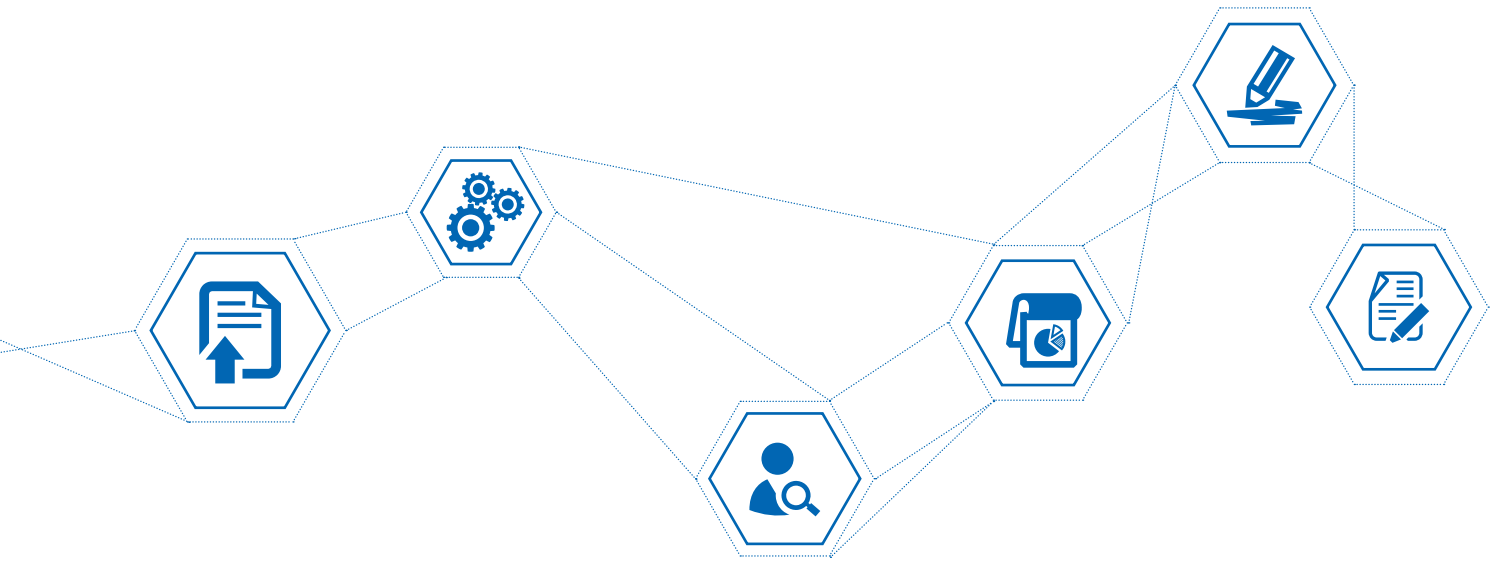


ANNUAL SUSTAINABILITY REPORT 2021



Zhongshan Huali Industrial Group Co., Ltd.



VISION

To be a World Class footwear manufacturer through relentless innovation,
passionate people and outstanding customer service.



CONTENTS

04.....	About the Report
06.....	Letter from President
08.....	About Us
16.....	Special Subjects
30.....	Company Operations
38.....	Products and Services
42.....	Environment, Safety and Occupational Health
54.....	Employees and Communities
70.....	Index of Indicators



— ABOUT THE REPORT

About the Report

Reporting Period

This Report is an annual report and the first annual sustainability report issued by Zhongshan Huali Industrial Group Co., Ltd.

Time Frame

This Report is for the period from January 1, 2021 to December 31, 2021, some contents of which were disclosed beyond the above time frame for integrity and related factors.

Reporting Boundaries

The contents covered in this Report are consistent with the business coverage areas of Zhongshan Huali Industrial Group Co., Ltd. and all its subsidiaries, including the Group's corporate social responsibility concepts, strategies and specific practices, as well as its business operation status during the reporting period.

Description of Reference

For the convenience of presentation and reading, Zhongshan Huali Industrial Group Co., Ltd. is referred to as "Huali Group", "Group", "Company" or "we/us/our" in this Report (except as otherwise specified herein).

Data Sources

The data quoted in this Report are from the official documents and statistics of the Group.

Reference Standard

This Report is prepared on the basis of the GRI STANDARDS core program issued by the Global Sustainability Standards Board (GSSB).

Acquisition Method

This Report is only available in electronic version. In case of any questions or suggestions on the contents of this Report, please contact us by phone or mail.

Company website: huali-group.com

Letter from President

The past 2021 is a year to remember in the development of Huali Group. During this year, COVID-19 pandemic continued to wreak havoc around the world, and the need to meet the quality and delivery requirements of our customers while ensuring the safety and health of our employees posed great challenges to our daily work, but protecting the safety and health of our employees remained our top priority. In addition to strengthening the daily prevention against the pandemic, the Group has secured as many vaccine resources as possible through strong cooperation with the governments where the factories are located. As of the end of the year, the proportion of the Group's 150,000 employees who received two shots of vaccines has reached 85%, and the vaccination of the third shot has commenced in some areas, which has laid a solid foundation for our future success of anti-pandemic.

"There is no night that will not pass, no dawn that will not come". We believe that with the efforts of people around the world, the pandemic will be brought under control and life and production will resume to normal.

On the past April 26, the Group was officially listed on Shenzhen Stock Exchange and became a public company, which is required not only to bring expected returns to shareholders, but also focus on the needs of interested parties and fulfill our social responsibilities. At Huali Group, sustainable development is not merely a slogan, but a solid concept that has been integrated into our operations all the way from site selection for new factories, procurement of environmentally friendly materials, design and development of products using recycled materials, use of renewable energy in the production process, provision of safe and healthy work environment for our employees, to active participation in community activities, etc.

To respond to global climate change by reducing greenhouse gas emissions, Huali Group has completely cancelled coal-fired boilers in 2017, and all existing boilers are using biomass materials. By the end of 2021, the overall consumption of renewable energy has accounted for 57.5% in the Group. In March 2021, Annora Vietnam, which is subordinate to the Group, launched a rooftop solar energy cooperation project with Total, an internationally renowned oil and gas company. The project has a capacity of 1.71 MWp and consists of 3,167 photovoltaic panels, which is estimated to generate 2 million kWh of solar power annually, equivalent to greenhouse gas emission reduction of approximately 1700 tons of carbon dioxide. The project has been officially put into commercial operation as of December 30, 2021.

Looking ahead, the Group will continue to promote rooftop solar energy projects and expand their scale to further increase the proportion of renewable energy in the Group. It is estimated that by the end of 2024, we will complete rooftop solar energy projects with a total capacity of 13-15 MWp, and in the meantime, the Group is also paying close attention to the DPPA (Direct Power Purchase Agreement) pilot project embarked upon by the Ministry of Industry and Trade of Vietnam and Vietnam Electricity Corporation.

During the period from April to September, 2021, Huali Group has successively reached preliminary cooperation intentions on the DPPA project with two local renewable energy project developers with influence in Vietnam, with which the Group discussed and exchanged the cooperation mode and related details of the project. Where the project is approved by the Ministry of Industry and Trade of Vietnam in 2022, Huali Group is expected to achieve the ambitious objective of 100% use of renewable energy by 2035, with an estimated annual reduction of greenhouse gas emissions of approximately 350,000 tons.

As brand cooperation suppliers, the development centers under Huali Group adhere to the concept of sustainable development, participate in the R&D and design of sustainable products, use environment-friendly materials in the process of product development, and strive to increase the use of recycled materials and improve the efficiency of materials. Among the products developed by Huali Group in 2021, approximately 20% of the models used recycled materials, and the proportion reached 70% for certain brands, involving more

than 200 material suppliers. For the waste generated in the manufacturing process, NIKE BU (Business Unit) has achieved the initial objective of zero landfill and zero incineration, and is gradually moving towards the objective of 100% reuse and recycle, while other BU will also gradually achieve this objective.

Huali Group has a long history of protecting the basic rights and interests of workers and actively participating in community activities. In the past year, together with the brand parties, we had held many special projects for improving labor relations, increasing the proportion of female staff in management, etc., and also collected employees' opinions and suggestions more conveniently using mobile APP and other Internet technologies for the purposes of understanding employee satisfaction, and all these projects have achieved positive results. As employees are always our most valuable assets, we will further increase our investment in human resources to strive to become the best employer in the local area. Opportunities and challenges will coexist in 2022. As a leading enterprise in the global footwear industry, Huali Group will continue to work with all its partners in the supply chain to ceaselessly shoulder its due social responsibilities.

What's past is prologue.



TY Chang
President

— ABOUT US

Company profile

Zhongshan Huali Industrial Group Co., Ltd. was listed on the GEM of Shenzhen Stock Exchange on April 26, 2021, with the securities code of "300979" and the securities abbreviation of "Huali Group". The parent company of Huali Group was established in 2004 with the registered capital of RMB 1.167 billion and the registered address in Torch Development Zone, Zhongshan City, Guangdong Province.

The Group is engaged in the development, design, production and sales of sports footwear, and is the world's leading professional sports footwear manufacturer, mainly offering development, design and manufacturing services for world-renowned sports brands such as Nike, Converse, Vans, Puma, UGG, Under Armour, HOKA ONE ONE, etc. Its main products include sports casual shoes, outdoor boots and shoes, sports sandals and slippers, etc.














The Group's management headquarters and development and design center are located in Zhongshan, its manufacturing factories are located in Vietnam, Dominica, Myanmar and Indonesia, and its trade settlement centers are located in Hong Kong and Zhongshan.



Main Products, Services and Brands

The main products of the Group are sports footwear, including sports casual shoes, outdoor boots, sports sandals and slippers, etc.

The Group adopts the strategy of high-quality major customers, with most of its major customers' market shares ranking the top ten of the industry worldwide. The major customers and brands served by the Group include:

Service brand	Brand logo	Service brand	Brand logo
Nike		Puma	
Converse		Under Armour	
UGG		New Balance	
HOKA		On	
Teva		Asics	
Vans		Cole Haan	
Columbia			

As at the end of 2021, Huali Group had 151,198 employees, and the Group had set up more than 20 footwear factories in Vietnam and Dominica, etc. In 2021, the Group shipped 210 million pairs of shoes, achieving an operating income of RMB 17,470 million and a net profit of approximately RMB 2,768 million.

There has been no significant change in organizational scale, structure, ownership or supply chain since the listing of the Group.

Corporate Values

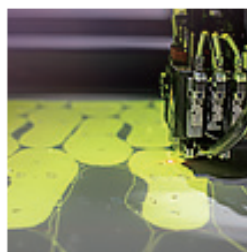
Vision:

To be a World Class footwear manufacturer through relentless innovation, passionate people and outstanding customer service.



Mission:

Through our dedication and passion, we provide innovative footwear solutions that lead to our customers' maximum value and competitiveness.



Core values:

- Respect Our Past and Create the Future
- Serve the Customer, Always
- Be Passionate and Proactive
- Innovate in All You Do
- Master the Fundamentals
- Be a Contributor
- Be Diligent
- Take Responsibility and Be Accountable
- Act with Integrity
- Be True to Your Commitments

Group Honor

The following are the honors and commendations won by some factories of Huali Group in recent years:

Certificates in China



Certificates in Vietnam



Stateway Vietnam Footwear Company Limited, "Occupational Safety and Health Work Excellence Award" in 2019



Adora Vietnam Footwear Company Limited, "Outstanding Performance Award for the 20th Anniversary of National Fire Safety and the 60th Anniversary of the Founding of Fire Police" in 2021



Venus Vietnam Footwear Company Limited, 2021 Hezhong County Economic and Social Development Contribution Award



Amara Vietnam Footwear Company Limited, "Excellent Unit of National Fire Safety Work" in 2021

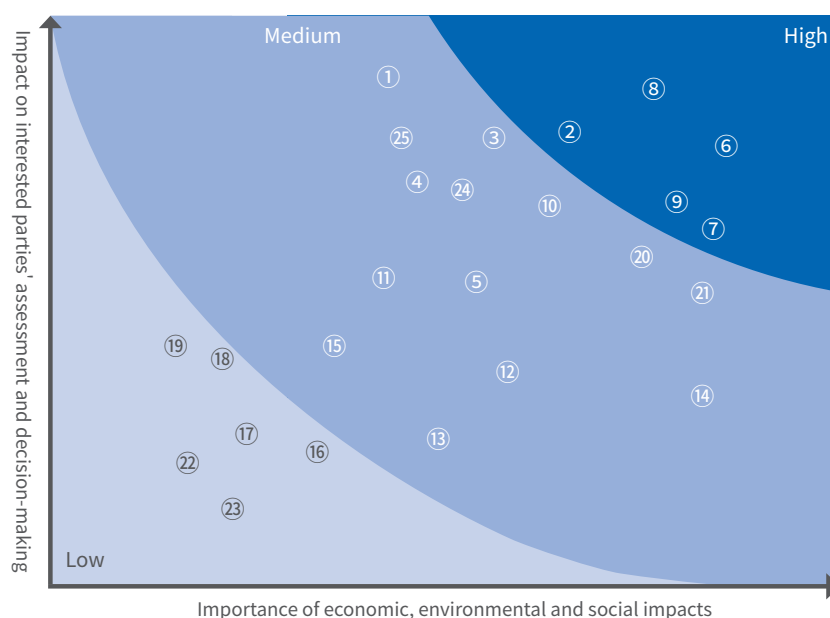


Award for Refinery and Petrochemical Large-scale Fire and Chemical Accident Handling Drill in Nishan Thanh Hoa Province in 2019

Analysis of Substantive Issues

In order to fully understand the extent of interested parties' concern about the social responsibility issues of Huali Group and respond to various topics covered in this Report in a targeted manner, the Group's social responsibility report preparation team, based on the GRI Sustainable Development Report Standards (GRI Standards) issued by the Global Sustainability Standards Board (GSSB), through internal and external questionnaires, meetings, interviews and other research work, identified and ranked the interested parties and the substantive issues of social responsibilities of Huali Group this year, and identified 25 substantive issues, which were ranked according to the importance of interested parties' assessment and decision-making and the importance of economic, environmental and social impacts.

Analysis of Substantive Issues matrix



Economic Issues	Environmental Issues	Social Issues
<ul style="list-style-type: none"> ① Corporate governance ② Products and services ③ Quality management ④ Market performance ⑤ R&D Innovation 	<ul style="list-style-type: none"> ⑥ Energy ⑦ Use of water resources ⑧ Climate change and carbon emissions ⑨ Pollution control ⑩ Clean production ⑪ Green purchase ⑫ Raw materials and chemicals ⑬ Circular economy 	<ul style="list-style-type: none"> ⑭ Labor relations ⑮ Diversification ⑯ Child labor ⑰ Forced labor ⑱ Anti-discrimination and harassment ⑲ Freedom of association ⑳ Occupational health and safety ㉑ Training and education ㉒ Local community relations ㉓ External interested parties' rights and interests ㉔ Anti-corruption ㉕ Information security

Identification and Communication with Interested Parties

Communication and exchange with interested parties is the focus of Huali Group's corporate social responsibility management. We attach great importance to communication with interested parties and have established diversified communication channels. We disclose to related parties in a timely manner information related to policy updates, daily operations, developments and changes, and special changes, as well as the progress of Huali Group's sustainable development efforts, and actively listen to the suggestions and opinions of all related parties to understand their expectations and requirements for us, actively adopt constructive opinions and suggestions, and work together with interested parties to improve the operation and management of the enterprise.

Key interested parties	Claim	Response
Customer	Provide high-quality products and services Protect customer information security Product recycling and life cycle management	Provide product information, pre-sales and after-sales management Customer communication and opinion collection Build information security management system Promote recycling and other projects
Investor	Company operation status Current situation and trend of industry and market	Disclose important information of the Company to investors in a timely manner through regular and irregular disclosure announcements, and interact with investors through investor research, investor interaction platform and telephone hotline
Supplier	Integrity and fairness in operation Promotion of supplier development Creation of good supply chain relationship	Follow fair and transparent procurement principles and processes Formulate standardized supplier management standards Conduct responsible procurement

Huali Group collects information through internal and external interviews, communications via telephone, email and WeChat, etc., and identifies major interested parties through comprehensive analysis and based on the importance to enterprise environment, society and governance.

The following are the major interested parties identified and communication methods therewith:

Key interested parties	Claim	Response
Employee	Excellent working conditions Guarantee of basic human rights Training and career development Occupational health and safety	Guarantee of employees' working conditions Respect for human rights of employees Training assessment and career planning Establishment of occupational health and safety management system
Environment	Energy conservation and consumption reduction and climate change response Pollutant control Reduction of environmental impact of products	Active promotion of energy conservation and consumption reduction and carbon emission control Pollutant reduction technology and emission monitoring Greener products, carbon footprint research
Peer	Technical exchange Collaborative innovation Industry / industrial development	Meeting exchange Joint R&D Admission to trade associations
Government and regulatory agencies	Pay taxes in full according to law Lead technological innovation Promote social employment Maintain environmental and social compliance	Pay taxes in full according to law R&D Innovation Create employment positions Build environmental and social responsibility system

SPECIAL SUBJECTS

As a responsible enterprise, Huali Group has taken the initiative and acted positively in fighting COVID-19 pandemic, responding to climate change and developing circular economy, earnestly practiced its social responsibility concept, demonstrated its social responsibility consciousness and achieved remarkable social effects.

Prevention and Control of COVID-19 Pandemic



In early 2020, in the face of sudden outbreak of COVID-19 pandemic, countries around the world have successively adopted urban lockdown control and other social restrictions in order to prevent the pandemic from further spreading, which led to the stagnation of consumption and the impact on the stability of supply chain, and great impacts on the economic prosperity and social stability of various countries. Faced with the risks and uncertainties brought by the pandemic, Huali Group took the health and safety of employees and partners as the priority. At the preliminary stage of the pandemic, the Group promptly established the COVID-19 pandemic prevention steering committee and safety team, and developed and issued the Group's guiding principles for pandemic prevention and commenced the pandemic prevention response scheme, which have been continuously adjusted in a rolling manner on the basis of emergency management in comprehensive consideration of the pandemic prevention policies of local governments, the pandemic development trend and the opinions of employees.

