



XTEP INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

SEHK stock code: 1368

# 2019

ENVIRONMENTAL, SOCIAL  
AND GOVERNANCE REPORT



# ABOUT THIS REPORT

## REPORTING BOUNDARY AND GUIDELINES

This Environmental, Social and Governance Report (“ESG Report” or “this Report”) lays out an overview of the Environmental and Social policy and management approaches in the reporting period from 1 January to 31 December 2019. This Report is compiled in accordance with Appendix 27 Environmental, Social, and Governance Reporting Guide (“ESG Guide”) of Hong Kong Stock Exchange Listing Rules. This Report has been reviewed and endorsed by the Board of Directors.

The ESG policies and initiatives mentioned in this report cover mainly the Group’s operation in China (mainly concerning the Xtep brand), with the ESG data extracted from our internal record and statistics. With the majority of our retail stores (except for the eight Xtep Run Clubs) operated by our distributors, the reported ESG data cover the below five in-house manufacturing facilities of the Group only.

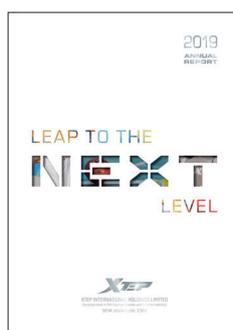


- Fujian Quanzhou main factory
- Fujian Jinjiang main factory
- Hunan factory
- Fujian Quanzhou Koling factory
- Anhui factory

Given the majority of the production capacity of the newly acquired brands such as K-Swiss and Palladium are outsourced, ESG data related to their manufacturing processes is not included in the ESG report. However, relevant ESG initiatives adopted by the two brands are included in the report.

## ABOUT XTEP

Xtep International Holdings Limited (SEHK stock code: 1368) is a leading multi-brand sportswear company listed on the Main Board of the Hong Kong Stock Exchange on 3 June 2008. The Group engages mainly in the design, development, manufacturing, sales, marketing and brand management of sports products, including footwear, apparel and accessories. Established since 2001, its own signature brand “Xtep” is a leading professional sports brand with an extensive distribution network of over 6,300 stores covering 31 provinces, autonomous regions and municipalities across the PRC and overseas. In 2019, the Group has further diversified its brand portfolio which now includes four internationally acclaimed brands, namely K-Swiss, Palladium, Saucony and Merrell.



A Snapshot of  
2019 Annual Report

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# CHAIRMAN'S MESSAGE

The year 2019 marked a new milestone for Xtep as we transformed into a global sportswear enterprise through the joint venture with Wolverine for Saucony and Merrell, and the acquisition of K-Swiss and Palladium. The multi-brand strategy not only serves as our new growth catalyst, but also allows us to better cater to the evolving needs of the consumers in their pursuit of a healthy and green lifestyle.

We are also committed to fulfilling our corporate responsibility in daily operation and delivering quality sportswear products to our customers. As a socially responsible corporation, we introduced various initiatives to minimize our impacts on the environment and society.

## DRIVING GREEN PRODUCT INNOVATION

Innovation lies at the heart of Xtep. We consistently seek to improve our product design and choice of material to manufacture products with high functionality while reducing their environmental impact. Over the past years, we have worked with global suppliers to source environmentally-friendly materials, introducing the X-Organic cotton and DuPont™ Sorona® fiber into our products. In 2019, we took a step further to launch new sports shoes using fabric made of recycled plastic bottles, which will be available in the market in 2020 under the core Xtep brand.

For our athleisure brand Palladium, we introduced the organic and recycled collections, which features shoes made of organic cotton and recycled plastic bottles with waterproofing function. The series received various international recognitions for their green innovation and we will continue to explore partnership opportunities to launch innovative and sustainable products.

DING SHUI PO  
Chairman



### PROMOTING HEALTHY LIFESTYLE AND SOCIAL DEVELOPMENT

Echoing the Chinese government's initiatives to enhance people's health and promote social wellbeing, we consistently sponsor various sports events across the country. In 2019, we continued to be the sportswear sponsor of the largest number of marathons and running events in Mainland China. We sponsored one marathon in Hanoi and 52 marathon and running events in Mainland China, including 36 major marathons, 10 "Xtep Penguin Runs", four "Campus Running Leagues", one "Xtep 321 Running Festival" and one "Xtep Miss Run", which attracted over 800,000 participants in the year. We also leveraged the Xtep Run Club platform to provide runners with one-stop running services to improve their running experience and to promote a more active lifestyle.

In addition to promoting an active lifestyle in the society, we also seek to contribute to the society through different charitable programs and donations. In 2019, we appointed Jeremy Lin as our spokesperson and charity ambassador to maximize our positive impact on the society. As Xtep's brand representative, he participated in various charity events and inspired youngsters to actively participate in sport. In 2020, we responded swiftly to the coronavirus outbreak and donated RMB20 million worth of winter outfits and highly breathable clothing to the medical crews in Hubei province. The winter outfit helped keep the medical professionals warm in the cold winter and the breathable clothing alleviated the discomfort of excessive sweating due to the thick layers of protecting gears.

### COLLABORATING WITH OUR SUPPLIERS

Currently a significant part of our manufacturing process is outsourced to external suppliers. As part of our commitment to uphold the highest standards of product quality, we continued to work closely with our suppliers to ensure that their ESG performance is aligned with the Group's requirements. We have established systematic supplier screening and review processes with comprehensive

assessment criteria covering quality, environmental and human rights compliance. Through regular performance assessment and on-site inspections, we ensure that our suppliers can deliver quality products while complying to relevant government regulations and other key human rights principles including the provision of a safe working environment to workers and the prevention of child and forced labor.

In 2019, we offered support to our outsource suppliers for the development of their individual quality control capabilities. Extensive quality assurance trainings were provided to over a thousand members from our suppliers, and 17 of them built their own certified laboratories with the support from Xtep.

### ACHIEVING A SUSTAINABLE FUTURE

With the continuous urbanization in Mainland China, people are paying more attention to achieving a healthier lifestyle and the impact they have on the society and the environment. We expect that such awareness will be further boosted by the increasing emphasis on personal health following the coronavirus outbreak. Riding on this trend, we will continue to support consumers to pursue a healthy and green lifestyle through our environmentally-friendly sportswear products offerings.

We will continue to enhance our innovation and R&D to provide more green and functional products to consumers, as well as to implement stringent monitoring on our suppliers' ESG performance and product quality. We will also continue to advocate the concept of "Sports for All" through different sports event sponsorships and contribute to the society through charitable events and donations. Internally, we will support our employees' career and personal development through comprehensive human resources initiatives and trainings which empower them to achieve their personal goals.

Looking forward, there are plenty more opportunities as well as challenges on our journey to a sustainable future. We are confident in bringing a positive impact to the society and environment through working closely with our stakeholders.

**Mr. Ding Shui Po**  
Chairman

# 2019 YEAR IN REVIEW

## 2019 FINANCIAL HIGHLIGHTS



Revenue

RMB **8,183** m ▲ **28**%



Operating profit

RMB **1,234** m ▲ **18**%



Profit attributable to ordinary equity holders

RMB **728** m ▲ **11**%



Net cash inflow from operating activities

RMB **778** m (2018: RMB **154** m)



Net cash and cash equivalents

RMB **2,132** m (2018: RMB **2,438** m)



Full year dividend per Share

HK **20.0** cents<sup>1</sup> (Payout ratio: **60.0**%)



<sup>1</sup> included an interim dividend of HK12.5 cents per Share and a proposed final dividend of HK7.5 cents per Share. The proposed final dividend per Share will be subject to the approval of shareholders at the forthcoming annual general meeting

Retail sell-through growth of core Xtep brand

▲ 20% +



Xtep branded stores in Mainland China and overseas as at 31 December 2019

6,379

▲ 149 in 2019



Under three categories

## Multi-brand strategy



# 2019 OPERATIONAL HIGHLIGHTS

## INVESTOR RELATIONS REPORT

To foster good corporate governance and build trust and confidence among investment community towards the Company, we are fully committed to transparent, accurate and timely communications with our shareholders, research analysts, investors and the public.

## Uphold Transparency and Timely Disclosure

To facilitate transparency and enable the investors to make informed investment decision, we announce our financial results twice a year followed by press conferences and analyst briefings immediately. We also publish voluntary announcements of our business performances quarterly. During the year, constitutional documents and financial reports are made available on the websites of Hong Kong Stock Exchange and the Company on a timely basis. Presentations and webcasts are also uploaded to our corporate website for public access.

### Multiple communication channels with investors and public:



### Effective Engagement with the Investment Community

To engage our investors effectively, our senior management and the investor relations team maintain two-way interactive dialog with investors through the participation in various meetings, conferences and non-

deal roadshows regularly. In order to enhance investors' understanding of the Company's operations, we proactively organized reverse roadshows to visit our Xiamen headquarters, running laboratory, Run Clubs and flagship stores with the investors.

#### Summary of analyst coverage and investor activities in 2019:



**25**

analysts covered the Company



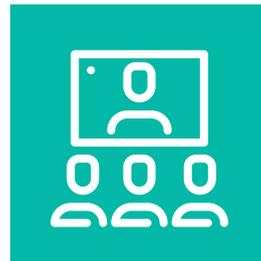
**23**

non-deal roadshows



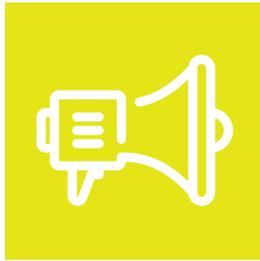
**437**

face-to-face meetings and conference calls



**11**

investor conferences



**4**

analyst briefings, annual general meeting and press conferences



**5**

reverse roadshows



Annual general meeting in May 2019



1H2019 interim results analyst briefing in August 2019

*Non-deal roadshows and investor conferences:*

Our non-deal roadshows and investor conferences participated in 2019 covered the cities where majority of the institutional investors are located.

