

2021 Corporate Social Responsibility Report



Passion | Expertise | Respect | Trust



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About This Report

1. Reporting Period

This report focuses on the results of activities in 2021 (from January 1, 2021 to December 31, 2021). It also includes some data continuing from the past as well as more recent ones.

2. Organization Covered in this Report

This report including all factories in Shoetown China and Shoetown Indonesia.

3. Publication

This report is an annual report, and this is the 7th CSR report published by Shoetown Group.

4. Reporting Data

The data used in the report comes from the company's internal documents and statistical reports. Unless otherwise noted, the amounts in this report are measured in RMB.

5. Reference Guidelines

The preparation of this report refers to the G4 version of the "Guidelines for Compiling Reports on Sustainable Development of the Global Reporting Initiative", taking into account both Chinese standards and international standards.

6. Report Accountability

Shoetown Group guarantees the authenticity and reliability of the information disclosed, and guarantees that there are no false records, major omissions or misleading statements in the report.

About This Report

Stakeholders	Government	Global Environment	Customers	Employees	Local Communities	Suppliers
Focused issues	<ul style="list-style-type: none"> • Legitimate operation • Comply with taxation law • Environmental friendly • career opportunities • Industrial development 	<ul style="list-style-type: none"> • Resource & energy management • Recycle and reuse • Waste water and solid waste treatment • Environmental charity activities 	<ul style="list-style-type: none"> • Product quality • Product security • Product delivery • Sustainable development 	<ul style="list-style-type: none"> • Harmonious working environment • Occupational health and safety • Employees communication • Employee training and development 	<ul style="list-style-type: none"> • Charity Volunteer Activities • Safety public welfare • Education of environmental protection 	<ul style="list-style-type: none"> • Compliance management • Supplier evaluation
STG Performance	<ul style="list-style-type: none"> • Economic Contribution • Compliance • Management • Zero strike, zero lawsuit 	<ul style="list-style-type: none"> • Environmental management structure • VOC management system • Clean manufacturing 	<ul style="list-style-type: none"> • Quotation • Order system • Solar energy • Green Package Project • Adhere to product security strategies 	<ul style="list-style-type: none"> • Protection of employee rights • Career development system • Safe and healthy working environment • Multiple communication channel • Training System • Caring for employees 	<ul style="list-style-type: none"> • Volunteer activities development • Humanitarian care 	<ul style="list-style-type: none"> • Establish supplier management system • Provide training for supplier

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Leadership Speech

CEO Speech

The year of 2021 is further affected by covid-19 epidemic in the globe which is fierce and repeated, and undoubtedly greatly impact the global economy and people's lives.

During the epidemic period, Shoetown Group faced a lot of challenges. In China, the challenge was factory need to be shut down if there is an epidemic case; while in Indonesia, a large-scale spread of epidemic threatens the health of employees. However, Shoetown Group still took a positive attitude and strictly abided by local government's epidemic prevention and control policies, actively cooperated with epidemic prevention and control measures, organized employees to vaccinate, and purchased a series of epidemic prevention facilities and equipment. Therefore, in 2021, there was not a single covid-19 infection case and production shut down in China factories; while in Indonesia there was only short-term epidemic prevention leaves for individual employees. Shoetown group overall production capacity has been affected to a certain extent with the continuous impact of covid-19, but this was also a good opportunity for the group to re-examine its business strategy and initiate various transformational projects. In addition, adhering to the principle of "people-oriented", Shoetown ensures that employees' salaries and related welfare are not affected, adhere to customer compliance requirements, implement production safety with high standards, regularly hold various trainings and safety drills, and continue to promote related programs to improve employee satisfaction and health and safety.

In 2021, there were 6 factories in Shoetown Group participated in the EWB survey, and further explored the reasons for the questions with lower scores and to form an effective action plan. In addition, the group senior leadership joined the Transformational Leadership Program which was organized by a third-party organization in the UK to cultivate health and safety awareness and establish a health and safety culture from top to bottom. These are all the participation and promotion of Shoetown Group spare no effort, because employees are our important partners and they are key to support Shoetown continuous development in the future.

Although we had put a lot of source into overcoming the difficulties of the epidemic in 2021, we do not forget that we are a member of the planet. In terms of the environment, all group factories have spared no effort to implement various environmental protection projects that reduce waste generation, save energy and reduce emissions. In 2021, China's Hunan factory and Jiangxi factory completed 4.67WM and 0.91MW of rooftop solar PV projects respectively. The Indonesian factories also achieved a new breakthrough in green energy which signed a REC (Renewable Energy Certificate) contract with local PLN to purchase green electricity from January 2022. In addition, Shoetown Group also participated in the Science Based Target (SBTi) program, and from 2021, it will disclosure group carbon data through the CDP platform every year.

In the future, Shoetown Group will continue to work with employees, adhering to the belief of "people-oriented, giving back to the society", and moving towards the goal of sustainable development of the enterprise.

Shoetown Group CEO

Curtis Wang

COO Speech

Shoetown Group is committed to become a 'world-class lean factory' and continues to create maximum value for customers, employees, and society with 'innovation, quality and speed'. 'Root in China, Grow in the world' is our strategy to expand business.

Fight the Epidemic Together and Unite as One

In response to Covid-19 epidemic, Shoetown Group has formulated group epidemic prevention policy and reporting mechanism, and each factory has actively taken action according to local policy and government requirements with high standards. Factories in China are actively increasing the vaccination rate and cooperating with local medical institutions to allow medical staff to vaccinate employees in factory. By the data of May 2022, China factories have completed first and second dose vaccination rates of more than 98% and the third dose is more than 97%; while Indonesia factories have completed the first dose of more than 99%, the second dose of more than 96%, and the third dose is more than 76%. Considering regional epidemic situation, a specific laboratory was set up in Indonesia factories to conduct rapid antigen & PCR test to grasp the effective treatment. What is more, Indonesia factories donated anti-epidemic protective equipment to local government and community to tide over the difficulties together. The epidemic is fierce and has far-reaching impacts, but Shoetown Group still adheres to the compliance requirements of customers, implements production safety with high standards, regularly organizes various trainings and safety drills, guarantees employees' wages and benefits to ensure the normal life of employees.

Safety Culture at Anywhere Anytime

Shoetown Group strives for providing a safe and harmonious working environment. "All accidents can be prevented, I am responsible for my safety and others'." In 2020, Shoetown continued to deepen the establishment of safety culture. In 2021, it achieved zero work-related fatality. Due to epidemic, various safety activities have used online training, and various safety projects have continued to be carried out in various factories to help employees build awareness of safety culture, and Shoetown Qingyuan and Hunan factories has achieved Culture of Safety Maturity Assessment (CoSMA) level 3 by third party, and Shoetown Hunan received brand customer's calibration and achieve CoSMA level 3. In order to deepen safety culture from top to down, Shoetown joined the Transformational Leadership Program, received the assessment and training from the British safety institution – IOSH, with achieving Level 2 assessment rating which can strengthen the safety culture awareness from group senior leadership.

People-oriented with Harmonious Relationship

Employees are the most important property for corporate. Based on the people-oriented business philosophy, we are committed to providing a safe, healthy, happy and harmonious working environment. All factories in group maintain zero lawsuit and zero strike, and continue to conduct EWB survey. In 2021, there were 6 factories have completed EWB survey and formulate related action plan. In addition, through "Shoetown Academy" program, it brings various training courses to all employees to support their career development with increasing recognition to factory. While Shoetown Tangerang prepared for EDGE certification in 2021, it applied for the WEPs (Women's Empowerment Principles) award and was recognized as a finalist for the "Gender Inclusive Workplace Award". With continuous focus on talent development and transparent communication channels building up, compared with 2020, the turnover rate decrease by 1.8% and absenteeism rate decrease by 25% in China; while the absenteeism rate in Indonesian factories decreased 39.5%.

