



XTEP INTERNATIONAL HOLDINGS LIMITED  
(Incorporated in the Cayman Islands with limited liability)

SEHK stock code: 1368



# 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

# About the Group

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 in 2008. The Group principally engages in the design, development, manufacturing, sales, marketing and brand management of sports products covering footwear, apparel and accessories for adults and children. With a diverse brand portfolio encompassing the core Xtep brand, K-Swiss, Palladium, Saucony and Merrell to strategically target the mass market, athleisure and professional sports segments, the Group has an extensive global distribution network and more than 8,000 stores in Asia-Pacific, North America and EMEA.



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## OUR BRANDS AND DISTRIBUTION NETWORK



Established in 2001, Xtep is a leading professional sportswear brand with an extensive distribution network of over 6,300 Xtep Adult branded stores covering 31 provinces, autonomous regions and municipalities across the PRC and overseas. As “Chinese runners’ favourite brand”, Xtep’s signature “160X” running shoe series has enabled 49 Chinese athletes to claim nearly 230 championships in prominent running events including the 2022 Xiamen, Shanghai and Beijing marathons. Its running shoes also ranked first among the top 100 male marathoners of all brands in overall wear rate in 2022<sup>1</sup>.



K-Swiss, a heritage American athletic shoe brand founded in California in 1966, offers performance tennis, lifestyle and fitness footwear to meet the high-performance demands of world-class athletes and trendsetters. K-Swiss developed the world’s first real leather tennis shoes, and it has been regarded as a premium sports brand across the world over the past decades.



Palladium, one of the best-known global boot brands established in France in 1947, is famous for its signature military boots and canvas shoes. From archived products rooted in its military history to new trend leading styles with innovative performance technology, Palladium empowers modern-day explorers to take their adventures to new heights.



Saucony is among the most sought-after running shoe brands in the world, offering professional and high-tech products of excellent quality. Saucony footwear combines award-winning product design with innovative performance-enhancing technology, which is perfect for both elite and casual runners. As a leading running shoe brand in the industry, the brand continues to achieve a technological breakthrough to satisfy runners’ needs and provide customers with maximum comfort and protection.



### MERRELL

Merrell is one of the most popular global outdoor lifestyle brands, which offers products with high quality and cutting-edge technology. Adhering to the core values of design, durability, versatility and comfort, Merrell prides itself on being a pioneer to create products that make outdoor activities more enjoyable.

## OUR BRANDS AND DISTRIBUTION NETWORK



# WORLDWIDE RETAIL AND DISTRIBUTION NETWORK



<sup>1</sup> Source: 98 Run — footwear worn by top 100 male marathoners in Mainland China in 2022.

Xtep International Holdings Limited (hereinafter “Xtep” or the “Group”) recognises the impact of its operations on the environment and society at large, and endeavours to integrate sound Environmental, Social and Governance (“ESG”) practices into its business. In this ESG Report (this “Report”), we report our progress and performance in managing the ESG impact of our operations. This Report is an integral part of our annual reporting and should be read in conjunction with our Annual Report 2022, in particular the Management Discussion and Analysis section and Corporate Governance Report contained therein.



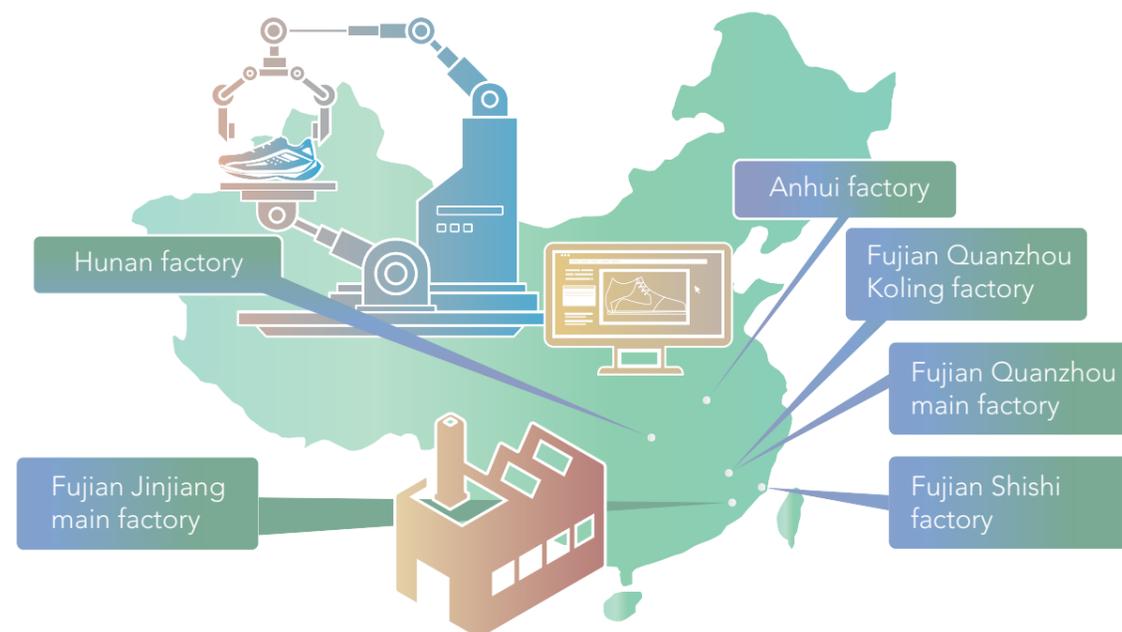
**Reporting Framework**

This Report is prepared with reference to the requirements under the December 2019 updated Environmental, Social and Governance Reporting Guide (“ESG Guide”) contained in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“SEHK”). The SEHK ESG Guide Content Index is provided in the Appendix. The report also references the United Nations Sustainable Development Goals (“SDGs”) and demonstrate how our ESG focus and effort relates to the 17 SDGs.

**Reporting Boundary**

This Report provides an overview of our sustainability approach and performance for the financial year ended 31 December 2022 (“the reporting period”), unless otherwise specified.

The scope of this Report primarily covers policies and initiatives of the Group’s brand portfolio, which includes Xtep, K-Swiss, Palladium, Saucony and Merrell. The reported ESG data cover the six in-house manufacturing facilities of the Group below:



To present a more holistic view of our ESG performance, we have expanded the boundary of the ESG data reported this year to cover the 18 Xtep Running Clubs and our headquarters in Xiamen.

Unless otherwise specified, the ESG data of K-Swiss, Palladium, Saucony and Merrell are not included since the manufacturing of their products is outsourced. Also, the ESG data of our branded stores are not included as most of them are operated by our distributors.

**Application of Reporting Principles**

In the preparation of this Report, we applied the reporting principles of the ESG Guide as follows:

Reporting principles	Application in this report
<b>Materiality</b>	With the inputs from our internal and external stakeholders, the Group’s material environmental and social issues were identified and prioritised. The materiality assessment process, including stakeholder engagement, and the corresponding results are disclosed in the stakeholder engagement and materiality assessment section.
<b>Quantitative</b>	This Report compiles and discloses quantitative key performance indicators for evaluating the ESG performance of the Group. Refer to the SEHK ESG Guide Content Index in the Appendix for the locations of the key performance indicators (“KPIs”) disclosed. Comparative data in 2020 and 2021 are disclosed along with 2022 where practicable to better understand the Group’s ESG performance over the years. Information on the standards, methodologies, assumptions and/or calculation tools used, and the source of conversion factors used for the KPIs are stated wherever appropriate.
<b>Consistency</b>	The Group uses a consistent methodology, unless otherwise specified, to gather the ESG data given, enabling meaningful comparisons of ESG performance across time. Any adjustments to the used KPIs or methods are explained.
<b>Balance</b>	The Group strives for objective information disclosure to give stakeholders an unbiased view of our overall sustainability performance.

Dear stakeholders,

2022 marked another year of unprecedented challenges. As we navigated through the remnant impact of COVID-19 and the increasing global economic pressure, we also prepared for the longer-term risks brought by climate change and other environmental and social factors.

### ACHIEVING OUR GOALS IN THE "10-YEAR SUSTAINABILITY PLAN"

To prepare for the challenges to come, we remained focused on improving our own sustainability while collaborating with our partners to build resilience along the value chain. Supported by our robust sustainability governance structure, we continued to strive for the goals in our "10-Year Sustainability Plan" and remained steadfast in achieving our 2030 targets spanning 12 key themes in three critical topics — supply chain management, environmental protection and social responsibility. Substantial progress was made as we continued to actively engage with our customers and suppliers, develop innovative green products, facilitate employee professional development, and support community development.

We are aware of the environmental and social impact along our supply chain and are committed to driving continuous improvement to minimize such impacts. During the year, we continued to strengthen our collaboration and relationship with our core suppliers to align with the Chinese government's target to reach peak carbon by 2030. For example, the Group has performed ongoing assessment for Tier 1 suppliers of the core Xtep brand's apparel and footwear suppliers. Saucony and Merrell also inspected their suppliers' manufacturing procedures, basic facilities, CSR performance, and machinery safety provisions.

Managing climate change is an important part of our sustainability efforts. The Group continuously explores green alternatives to replace traditional raw materials and incorporates innovative sustainable materials into our sportswear products. Through our ongoing effort in PLA product refinement, we unveiled a 100% PLA windbreaker and further raised the PLA content in our T-shirts launched in 2022 to 76%, compared to 19% at the first PLA product launch in 2020 and 60% in 2021. We also released our first Mass Balance low-carbon eco-friendly running shoes "360-ECO" which have been certified by the ISCC (International Sustainability and Carbon Certification) system on account of their use of biomass raw materials to boast a lower carbon footprint and achieve zero carbon emissions throughout the product lifecycle. In addition, K-Swiss and Palladium brands launched footwear products utilising recycled nylon, recycled PET bottles and recycled rubber in the shoe insoles, foam and bottom line.

### FOSTERING OUR EMPLOYEES AND GIVING BACK TO THE SOCIETY

People in our workplace and communities are critical to the long-term success of our business and society as a whole. To create a work environment that promotes personal growth and professional development, we offered over 364,000 hours of training during the year to equip our employees with knowledge relevant to their roles. The Group also organized various recreational and leisure activities to boost our employees' mental and physical wellness.

Giving back to the community is a crucial part of our corporate culture. During the year, the Group continued to support the fight against the COVID-19 pandemic by donating over RMB30 million worth of medical supplies and clothing to medical professionals and volunteers on the frontline in Shanghai, Jilin, and Quanzhou. In the spirit of promoting sports development, we carried on the sponsorships of marathons across Mainland China and organized special charitable activities. Together with the China Youth Development Foundation, we launched the "Blazing Sun Scheme", with the aim of enhancing the sports literacy of teenagers in Mainland China and providing comprehensive support for the development of youth sports. Alongside the launch of youth sportswear collections, the scheme also organizes a series of sports competitions, training courses and public welfare events to advocate sports education and a healthy lifestyle.

### BUILDING A SUSTAINABLE FUTURE

With China gradually loosening pandemic control measures, we are experiencing a steady recovery from the pandemic. As we seek to capture the opportunities brought by the economic turnaround, we will also remain committed to advancing our sustainability management and creating positive impacts on the environment and the communities where we operate. I want to take this opportunity to express my gratitude to our employees, customers and stakeholders for their continuous support and trust in the past few years. We will continue to make strides in building a sustainable future and creating value for all our stakeholders.

**Mr. Ding Shui Po**  
Chairman  
22 March 2023

FINANCIAL HIGHLIGHTS

Revenue

RMB  
**12,930** million  
↑29.1%



Operating profit

RMB  
**1,464** million  
↑4.9%



Profit attributable to ordinary equity holders

RMB  
**922** million  
↑1.5%



Full year dividend per Share

HK  
**20.1** cents<sup>2</sup> | Payout ratio: **50.0%**



<sup>2</sup> Included the proposed final dividend of HK7.1 cents per Share, which will be subject to the approval of shareholders at the forthcoming annual general meeting.

OUR ESG ACHIEVEMENTS IN 2022

Formulated climate plan and strategies toward carbon neutrality by 2050.



Helped 35 apparel and footwear suppliers to establish certified laboratories.



Released the first Mass Balance low-carbon eco-friendly running shoes "360-ECO" which have been certified by the ISCC (International Sustainability and Carbon Certification).



Initiated the "Blazing Sun Scheme" with the China Youth Development Foundation to actively promote and advocate local sports education.



CORPORATE RECOGNITION

Institutional Investor

**Institutional Investor**

- Most Honored Company — Overall (3<sup>rd</sup> place)
- Best CEO — Sell-side (1<sup>st</sup> place)
- Best CFO — Combined & Buy-side (3<sup>rd</sup> place)
- Best CFO — Sell-side (1<sup>st</sup> place)
- Best IR Professional — Combined & Buy-side (3<sup>rd</sup> place)
- Best IR Professional — Sell-side (1<sup>st</sup> place)
- Best IR Team — Combined & Buy-side (3<sup>rd</sup> place)
- Best IR Team — Sell-side (2<sup>nd</sup> place)
- Best IR Program — Sell-side (1<sup>st</sup> place)
- Best ESG — Sell-side (1<sup>st</sup> place)

Corporate Governance Asia



- Best Investor Relations Company
- Asia's Best CEO (Investor Relations)
- Asia's Best CFO (Investor Relations)
- Best Investor Relations Professional

Hong Kong Investor Relations Association



- Best IR by Chairman/CEO (Mid Cap)
- Best IR by CFO (Mid Cap)
- Best IRO (Mid Cap)
- Best IR Team (Mid Cap)

IR Magazine



- Best IR Company: Consumer Discretionary Sector in Greater China 2022
- Best Overall Investor Relations (Mid-Cap) in Greater China 2022

SUSTAINABILITY RATING AND RECOGNITION

KPMG Future ESG Awards

- 2022 Best ESG Innovation Award



China CSR Annual Forum

- 2022 Responsible Governance Award



S&P DJI ESG Scores

- Ranked higher than 85% of companies in textiles, apparel and luxury goods industry



MSCI ESG Rating

- "BB rating"



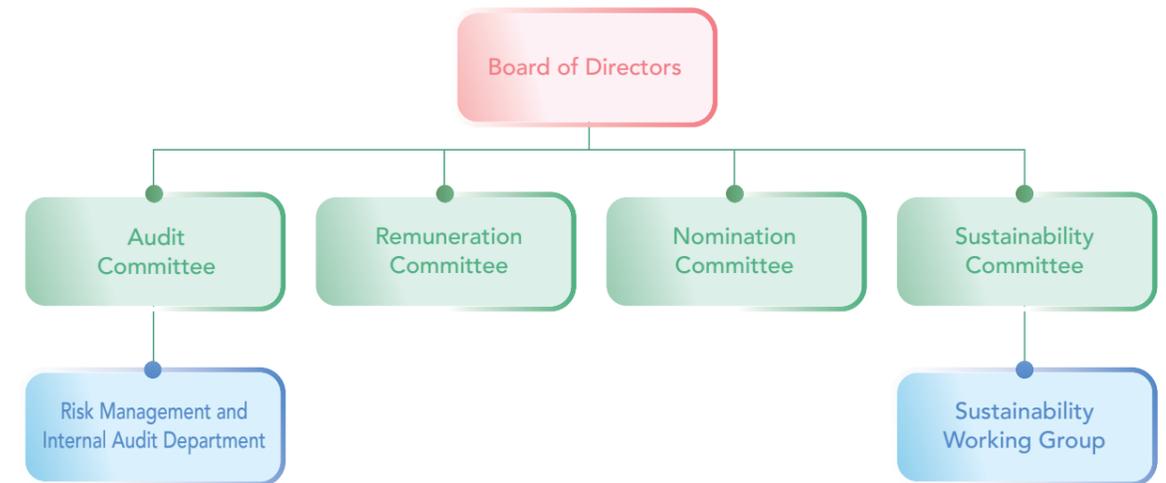
### OUR SUSTAINABILITY GOVERNANCE STRUCTURE

The Group recognizes that sound sustainability governance is essential to effectively assessing and managing sustainability-related risks and opportunities. Xtep’s sustainability governance structure underpins a solid basis for integrating sustainability efforts at all levels of the Group, from the Board of Directors to the Sustainability Committee (“the Committee”) and Sustainability Working Group, for developing and delivering our commitment towards sustainability.