The relevant pandemic prevention measures are as follows:

- Established a dedicated unit: established the COVID-19 pandemic prevention steering committee and safety team at the first time, held an emergency meeting, developed the Group's guiding principles for pandemic prevention, and instructed the planning and implementation of pandemic prevention work in each factory.
- Conduct daily communication on pandemic prevention: regularly hold pandemic prevention work meetings, understand real-time pandemic information in various places, confirm the implementation of the work and make timely adjustments.
- Implement contingency measures: set up temperature measuring stations and disinfection areas at the entrance and exit of the workplace, control the number of people in the workplace, shunt commuting hours, telecommuting, attendance and travel control, canteen and kitchen pandemic prevention and control, etc.



- Prepare pandemic prevention materials: store and ensure continuous supply of pandemic prevention materials, including masks, alcohol, infrared thermometers, forehead thermometers, protective clothing, gloves, disinfectant, etc.
- Realize vaccination of employees: Since the vaccines are available on the market, the Group has been cooperating with the governments where the factories are located. As of the end of 2021, the proportion of the Group's employees who received two shots of vaccines has reached 85%, and the vaccination of the third shot has commenced in some areas.



- Strengthen environmental cleanliness: Fully disinfect all factory and office areas on a regular and responsive basis, including dormitories, canteen and kitchens, transportation vehicles and other public areas.
- Advocate pandemic prevention concepts: follow the local government's pandemic prevention policies, train employees correct pandemic prevention concepts, strengthen their personal hygiene habits, and keep safe social distancing.
- Conduct employee communication: Through social media and other means, continue to care about the physical and mental health of employees, and carry out real-time interaction and communication on pandemic prevention policy transmission, information release and abnormal event handling, etc.
- Implement prevention and control tracking: establish self-health tracking form for reporting health status and contact history, implement infection risk tracking management mechanism, and uniformly organize testing according to needs.

Through the above measures, Huali Group has effectively controlled the impact of the pandemic, protected the life safety and health of employees, and maintained stable and orderly production.



Responding to Climate Change

The Group aims to achieve carbon neutrality by

2035

Climate change is one of the greatest threats facing all mankind at present. According to the report of Working Group I of the Sixth Assessment Report (AR6) released by the UN Intergovernmental Panel on Climate Change on August 9, 2021, *Climate Change 2021: Natural Science Basis*, since 1850-1900, greenhouse gas emissions from human activities have caused the global average surface temperature to rise by approximately 1.1 °C, and it is found that the global temperature is expected to reach or exceed an increase of 1.5 °C from the average temperature in the next 20 years. This means that unless greenhouse gas emissions are reduced immediately, rapidly and on a large scale, the goal of limiting global warming to 2°C or close to 1.5 °C as set out in the Paris Agreement will not be achieved. As a world-famous footwear company, Huali Group is well aware of its sustainable development mission, and is committed to resource integration and coordination within the Group to jointly respond to climate change and reduce greenhouse gas emissions. Long-term energy strategy have been developed at the level of the Group headquarters to support and guide the orderly implementation of the greenhouse gas emission reduction plan. Clear energy conservation and emission reduction measures have been developed at the factory level to continuously improve energy efficiency and increase the proportion of renewable energy.

In 2021, the total calculated and reported greenhouse gas emissions of Huali Group were 344,061 tons. Based on such baseline, Huali Group undertakes to achieve the objective of carbon neutrality by 2035.

The Group aims to achieve carbon neutrality by 2035

Vision:

To be a sustainable footwear manufacturer through "zero" carbon emissions

Mission:

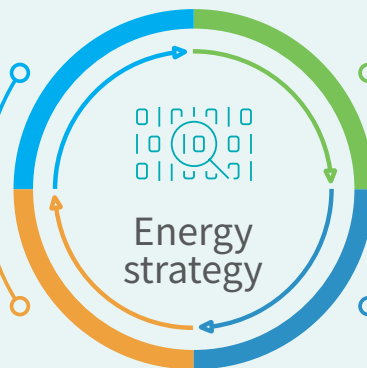
Improve energy efficiency and maximize the use of renewable energy

Priority and key initiatives:

Energy Management System: Dedicated energy team; Smart-Meter platform; Energy audit
Energy Efficiency: Elevate motors efficiency; Improve compressed air system; Optimize heating & cooling system
Renewable Energy: Onsite solar PV; Biomass fuel; Renewable energy PPA

Key elements:

Management commitments; Cross-functional engagement; Team & talent; Database & Analysis;



2017 Aurora
Vietnam

8

Smart air flow meters

32

Smart electric meters

3

Smart air flow meters

2019 Sun Jade
Vietnam

33

Smart electric meters

4

Smart air flow meters

Energy conservation and emission reduction management

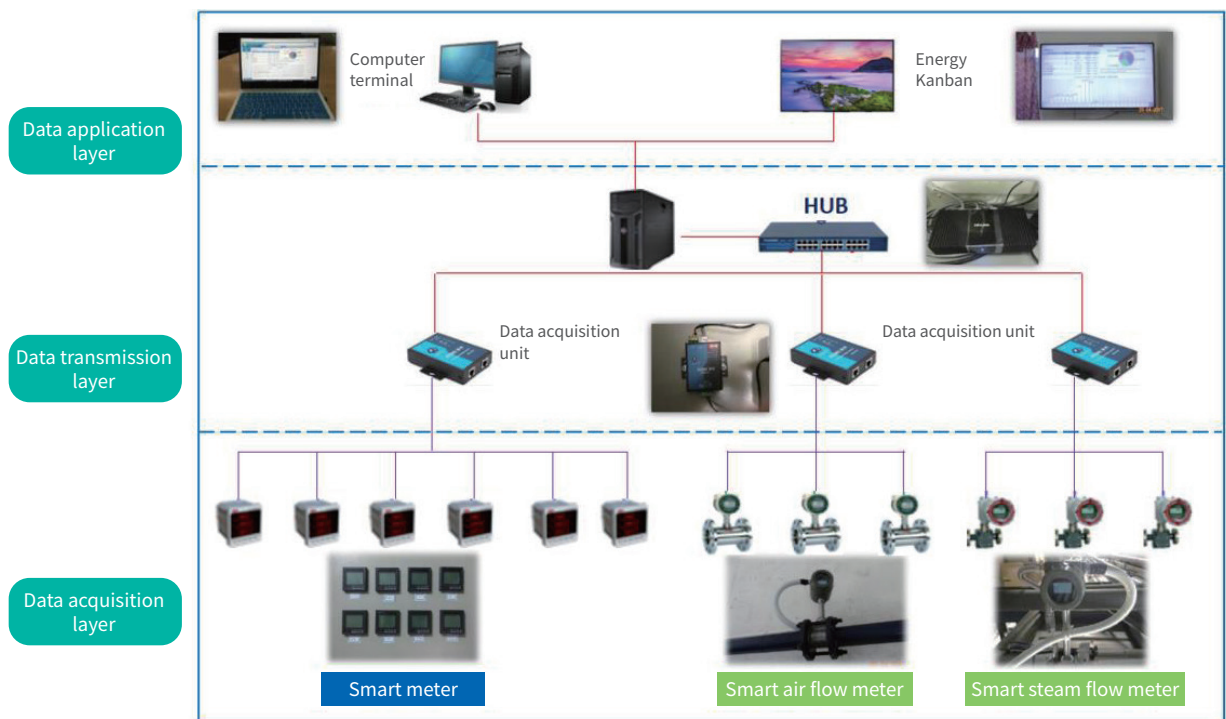
As an advocate and practitioner of the concept of sustainable development, Huali Group is committed to carrying out effective energy conservation and emission reduction actions in all aspects of production and operation to minimize the impact of its enterprise operations on climate change. Through the combination of system management and technological innovation, Huali Group has been continuously improving energy efficiency and actively promoting the development and utilization of renewable energy to reduce greenhouse gas emissions and mitigate climate change.

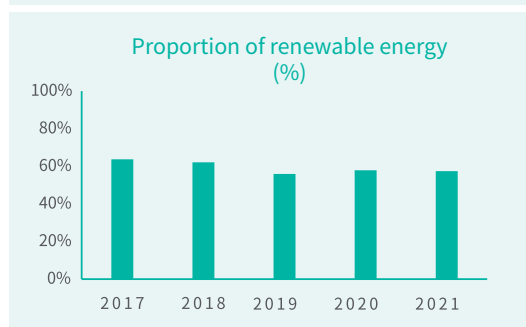
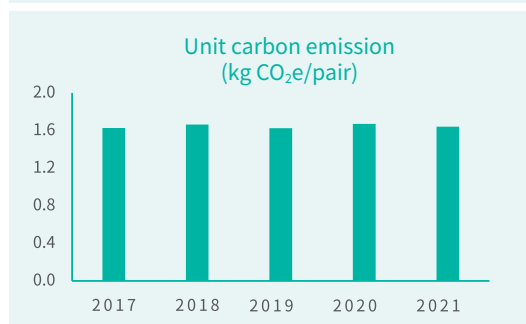
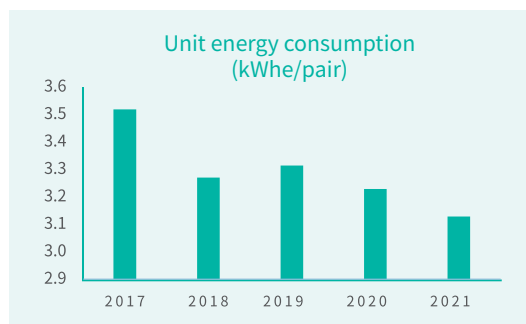
In order to achieve the objective and vision of green development, Huali Group has established and has been implementing an effective energy management system with reference to ISO 50001 energy management system standards and the Group's environmental management policies. Huali Group has been continuously training its employees in energy management and technology, so as to enhance their energy-conservation awareness and capability. Besides, Huali Group has been actively participating in various energy training and exchange activities held by external organizations, and continuously expanding energy innovation technologies and the path to carbon neutrality.

Further, Huali Group has been taking advantages of its influence to actively drive the supply chain and other external interested parties to jointly respond to climate change, resource shortage, ozone layer destruction and other issues, with a view to building an efficient, clean and sustainable ecological environment through continuous efforts in green innovation and emission reduction.

In the process of improving the energy management system, in addition to the continuous improvement of the system documents and management system, the Group is gradually shifting from manual records to systematically automatic collection in terms of basic data.

In 2017, the Group selected Aurora Vietnam to pilot intelligent data collection system. After three months' system construction, the Factory installed and connected online 32 smart electric meters, 8 smart air flow meters and 3 smart steam flow meters. In 2019, 33 smart electric meters and 4 smart air flow meters were also installed and connected online in Sun Jade Vietnam. The introduction of intelligent instruments and their management system can not only provide us with accurate data measurement and recording, but also realize real-time monitoring and control of field devices, offering the decision-making basis for the efficient and intelligent management of energy data. In the future, we plan to cover more brands and factories with the intelligent data collection system, and further adhere to the Group's path of intelligence and automation.





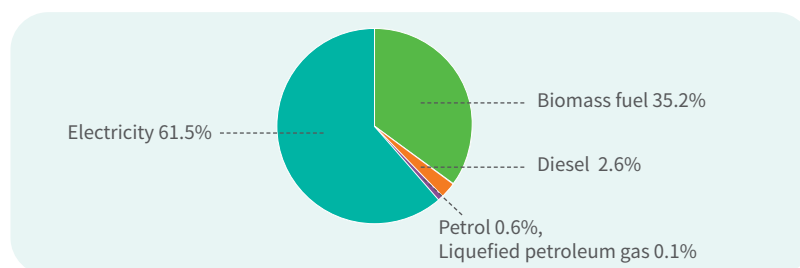
Energy conservation and emission reduction performance

The long-term energy goal of Huali Group is to achieve carbon neutrality in the footwear manufacturing process. To this end, we must first understand the current situation of our energy performance. In terms of energy structure, the Company's energy types include electricity, biomass fuel, petrol, diesel and liquefied petroleum gas. In terms of energy ratio, electricity accounts for approximately 62%, and biomass fuel accounts for approximately 35%, which are two major energy types. Others, such as petrol, diesel and liquefied petroleum gas, account for approximately 3% of the total, which are secondary energy types.

In order to comprehensively evaluate the energy performance level of the Company, we have set energy consumption index, carbon emission index and renewable energy ratio index respectively, so as to comprehensively and systematically evaluate, calculate and report the energy efficiency of the Company and improve the effectiveness of greenhouse gas emission reduction.

See the following table for Huali Group's use of energy in 2021:

Electricity (kWh)	Biomass fuel (tons)	Petrol (liters)	Diesel (liters)	Liquefied petroleum gas (LPG)
403,433,391	44,229	450,663	1,682,200	65,005



Data on the energy consumption and emission per unit product of Huali Group in 2021 are shown in the following table

Total energy consumption (kWh)	Unit energy consumption (kWh/pair)	Total carbon emissions (Tons)	Unit carbon emission (kg/pair)	Total renewable energy (kWh)	Proportion of renewable energy (%)
655,677,494	3.13	344,061	1.64	376,855,846	57.5

In 2021, the calculated and reported greenhouse gas emissions of Huali Group are shown in the following table:

	Scope 1	Scope 2	Scope 3
Total emissions (tons of carbon dioxide equivalent)	6,588	337,473	43,606
Proportion	1.7%	87.1%	11.2%

Note 1: In the energy consumption index, the calorific value of electricity is 3.6MJ/KWh, the calorific value of biomass is subject to the latest third-party test report provided by fuel suppliers, and the calorific values of gasoline, diesel and liquefied petroleum gas are based on the values published in the Emission Factors from Cross Sector Tools March 2017 in the greenhouse gas accounting system;

Note 2: In the carbon emission index, the electricity emission factor refers to the latest grid baseline emission factor values published by China and Vietnam, and only CO₂ emissions are calculated, but CH₄ and N₂O emissions are not calculated. The emission factors of other types of fuels refer to the values of GHG Emissions Calculation Tool-2021 in the greenhouse gas accounting system, and the emissions of CO₂, CH₄ and N₂O are calculated simultaneously.

Note 3: Huali Group's renewable energy mainly comes from two sources, one of which is the electricity generated from renewable energy in mains electricity. Its data refer to the values disclosed in the power report or corporate social responsibility report published by the state grids of China and Vietnam. The second source is biomass fuel used in boilers, which is generally recognized as renewable energy in the international community.

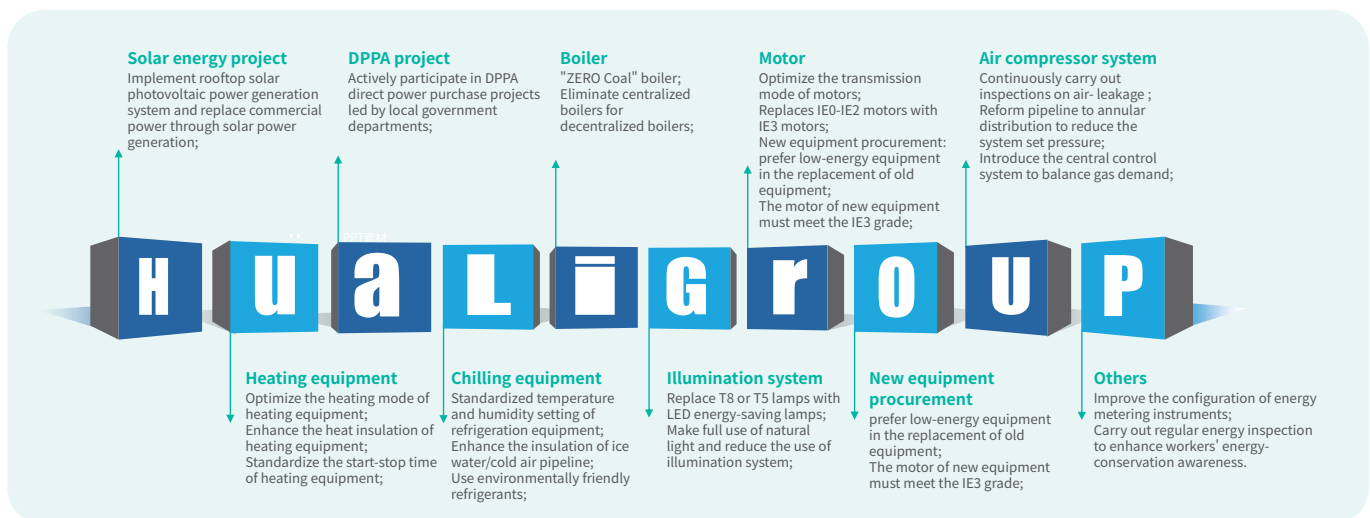
Note 4: Scope 3 counts the carbon emissions generated by the use of energy by major suppliers of Huali Group.

Energy conservation and emission reduction projects

Climate change is affecting every country and region on the earth in many ways. In the coming decades, the phenomenon of climate change will intensify in all regions. This means that we need to make more extensive changes and innovations. For example, continuously improve the operation efficiency of operation processes and machinery equipment, and turn to cleaner renewable energy in energy types. The future development and success of the Company depends on today's ambitious plans and quick actions.

The UN Intergovernmental Panel on Climate Change (IPCC) recommends achieving global carbon neutrality by 2050. Huali Group's commitment is to achieve its carbon neutrality goal by 2035. This represents a full 15 years ahead of the IPCC recommendations. This also means that we have the responsibility to make a clear and definite energy management plan and action measures to drastically reduce our greenhouse gas emissions and achieve the long-term carbon neutrality goal of Huali Group.

Improving energy efficiency and using renewable energy are two key measures for Huali Group to respond to climate change. The Group constantly seeks opportunities for energy efficiency improvement by monitoring the energy consumption level in production and operation activities and engaging third-party energy audits.



Boiler



Boilers are mainly used to serve the bottom-making process of the footwear industry and their energy consumption ranks second in the energy structure of Huali Group with a proportion of 34%. Therefore, improving the operation efficiency of the boiler system has always been the key project in our energy management work.

Traditionally, factories generally use centralized boilers and then transmit heat energy to various workshops and production processes through a huge pipeline system. The proportion of heat energy lost over the long-distance transmission often exceeds 20-30% of the system itself. To improve efficiency, in 2018, Huali Group began to implement "de-centralized" boiler policy, replacing centralized boilers with decentralized boilers in factories, thus shortening the distance of heat energy transmission and realizing local heating at the workshop end. According to assessment and calculation, the boiler efficiency can be improved by approximately 30%-50%.