Protect the Environment is Protect the Planet

Shoetown Group has formulated relevant targets for energy and waste, and implemented in each factory. In 2021, China and Indonesia factories completed 45 energy projects, saving a total of 1.91 million Kwh with reducing 1,325 tons of carbon dioxide emission. In addition, we continue to promote the use of renewable energy and build up on-site solar PV in Hunan factory in 2021 with 4.67 MW loading capacity and has generated 2.99 million Kwh in 2021 while 1,834 tons of carbon dioxide reduction, which contributes about 16.8% green energy compare to factory total energy consumption. At the same time, Shoetown Jiangxi has finished 0.9138MW on-site solar project which can contribute about 5% green energy of factory total energy consumption. Up to now, there are three factories installed more than a total 10MW of rooftop solar PV in China and we will continue this momentum. At the same time, Indonesia factories joined local Renewable Energy Certificate program, which will bring another carbon reduction milestone for Shoetown. Moreover, Shoetown joined STBi project and disclosure greenhouse gas data every year from 2021.

For the waste generated in the manufacturing process, we have intervened from the product development stage to improve the utilization rate of pattern efficiency which can provide favorable conditions for the subsequent production process. In addition, we keep tracking and monitoring of waste disposal volume to find opportunities for waste reduction. Especially for product defect rate control which is also an important project for factories. What's more, Shoetown also cooperates with suppliers to adopt more environmentally friendly packaging during transportation. In 2021, Shoetown China factories promoted a total of 7 suppliers to use green packaging, such as to use recyclable plastic pallet to instead of carton pallet and to use woven bags instead of plastic bags, which contributes about 31 tons of solid waste.

Looking forward to the future, Shoetown Group will continue to uphold the commitment to talent development, environmental protection and deep interaction with community to increase the competitiveness. Shoetown Group will continue to fulfill social responsibilities and use reasonable profits to feed back to society.

*Shoetown Group COO
Jim Chang*

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**Shoetown Group
Introduction**

Shoetown Group Introduction

In 1987, the president of Shoetown Group, Ron Chang, established Guangrong Footwear Co., Ltd. (the predecessor of Shoetown Footwear Co., Ltd.) in Guangzhou City. It is a large-scale Sino-foreign joint venture shoe manufacturer specializing in the production of well-known international brand sports shoes. It is the brand's first contract factory in mainland China. Shoetown Group has its owned Product Creation Center which provide strong backing for footwear manufacturing and also provide a solid foundation for the steady development of the group in the future.

After having a solid foundation in China, Shoetown Group began to expand its business to Indonesia because of the demographic dividend and economic growth. In 2015, it joined forces with a senior local shoemaking group to formally become an international group. At the same time, In order to increase group capacity, in 2017, a new factory for the future capacity growth was built in West Java, Indonesia. Facing the future, Shoetown Group is full of confidence, but always insists on rooting in China and growing in the world!

Group Factory Information

Region	Factory Name	Establish Time
China	QING YUAN CITY SHOETOWN FOOTWEAR CO.,LTD	1987
Indonesia	PT ADIS DIMENSION FOOTWEAR	1989
China	JIANG XI GUANG YOU SHOETOWN FOOTWEAR CO., LTD	2007
China	PING XIANG CITY GUANG XUAN FOOTWEAR CO.,LTD	2007
China	QING XIN GUANG JIAN SHOETOWN FOOTWEAR CO., LTD	2009
China	SHOETOWN HUNAN FOOTWEAR CO.,LTD	2011
China	YONG ZHOU KAIXIANG SHOETOWN FOOTWEAR CO.,LTD	2011
Indonesia	PT. SHOETOWN KASOKANDEL INDONESIA	2014
Indonesia	PT SHOETOWN LIGUNG INDONESIA	2017
China	HUNAN KAIXIN SHOETOWN FOOTWEAR CO., LTD	2019
China	QING YUAN CITY LIAN NAN YAO NATIONALITY AUTONOMOUS COUNTY RONGFANG FOOTWEAR	2019

Shoetown Group Introduction



Shoetown Group started in Xiaoping Village, Guangzhou City in 1987. From a small factory with a daily production of 300 pairs, today, it has become a multinational production group with many sourcing bases with impact to local economy. All Shoetown factories around the world play an important role in local development, at the same time, they are significant taxpayer and the key support enterprises from government. Both Shoetown China and Indonesia have brought a lot of employment opportunities which can ease local employment pressure and raised people's living standards.



Annual Output (pair)

49,700,000



Job Opportunity (person)

42,000

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**Operation
Management**

Operation Management

Shoetown Group has deeply cultivated in China, and has continued to move forward more than 30 years. In order to enhance group competitiveness, Shoetown continues to improve its organizational structure and core technical capabilities, and optimize its business strategy. In addition to continuing its traditional advantages, it has been seeking a new path to suit current development. “Root in China, Grow in the world” is new path of Shoetown strategy. From the management of a single independent factory, to the establishment of the group headquarters, and the coordination of the operation of the group's 11 factories, Shoetown needs to develop a correct and clear group strategy and ensure that the strategy is fully implemented in each factory. Every year, Shoetown carries out various group-level projects to optimize the group-level and factory-level processes, making management efficiency, and at the same time, making the capabilities of each factory consistent. Only when the group strategy is correct, the operation is efficient, and the capabilities of each factory are consistent, Shoetown can be more flexible in production and maximize the advantages and competitiveness.

Shoetown not only focuses on production and operation, but also on sustainable development of people and the environment. Shoetown has established a sustainable development department since 1997, caring for employees, ensuring compliance with laws and regulations, and continuously improving the working environment of employees to protect the health and safety. At the same time, in order to reduce the impact on the surrounding environment, air emission, waste water and waste are properly managed and treated, and monitored regularly. In addition to fulfilling compliance requirements, Shoetown has continuously deepened projects beyond compliance and fulfilled its social responsibilities as a leading local enterprise.

North Stars

Safety Culture

Zero Accident
Zero Incident
Zero Impact

People-oriented

Agile Organization
Young Generation
Happy and Harmony Labor Relationship

Greener Product

Zero Carbon
Zero Waste
Green Chemical
100% Close Loop

Shoetown Group Sustainability Milestone

1997 -Building a factory CR team	1999 -Establish 1st RMCC in PRC	2000 -36/40 working hours policy -Night school Program initiated	2001 -NGO (GA) program launched
2003 -ISO occupational health program	2004 -ISO14001&18001 -ESH management system	2005 -New CR system in Shoetown	2006 -AIDS prevention project in workplace
2007 -Volunteer team -Core value	2008 -MAV -Policy & System review	2009-2010 -HRM project	2011-2012 -HSAT -HRMAT
2013-2014 -STC SMS dept. built up -SMS 4P strategy -SI&HF policy execution	2015 -HQ set up-SMS officer -CSR report publish -MB project launch -LEAN2.0 implementation	2016 -Qingyuan Shoetown Footwear HSAT -NCAT roll out -BBS project launched	2017 -Machine safety
2018 -CoSMA Launched	2019 - Qingyuan Shoetown Footwear became the first silver factory in group -Solar PV program launched in Qingyuan factory	2020 -Adopt SLCP -Adopt FEM tool -Adopt EDGE tool -Solar PV program launched in Hunan Factory	2021 -Join STBi and disclosure in CDP -Solar PV program in Jiangxi Factory -Transformational Leadership Program (TLP)

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**Employee
Development**

STG HRM Philosophy

Shoetown Group believes that HRM plays the important role for business's continuous growth. Adhering to "people-oriented" business philosophy and implementing the "humanity management" philosophy, Shoetown Group shape the business culture of "Expertise, Passion, Respect, Trust" and put people in the first place, regarding our employees as the valuable assets, creators of the business value, and the important cornerstone of the sustainable business.

