



特步國際控股有限公司

XTEP INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with Limited Liability) Stock Code: 1368*

*(於開曼群島註冊成立的有限公司) 股份代號: 1368*

Environmental, Social and Governance Report

環境、社會和管治報告

2016

ESG

ESG  
REPORT

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Ding Shui Po (丁水波) (*Chairman*)  
Ding Mei Qing (丁美清)  
Lin Zhang Li (林章利)  
Ding Ming Zhong (丁明忠)  
Ho Yui Pok, Eleutherius (何睿博)

#### Independent Non-executive Directors

Tan Wee Seng (陳偉成)  
Sin Ka Man (冼家敏)  
Gao Xian Feng (高賢峰)  
Bao Ming Xiao (鮑明曉)

### COMPANY SECRETARY

Ho Yui Pok, Eleutherius (何睿博) *FCA, FCPA*

### AUTHORIZED REPRESENTATIVES

Ding Shui Po (丁水波)  
Ho Yui Pok, Eleutherius (何睿博)

### REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE IN THE PRC

Economic and Technical Development Zone  
Quanzhou City, Fujian Province PRC 362000

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2401-2, 24/F, Shui On Centre  
6-8 Harbour Road, Wanchai, Hong Kong

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### COMPANY WEBSITE

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

The Group established its own sportswear brand XTEP in 2002 and XTEP is now a leading professional sports brand with stylish and functional products in the PRC. The Group manages an extensive distribution network with exclusive distributors that includes approximately 6,800 stores nationwide covering 31 provinces, autonomous regions and municipalities across the PRC. The Group has been engaging in the design, development, manufacturing, sales and marketing and brand management of sports footwear, apparel and accessories. The Company's Shares commenced trading on the Main Board of Hong Kong Stock Exchange on 3 June 2008.

## We are a constituent of the following indexes:

In the MSCI Indexes since November 2008

### MSCI Index

MSCI All Country World Index  
MSCI Emerging Markets Index  
MSCI Emerging Markets Value Index  
MSCI World ex USA Small Cap Index

MSCI Emerging Markets Small Cap Index  
MSCI All Country Far East Ex Japan Small Cap Index  
MSCI China Small Cap Index

In the Hang Seng Indexes since March 2010

### HANG SENG Index

Hang Seng Global Composite Index  
Hang Seng Composite Index Series

In the Shenzhen-Hong Kong Stock Connect since November 2016

### XTEP MISSION

To be the Runners' Brand of Choice

### XTEP BRAND

Professional Sports Brand with  
Stylish and Functional Products



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**DING SHUI PO**  
Chairman



# CHAIRMAN'S STATEMENT

XTEP is a leading Chinese professional sportswear brand providing stylish and functional products. The Group focuses on running as our core sports category of expertise, and have begun to expand into other sports categories such as football, indoor fitness, and outdoor sports. Our products are value-for-money, with technology and quality comparable to international standards. We actively support national and local sports event to create stronger connections between our products and consumers' lives. We have held the title of the sportswear sponsor of the most number of marathons in China two years in a row (2015–2016). As the Internet has changed the patterns of consumption in the Chinese market, the Group not only establish our online sales platform, but also introduce big data in retail store management, customer experience optimization, as well as product innovation.

The Group will continue to solidify our leadership position in the sports industry through the “3+” strategy, which fuels our growth by “Products+”, “Sports+” and “Internet+”. Each of these will be a part of the long term business strategy of the Group, where we drive differentiation between ourselves and competitors, pursuing sustainable growth in China. To support our long term strategy, the Group has fulfilled our commitments and fundamental responsibilities to the environment, products, employees, and society while pursuing continuous growth and expansion.

## CHAIRMAN'S STATEMENT

For environmental responsibility, the Group has established sound and effective environmental management systems, which strictly asks all operation sites, including outsourced suppliers, to comply with national and local environmental laws and regulations to reduce the impacts due to emissions of waste gas, hazardous waste and effluents. The Group has reduced the use of natural resources through the use and implementation of the latest technologies, equipment and production facilities, as well as cleaner energy. In 2016, the Group spent up to approximately RMB5 million for the application and construction of exclusive pipelines for water, electricity and natural gas supply in the Quanzhou site, which largely reduced safety risks and enhanced energy efficiency.