Item	Unit energy consumption (kWh/pair)			Unit cost (USD/pair)		
	Before improvement	After improvement	Improvement rate	Before improvement	After improvement	Improvement rate
Adora Vietnam	1.05	0.69	34.40%	0.021	0.017	18.40%
Aleron Vietnam	0.97	0.45	53.90%	0.015	0.01	29.30%
Aurora Vietnam	4.03	2.39	40.70%	0.179	0.176	1.50%

Since Aurora Vietnam, Adora Vietnam and Aleron Vietnam adopted different boiler improvement schemes, different statistical paths are also adopted for the assessment data in the above table. For Adora Vietnam and Aleron Vietnam, it is shown with the unit energy consumption and unit cost data of boiler projects before and after improvement. For Aurora Vietnam, it is shown with the unit energy consumption and unit cost data of the whole factory before and after improvement.

Air compressor system

Air compressors are probably the least efficient system in most factories. Due to the limitation of their working principle, 90% of energy consumption is often wasted by compression heat loss, drying filtration and pipeline leakage, which cannot be effectively utilized. According to assessment and analysis, the energy consumption of air compressors in various factories of Huali Group accounts for approximately 8-10%, which are high energy-consuming equipment and also the key control objects of energy conservation.



Air leakage management

Reducing air leakage is often the first and foremost management measure to carry out energy conservation of air compressors. However, there is no technique in air leakage management, except for continuous inspection. Because of its low investment and high efficiency, it is generally considered in the industry as an effective measure to reduce the energy consumption of air compressors.

The systematic air leakage management carried out by Huali Group includes daily inspections by employees, weekly inspections by production lines, monthly inspections by energy teams, and timely follow-up maintenance and improvement by TPM team.

Gas usage management

Air is free, but compressed air is expensive. In order to reduce the energy consumption of air compressors, Huali Group identifies and classifies the demand for compressed air from the source, which includes gas consumption for purposes of cleaning, process and equipment. In terms of gas consumption for cleaning, the Group publicizes that employees should not use compressed air for sanitary cleaning. In terms of gas consumption for process, the Group promotes the factories to use electric blowers instead of compressed air to clean vamps and outsoles. In terms of gas consumption for equipment, the Group pilots and promotes the use of electric glue brushing machine instead of pneumatic glue brushing machine.



Ventilation and exhaust

In order to ensure the normal operation of compressors, the air compressor rooms must have good ventilation and temperature control conditions. Huali Group's factories are located in tropical areas, and the machine rooms often have an indoor temperature of higher than 40 °C due to the high temperature and rainy summer. To this end, the Group began to install independent heat exhaust pipes for air compressors in 2018, so that the waste heat of the air compressors can be timely discharged outdoors through a negative pressure fan to avoid heat accumulation in the machine room, thus ensuring the operating environment of the air compressor system. According to assessment and calculation, the energy consumption of air compressors can be reduced by 5-8% through ventilation and exhaust facilities.

Pipeline renovation

The pressure drop of a well-designed piping system in the entire air compressor system should be less than 0.5 bar without considering the air filtration treatment equipment. However, the distribution form of pipeline system affects the pressure drop of the air compressor system to a great extent.

The early pipeline systems in Huali Group's factories were distributed end to end, which meant that in the entire air compressor system, the pressure at the front end (air compressor room) was the highest, while the pressure at the end (workshop) was the lowest. Once it is required to add equipment with high pressure demand, at the end, the workshop, it is necessary to greatly increase the set pressure of the front-end air compressor in order to enable the normal operation of the equipment, while its energy consumption will also increase accordingly. In order to reduce the energy consumption of air compressor systems, the Group began to carry out a comprehensive annular distribution renovation of the air compressor pipeline systems in the workshops in 2017. According to assessment and calculation, the pressure setting of each factory decreased by 1-1.5 bar, respectively.

The pressure setting of each factory decreased by

1-1.5bar

Renewable energy

Over the years, Huali Group has not only carried out a variety of energy management projects to improve energy efficiency, but also vigorously advocated the use of renewable energy in its energy structure. As in the case of boiler fuel, we realized the comprehensive substitution and use of biomass fuel for coal as early as in 2017. With respect to renewable power, we have not only laid out the rooftop solar PV project in the factories, but also actively participated in the direct power purchase project led by the Ministry of Industry and Trade of Vietnam.



biomass fuel

We have taken the lead in realizing the objective of "zero coal" boiler in the footwear industry.

Power generation annually

2 million kWh

Renewable fuel

In the early years, due to the single and scarce fuel sources in the areas where the factories were located, the boilers of various factories used coal as fuel. In early 2012, the Group's Annora Vietnam started to try using biomass as boiler fuel. This also marks the Huali Group's shift of using fuel from fossil energy to renewable energy. Subsequently, the Group's Aurora Vietnam also replaced boiler fuel from coal to biomass in 2014, which further accelerated our shift to renewable energy.

In early 2015, the Group developed the policy of "de-coalification" of boiler fuel, and the various factories in Vietnam responded to the Group's initiative on clean energy in succession. Subsequently, Sun Jade, Aleron, Alena, Amara and Venus in Vietnam, which are subordinate to the Group, also used biomass as boiler fuel. Finally, in September 2017, Adora Vietnam, which was the last in the Group that used coal, also completed the shift to biomass fuel. At this point, our shift rate from coal to biomass fuel has reached 100%. Therefore, we have taken the lead in realizing the objective of "zero coal" boiler in the footwear industry.

Rooftop Solar PV Project

In terms of renewable power, Huali Group is actively assessing the contribution of solar photovoltaic power generation system to renewable energy. After the feasibility study of photovoltaic system by the Group's Energy Department with cross-functional departments, a "two-step" plan for solar photovoltaic power generation system was formulated. Step 1: Select key factories to pilot solar photovoltaic projects; Step 2: Fully cover solar photovoltaic projects in key factories;

In March 2021, Annora Vietnam, which is subordinate to the Group, reached the first phase of rooftop solar energy cooperation project with TotalEnergies, an internationally renowned oil and gas company. The project has a capacity of 1.71 MWp and consists of 3,167 photovoltaic panels, which is estimated to generate 2 million kWh of solar power annually, equivalent to approximately 1,700 tons of greenhouse gas emission reduction. The project has been officially put into commercial operation as of December 30, 2021.

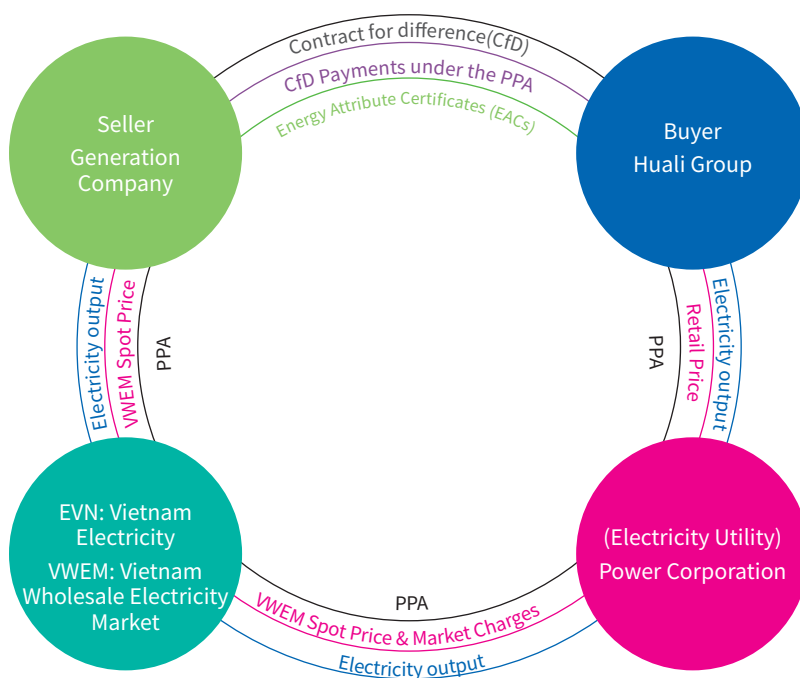
In the future, Huali Group will continue to promote rooftop solar energy projects to further increase the use proportion of renewable energy. It is expected that by the end of 2024, we will complete rooftop solar energy projects with a capacity of 13-15 MWp.



- Developer: TotalEnergies, one of the top five oil and gas companies in the world
- Components: Jinko Solar 540Wp, ranked third in 2020 global brands (according to Bloomberg New Energy Finance)
- Inverter: SMA, ranked fourth in 2020 global brands (according to Bloomberg New Energy Finance)
- Capacity: 1.7 MWp (Phase I), 8MWp (Phase II)
- Term of contract: 20 years
- Commercial operation: December 30, 2021
- Power generation ratio: 3% (Phase I), 10% (Phase II)

Direct power purchase project

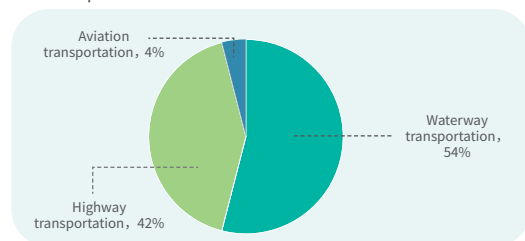
From April to September, 2021, the Group had successively reached preliminary cooperation intentions on the DPPA (Direct Power Purchase Agreement) project with two renewable energy project developers in Vietnam. Where the project is approved by the Ministry of Industry and Trade of Vietnam in 2022, the Group is expected to achieve the objective of 100% use of renewable energy by 2035, with an estimated annual reduction of greenhouse gas emissions of approximately 350,000 tons.



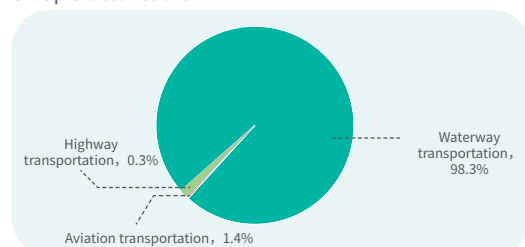
Above: DPPA project mechanism diagram

Green transportation

The mode of transportation of raw materials purchased by the Group's factories are:



The mode of transportation of the products shipped by the Group's factories are:



Transportation industry is a highly energy-dependent industry. With the rapid development of social economy, it will inevitably bring a lot of energy consumption. According to statistics, in the terminal energy consumption of transportation industry, fossil energy such as petrol, diesel and kerosene accounts for a very high proportion. As a result, the transportation industry has gradually become the focus of energy conservation and emission reduction.

There are four main modes of transportation in the transportation industry, namely highway, railway, waterway and aviation. Among them, railway and waterway transportation have the lowest energy consumption, while air transportation has the highest energy consumption, followed by highway transportation. The modes of transportation adopted by Huali Group for raw materials and finished products include highway, waterway and aviation. In 2021, waterway transportation accounted for 54% of the raw material transportation times of Huali Group. Among the times of finished product transportation, the proportion of waterway transportation was as high as 98%.

¹ The DPPA mechanism, i.e., direct power purchase agreement mechanism, is developing rapidly in the world as a new driving force and catalyst for renewable energy projects. Under the DPPA mechanism, Off-taker, the power purchaser, is a private power consumer, that is, private enterprises no longer buy power directly from national utility power companies (such as EVN), but directly from the independent power developer IPP according to long-term contracts.

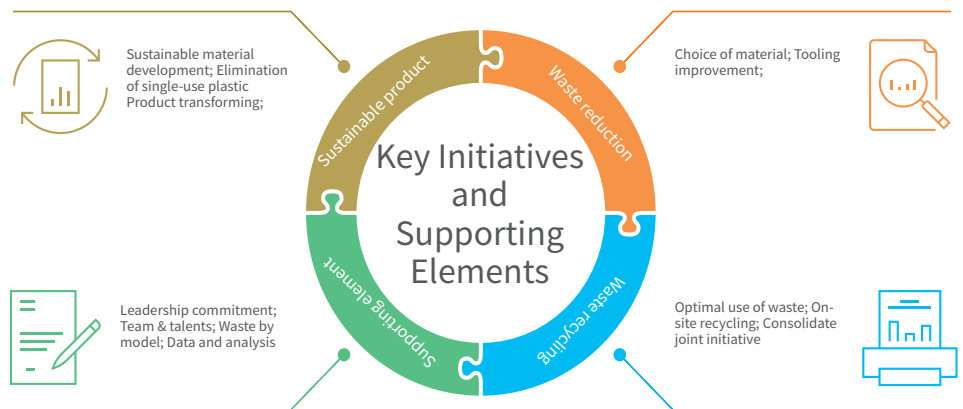
² In principle, the Vietnam DPPA mechanism is oriented to renewable energy ground power station projects (including wind and solar power stations), and it is the project construction mechanism available to developers after the failure of photovoltaic feed-in tariff subsidy (FIT) policy. Considering that Vietnam Light FIT will expire at the end of 2020, and it is too early for wind power FIT to expire, DPPA in the current market is oriented to photovoltaic power stations.

Circular Economy

With global climate change and the occurrence of various environmental emergencies, more and more individuals, enterprises and brands begin to pay attention to the impact of human activities on the environment and think about how to contribute to environmental protection.

In the traditional linear economy, enterprises use natural resources and raw materials to manufacture products, while having air emission, waste and wastewater discharge to the environment, and the resulting environmental pollution consequences can no longer be borne by human society, so circular economy came into being. The so-called circular economy means that the waste generated by one industry in the production and service activities could be used as the raw materials of another industry, thus finally achieving the ultimate goal of zero waste.

Based on this, in the field of environmental management, "minimum impact" is the initial intention of environmental management of the Group, and "zero waste" is the direction of waste management. In 2020, the Group developed the sustainable development strategy for 2020 to 2025, providing guidance and support for the management of waste and water in the factories. The Group intends to achieve its environmental vision of "Zero Waste and Minimum Impact" through cooperation and communication with interested parties such as brands, supply chains, third parties and users, participation in the R&D of sustainable products, implementation of the procurement and use of sustainable materials, and execution of the optimal waste disposal plan.



Sustainable product R&D

The potential environmental impact of a shoe is basically determined by the development and design process, such as the selection of materials, the appearance/structure design of the shoe, etc. In the process of product development, the personnel from each development center of the Group participate in real-time discussions with the brand development team, and provide feasible reference opinions, and devote themselves to the design and R&D of green products.

Take NIKEShoes W BLAZER MID '77 SE as an example. In the design and development of this product, 11 types of environment-friendly materials are used, with a proportion of 21%, as shown in the figure below





The data of all development centers indicated that, among the products developed by Huali Group in 2021, approximately 20% of the models used environment-friendly materials, and the proportion reached 70% for certain brands, involving more than 200 material suppliers.

The certification types of materials include LWG, GRS, RCS, GLF (Green Leaf Certification), GOTS (Global Organic Textile Standard), GCC (Green Circle Certified), FSC, etc. The sustainable components of materials mainly include recycled polyester fiber, organic cotton, recycled cotton, rPET, reground rubber, recycled polyurethane, recycled leather, post-consumer recycled fiber, bagasse, etc.¹

Green Procurement

With the product design and development plan and Group's own sustainable development concept, the Group implements the strategy of sustainable materials and localized procurement of materials. In 2021, the Group maintained cooperation with 1,778 suppliers, including 851 local suppliers in Vietnam, accounting for 47.9% in number and 35.6% in transaction volume. In 2021, among the materials purchased by the Group, the procurement of sustainable materials is shown in the following table.

Procurement unit	Kg	M	Piece	Pair	SF	Sheet	Yard
Proportion of sustainable materials	2.53%	60.55%	54.52%	43.41%	97.89%	63.12%	23.00%

¹ "bagasse-bio-base" can be used as a raw material for sole production.

Reuse and Recycling

The solid waste generated in the Group's factories, subject to reduction control at the source, is managed step by step and disposed in the priority order of in-house recycling, closed-loop, downcycling, energy recovery, landfill or incineration based on the pyramid principle of waste management hierarchy.

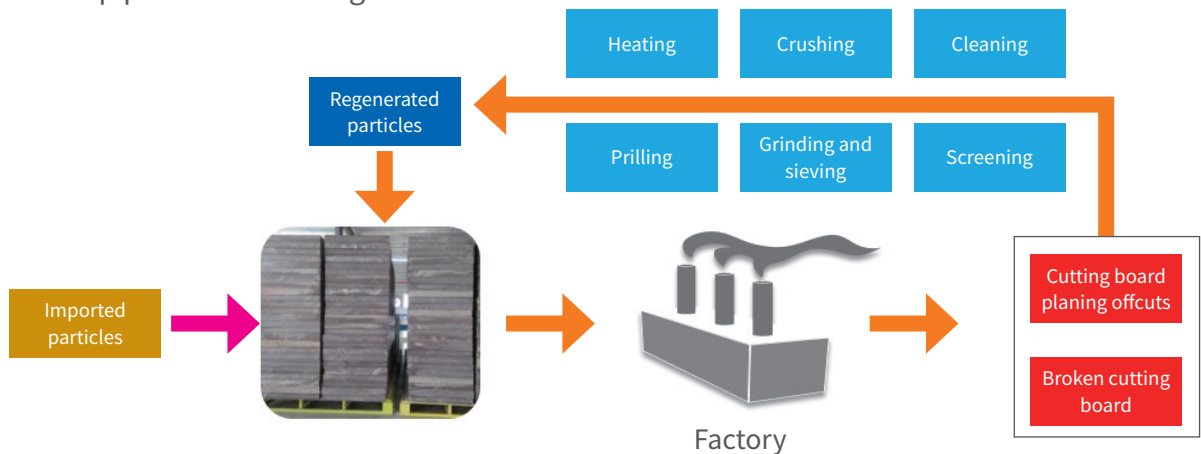
The ultimate objective of the Group is to realize 100% product conversion of solid waste (reuse and recycle as resources for product creation). In recent years, the Group and the factories are actively seeking relevant technical and market resources, and participating in brand projects. For example, in 2019, the Group's factories producing Converse shoes participated in the pilot project of brand "Recycled Canvas" to collect pure-color and all-natural cotton canvas scraps.

In-House Recycling: Rubber scraps and Phylon scraps and defective components generated in the bottom processing of the factory were processed into fine particles after crushing and grinding, and finally returned to the products as a kind of raw materials; some of the scraps were also directly added in proportion in the mixing process for reuse.