**23**

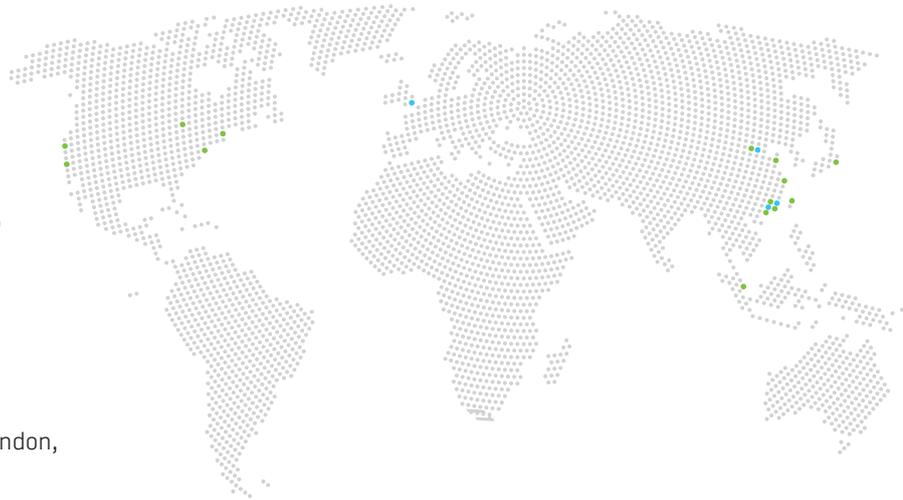
non-deal roadshows

covering Beijing, Boston, Chicago, Hong Kong, Los Angeles, New York, San Francisco, Shanghai, Shenzhen, Singapore, Taipei and Tokyo

**11**

investor conferences

covering Beijing, Hong Kong, London, Qingdao, Shenzhen and Zhuhai



*List of investor conferences attended during the year:*

Date	Event	Location
Jan 2019	Morgan Stanley China New Economy Summit	Beijing
Mar 2019	22nd Credit Suisse Asian Investment Conference	Hong Kong
May 2019	J.P. Morgan Global China Summit 2019	Beijing
May 2019	CLSA China Forum 2019 & Citic Securities Interim Capital Market Conference 2019	Qingdao
Jun 2019	Goldman Sachs Greater China Corporate Day	Hong Kong
Jun 2019	Credit Suisse 2019 HK/China Consumer Corporate Day	Hong Kong
Sep 2019	J.P. Morgan Asia Pacific CEO-CFO Conference 2019	London
Sep 2019	HSBC GEMs Investor Forum	London
Oct 2019	Guotai Junan Annual Capital Market Conference	Zhuhai
Nov 2019	10th Credit Suisse China Investment Conference	Shenzhen
Nov 2019	Daiwa Investment Conference Hong Kong 2019	Hong Kong

*Reverse roadshows:*

In 2019, we organized reverse roadshows for our analysts and investors to enhance their understanding of our Xiamen headquarters' operations, the first running

research laboratory in Mainland China and the new retail experiences in our Run Clubs and flagship stores.



Reverse roadshow to visit our headquarters' running laboratory in Xiamen in September 2019



Reverse roadshow to visit our stores with distributor in Changsha in July 2019

**Investor relations awards and recognitions in 2019:**

Our relentless effort over the past year was widely recognized by various industry awards.



**5th Investor Relations Awards**

- Best IR by Chairman/CEO — Small Cap
- Best IR by CFO — Small Cap
- Best IR Team — Small Cap
- Best IR Company — Small Cap

*Hong Kong Investor Relations Associations*



**2018 “Golden HK Stock” Poll**

- Best Value Award for Large Consumer and Service Companies

*Zhitong Finance and Hithink RoyalFlush Finance*

**7th Top 100 Hong Kong Listed Companies Selection**

- Top 10 Total Return

*Top 100 Hong Kong Listed Companies Research Center, Finet Group, People's Daily Online — HK*

**2nd China Excellent IR Awards**

- Best Leadership in Investor Relations

*Roadshow China*

Corporate awards and recognitions in 2019:



2018 Pioneering Unit  
Xiamen Red Cross Society



2017-2018 Caring Classroom Award  
Quanzhou Development Zone  
Experimental School



Charity Ambassador  
Cedar International Trust Jeremy Lin  
All-Star Game (2019)



2018 Outstanding Contribution Award  
China Foundation for Poverty Alleviation



2018 Social Responsibility Award  
China Next Generation Education  
Foundation



2019 Outstanding Unit for  
Humanitarian Aid and  
Poverty Alleviation  
China Foundation for Poverty  
Alleviation

## Information for Investors

### Share information

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Company name: Xtep International Holdings Limited  
Listing: Hong Kong Stock Exchange  
Stock code: 1368  
Listing date: 3 June 2008  
Board lot size: 500 shares  
Number of issued shares as at 31 December 2019:  
2,512,444,722  
Market capitalization as at 31 December 2019:  
HK\$10,401,521,149  
Index constituent:

- Hang Seng Global Composite Index
- Hang Seng Composite Index Series
- MSCI Emerging Market Small Cap Index
- MSCI All Country Far East Ex Japan Small Cap Index
- MSCI China Small Cap Index

Basic earnings per Share for 2019:

- Interim: RMB20.2 cents
- Final: RMB30.7 cents

Dividend per Share for 2019:

- Interim: HK12.5 cents
- Final: HK7.5 cents
- Full year total: HK20.0 cents

### Key dates for investors

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18 March 2020  
8 May 2020  
13 May 2020  
15 to 19 May 2020  
26 June 2020

2019 annual results announcement  
Annual general meeting  
Dividend Ex-entitlement for Shares  
Closure of the Register of Shareholders (both days inclusive)  
Proposed Payment of 2019 Final Dividend

### Registrar & Transfer Offices

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#### Cayman Islands Principal

Butterfield Fund Services (Cayman) Limited  
Butterfield House, 68 Fort Street, P.O. Box 705  
Grand Cayman KY1-1107, Cayman Islands

#### Hong Kong Branch

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17/F, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### Enquiries

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For information about the Group, please visit our corporate website:

[www.xtep.com.hk](http://www.xtep.com.hk)

or contact our Investor Relations and Corporate Communications Department:

Unit A, 27/F, Tower A  
Billion Centre, 1 Wang Kwong Road  
Kowloon Bay, Kowloon, Hong Kong  
Tel: (852) 2152 0333  
Fax: (852) 2153 0330  
Investors enquiries: [ir@xtep.com.hk](mailto:ir@xtep.com.hk)  
Media enquiries: [media@xtep.com.hk](mailto:media@xtep.com.hk)  
General enquiries: [general@xtep.com.hk](mailto:general@xtep.com.hk)

# OUR ESG APPROACH

## ENGAGING STAKEHOLDERS AND IDENTIFYING MATERIAL ISSUES

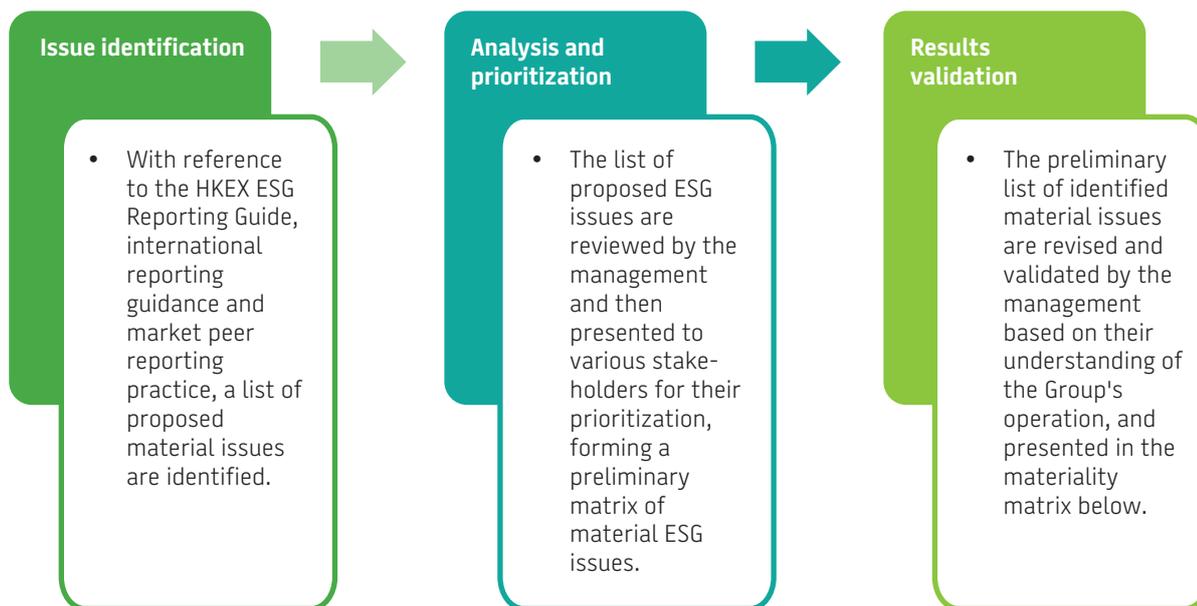
### Stakeholder Engagement

In today's rapidly changing business climate, stakeholders' input regarding the ESG issues is becoming critical to the Group to navigate through uncertainties and achieve long-term sustainable growth. Therefore, to better inform our ESG efforts, we maintain regular communication with our key stakeholders including investors, suppliers, staff, consumers and media through various channels.