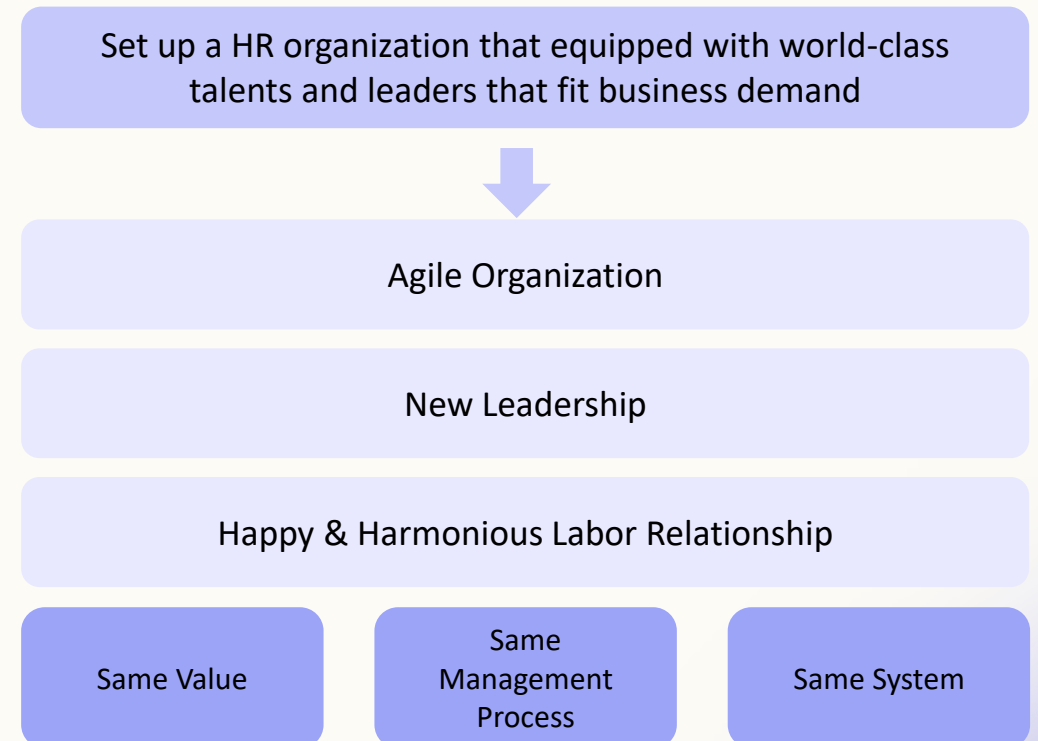
To develop individual and team's talents, support employees' career development, and cultivate diverse talents, Shoetown Group has built the complete training system and fair promotion system to create the working environment with a strong learning atmosphere.

To establish the happy and harmonious labor relationship, Shoetown Group strictly abides by the local laws and relevant requirements of customers to establish fair, just and transparent human resource management system. We cooperate with consultants and customers to continuously optimize the talent management and create a "win-win" situation for the company, customers and employees, creating business' shared value.

Shoetown Group insists on keeping developing and updating the human resource development system in footwear industry, providing the sufficient training opportunities for talents, completing the promotion standards for all positions, and making our employees suitable for their talents and positions in terms of management system and team capabilities to support the business' constant and sustainable growth.

STG HRM Strategy

The STG HRM Strategy for the recent 3 years is to "Set up a HR organization that equipped with world-class talents and leaders that fit business demand." To achieve this goal, we have identified 3 pillars: AGILE ORGANIZATION, NEW LEADERSHIP, and HAPPY & HARMONIOUS LABOR RELATIONSHIP. The different optimizing targets have been set for different groups of employees in different job levels. At the same time, we continuously work on the SAME VALUE, SAME MANAGEMENT SYSTEM, and SAME SYSTEM , so that all the factories in STG could go hand in hand and develop together.



Group Employee Profile

Total 11 factories of Shoetown Group are spread across China and Indonesia, composed of 5 footwear factories and 6 upper factories. There are 3 footwear factories and 5 upper factories in China region, while 2 footwear factories and 1 upper factory in Indonesia region. Up to the end of 2021, there are around 42,000 employees in the whole group. Due to the ramp up plan in Shoetown Indonesia, the mass recruitment plan has been implemented, and this is the first time that the total employees in Shoetown Indonesia are more than total employees in Shoetown China.

Overall, because of the different national characteristics and conditions between China and Indonesia regions, the performance of gender ratio, average age, HR KPI is all different.

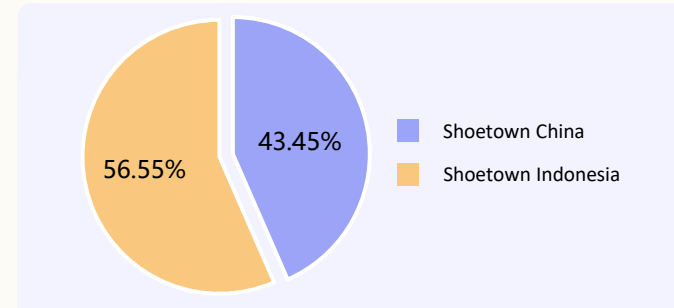
In the gender ratio, it is 1: 5.67 in Shoetown China while it is 1: 0.96 in Indonesia. This shows that there are more female employees in China region and it is more balanced in Indonesia region. To look into details for the female leadership representation, it is observed that in team leader and junior management, the female leadership percentage is 50% and up in China region which is also higher than Indonesia region; when it comes to the middle and senior management, it is noticed that the female leadership representation gradually decreases in both China and Indonesia regions. We believe that we can find out the improvement opportunities to enhance the gender equity performance in our group.

There is no big difference of the male and female average age in both China and Indonesia region factories. The average age in China region is 44 years old, and it is 26 years old in Indonesia region, which is much younger than China region. The group average age is 38 years old.

Through analyzing the turnover rate and absenteeism rate in the group, it is noticed that factories in China have higher turnover rate and lower absenteeism rate, while factories in Indonesia have lower turnover rate and higher absenteeism rate. Compared with data in 2020, except the absenteeism rate in Indonesia regions, affected by COVID-19 in 2021, is higher, other KPIs are controlled and represent a downward trend.

Through analyzing the above data, Shoetown Group could find more development opportunities and improvement targets.

STG Employees in Region



Gender Ratio

Region	Ratio
Shoetown China	1: 5.67
Shoetown Indonesia	1: 0.96
Group	1: 1.78

Female Leadership Representation

Region	Team Leader	Junior Management	Middle Management	Senior Management	Top Management
Shoetown China	>50%	>50%	26% - 50%	<13%	<13%
Shoetown Indonesia	13% - 25%	26% - 50%	26% - 50%	13% - 25%	13% - 25%
Regions Average	26% - 50%	26% - 50%	26% - 50%	13% - 25%	13% - 25%
Group Level	N/A	N/A	N/A	26% - 50%	26% - 50%

Average Age

Region	Male	Female	Region Average
Shoetown China	44	44	44
Shoetown Indonesia	26	25	26
Group Average	38	38	38

HR KPI

Region	T/O rate	Abs. rate
Shoetown China	2.17%	0.09%
Shoetown Indonesia	1.18%	2.44%
Group Average	1.84%	0.88%

Talent Management & Development

Shoetown Group views every employee as the valuable asset and pays attention to their career development, so we have built up the complete training system and programs – Shoetown Academy with abundant learning resources, and we also continuously optimize the promotion and performance evaluation system to meet the talent development targets.

The training philosophy in Shoetown Academy is “Learning by Doing”, including 10% lecture, 70% practice and 20% coach, so the training methods could be very diverse and employees can learn how to apply the knowledge and skill they learn from the training. The training courses in Shoetown Academy include new employee orientation, annual training (professional knowledge for work, health and safety, management philosophy sharing, career development, daily general knowledge, and etc.), production employees skill training, and computer skill training. We also have several training programs, such as pre-multiskill employee training program, pre-TL training program, pre-VSS training program, manager training camp, and talent pool training program. Before any training course or training program is held, we will comprehensively consider various factors, such as business strategy, development of each department, HR data analysis, employees voice and different gender demands. To make the training design and materials more suitable for the business’s current status, we continuously optimize the training materials, certify internal trainers, and conduct assessment to maximize the training effectiveness.

