86	2,167.43
Direct energy (in MWh)	67.40	105.00	124.75
Petrol	51.60	81.87	93.97
Diesel	15.80	23.13	30.78
Indirect energy (in MWh)	1,941.33	2,024.86	2,042.68
Purchased electricity	1,941.33	2,024.86	2,042.68
Energy consumption per person in offices ¹¹ (in MWh/person)	1.82	1.44	1.35
Energy consumption per unit of area in office buildings ¹² (in MWh/m ²)	0.085	0.073	0.072
Energy consumption per unit of area in warehouses ¹³ (in MWh/m ²)	0.0077	0.0133	0.0075
Energy consumption per RMB million of revenue of Taicang Factory (in MWh/RMB million)	18.04	11.73	9.09
Water consumption ¹⁴ (in tonnes)	35,807.60	30,649.76	21,880.80
Water consumption per capita in offices (in tonnes/person)	19.93	16.11	7.86
Water consumption per RMB million of revenue of Taicang Factory (in tonnes/RMB million)	418.12	192.79	121.45
Total volume of packaging materials for finished goods ¹⁵ (in tonnes)	940.01	1,357.10	1,210.38
Consumption of packaging materials per RMB million of revenue ¹⁶ (in tonnes/RMB million)	0.56	0.91	0.61

¹⁰ Energy consumption data is calculated based on the consumption of electricity and fuel as well as the conversion factors provided by the General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2020), the national standards of the People's Republic of China. The electricity purchased externally excludes the data of the Harbin office, as the electricity fees of Harbin offices is included in the property management fees, hence electricity consumption cannot be calculated separately.

¹¹ Energy consumption per person in offices represents energy consumption per person in the offices of headquarters and subsidiaries.

¹² Energy consumption per unit of area in office buildings represents electricity consumption per square metre in the office buildings of headquarters and subsidiaries.

¹³ Energy consumption per unit of area in warehouses represents electricity consumption per square metre of the logistics department and in the warehouses of subsidiaries.

¹⁴ Water consumption includes tap water consumption of district offices in Beijing, Nanjing, Dalian, Wuhan and Kunming and Taicang Factory. Water tariffs of district offices in Shanghai, Harbin, Hangzhou, Tianjin, Shenzhen, Zhengzhou, Changsha are included in property management fees, hence the water consumption cannot be calculated separately. We have adjusted the factors for water consumption estimates according to the 2021 China Water Resources Bulletin published by the Ministry of Water Resources of the People's Republic of China in June 2022 and conducted estimates on water consumption by the rest of the Group's regional operations in FY2022.

¹⁵ Packaging materials for finished goods comprise mainly cartons, plastic bags and packaging paper purchased in the reporting period for the footwear supply chain, apparel supply chain, equipment supply chain and logistics distribution.

¹⁶ Packaging materials consumed per RMB million of revenue refer to the weight of packaging materials used by the Group in China for finished goods delivering revenue of one million RMB.

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APPENDIX: HKEX ESG GUIDANCE

Provisions, Major Subject Areas, Aspects, General Disclosures and KPIs		Section of disclosure or remarks
Mandatory disclosure requirement		
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses	ESG MANAGEMENT — OUR ESG GOVERNANCE STRUCTURE
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles (materiality, quantitative, consistency) in the preparation of the ESG report:	ABOUT THIS REPORT — REPORTING PRINCIPLES
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change	ABOUT THIS REPORT — REPORTING BOUNDARY
"Comply or explain" Provisions		
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES
KPI A1.1	The types of emissions and respective emissions data	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES — TABLE OF KEY ENVIRONMENTAL PERFORMANCE INDICATORS
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES — WASTE REDUCTION INITIATIVE
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES — WASTE REDUCTION INITIATIVE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Provisions, Major Subject Areas, Aspects, General Disclosures and KPIs