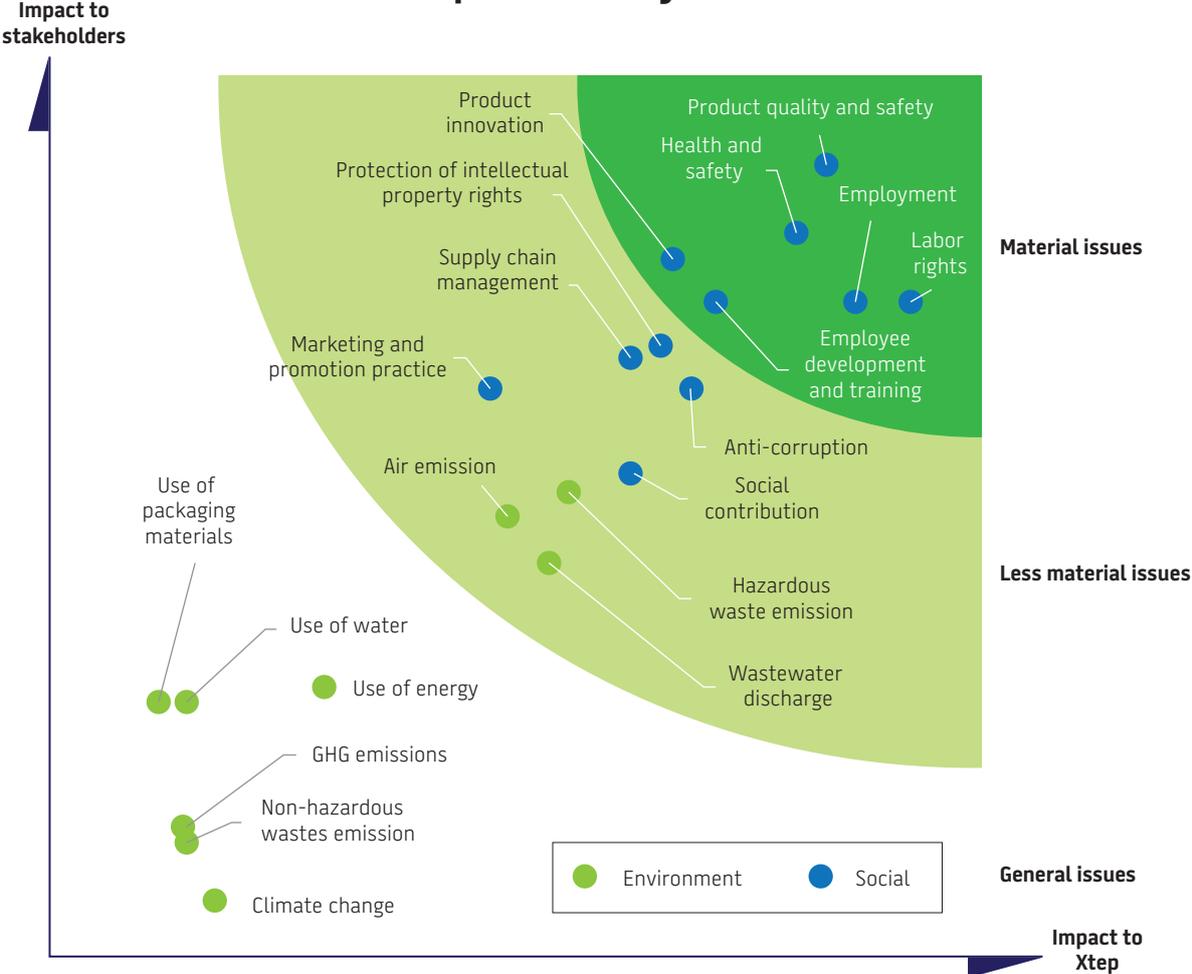
This year, we also engaged professional consultancy firm to perform a stakeholder engagement exercise. Through online surveys, we received feedback from a number of key internal and external stakeholders. Their input suggested what Xtep should focus on in managing and reporting its ESG impact and provided insights to our ESG management activities in the long run.

### Materiality Assessment

We revisited our list of material ESG issues and prioritized them to set out our strategic framework. The process of the materiality assessment is summarized as below:



### 2019 Xtep Materiality Matrix

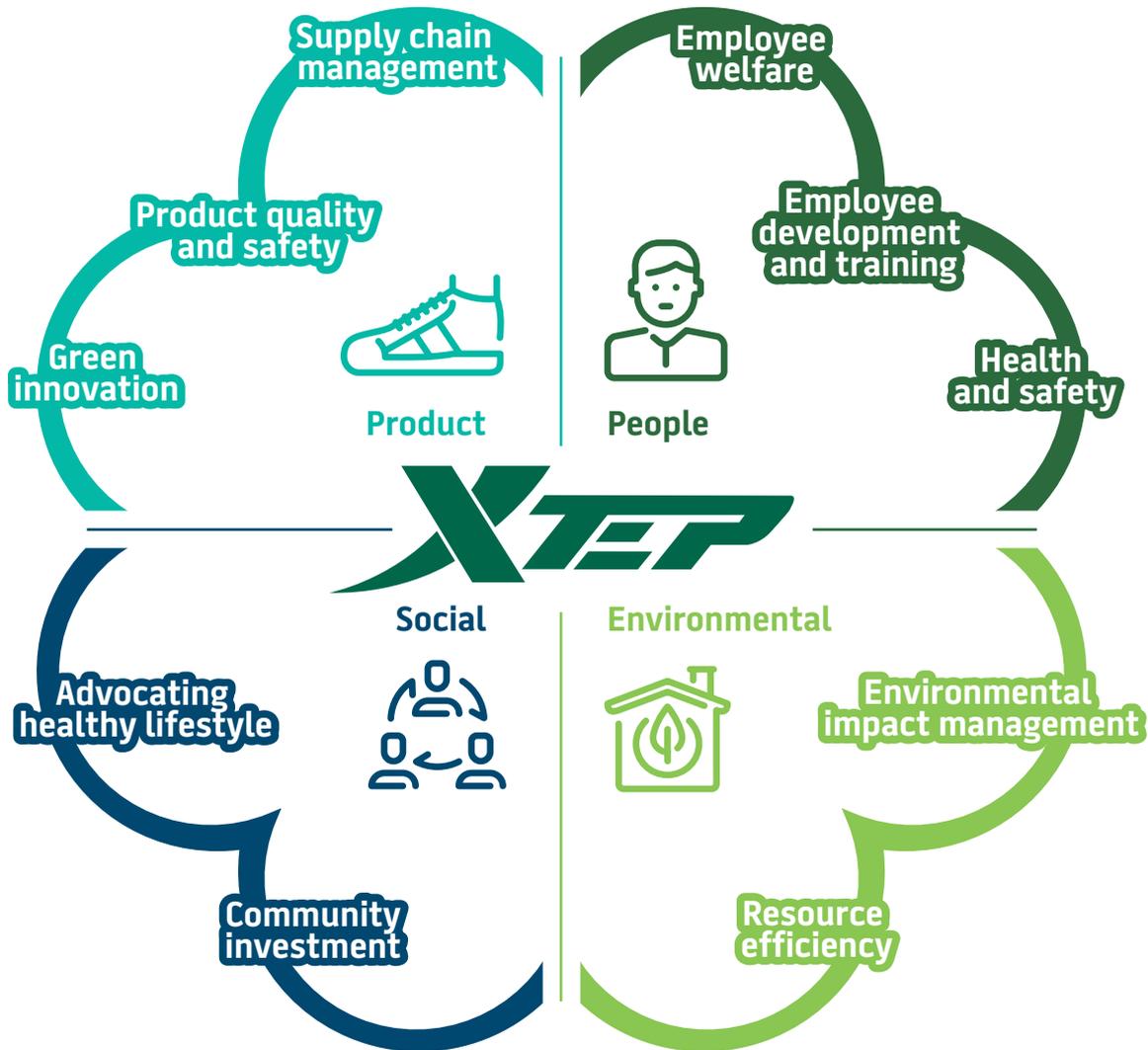


# OUR ESG FRAMEWORK

## OUR ESG FRAMEWORK

Considering the material ESG issues identified, this ESG report will be structured into four major topics, namely “Product quality and innovation”, “People empowerment

and development”, “Social advocacy” and “Environmental stewardship”. Through this categorization, we hope to systematically present the various ESG initiatives and performance of Xtep in 2019.



**Product Quality and Innovation**

We continue to improve and ensure our product quality to meet customer expectations and high industry standards. This year, our quality assurance team has provided extensive training to our top tier suppliers to build their quality assurance capabilities. We are also stepping up our efforts to embed ESG factors in product development, such as working with our suppliers in material sourcing to ensure eco-friendly materials are used. The new line of sports shoes manufactured using DuPont™ Tyvek® to be introduced in 2020 is a perfect example of achievement in this area.



**People Empowerment and Development**

The Group is committed to providing a safe and positive working environment to attract and retain the best talents. In 2019, we reviewed our Environment and Occupational Health and Safety Management System at our production facilities to strengthen health and safety standards and protection for our employees. We have also continuously promoted work-life balance by establishing new staff leisure facilities, set up new performance review system to enhance transparency in promotions, and provided targeted training such as the XMBA program to our employees.



**Social Advocacy**

We continued to sponsor the highest number of marathons for the fifth consecutive year. We also sponsored the National Fitness Competition to advocate a healthy lifestyle among the general public. As a socially responsible enterprise, we appointed Jeremy Lin as our Charity Ambassador to support our activities. In February 2020, we also supported the fight against the COVID-19 outbreak by donating RMB20 million worth of supplies to the medical crew in Hubei province. For 2019, the total charitable donations made by the Group amounted to approximately RMB54.3 million.