For product responsibility, the Group has implemented strict quality management system and asked our suppliers to adopt the same standards and raw materials to ensure quality consistency. We traced customer perception, loyalty, and satisfaction consistently to review and revise our business and branding strategies accordingly. Sound customer complaint management and product recall mechanisms are also in place to achieve optimal customer relations. Furthermore, the Group strived to bring products that are safer, healthier, smarter, more environment friendly, and higher performance to our customers through technology breakthrough and innovations.

For employee responsibility, we provided our factory workers with competitive wages and better welfares in comparison to our peers, as well as working environments that are equal, diverse, and without discrimination. Our factory workers have significantly higher wages compared with the

local average rate in all regions. We provided our factory workers with comprehensive food and living facilities, sound environmental, health and safety protections during work, comprehensive training courses and development opportunities, as well as a healthy work life balance. The Group has set the 21th day of each month as "Xtep running day" to encourage our staff to run together to enjoy a healthy lifestyle.

For social responsibility, the Group continued to advocate healthy lifestyle in China through continuous support for running, football and nation-wide sporting events, which echoes the national policy of boosting the sports industry's contribution to the GDP from about 0.6% in 2014 to at least 1.0% by 2025. The Group also contributed to education and other programs from non-profit organizations to alleviate poverty and bridge the gap of resources in local communities.

Last but not least, in responsibility to our Shareholders, the Group is committed to transparent, accurate and timely communication with Shareholders. During 2016, we held close to 300 meetings with investors, attended conferences and held non-deal roadshows globally, and garnered close to 30 awards for our investor relations efforts. The Board also believes in paying back Shareholders for their continued support of the Group and has recommended and resolved to declare a final dividend of HK3.25 cents per Share and special dividend of HK2.75 cents per Share, together with interim dividend of HK10.5 cent per Share, taking the full year dividend to HK16.5 cents per Share, equivalent of a payout ratio of 60%.



## EXPLANATION ON PREPARATION

This ESG report is prepared according to the general disclosure requirement of *Environmental, Social and Governance Reporting Guide* issued by The Stock Exchange of Hong Kong Limited (“Stock Exchange”). For more information regarding the “comply or explain” of the Guide, please refer to the content index at the very end of this report.

The scope of the report covers the management policies, information and activities of our headquarter and factories and operation sites in Hong Kong and mainland China, mainly including two offices in Xiamen and Hong Kong, and

two main factories in Fujian (Quanzhou) and Anhui province. For detailed information of the legal entities included in the report, please refer to our ended 31 December 2016 annual report (note 1 to the financial statements for list of the principal subsidiaries of the Group as at 31 December 2016.)

The reporting period covered in this report is the same with our 2016 annual report (1 January 2016 to 31 December 2016). This is the very first ESG report issued by the group. ESG reports will be issued on an annual basis and the next report is expected to be issued in or before June 2018.

## MATERIALITY ASSESSMENT

To decide on the content of the ESG report, we engaged an independent consultant to conduct materiality assessment together with the Group based on the *Environmental, Social and Governance Reporting Guide* of the Hong Kong Stock Exchange. Opinions from high-level executives were collected and analyzed through interviews to identify the key sustainability issues most relevant to our operations as well as stakeholder’s expectations.

According to the result of analysis, HKEx aspects most material to our business and explanations on the relevance are listed below.

HKEx Aspect	Relevance to our business
Emission	Air emissions, waste disposal and wastewater discharges derived from the production process are the main environmental concerns for the Group. We strictly complied with the national environmental protection laws and regulations.
Health & Safety	Ensuring the health and safety of our employees in production is one of the most prioritized issues to the Group. We strived to reach the goal of zero accident at all sites.
Employment	As part of the manufacturing industry, we relied heavily on the stable supply of labor, which largely depends on the wage, welfare and working environment we provide.
Development & Training	We regarded our employees as the most important asset of the Group. Employee training and aiding their career development are how we differentiate from peers.
Labor Standard	Forced labor and child labor are regarded as key issues among the manufacturing industry, which are strictly prohibited in the Group.
Supply Chain Management	Besides our own production sites, we relied on outsourced suppliers for the production of around 45% of footwear products and 85% of apparel products. Therefore supply chain management regarding quality and ESG issues are important to the Group.
Product Responsibility	As a leading Chinese sportswear brand, consistency and excellence in quality is the foundation of our business. Customer service and relationship management was crucial in maintaining our brand image.
Community Investment	The Group regarded community investment as one of the ways to increase brand value. We strived to promote healthy lifestyle nationwide. We also donated to different regions across the nation for poverty alleviation and education.