The Committee is chaired by our non-executive director (“NED”) Mr. Tan Wee Seng, and with executive directors, Mr. Ding Shui Po and Ms. Ding Mei Qing, and independent non-executive director, Ms. Chan Yee Wah, as members. The key responsibilities of the Sustainability Committee include:

- Proposing and recommending to the Board on the Company’s sustainability objectives, strategies, priorities, and goals;
- Overseeing, reviewing and evaluating actions taken by the Company in furtherance of the sustainability priorities and goals;
- Reviewing and reporting to the Board on sustainability risks and opportunities;
- Identifying, monitoring and reviewing material sustainability issues that could impact the business operations and performance of the Company;
- Overseeing and reviewing the Company’s sustainability policies, practices, frameworks and management approach, and recommending improvements;
- Reviewing and advising the Board on the Company’s annual ESG Report and any relevant public disclosures as regards to its sustainability performance;
- Performing such further functions related or incidental to the foregoing which the Committee deems appropriate.

For details, please refer to the Terms of Reference of the Sustainability Committee.



Board of Directors	Sustainability Committee	Sustainability Working Group
The Board bears ultimate responsibility for the overall direction of the Group’s sustainability, sustainable development vision, strategy, goals, performance and reporting. It is supported by the Sustainability Committee in overseeing sustainability-related matters.	The Sustainability Committee is chaired by a non-executive director (“NED”) and its members include two executive directors and one independent non-executive director. The Committee meets at least twice a year and is responsible for advising the Board on the development and implementation of the sustainability objectives, strategies, priorities, and goals.	Chaired by an executive director who is also a member of the Sustainability Committee, the Sustainability Working Group consists of senior management of the Group’s different brands and internal functions. The working group meets at least twice a year and reports regularly to the Sustainability Committee. It escalates significant sustainability risks, opportunities or trends identified to the Sustainability Committee and formulates management objectives, policies and action plans for managing said risks and opportunities.  It is responsible for planning and implementing sustainability initiatives and driving and encouraging cross-function collaboration. The working group is also responsible for the preparation of the annual ESG Report.

**Key ESG governance activities in the year**

Between 1 January 2022 and the date of this report, the Sustainability Committee has conducted two meetings to discuss and review the implementation of the Group’s sustainability-related matters, such as identifying operational-specific sustainability-related risks and opportunities and monitoring the progress of our “10-Year Sustainability Plan”. For more information, please refer to section — Our Sustainability Framework and Initiatives.

**RISK MANAGEMENT AND INTERNAL CONTROL**

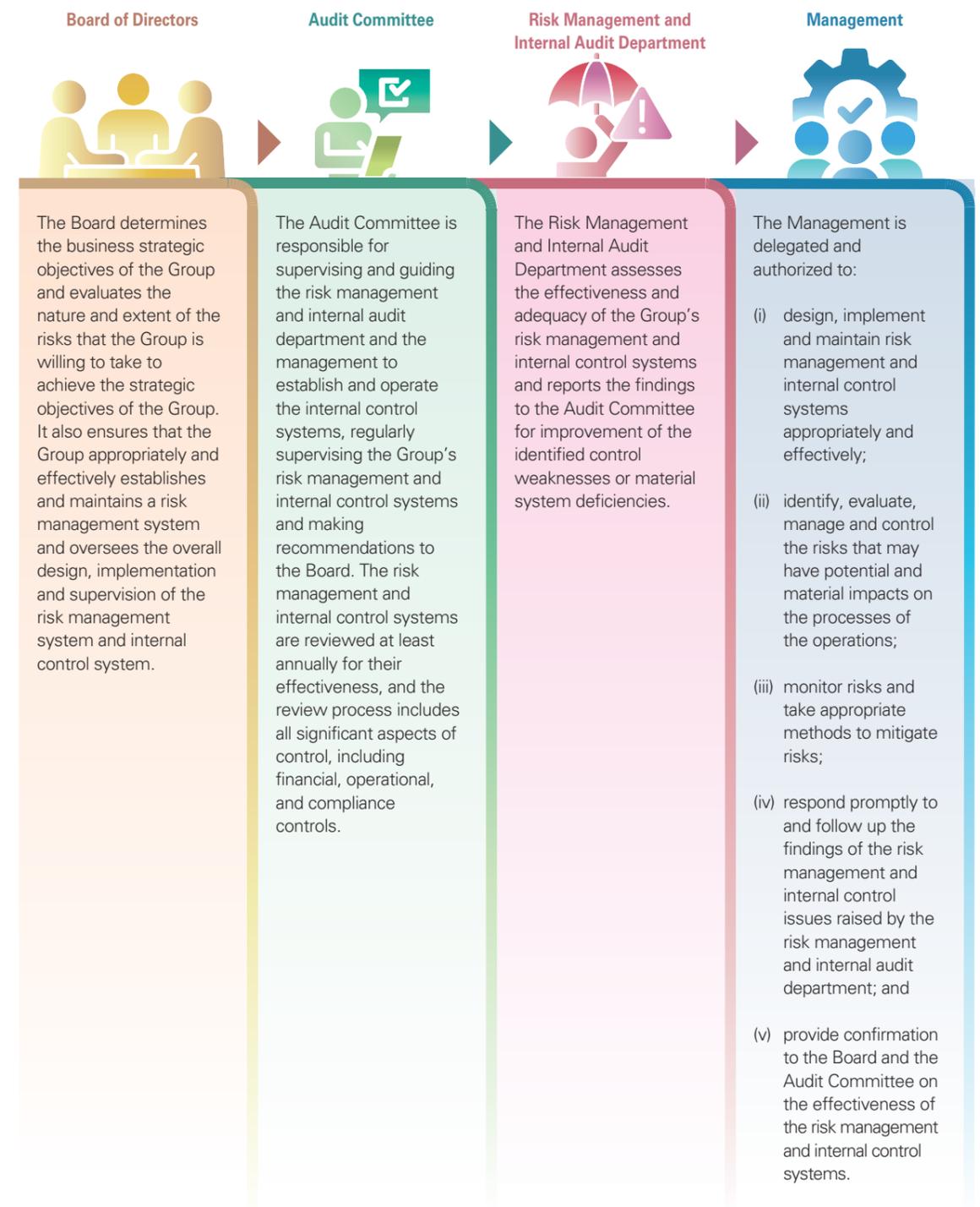
The Group integrates risk management into our business and decision-making processes. The Board recognizes its overall responsibility for the Group’s risk management and reviews its effectiveness on an ongoing basis.

Our risk management system comprises a defined management structure with authority limits and well-established policies and procedures. It is developed to facilitate effective and efficient operations, ensure the reliability of financial reporting and compliance with applicable laws and regulations, identify and manage potential risks, and safeguard the Group’s assets. Furthermore, the Group regularly conducts reviews of the effectiveness of risk management systems to ensure that they can meet and deal with the dynamic and ever-changing business environment.

**Xtep risk governance organization structure**

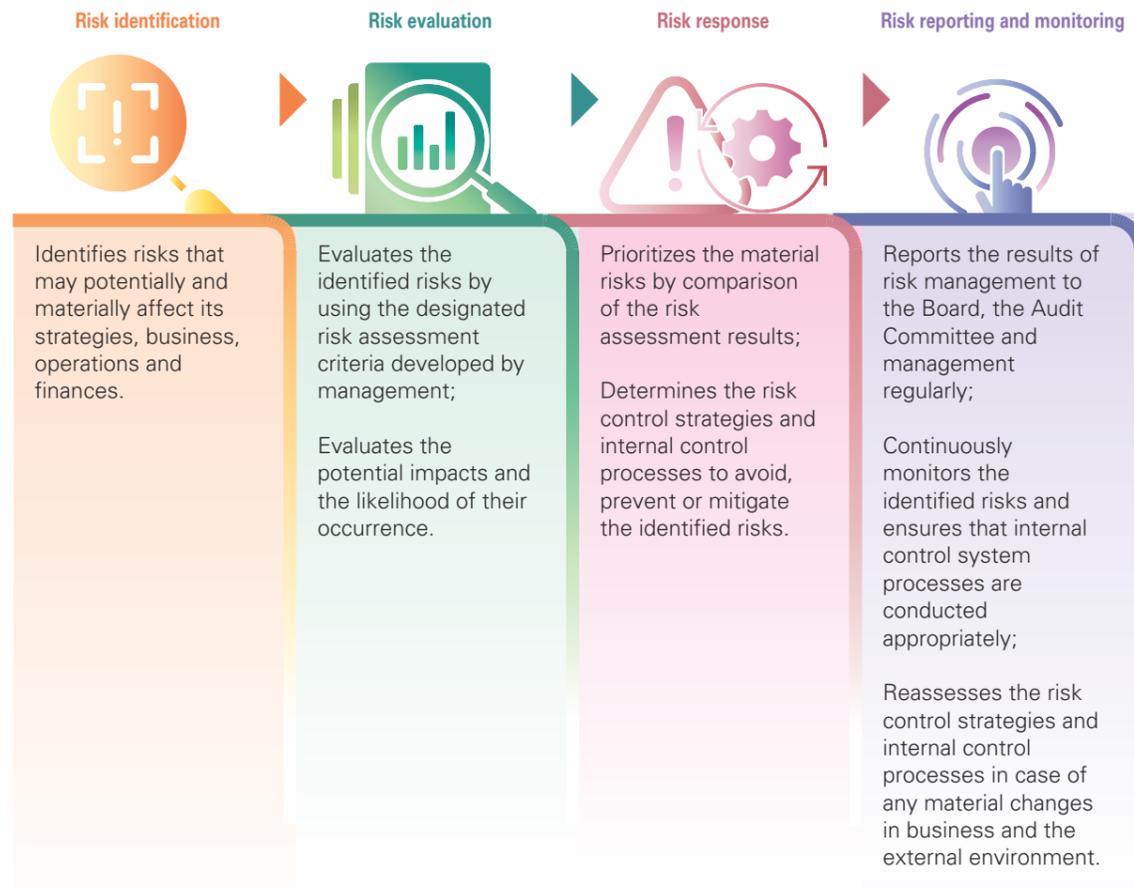


The following are the primary responsibilities of each party in the Group’s risk governance structure:



**Risk identification and management**

We have built a risk governance organization structure with defined roles and responsibilities. The Group's processes for identifying, assessing and managing material risks are summarized as below:



**BUSINESS ETHICS**

Business integrity and transparency is the key to nurturing stakeholder trust and corporate credibility. The Group has established a range of policies and measures to ensure the highest level of business ethical standards is upheld across our brand portfolio.

**Internal audit**

Our risk management and internal audit department is responsible for performing the internal audit function, including the effectiveness assessment of the Group's risk management and internal control systems and regular reporting to the Audit Committee. The Board and Audit Committee ensure the risk management and internal audit department has sufficient resources and budgets to perform its internal audit function. Relevant training sections are also provided to qualified staff with experience in maintaining internal audit quality.

**Compliance management**

To ensure compliance with relevant business operation laws and regulations, preventive, monitoring and controlling measures are implemented. During the reporting period, the Group complied with all code provisions and, where appropriate, adopted the best-recommended practices as set out in the Corporate Governance Code, except code provision A.2.1 (chairman and chief executive officer).

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and the chief executive officer. Mr. Ding Shui Po is the chairman and chief executive officer of the Group. He has extensive experience in the sportswear industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board believes that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and senior management, which is comprised of experienced and high calibre individuals. The Board currently consists of three executive directors and three independent non-executive directors and has a vital independence element in its composition.

**Anti-corruption**

The Group has zero tolerance against corruption. Employees are made aware of the Group’s “Anti-Corruption Policy”, “Anti-fraud complaints reporting management system” and the “Code of Integrity”, which detail 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” published by the Chinese government. We have also organized anti-corruption training sessions for new joiners and existing employees, raising staff awareness regarding anti-corruption topics and building a corporate culture of integrity. The training was also recorded and provided to employees in an e-learning format.

In 2022, there were 2 non-compliance of the Group’s staff, which were investigated and verified internally. Staff was handed over to the authorities for the offense.



**Conflict of interest**

The Group endeavours to avoid any potential, perceived or real conflict of interest. Our “Anti-Corruption Policy” also outlined the professional and ethical standards our employees must abide by in all business dealings, and we are currently drafting the management measures related to conflict of interest. In addition, our “Supplier Code of Conduct” outlines our expectations and requirements of all suppliers, ensuring their operations align with our ethical standards.