In addition, since 2015, Shoetown Group has gradually conducted the online training for our employees through the worker-tech platform by utilizing interesting challenges, missions and games. Even though under the influence of COVID-19 and only a few business trips are allowed, Shoetown Group takes the good advantage of technology to record all kinds of training videos and hold the online training/webinars.



Commit to Create a Diverse & Inclusive Working Environment

Shoetown Group commits to provide all our employees a happy and harmonious working environment. All our leadership in Shoetown Group commits to following local regulations and customer Code of Conduct. We will never use forced labor, child labor and homeworkers. We commit that our employees are not subject to discrimination in any strategies setting and operation on the basis of race, skin color, gender, nationality, age, religion, pregnancy, marital status, sexual orientation, disability, political opinion, social or ethnic origin or other status protected by country law. Our employees are treated with respect and dignity. We commit to not engaging in or tolerating any physical, sexual, psychological or verbal harassment or abuse and working hard to build a working environment without any harassment or abuse.

As a multinational business, Shoetown Group embraces and respects different culture and religion in different areas. In Shoetown Indonesia, Musholla has been built for employees to pray. Besides, along with the increasingly frequent communication between Shoetown China and Indonesia, we also provide multi-culture training, so that employees within the group can better understand and respect different cultures.

Enhancement of gender equity and female rights within the group is one of Shoetown Group's focus. Shoetown Group commits to following the national convention and local regulations related to female and employees, including ILO Convention No. 190: Violence and Harassment Convention, ILO Convention No. 111: Discrimination (Employment and Occupation) Convention, the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). We commit that our employees' recruitment, training opportunities, promotion certification, or salary/bonus evaluation would not be influenced by gender. Equal pay for equal work is our principles. To build a gender equity working environment, we hold related activities to promote the gender equity concepts and also proactively protect pregnant and maternity employees' rights, such as providing nursing room, extra rest time for pregnant and maternity employees, and also the maternity leaves and paternity leaves aligned with local regulations.

In 2021, Shoetown Tangerang, one of the factories in Shoetown Indonesia, has been shortlisted in the category of Gender-Inclusive Workplace in UN Women Asia-Pacific WEPs Awards (Women's Empowerment Principles). In addition, all factories hold different activities to continuously walk on the road to pursue gender equity, such as optimizing factories policies to pursue equity from policy level, encouraging female employees to participate in management training programs, hold compensation forum, and etc.

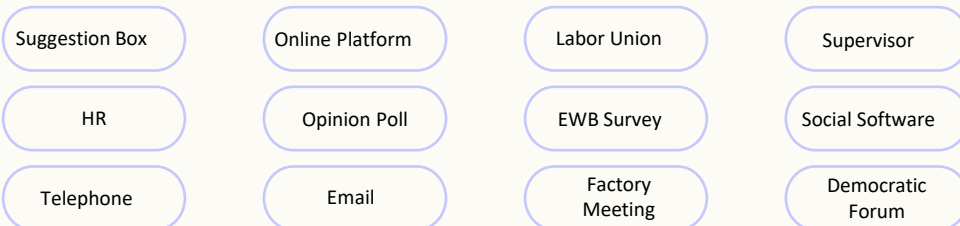


Communication Channel

Paying attention to the voices and rights of employees and constructing diverse, equal and open communication channels can improve employees' engagement with the company and ultimately affect the company's competitiveness. Shoetown Group puts great focus on the mutual communication between company and employees, striving to find the more effective communication channel. We have built a completed online and offline mutual communication system to understand employees' needs more clearly, create a happy and harmonious workplace and labor relationship.

To interact with employees in time, factories in Shoetown Group have gradually established online platform or started to use other social software. At present, 8 factories in the group have officially established worker-tech platform to achieve sufficient and effective communication and problem-solving purposes, especially under the influence of the COVID-19. The offline channels include the regular opinion poll, EWB survey (Engagement & Wellbeing Survey), democratic forum, factory meetings to make the communication channel between leadership and employees clear. In addition, employees can express their opinions through president suggestion box, telephone, labor union, HR department and their direct supervisors. To protect employees' rights, Shoetown Group commits to follow the confidential principles to deal with all the grievance cases. Employees can choose to report the grievance cases anonymously. Retaliation is strictly prohibited.

STG Communication Channel



Create a Happy & Sustainable Workplace

Every employee is the important family member in Shoetown Group, so we hope that we could build a happy, health, and sustainable workplace for our employees, adhering to well-being, integrating vitality and creativity, and emphasizing work-life balance. Shoetown Group holds various activities every year, including festival celebration, and team building activities. The design and planning of each activity is based on the feelings of employees as the starting point. We hope that our employees could deeply feel the warmth and people-oriented business culture, so they could grow with Shoetown Group together.



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Health & Safety

Health

Shoetown Group (STG) factories continue to improve the workplace environment of production line employees, prevent, control and eliminate occupational hazards, and protect the health of employees. For new construction, renovation and expansion projects, the occupational disease protection facilities of the project is designed, constructed and put into operation at the same time as the main project. For raw materials, Shoetown Group insists on using non-toxicity, low-toxicity instead of high-toxicity materials.

Shoetown factories establish and improve employee occupational health monitoring files, and carry out physical examinations for employees in positions with occupational hazard factors in the workplace as per required by local laws, and timely transfer employees with contraindications. We protect female employees strictly according to local laws, and prohibited from arranging pregnant, breast-feeding employees to the positions which are harmful to themselves, to the fetus or to the infants.

For workplaces where acute occupational hazards may occur, Shoetown factories install alarm, flushing facilities and anti-spill emergency kits. The main occupational hazard factors have been identified: noise, chemical, dust, lasers, etc. Other than noise level of individual positions exceeds the threshold, to which Shoetown continues investing hearing protection training and annual physical examination, the rest positions exposure are below the threshold. And Shoetown has achieved 100% of occupational health physical examination to concerned positions as per required by local laws.

Safety

Shoetown Group adheres to the principle of "people-oriented" and safety first in the production process. Safety and production are planned, arranged, inspected, reviewed and evaluated at the same time. We adheres to the principle of "Safety and production responsibility is on one", leaders at all levels and all employees must insist on safety work while focusing on production, so as production with safety, and production must be safe.

Shoetown factories continue to improve the safety management system, such as the implementation of the safety standard work for employees at all levels, so that safety is better integrated into all aspects of production, and various safety work is carried out orderly. We drive workplace safety facilitator (WSF) program, analysis safety data and promote to employees by WSF, so that employees have more opportunities safety management. We also drive kaizen suggestion program, adopt evaluation, credit accumulated policy, to encourage employees actively participate in the program. We improve the safety evaluation system, when selecting outstanding production lines, the KPI performance must be met, but safety has the veto power.

Transformational Leadership Program (TLP)