Closed-Loop : In September 2016, the Group set up its own cutting machine cutting board processing workshop. The workshop supplies cutting boards to the factories under the Group, and each factory transports the waste generated by planing during the use of cutting boards and the cutting boards at the end of life back to the processing workshop for regeneration, and produces new cutting boards for supply to the factories.

We also cooperate with suppliers to transfer strobel scraps (Cosmo) and thread spools that cannot be used by factories back to manufacturers for processing and reuse.

Closed-loop process of cutting board



¹ Refers to the reuse or recycle of waste which are completed onsite within the production processes

² Refers to the reuse or recycle of waste which completed between factory and manufacture in a close-loop manner

³ Refers to the recycling and reuse of waste by downstream recyclers

⁴ Refers to the energy recovery of waste as fuel for thermal power generation and other facilities

⁵ Refers to the direct landfill of waste in the landfill site or direct incineration of waste in the incineration site

Downcycling: In order to reduce the environmental impact caused by waste landfill/incineration and increase the proportion of waste recycling, the Group's factories constantly and actively seek available resources in the surrounding communities for waste recycling, such as selling fabric scraps, polyurethane foams, EVA scraps, cartons and some thread spools to local recyclers for reuse. According to the recycling requirements, some of the fabric scraps can be directly used as fillers by recyclers to produce pillows and cushions, while the remainings that cannot be directly used and EVA scraps will be used by recyclers as processing raw materials to produce fabric decorations or composite plates.

Year	Reuse	Recycling	Total
2021	12.8%	33.2%	46.0%
2020	10.7%	32.5%	43.2%
2019	7.8%	25.3%	33.1%

With the support of existing recycling resources and in combination with the above three methods, the waste reuse and recycling of the Group's factories in 2021 reached 46%, and the proportion has gradually increased since 2019. In 2021, one of the Group's factories has achieved 90% reuse and recycling of solid waste. In the future, with the gradual expansion of the waste market and the entry of more capital/resources, we hope to achieve the ultimate objective of 100% product conversion of solid waste by 2035, and the Group will also participate in various activities for brand products at the end-of-life (post-consumer products) to provide convenience for their subsequent reuse or recycling processing.

Green packaging

Product packaging requires the use of wrapping paper, labels, paper braces, inner cases, outer boxes and other packaging materials. In 2021, the Group's factories used a total of 61,402.72 tons of packaging materials, of which 97% were supplied by FSC certified manufacturers.

In the meantime, the Group's factories mainly take the following actions to control the packaging materials used in the process of material transportation and circulation, such as circulating boxes, plastic packaging bags, cartons, etc.:

- Recommend suppliers to provide reusable packaging materials and recycle them regularly
- Use reusable plastic boxes for the circulation of materials in the factories;
- Use cartons from suppliers for the circulation of materials in the factories as much as possible until they cannot be used;
- Reduce the use of single-use bags.

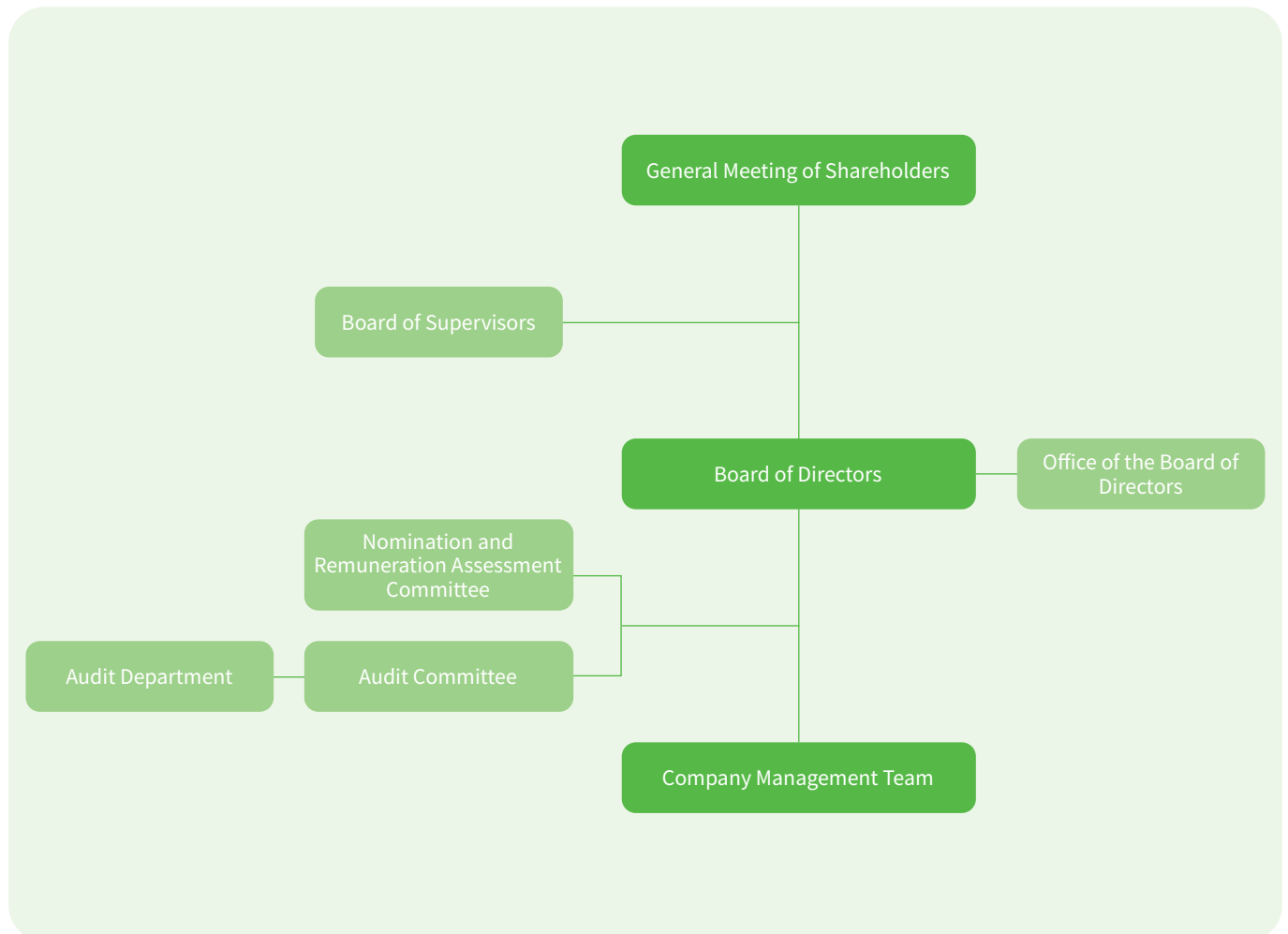
In 2021, carton waste accounted for 5.34% of the total solid waste, which was 1.43% lower than 6.77% in 2020.

COMPANY OPERATIONS

Huali Group has continuously improved its internal governance, strengthened risk prevention and control, standardized information disclosure, protected shareholders' interests, strictly prevented corruption and unfair competition, protected intellectual property rights and ensured information security, laying a solid foundation for the Group to achieve high-quality development.

Governance Structure

Huali Group has continuously improved its corporate governance structure and protection system for shareholders' rights and interests, and established an effective internal control management system to ensure standardized operation. The Group has established a corporate governance structure consisting of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the Company Management Team, and clarified the scope of rights and liabilities and working procedures among the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the Management Team, thus realizing the legal and effective operation of the governance structure and earnestly protecting the interests of all shareholders.



General Meeting of Shareholders

The General Meeting of Shareholders is the authoritative body of Huali Group, and exercises the highest decision-making power on major issues of the Group. The Group adheres to the rights and interests of shareholders and holds general meetings in strict accordance with *the Rules of Procedure of the General Meeting of Shareholders*. All general meetings adopt the combination of on-site voting and online voting to ensure shareholders' exercise of their rights.

In 2021, the Group held 1 annual general meeting and 2 extraordinary general meetings, and deliberated and passed proposals such as the *Plan on the Semi-annual Profit Distribution of the Company in 2021*.

Board of Directors

The Board of Directors is the executive body of the resolutions of the General Meeting of Shareholders and is accountable to the General Meeting of Shareholders. The Board of Directors consists of 13 directors, including 5 independent directors and 3 female directors. The directors shall be elected or replaced by the General Meeting of Shareholders, and may be dismissed by the General Meeting of Shareholders prior to the expiration of their term of office. The directors have a term of office of three years, and may be re-elected upon expiration of their term of office.

Under the Board of Directors, there is a Secretary of the Board of Directors to handle the daily affairs of the Board of Directors. Under the Board of Directors, there is the Audit Committee and the Nomination and Remuneration Assessment Committee, and each special committee is accountable to the Board of Directors.

In 2021, the Group held 9 board meetings, and deliberated and passed proposals such as the Semi-annual Report and Summary of the Company in 2021 and the *Plan on the Semi-annual Profit Distribution of the Company*.

Independent directors shall, in accordance with the *Company Law of the People's Republic of China*, *Guiding Opinions on Establishing Independent Director System in Listed Companies*, *Guidelines for the Performance of Independent Directors of Listed Companies* and other relevant laws, regulations and rules, as well as the *Articles of Association* and the *Working System of Independent Directors*, earnestly perform their duties, carry out all the work diligently and dutifully, pay attention to the operation of the Group, supervise the standardized operation of the Group, actively participate in all the affairs of the Group based on the principle of safeguarding the interests of the Group and shareholders, especially public shareholders, and perform their duties objectively, fairly and independently.

Board of Supervisors

The Board of Supervisors is the supervisory organization legally established by the Group, which legally exercises supervisory power, protects the rights and interests of shareholders, interests of the Group and legitimate rights and interests of employees from infringement, is accountable to the General Meeting of Shareholders, and reports its work to the General Meeting of Shareholders.

The Board of Supervisors consists of 3 supervisors, including 2 shareholders' representatives and 1 employees' representative.

In 2021, the Group held 7 supervisor meetings, and deliberated and passed proposals such as the *Self-Assessment Report of Internal Controls In 2020*, the Semi-annual Report and Summary of the Company in 2021, and the *Plan on the Semi-annual Profit Distribution of the Company in 2021*.

Senior management

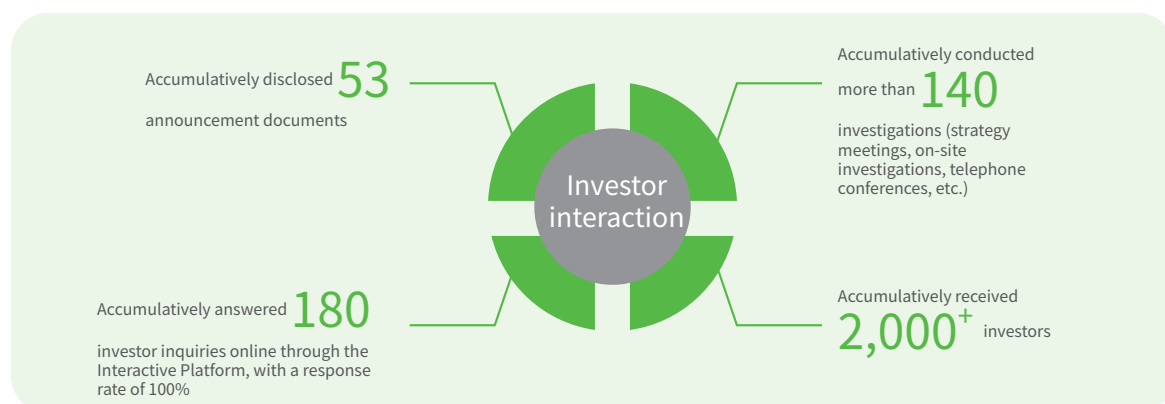
The CEO, General Manager, Deputy General Manager, Chief Financial Officer (Financial Head) and Secretary of the Board of Directors of the Group are senior management personnel of the Group. The Group has one CEO, one general manager, several deputy general managers, one chief financial officer (financial head) and one secretary of the Board of Directors, all of whom are appointed or dismissed by the Board of Directors, and perform their corresponding duties in strict accordance with the *Articles of Association*, *Working Rules of the CEO*, *Working Rules of the Chief Financial Officer* and *Working Rules of the Secretary of the Board of Directors*.

Huali Group abides by the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China* and other laws and regulations, continuously devotes itself to the standardized construction of the Group's internal control system, constantly improves the corporate governance structure, standardizes its operation, strengthens information disclosure, improves its governance level, and consolidates its internal foundation for sustainable development. The actual governance situation of Huali Group conforms to the *Company Law of the People's Republic of China* and other laws and regulations and the normative documents on the governance of listed companies issued by China Securities Regulatory Commission.

Information disclosure

Huali Group attaches importance to the protection of the legitimate rights and interests of investors, especially public investors. To ensure the transparency of information disclosure, Huali Group has provided rich and convenient communication channels to actively communicate with investors, such as the Investor Interaction Platform of Shenzhen Stock Exchange, the investor telephone hotline, the "Investor Relations" column of the official website of the Group, e-mail, online and offline investor research, strategy sessions organized by securities traders, general meeting of shareholders, and online collective reception days organized by relevant departments, so as to establish and maintain good investor relations, enhance investors' further understanding and familiarity with the Group, and gain more trust and support from investors.

From April 26, 2021 to December 31, 2021, on the information disclosure websites of GEM listed companies stipulated by China Securities Regulatory Commission, such as Shenzhen Stock Exchange website (www.szse.cn) and Juchao Information Network (www.cninfo.com.cn), Huali Group accumulatively disclosed 53 announcement documents; accumulatively conducted more than 140 investigations (strategy meetings, on-site investigations, telephone conferences, etc.) ; accumulatively received more than 2,000 investors; and accumulatively answered 180 investor inquiries online through the Investor Interaction Platform of Shenzhen Stock Exchange, with a response rate of 100%.



Rights and interests of small and medium investors

In order to enable shareholders to share the development achievements of Huali Group, while ensuring stable operating performance, continuous business growth and continuous improvement of profitability, the Group attaches great importance to shareholders' returns and gives back to shareholders with practical actions. Since its listing in April 2021, the Group has completed the mid-term profit distribution in 2021, and will soon carry out the annual profit distribution in 2021. The amount of cash dividends in 2021 accounts for more than 50% of the net profit attributable to the parent company in the year.

Internal audit system

The Audit Committee and its permanent establishment, the Audit Department, of the Group are accountable for the internal audit business of the Group and its subsidiaries, and carry out continuous supervision and assessment.

The operation and supervision of the internal audit system of Huali Group includes internal control self-examination, internal control self-assessment and internal control audit. According to the regulatory requirements of listed companies and the actual conditions of the Group, the Group has formulated the annual internal control standard construction scheme and organizes its implementation. The Group employs independent external accountants to independently and objectively assess the internal audit operation and to issue an annual internal control audit report, so as to ensure that there are no major internal control defects.

Practice of social responsibility management

Huali Group actively practices the concept of corporate social responsibility, focuses on cultivating implementation ability, and improves the system and environment of corporate social responsibility. Besides, Huali Group promotes the continuous improvement of corporate social responsibility management, develop together with all interested parties and realize each other's value.



In order to promote the social responsibility management of Huali Group in an orderly manner, the Group has set up a Social Responsibility Management Committee, which is accountable for studying and establishing the strategy, vision, principles and policies in terms of corporate social responsibility, with the General Manager of the Group as the director, the head of SMP Head Office of the Group as the deputy, the general managers of each BU as members.

The Social Responsibility Management Committee, as the decision-making layer, is accountable for formulating social responsibility targets, planning and approving social responsibility issues. The Committee has a Social Responsibility Promotion Team, which, as the organizational layer, is accountable for the implementation and promotion of Huali Group's social responsibility efforts. Each unit selects relevant personnel as social responsibility work contacts, which, as the executive layer, are accountable for collecting relevant data on social responsibility of their respective unit.

Business ethics management

Legal compliance

The Group is committed to cultivating a corporate culture based on the principles of compliance with the law, adherence to business ethics and compliance in operations. By improving the management system, guiding and standardizing the business conduct of its employees, managers and partners, the Group has established a solid guarantee for its sustainable development.

Anti-corruption

Huali Group strictly abides by the laws and regulations of the countries where it operates, formulates *the Anti-corruption Bribery Policy, the Measures for the Administration of Integrity and Self-discipline Conduct and the International Anti-corruption Checklist*, standardizes the process and responsibilities for handling anti-corruption incidents, therefore preventing and combating various types of corrupt acts.

Huali Group regularly identifies and assesses internal and external corruption risks, and make timely restraints and rectifications upon discovery. Through training, publicity and education, the Group communicates anti-corruption policies and systems to all employees.

Huali Group encourages internal and external interested parties to monitor our anti-corruption performance, and provides the special email address anti.corruption@huali-group.com and other reporting methods for real-name reports. The senior management of the Group will arrange for the project auditors to handle the report confidentially, prevent the reported units from knowing the relevant reporting sources, and prohibit anyone from retaliating against the whistleblower. All personnel involved in and informed of the receipt, acceptance, investigation and punishment links related to the report are required to keep strictly confidential the personal information and complaint contents of the whistleblower to protect his/her legitimate rights and interests.

Fair competition

Based on the principle of fair competition, Huali Group abides by laws and regulations, respects competitors, strictly complies with the fair competition and anti-monopoly laws of countries and regions where it operates, and refrains from restricting or excluding market competition by unfair means.

Taking "Act with Integrity" as its core value, Huali Group earnestly practices the concept of honest and standardized operation according to law, and achieves honesty and trustworthiness, operates and pays taxes according to law. The Group abides by business ethics and has been gradually recognized by customers for the quality of its products. In addition, the Group actively cooperates with local government departments, tax authorities, China Securities Regulatory Commission, Shenzhen Stock Exchange and other regulatory authorities in various work, actively accepts supervision and inspection, and establishes a

good interactive relationship with them. The Group also constantly conveys Huali Group's values and integrity principles to employees, customers and suppliers, and adheres to compliance management to achieve the Group's sustainable development objectives in an efficient and sound manner.

Huali Group regularly conducts fair competition skills and awareness training for management and business department employees, including relevant laws and regulations, international trade compliance regulations, code of conduct for communication with competitors, common risks and precautions for avoidance, etc.