**Whistleblowing policy**

The Group is committed to achieving and maintaining the highest possible standards of openness, integrity, and accountability. Specific whistleblowing policies are in place for relevant stakeholders, including employees and business partners, to report illegal or non-compliant activities involving the Group. The identity of the whistle blowers and the relevant whistleblowing records are kept strictly confidential by the risk management and internal audit department and the Audit Committee, and whistle blowers are free from any kind of retaliation to encourage reporting without fear of reprisal. These policies prevent potential violations and ensure that operations comply with high ethical standards.



**Responsible marketing**

The Group recognizes the potential environmental, social, and ethical implications that may arise from our business activities and hence is committed to developing, manufacturing, marketing and advertising all our products responsibly.

We fully comply with the “Advertising Law of the People’s Republic of China”, which aims to regulate advertising, promote the sound development of advertising, and protect the legitimate rights and interests of consumers.

It is our requirement to ensure all promotional activities are in adherence to the values of the Group, and communicate with our customers with integrity, transparency, and responsibility. In practice, we ensure that our advertisements and promotional materials present our products in an accurate and balance manner without exaggeration on their functionality or ESG attributes.

**Data security and customer privacy protection**

As concerns over data privacy grows among stakeholders, the Group is determined to take up our responsibilities in safeguarding customers’ data and information. We have formulated and implemented various internal policies strictly in accordance with relevant laws and regulations, including the “Cyber Security Law of the People’s Republic of China” and the “Personal Data (Privacy) Ordinance of Hong Kong” to manage and protect the safety of our customers’ data and information.

Our commitment to data security and customer privacy protection is formalized in the “Policy on Data Governance”, which is based on the following fundamental principles:

- 
  - Only collect customers’ data and personal information that are relevant and required to conduct our business.
- 
  - Will not disclose customers’ data and personal information outside the Group unless we have obtained our customers’ consent or are required by law.
- 
  - Regularly maintain appropriate to prevent unauthorized access to our customers’ data and personal information.
- 
  - Eradicate customers’ data and information on or before the termination of the authorization to the use of data.

To ensure the safety of the Group's data security, we have organized emergency drills for key networks or systems every six months to improve our emergency plans' effectiveness and promote network security governance. The Group also implemented strict reports on network security incidents. We adopted appropriate emergency response measures in accordance with relevant laws and regulations to restore the business systems instantly and control the spread of network security incidents.

We will continue to improve our data security measures such that they meet the latest regulatory requirements and reflect the expectations of our stakeholders.

### Intellectual property protection

We respect intellectual property rights and strive to protect the Group from reputational damages arising from the infringement of its intellectual property. In managing intellectual property rights, we strictly comply with relevant laws and regulations such as the "Patent Law of the People's Republic of China" and "Trademark Law of the People's Republic of China" and have a dedicated team to monitor and avoid infringement. We also have high expectations of our suppliers and have included confidentiality clauses and other specifications in supplier contracts to protect the Group's intellectual property and patents.



## INVESTOR RELATIONS

### Creating lasting shareholder value

We strive to build a long-lasting, stable relationship with shareholders and investors by adhering to the highest standard of investor relations management. Meanwhile, we uphold an open and candid attitude to listen to the views of the capital market and relay the feedback to our senior management and Board of Directors regularly. Despite the challenges arising from the COVID-19 pandemic, we continued to proactively engage our stakeholders through various physical and virtual channels, and provided investors with accurate and comprehensive information about our Group promptly to maintain a continuous and effective dialogue. During the year, we successfully broadened the investor base and enhanced investors' understanding and recognition of our business strategies and generated attractive returns for the shareholders.

The dedication of the leadership team is indispensable to the success of IR programs. At Xtep, members of the Board of Directors actively participate in IR events and communicate with the investment community made up of local and overseas analysts and investors. In return, investors' feedback is collected immediately for future ongoing enhancement of the Group's investor relations efforts and business operations.

### Restoring normalcy amidst the prolonged pandemic

When the pandemic travel restrictions were eased in overseas countries in the second half of 2022, we immediately resumed overseas non-deal roadshows and participated in physical conferences with our investors. In anticipation of China's reopening from COVID-19 restrictions, a large-scale reverse roadshow to Xiamen attended by over 100 analysts and investors was conducted to demonstrate the company's strong R&D capabilities and new retail experiences. Through various digital platforms, we strived to maintain a bidirectional dialogue with investors to provide them with full, accurate, and timely information. Financial results announcements in March and August, as well as quarterly operational updates were announced via teleconference and live webcast. To ensure instant and easy access from any device, financial information, presentations, and webcasts were immediately updated and uploaded to our corporate website.

2022 interim results live webcast in August 2022



Annual general meeting in May 2022

Close engagement with institutional investors



Corporate awards and recognitions

Institutional Investor's 2022 Asia Pacific (Ex-Japan) Executive Team Awards



Institutional Investor

- Most Honored Company — Overall (3<sup>rd</sup> place)
- Best CEO — Sell-side (1<sup>st</sup> place)
- Best CFO — Combined & Buy-side (3<sup>rd</sup> place)
- Best CFO — Sell-side (1<sup>st</sup> place)
- Best IR Professional — Combined & Buy-side (3<sup>rd</sup> place)
- Best IR Professional — Sell-side (1<sup>st</sup> place)
- Best IR Team — Combined & Buy-side (3<sup>rd</sup> place)
- Best IR Team — Sell-side (2<sup>nd</sup> place)
- Best IR Program — Sell-side (1<sup>st</sup> place)
- Best ESG — Sell-side (1<sup>st</sup> place)

Corporate Governance Asia 12th Asian Excellence Award 2022



Corporate Governance Asia

- Asia's Best CEO (Investor Relations)
- Asia's Best CFO (Investor Relations)
- Best Investor Relations Professional
- Best Investor Relations Company

8th Investor Relations Awards 2022



Hong Kong Investor Relations Association

- Best IR by Chairman/CEO (Mid Cap)
- Best IR by CFO (Mid Cap)
- Best IRO (Mid Cap)
- Best IR Team (Mid Cap)
- Best Annual Report (Mid Cap)

IR Magazine Forum & Awards Greater China



IR Magazine

- Best IR Company: Consumer Discretionary Sector in Greater China 2022
- Best Overall Investor Relations (Mid-Cap)



China CSR Awards



China CSR Annual Forum

- 2022 Responsible Governance Award

KPMG Future ESG Awards



KPMG

- 2022 Best ESG Innovation Award

Sina Finance Overseas Investment Summit and Golden Kylin HK & US Best Listed Company Awards



Sina Finance

- The Best ESG Company Award

S&P DJI ESG Scores

S&P Global Ratings

S&P Dow Jones Indices

- Ranked higher than 85% of companies in textiles, apparel and luxury goods in industry

China National Textile and Apparel Council Climate Action Innovation Pioneer and Contributor



China National Textile and Apparel Council

- Climate Action Innovation Pioneer

Shanghai United Media Group Excellent Enterprise Awards



Shanghai United Media Group

- Excellent Enterprise of the Year

2022 Pursuer of Excellence in Sustainability



Office for Social Responsibility of CNTAC China National Garment Association

- Annual Pursuer of Recycled Economy

MSCI ESG Rating



MSCI

- "BB rating"

10-YEAR SUSTAINABILITY PLAN

Climate change remains a pressing concern and as a member of the global community, the Group is committed to addressing the defining issue by developing our "10-Year Sustainability Plan". Devised by the Sustainability Committee, the plan sets forth the 12 key themes as categorized into three material topics — supply chain management, environmental protection and social responsibilities. The plan guides our efforts in minimising environmental impacts across our operations from 2021 to 2030.

China has demonstrated its unwavering determination in combating climate change as the Chinese government announced the national ambition of reaching a carbon emissions peak in 2030 and achieving carbon neutrality by 2060. Xtep has been actively working on our environmental protection targets, ranging from sustainable product innovation, chemical use, energy-saving and air emissions, water management and waste management to support the country's commitment towards sustainable development.

Besides the "30 • 60 target", the Chinese government also introduced the "1+N climate policy system" and the national emissions trading scheme on the Shanghai Environmental & Energy Exchange which aim to promote sustainability development in all industry sectors. With favourable policy direction and clear strategic planning, Xtep will further advance in our sustainability journey and maintain the status of sportswear market leader.



Focus areas and progress of sustainability targets

Sustainability Framework	Relevant Sustainable Development Goals <sup>3</sup>	Key Aspects	Theme	2030 Targets	Applicable to	Progress in 2022		
						Getting Started	Work in Progress	Achieved
<b>Supply Chain management</b> 	 	<b>Supplier management</b> 	 Supplier assessment	<ul style="list-style-type: none"> <li>Enhance ESG performance assessment for new supplier admission</li> <li>Conduct supplementary performance review regularly on Tier 1 suppliers</li> </ul>	The Group			●
			 ESG capability enhancement	<ul style="list-style-type: none"> <li>Provide ESG training and advise ESG initiatives to existing suppliers</li> <li>Establish regular review mechanism to examine existing suppliers' ESG performance</li> </ul>				●
<b>Environmental protection</b> 	    	<b>Environmental impact of products</b> 	 Sustainable product innovation	<ul style="list-style-type: none"> <li>Increase the proportion of products using environmentally friendly (PLA) materials</li> <li>Invest in 60 apparel products using environmentally friendly materials every year</li> <li>Increase the proportion of products using recyclable and organic materials</li> <li>Increase the proportion of products using renewable materials</li> </ul>	Core Xtep Brand		●	
			 Chemical use	<ul style="list-style-type: none"> <li>Increase the penetration rate of water-based glue for shoe products to 50% or more</li> <li>Obtain VOC standard for vehicle air quality</li> <li>Increase cooperation with Bluesign dyeing auxiliaries' manufacturers in garment production</li> <li>Increase the penetration rate of water-based glue for shoe products to &gt;=30%</li> </ul>	Core Xtep Brand		●	
			 Energy saving and air emissions	<ul style="list-style-type: none"> <li>Reduction of electricity, gas, heat, and carbon emission</li> <li>Reduce shoes production plants power consumption and corresponding carbon emissions by 20%</li> <li>Reduce the use of electricity, gas, heat and other energy in apparel production plants by 20% and increase the use of clean energy by 20%</li> <li>Reduce office carbon emissions by 20%, reduce paper utilization rate by 20% and increase the utilization rate of testing equipment to 90%</li> </ul>	Core Xtep Brand		●	
		<b>Environmental impact of operations</b> 	 Water management	<ul style="list-style-type: none"> <li>Reduce water consumption per unit output value of shoes production plants by 10%</li> <li>Increase the utilization rate of water resources in apparel production plants to 50%</li> </ul>	Core Xtep Brand		●	
			 Waste management	<ul style="list-style-type: none"> <li>Achieve 100% harmless treatment of hazardous substances and increase the general waste recycling rate to 50% for shoes products</li> <li>Use FSC CoC certification to produce certificates and hangtags for apparel products</li> </ul>	Core Xtep Brand		●	
			 Staff incentive and welfare	<ul style="list-style-type: none"> <li>Maintain turnover rate (excluding factory piecework employees) to less than 30%</li> <li>Regularly review compensation and benefits to retain the Group's competitiveness within the market</li> </ul>	The Group		●	
			 Staff health and safety	<ul style="list-style-type: none"> <li>Standardize safety procedures for all business operation links</li> <li>Promote occupational health and personal safety management</li> </ul>	The Group		●	
<b>Staff and the Community</b> 	  	<b>Employment and welfare</b> 	 Training and development	<ul style="list-style-type: none"> <li>Increase the proportion of the first successor for key posts to more than 80%</li> <li>Increase the number of corporate culture lecturers to more than 30</li> <li>Develop at least three sets of evaluation tools for each talent standard module</li> </ul>	The Group		●	
			 Promoting sports	<ul style="list-style-type: none"> <li>Sponsor at least 20 marathons every year (excluding the impact from COVID-19) and support more than 200,000 participants in marathon and running activities</li> <li>Promote the development of younger generation in China via various campaigns and activities</li> </ul>	Core Xtep Brand		●	
		<b>Social contribution</b> 	 Community investment	<ul style="list-style-type: none"> <li>Donate more than RMB80 million worth of sportswear gears every year</li> <li>Establish volunteer team and organize public welfare volunteer activities at least twice a year</li> </ul>	Core Xtep Brand		●	

<sup>3</sup> The Sustainability Development goals are 17 interconnected goals set up by the United Nations in 2015. Serving as the blueprint to achieve a better and more sustainable future for all, the 17 goals cover economic, socio-political, and environmental targets to be achieved by 2030.

### Supporting the United Nation SDGs

The United Nations SDGs, consisting of 17 goals and 169 specific targets, address the global issues that affect societies today, including poverty, inequality, climate change, environmental degradation, prosperity, and peace and justice.

Xtep contributes to and supports the SDGs in different ways and to different degrees, which aim to promote the sustainable development of society while attaining their own sustainable development goals.

The Group believes that 8 of the SDGs connect closely with our “10-Year Sustainability Plan” and is dedicated to making a positive contribution against these goals by utilising our resources and engaging in partnerships to drive meaningful positive changes.

## SUSTAINABLE DEVELOPMENT GOALS

Xtep's Sustainability Pillars	Relevant sustainable development goals	Our Action
 <p>Supply chain management</p>		The Group's <i>Supplier Management Manual</i> and <i>Supplier Code of Conduct</i> underpin our commitment and serve as a guideline and bring broader improvements in sustainability practices and performance of our suppliers.
 <p>Environmental protection</p>		We have implemented different environmentally friendly initiatives in the aspect of sustainable product innovation, chemical use and energy saving and air emissions to become more resource-efficient across our entire value chain.
 <p>Social responsibilities</p>		Our Staff Handbook covers topics related to equal opportunity, diversity and other benefits and welfare issues. The Group also implemented a welfare system which provides additional benefits alongside their standard packages and organized different leisure activities to protect the well-being of our employees and encourage a work-life balance culture.