**Environmental Stewardship**

The Group continues to seek improvement in resource efficiency and environmental management across all our factories and premises. A photovoltaic system has been installed in our Hunan factory to reduce the need for purchased electricity, and all our lighting systems are now using LED modules to conserve energy. We have also been investing in the automation of our production line to enhance our production-related data management so that we could make more reliable forecasts for better resource planning.

## **PRODUCT QUALITY AND INNOVATION**

### **Ensuring Product Quality and Safety**

It is one of our goals to advocate healthy lifestyle in the society, and we achieve that by providing quality sportswear to support our customers in their daily activities. To deliver products of consistently high quality, we pay a significant amount of attention to quality control and adopt standardized operational procedures in line with ISO9001 Quality Management Standard in our productions.

### **Product and material quality assurance**

At Xtep, the quality assurance of raw materials and final products are managed by our in-house quality assurance team, who is responsible for the constant monitoring of manufacturing processes and internal quality control. The quality assurance team monitors both the quality of our own production and the quality of outsource suppliers by performing regular inspections on our major third-party suppliers' compliance to the Group's standards on product quality and safety.

We constantly review and update our internal quality control system to enhance our quality control capability. In the year, we reviewed several internal quality standards covering material testing, functional testing and manufacturing processes. To ensure that relevant employees have up-to-date understanding of the quality requirements, we provide training on the standard updates and invite government representatives to give seminars on the current national product standards.

We also actively assist our suppliers to build their own quality control capabilities. In 2019, the quality assurance team worked with our first- and second-tier suppliers to provide training on quality assurance for over a thousand members of the suppliers. We have also supported our suppliers in establishing their own testing laboratories, the first batch of 17 adult sportswear suppliers have built their own certified laboratories in the year. The supplier laboratories are assessed from time to time to ensure that the testings performed are on par with our standards.



**Leading industry standards**

As one of the leading sports brands in Mainland China, Xtep is actively participating in enhancing the product quality and safety standards of the industry. We serve as a regular member of the “Quality and Credibility Alliance” and formed close relationships with the China National Institution of Standardization Association for Quality and AOSIQ in promoting better quality management and product safety in China. We have also been actively contributing to the drafting and reviewing of different national and industry standards, and participated in various industry seminars to share our views on the latest quality control developments. In 2019, the enterprise standard of “Testing and evaluation for skin affinity of fabrics” jointly established by Xtep and the China Textile Engineering Society Industrial Research Institute was officially approved. This standard fills the industry gap in the evaluation of product skin affinity in Mainland China, providing industry peers with the basis for assessing the skin affinity of fabrics during product development.

**Handling consumer complaints and product defects**

While we produce and deliver high-quality products to our customers, there may still be cases of customer dissatisfaction and complaints. To ensure all cases are addressed in a timely and proper manner, a dedicated

“customer service” division affiliated with the Group’s quality management center is responsible for responding and handling any customer complaints and product return and recalls due to quality irregularity, according to relevant operational policy established by the Group.

Depending on the estimated amount of losses, we categorized the severity of product recalls into three different levels. For a major product recall, a comprehensive incident investigation will be completed by the quality management center within 15 working days and a “responsibility attribution report” shall be submitted to the senior management and human resources department. Once the persons responsible for the respective incidents are identified, they need to provide reasonable corrective measures for future prevention and improvement within 10 working days.

**Regulatory compliance**

During the Year, we were not aware of any material non-compliance with laws and regulations relating to product responsibility matters.



**Green Innovation**

To stay ahead of competition and satisfy consumer demand, it is necessary that we constantly bring innovation into our products. While we continued to work with global partners such as Dow Chemical Company and 3M to introduce new functional materials and designs into our products, we have also been incorporating ESG considerations into the development of new products.

During the process of product development, we consider the environmental impact of the products from the sourcing of raw material and the manufacturing process, to the presentation of the final product.

We have been including environmental-friendly materials such as the X-Organic cotton and DuPont™ Sorona® fiber (a lightweight, soft and elastic material made in part with renewable plant-based material) into our sportswear products. In addition to the existing green materials, we are working on using different proprietary materials with lower environmental impact for our products. A notable example is Tyvek®, a 100% recyclable paper-like

lightweight material that combines the performance of paper and fabrics. New sneakers made of this material were launched in 2020.



TYVEK® DuPont Functional Shoes

Furthermore, we have also looked into the possibility of using recycled plastics for shoe manufacturing and are planning to introduce new sports shoes using fabrics made with recycled plastic bottles in 2020. Certified to the Global Recycled Standard, this new material reduces the use of virgin plastics and the production process itself will be energy efficient. The process of creating the recycled fabric is simplified as below:



**Palladium Sustainable Collections**

The Palladium organic collection was a sustainable product series launched by the brand in response to the environmental issues caused by man-made wastes. The series makes use of organic fabrics, biodegradable shoelace tips and recycled plastic blends to provide customers with sustainable alternatives to their wardrobes. The recycled collection that features shoes made of recycled plastic bottles with waterproofing function has also received various internationally recognized certifications.



Organic collection



Recycled collection

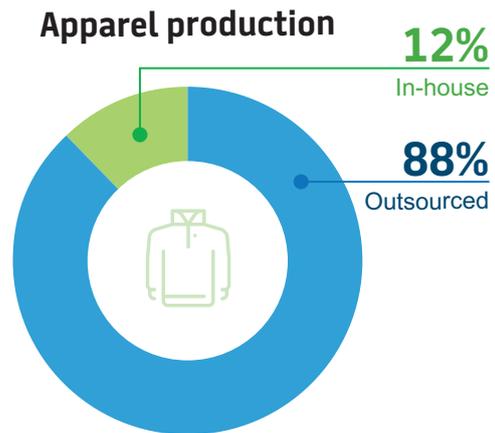
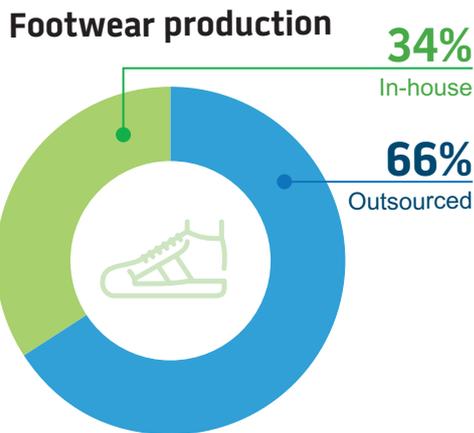
As consumers are becoming more aware of the environmental impact of the products they purchase, we expect that environmentally-friendly materials will be one of the major market directions in the long run. We will continue to invest in the research and development of green, innovative materials for different products.

**Working with Our Suppliers**

Suppliers are a crucial part of the Group’s overall production capacity, as over 66% of our footwear and 88% of our apparel manufacturing are outsourced to different suppliers. To ensure that our suppliers can satisfy our procurement requirements while aligning with the Group’s ESG standards, we have established detailed policies and supplier assessment processes to manage our suppliers. Depending on the product the suppliers deliver (apparel or shoes), we have dedicated teams responsible for monitoring their performances against our requirements with respect to product type.

**Supplier assessment**

When we consider collaborating with a new supplier, we perform a thorough assessment of their capability and performance before accepting them as a qualified supplier of the Group. As the first step, we would perform an initial screening on suppliers’ compliances and certifications regarding quality, environmental and human rights issues. Suppliers who pass the initial screening are then subject to an on-site assessment where only suppliers with a score of 60 or above can be introduced to our list of qualified suppliers and collaborate with the Group. Suppliers’ performance assessment includes research and development capability, quality management, production management, and their environmental and human rights compliance status. We look into environmental issues such as the proper storage of chemicals on-site, and will also assess if there are adequate health and safety provisions such as personal protection equipment. We are particularly concerned about the human rights performance of the suppliers, and any incident of child labor identified will directly result in failure of the supplier assessment.



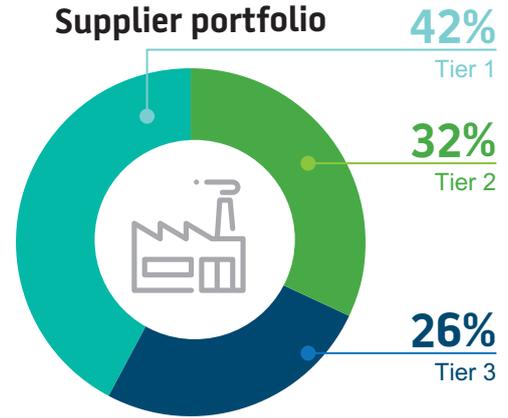
**Supplier Code of Conduct**

Currently we engage a total of 190 suppliers. All of them are required to comply with our Supplier Code of Conduct which outlines different requirements we have regarding a supplier’s capability, product quality, compliance and qualifications. Besides the regular requirements on quality, the Code also concerns the environmental and social performance and responsibilities of suppliers, and list out our requirements on topics including environmental compliance, labor standards, employee welfare and human rights. Compliance with the Code of Conduct is a prerequisite for suppliers to enter into contracts with us, and continued observance of the Code is a must during our collaboration.