Information security

Huali Group values customer data and privacy protection, keeps user information strictly confidential, standardizes internal workflow, so as to ensure that customer data and privacy are not disclosed.



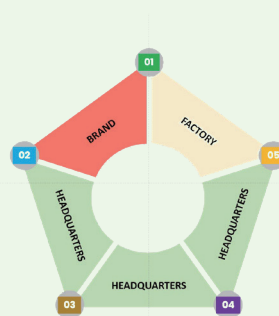
Information Security Organization and Responsibilities of Huali Group

1 director of brand information security

Establish and optimize all information security projects of corresponding brands and promote the projects to production factories

1 director of information security audit

Review the workflow of information security to ensure that risk control methods are put in place and capable to generate internal audit reports; Conduct simulated hacking or intrusion drills for all factories



1-2 information security analysts in each factory

Monitor the network inside and outside the factories and track data packages and connection information

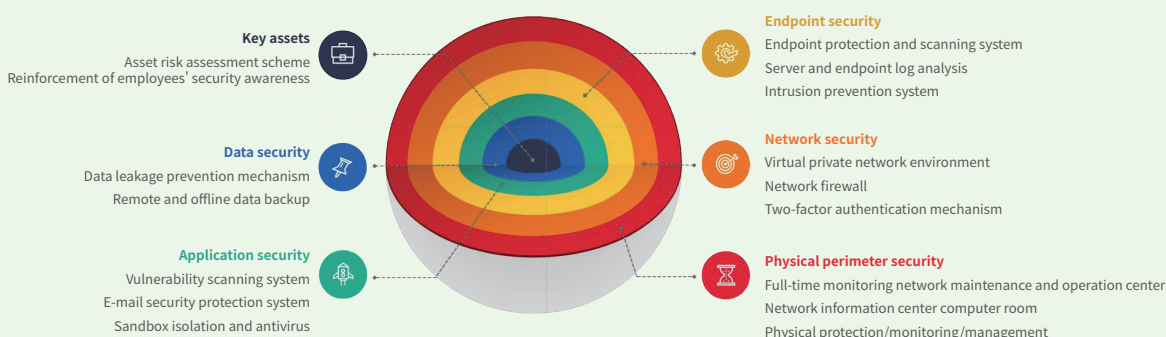
1-2 information security analysts at headquarters

Monitor the network inside and outside the factories and track data packages and connection information

1 information security manager

Integrate and track all information security projects of the Group, deploy manpower and allocate resources

Information Security Protection Measures of Huali Group



According to the requirements of brand customers and its own security needs, Huali Group has the following safety departments and practices:

- The IT department protects the network security, ensures that confidential information is not leaked, and gives email reminders and instructions from time to time.
- Set up a product security department to connect with customers and to ensure that products and designs are not stolen in the factory.
- The business department connects with customers and ships products in compliance with CTPAT requirements.
- Employees have signed a confidentiality commitment with the Group at the time of entry.
- Conduct instructions and training on information security for all employees.
- Prohibit the use of WeChat and removable disk media on working computers to prevent data leakage.
- Customer design drawing information management: The design drawing downloading path will be provided by the customer for the supervisor responsible for development downloads, while the shoe drawing provided to the supplier for reference, if necessary, the procurement staff needs to be intercepted before.
- Crush and scrap out -of- season finished shoes kept for the record.

Intellectual property

Huali Group implements intellectual property strategy, promotes the standardized and scientific management of intellectual property, systematically strengthens intellectual property strategic management capabilities, high-quality intellectual property output capabilities, intellectual property international operation capabilities and intellectual property risk management and control capabilities, improves the level of intellectual property creation, management, application and protection, and strives to build a leading enterprise with comprehensive competitive advantages in intellectual property.

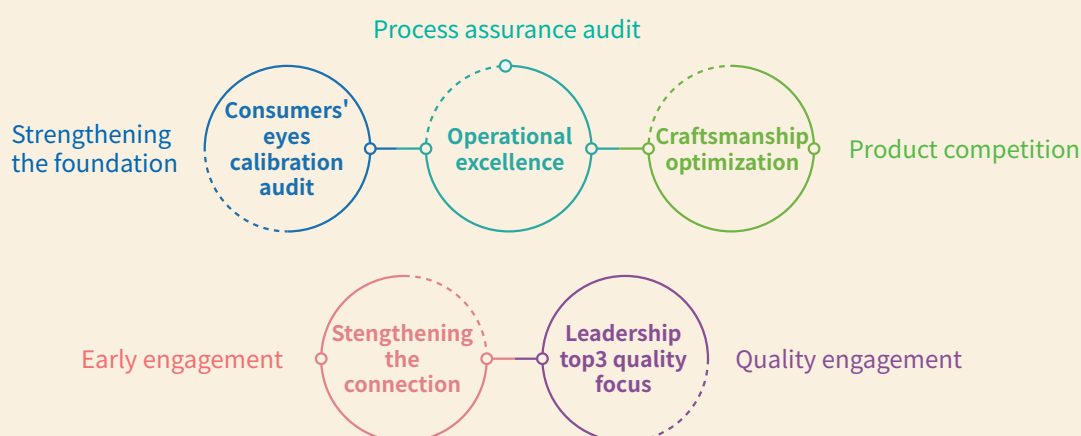
During the reporting period, the Group further strengthens the training of employees and managers on intellectual property, and continuously enhances the protection of intellectual property.

PRODUCTS AND SERVICES

The satisfaction of customers is one of Huali Group's main concerns, and Huali is committed to providing high-quality and safe products and services, continuously strengthens quality management, enhances innovative R&D capabilities, improves supplier management, continuously optimizes customer service, and join hands with all parties to create an industrial chain featuring sustainable development.

Quality management

The quality management strategy of Huali Group includes the following five key points:



With the above five core functions, the Group ensures the normal operation of its quality management system, so as to enhance the Group's brand image, make the product quality meet the needs of consumers, and become the best strategic partner of the brand.

In the quality management organization structure, the Group sets up units accountable for production line, inspection room, document management, raw materials, laboratory and MQA, etc.

Quality objective management:

- The Quality Department makes A3 quality work plan every year, sets responsible persons and follow-up frequencies, and regularly reports to line supervisor. It also conducts team discussion and review on unfinished projects, makes improvement plans and carries out implementation.
- The chief quality controller is accountable for the review of quarterly quality objectives, and for reporting in the form of QBR. (Quarterly summary report)
- The quality strategy at the factory side is consistent with the customer's strategy, and is implemented by the chief quality controller. Every year, the chief quality controller makes A3 work plan, sets quality performance indicators and specific implementation plans, and reviews and analyzes the reasons for non-compliance and continuous improvement with the quality controller of each factory every month.

In accordance with the above code of conduct, the Group produced a total of 560 million pairs in 2019, 2020 and 2021, with an average pass rate of 99.993% in three years.

Year	Total output (one hundred million pairs)	Pass rate
2019	1.9	99.990%
2020	1.6	99.996%
2021	2.1	99.992%
Total	5.6	99.993%

R&D Innovation

The Group has made administrative measures to encourage employees to innovate and improve in order to enhance their job satisfaction and morale, increase their dedication to work, and shape the Group's culture of continuous improvement, create an attractive working environment and realize the potential of sustainable development.

Since 2019 until the end of the reporting period, under the Group's new incentive scheme, more than 500 projects were proposed, and nearly RMB 10 million of incentive payments was distributed, which had made great contributions to the improvement of the Group's productivity efficiency from 2020 to 2021.

In order to promote the research and development of new products and technologies, the Group invested funds. See the following table for the ratio of R&D funds to revenue from 2019 to 2021:

Year	Revenue amount (10,000 RMB)	Amount of R&D expenses (10,000 RMB)	Ratio of expenses to revenue
2019	1,516,566.13	29,466.36	1.94%
2020	1,393,113.80	20,911.17	1.50%
2021	1,746,957.62	23,427.69	1.34%
Total	4,656,637.55	73,805.22	1.58%

In 2019 to 2021, the Group invested RMB 66.5967 million , RMB 33.4976 million and RMB 16.5723 million in SAP hardware, respectively.

Certain cases of the Group's innovation proposals in 2021:

	Before improvement	After improvement	Achievement
Technique and Process	Attaching quarter deco binding: The original set up process was to apply the cement by hand	After trial, use automatic gluing and folding machine to attach quarter deco binding	Efficiency increases 371%
	Cutting: Left/ right different for vamp & tongue, cut one layer at a time	No need to distinguish left/ right cutting die, one time cut 2 layers	Efficiency increases 100%
	Tech team originally set up single punching eyelet tooling, measuring time (sec/ pair) : 24.6 . Relaxation rates:10%. Standard time (sec/pair): 27.0. PPH: 133.2	Improved by using multiple punching eyelet tooling, measuring time (sec/ pair): 20. Relaxation rates: 10%. Standard time (sec/pair): 22. PPH:163.6.	Efficiency increases 23%
	The tongue was originally set to be fixed with a single stitch, so need to fix the U-throat first and then apply the cement to attach the tongue. PPH: 44.2	Improved by eliminating fixing the U-throat and cementing, Direct stitching once with the computer stitching. PPH:79.8	Efficiency increases 80%
	Cutting Lat&Med quarter deco and backstay: Use single cutting die Cut Lat&Med quarter deco: 4 pieces/pair. Backstay: 2 pieces/pair. PPH: 52.8	Improved by using gang die Cut Lat&Med quarter deco: 4 pieces/pair. Backstay: 2 pieces/pair. PPH: 109.1	Efficiency increases 107%

Supplier Management

Suppliers are important interested parties of Huali Group. The realization of sustainable development management of Huali Group requires the in-depth participation of suppliers. By formulating sustainable procurement policies and cooperating with brand customers, the Group jointly audits and supervises suppliers designated for brands, and trains relevant personnel of the suppliers.

Through supplier management, the supplier's material quality, delivery time, safety, environmental protection and business ethics performance are maintained to a high level, ensuring the Group's reputation and production continuity.

Customer Service

Huali Group always adheres to customer needs as the center, responds quickly and executes accurately, and is committed to providing customers with better service.

In order to ensure technical support to customers after product delivery, Huali Group actively collects and responds to customers' use of its products in a timely manner, and provides timely training, consultation, on-site guidance, maintenance and other services. The Group makes user visit plan for market development, organizes the technical center and related units to visit users, provides technical services, understands customers' demand for product use and the promotion and application of products, and helps users solve problems.

In order to standardize the management of customer return matters and clarify return responsibility and loss amount, the Group has uniformly made relevant after-sales service procedures, to ensure that each batch of products can be handled in a timely and proper manner.

The Group has customer complaint management systems to more quickly handle quality customer complaints, analyze the real causes of quality, report quality improvement plans, share quality cases and reduce the occurrence of similar quality issues.

The systems include quality customer complaint processing process, RCA (root cause analysis) production process management system, customer complaint sharing management system, customer complaint RCA escalation management system and customer complaint sharing system within the Group.

In 2021, the Group had 8 customer complaints, and the resolution rate was 100%. In the past three years, the Group reached all the standards on items including order taking, production, shipment and quality. In the past three years, the average on-time shipment rate was 99%, and the quality achievement rate was as high as 99.993%. The average customer satisfaction was 99%, without any major customer complaints.

ENVIRONMENT, SAFETY AND OCCUPATIONAL HEALTH

Huali Group regards "environment, safety and health" as its first responsibility in enterprise development, and integrates it into every link and business of the Group's operation, and is committed to building enterprise competitiveness with a low-carbon, efficient, safe and healthy operation mode.

The environment, safety and health are our priorities

Huali Group fully recognizes the importance of protecting the environment and the safety and health of its employees. Huali Group has developed an *Occupational Health, Safety and Environment Policy*, continuously improved the environmental and occupational health and safety management system, integrated environmental and occupational health and safety management into the strategies and business operations of the Group and factories, continuously increased investment in health, safety and environment, and always taken environmental and occupational health and safety as the primary consideration in the construction, renovation and expansion of factories, the purchase of machinery equipment and new materials, and the adoption of new processes and technologies.

We hereby commit to:

- Complying with national legal requirements, customer standards and other relevant requirements.
- Protecting the safety and health of all members of the organization, as well as contractors, visitors, and other persons in the vicinity of the workplace who can be impacted by the company's activities, by preventing work-related injuries and mitigating occupational health and safety risks.
- Protecting the environment and the ecosystem through pollution prevention, sustainable use of resource and climate change mitigation.
- Ensuring that employees and their representatives are well consulted and encouraged to actively participate in the occupational health, safety and environment management.
- Continuously improving the Occupational Health, Safety and Environment system.

We will always strive to:

- Establish, implement and maintain an Occupational Health, Safety and Environment System that is aligned with international standards. And it will be periodically reviewed to ensure continuous improvement.
- Organize and support a robust Occupational Health, Safety and Environment Committee involving employees and management representatives.
- Provide needed resources and management supports for the achievement of Occupational Health, Safety and Environment objectives and targets.
- Take Occupational Health, Safety and Environment into major account in renovation/ construction of facilities, in the procurement of machines, equipment and raw materials, and in the adopting of new processes and new technologies.
- Minimize the generation of wastes, maximize reuse & recycling, and treat/dispose of wastes in compliance with laws and regulations.
- Mitigate climate change by promoting energy efficiency and maximizing the use of renewable energy.
- Provide Occupational Health, Safety and Environment training for new employees and contractor personnel. Provide periodic retraining for existing employees.



Environmental management

Environmental protection investment of the Group in recent three years

Year	2019	2020	2021
China factory (10,000 RMB)	183.64	328.26	210.95
Vietnam factory (10,000 RMB)	2,163.98	2,122.20	3,012.56
Total	2,347.62	2,450.46	3,223.51

According to statistics, the water consumption of each pair of shoes in 2021 decreased by 13% compared with that in 2019.

Year	Water consumption per pair of shoes (L)
2021	6.56
2020	6.79
2019	7.57

Each factory establishes their own management system in accordance with the ISO14001 management system and complies with local laws and regulations and brand requirements on environmental protection. The Group's environmental strategy emphasizes reducing the generation of waste, the discharge of waste water, and the air emissions from the source, and minimizing the impact on the environment by cooperating with suppliers, enhancing employees' participation in environmental activities, and increasing investment in environmental protection, so as to jointly create an efficient, clean and sustainable development model.

On the other hand, when there are changes to laws and regulations, or to factory operation scope, activities, services and products, the factory environment team sets up a working team to identify and assess the environmental factors in the Company's activities, products and services in time, or when it is necessary to identify and assess environmental factors in management review, the environment team will also carry out targeted identification and assessment, determine the list of major environmental factors, formulate appropriate improvement objectives, management plans and control measures. In response to certain major environmental factors that may lead to accidents, the factory has also established a comprehensive emergency plan and conducted regular drills.

Water conservation

The water consumption of Huali Group factory is characterized by a small proportion of industrial water, which is mainly used for printing plate cleaning and bottom water washing process, and the rest is mainly domestic water.

The water supply sources for the Group's factories are mainly municipal water supply and groundwater, and the water intake meets the local requirements. The Group conducted a baseline investigation on the water pressure in the areas where the factories are located with the help of World Resources Institute (WRI) tools, which indicated that at present, most of the areas where the factories are located are in a low water pressure (baseline water pressure < 10%), and the water supply is relatively stable.

In order to save water and improve water utilization efficiency, the Group conducts basic analysis of water balance in each factory and rationally allocates and controls water resources; and adopted diversified water conservation measures in the factory, including:

- Process adjustment: Aurora Vietnam changed the boiler type, and changed the heat medium from steam to thermal oil. After adjustment, the fresh water consumption in the boiler area of the factory decreased by 1500 m³ per month on average.
- Adjust the water delivery pipelines from concealed pipes to open pipes to reduce water loss caused by pipeline leakage.
- Water quota management: On the premise of meeting the product quality, Roll Sport Vietnam gradually adjusts the water consumption of IP (Injection Phylon) washing machines to reduce the use of water.
- Printing area uses multi-level cleaning pool, and cleans the printing plate step by step in different areas or uses water-saving faucet to clean them.
- Machine cooling water is recycled, with fresh water to supplement the loss.
- According to the local policy, waste water treated by the WWTP is recycled for non-contact purposes such as toilet flushing and flower watering upon approval by the local environmental protection department.

Waste water treatment and discharge

Most factories of Huali Group have their own independent integrated waste water treatment factory (WWTPs), and the designed daily treatment capacity varies from 120M³ to 2000M³ according to their productivity and production line layout. For high-concentration industrial waste water, such as printing plate cleaning waste water generated by printing workshop, the factory also builds up a processing system with a daily processing capacity of about 30M³ for pretreatment. For a few factories with a waste water treatment station in the industrial park where they are located, waste water will be transported to the waste water treatment station in the industrial park for treatment through the pipe network.

The integrated waste water system of the factory adopts the treatment techniques of combining active biology with chemical precipitation. After the whole treatment process, the treated waste water will be uniformly collected into the reservoir, preferentially recycled and then discharged, while the sludge generated in the process will be stored according to regulations after dewatering treatment and finally disposed of according to the requirements of local laws and regulations at regular intervals.

The factories conduct internal and external testing and monitoring of waste water indicators according to regulations on a regular basis. For a factory subject to ZDHC¹ tests, the factory will invite an accredited laboratory to conduct sampling tests twice a year according to the ZDHC Waste Water Guideline, so as to ensure that waste water meets laws and regulations and the relevant requirements of customers, and 100% of waste water is discharged in compliance.



¹ ZDHC (Zero Discharge of Hazardous Chemicals) is an organization that promotes eliminating discharge of hazardous chemicals from textile, leather, footwear value chain.

Waste management

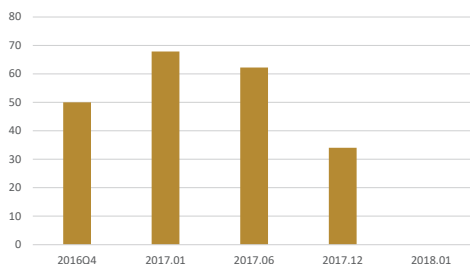
Through the engagement of product design in the development stage, the adoption of new equipment and new processes, and the adjustment of production line layout, etc, the factories of Huali Group commence with waste control and resource usage from the source. For the waste generated in the production process, each factory of the Group identifies and classifies the waste according to the types of materials used in production, waste project management requirements and waste attributes with reference to the applicable laws and regulations of the region/country where it is located.