STG introduced TLP

IOSH kicked off
TLP with STG

IOSH 1-1 Interview
with 12 participants

IOSH issued STG TLP
final report

IOSH Finished 12 hours
training for participants

August 2021

October 2021

October 2021

December 2021

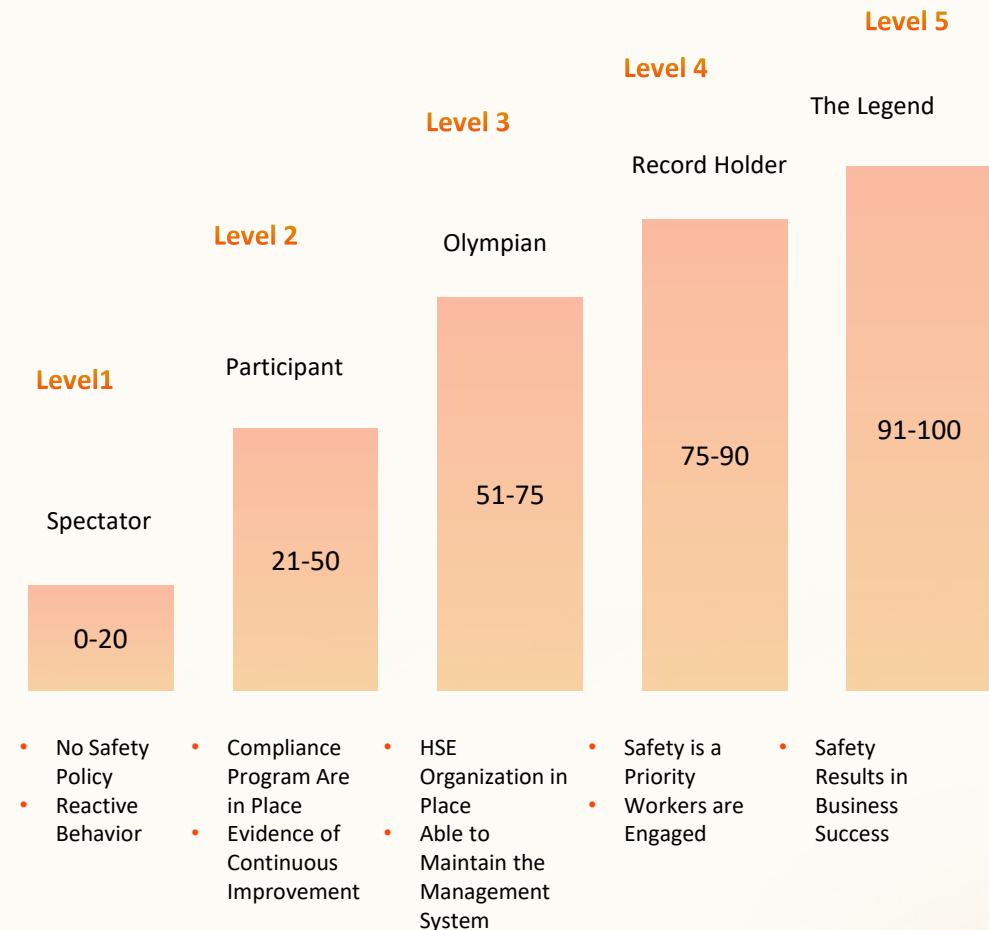
January 2022

TLP is a project led by brand customer, partnership with British consultant company IOSH, aiming at driving manufacturing partners develop predictive, agile and risk resilient management system. As one of brand's strategy partners, Shoetown explores more advanced safety management system with customer. Shoetown arranged 12 group participants leadership team to join in the program. Through this program, leadership team's health & safety awareness was enhanced, which will help them to involve health & safety to strategy and decision making. What's more, It can help Shoetown to build a positive and mature culture of health & safety through top-down communication.



Culture of Safety Maturity Assessment (CoSMA)

The “Culture of Safety Maturity Assessment” (CoSMA) tool contains 27 health and safety diagnostic elements that assess factory leadership engagement and accountability, management systems and processes, and organizational skills and capabilities, aiming at fostering a mature culture of health and safety. Shoetown Group commits to create a world-class safe and healthy workplace with collaboration of leadership and employees. As of May, 2022, there were 3 Shoetown factories had achieve CoSMA level 3, which are 2 Shoetown Qingyuan factories, and 1 Shoetown Hunan factory. The rest of 6 focused factories has finished self-assessment. Shoetown will continue to drive CoSMA program and make sure all focused factories achieve CoSMA level 3 by FY25.



Workplace Safety Facilitator (WSF)

Workplace Safety Facilitator (WSF) program is to select employees from production line as WSF, they will be trained by HSE department in classroom with one safety topic every month, and then WSF will deliver peer-to-peer safety conversations on safety topics in production line. These WSF promote, train health and safety knowledge to their peers, they are the key teams of safety culture building. The goal of the program have one facilitator per 100 employees, and by 2021, Shoetown China factories had WSF average ratio of 2.39%, Indonesia factories was 0.85%, Shoetown factories was 1.88%.



Shoetown Indonesia factories conducted WSF training

Machine Safety

Improving group factories' capabilities to operate and maintain modern and automated machinery is one of health and safety priorities of Shoetown Group, and machine safety is the key to ensuring employee safety and reducing workplace injuries. There are five requirements for a safe machine: machines that have obtained third-party safety certification, on-site risk assessment, job hazard analysis, safety standard operations, and work instruction training. Only when all of these five requirements are met can a machine be defined as a safe machine. Since launched the machine safety project in 2018, Shoetown Group has carried out a machine safety plan for medium and high risk prioritized machines. As of 2021, the achievement rate of qualified machines of Shoetown was 46%, and 7 of the 9 focused factories have completed or exceeded the target of FY2022. We will continue to drive and reach 100% safe machines by FY2025.

Covid-19 Control

COVID-19 continued to have great impact in the world in 2021.

Shoetown Actions

- Established risk and crisis committee, put employees health and safety first, set up prompt response system.
- Factories collected and shared clients, suppliers and government updated news, timely, appropriate and flexible response to risk..

Shoetown Responses

- Monitor factories operation situation, adjust inventory according to Covid-19 condition.
- Monitor supply chains situation, adopt counter measures timely.
- Hygiene measures (disinfection, measurement of temperature, wearing mask, checking health code / digital travel records of outsiders upon entering factories).



Vaccination

Vaccination is an important measure of Covid-19 control and prevention, as well as the most convenient and effective way to prevent from infection and the spread of COVID-19. starting from May of 2021, Shoetown factories organized employees to take vaccines. As of end of May, 2022, vaccination rate in Shoetown factories were:

China Factories	> 98% Dose 1	> 98% Dose 2	> 97% Booster
Indonesia Factories	> 99% Dose 1	> 96% Dose 2	> 76% Booster



Health & Safety Activities

In 2021, Shoetown promoted health and safety knowledge to employees by multiple ways, so as to enhance working capability and enhance their health and safety awareness.

- June of 2021 is the 20th Month of Safety Production in China. Shoetown China factories held various activities to celebrate the month with theme of “Implement safety responsibilities, drive development safely”.
- In June, fire brigade in Qiyang, Hunan conducted joint fire fighting and rescuing of factory drill with multiple social fire forces in Shoetown Hunan Footwear .
- In July, fire brigade of Nanchang went to Jiangxi Guangyou Shoetown Footwear to conduct fire fighting practice, and evaluated volunteer fire brigade’s using of fire hydrant, water hose, water gun.
- Shoetown factories conduct fire drill twice every year.
- Shoetown factories conducted various topics of health and safety training to enhance employees awareness.



Month of Safety Production activity



All employees join fire drill



Fire fighting practice



Joint fire fighting and rescuing with fire brigade

Health and Safety Awards

Shoetown Group uphold “Zero Accident, Zero Incident, Zero Impact” as north star and continue to drive to the journey of building the world-class healthy and safe working environment. With strictly implementation of local laws and regulations, as well as clients requirements, Group Recordable Injury Rate in 2021 was at 0.27, Factory Lost Day Rate was at 0.05, which were both lower than those of 2020.

With the good performance of our factories, in 2021, 4 factories of Shoetown was awarded by local government regarding health and safety, they were Shoetown Footwear in Hunan, Kaixiang Shoetown Footwear in Hunan, Guangyou Shoetown Footwear in Jiangxi, China, and Shoetown Kasokandel in Indonesia.



* PT. Shoetown Kasokandel was virtually awarded **Zero Accidents Awards 2020** award from the Ministry of Labor in Apr, 2021

6

Environment

Environment Management System

Shoetown Group actively implements the green management strategy, adheres to green production and operation, promotes green transformation and development. In addition, Shoetown continuously improves the environmental management system and the accountability system, regulates corporate behavior, with committing to establishing a long term mechanism for green development.

Through practical exploration and innovation, Group implements energy saving and environmental protection target setting and strengthens environmental protection publicity, conducts supervision and inspection, what's more, to strictly enforces responsibility assessment of energy saving and environmental protection targets completion, so as to promotes overall environmental performance.

We are committed to improving resource utilization efficiency, reducing pollutant emissions, fulfilling social responsibilities, enhancing green competitiveness, and promoting the harmonious development of enterprises and nature by strengthening environmental protection, energy conservation and emission reduction management.