**Regular evaluation and monitoring**

Every year, we conduct thorough assessment of existing suppliers concerning their performance, which includes environmental and social aspects. Such elements make up 10% of the total assessment rating, concerning issues ranging from occupational health and safety measures, environmental compliance, management of hazardous chemicals and human right violations. Every quarter, our procurement, legal and human resources department would also perform assessments on the suppliers’ compliance with the Code. Any violation of the Code will be handled in accordance with our internal policies and guidelines, which may lead to warnings or fines for minor violations and disqualification of suppliers for major violations. In addition to our quarterly assessments, suppliers are also subject to the supervision of the local government departments including the Ecology and Environment Bureau and the Human Resources and Social Security Bureau. We would refer to the assessment reports of the local governmental departments on the human rights and environmental performance of suppliers, and take action when violations are observed.

**Supplier portfolio**



- Tier 1: Direct supplier of finished products
- Tier 2: Suppliers providing materials to Xtep or Tier 1 suppliers
- Tier 3: Suppliers providing basic materials or special processes to Tier 1 and 2 suppliers



Xtep's Anhui factory



Xtep's Fujian Quanzhou main factory

## PEOPLE EMPOWERMENT AND DEVELOPMENT

### Promoting Occupational Health and Safety

It is a fundamental right for employees to work in a safe environment. Therefore, we have set up an OHSAS18001 and ISO14001-certified Environment and Occupational Health and Safety Management System certified to systematically manage the health and safety-related matters at our facilities. In line with the standards and relevant laws and regulations, a comprehensive set of manuals are in place to provide necessary guidance on the safety procedures and processes at work.

In order to minimize safety risk, we identify the possible source of safety hazards in the manufacturing facilities and manage such potential hazards through the setup of management targets, standard procedures and emergency response plans. Regularly, we conduct a review of the operation of our Environment and Occupational Health and Safety Management System to assess the effectiveness of the preventive measures and whether corrective measures are properly executed. In May 2019, we finished the annual review of the Management System with no major issues identified.

Based on the work nature of different employees, we provide suitable protective equipment and provide employees with relevant safety training before commencing work. A safety officer is present at each shift to inspect whether frontline workers are following the safety procedures in the manufacturing process. As a routine reminder, all workers would receive a safety briefing before the start of each shift, followed by a summary session after the shift to sum up any safety issues observed during the shift. The safety training allows employees to understand the potential risks of their work, raising their safety awareness and preventing the occurrence of accidents.

To provide comprehensive protection for our employees, we offer free annual health check ups for our employees and conduct different emergency drills from time to time to improve the health and life safety awareness of our employees.

During the year, we were not aware of any material non-compliance with laws and regulations related to occupational health and safety. Among the seventeen injuries that happened in the year, majority of them were fall incidents or machinery-related minor injuries, with some cases of commuting accident that happened on employees' way home after work. All cases were reported to the local authorities for occupational injury assessment and follow-up actions.

### Occupational Health and Safety Statistics<sup>1</sup> in 2019



**0** Number of Work-Related Fatalities



**17** Number of Work-Related Injuries



**131** Lost Day Due to Work-Related Injuries

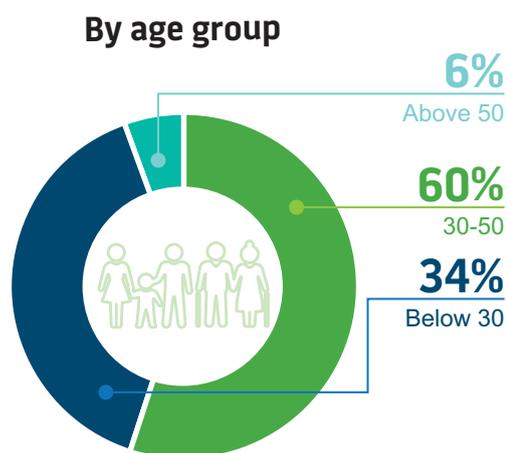
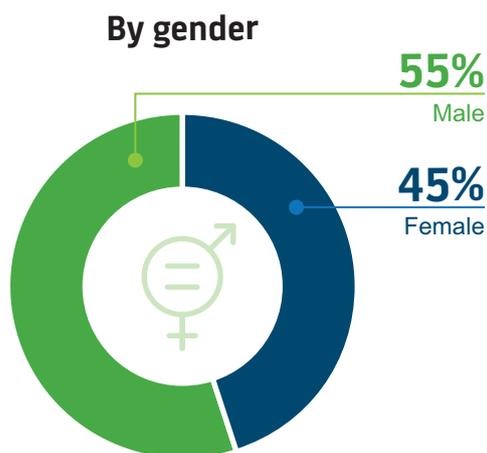
<sup>1</sup> Work-related injuries reported refer to cases reported to the local Bureau for Human Resources and Social Security for an occupational injury assessment, where the lost day figure reported is the aggregate of the work-related injury leave periods suggested by the assessments.

**Employment and Labor Standards**

**Employee structure**

As at 31 December 2019, we have approximately 8,500 employees (31 December 2018: approximately 8,500

employees), with the breakdown by gender and age group shown below. During the reporting period, we were not aware of any material non-compliance relating to employment.



**Employment and promotion**

Employees are one of the key drivers of the Group’s long-term success, and we strive to attract and retain the best talents with comprehensive benefit package and enjoyable working environment.

In the recruitment and employment of staff, we abide by relevant laws and regulations including the “Labor Law of the People’s Republic of China” and the “Labor Contract Law of the People’s Republic of China”. We support diversity and is committed to promoting equal opportunities of all employees in relation to personnel matters including recruitment, training, promotion opportunities, benefits, transfer and dismissal, etc. We ensure that employees are not discriminated or harassed against their race, age, sex, marital status, religion or belief.

To retain and motivate talent, we provide competitive remuneration to our employees that is significantly higher than the minimum wage level. We have established a comprehensive Performance Management System to review employee performance and inform promotion and wage adjustment decisions. Under the System, employees discuss with their supervisors regarding their work performance at regular intervals. The appraisal results will be documented by the Human Resources department, determining whether the employee is eligible for promotion or wage level review.

**Welfare and leisure**

Employees are also entitled to statutory benefits including social insurance, and paid holidays including statutory holidays, annual leave, maternity leave, paternity leave and sick leave. In addition, we also provide eligible employees with different corporate benefits and subsidies, such as daily meals, transportation subsidy, accommodation subsidy and free annual medical check-ups.

At the living quarters of our facilities, we provide a full package of living necessities to our workers, for example, dining facilities, dormitories, sports centers and other leisure areas to improve their living standards. At our cafeteria, we consistently introduce new cuisines and beverage options to provide more choices for our staff. On specific days, our management would prepare and serve meals to our staff as an encouragement, providing more chances for our management to interact with employees of different levels.

We encourage our staff to develop a healthy living style. As a brand famous for its running gear, Xtep particularly seeks to cultivate a “running culture” within the Group. We organize various running events and employee jogging groups to promote a healthy and joyful running culture within the Group. In May 2019, we held a sports competition at our main factory to give our workers the chance to experience the joy of exercise.

We also promote work-life balance through the organization of various leisure activities for different staff interest groups. From time to time, we organize departmental trips and visits to broaden the horizon of employees and cultivate the team spirit within departments. We also hold celebration activities for different festivals and organize monthly birthday parties. In the year, we transformed one level of the factory at our Quanzhou Headquarters to a new “Staff Activity Center” with different leisure facilities for our staff to enjoy.



Xtep's Fujian Quanzhou main factory living quarters

**Protecting labor rights**

The Group respects the rights of our employees and strictly prohibits the employment of forced labor and child labor. Complying with international labor standards and the PRC government's “Provision on the Prohibition of Using Child Labor”, we do not employ workers under the age of 16. We also protect the labor rights of our workers and prohibit any form of forced labor within our Group. Employees are entitled to work in an environment with dignity, with the freedom to express their opinions and rest and leave days provided in accordance with relevant government laws and regulations. To allow our employees to have a proper work-life balance and to minimize the potential health and safety risks, we expect only day shifts from our employees and we ensure our employees have a normal rest schedule during peak production season.

During the reporting period, we were not aware of any material non-compliance relating to child or forced labor.