The waste of the Group's factories is mainly divided into two categories: general solid waste and hazardous waste. Waste is managed with one label for one category, and collected orderly according to internal processes. The factories build up waste management centers (RMCC) in locations far away from the workshop and living area, and store the waste separately and accumulatively. RMCC is managed by a specially designated person. Solid waste is transferred to local qualified company for disposal while hazardous waste is entrusted to local environmental protection companies with hazardous waste treatment qualifications for transfer and treatment.

The factories will review disposal company's qualification documents to ensure that they hold the corresponding processing qualifications; and dispatch representatives to the processing bases of the manufacturers to conduct on-the-spot investigation and assessment to verify their comprehensive qualifications and promote compliance management. In addition, in order to ensure that the waste is finally treated in the agreed legal manner, the factories will contact the disposal company to provide the travel routes of the transportation vehicles, supervise and control the transportation routes of the waste, arrange personnel and vehicles irregularly to randomly track the transportation vehicles to ensure that the waste is not dumped anywhere or illegally treated, which will affect the reputation of the factory and the brand.

Since 2016, the Group has implemented a Smart -Scale system independently developed by the IT team of the Group to accurately collect waste data. At present, there are 7 factories in the Group using this system, and more factories will use this system in the future. We hope that the data collection will serve the waste reduction efforts and the management of waste circular economy. In 2021, the Group's factory generated a total of 28,495,515.5 Kg of solid waste, of which the proportion of reuse and recycling was 46%, and hazardous waste of 2,670,724.4 Kg, 100% of which was treated according to local laws and regulations.

Zero landfill and zero incineration



In order to reduce the impact of the waste disposal process of the Group's factories on the local community environment and support the realization of the brand's strategic objectives, the Group's factory will gradually reduce the proportion of waste landfill/incineration to achieve the first stage objective of waste management-"zero landfill and zero incineration". Since the end of 2016, the Group's Aurora Vietnam factory has started to connect with local disposal companies to carry out the solid waste energy recovery project. After submission of samples for preliminary technical test, and confirmation that there was no technical problem, the factory started comprehensive assessment to the disposal company in early 2017, and started trial cooperation with the company in April 2017, and entered into the formal contracts in June 2017 to gradually increase the amount of waste transferred. The landfill/incineration proportion of solid waste was reduced from 50% in the fourth quarter of 2016 to 0 in January 2018, and the factory officially achieved the objective of "zero landfill and zero incineration" of solid waste, while two other factories of the Group achieved this objective in the same period.

Air emission and ozone-depleting substances

The air pollutants of the Group's factories mainly include volatile organic compounds (VOCs), fuel boiler flue gas and dust, etc. The Group complies with air pollution laws and emission standards in the areas where the factories are located.

Exhaust emission performance has also been improved in boiler renovation projects implemented by various factories of the Group. The Group sets up air pollution treatment equipment according to local laws and regulations, and conducts regular air pollutant emission tests to ensure that the emissions meet the standards.

Ozone-depleting substances (ODS) used by Huali Group are mainly used in refrigeration equipment, such as air conditioners, freezers and water chillers. The specific refrigerant types used include R-22, R-32, R-134a, R-407c, R-410a, R-404a, etc. In recent years, due to the increasingly serious environmental problems such as global warming and ozone layer destruction caused by human activities, Huali Group has gradually strengthened the statistics and management of ozone-depleting substances, and developed internal management policies on ozone-depleting substances in combination with the initiatives of brand partners.

1. Prohibit the use of refrigerants containing chlorofluorocarbon (CFC) in cooling systems and refrigeration equipment in all factories of the Group;
2. Encourage all factories of the Group to phase out the use of refrigerants containing hydrochlorofluorocarbons (HCFC), and prohibit the use of HCFC refrigerants in cooling systems and refrigeration equipment of all factories of the Group from January 1, 2030.
3. Encourage all factories in the Group to give priority to refrigerants with low ozone depletion potential (ODP) and low global warming potential (GWP).

Statistical table of ozone depleting substances used by Huali Group in 2021

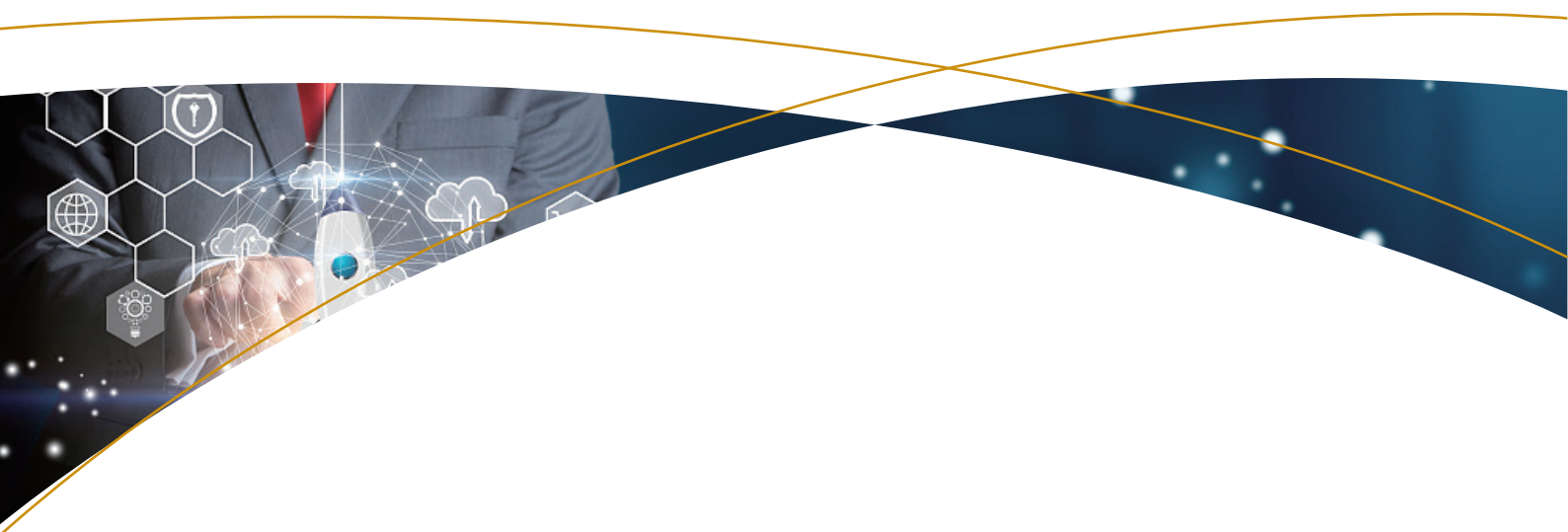
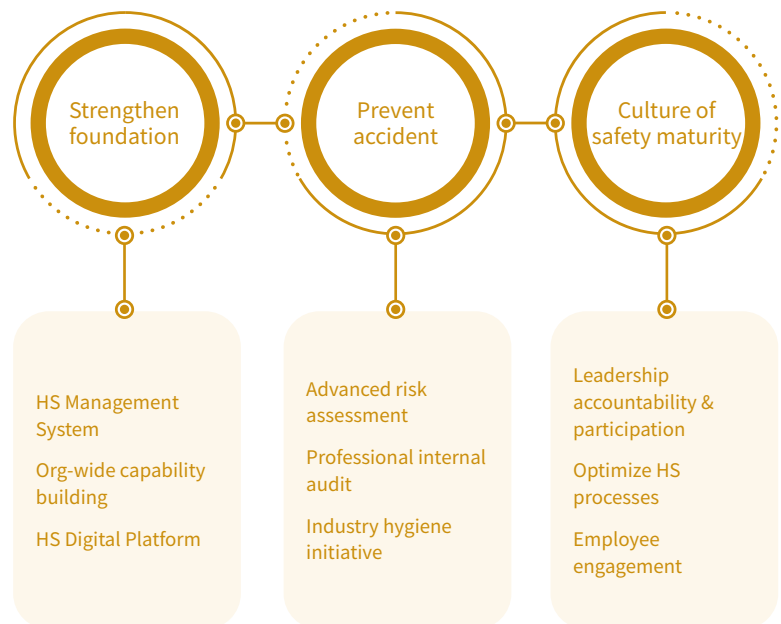
Type of refrigerant	R-22	R-32	R-134a	R-407c	R-410a	R-404a
Ozone Depletion Potential (ODP)	0.034	0	0	0	0	0
Global Warming Potential (GWP100)	1760	677	1300	1620	1920	3940
Filling volume in 2021	1,851	2	82	8	362	140

Safety management

Perfect the occupational health and safety management system and strive to achieve the goal of "zero accident"

The Group is well aware of the importance of safety production to sustainable development, as well as its safety responsibilities. Compliance with laws, regulations, brands and other related requirements is the minimum requirement of the Group for all factories. Continuous accident prevention and solid safety management system are important guarantees for sustainable development.

The Group headquarters has developed the strategy for 2020-2025, and by making full use of external resources, cross functional engagement, professional teams and talents, business integration and other activities that are aimed to strengthen the foundation, prevent accidents and build a safety culture, and by establishing a predictable, agile and risk-resilient management system, accelerate the achievement of health and safety objectives, and finally achieve the vision of zero accident.

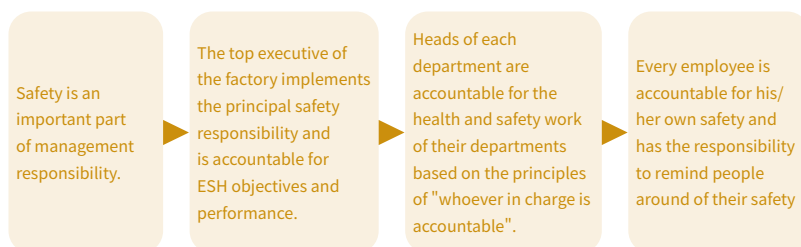


What We Have Done

Organizational structure and safety responsibilities

The Sustainable Development Department of the Group continuously strengthens the management organization structure and safety management process, and the factories are equipped with a stable safety management team, to regularly conduct safety performance verification and safety sharing workshops, and strengthen cross functions collaboration, such as joint inspection, equipment safety acceptance, machinery equipment safety improvement, safety certification and employee safety training, etc. In addition, they adopt flexible and diversified methods to enhance employees' safety awareness, implement safety education at all levels, and organize employees to conduct emergency drills regularly.

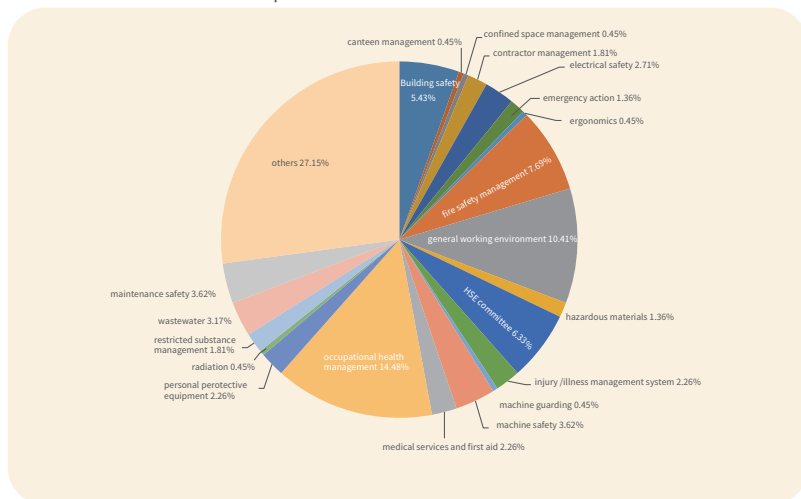
Each factory holds ESH Committee meeting regularly every month, fully communicating on safety related issues and arrange for corresponding improvement activities. The Group takes "zero accident" as the core direction of safety management, and strengthen safety responsibilities with adherence to the principles of "safety first" and "people-oriented":



Safety management supervision and risk prevention

The Group headquarters regularly organizes ESH best practice sharing meetings, and invites relevant personnel from other units to attend, so as to promote ESH management in the factories. The Group defines projects that are prone to cause casualties and property losses as the focus of attention, and develops corresponding management guidelines, specifying the responsibilities of relevant personnel, safety protection measures to be taken and work permit management system to be implemented, covering hot work, work at height, confined space management, LOTO, fire safety and electrical safety, etc.

In order to timely discover various unsafe factors (unsafe behavior of people and unsafe conditions of things unsafe conducts of people and unsafe status of articles) that exist and are potential in the production process, to prevent possible production safety accidents, the Group Headquarters organizes ESH assessment of each factory every year. In 2021, 221 issues were discovered. By the end of 2021, the factories had made improvement plans for the issues discovered and completed rectification of 195 items.



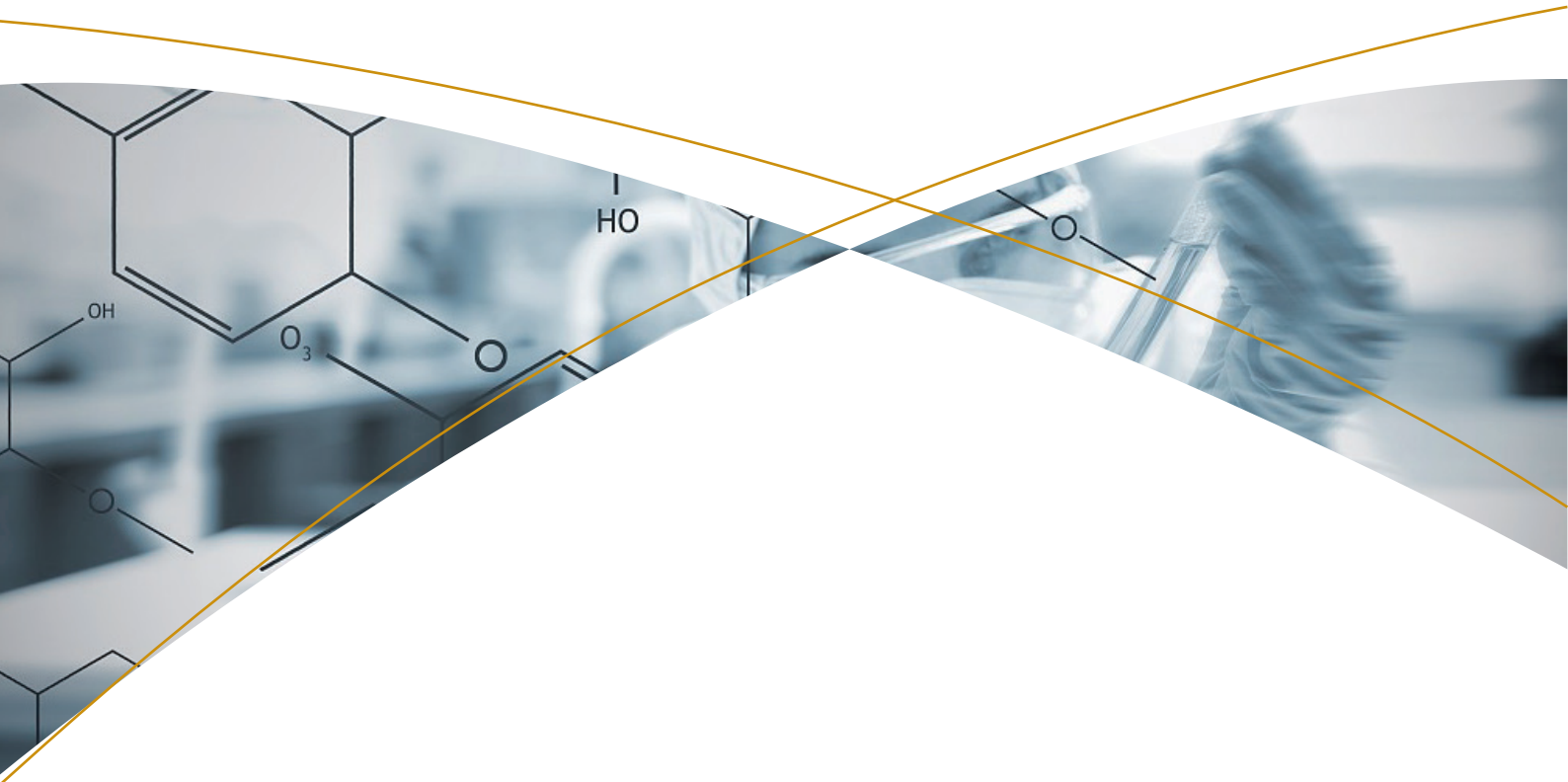
The ESH department of each factory regularly organizes cross functions to carry out safety inspections, sort out and classify the hazards discovered in safety inspections, analyze the causes, and set up objectives and improvement plans.

Hazards management

The factory sets up the *Hazards Identification and Assessment Control Procedures* to guide the comprehensive identification of safety and health hazards related to factory equipment, activities and services, assess their risk degree, determine major risk factors and effectively control them. The factory clearly defines the responsibilities and authorities of each department in the Procedures, organizes cross functions, to jointly identify existing hazards and determine their nature, analyzes and determines the unacceptable risk list according to the appropriateness of existing control measures, and set up control measures for continuous improvement.

Change management

Health and safety management is dynamic. In the production process, there are frequent changes in processes, materials and technologies, changes in equipment and facilities, major changes in process flow transformation due to new footwear type (including layout change) and in operating conditions, changes in laws, regulations and standards, and changes in purchase and use of new chemicals. Therefore, it is more necessary for the leadership and employees to participate in health and safety activities. The factory has set up relevant systems, which stipulate that in case of changes, it is required to file application in advance and organize cross functions to identify risks and set up corresponding control measures. After changes, the foregoing items can only be implemented or used after passing the acceptance.



Continuously improve safety performance

Production management at all levels are responsible for safety, regard safety management as a part of their usual business work, and participate in safety inspection. Safety is always the priority of cadres at all levels. Huali Group continued to increase its investment in health and safety, with a total investment of RMB 88.3808 million in 2021.