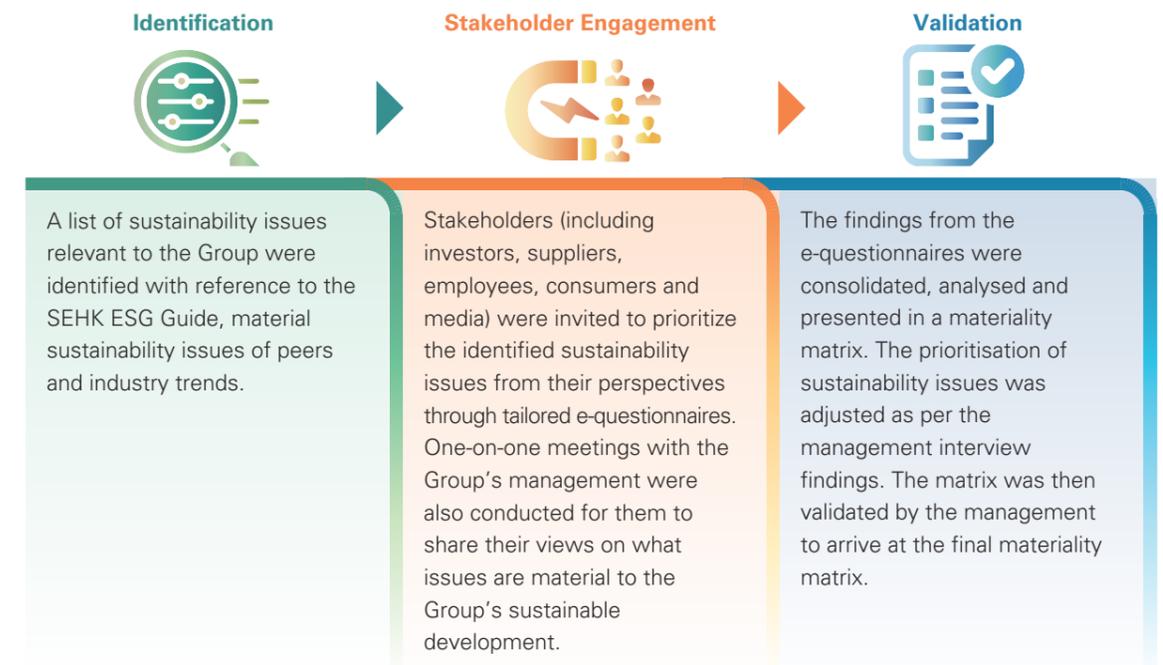
### STAKEHOLDER MANAGEMENT AND MATERIALITY ASSESSMENT

The Group highly values the opinions of our stakeholders as they build the cornerstone of our sustainability strategy and reporting. We aim to nurture our relationships with our internal and external stakeholders to ensure we are responsive and inclusive.

In 2021, we commissioned an independent consultant to conduct a stakeholder engagement exercise to help identify the material sustainability issues of the Group. The resulting list of material issues continues to reflect our business operations and the expectations of different stakeholders.

#### Stakeholder engagement process

The Company has established a stakeholder engagement process, which consists of the following three stages:

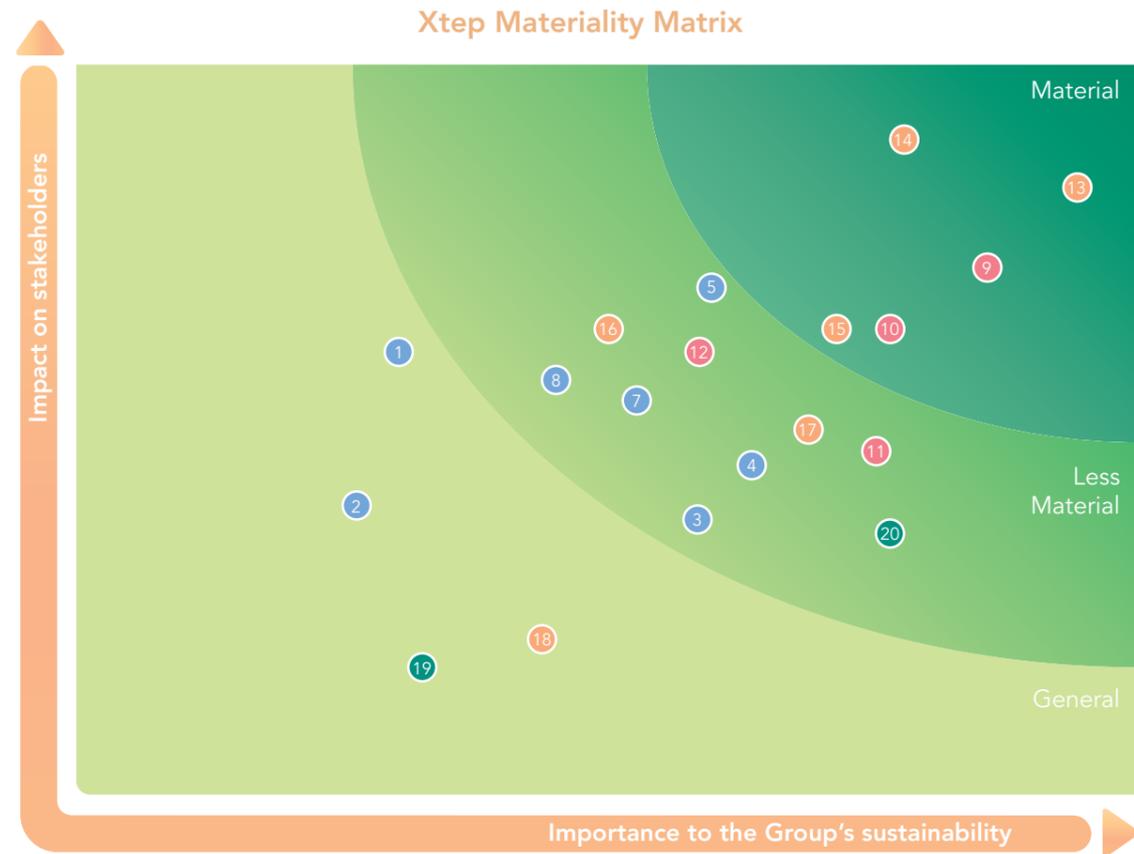


#### Materiality assessment result

The materiality assessment results demonstrated sustainability issues that our stakeholders deemed most significant to them and our businesses. The outcomes are analysed and incorporated into our sustainability approach, strategy and reporting.

The results from our most recent materiality assessment reflected that social and product-related issues were comparatively of greater importance than environmental issues. Out of the 20 issues shortlisted, stakeholders are most concerned about the five issues including product green innovation, product quality and safety, employment and welfare, employee development and training and supply chain management.

Furthermore, the Group is aware of the emerging concern on environmental impacts of the sportswear industry and intends to enhance the transparency of our performance in this area continuously.



<b>Environmental protection</b>	<ol style="list-style-type: none"> <li>1. Use of energy</li> <li>2. Use of water</li> <li>3. Use of packaging material</li> <li>4. Air and wastewater emission</li> <li>5. Hazardous waste management</li> <li>6. Non-hazardous waste management</li> <li>7. Climate change</li> <li>8. Greenhouse gas emissions</li> </ol>
<b>Employee welfare and development</b>	<ol style="list-style-type: none"> <li>9. Employment and welfare</li> <li>10. Employee development and training</li> <li>11. Health and safety</li> <li>12. Labour rights</li> </ol>
<b>Operating practice</b>	<ol style="list-style-type: none"> <li>13. Product quality and safety</li> <li>14. Product green innovation</li> <li>15. Supply chain management</li> <li>16. Marketing and advertisement</li> <li>17. Protection of intellectual property</li> <li>18. Anti-corruption</li> </ol>
<b>Social investment</b>	<ol style="list-style-type: none"> <li>19. Social contribution and charity</li> <li>20. Advocating sports development</li> </ol>

## SUPPLY CHAIN MANAGEMENT

The Group is determined to extend our sustainability efforts to the broader supply chain. We exert our influence as a leading professional sports brand with an extensive distribution network and utilize our purchasing power to promote suppliers' sustainable business practices. By integrating ESG-related criteria into the Group's assessment of potential and existing suppliers, we ensure supply chain partners fulfil our sustainability requirements.

To address stakeholders' concerns about product quality and safety, the Group implements various product quality control measures, including regular monitoring and assessing suppliers' performance. The different initiatives ensure consistent, high-quality products are manufactured and minimize the risk of large-scale recalls.

### Supplier assessment

#### Our supplier portfolio

We rely on our suppliers to provide materials and manufacture a significant portion of our products. Our global supply chain network involves various environmental and social risks, and we carry out comprehensive, fair and transparent procurement procedures to minimize such risks. The Supplier Management Centre and dedicated teams from different brands work closely with suppliers to ensure high performance. We encourage all suppliers, business partners, and associates to uphold standards on environmental, social, and ethical business practices that align with the Group's requirements. All these requirements are demonstrated in our Supplier Code of Conduct and Supplier Management Manual, and we expect our partners to comply with them throughout our collaboration.

Our suppliers are regularly monitored and evaluated on their ESG performance. As of 2022, 65% of our footwear and 91% of our apparel manufacturing were outsourced. The Group engages with 391 suppliers globally, with 387 in Mainland China and 4 overseas. The breakdown of our suppliers by nature is as follows:

#### Our supplier portfolio<sup>4</sup>:



In supporting the Group's sustainability plan regarding the supply chain management, we have established four targets to enhance our supplier chain ESG performance and management. Please refer to the focus areas and progress of sustainability targets listed in the "10-Year Sustainability Plan" in "Our Sustainability Framework and Initiatives" section for details.

### Supplier definitions

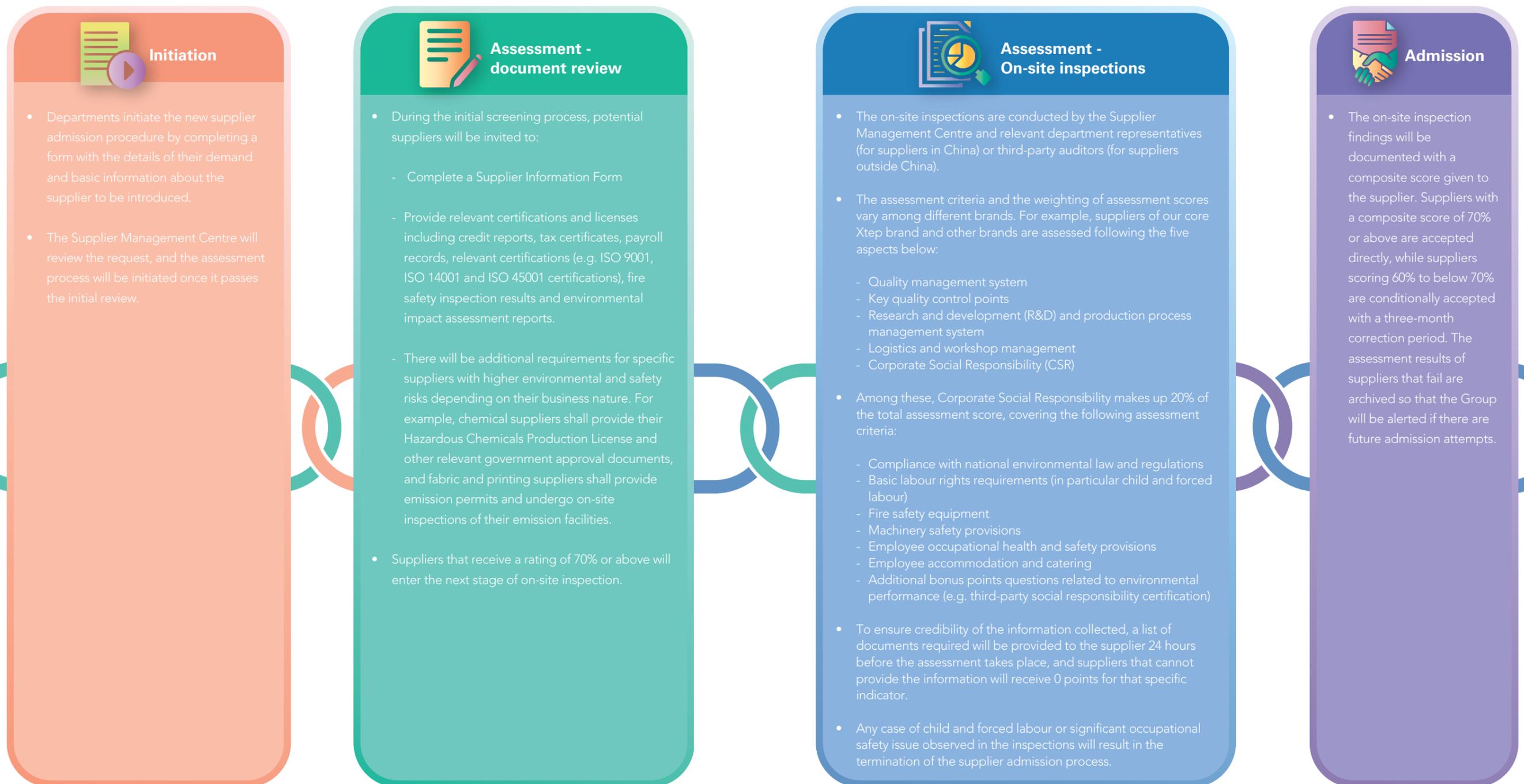
<b>Tier 1</b>	Suppliers providing finished products and their providers of particular manufacturing processes.
<b>Tier 2</b>	Suppliers of materials (e.g. shoe uppers, soles, fabric, etc.) and their providers of special manufacturing processes.
<b>Tier 3</b>	Suppliers of accessories (e.g. zips, buttons, Velcro, etc), packaging materials, labels, raw materials (e.g. leather, down feather, yarn, etc.) and chemical testers.

<sup>4</sup> The data does not include tier 2 and tier 3 suppliers of K-Swiss, Palladium, Saucony and Merrell. It is because we directly import finished products from our business partners for K-Swiss, Palladium, Saucony and Merrell, and do not directly engage with such suppliers.