**Anti-corruption**

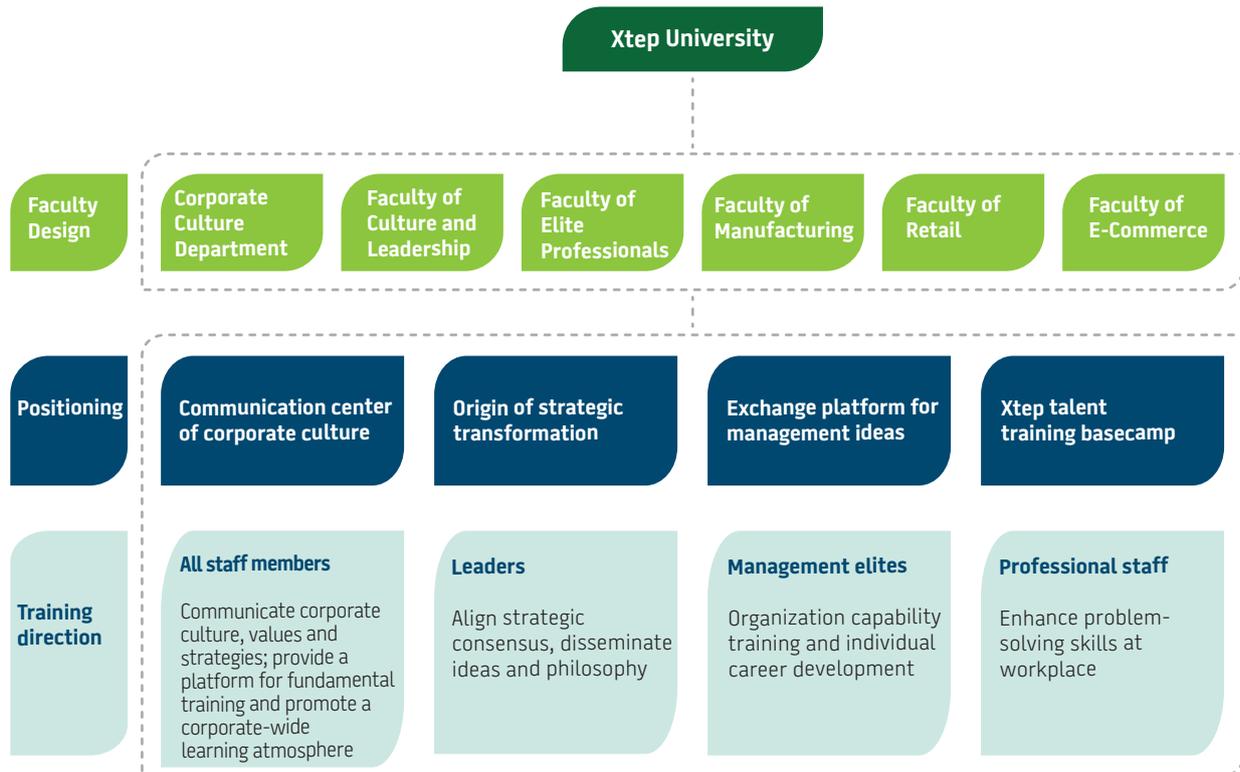
We have high expectation in our employees' conduct. We communicate to them our zero tolerance towards any bribery, extortion, fraud or money laundering whether in dealing with public officials or individuals in the private sector. The conduct of our employees is guided by the “Anti-fraud complaints reporting management system” and the “Code of integrity”, which details our anti-corruption requirements with reference to relevant national policies such as the “Basic Norms for Internal Control” and “Guidelines for Application of Enterprise Internal Controls” released by the Chinese government.

A specific whistle-blowing policy is in place to allow employees, business partners and other relevant stakeholders to report illegal or non-compliant activities involving the Group to the risk management and internal audit department and the Audit Committee confidentially. The identity of the whistle-blower and the relevant records of the whistle-blowing are treated with the strictest confidentiality to prevent possible retaliation.

In 2019, we were not aware of any material non-compliance with laws and regulations relating to anti-corruption happening during the year.

### Employee Training and Development

The continuous learning and development of our employees help enhance the core competencies of the Group, and currently our development and training efforts are managed and delivered through our in-house training and development function, the Xtep University.



Xtep University is committed to building an equal, friendly and open atmosphere in the hope of accompanying members of Xtep to grow with love, sincerity and professionalism. It covers a total of five faculties and one department to provide training for employees at all levels to meet their basic training needs. At the corporate level, Xtep University collaborates with the Human Resources Department to assess the training needs within the organization. Based on the identified training needs, training plans will be formulated and implemented. Functional departments can also raise specific training needs to Xtep University, or arrange their own tailored training. The Corporate Culture Department is mainly responsible for promoting corporate values, organizing and promoting corporate cultural activities.



Key programs:

## Talent echelon building



Program name	Target audience	Program objective
“Dear Youth” — Xtep Management Trainee Program	Management trainees	Targeting university fresh graduates, the program seeks to meet the company’s need for a strategic talent reserve through systematic training including on-the-job training and job rotation to cultivate core echelon talents with professional techniques and systematic management skills.
“Dream+” Training	Sales employees	Through audition, training and on-the-job coaching for outstanding sales talents to build an elite sales management team for Xtep and enable internal talent development.

## Leadership and management skills development



Program name	Target audience	Program objective
Xtep Lecture Hall	Senior management	Disseminate corporate strategies and decode the strategic drivers to facilitate the implementation of the Group’s strategies; share latest industry trends and concepts to provide senior management with new ideas and expand their horizon.
Leadership Program for Middle to Senior Management	Middle to senior management	Assist core management talents to expand their horizons, master cutting-edge industry trends, enhance their strategy and transformation management capabilities through topic-specific training that are closely connected with the corporate strategies and joint courses offered together with relevant universities.
Junior to Middle Management Training	Junior to middle management	Through programs such as “New Engine”, “Acceleration”, “Forerunner” that are designed for management of different levels to improve management efficiency and participants’ management skills and competence according to the Leadership Quality Model for middle-to junior-level managers.

## Professional skills enhancement



Program name	Target audience	Program objective
Corporate-wide quality culture training series	All employees	Reinforce the sense of “everyone is responsible for quality” and “quality comes first” to form a quality management culture that involves all employees in the whole process and strengthen the quality management across the value chain to ensure a healthy business growth.

### 2019 XMBA Program

XMBA is an advanced career development program jointly offered by Xtep and Xiamen University for managerial members of the Group. Aligning with the Group's strategy, the program nurtures middle to high-level management members to support the company's development in the long run.

The second phase of the program commenced in 2019, with 70 high caliber employees with high development potential selected as participants. During the two-year period, they will attend a series of lectures, field trips and seminars comprising of four major learning modules and eleven core courses.

Through the combination of knowledge transfer and corporate management practice, we seek to assist the middle- and high-level managers in building their management skills, understand the core functions of the Group and gain in-depth understanding of our corporate strategies.



## SOCIAL ADVOCACY

### Advocating a Healthy Lifestyle

As Chinese runners' favorite brand, Xtep advocates active lifestyle in the society and promote the importance of exercise to the general public. Throughout the years, we have been promoting participation in running and other mass sports events, some with low entry requirements to get people involved despite their differences in experiences.

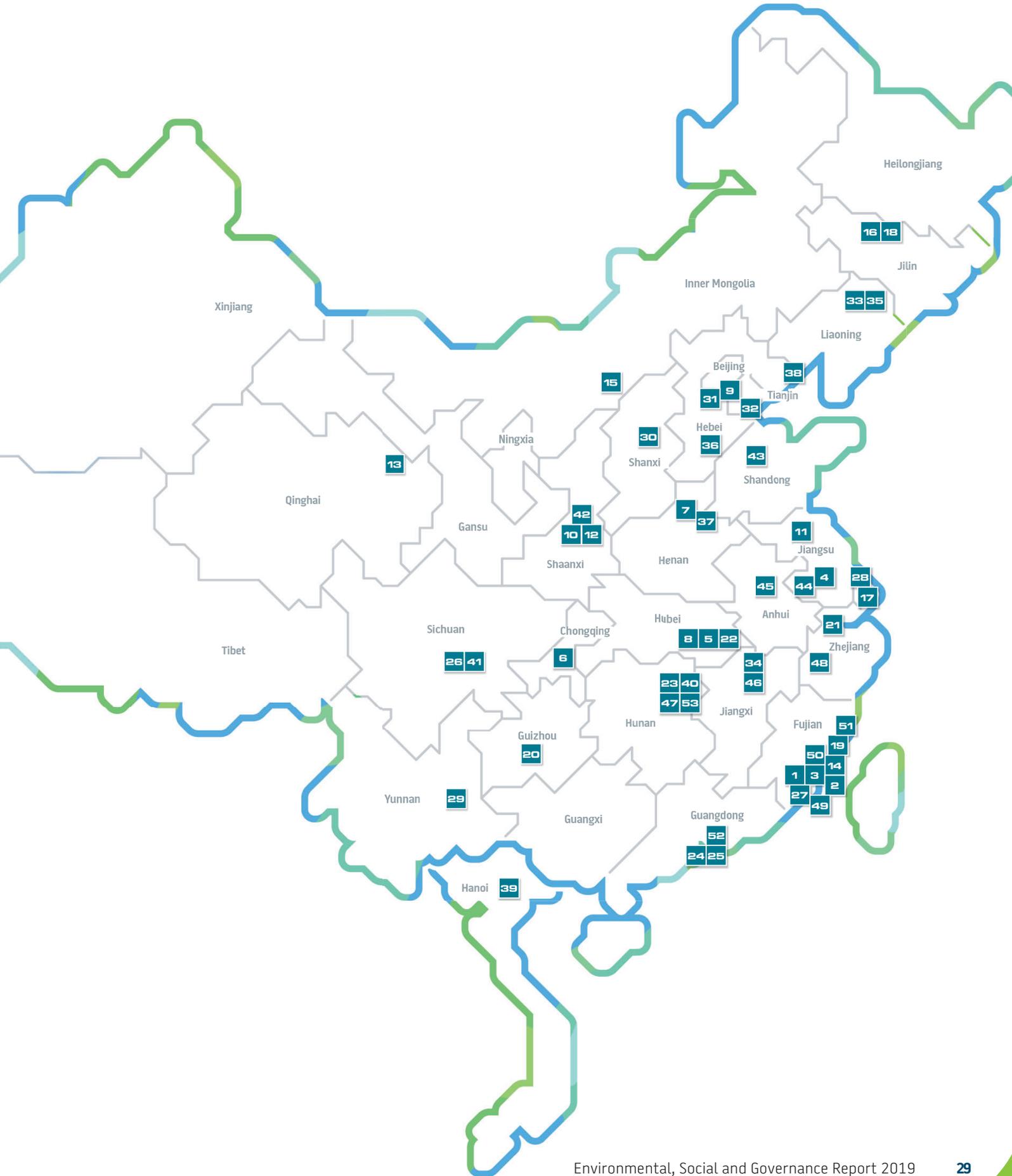
### Marathon sponsorships

Running remains the unique identity of the Xtep brand compared to our domestic peers, and we continued to be the sportswear sponsor of the highest number of

marathons in Mainland China for the fifth consecutive year. In 2019, we sponsored one marathon in Hanoi and 52 marathon and running events in Mainland China, including 36 major marathons, 10 "Xtep Penguin Runs", four "Campus Running Leagues", one "Xtep 321 Running Festival" and one "Xtep Miss Run". The number of total participants reached over 800,000. We continued to be the official partner recognized by the Chinese Athletic Association for "Run China", as well as the title sponsor of "Xtep Penguin Run" hosted by Tencent Sports. These marathons and running events were particularly productive in connecting us with different target audiences, such as professional runners, young athletes and the mass market.