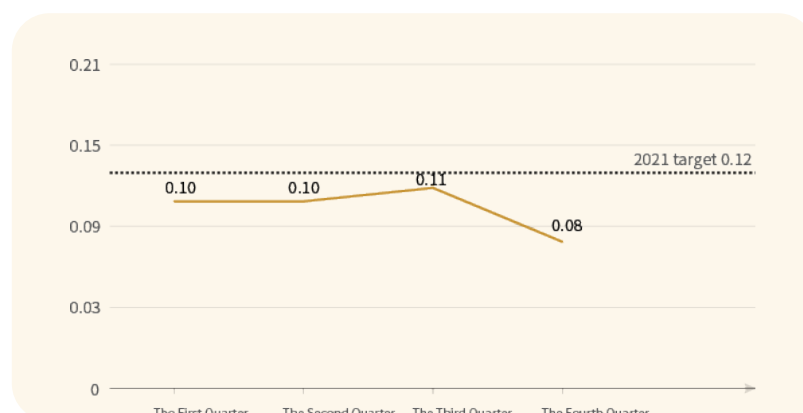
See the following table for the Group's health and safety investment in the past three years:

	2019	2020	2021
Vietnam factory area (in 10,000 RMB)	3,420.40	2,199.44	8,779.56
China factory area (in 10,000 RMB)	50.76	55.35	58.52
Total	3,471.16	2,254.79	8,838.08

Accident management

The Group Headquarters has developed the Standard Operating Procedures for *Accident Reporting and Investigation* and established a data management system to collect and analyze accidents in the factories. Every year, the Group signed SMP performance contracts with each factory, covering safety performance indicators. In 2021, we have 5 factories achieved 0 DART.

Rate of Days Away, Restricted or Transferred (DART):



Remarks: DART= number of lost working cases * 200000/total working hours of the whole factory

Equipment management

In order to standardize the safety management of newly purchased machinery /equipment, the factory carries out safety intervention in the process of planning, procurement, installation, use, maintenance and disposal of machinery equipment, as well as machine risk assessment, to improve the intrinsic safety of machine and promote accident prevention.

In order to reduce the accident rate due to existing machinery equipment, the Group Headquarters analyzed work-related injuries in various factories from 2016 to 2018, figured out 10 types of machines for key improvement, and unified the machine protection standards. After the improvement, the proportion of work-related injuries related to the above 10 machines in 2021 was 37.2%, which decreased by 12.8% compared with that in 2019.

Safety culture construction

The Group is people-oriented and integrates safety into all business decisions and activities of the factories. Through the participation of management and employees to build safety culture, the Group changes their safety attitudes and behaviors to jointly promote and create a safety culture atmosphere of "safety first".

Safety production is one of the driving factors of sustainable development. The positive change of safety awareness of management and employees from "I need safety" to "I can guarantee safety" can fundamentally prevent the occurrence of safety accidents. The factory fully authorizes employees and establishes incentive mechanisms, such as rewarding employees who report near-miss, conducting safety kaizen activities, etc., so as to improve the enthusiasm of employees to participate and extend employees the opportunity to participate in various health and safety activities and safety management.

3 factories under the Group are participating in culture of safety maturity assessment tool promoted by the brand, and are expected to achieve maturity level 3 by fiscal year 2025. Among them, Annora Vietnam completed the qualitative assessment (perception survey) of safety culture with the assistance of the brand and the third party company from June 7 to June 11, 2021. In this round of investigation, scientific sampling method was adopted, and a total of 1,225 employees in different proportions were selected to participate in the investigation by scanning QR code with his/her mobile phone. Annora Vietnam has passed the qualitative assessment of third level maturity.

Occupational health management

The Group, in accordance with the occupational health laws, regulations, standards, technical specifications and brand standards where the factories are located, has established management systems such as *the Occupational Health Management Procedures* and *the Personal Protective Equipment Management Procedures*, and designated special responsible personnel to regularly identify, assess, predict and control occupational harmful factors and their health damage in the workplace, and identify and assess chemical factors, physical factors and environmental factors that may occur or exist.

For different occupational harmful factors, each the factory takes corresponding protective measures such as dust prevention, anti-poison, heatstroke prevention, noise reduction and shock absorption to control and eliminate occupational harmful factors from the source and protect the health of employees.

For example, according to different types of air emission, the factory selects the preferential air emission treatment measures, and adopts appropriate devices to treat the dust generated from soles and batching processes and volatile organic gases (VOCs) generated in the production process, and discharges them at high altitude through the exhaust pipe after reaching the standard.

Each factory conducts a comprehensive inventory of the main equipment generating noise sources, and adopts silencers, shock absorption equipment, wall sound insulation and other methods to reduce the impact of noise on employees and the environment. In the purchase of machinery equipment, the factory gives priority to low-noise equipment to control noise from the source.

Each factory identifies the radiation source in the workshop and takes corresponding measures for control.

The Group continues to carry out ergonomic improvement projects, such as providing cushions for employees engaged in cutting process, providing ergonomic tools and fixtures, and gradually providing seats with backrest and adjustable height, etc., so as to relieve employees' fatigue.

Each factory regularly carries out internal and external monitoring, selects the preferential occupational disease prevention facilities, and selects the appropriate protection facilities and measures according to the following priority order for the control of toxic substances such as dust and chemicals: Select non-toxic or low-toxic or substances, improve process and operation mode involving toxic or high-toxic substances, isolate the equipment generating harmful factors as much as possible, and control them by means of containment and automation, Implement individual protection when necessary.

On the basis of valuing the selection of occupational health protection facilities, the factory regularly inspects and maintains the corresponding facilities to provide employees with a comfortable, healthy and safe working environment.

On the basis of the assessment of occupational hazard factors, the factory trains employees on occupational health professional knowledge, distributes corresponding personal protective equipment to employees according to types of work and hazard categories, establishes complete and accurate distribution records, and purchases qualified personal protection articles and replaces them regularly according to the *Management Procedures of Personal Protection Equipment*. Prior to wearing personal protective equipment, every employee is subject to assessment by the medical staff of the Factory, and training on the correct wearing and maintenance of personal protective equipment. Besides, workshop officers and ESH personnel also check the wearing of personal protective equipment from time to time to ensure that every employee knows how to wear and maintain personal protective equipment correctly.

Employee health has always been the top priority. For example, before engagement in posts that are exposed to occupational hazards and are subject to special health requirements, employees (including new employees and on-the-job employees under post transfer) are required to have pre-job occupational health examination according to relevant regulations of local governments. On the basis of the assessment of occupational hazard factors that employees are exposed to in the factory, the factory uniformly arranges the corresponding employees to take annual on-the-job occupational health examination in qualified medical institutions, and take occupational health examination when leaving the post. Doctors in the factory infirmary are accountable for collecting and summarizing the physical examination results of employees, comparing the historical physical examination results of employees, analyzing the occupational health trends of employees, updating the personal occupational health monitoring files of employees, and focusing on the occupational health of employees.

Chemicals management

In order to ensure that chemicals are stored and used in a safe state, avoid endangering employees' health and prevent pollution accidents, the factories supervise and manage chemicals from the processes of procurement, transportation, storage, use and disposal.

The factories have established the *Chemical Management Procedures*, which set out the processes and responsibilities related to chemical procurement, and give priority to the use of environmentally friendly chemicals. The factories identify and assess the potential risks of new chemicals before procurement so as to reduce the risk of adverse impacts on the health and safety of employees and the surrounding environment. Management and supervision from the beginning of chemical procurement is the most effective method in chemical lifecycle management. The personnel in charge of chemical procurement shall confirm the chemical business qualification of the supplier prior to the procurement, and conduct approvals according to internal processes when otherwise required by law or customers. For the procurement of new chemicals, the requisition department shall apply according to the process, and the procurement department may commence the procurement only upon approval. At the time of procurement, it is required to request material safety data sheet (MSDS), RSL test report, etc. from suppliers to ensure that materials, components and finished products meet RSL and MRSL requirements.

The factories will continue to implement the project of replacing solvent-based chemicals with water-based chemicals, and strive to purchase and use more environmentally friendly chemicals to facilitate sustainable development. The proportion of water-based chemicals in most factories is approximately 65%, and over 90% in some certain factories.

In chemicals management, continue to learn and apply some best practices to chemicals management in factories, such as:

- Establish standardized chemical procurement process
- Maintain up-to-date chemical list
- Designate dedicated personnel to assess the procurement needs of chemicals, and review the components and hazardous factors of chemicals
- Conduct annual review of all RSL/MRSL and legal requirements to identify problems in a timely manner and continuously improve chemical management.

EMPLOYEES AND COMMUNITIES

Employees are the strongest driving force for the development of enterprises, and communities are the most precious wealth of enterprises. Huali Group adheres to the concept of "people-oriented, harmonious development", attaches importance to the protection of employees' rights and interests, cares for employees' physical and mental health, and enriches employees' spare time; besides, Huali Group strengthens community communication, carries out voluntary services, develops charity, actively participates in community construction, and makes contributions to building a harmonious society.

Employee Profile

Huali Group pursues the concept of fairness, equality and merit-based admission, actively undertakes corporate social responsibility, always provides fair, open and transparent employment opportunities, and attaches importance to the diversity of talents. In the process of personnel recruitment, it is forbidden to restrict the recruitment and employment of employees due to factors such as gender, nationality, ethnic group, religious belief and economic ability. The Group pays attention to gender equality and actively creates job opportunities for the disabled.

By the end of 2021, the total number of employees of the Group was 151,198, of which the total number of female employees was 119,219, accounting for 79%.

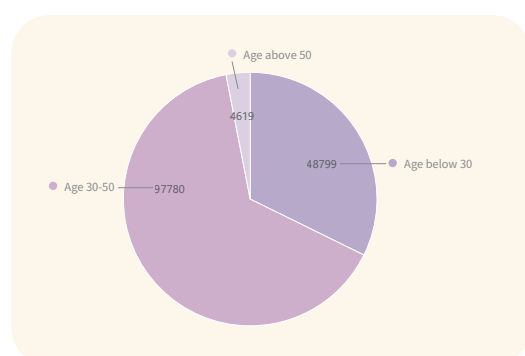
The biggest age group was 30-50 years old, with 97,780 people, accounting for 65%, followed by 48,799 people under 30 years old, accounting for 32%, and 4,619 people over 50 years old, accounting for 3%.

The Group is active in creating local jobs, and the companies of the Group in each country implement the localization policy, giving priority to hiring employees of their own nationality in their respective regions, and vigorously promoting local employees to management positions.

By the end of the reporting period, the regional distribution of employees was mainly in Vietnam, with 148,887 employees, accounting for 98.47% of the total, followed by 2,227 employees in China, accounting for 1.47%, and other regions accounted for 0.06%.

In senior management level (which is, senior managers or above), there were 38 female, accounting for 30.89%; and in general management level (which is, from team leaders to managers), the number of female were 5,462, accounting for 66.94%.

The age distribution is as follows



	Senior management	General management
Male	85	2,697
Female	38	5,462
Total	123	8,159

In 2021, the overall turnover rate of the Group was 20.2%, and the average monthly turnover rate was 1.68%.

Protection of Employees' Rights and Interests

Huali Group strictly abides by the laws and regulations of the countries where its factories locate and accepts international human rights standards, regulates employment conducts, builds harmonious labor relationship, and has developed a series of human rights policies such as *No Child Labor Policy*, *Foreign Workers Policy*, *No Discrimination Policy*, *No Forced Labor Policy*, *No Harassment and Abuse Policy* and *Remuneration and Welfare Policy*.

The Group strictly implements laws and regulations, respects the internationally accepted codes of conduct for social responsibility, resolutely eradicates child labor and forced labor, and prohibits discrimination and harassment. Every year, there are lots of activities and trainings on human rights topics so as to ensure all employees are involved. Besides, the human rights issues are included in the regular performance assessment and risk assessment.

The Group follows the principle of distribution according to work, implements equal pay for equal work between men and women, and prohibits discrimination in compensation and welfare due to different gender. The Group has established a system to guarantee employee's welfare, participating in social insurance according to law including pension, medical care, unemployment, work injury and maternity, and also purchasing housing fund for every employee on a regular basis.

The Group strictly implements the national regulations on leave, and employees are entitled to rest and leave according to law, including public holidays, statutory holidays, annual leave, sick leave, personal leave, work-related injury leave, marriage and funeral leave, maternity leave and other holidays stipulated by relevant state departments in accordance with laws and regulations.

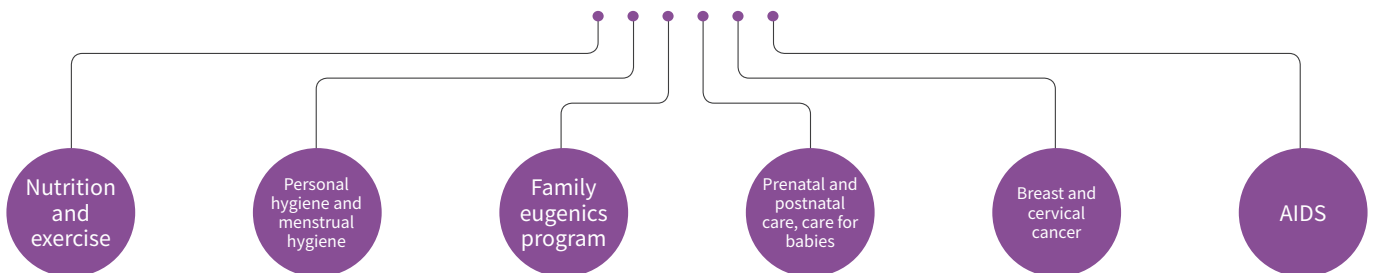
In order to safeguard the rights and interests of female employees, Group's factories have carried out various labor projects related to female employees, such as the HER (Health Enable Return) Project, which is a project aimed to improve the health and labor ability of female employees, and this project is conducive to improve labor productivity and establish a sustainable production supply chain.

HER project has been implemented in several factories of Huali Group, such as Continuanace Vietnam, Amara Vietnam and Stateway Vietnam . Currently, the factories that have completed the project include Continuanace Vietnam and Amara Vietnam, and Stateway Vietnam is implementing the project, which is expected to be completed in 2022. Venus Vietnam also plans to participate in HER project.



The entire project lasts for 17 months from beginning to end, including investigation, staff training, impact assessment and workshop.

The six major themes of the HER project are



In addition, it also provides training in communication skills and team deployment skills.

Activity photos in the training course of factory project partners



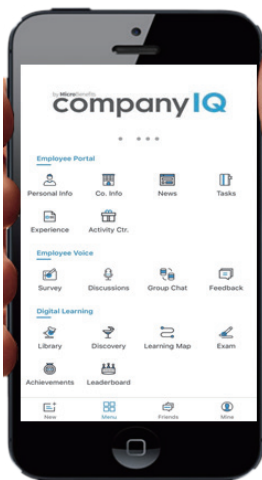
Group photos at the closing meetings of the project, granting gifts and certificates to the partners



The HER project is very important for female employees, especially those from rural and mountainous areas. Many women don't know basic health knowledge and how to prevent diseases. Through a series of trainings carried out by the factory, they learned a lot of useful health knowledge and felt the concern of the factory for them, which improved their efficiency and morale in their daily work. In addition, colleagues can share such knowledge with each other, which makes them more united in the working environment, and the relationship between colleagues is greatly improved because of interaction and sharing.

The project has been actively supported by the factory leadership and management, which is very popular among employees and has achieved progressive success. The Group will continue to cover the HER project with more factories, so that more women will care about their health.

Communication mechanism



The efficiency of communication is greatly improved through using the Internet technology to collect employee's opinion

In order to promote the communication between employees and managers, and facilitate employees to submit their opinions and suggestions on working conditions, remuneration and benefits to the management, the Group has established an effective internal communication mechanism to promote the transmission of employees' opinions and suggestions and the communication between internal departments and units.

Huali respects employees' right to form and join trade unions and their right to collective bargaining. Huali has established trade unions in both mainland China and Vietnam.

Trade unions are re-elected every 5 years, and are committed to implementing employees' right to know, participate, vote and supervise, and regularly communicate with managers to raise suggestions or proposals to managers. In Vietnam, large-scale employee dialogues are held at least annually, and employee's representative meetings are held monthly. In China, employee representative meetings are held quarterly.

On behalf of employees, trade unions sign collective bargaining agreement with the Group through negotiation on working conditions, treatment, human rights, training and development, which cover all employees and are renewed every three years.

Every year, the Group entrusts a third-party company to conduct the EWB (employee's Engagement and Well-Being) survey on employees, and forms an investigation report after summary analysis. The Group makes continuous improvements according to the investigation report.

In 2019, Huali Group Factory began to join the CIQ project, under which employees install APP on their mobile phones or logging in on their computers to express their opinions or view relevant information to the factory. This project is conducive to promoting communication between employees and the factory.

Employees can inquire about items by themselves: on salary, insurance, leave, attendance, etc.

CIQ can reduce communication barriers between factories and employees, resolve and handle contradictions promptly, and enable employees to receive training more flexibly.

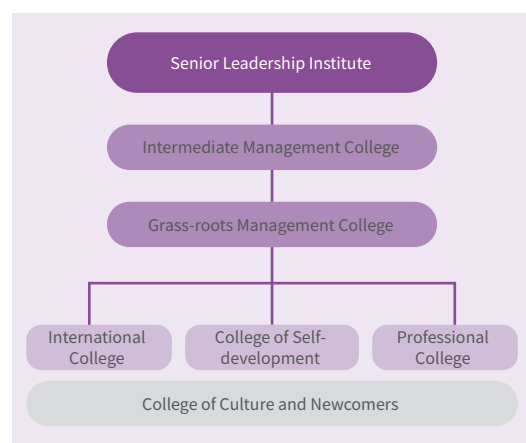


Training and Career Development

Training and career development

At Huali Group, we value the career development demands of various talents, construct a multi-track development system of management, staff and technical positions, and design appropriate learning journeys and resources for different target groups.