**ESG assessment for new supplier and ongoing evaluations**

***New supplier admission process***

In 2022, all new suppliers in China were assessed by our in-house team, while overseas suppliers were evaluated by third-party auditors. Below is the summary of the new supplier admission process:



**Ongoing supplier evaluation**

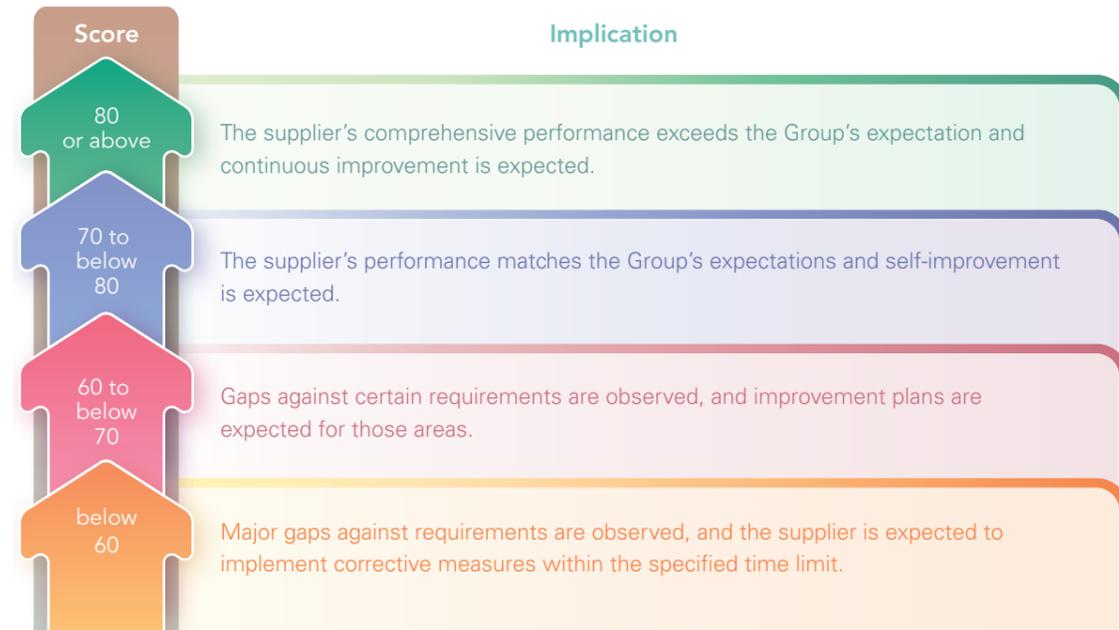
In 2022, our Supplier Management Centre performed ongoing assessments of document review and on-site inspection on suppliers that have collaborated with the core Xtep brand for at least one year. K-Swiss and Palladium also inspected its Tier 1 suppliers locally through the Supplier Management Centre and third-party auditors for suppliers overseas. Suppliers who fail to meet bottom-line requirements, such as labour rights violations and fire safety non-compliance, shall not remain in our supply chain system.

By the end of 2023, the core Xtep brand will cease or terminate its collaboration with Tier 1 suppliers who failed the CSR assessment. During the year, the Group performed ongoing assessment for 23 Tier 1 suppliers of core Xtep brand's apparel and footwear suppliers, and completed all Tier 1 suppliers assessment in March 2023. The brand is also extending its evaluation scope to Tier 2 suppliers as a trial environmental

assessment standard targeting fabric suppliers is developed. During the year, we performed trial assessment to one fabric supplier on its performance in energy conservation, pollution reduction efforts, regulatory compliance, and energy data collection. On the other hand, Saucony and Merrell<sup>5</sup> inspected their suppliers' manufacturing procedures, basic facilities, CSR performance, and machinery safety provisions.

The assessments allow the Group to identify various areas of improvement for the suppliers. Where applicable, re-assessments were arranged to follow up on the suppliers' implementation progress of improvement suggestions. For case where the suppliers fail to implement adequate corrective measures, we will cease our collaboration with them and seek alternative suppliers.

There are four levels of improvement requirements depending on the score of the supplier receives:



During the year, our assessments have identified performance gaps in product research and development training for staff and fire safety equipment maintenance. The inspection team provided practical improvement suggestions, and the suppliers concerned had enforced the suggested corrective actions timely. The core Xtep brand completed all Tier 1 supplier assessments in March 2023. Around 70% of suppliers scored above 70, which aligned with the Group's current target for supplier capability development. Suppliers with lower scores were required to provide a specific rectification plan and the review of the improvement progress will be conducted from June to August 2023.

<sup>5</sup> For Saucony and Merrell, we import the final products from our business partners and relevant supplier assessments were conducted by the business partner.

**Enhancing supplier and build up ESG capability**

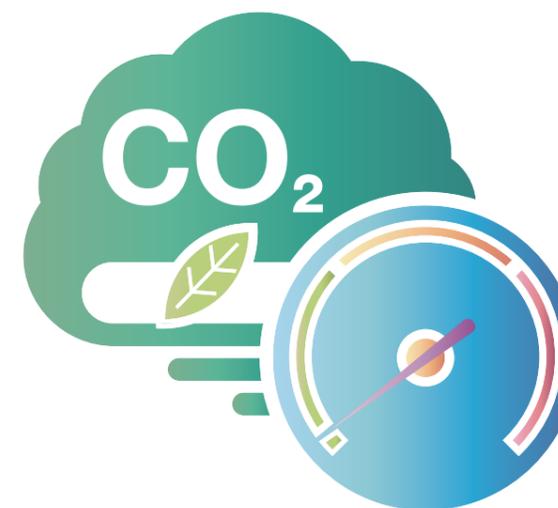
To support suppliers in meeting the Group's expectations regarding environmental and social performance, we continuously engage with our suppliers to understand their limitations and equip them with the skills and knowledge necessary for better ESG performance. These engagements also enable us to identify and minimize potential environmental and social risks along the supply chain.

**Suppliers' communication and training**

During the year, the core Xtep brand engaged with its suppliers and conducted a seminar on product quality management requirements. Representatives, mainly production managers and environmental safety officers, of 45 suppliers joined the training. Through this event, we communicated the social and environmental standards we expect suppliers in Mainland China to uphold. It also highlighted the added value of enhancing their social and environmental practices, raising their awareness of building a sustainable supply chain. In addition, we commissioned a third-party auditor to organize regular training on ESG-related matters for overseas suppliers.



Product quality management training for core Xtep brand suppliers



The core brand is working with one of its suppliers in the PLA T-shirt lifecycle assessment. The collaboration enables the data collection of carbon emissions during the product's weaving, dyeing and sewing processes. This exercise allows an in-depth investigation into the carbon reduction potential of product manufacturing. It also encourages the supplier to factor environmental concerns into production processes as the Group supports the "30 • 60" carbon neutrality target.

During the year, the Group's Supplier Code of Conduct has been planned to be reviewed and updated. The content to be updated is based on the China CSR Due Diligence Guidance and the relevant requirements of the industry. The first draft is expected to be completed in May 2023 and issued to our core suppliers as one of the Group's policies.

**Product and material quality assurance**

Quality specifications and assurance are integral parts of the Group’s production processes. Our products are subject to stringent quality control tests during the production process, which help ensure that only items that meet the Group’s quality requirements are sold to our customers. Our quality control teams are responsible for the quality control processes, which include sample testing and inspection to enhance supplier quality control.

**Product quality control process and procedures**

We have an ISO 9001-certified quality management system in place to ensure the consistent production of good-quality products and standardize the production process of the core Xtep brand. At the research and development stage, the Standard Teams perform thorough tests and verification of the product and the materials used and formulate standards for mass production. During the year, the Standard Teams developed and reviewed 25 quality management-related documents to enhance the quality management system. 134 documents were shared on the Xtep Quality Information Sharing Platform to improve the standardization of product quality management between the Group and its suppliers. In addition, we conducted training on quality management and procedures with more than 1,200 participants to improve our quality control process and procedures.

At the production stage, the quality management teams monitor the quality and safety of raw materials and finished products. They also perform regular quality control activities on the production process and conduct stringent product quality inspections to ensure the finished products from our suppliers pass physical and chemical standards before being delivered to customers. In addition, Xtep conducts monthly sample testing for its Tier 1 and Tier 2 suppliers. Raw materials, adhesives, and finished products are sent to nationally certified third-party laboratories every quarter, ensuring the final products align with national standards and product quality and safety regulations.

To improve product quality, the Group established a special quality control circle for items like down jackets and shoes, allowing steady quality enhancement for specific product categories. The team also conducts competitive product analysis to optimize product standards and testing methodology while promoting product quality and comfort.

The Group also performs a strict quality control process for other brands where the production process is entirely outsourced. Generally, quality tests are performed by our quality management teams either upon arrival at our Quanzhou Logistics Centre or directly on-site at the supplier factories. Monthly quality review meetings are also held to receive constructive feedback from the production departments. In 2022, to improve the product quality and the production process, K-Swiss and Palladium upgraded their manufacturing machinery, adopted raw materials of higher quality, and added new quality test items during the year. Saucony and Merrell upgraded their production process by introducing advanced machinery such as automated, computerized cutting machines and automatic printers.

**Enhancing product quality control with suppliers and customers**

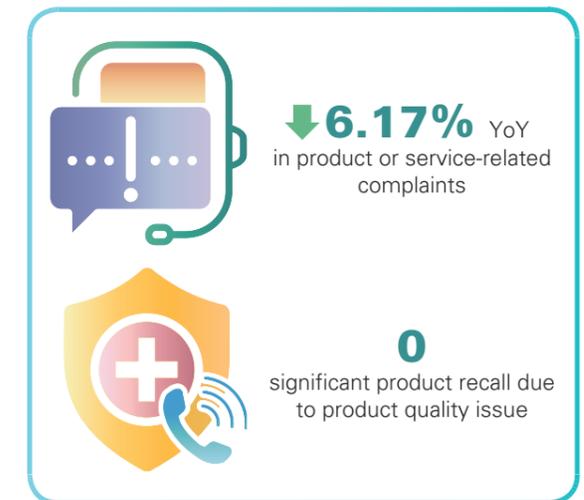
We proactively help our suppliers build quality control and management capacity to promote the Group’s overall product quality. In 2022, we regularly held meetings with suppliers to reflect and analyse product recall trends and encourage continual product quality improvement across our supply network. We also continue to encourage suppliers to establish or upgrade their testing laboratories. In 2022, we helped 35 suppliers establish certified laboratories, including apparel and footwear suppliers.

The quality management team engages with customers by visiting our physical stores to understand market trends and customer needs and setting up communication channels such as the “400 Hotline” to readily receive customer feedback.

**Customer relationship management and satisfaction**

The Group strives to address complaints, information requests and customer feedback by establishing multiple communication channels. Robust internal policies are developed to illustrate procedures for handling customer complaints and product defects. Any customer complaint received at our branded stores, through the “400 Hotline” or other communication channels, will be addressed promptly and appropriately by our customer service team. For example, we provide one-to-one assistance to shoppers in our branded store to promptly deal with customer inquiries and complaints. In 2022, the “400 Hotline” received 2,317 product and service-related complaints.

To improve customer satisfaction, we have implemented the notice on The Return and Exchange Policy for Customers, which stipulates that all products that consumers want to return after wearing will be accepted unconditionally. Policies for handling products recalled due to quality issues or other reasons are in place. For any major product recall, the Quality Management Centre will comprehensively investigate the case and submit the investigation results to senior management and relevant departments. Responsible departments will implement appropriate corrective measures to mitigate the defects identified and prevent future incidents from occurring. In 2022, there were no major product recalls for health or safety reasons.



## ENVIRONMENTAL PROTECTION

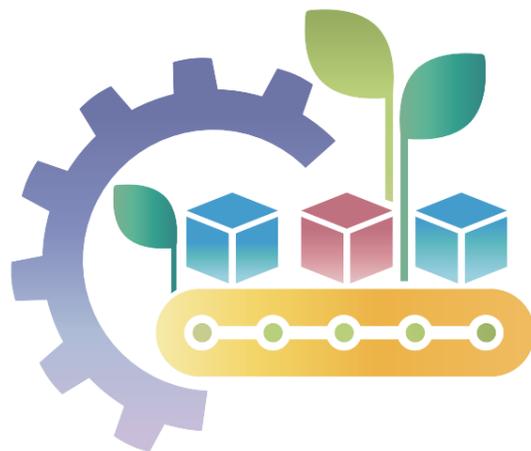
There has been a rise in consumer awareness towards product environmental impact, and we are seeing the same demand from our consumers. The Group highly values the voices of our customers and strives to minimize undesirable environmental impact throughout our operations and production processes. In particular, we are exploring innovative green materials and implementing various environmental initiatives to reduce our operational footprint.

Our ISO 14001-certified Environmental Management System closely monitors the environmental performance of our daily operations and ensures full compliance with increasingly stringent environmental regulations. To align with the national '30•60' net-zero ambitions, further to our existing 10-Year Sustainability Plan, we are currently engaging with a third-party consultant to formulate a long-term decarbonization plan in response to different climate scenarios.

### Green product innovation

#### Green materials and sustainable design along the value chain

Recognising the potential adverse effects incurred throughout product lifecycles, we have been investing extensive effort in developing and adopting more environmentally friendly materials to lessen the environmental footprint of our lines of products. We seek to minimize our environmental impact in three main areas of the sportswear product lifecycle, namely raw material selection, production process, and end-of-life disposal.



During the year, we continue to steadily increase the usage of environmentally friendly materials in our production. As one of the most commonly used crops in the textile industry, cotton is the primary natural fibre used in our apparel products. It is well-known that cotton cultivation is associated with different environmental and social impacts. The production and processing of cotton are water-intensive, and the runoff of pesticides and fertilizers from cotton farms may contaminate the nearby water and soil. The heavy use of these chemicals also raises concerns regarding the health of farm workers and populations in proximity.

To reduce the environmental impact induced by our production, we are currently focusing on using organic cotton, recyclable plant-based materials, and biodegradable materials as a green substitute for our apparel and footwear product production. Below are examples of green materials and their applications:



#### Organic cotton and recycled cotton yarn products

We expanded our line of organic cotton and recycled cotton yarn products. During the year, we launched several apparel products made of organic cotton and recycled cotton yarn.



#### Recycled materials

There has been a growing movement in the industry to utilize recycled materials for producing fabrics and other materials for apparel and footwear products. Using recycled materials can divert plastics and other non-biodegradable materials from landfills while bringing potential energy savings to the production process.

In 2022, we launched footwear products under the K-Swiss and Palladium brands, utilising recycled nylon, recycled PET bottles and recycled rubber in the shoe insoles, foam and bottom line. In addition, Merrell launched a new product in the MOAB series, which features 100% recycled laces and webbing and 100% recycled breathable mesh lining. Palladium also utilized organic materials certified by OEKO-TEX standards, Global Organic Textile Standards, Better Cotton Initiative, and Global Recycled Standards, in 55 footwear products, such as Revolt Collection and Troop Runner Flex.

In 2023, Saucony will launch new footwear where recycled PET bottles constitute 5% of the product. Palladium will introduce 65 footwear products made of mostly certified eco-friendly materials such as plastic bottle-made gauze fabric, recycled outsole, midsole and insole. K-Swiss will launch 29 footwear products utilising green materials, including recycled metal parts and rubbers. In addition, all inner boxes of Saucony and Merrell's products will be using environmentally friendly materials in 2023.