## LIST OF MARATHONS AND RUNNING EVENTS SPONSORSHIPS:

<b>1</b>	Xiamen Marathon (January 2019)	<b>27</b>	Xtep Penguin Run-Xiamen (August 2019)
<b>2</b>	Jinmen Marathon (February 2019)	<b>28</b>	Xtep Penguin Run-Suzhou (August 2019)
<b>3</b>	Xtep 321 Running Festival (March 2019)	<b>29</b>	Xtep Penguin Run-Kunming (September 2019)
<b>4</b>	Nanjing Pukou International Women's Half Marathon and National Women's Half Marathon Championships (March 2019)	<b>30</b>	Taiyuan International Marathon (September 2019)
<b>5</b>	Wuhan East Lake Sakura Campus Half Marathon and Running Carnival (March 2019)	<b>31</b>	Xiong'an Marathon (September 2019)
<b>6</b>	Chongqing Marathon (March 2019)	<b>32</b>	Campus Running League-Nankai University (September 2019)
<b>7</b>	China ZhengKai International Marathon (March 2019)	<b>33</b>	Shenyang International Marathon (September 2019)
<b>8</b>	Wuhan Marathon (April 2019)	<b>34</b>	Lushan International Mountain Half Marathon (September 2019)
<b>9</b>	Beijing International Running Festival and Beijing Half Marathon (April 2019)	<b>35</b>	Liaoning Fengcheng Marathon (September 2019)
<b>10</b>	Xi'an City Wall International Half Marathon (April 2019)	<b>36</b>	Hengshui Lake International Marathon (September 2019)
<b>11</b>	Yangzhou Jianzhen Half Marathon (April 2019)	<b>37</b>	Zhengzhou Marathon (October 2019)
<b>12</b>	Chang'an University City International Half Marathon (May 2019)	<b>38</b>	Qinhuangdao World First Pass · Great Wall International Marathon (October 2019)
<b>13</b>	Campus Running League-Qinghai University (May 2019)	<b>39</b>	Hanoi Marathon Heritage Race (October 2019)
<b>14</b>	Campus Running League-Xiamen University (May 2019)	<b>40</b>	Changsha International Marathon (October 2019)
<b>15</b>	Hohhot Marathon (May 2019)	<b>41</b>	Chengdu Marathon (October 2019)
<b>16</b>	Changchun International Marathon (May 2019)	<b>42</b>	Xi'an Women's Half Marathon (October 2019)
<b>17</b>	Xtep Penguin Run-Shanghai (June 2019)	<b>43</b>	Quancheng (Jinan) Marathon (November 2019)
<b>18</b>	Campus Running League-Jilin University (June 2019)	<b>44</b>	Nanjing Marathon (November 2019)
<b>19</b>	The first Chinese Police Officers' Half Marathon (Jinjiang) (June 2019)	<b>45</b>	Hefei International Marathon (November 2019)
<b>20</b>	Guiyang International Marathon (June 2019)	<b>46</b>	Nanchang Marathon (November 2019)
<b>21</b>	Xtep Penguin Run-Hangzhou (June 2019)	<b>47</b>	Xtep · Miss Run 2019 (November 2019)
<b>22</b>	Xtep Penguin Run-Wuhan (June 2019)	<b>48</b>	Quzhou Marathon (November 2019)
<b>23</b>	Xtep Penguin Run-Changsha (July 2019)	<b>49</b>	Xiamen (Haicang) International Half Marathon (December 2019)
<b>24</b>	Xtep Penguin Run-Guangzhou (July 2019)	<b>50</b>	Jinjiang International Marathon (December 2019)
<b>25</b>	Xtep Penguin Run-Shenzhen (July 2019)	<b>51</b>	Fuzhou International Marathon (December 2019)
<b>26</b>	Xtep Penguin Run-Chengdu (July 2019)	<b>52</b>	Shenzhen International Marathon (December 2019)
		<b>53</b>	Changsha Red Half Marathon (December 2019)



**Xtep Run Club**

Xtep Run Clubs provide a series of services such as camp course, foot measuring, training for runners' security, and events registration. Run Club members can also make use of the lockers, shower rooms, and leisure zone during their running sessions.

Since its establishment in 2016, the Xtep Run Clubs have organized thousands of running events. Currently we have eight Xtep Run Clubs located in major cities of Beijing, Changsha, Hefei, Nanjing, Suzhou, Xiamen and Wuhan. Located in popular running places of the cities, the Run Clubs have provided unique one-stop professional running services to million runners since their establishment.



Xiamen Island Ring Boulevard



### Sponsoring the National Fitness Competition

Sport has been an integral part of the Chinese government's policy agenda, and the State Council has unveiled the "Opinions on Promoting Mass Sports, Sports Consumption and High Quality Development of Sports Industry" document laying out measures in 10 aspects in a bid to turn the industry into one of the pillars of the national economy. To support this agenda, Xtep sponsored the National Fitness Competition to help popularize sports and exercises among the general public. Organized by the Society Sports Guidance Center of the General Administration of Sport of China, the National Fitness Competition is one of the national fitness competitions in China promoting high-level fitness competitions and active implementation of the national fitness strategy. Created in 2018, the competition covers eight provinces and cities including Beijing, Shanghai, Shenzhen, Chongqing, Tianjin, Chengdu, Wuhan and Hangzhou. It is planned to cover more than 20 provinces and municipalities in the next three years and attract more than 30,000 direct participants.

### Contributing to the Society

As a socially responsible enterprise, Xtep has worked closely with the China Next Generation Education Foundation in recent years and kicked off active donation activities. In the past two years, sportswear gear worth close to RMB50 million had been donated to more than 650 schools in eight provinces including Shandong, Sichuan, Guizhou, Yunnan, Inner Mongolia, Ningxia and Qinghai, and over 30 cities and counties, benefitting more than 150,000 people. Going forward, Xtep will seek to improve the quality and coverage of its charitable activities, adopt new formats and enrich the content of those activities to allow young people living in poverty to not only experience sports, but also enjoy sports.



**Jeremy Lin Appointed as Xtep's Charity Ambassador**

Following the announcement of Jeremy Lin as Xtep's spokesperson in the year, he was also appointed as the Charity Ambassador of the brand. As part of his journey in China, he visited the Xiamen Social Welfare Center in August 2019.

During the visit, he attended a special lesson with a group of children and participated in a handcrafting battle to make basketball shoes using colored playdough. As a reward, both sides in the competition received gifts from Jeremy and Xtep.



In addition, Jeremy also provided the children with a lively basketball class by explaining to them the rules of the basketball knockout and demonstrated the game in person. With Jeremy's encouragement, children were eager to participate and experienced the joy brought by basketball.

In the future, we will continue to work with Jeremy to launch a series of charitable programs and explore different ways to help the society and allow children to experience the joy of exercise through basketball.

**Providing support to medical professionals amid the coronavirus outbreak**

At the beginning of year 2020 we saw a major outbreak of coronavirus around the world, with China's Hubei province affected the most during the epidemic. Ever since the outbreak, medical professionals across the country have been dispatched to Hubei to help tackle the novel coronavirus. As a socially responsible corporation, the Group is committed to supporting the fight against the outbreak.

With tens of thousands of confirmed cases in Hubei, the medical professionals in Hubei faced a shortage of protective gears and other general supplies. In February 2020, the Group donated RMB20 million worth of winter outfits and highly breathable clothing to the medical crews in Hubei province. Under the cold weather, the winter outfit helped keep the medical professionals warm and the breathable clothing alleviated the discomfort of excessive sweating due to the thick layers of protecting gears.



## ENVIRONMENTAL STEWARDSHIP

### Enhancing Resource Efficiency

#### Improving energy efficiency and reducing carbon emissions

We are fully aware that climate change has become a major challenge to the world, and we strive to combat climate change by increasing efficient energy consumption and using clean energy to reduce carbon emission.

We constantly seek to improve our energy efficiency through improvements in the hardware of our factories. At all production sites, we have switched to natural gas for powering our boilers and replaced all existing light fixtures with LED models which are more energy efficient. In recent years, we have been investing in the automation

of our production line and computer-controlled sewing machines. The computerized production has improved our production efficiency and facilitates better management of our production-related data, hence allowing us to make more reliable forecast to further improve our resource use efficiency.

It is also important to encourage our employees to conserve energy while performing their daily work. We have established clear energy-saving guidelines and all employees are required to learn about the guidelines as part of our employee education. We also make use of internal communication materials such as posters to remind our employees of the Group's latest environmental policies and measures.

Energy consumption	Unit	2017	2018	2019
<b>Total energy consumption</b>	<b>kWh</b>	<b>25,533,808</b>	<b>26,446,523</b>	<b>26,150,250</b>
<b>Electricity</b>	<b>kWh</b>	<b>24,850,263</b>	<b>25,760,025</b>	<b>25,031,357</b>
— Fujian Quanzhou main Factory		14,702,190	14,604,590	11,590,205 <sup>2</sup>
— Fujian Jinjiang main Factory		2,914,000	2,852,100	3,143,512
— Anhui Factory		4,248,260	4,595,716	6,381,505 <sup>3</sup>
— Hunan Factory		2,103,453	2,814,400	3,187,370
— Fujian Quanzhou Koling Factory		882,360	604,200	728,765
<b>Natural gas</b>	<b>kWh</b>	<b>683,545</b>	<b>686,498</b>	<b>806,974</b>
<b>Petrol</b>	<b>kWh</b>	<b>—</b>	<b>—</b>	<b>208,310<sup>4</sup></b>
<b>Diesel</b>	<b>kWh</b>	<b>—</b>	<b>—</b>	<b>103,609<sup>5</sup></b>

<sup>2</sup> One of the production lines was shortened, resulting in the drop in electricity consumption.