## AWARDS AND ACCREDITATIONS



### BRANDING

#### Top Ten Sports Brand of 2015

- 2015 China Footwear Industry Ceremony, Shoes.net.cn

#### SCI-Tech Demonstration Enterprise in China Leather and Footwear Industry

- National Leather and Footwear Industry Productivity Enhancement Center, National Engineering Research Center for Leather and Products

#### 2016 Top 50 Chain-Brand in China

- Chinese Chain-Brand Development Conference
- Top 50 Chain-Brand for Influence
- Top 50 Chain-Brand for Quality

#### 2016 E-commerce Awards

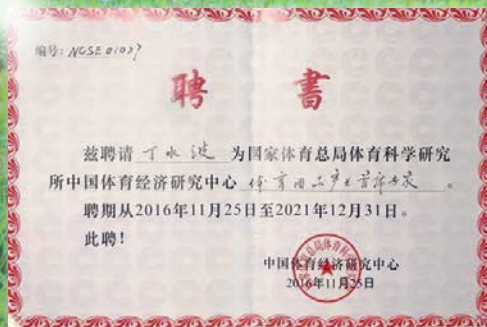
- China Electronic Commerce Association
- Industry Chain Integration Innovation Award
- Top 20 Innovative Business Model

#### 2016 Golden Wheat Awards

- Hangzhou Municipal People's Government, Department of Commerce at Zhejiang Province, Zhejiang Daily Press Group
- Xtep 3.21 Running Festival won Silver Award in shoes and bags category
- "Fire-up Engines, Lead Double Eleven (火力全開 領跑雙11)" won Excellence Award in shoes and bags category



## AWARDS AND ACCREDITATIONS



### LEADERSHIP, EMPLOYEES AND HUMAN RESOURCES

#### Key Enterprise of 2016

- Communist Party of China Quanzhou Fengze District Committee, Quanzhou Fengze District People's Government

#### Jinjiang Top Ten Corporate Culture Pioneer

- Jinjiang Economy News

#### 2016 Quanzhou Talent Highland

- Quanzhou City Commission

#### Chief Expert in Sporting Goods Industry for China Sports Economy Research Center of National Research Institute of Sports Science (Mr. Ding Shui Po)

- China Sports Economy Research Center

#### Committee Member of Marathon Committee of Chinese Athletic Association (Mr. Ding Shui Po)

- Chinese Athletic Association

#### National Outstanding Entrepreneur 2015–2016 (Mr. Ding Shui Po)

- China Entrepreneurs Confederation

#### Annual Leader 2015 (Mr. Ding Shui Po)

- 2015 China Footwear Industry Ceremony, Shoes.net.cn

#### Best Employer in China Award

- Economy Magazine, China Association for Professional Manager
- Professional Manager Friendly Enterprise

#### Enterprise Education Top 100 in China 2016

- Enterprise Education Top 100 in China
- Most Valuable Corporate University (Xtep University)
- Corporate Training Innovation Gold Award
- Top 10 Educational Entrepreneur (Mr. Ding Shui Po)

## AWARDS AND ACCREDITATIONS



### INVESTOR RELATIONS

#### 2016 Asiamoney Corporate Governance Poll

##### — Asiamoney

- Best Companies in Asia for Corporate Governance
- Best Overall for Corporate Governance in Hong Kong
- Best for Disclosure and Transparency in Hong Kong
- Best for Investor Relations in Hong Kong
- Best for Corporate Social Responsibility in Hong Kong
- Best for Shareholders' Rights and Equitable Treatment in Hong Kong
- Best for Responsibilities of Management and the Board of Directors in Hong Kong

#### 2016 Asiamoney Best Managed Companies Poll

##### — Asiamoney

- Asiamoney Best Managed Medium Cap Company in China

#### Hong Kong Corporate Governance Excellence Awards 2016

##### — The Chamber of Hong Kong Listed Companies (CHKLC), The Center for Corporate Governance and Financial Policy, Hong Kong Baptist University (CCGFP)