Section of disclosure or remarks

Aspect A2: Use of Resources

General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES
KPI A2.1	Direct and/or indirect energy consumption by type	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES — TABLE OF KEY ENVIRONMENTAL PERFORMANCE INDICATORS
KPI A2.2	Water consumption in total and intensity	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES — WATER CONSERVATION
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES — TABLE OF KEY ENVIRONMENTAL PERFORMANCE INDICATORS
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES

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Provisions, Major Subject Areas, Aspects, General Disclosures and KPIs		Section of disclosure or remarks
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	PROTECTING THE ENVIRONMENT AND UPHOLDING GREEN PRACTICES — CLIMATE CHANGE
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	
B · Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	CARE FOR AND CO-GROWTH WITH STAFF — COMPLIANCE AND EQUALITY IN EMPLOYMENT
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	CARE FOR AND CO-GROWTH WITH STAFF — DEFENDING HEALTH AND SAFETY
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	
KPI B2.2	Lost days due to work injury	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	CARE FOR AND CO-GROWTH WITH STAFF — CAREER DEVELOPMENT
KPI B3.1	The percentage of employees trained by gender and employee category	
KPI B3.2	The average training hours completed per employee by gender and employee category	

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Provisions, Major Subject Areas, Aspects, General Disclosures and KPIs		Section of disclosure or remarks
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	CARE FOR AND CO-GROWTH WITH STAFF — COMPLIANCE AND EQUALITY IN EMPLOYMENT
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	
KPI B4.2	Description of steps taken to eliminate such practices when discovered	
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	QUALITY PRODUCTS THROUGH WIN-WIN COLLABORATION — ENHANCING SUPPLY-CHAIN MANAGEMENT
KPI B5.1	Number of suppliers by geographical region	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	QUALITY PRODUCTS THROUGH WIN-WIN COLLABORATION — ENHANCING SUPPLY-CHAIN MANAGEMENT — Criteria for Supplier Admission
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	QUALITY PRODUCTS THROUGH WIN-WIN COLLABORATION — ENHANCING SUPPLY-CHAIN MANAGEMENT —
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Assessment of Suppliers

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Provisions, Major Subject Areas, Aspects, General Disclosures and KPIs**Section of disclosure or remarks****Aspect B6: Product Responsibility**

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	QUALITY PRODUCTS THROUGH WIN-WIN COLLABORATION SUSTAINABILITY THROUGH RESPONSIBLE OPERATIONS
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	QUALITY PRODUCTS THROUGH WIN-WIN COLLABORATION — OPTIMISING OUR PRODUCT QUALITY
KPI B6.2	Number of products and service related complaints received and how they are dealt with	SUSTAINABILITY THROUGH RESPONSIBLE OPERATIONS — PROTECTION OF CUSTOMERS' INTERESTS
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	SUSTAINABILITY THROUGH RESPONSIBLE OPERATIONS — RESPECT FOR INTELLECTUAL RIGHTS
KPI B6.4	Description of quality assurance process and recall procedures	QUALITY PRODUCTS THROUGH WIN-WIN COLLABORATION — OPTIMISING OUR PRODUCT QUALITY
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	SUSTAINABILITY THROUGH RESPONSIBLE OPERATIONS — PROTECTION OF CUSTOMERS' INTERESTS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Provisions, Major Subject Areas, Aspects, General Disclosures and KPIs		Section of disclosure or remarks
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	SUSTAINABILITY THROUGH RESPONSIBLE OPERATIONS — FIRM ADHERENCE TO BUSINESS ETHICS
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	
KPI B7.3	Description of anti-corruption training provided to directors and staff	
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	SUSTAINABILITY THROUGH RESPONSIBLE OPERATIONS — FOSTERING CARE FOR COMMUNITY
KPI B8.1	Focus areas of contribution	
KPI B8.2	Resources contributed to the focus area	Owing to the pandemic, the Group was engaged in fewer activities in community investment during FY2022. In future, we will continue to focus on community welfare initiatives as a means to reward the society.

China Dongxiang (Group) Co., Ltd. 中國動向(集團)有限公司

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