#### Biodegradable materials

PLA is a biodegradable material fermented and extracted from corn, straw, and other crops containing starch. When buried in the soil under specific conditions, it can be naturally degraded within one year. Xtep launched its first PLA products in 2020 and has advanced the use of biodegradable materials in its products ever since.

Through our ongoing effort in PLA product refinement, we further raised the PLA content in our T-shirts launched in the second quarter of 2022 to 76%, compared to 19% in the first PLA product launch in 2020 and 60% in 2021. In 2022, we completed the trial production of the 100% PLA windbreaker.



#### Other materials

We are conscious of our raw materials' origin, as ethical and ecological concerns arise from low traceability and poor transparency. Therefore, Palladium and Saucony source their leather from suppliers with a gold rating in environmental management from the Leather Working Group.

We are also developing eco-friendly products using other materials to reduce environmental impact. Basic materials and midsole provider of Saucony jointly develop bio-based expanded thermoplastic polyurethane (ETPU), a more environmental-friendly material for soft and elastic midsoles. Merrell launched a new line of sports shoes with midsole foam comprising 51% sugar cane and 5% coffee grounds. K-Swiss produced footwear products utilising a special, eco-friendly dye made from almond shells and saw palmetto leaves.

**Case study**

During the year, we have released our first Mass Balance low-carbon eco-friendly running shoes “360-ECO”, empowering innovation and development through technology, and helping sports enthusiasts enjoy a healthy and sustainable lifestyle. The newly launched low-carbon eco-friendly running shoes have been certified by the ISCC (International Sustainability and Carbon Certification) as having biomass raw materials that boast a lower carbon footprint and can even achieve zero-carbon emissions throughout the product lifecycle, thus contributing to the realization of the country’s dual-carbon goals.

Compared with traditional petroleum-based polyurethane raw materials, this constitutes a reduction in carbon emissions of 212g, and a carbon reduction rate of 81%, based on a shoe in size 41. This is another step in developing eco-friendly products, with Xtep having released the 100% polylactic acid windbreaker this June. Xtep has therefore achieved two breakthroughs, spanning apparel to footwear and from the raw materials of polylactic acid to palm oil.



Xtep’s first Mass Balance low-carbon eco-friendly running shoes 360-ECO

**Case study**

In 2022, we launched a footwear product for Merrell with BLOOM performance midsole foam made of 10% algae biomass harvested from lakes and rivers. Benefits of the utilization include keeping ecology in the waterway in balance, using less non-renewable oil, and using pesticide-free feedstock.

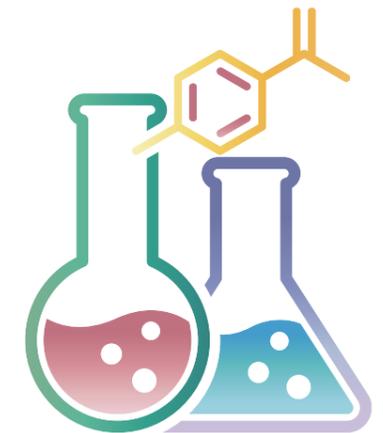


Aligning with our long-term Sustainability Plan’s focus on product sustainable innovation, four targets have been established to increase the amount of product manufactured with a high proportion of recycled materials in selected product lines. For more details, please refer to the focus areas and progress of sustainability targets in the “10-Year Sustainability Plan” in the “Our Sustainability Framework and Initiatives” section.

**Use of chemicals**

As a responsible sportswear producer, the Group is committed to ensuring our product safety and proactively researching alternatives to chemicals of concern. We fully comply with our internal standards and the national use of chemicals standards in all our operations.

During the year, our brands continued to minimize harmful chemicals used in their productions. Merrell cooperated with Bluesign dyeing auxiliaries’ manufacturers for 80% of its garment production and aims to maintain and exceed the high percentage by 2025. While Saucony increased its fluorine-free water-repellent adoption rate in garment production to 10%, gradually progressing towards its 40% target by 2050. Palladium and K-Swiss conducted rigorous training on properly handling chemicals and reducing chemical use by increasing the penetration rate of water-based glue for shoe products.



In supporting the Group’s sustainability plan focusing on chemical use, we have established four targets to increase the amount of product manufactured toward a toxic-free environment in selected product lines. For details, please refer to the focus areas and progress of sustainability targets listed in the “10-Year Sustainability Plan” in the “Our Sustainability Framework and Initiatives” section.

**Promoting industry development**

As a sportswear industry leader, we recognize the significance of continual improvement to accommodate the ever-changing market demands. The development of new industry standards following the latest technological advancements enables industry peers to adopt better manufacturing practices while producing apparel and footwear products. During the year, the Group participated in several initiatives to promote sustainable growth of the industry. We joined the drafting of seven industry standard and guidelines, which includes ‘Supercritical carbon dioxide dyeing of knitwear’ and ‘Footwear — Testing method of the proportion of materials for uppers’. Participation in drafting such standards could enhance the Group’s involvement in industry-wide initiatives yielding meaningful discussions bringing closer alignment of actions across the sector and raising the bar towards achieving a common goal.

**Advocating sustainable consumption**

The Group endeavours to promote a responsible way of using products and services among our customers. During the year, our footwear product for Merrell participated in the Tmall Sustainable Living Festival as a green and low-impact product. The promotional event called for all consumers to incorporate sustainability into their daily life by making eco-friendly purchases.

New green products are launched every season to widen our customers’ eco-friendly choices. To improve the sustainability of sportswear items, we actively explore the use of different recycled and bio-based organic materials in our products. It is also a key element of our footwear to include recyclable components such as a detachable foam insole, shoelaces and ribbons, to further minimize consumers’ environmental footprint from purchasing our sustainable products.

**Reducing footprint along operations**

**Climate-related risks and opportunities**

The unequivocal impact of climate change calls for an immediate response from corporates to assess and manage climate-related risks, particularly those with potential impact on business operations. The Group continuously reviews and implements different climate risk management initiatives to maintain vigilance in managing climate-related factors and risks across our operations.

Physical risks such as global temperature increases, changing climate patterns worldwide and more frequent extreme weather conditions could negatively affect our operations by disrupting our supply chain and reducing the resilience of our assets. Transition risks, including policy changes and shifts in market preferences, could also significantly impact our business. For example, the global trend of transitioning to a low-carbon economy may increase our production costs by requiring additional investment in sustainable energy and other energy efficiency initiatives. However, these risks are accompanied by opportunities created by developing new technologies and products in response to climate change.

During the year, we engaged a third-party consultant to assist the Group in reassessing our GHG emission baseline and exploring possible options to achieve carbon neutrality by 2050. The findings will be used to formulate a plan to mitigate risk and create resilience strategies across our entire value chain.



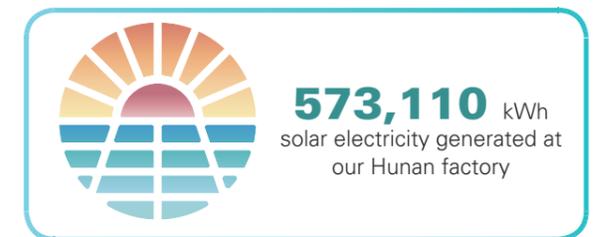
**Energy efficiency and carbon reduction**

The Group is committed to reducing carbon emissions and other air pollutants and supporting the transition to a low-carbon future through environmentally friendly energy sources. We are working on the following initiatives to improve energy efficiency in our operations.

At the Group’s production facilities, we carried on the adjustment and upgrade of lighting controls and manufacturing equipment at our production facilities for energy saving. During the year, we upgraded night lights in corridors of our dormitories with motion sensors and replaced all lighting in our factory with energy-efficient LED lights, saving electricity use.

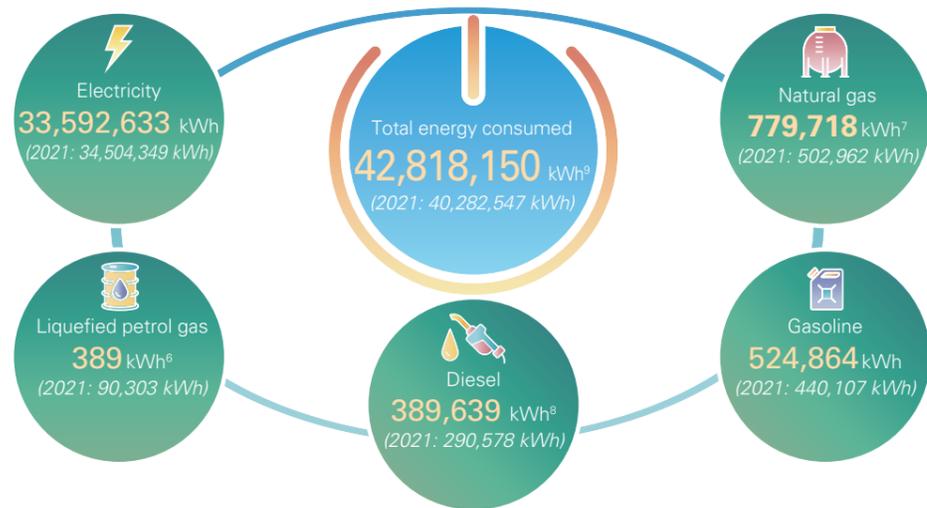
Furthermore, we made efforts to adopt cleaner energy sources. The water heating system in the dormitory was upgraded to a smart energy hot water device running on a heat pump and electricity for greater energy efficiency. All boilers at production sites are powered by natural gas, improving energy efficiency and reducing air pollution and greenhouse gas emissions. Regular maintenances were also conducted to reduce any potential waste of resources from boilers due to equipment ageing or failure. We also trialed renewable energy at our Hunan factory by installing solar panels. The solar panel system has reduced our use of grid electricity and even generated excessive renewable electricity at times that could be sold back to the grid. The Group is also engaging a third-party consultant for exploring and planning of implementing solar projects at our factories to reduce our carbon footprint and contributes to a more sustainable future.

At our branded stores, factories, and headquarters, we post energy-saving guidance and internal communication materials such as posters to promote awareness of our employees in energy conservation. In addition, we closely monitor electricity consumption at all of our operations to promptly identify any abnormalities in energy usage.



In supporting the Group’s sustainability plan focusing on energy saving and air emissions, we established four targets for responsible energy use to improve the environmental footprint at our production sites. Please refer to the focus areas and targets in the “10-Year Sustainability Plan” in the “Our Sustainability Framework and Initiatives” section. A long-term decarbonization plan is currently under development with the support of a third-party consultant to explore feasible emission reduction approaches and the green energy potential of the Group. We are setting emission boundaries and undergoing scenario analysis to evaluate the decarbonization actions required across our business operations and establish decarbonization targets in the longer term.

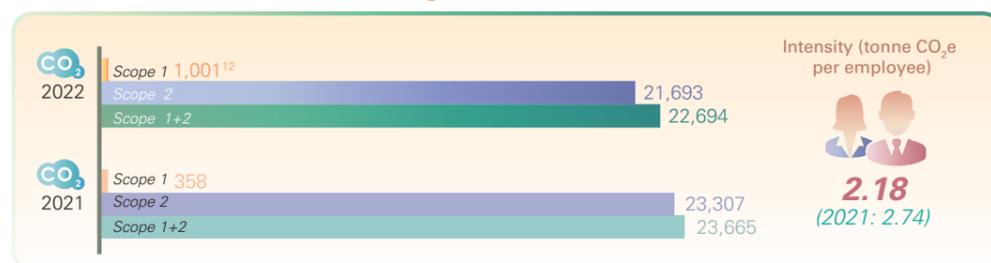
Energy consumption in 2022 (kWh)



Total energy consumption by location (kWh)



Carbon emissions in 2022 (tonne CO<sub>2</sub>e)<sup>11</sup>



<sup>6</sup> The total amount of liquefied petrol gas consumption decreased by nearly 100% compared with 2021. This is mainly due to the switch from consuming liquefied petrol gas to electricity in our Fujian Jinjiang main factory.  
<sup>7</sup> The total amount of natural gas consumption increased 55% compared with 2021. This is mainly due to the opening of Fujian Shishi factory and increased usage in our Fujian Quanzhou main factory.  
<sup>8</sup> The total amount of diesel consumption increased 34% compared with 2021. This is mainly due to the opening of Fujian Shishi factory and increased usage in Fujian Quanzhou Koling factory and Fujian Quanzhou main factory.  
<sup>9</sup> Energy conversion factors are referenced from the United Kingdom Department for Environment, Food & Rural Affairs conversion factors 2021.  
<sup>10</sup> The increase in energy consumption mainly due to the extended reporting scope from 12 to 18 running clubs in 2022.  
<sup>11</sup> Emission factors are referenced from the Guide to Calculating and Reporting Greenhouse Gas Emission in Industry and Other Sectors (Trial) issued by the National Development and Reform Commission of the People's Republic of China and the average emission factor of the national grid in 2022 announced by the Ministry of Ecology and Environment of the PRC.  
<sup>12</sup> Scope 1 emission has increased significantly in 2022 due to increase consumption of gasoline in our headquarters.

Green logistics

The Group delivers high-quality sports products to customers worldwide through our extensive network of stores in Mainland China and overseas. In the distribution and delivery process, significant carbon dioxide and other air pollutants are emitted, especially during COVID-19 as the number of online shoppers rose rapidly. As an effort to mitigate our environmental impacts during our logistics activities, several measures were adopted. For example, the Group converted the use of industrial electricity to commercial electricity in our logistic centre to minimize the carbon emissions in our production during the year. We also worked closely with our suppliers to ensure sustainable practices are implemented throughout the supply chain, such as examining their pollutant discharge permit and hazardous waste disposal contract.

Water management

Most of the Group's water consumption occurs during the production process and its dormitories. We have implemented several measures to improve water efficiency at our factories and dormitories, including process improvements and water recycling and reuse measures. In addition, we have adopted water-efficient appliances in our factories and dormitories to minimize water wastage. In 2022, we continuously adjusted the water pressure of our living quarters. We installed timers to control the flushing frequency of the washrooms in our factories and dormitories, which reduced the water flow rate and subsequent consumption.



Our core Xtep brand partnered with a third-party consultant to investigate water management conditions and collect water consumption data from production factories. Peer benchmarking was also conducted to devise the optimal water reduction targets, measures and long-term plans for the brand. Meanwhile, Saucony and Merrel replaced underground plumbing pipes in factories with exposed pipes to prevent undetected water leakage. Their water usage for manufacturing in 2022 reduced significantly by 50% compared to 2020.