Green Procurement

In terms of material procurement, Shoetown Group has paid attention to the environmental impact from the beginning of procurement. In the selection of raw materials, we abide by the RSL prohibited substances list specified by the customer to ensure that all materials have passed testing reports. Before mass production, Shoetown will conduct tests on high risk colors and materials to ensure that materials which may cause harm to humans or the environment are not used in the production process and finished shoes. If there is any does not meet the customer's requirements, it immediately requests the manufacturer to replace it with qualified materials, and at the same time to check the abnormal conditions of production and shipment, and report to the customer for disposal at any time.

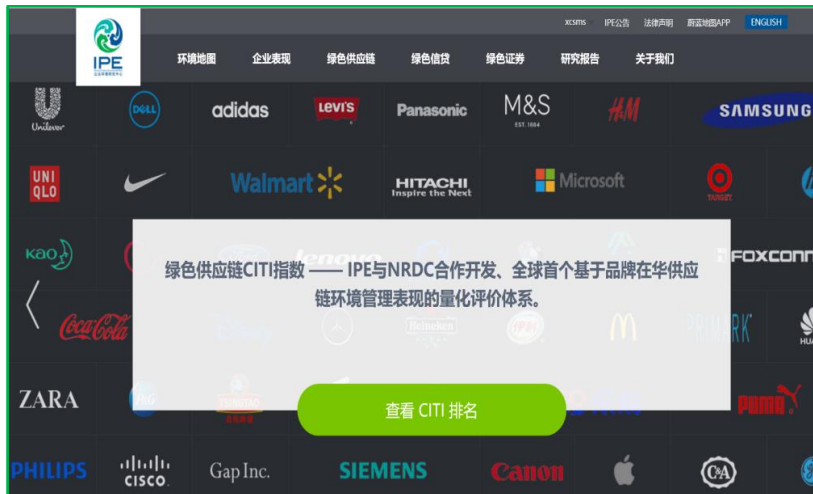
In addition, Shoetown Group strictly requires suppliers at all levels to improve environmental performance, and clearly requires suppliers to comply with national laws, regulations, practices, decrees or standards related to environmental protection, occupational health and safety. In addition, suppliers are required to meet the national regulations on the recycling rate of shoe materials and prohibited substances, and control environmental risks from the source.

Through the implementation of energy saving and emission reduction projects, Shoetown will continuously reduce pollutant emissions and reduce resource consumption. In 2021, there is no environmental pollution incidents Shoetown Group.

Join Industrial Tool

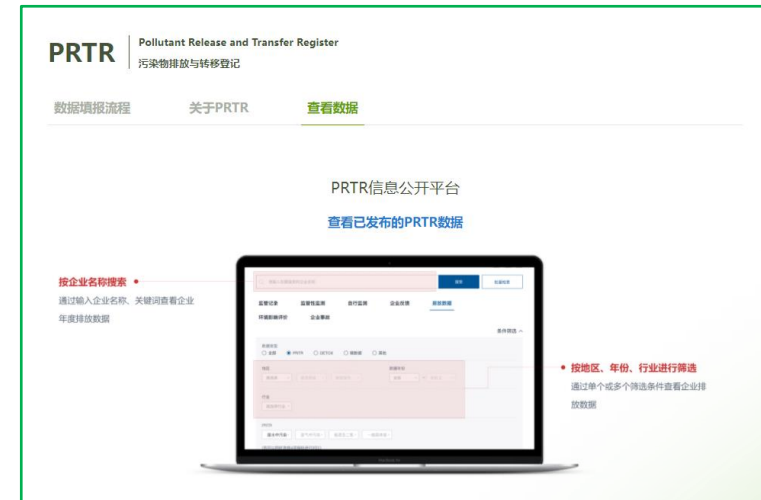
IPE Environment Information

Since 2015, Shoetown Group China factories have published environmental data on the IPE website every year to disclose factories environmental data, and monitor its-self environmental performance and supply chain factories. In 2021, there is no environmental pollution incidents occurred in the group factories, and no violation records on IPE website.



PRTR Data Disclosure

PRTR* system is an environmental database inventory of pollutants that release hazardous chemicals into the atmosphere, water, and soil and transfer them elsewhere for treatment or disposal. In August 2013, IPE established PRTR information disclosure platform for voluntary to disclose. It aims to promote the production enterprises with high environmental impact to disclose annual resource and energy use, the total annual discharge and release of waste water and waste gas pollutants (including harmful chemicals), hazardous waste, etc. Shoetown Group has disclosed related PRTR environmental data through the IPE platform since 2015.



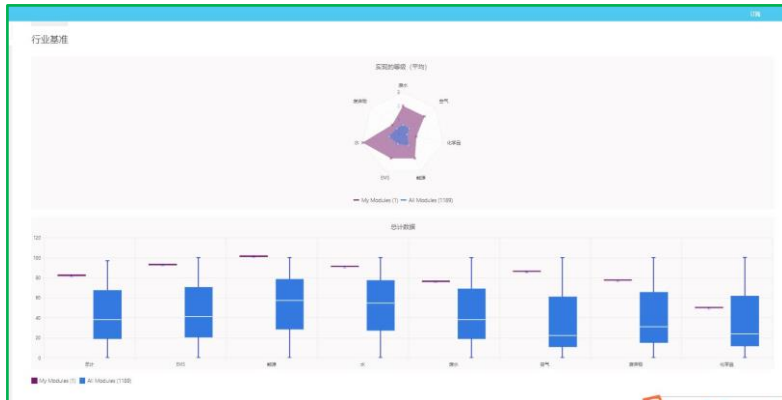
*PRTR: Pollutant Release and Transfer Register

Join Industrial Tool

Facility Environmental Module

In Shoetown Group, all factories in China and Indonesia have joined the HIGG INDEX FEM industry tool in 2020. The Facility Environmental Module is a sustainability assessment tool with a total of 7 modules, including an environmental management system, energy, air emission, water, wastewater, waste, chemicals, used to standardize how factories measure and evaluate their environmental performance. At the same time, it can help factory to understand the environmental situation to make improvements and reduce negative impacts on the environment.

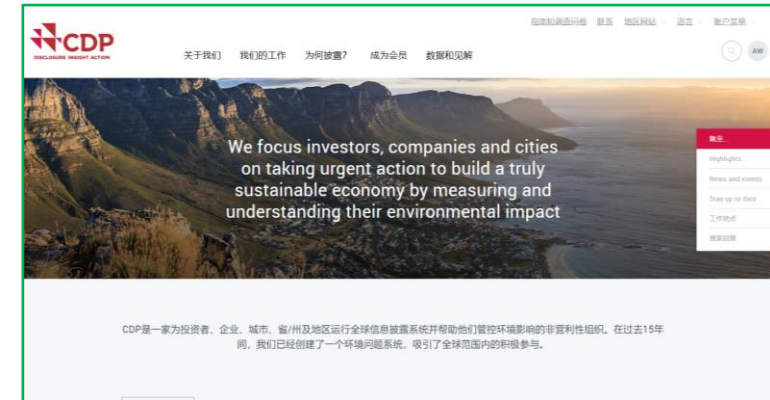
In 2021, total 9 factories in Shoetown Group have conducted FEM verification. The average score of the group factories is 73.2 points. The environmental performance is beyond the average score of global shoe industry through the industrial tool assessment.



Join SBTI*

In order to alleviate global warming and reduce the pressure of carbon emissions, Shoetown Group officially committed to the WRI* organization in 2021 with science based target to reduce carbon emissions. By 2030, Shoetown promises to reduce carbon emissions by 46.2% compared with base line of 2019, and has formally submitted and disclosed group's carbon emissions data through CDP platform on July 26, 2021.

This is the first year that the Shoetown has disclosed carbon emission data through CDP platform, and we are honored to be one of the member! This is just the beginning of the journey of carbon neutrality, and Shoetown Group will continue to make improvements in energy consumption utilization and renewable energy to protect the planet and the future of sports!