Schematic diagram of Huali's talent development



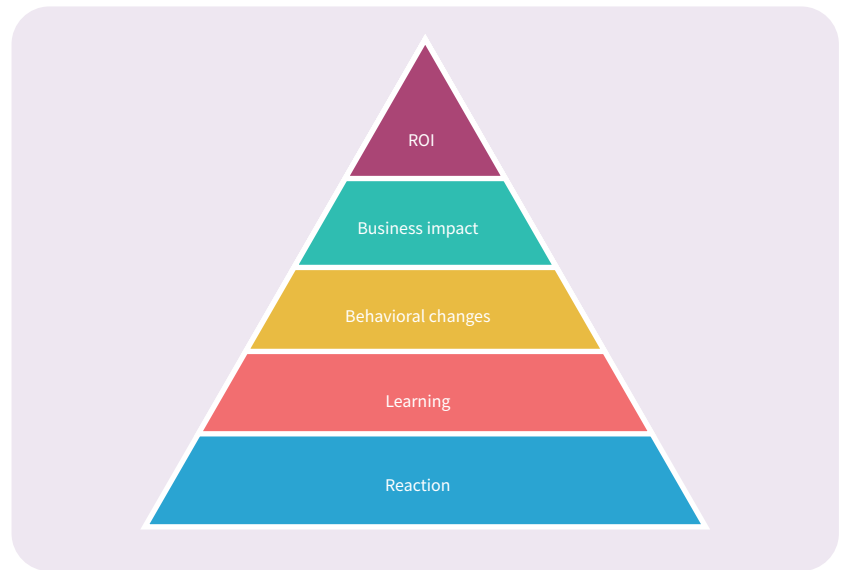
	Improve management ability		Cultivate the cornerstone of career development			Professionalism	Improve management ability
College	Senior Leadership Institute	Intermediate Management College	Grass-roots Management College	International College	College of Self-development	College of Culture and Newcomers	Professional College
Business objectives	Cultivate high-level leaders	Cultivate outstanding management talents	Cultivate excellent grass-roots management	Assist in cultivating international talents	Complement the development of employees' soft skills	Inherit corporate culture and assist newcomers to integrate into the organization	Assist each business unit with learning resources and methods according to business needs
Curriculum objects	Potentials among senior managers	Potentials among intermediate managers	Newly introduced reserve cadres among grass-roots managers	All staff	All staff	All staff	All staff
Targeted cultivation ability	Forward-looking vision, strategic planning, leadership control, decision-making change, business analysis, risk avoidance	Communication and coordination, analysis and decision-making, strategy promotion, target management, crisis handling, strategy implementation	Project management, plan achievement, problem solving, assignment coordination, guidance interaction, meeting management, conflict management, impact expression	Diversity, overseas work, culture sensitivity	Image, communication, thinking, execution	Shaping Huali's code of conduct and core values	Based on the business needs of various business groups

The Group not only attaches importance to the training and development of new recruits, professional grade personnel and management at all levels, but also strengthens its investment in overseas talent training in recent years. For example, in the talent training framework, the Group has defined key learning and development management functions for each position stage. Through training arrangement, knowledge sharing and work experience empowered by positions, employees of the Group can accumulate professional skills at different levels and gain predictable career development space.

On the learning journey, in addition to the regular provision of diversified training courses such as professional training courses, management development training, overseas project-based training and Soft Skill training, the Group also provides support and assistance for employees' long-term career growth, regularly reviews the talent charging/empowerment plan, provides cross-unit and cross-organization job rotation experience, project assignment, etc., and provides consultation by internal high-level tutors and external consultants to accelerate talent cultivation. In addition, in order to ensure the continuous internal growth of employees, the Group regularly conducts performance appraisal, career planning and discussion for overseas employees, and provides appropriate job arrangements and promotion opportunities according to the characteristics and ability growth of employees.

In 2021, the total training hours required for employees of the Group and its subsidiaries reached 4,010 hours, the average training hours required for each employee was 3.8 hours. The total number of trainees reached 135,023, while the online courses were 697, with a total number of 84,310 trainees.

The company set the annual training and development direction every year, through which we launch professional, management and culture courses, etc. The main purpose is to enhance the professional ability of Huali personnel, and then drive the performance growth. We also examine the learning effectiveness of the training programs through the Kirkpatrick learning assessment model (hereinafter referred to as the "Kirkpatrick Model"). In addition, in order to further assess the effectiveness of training, we, with reference to Jack Phillips' ROI training assessment model, i.e., tier-5 return on investment, calculate the return on investment of training, so as to verify the specific economic benefits of training to enterprises.



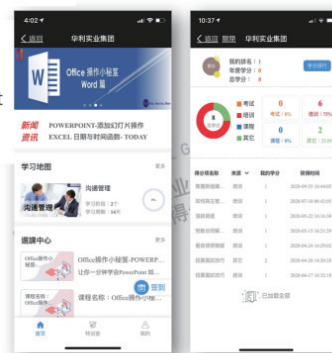
Above: Kirkpatrick Model

According to ATD 2021 investigation, e-learning will continue to change the existing learning activities, and the current learning methods will be greatly changed. Under the title of "Invest in the future: Human Capital in the Digital Age", Huali Group will successively launch digital talent cultivation programs in 2022, hoping to actively cultivate employees to acquire the skills needed in the digital age through digital skills learning. In addition, the Group will focus on the preparation for the training and development of digital functions, thus reserving key talents for Huali, and laying the foundation for the sustainable development of the Group.

Deepen digital learning



School of
Empowerment



Performance promotion and salary adjustment

The results of employee performance appraisal will be used as an important reference basis for promotion, salary adjustment, reward and incentive, job rotation and training, etc. Appointment, transfer and promotion of the Group personnel are based on the approved organizational structure and manpower establishment, therefore corresponding human resource needs or group development and management needs are required.

With respect to salary adjustments, the HR Department will prepare salary adjustment budgets in consideration of the previous year's operating performance, industry salary level, statutory minimum wage and price index increase, etc., and report the budgets to the management personnel for approval before proceeding accordingly.



Employee Well-Being



Lion dance program at Mid-Autumn Festival party



Give awards to the winners in the labor skill competition



Give birthday benefits to employees



Love and Sharing Painting Competition, with the theme of the paintings to express respect and gratitude to those who fight against the pandemic, and the spirit of partnership among all employees.

Caring our employees

We care for our employees in work and life, help them solve practical difficulties, strengthen their cohesion and centripetal force, and create a warm and harmonious atmosphere.

In order to promote a corporate culture of sustainable development and balance employees' work and life, the Group holds various cultural and sports events and celebrations from time to time every year, and conducts various labor and skill competitions to enrich employees' lives through colorful cultural activities. We distribute birthday benefits to employees through trade unions, and actively carry out activities such as employee travel to further improve employee welfare and increase their satisfaction. We care about the physical and mental health of employees and provide psychological help to them through psychological counseling, etc. During the pandemic, we educate our employees with pandemic prevention knowledge through pandemic prevention knowledge contests. Besides, we strengthen our employees' physical fitness and reduce the risk of infection through hiking competitions, basketball games and yoga courses, etc.



At the party held by the factory, employees make their own unique performance costumes with factory waste such as plastic, shoelaces, waste paper, beverage bottles and waste cloth.



Huali Group employees participate in friendly hiking match



Huali Group employees organize basketball game

Help poor employees

The Group earnestly pays cares about the living conditions of workers in difficulty and works with trade unions to provide assistance for workers in need.

We go deeper into the daily life of poor employees to understand their living needs through family visits, donate daily necessities to them, help them build houses, and offer condolences to hospitalized employees. During summer vacations or factory open days, we provide training in football, English and dance skills for children from employees' families.



Visit the families of employees in difficulty



Provide subsidies for employees in difficulty



Give awards to students from employees' families with outstanding achievements



Provide financial assistance to poor workers and children

Sustainable Community

Improve volunteer service

We focus on communication with all sectors of society, so that interested parties can better understand the quality and culture of Huali. We advocate the spirit of public welfare, encourage our employees to join the volunteer team, and carry out various forms of volunteer services, gathering bits and pieces of love into a strong power of selfless dedication.



Fire Fighting Competition



Tug-of-War



Team Building Activities



Football Game

Case : Help the Blind

In January, 2021, Aleron Vietnam encouraged all its employees to actively participate in the rice dumpling making competition and give the wrapped rice dumplings to the blind. Due to the limited time and space, the factory dispatched 18 people as representatives, with 3 people in each team. This meaningful volunteer activity brought joy and help to the blind.



Aleron Vietnam organizes employees to make rice dumplings to help the blind

Case: Green environmental protection action

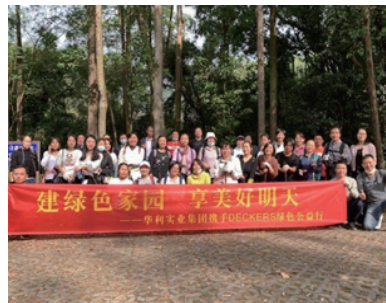


"Green Saturday" publicity campaign

Huali Group's factories are committed to environmental improvement. Aleron Vietnam defined every Saturday in February 2021 as the "Green Saturday" to carry out environmental cleaning and garbage sorting in the industrial area. More than 100 employees participated in this activity. In addition, Huali has conducted in-depth exchanges and cooperation with DECKERS, and carried out a series of green public welfare activities such as "No Trace Mountain Night", "No Air Conditioning Night" and "No Trace Coast", enriching the working and cultural life of employees, enhancing their teamwork and enhancing the social responsibility of the factory.



Employees participate in the garbage sorting activity



Cooperate with DECKERS brand to carry out a series of green charity walk activities



Employees participate in the "Traceless Coast" green charity walk

Case: Blood Donation



Voluntary blood donation activity in Huali Group

Every year, Zhongshan Jingmei and Zhongshan Zhijie Branch cooperate with the Red Cross Society to carry out voluntary blood donation activities within the whole factory, and employees enthusiastically participate in the donation, cheering for life and helping for health with their own practical actions.

Public Charity

With adherence to the concept of not forgetting to contribute to the society and community development, and with the strong support of the leadership, while doing a good job in operation and management, we give back to the society with practical actions, provide care and services for the masses, and help and warmth to the community and social development. In the meantime, we take dedication, friendship and mutual assistance as the powerful spiritual power on the path for the Group to offer public welfare, which constantly lead the Group's public welfare undertakings to continue to move forward in the future.

Charity-Fund Raising

We attach great importance to charitable activities, and made donations equivalent to approximately RMB 5.383 million in 2021. Our factories regularly carry out various public charity activities every year to provide help and support to those in difficult living conditions in the community,

With respect to the community, our factories constantly make efforts to contribute to local communities, such as donating materials to orphanages, visiting local poor families, and assisting in transporting materials to backward areas; with respect to education, we invest every year in organizations such as foundations and hope centers and support schools and poor students. In addition, we provide medical assistance to children with major special diseases. For example, we have joined hands with international medical institutions to support the treatment of Vietnamese children with multiple deformities for many times, giving them great encouragement and warmth.

Case : Planet Water Project

In cooperation with Columbia Sports Company, Stateway Vietnam launched the Planet Water Project in two schools in Haiphong in 2016 and 2017, built water filtration system in schools (communities), gave training on safety and health knowledge, improved the safety and health concept of students and their families, and promoted water safety and health.



Water tower put into use



Implementation site of the Planet Water Project



Water safety and health training

Case: Consolation to difficult groups



Present gifts to needy employees



Deliver goods to poor family

Factories donated rice, sugar, milk, cooking oil, soy sauce, fish sauce, instant noodles and other necessities to disadvantaged groups, hoping to make some contribution to the elderly, the disabled, orphans and other employees with difficulties in family life.



Visit and offer condolences to poor family

In addition to attention paid to the food shortage of local poor people, we also care about the students and teachers in the local schools in poor situation through batches of money donations. Besides, during the pandemic, we further increase donations of pandemic prevention articles, establish pandemic prevention funds, and actively assist the government in coping with the pandemic by subsidizing pandemic prevention committees, purchasing masks and taking vaccines and other pandemic prevention activities.

In 2021, the donation amount of the Group was approximately RMB 5.383 million, and the capital investment for helping employees in difficulty was approximately RMB 3.2286 million.



Huali Group provides financial support for the pandemic prevention



The factory and trade union donate money to the local government for the pandemic prevention



Case: Earth Hour

In response to the global energy conservation campaign proposed by the World Wide Fund for Nature (WWF) against global climate change, Huali Group keeps off unnecessary lights and power-consuming products for one hour at 20:30 p.m. local time on the last Saturday of March every year. In this activity, employees conduct learning and communication, and advocate all sectors in society to this activity by posing a 60+ pattern, so as to contribute to conservation and consumption reduction.



Poster of Earth Hour



Over 100 employees pose a 60+ pattern

Advocate environmental protection and public welfare

Every year, we conduct environmental protection project training for our staff every year, and carry out training courses such as waste sorting and water saving. Employees actively participate and communicate enthusiastically in class, and the classroom atmosphere is active. Through the above training courses, employees' awareness of environmental protection has been improved. We hang banners and posters on environmental protection in crowded places such as hand washing areas and dining areas to enhance employees' awareness of environmental protection.

Case: World Water Day

In order to arouse the public's awareness of water conservation and strengthen the protection of water resources, Huali organize its employees to carry out the publicity activities of World Water Day, through which it conveys to all sectors of society the message that Huali is protecting water resources and paying attention to the global water crisis caused by the rising demand for water resources in our manners.



Publicity campaign of World Water Day



Organize employees to clean up marine garbage

Index of Indicators

Sustainable Development Goals (SDGs)	Chapter	Sustainable Development Goals (SDGs)	Chapter
	Help employees in poverty Assist in charity fundraising		Employee profile Protection of employees' rights and interests
	Help employees in poverty Assist in charity fundraising		Focus on community communication Improve volunteer service Advocate environmental protection and public welfare
	Occupational health		Reuse and Recycling Quality management Customer service
	Training and career development		Climate change response
	Employee profile Protection of employees' rights and interests		Wastewater treatment and discharge
	Water conservation Focus on community communication		None
	Environmental management Energy conservation and emission reduction projects		Anti-corruption Fair competition Information security Intellectual property
	Employee profile Protection of employees' rights and interests		Customer service Supplier management
	R&D Innovation		

GRI Standards Index

GRI Standards	Disclosure	Chapter	Remarks
GRI 102: General Disclosure			
1. Organization overview	102-1 Organization size	Company Profile	
	102-2 Events, brands, products and services	Company Profile	
	102-3 Headquarters location	Company Profile	
	102-4 Operation location	Company Profile	
	102-5 Ownership and legal form	Company Profile	
	102-6 Markets served	Company Profile	
	102-7 Organization size	Company Profile	
	102-8 Information about employees and other workers	Employee Profile	
	102-9 Supply chain	Supplier Management	
	102-10 Major changes in organization and supply chains	Company Profile	
	102-11 Early warning principles or guidelines	Legal compliance	
	102-12 External initiatives	None	
	102-13 Membership of associations	None	
2. Strategy	102-14 Statements by senior decision makers	Letter from President	
3. Ethics and integrity	102-16 Values, principles, standards and codes of conduct	Corporate Values	
4. Governance	102-18 Governance structure	Governance Structure	
5. Engagement of interested parties	102-40 List of interested party groups	Identification and Communication with Interested Parties	
	102-41 Collective bargaining agreements	Protection of employees' rights and interests	
	102-42 Identification and selection of interested parties	Identification and Communication with Interested Parties	
	102-43 Engagement approach for interested parties	Identification and Communication with Interested Parties	
	102-44 Main issues and concerns raised	Analysis of Substantive Issues	

GRI Standards	Disclosure	Chapter	Remarks
6. Reporting practice	102-45 Entities covered in consolidated financial statements	Company Profile	
	102-46 Defining the content and topic boundaries of the report	Analysis of Substantive Issues	
	102-47 List of substantive issues	Analysis of Substantive Issues	
	102-48 Restatement of information	No restatement of information	
	102-49 Report change	No change	
	102-50 Reporting period	Time Frame	
	102-51 Last report date	Reporting Period	
	102-52 Reporting period	Reporting Period	
	102-53 Contact information for issues related to this Report	Acquisition Method	
	102-54 Statement of reporting in compliance with GRI standards	Reference Standard	
	102-55 GRI content index	GRI Standards Index	
	102-56 External authentication		
GRI 103: Management methods			
Management methods	103-1 Explanation of substantive issues and boundaries thereof	Analysis of Substantive Issues	
	103-2 Management methods and components thereof	See each chapter for details	
	103-3 Assessment of management methods	See each chapter for details	
Substantive Issues			
GRI201: Economic performance	201-1 Economic value directly generated and distributed	Company Profile	
GRI205: Anti-corruption	205-2 Communication and training of anti-corruption policies and procedures	Anti-corruption	
	205-3 Incidents of corruption identified and actions taken	Anti-corruption	
GRI206: Improper competition conducts	206-1 Legal proceedings against unfair competitive practices, antitrust and antitrust practices	Fair competition	
GRI302: Energy	302-1 Energy consumption within the organization	Energy conservation and emission reduction performance	
GRI303: Water Resource	303-1 Water intake by source	Water conservation	

GRI Standards	Disclosure	Chapter	Remarks
GRI305: Emissions	305-1 Greenhouse gas emissions from direct energy (Category 1)	Energy conservation and emission reduction performance	
	305-2 Greenhouse gas emissions from indirect energy (Category 2)	Energy conservation and emission reduction performance	
GRI306: Sewage and waste	306-2 Total amount of waste by category and treatment method	Waste management	
GRI307: Environmental compliance	307-1 Environmental compliance	Environmental management	
GRI308: Environment assessment on suppliers	308-1 New suppliers screened using environmental criteria	Supplier management	
GRI401: Employment	401-2 Benefits provided to full-time employees (excluding temporary or part-time employees)	Protection of employees' rights and interests	
	401-3 Parental leave	Protection of employees' rights and interests	
GRI403: Occupational health and safety	403-1 Workers' representatives on the Labor-Management Joint Health and Safety Committee	Organizational structure and security responsibilities	
	403-4 Health and safety issues in formal trade union agreements	Communication mechanism	
GRI404: Training and education	404-1 Average number of training hours per employee per year	Training and career development	
	404-3 Percentage of employees under regular assessment on performance and career development	Training and career development	
GRI405: diversity and equal opportunities	405-1 Diversity of governance organizations and employees	Employee Profile	
GRI406: Anti-discrimination	406-1 Incidents of discrimination and corrective actions taken	Protection of employees' rights and interests	
GRI414: Social assessment on suppliers	414-1 New suppliers screened using environmental criteria	Supplier management	
	414-2 Negative impact of supply chain on society and actions taken	Supplier management	
GRI418: Customer privacy	418-1 Verified complaints relating to invasion of customer privacy and loss of customer data	Information security	
GRI419: Social and economic compliance	419-1 Violation of laws and regulations in the social and economic fields	None	

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