In supporting the Group's sustainability plan focusing on water management, we established two targets to address and improve water efficiency in our production. Please refer to the focus areas and progress of sustainability targets in the "10-Year Sustainability Plan" in the "Our Sustainability Framework and Initiatives" section.

**Packaging material and waste management**

Since 2020, the Group has gradually introduced sustainable packaging into our products to reduce the associated environmental impact. We have replaced the tags and quality certificates of the Xtep brand’s apparel and accessory products. We also provide shoe boxes with handles for our customers to reduce the use of plastic bags. In 2022, 95% of wrapping paper from K-Swiss and Palladium was FSC-certified. From 2023, all inner boxes for product orders of Saucony and Merrel will adopt environmentally friendly materials.



Industrial glues and containers are the most common hazardous waste we produce during manufacturing. This year, we replaced our industrial glues with water-based adhesive as it contains less volatile organic compounds (VOCs). Over 50% of glue applied on Saucony footwear products are water-based, producing less environmental impact and creating a safer work environment.

The Group is cautious about managing our hazardous waste. Complying with local laws and regulations on hazardous waste disposal, we appoint qualified third-party companies to properly handle and dispose of hazardous waste, including plastic buckets and activated carbon. We have set a goal of “zero chemical and explosion incidents” and are fully compliant with regulations in hazardous waste disposal.

Many of our workers live in dormitories, generating a considerable amount of domestic waste at our sites. For general waste management, we uphold the principles of reducing, reusing, and recycling throughout the different functions of the Group. All recyclable waste is categorized and recycled centrally, and external contractors are appointed to properly handle and dispose of non-recyclable general waste.

In supporting the Group’s sustainability plan focusing on waste management, we have established two targets to minimize waste production and achieve 100% harmless treatment of hazardous substances. Please refer to the focus areas and progress of sustainability targets in the “10-Year Sustainability Plan” in the “Our Sustainability Framework and Initiatives” section.

**Air emissions and wastewater discharge**

A certain amount of air pollutants is emitted from the boilers and other equipment in our production process. We have switched to powering our boilers with cleaner natural gas rather than diesel to reduce such air emissions. This change has resulted in less air pollution and greenhouse gas emissions and improved energy efficiency. Other than that, we treat the exhaust gas from our production process with activated carbon filters which are replaced annually by qualified company before being released into the atmosphere. The approach removes and decomposes pollutants safely before emission. During the year, Palladium and K-Swiss upgraded the exhaust gas collection hood of the waste gas treatment system, ensuring its consistent best performance. Moreover, we are considering developing an energy data reporting system to enable standardized emissions data collection and calculation processes, which can provide data accuracy and create a more robust air emission management system.

Our wastewater discharge is not subject to specific requirements from the government as the wastewater is mainly domestic with insignificant chemicals. We discharge such sewage into the municipal wastewater network in compliance with local regulations in all our operations.



## SOCIAL RESPONSIBILITIES

### Nurturing employees

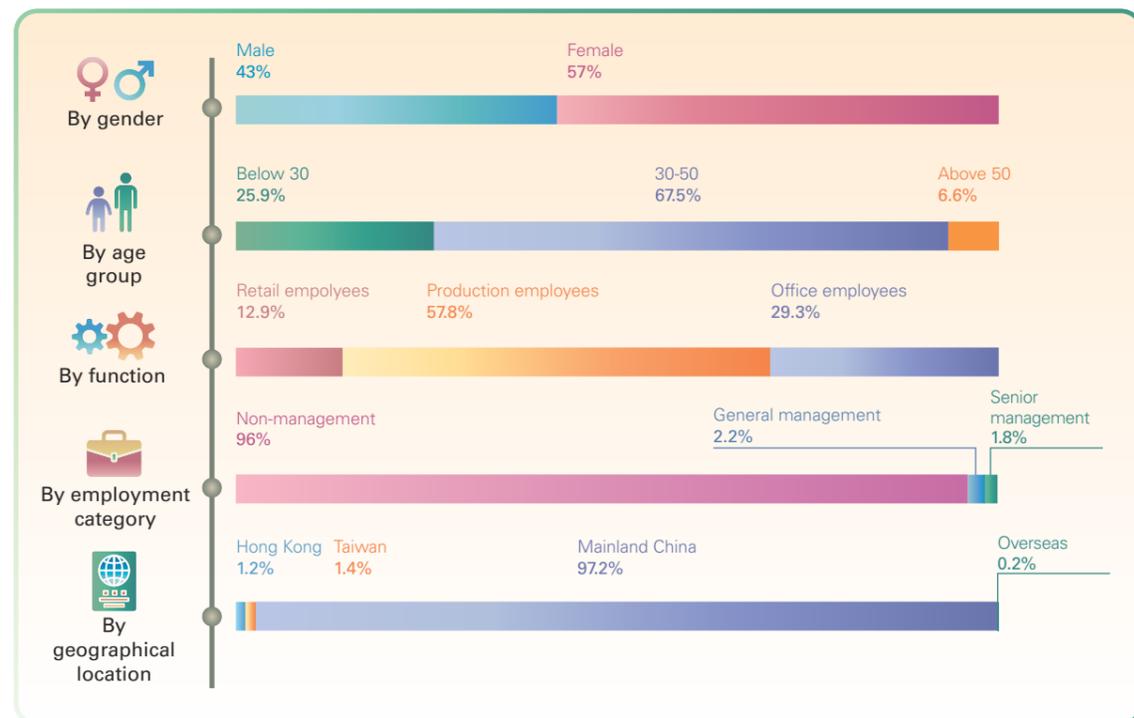
The Group recognizes that employees, with their unique skills and experiences, play a critical role in the development and manufacturing of high-quality sportswear products. To attract and retain the best talents, we provide our staff with competitive remunerations, comprehensive training opportunities and a welcoming workplace culture.

Furthermore, we extend our influence to make positive contributions to society. Being part of the community, the Group continued to actively participate in charitable acts, including in-kind donations, cash donations and voluntary services in 2022.

### Staff portfolio

Talented employees are the cornerstone to the long-term development and success of the Group. In 2022, we had approximately 9,800 employees and the breakdown is as follows.

#### 2022 Staff Breakdown

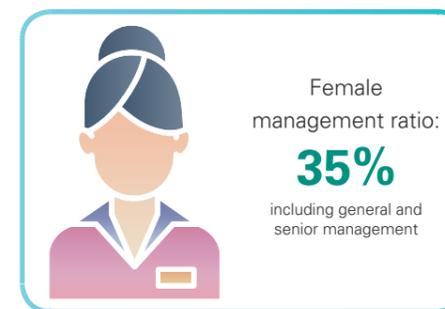


### Talent retention

The Group abides by the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China," ensuring the recruitment and employment processes are fair and consistent. We also fully support diversity and are committed to promoting equal employment opportunities in relation to personnel matters, including recruitment, training, promotion opportunities, benefits, transfer, and dismissal.

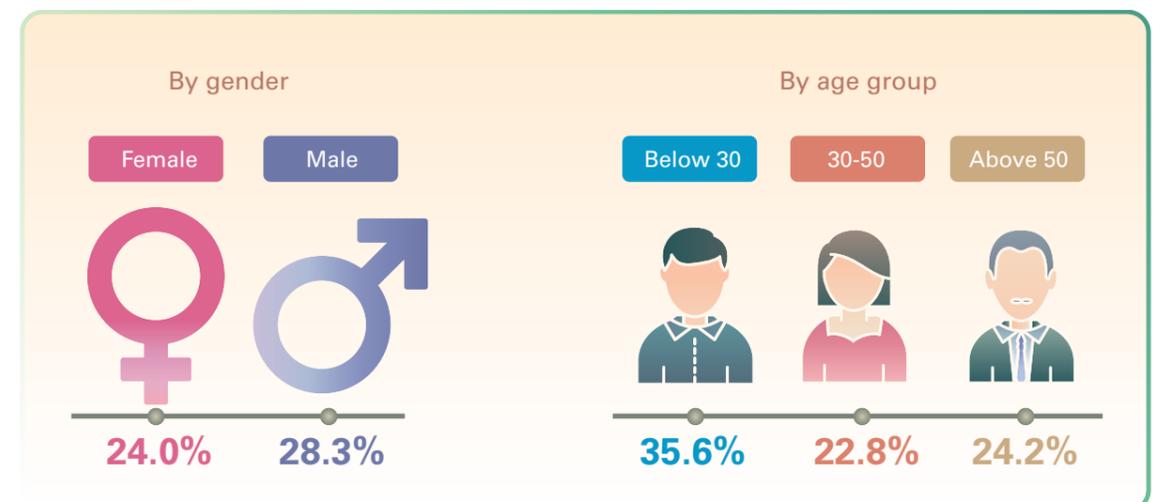
We have established a fair and competitive remuneration and welfare system. The Group provides equal employment opportunities and has zero tolerance towards discrimination or harassment against our employees due to their gender, age, ethnicity, nationality, marital status, or religion. Employee remuneration is determined based on qualifications, experience, nature of the work, performance, and market conditions. To ensure the competitiveness of our remuneration, we offer compensation packages that are considerably higher than the minimum wage level. The salary band is modified in accordance with market trends. In 2022, we offered an even more attractive compensation package as our bonus plan now comprises of profit-sharing bonus and incremental bonus, on top of retention bonus for key talents. These measures help to attract new talents while retaining high-performers within the Group.

A comprehensive Performance Management System is implemented to review employee performance and inform promotion and wage adjustment decisions. Through the system, employees regularly discuss their work performance with their supervisors. To determine whether the employee is eligible for promotion or wage adjustment, the Human Resources department will leverage these documented appraisal results and employees with excellent working performance were rewarded with bonuses.



We have established a Staff Position Management System to clearly assign each position, including grade, title, and job description. The system allows greater efficiency in operations and promotes employee utilization. Our updated recruitment management system and internal transfer procedures have optimized retention and improved our recruitment efficiency. Talent review is also a constant practice to identify performance gaps and high potential staff in the Group. We also offer a double track career pathway to technical professional and management professional, retaining our talents as they may internally transfer between professions and realize their career plan.

### Employee turnover in 2022



**Child and forced labour**

The Group respects labour rights and complies with labour standards to foster a positive work atmosphere. Our Staff Handbook covers topics that include compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity diversity, preventing child and forced labour, and other benefits and welfare issues. It effectively promotes an inclusive and transparent workspace, ensuring employees are not discriminated against at work due to gender, age, ethnicity, nationality, marital status, religion, etc.

The Group abides by relevant laws and regulations prohibiting the employment of child and forced labour in all of its operations. We perform stringent checking and control procedures in the selection and on-boarding processes to ensure no underage labour is hired. Regular reviews on our employment practice are also conducted to ensure we operate fairly. We were not aware of any material non-compliance with law and regulations regarding labour standards during the reporting period.

Beyond our own operations, the Group has extended our efforts to build an equal and inclusive working space across our supply chains. The Group assesses the basic labour rights requirements and employees' accommodation and catering during the potential and existing supplier evaluation to protect employees' legitimate rights and interests. In 2022, we did not observe any incident of child or forced labour during our supply chain evaluation exercises.



**Labour Health and Safety**

It is our utmost priority to safeguard the health and safety of our employees who are valuable assets to our businesses. We manage and reduce occupational health and safety risks through the implementation of the ISO 45001:2018 Occupational Health and Safety Management System (OHSMS). The Group also complies with the relevant standards, laws and regulations to devise detailed standard operating procedures, working guidelines, and manual, providing guidance on the proper work procedures and processes.

We strive to eliminate occupational hazards that threaten the health and safety of our employees. To realize our commitment, we have in place targets, standard procedures, and emergency response plans for identified risks to promptly remove potential safety hazards. We also regularly review our OHSMS to ensure preventive measures are effective and corrective measures are properly executed.

The Group set up the Occupational Health and Safety Committee to scrutinize and periodically report the Group's health and safety performance. At each shift, a professional health and safety officer is present to inspect whether frontline workers act in accordance with our safety procedures during the manufacturing process. All workers also receive a safety briefing before beginning each shift and a summary session after the shift to report any potential safety hazards observed during the shift. This practice serves as an effective routine reminder to our employees to maintain a safe working environment. In addition, we have organized internal fire safety knowledge competitions to raise workers' awareness of workplace risk and acquire fire response knowhow. Billboards and LED display screens are set up in offices and factories to keep employees abreast of newest laws and regulations regarding fire protection, food safety, and workplace safety.

During the year, we enhanced the fire-fighting facilities in our factories and storage facilities and installed electric fire monitoring system to avoid fire accidents at workplace. The Group also introduced intelligent production equipment, such as automatic cutting machines and computerized sewing machines, to minimize occupational risks arising from our productions.

To ensure sufficient health and safety measures are in place, we have engaged a third-party evaluation agency to evaluate our production procedures and formulate preventive measures based on the findings. There was no major safety risk identified in the assessment during the year.

We are not aware of any non-compliance with laws and regulations in 2022 that had a significant impact on the Group with respect to occupational health and safety. Among the 28 injuries that occurred during the year, most of them were commuting accidents that occurred during the commute to and from work. All cases were reported to the local authorities for occupational injury assessment and follow-up actions.

Potential safety hazards



Occupational health and safety performance in 2022<sup>13</sup>



<sup>13</sup> Work-related injuries reported refer to cases reported to the local Human Resources and Social Security Bureau for an occupational injury assessment. The lost day figure reported is the aggregate of the work-related injury leave periods indicated by the assessments.

**Employees' health and wellbeing training**

Besides setting up management systems and working procedures, the Group provides free annual health checks to our employees, identifying potential health issues and boosting positive employee morale in the workplace. The Group also conducted additional occupational health examinations for workers in special positions during the year.

To maintain a high level of health and safety awareness, we regularly conduct emergency drills as refresher training which allowed our employees to immediately correct response to any accidents, enhancing their preparedness and flagging potential shortages in emergency response plans. We also provide work safety and work injury prevention training to new joiners, internal transfers and return to work staff, minimising the incidence of workplace hazards. The Group's management level is also gathered to analyse cases of accidents, identify reasons for happening and devise preventive measures.

We strongly support the health and well-being of our employees. To enhance wellness beyond their roles and responsibilities, we conduct health awareness training sessions to provide health tips for our employees on topics such as cold prevention and emotional management.