*SBTi: science based target index;

*WRI: world resource institute

System Certification

ISO system certification

Shoetown Group regards environmental sustainability as an important part of the corporate sustainable development strategy, and pays attention to fulfilling the responsibility of corporate environmental protection, and actively implements the concept of environmentally friendly and resource-saving development.

Currently, Shoetown Qingyuan, Shoetown Hunan, Shoetown Jiangxi and Shoetown Tangerang are all certificated with ISO 9001, OHSAS 18001 and ISO 14001. Through these systems, factories can implement ISO standards to achieve energy saving and consumption reduction, optimize costs, improve corporate image, strengthen quality management, and improve corporate efficiency, at the same time, to enhance customer confidence and expand market share. What's more, obtaining ISO certification has become an entry permit to break international green barriers and enter the European and American markets. It has gradually become one of the necessary conditions for the organization of production, business activities and trade transactions. In addition, ISO can help optimize the management of the internal quality structure of corporate, saving the energy and cost of the production service management review of each process, which can make the product invincible in the quality competition.

Green Factory

"Green Factory" is a project initiated by the Indonesian government to encourage enterprises to protect the environment and reduce the use of natural resources. There are five levels, with Level 3 as the standard and Level 5 as the highest. The government awards different levels of awards to companies by evaluating and reviewing production processes, health and environmental management, and factory management. There are 152 companies participating Green Industry Award and finally 88 companies win Level 5 Green Industry Award in 2021 while Shoetown Tangerang is one of them. The final assessment score of Shoetown Tangerang was 91.71 points in period of 2021, which is the fifth consecutive year of it to be awarded level 5 "Green Industry Award".



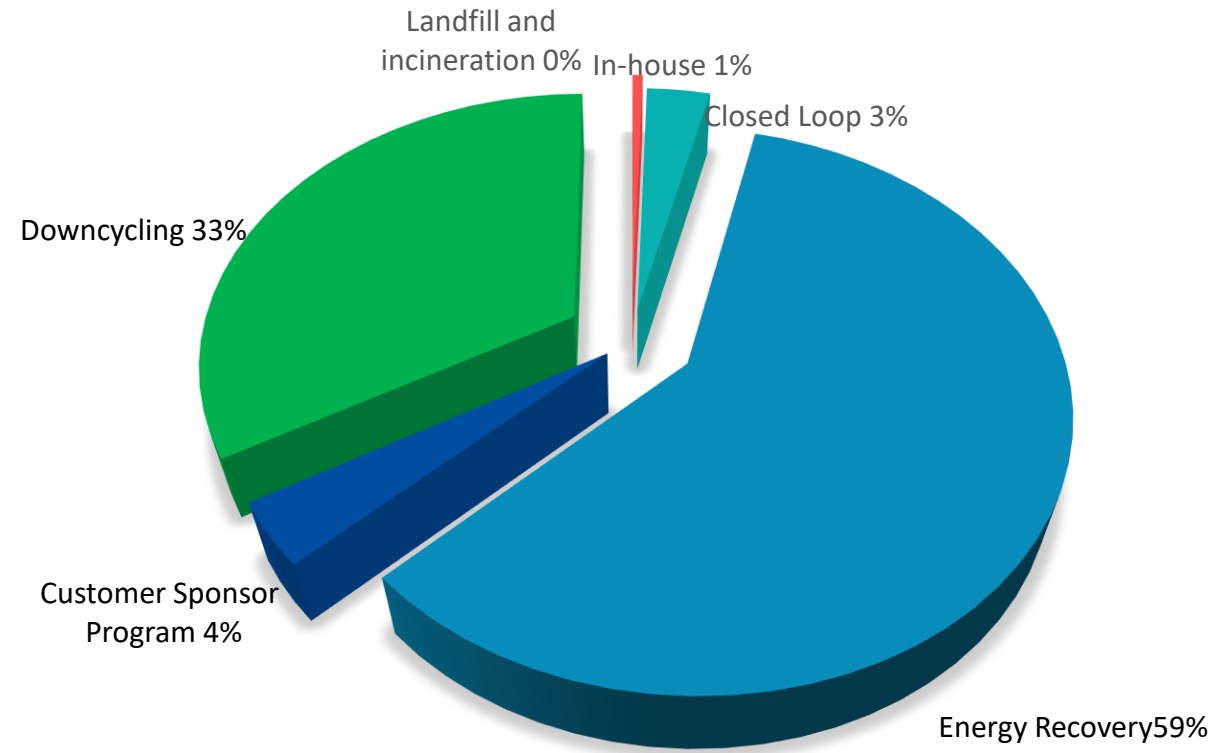
Waste Management

Group Waste Management Expenditure

Group factories are equipped with waste recycling center while all solid wastes are properly classified and collected before disposal to improve the recyclability and manageability of wastes. The solid waste treatment methods in the factory include in house recycling, closed loop, customer sponsored programs, local downstream recycling, and energy recovery. Currently, Shoetown Group China and Indonesia manufacturing bases have fully achieved 'ZERO' landfill, and they have worked hard to increase the recycling rate of waste together with the brand.

On the basis of waste compliance management, Shoetown strives to carry out a series of waste reduction projects, such as promoting the use of green packaging by suppliers, establishing a data collection system for bottom defects, and reviewing waste in the product trial stage.

In 2021, Shoetown Group spent **6.5** million RMB on environment expenditure.



(STG waste disposal methods ratio in 2021)

Waste Management

Shoetown China Waste Recycle Increase

In addition to reducing the generation of waste at the source, Shoetown strives to carry out a series of waste recycling projects:

- China factories carried out laminated PU foam recycling project with cooperation with material;
- Develop local leather recycling program to recycle suede flashing in Shoetown Qingyuan



79.19 ton

Waste Recycling

INCREASE WASTE RECYCLING

Shoetown Indonesia utilizes local resource to develop local downstream recyclers to find more opportunities to improve recycling rates;

- In 2021, Indonesian facility develops two new downstream waste recyclers to increase recycling rate of Phylon and foam.



2.2 ton

Local Downcycling Increase

Green Package Program

In 2021, Shoetown Group implement green packaging project together with brand customers. With local material suppliers, reusable environmental protection boxes will be used to distribute among factories and suppliers, and the use of disposable paper bags and plastic packaging will be phased out.



7 Vendor

Implement Green Package



31 ton

Carton Reduction



Green Package



Laminated PU Foam

Energy Management

Management Strategy

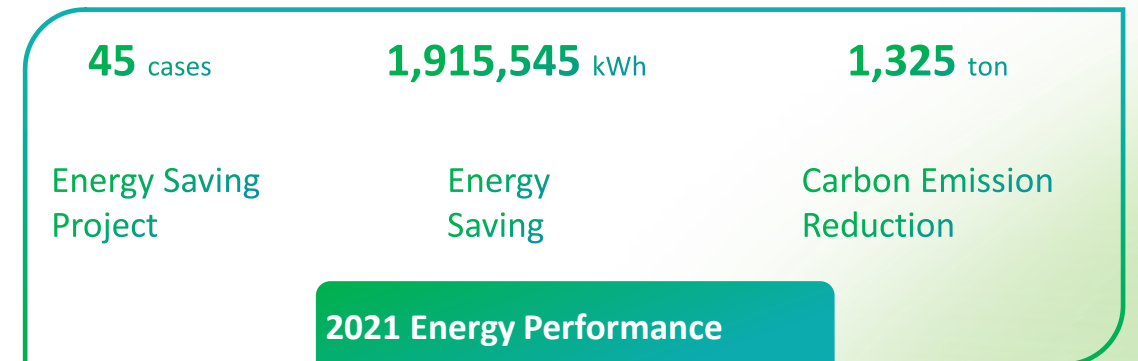
Shoetown Group focuses on integrating the concept of green energy saving into every production session including innovation, procurement, production, transportation, and recycling, and strives to create a green product life cycle, promote technical and management energy saving to reduce energy consumption during operation. In the research and development stage, we have been committed to process adjustment and process integration, striving to steadily promote energy-saving process innovation and achieve energy-saving goals; in the procurement process, according to the company's "Energy Management Work System", adhering to the concept of energy conservation at the source, requires suppliers to carry out energy-saving procurement to try to purchase high-efficiency and energy-saving facilities or equipment when purchasing. During the production process, Shoetown regards energy-saving and emission reduction as its core task, and actively carries out various tasks to deal with global warming, reduce energy consumption, and improve energy-saving awareness.