<sup>3</sup> The increase in electricity consumption was mainly due to the inclusion of dormitory electricity consumption in 2019.

<sup>4</sup> New data disclosure in 2019.

<sup>5</sup> 2017 and 2018 data are omitted for there is significant change in data coverage.

#### Electricity



**25,031,357 kWh**

#### Natural gas



**806,974 kWh**

#### Petrol



**208,310 kWh**

#### Diesel



**103,609 kWh**

### Solar Power Generation in Hunan Factory

At our Hunan factory, we installed a solar photovoltaic power generation system to generate electricity for the factory itself. In 2019, the system has supported over 20% of the factory's electricity consumption, significantly reducing our scope 2 carbon emission.



### Carbon emission from energy use



Scope 1  
(Fuel combustion)  
2019

266 tCO<sub>2</sub>e



Scope 2  
(Purchased electricity)  
2019

170,428 tCO<sub>2</sub>e

### Water management

During the production processes, most of the water consumption arises from the laundry of finished garments and the use of water for boilers. Our dormitories also contribute to a major part of our water consumption. We

strive to improve efficiency in both our factories and dormitories through several measures including process improvement, and water recycling and reuse.

Water consumption	Unit	2017	2018	2019
<b>Water consumption</b>	<b>m<sup>3</sup></b>	<b>423,621</b>	<b>455,850</b>	<b>429,271<sup>6</sup></b>
— Fujian Quanzhou main factory		294,227	323,665	193,467
— Fujian Jinjiang main factory		68,707	60,482	60,482
— Anhui factory		11,834	24,160	117,118
— Hunan factory		26,996	30,106	28,962
— Fujian Quanzhou Koling factory		21,857	17,437	29,242

<sup>6</sup> The reduction in overall water consumption was mainly due to the water saving efforts at our dormitories.

#### Managing Our Environmental Impact

It is our responsibility as a corporate to minimize the environmental impact of our operations and comply with all applicable environmental laws and regulations. As mentioned in previous chapters, we have implemented an Environment and Occupational Health and Safety Management System which is certified to ISO14001-Environmental Management System in all production sites since 2010 to manage and reduce the environmental impact of our operation.

#### Hazardous waste management

Under the environmental management system, we have set a goal of “zero chemical and explosion incidents” and commit to full compliance with regulations in hazardous waste disposal. In our operation, the most common hazardous wastes we produce during the manufacturing process are used industrial glues and its containers. We source all glues from qualified international suppliers and all the glues we use have passed relevant environmental testing for hazardous chemicals and odor.

Regarding the limited hazardous waste generated, we appoint qualified third-party companies for proper handling and disposal, ensuring that the process is in compliance with the local laws and regulations on hazardous waste disposal.

#### General waste management

With many of our workers living in the dormitories, there is a considerable amount of domestic waste generated every day. In managing general waste, we uphold the principles of reduce, reuse and recycle throughout the different functions of the Group. All recyclable wastes are categorized and recycled centrally. Other general wastes from our operations are being properly disposed of in accordance with local requirements. External contractors are being appointed for proper handling and disposal of general non-recyclable waste.

Apart from the domestic wastes, we also generate manufacturing and packaging waste in our production. In order to better utilize the raw materials and reduce material wastage, we continuously optimize our production process, and have recyclers to periodically collect waste rags and leather to minimize the disposal of raw materials wastes. We also seek to reduce the wastes generated from the use of packaging materials and introduced shoe boxes made with recycled paper. We will continue to optimize the design and material used for our packaging to reduce waste generation.

#### Air emission

The use of boilers and back-up generators in the production facilities are the major source of air emissions of the Group. To reduce air emissions, we switched from diesel to natural gas for powering our boilers. We have also upgraded the exhaust system of our forming machines with UV light and activated carbon emission treatment processes, effectively reducing VOC and other chemical contents in the exhaust gas.

#### Climate change

Climate change is currently one of the biggest challenges faced worldwide, and like any other industries the fashion sector will be presented with different risks and opportunities brought by climate change.

In response to climate change, we will carefully monitor the possible impact and disruption it has on our value chain, and take necessary mitigation actions. We also seek to reduce our carbon emission through more efficient use of resources, particularly in electricity and fuel use. Please refer to the section “Enhancing resource efficiency” for further details of the initiatives.

# HKEX ESG GUIDE INDEX

	Aspects	Section	Remarks
<b>A</b>	<b>Environmental</b>		
<b>A1</b>	<b>Emissions</b>  a) 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.	Managing Our Environmental Impact	
A1.1	The types of emissions and respective emission data	—	Air and wastewater emissions are not identified as material to the Group. We will consider expanding our disclosure to include this KPI in the future.
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Enhancing Resource Efficiency	
A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	—	Hazardous waste is not identified as material to the Group. We will consider expanding our disclosure to include this KPI in the future.
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	—	General waste is not identified as material to the Group. We will consider expanding our disclosure to include this KPI in the future.
A1.5	Description of measures to mitigate emissions and result achieved	Managing Our Environmental Impact	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Managing Our Environmental Impact	
<b>A2</b>	<b>Use of Resources</b>  Policies on the efficient use of resources, including energy, water and other raw materials	Enhancing Resource Efficiency	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000) and intensity (e.g. per unit of production volume, per facility)	Enhancing Resource Efficiency	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Enhancing Resource Efficiency	
A2.3	Description of energy use efficiency initiatives and result achieved.	Enhancing Resource Efficiency	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Enhancing Resource Efficiency	

	Aspects	Section	Remarks
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced	—	Packaging material is not identified as material to the Group. We will consider expanding our disclosure to include this KPI in the future.
<b>A3</b>	<b>The Environment and Natural Resources</b> Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Stewardship	Our impact to the environment and natural resources are discussed in the Environmental stewardship section
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them	Environmental Stewardship	
<b>B</b>	<b>Social</b>		
<b>B1</b>	<b>Employment</b> Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer on the following aspects: <ul style="list-style-type: none"> <li>• Compensation and dismissal</li> <li>• Recruitment and promotion</li> <li>• Working hours and rest periods</li> <li>• Equal opportunity and anti-discrimination</li> <li>• Diversity</li> <li>• Other benefits and welfare</li> </ul>	Employment and Labor Standards	
B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labor Standards	
<b>B2</b>	<b>Health and Safety</b> Policies and compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.	Promoting Occupational Health and Safety	
B2.1	Number and rate of work-related fatalities	Promoting Occupational Health and Safety	
B2.2	Lost days due to work injury	Promoting Occupational Health and Safety	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Promoting Occupational Health and Safety	
<b>B3</b>	<b>Development and Training</b> Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Training and Development	
B3.2	The average training hours completed per employee by gender and employee category.	Employee Training and Development	

	Aspects	Section	Remarks
<b>B4</b>	<b>Labor Standard</b> Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Employment and Labor Standards 6.2	
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employment and Labor Standards	
B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labor Standards	
<b>B5</b>	<b>Supply Chain Management</b> Policies on managing environmental and social risks of the supply chain.	Working with Our Suppliers	
B5.1	Number of suppliers by geographical region	Working with Our Suppliers	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Working with Our Suppliers	
<b>B6</b>	<b>Product Responsibility</b> Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Ensuring Product Quality and Safety Green Innovation	
B6.2	Number of products and service-related complaints received and how they are dealt with.	Ensuring Product Quality and Safety Green Innovation	
B6.4	Description of quality assurance process and recall procedures	Ensuring Product Quality and Safety Green Innovation	
<b>B7</b>	<b>Anti-corruption</b> Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Employment and Labor Standards	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Employment and Labor Standards	
<b>B8</b>	<b>Community Investment</b> 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	Social Advocacy	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	Social Advocacy	
B8.2	Resources contributed (e.g. money or time) to the focus area.	Social Advocacy	

# GLOSSARY

AQSIQ	General Administration of Quality Supervision, Inspection and Quantitative of the PRC
Board	The Board of Directors of Xtep International Holdings Limited
ESG	Environmental, Social and Governance
ESG Guide or The Guide	Appendix 27 of Hong Kong Stock Exchange Listing Rules and Guidance: Environmental, Social, and Governance Guide
Group or Company	Xtep International Holdings Limited and its subsidiaries
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange or Stock Exchange or HKEX	The Stock Exchange of Hong Kong Limited
ISO 9001	International Quality Management System Standard issued by International Organization for Standardization
ISO 14001	International Environmental Management System Standard issued by International Organization for Standardization
Joyrun	A leading Chinese mobile application for runners
KPI	Key performance indicators
Materiality assessment	Procedures to identify the material issues that are most relevant to the company's daily operations and to our stakeholders
OHSAS 18001	International Occupational Health and Safety Standard issued by BSI Group
PRC or China or Mainland China	The People's Republic of China excluding, for the purpose of this ESG report, Hong Kong, Macau and Taiwan
RMB	Renminbi, the lawful currency of the PRC
Share(s)	Ordinary share(s) of HK\$0.01 each in the share capital of the Company
Shareholder(s)	Shareholder(s) of the Company
Xtep	Xtep brand
Xtep University	An internal department of the Group as a training center for employees
Year	For the year ended 31 December 2019

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