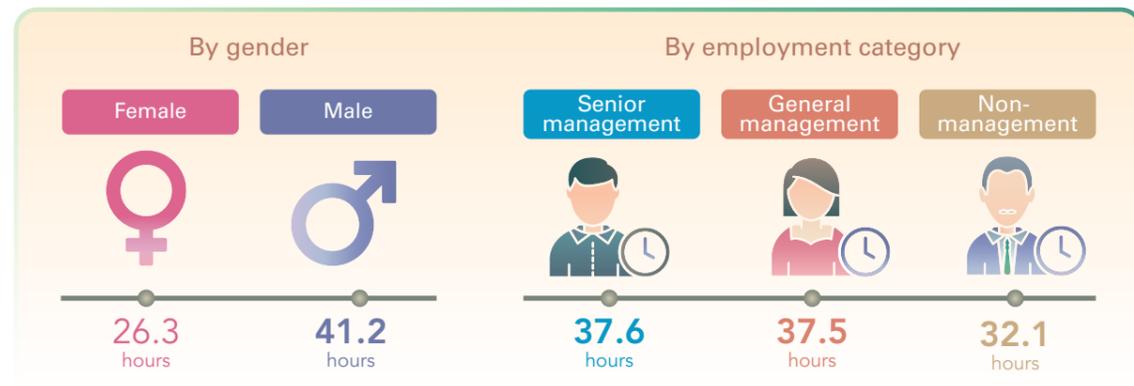
**Training and development**

We are determined to become an outstanding employer and allow our employees to reach their full potential. Emphasis been placed on training and development programmes to equip employees with practical skills and help their alignment with our corporate values.

Overall trainings for the Group in 2022<sup>14</sup>



Average training hours by function in 2022



<sup>14</sup> Included employees who left the Group during the reporting period.

We continue to support our employees' personal and career development through our talent development centre — the Xtep Talent Centre. A wide range of courses is offered to improve the capability and efficiency of our staff via the three departments and one online training platform within the centre. Based on identified training needs, professional training plans catering for different employment categories are formulated and implemented.

The structure of the Xtep Talent Centre and the number of courses in each faculty are as below:



Department	Purpose of the Department
Professional Talent Development Department	According to the competency model of each position and the career development path of employees, devise a learning map for each employee and provide technical and human resources support for the training system, mainly covering the Group's professional staff.
Management Talent Development Department	Carry out planning and formulate leadership development strategies for various levels and types of talent, organize and coordinate internal resources, design and run various leadership development programs, mainly covering the Group's management.
Talent and Cultural Operation Department	Respond to the Group's strategic needs, improve organizational performance and develop comprehensive talents who embrace Xtep's values, mainly covering the Group's new joiners and management trainees.

Furthermore, we have fostered our collaboration with education institutions to cultivate new talents in the sports apparel industry. During the year, we successfully completed school-enterprise cooperation with 10 colleges and universities, developing fresh and specialized talents needed by the Group's marketing team, supply chain and factories. Our ongoing collaboration with Beijing Institute of Fashion Technology and Jiangnan University has also seen great results. A new research platform was developed through joint efforts and a presentation session on final sportswear design by the college students will be held in future procurement conference. We will continue engaging with schools proactively to explore new potentials of the young adults and our prospective employees.

**Employee's engagement, leisure and welfare**

To promote employees' morale and loyalty, the Group introduced a holistic welfare system encompassing a wide range of additional benefits alongside their standard benefits packages, including social insurance, paid holidays, and free medical check-ups. We also provide corporate subsidies such as daily meals, transportation, and accommodation subsidies.

We recognize that a healthy work-life balance is vital to our staff's physical and mental well-being. Therefore, we have organized an array of open spaces for recreational and leisure activities for different staff interest groups, relieving their stress and enhancing their enjoyment at work.



**Staff canteen service upgrade**

We consistently include new dishes and menus, providing our hardworking staff with free nutritious dinners. Also, we organize food festivals every month, where employees can enjoy tasty cuisine from different food booths.



Our business centres organize team outings and departmental trips to broaden employees' horizons, help build team bonding and foster our corporate culture.



**Sunshine sharing event**



**Clubs in workplace**

We organize diversified interest clubs and hold sports leagues (e.g., basketball, football, badminton, table tennis). On top of the traditional sports events, esports and relay races were introduced as we stay up to date with the latest sports fashion.



We continued to organize and carry out 321 running festival and other national joint running activities during the year. In addition, we have established a centre-based employee running group and arranged running activities regularly to promote a healthy work-life balance culture within the Group.



**Running culture**



**Employee birthday parties and holidays**



We organize various events to celebrate special holidays such as International Women's Day, Labour Day, Mother's Day, Father's Day, Teachers' Day, etc. We also send out birthday gifts to our employees to deliver love and care and strengthen the link between employees and the Company.



**Corporate culture**



We have launched the "Xtep Appreciation Card" project, which allows managers to praise the excellent behaviour of employees. The Group has also adopted an online feedback channel and regular offline staff meetings are set to ensure our employees' voices are heard and problems encountered during daily work are resolved.



We provide financial assistance to the families of our employees suffering from diseases or emergencies.

**Employee mutual fund**



We have launched a bilingual internal publication, "Employees of Xtep," which allow our employees to know more about the company value and promote their sense of belonging. An official WeChat account for "Employees of Xtep" was also created to inform our employees of the latest corporate news.

**Employee communication**



Contributing to the society

Building our running ecosystem

Xtep strives to contribute to society's betterment and actively participate in the communities where we operate. We strive to cultivate vigour and vitality in the community by adopting marketing strategies that encompass marathon running event sponsorships and sport celebrity endorsements. We also invest heavily in our running product innovations to foster and strengthen our running ecosystem and promote a healthier lifestyle.

Xtep Running Clubs (XRCs)

With rising health awareness and the emerging popularity of running in Mainland China, the Group has accelerated the openings of the XRCs to create value for more than 1.7 million Xtep Runners Club Members. As at 31 December 2022, there were 49 XRCs in Mainland China.

XRCs have become a pivotal part of Xtep's running ecosystem through the provision of one-stop professional running services, including running consultation, running group support, mobile device charging, bag storage, and shower facilities. They foster the smooth integration of running into people's daily lives with enhanced accessibility to supporting services and tools. In addition, the XRCs has enabled us to perform targeted selling of our products and served as an effective platform for receiving customer feedback.

Running event sponsorship

Xtep is dedicated to promoting public health through the sponsorship of large-scale running events and marathons. Numerous international and large-scale sporting competitions were called or postponed in the first half of 2022 due to a sudden surge in COVID cases in Mainland China. In the second half of 2022, selective physical marathons and running events were resumed when the outbreak was more effectively controlled. During the year, we sponsored five physical marathons in Mainland China.



Donations and charity events

Donated over  
**RMB70 million**  
worth of sportswear and cash donation in 2022.

We are committed to taking up our corporate social responsibility and spreading positive impacts to the community through engagements to help build a thriving community. The Group proactively invests in community programmes, collaborates with local charitable organizations, and encourages our staff to participate in volunteer activities. In 2022, the China Space Museum announced a strategic partnership with Xtep Kids as we jointly organized a popular science charity event to encourage youths to pursue their dreams. Continuing our contribution to society, we donated over RMB70 million worth of sportswear and cash donations to the community during the year.

**Provided support to sufferers in Sichuan Luding earthquake**

In September 2022, an earthquake struck Luding in the Sichuan province, triggering landslides and causing extensive damages. Xtep donated RMB5 million worth of winter clothing and other supplies through the China Children and Teenagers' Fund to the affected regions.

**Provided support to underprivileged households in remote areas**

During the year, Xtep donated 200 thousand pieces of sportswear, worth over RMB60 million, to support underprivileged households in remote areas through the China Soong Ching Ling Foundation.



**Provided support to the combat of COVID-19 pandemic**

2022 was another year overshadowed by the widespread pandemic. Xtep proactively engaged with different volunteering organizations and contributed over RMB30 million in cash and in-kind donations to combat the outbreak in Shanghai, Jilin and Quanzhou in China.



**Promoted street dancing with China Hip-Hop Union Committee and China Youth Development Foundation**

Xtep continued to support the BDS World Kids Street Dance Game hosted by the China Hip-Hop Union Committee. Following the 18 rounds of competition in 2021, 12 rounds of competition were in 2022.

In addition, Xtep and China Youth Development Foundation launched the Hip-Hop Dream Building Project, targeting young teens in third- and fourth-tier cities. By building street dance classroom and introducing professional dance instructors, Xtep is spreading street dance culture to teenagers across the country.



**Partnered with Tencent QQ and launched “QQ Emoji Fundraiser”**

In 2022, as a special partner of Tencent QQ, Xtep gathered 5 million “little safflowers” during the Tencent 99 Giving Day “Little Safflower” Charity Campaign, the raised funds were allocated to support sports education in 200 rural schools, allowing children in underdeveloped regions to experience the excitement of sports.

In addition, Xtep added a fun twist to the QQ emoji. As a special gift to those who made any “little safflower” donation on 99 Giving Day, donors will receive event-limited emoji — a crossover of the classic QQ emoji and Xtep basketball. These unique and creative presents are worth nearly RMB500 thousand, aiming to stimulate further the public’s enthusiasm in joining this meaningful event.



**Xtep Kids launched the Blazing Sun Scheme with the People’s Daily and China Youth Development Foundation**

In July 2022, Xtep Kids launched the Blazing Sun Scheme with the guidance of the Chinese Athletics Association collaboration with the People’s Daily and the China Youth Development Foundation. The project aiming to create momentum for the development of young athletes, nurturing new bloods with outstanding sports performance to partake in international competitions.

Over RMB1 million worth of sports equipment and training were donated together with the China Youth Development Foundation to boost local sports education quality and promote the growth of youth athletes.



**Supported the Love Sets Sail — Special Growth Programme**

Since 2017, Xtep has been working closely with the China Next Generation Education Foundation to promote quality education for youngsters. Up to 440 thousand students across 2,600 schools in 16 provinces have benefited from our charitable activities and can now enjoy sports with Xtep sportswear.

In 2022, Xtep again collaborated with the Foundation and made an in-kind donation worth over RMB30 million to the Love Sets Sail — Special Growth Programme. We have also teamed up with Jeremy Lin to donate RMB6 million worth of sports equipment. The equipment was delivered to students in remote areas to promote healthy growth and development as a demonstration of our social responsibility efforts.



**SEHK ESG GUIDE CONTENT INDEX**

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
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, prioritize 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.	Corporate governance at Xtep	
Reporting Principles — Materiality (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.	Application of reporting principles	
Reporting Principles — Quantitative Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable).	Application of reporting principles	
Reporting Principles — Consistency The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	Application of 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.	Application of reporting principles	

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
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	Green product innovations  Reducing footprint along operations	
KPI A1.1 The types of emissions and respective emissions data	Reducing footprint along operations	Given the nature of the Group’s business, we do not have significant air emissions from our production processes
KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	Energy efficiency and carbon reduction	
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity	–	Currently hazardous and non-hazardous wastes are not considered material to the Group and we have yet to collect and consolidate relevant information. We will continue to review and disclose further information as appropriate in the future
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	–	

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
KPIA1.5	Description of emission target(s) set and steps taken to achieve them	Reducing footprint along operations
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	Packaging material and waste management
<b>Aspect A2: Use of resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Reducing footprint along operations
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Reducing footprint along operations
KPI A2.2	Water consumption in total and intensity	Reducing footprint along operations
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Reducing footprint along operations  Our sustainability framework and initiatives
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	Reducing footprint along operations  Our sustainability framework and initiatives
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Reducing footprint along operations

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources	Green product innovations  Reducing footprint along operations
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them	Green product innovations  Reducing footprint along operations  Our sustainability framework and initiatives
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Risk management and internal control
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	Risk management and internal control

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
<b>B. Social</b>			
<b>Employment and Labour Practices</b>			
<b>Aspect B1: Employment</b>			
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	Nurturing employees	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Staff portfolio	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Talent retention	
<b>Aspect B2: Health and Safety</b>			
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	Labour 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	Labour health and safety	
KPI B2.2	Lost days due to work injury	Labour health and safety	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Labour health and safety	

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
<b>Aspect B3: Development and Training</b>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Training and development	
KPI B3.1	The percentage of employees trained by gender and employee category	Training and development	
KPI B3.2	The average training hours completed per employee by gender and employee category	Training and development	
<b>Aspect B4: Labour Standards</b>			
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	Child and forced labour	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Child and forced labour	
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Child and forced labour	
<b>Operating Practices</b>			
<b>Aspect B5: Supply Chain Management</b>			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Supply chain management	
KPI B5.1	Number of suppliers by geographical region	Supply chain management	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply chain management	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	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.	Supply chain management	

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
<b>Aspect B6: Product Responsibility</b>			
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	Data security and customer privacy protection  Intellectual property protection  Product and material quality assurance	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Product and material quality assurance	
KPI B6.2	Number of products and service-related complaints received and how they are dealt with	Product and material quality assurance	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Intellectual property protection	
KPI B6.4	Description of quality assurance process and recall procedures	Product and material quality assurance	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Data security and customer privacy protection	

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
<b>Aspect B7: Anti-corruption</b>			
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	Anti-corruption Whistleblowing policy	
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	Anti-corruption Whistleblowing policy	
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	Anti-corruption Whistleblowing policy	
KPI B7.3	Description of anti-corruption training provided to directors and staff	Anti-corruption Whistleblowing policy	
<b>Community</b>			
<b>Aspect B8: Community Investment</b>			
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	Contributing to the society	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Contributing to the society	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Contributing to the society	

## APPENDIX

### GLOSSARY

Board	The Board of Directors of Xtep International Holdings Limited
Committee	The Board-level Sustainability Committee
ESG	Environmental, Social and Governance
ESG Guide	Appendix 27 of Hong Kong Stock Exchange Listing Rules and Guidance: Environmental, Social, and Governance Guide
Group, Company or Xtep	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
KPIs	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
ISO 45001	International Occupational Health and Safety Management System Standard issued by International Organization for Standardization
PRC or Mainland China	The People's Republic of China excluding, for the purpose of this ESG report, Hong Kong, Macau and Taiwan
Report	2022 Environmental, Social and Governance Report of the Group
RMB	Renminbi, the lawful currency of the PRC
SDGs	Sustainability Development Goals
Year	The year ended 31 December 2022