From the group's sustainable development strategy and five-year long-term energy & carbon goals, to the specific implementation of relevant energy projects in factory, Shoetown aims to achieve green production through the way of increasing sources of income and reducing expenditure, increasing energy consumption rate, using renewable and clean energy and reduce carbon emissions.

Energy Saving Program

Shoetown Group reduces energy consumption, carbon emissions and environmental impact by promoting various energy-saving projects and identifying various improvement opportunities in production areas. The energy-saving projects implemented in group include motor upgrade, replacement of energy-saving air compressors, waste heat recovery of air compressors, installation of oven curtains to prevent heat dissipation, LED replacement of energy-saving lamps, gas-to-electricity and air-saving gun head projects.

Beside projects, Shoetown also popularizes the basic energy saving knowledge to its employees and conveys good energy saving habits, for example, the adjustment of air conditioning temperature, brightness control of working positions, shutdown of idle machines and other measures were taken. It helps employee have further understand and attach importance to energy saving and environmental protection, thus affecting the life concept and build up environmental culture.



Energy Management

Renewable Energy – Hunan Rooftop Solar PV

Shoetown Group is committed to protecting the environment, reducing carbon emissions, and actively responding to customer energy policies and directions. In order to achieve the 2030 carbon goal, Shoetown factory actively promotes renewable energy projects, and rooftop solar PV is one of the key milestone. Shoetown Hunan factory is the second in the group to install on-site solar PV program with 4.67 MW. During 2021, Hunan factory generated 2,993,173 kWh solar power and reduced 1,834 tons of carbon emissions, contributing about 16.8% of factory annual energy consumption.



Renewable Energy – Jiangxi Rooftop Solar PV

Shoetown Jiangxi factory has signed the contract with investor on November of 2020, and after half year of preparation, it kicked off construction on 3rd August, 2021. This is the third factory in the group to install rooftop solar PV project with total 0.9138MW loading capacity which contributes about 5% of factory energy consumption. This is a milestone for Shoetown Group solar PV program. With Qingyuan, Hunan and Jiangxi factory contribution, there is around 10.06 MW rooftop solar power capacity in group. We will keep this momentum and continue to contribute renewable energy to fulfill group commitment to environment.



Energy Management

Green Energy- Indonesia REC Project

-Indonesia factory sign REC contract with PLN

As part of action to reduce carbon emission and prevent earth from global warming, Shoetown Tangerang and Shoetown Manalengka signed partnership with PLN (Indonesia electricity producer) to purchase Renewable Energy Certificate (REC) and use green electricity for energy source in factory. This REC has been recognized internationally and audited by system tracking from APX TIGRs in California. This Renewable Energy Certificate came from Kamojang Geothermal with ZERO carbon emission. Starting from January 2022, it procures 80% and 50% electricity usage respectively from Kamojang Geothermal. Shoetown Group will continue to be committed to global carbon emission reduction targets and take on the mission of building a green enterprise.



Water Resource Management

Fresh Water

Shoetown Group implements the country and brand's grand vision of sustainable development, and is committed to water saving, reduction of water loss and improvement of water efficiency Fresh water consumption is one of the indicators that sustainability daily management focus If there is any abnormality in water consumption, it will be reported in time to find out the reasons, explore water saving opportunities, and implement improvement projects. At the same time, all main shoe factories in group have built waste water treatment plant. Waste water is discharged or reused for toilet flushing after the self built sewage treatment station meets the standards. At present, In 2021, Shoetown Group has achieved 42% reclaimed water, among which Tangerang factory has realized 100% of wastewater recycled and not discharged outside.

Waste Water Management

Shoetown Group strictly control the operation status of the waste water treatment plant station, and strive to promote the discharge of wastewater comply to standard. It implements first level discharge standard of "Comprehensive Wastewater Discharge Standard" in China, while the highest local wastewater discharge standard in Indonesia factory.

Environment Protection Activity

▶ Factory Activity ▶

Shoetown Jiangxi

In response to the theme of climate change and resource shortage, in August 2021, all employees of Shoetown Jiangxi factory actively participated in a series activities with the theme of "Joining Hands on Energy Saving and Waste Reduction to build an Ecological Civilization". Not only the information promotion, but also carry out "Water and Air Leak Reporting Activities" and "Energy Conservation and Environmental Protection Knowledge Competition".



Shoetown Qingyuan

To better improve employees' environmental awareness, Shoetown Qingyuan factory hold a competition activity with the theme of Turn The Waste to Treasure in September, 2021. There is no limit for waste materials which can be from daily life, such as food packaging, containers etc., and turn those waste materials to amazing handicrafts or decoration! Let's enjoy the team's stunning works!



Environment Protection Activity

▶ Factory Activity ▶

China Promotion

- In June 2021, Shoetown Hunan factory was invited by the local ecological environment bureau to participate in a series of publicity and education activities with the theme of 'Harmonious Coexistence between human and nature'.
- In September 2021, Shoetown Hunan factory carries out environmental protection activity in local high school.



Indonesia Promotion

- In September 2021, Shoetown Majalengka factory participated local World Clean Day activity which is initiated by Majalengka environmental agency (Government) in order to improve the citizens' wariness of waste segregation and dispose.



Tree Planting

- In March 2021, Shoetown Qingyuan joined hands with government to carry out tree planting activities and a total of 1,000 trees were planted.
 - Shoetown Tangerang factory monitors the 4,000 saplings planted in the nature reserve in 2016 every year.
- The two forests absorb about **900** tons of carbon dioxide each year.



7

Charity

Education Charity

The Covid-19 continues to have great impact to global in 2021. Shoetown Group knows community support is very critical for sustainable development. We donated books, school facility to support community education, and sponsor scholarship to talented children of employees.



Donated books to local library



Donated books and school supplies



Sponsored scholarship to talented children of employee



Sponsored scholarship to talented children of employee

Humanity Caring

Shoetown Group continued to adhere to the culture of people-oriented in 2021, and conducted many humanitarian activities. We helped employees with financial challenge, we visited orphans and elders, demonstrating a positive group image.



Visited employees' home **44** times, over **200** families were benefited.



Visited elders **7** times, over **30** families were benefited.



Held orphan/children caring **7** times

- Collaborated with brand customer to donated more than **1000** pairs of shoes.
- Donated daily supplies, books, schoolbags ect.
- Orphans, special school children, under-privileged children were benefited.



Visited students at special school at Qingyuan



Visited orphans



Visited elders & under-privileged families



Joined "hospice care" training and onsite visit



Donated Shoes



Help under-privileged employees

Health and safety

With fully following local pandemic control measures, Shoetown group protected the health and safety, and at the same time conducted health and safety activities to give back to society.



We Give Back to Society

Organized blood-donation **5 times**

Totally **568** employees participated



We Care Health of Employees

Organized free clinic **2 times**

Around **1000** employees were benefited



We Fight the Pandemic

Donated pandemic-control supplies to local community

Disinfected stores surrounding factory

Distribute free vitamin C

Free rapid antigen & PCR test for employee

Other Donations

With the original intention of giving back to society, although Covid-19 was still going on, Shoetown Group actively participated into local charity projects and activities. Shoetown Qingyuan donated 0.5 million yuan to local charity program Poverty Alleviation Day, Indonesian factories participated local holidays by donating foods or cash, they also donated to other charity activities.



Donated for Poverty Alleviation Day



Donated sheep to community



Donated to participated TMMD activities



Donated for commemorate Indonesia's Independence Day



Donated building materials for Sugiri Sukani airstrip gate



Donated for house renovation



Root in China, grow in the world



Shoetown China Headquarter: Shoetown Footwear CO., LTD



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