- Main Board Companies — Hang Seng Composite Index Constituent Companies

#### HKIRA Investor Relations Awards

##### — Hong Kong Investor Relations Association

- Best IR Company — Small Cap
- Best IR By CFO (Mr. Ho Yui Pok) — Small Cap
- Best IR Presentation Collaterals — Small Cap

#### Institutional Investor 2016 All-Asia (ex-Japan) Executive Team

##### — Institutional Investor

- Best CFO (Overall in Consumer/Discretionary sector) — (Mr. Ho Yui Pok)
- Best CFO (Nominated by the Sell Side in Consumer/Discretionary sector) — (Mr. Ho Yui Pok)

## AWARDS AND ACCREDITATIONS



### The Quam Investor Relations Awards

#### — QuamIR

- 2015 Quam Investor Relations Awards (QIRA) — Main Board Category

### Directors of The Year Awards 2016

#### — The Hong Kong Institute of Directors

- Directors of The Year — Listed Companies Executive Directors (Mr. Ho Yui Pok)

### 2015 LACP Vision Awards

#### — League of American Communications Professionals

- Platinum: Consumer Durables — Textile/Apparel/Luxury Industry
- Gold: Most Improved annual report worldwide
- Gold: Most Improved annual report in the Asia-Pacific region
- Silver: Retailing — Multi-line Retail Industry
- #18 of Top 100 Annual Reports Worldwide
- #5 of Top 80 Annual Reports in the Asia-Pacific Region
- Top 50 Chinese Annual Reports of 2015

### 2016 International ARC Awards

#### — MERCOMM INC.

- Gold Winner: Cover Photo/Design: Sports Equipment & Goods
- Silver Winner: Interior Design: Sports & Talent Management
- Silver Winner: Interior Design: Sports Equipment & Goods
- Bronze Winner: Cover Photo/Design: Sports & Talent Management
- Honors: Traditional Annual Report: Sports & Talent Management

### Galaxy Awards 2016

#### — MERCOMM INC.

- Honors: Annual Reports — Print — Sporting Goods

## BUSINESS OVERVIEW

### Restructuring to Ensure Future Sustainable Growth

XTEP's restructuring toward being a professional sports brand with stylish and functional products deepened in 2016, with changes to internal resource realignment. Running remained the core sports category focus for the Group, and the XTEP's professional sports brand image was well accepted by our target consumers. We consolidated our comprehensive management of products, branding and marketing, and retail management. Where XTEP professional products and the XTEP Kids business were distributed through our highly effective exclusive distributors and online e-commerce platform, all to benefit the overall long-term growth prospects of the Group.

### Sports Marketing Bolstering Professional Sports Brand Image

Following the directional change of marketing emphasis on sports professional, we continued to be the sportswear sponsor of the most number of marathons in China in 2016, with 44 marathons and running events that we sponsored or organized by the Group. As XTEP's core product line remained to be running products, we feel that marathons are one of the best ways for us to directly reach our target consumers — Chinese runners, and sales of running products generally show positive momentum around the time a marathon is held locally. To boost the "Chinese Runner's Choice" image further, we have signed on additional sports spokespersons, such as Xie Zhenye, who represented China in the 2016 Olympics in the 4x100m relay and 100m dash.

In April, we launched our comprehensive football strategy — "Blade Project", with the goal to serve approximately 5 million Chinese football youths in the coming five years. The strategy included the continuation in sponsorship of XTEP China College Futsal League for the 5th consecutive year since 2011 and XTEP China University Football League for the 4th consecutive year, as well as adding the sponsorship of China High School Football League, serving over 17,000

participants each year in total. We have established official sportswear partnerships with many Chinese youth football education and training services providers, who will promote XTEP products through their events. Finally, we have signed Andriy Shevchenko, former "European Footballer of the Year" and current head coach of the Ukraine National Football Team, to be the spokesperson for our brand new football products launched in June 2016. Football will be an additional product series that complements running for our future growth.

The Group feels that branding is not only entails advertisement and promotional efforts, but also, XTEP stores serves as a physical representation of our brand. Thus, we have continued our store upgrades from a fashion to a sports-oriented look to the 7th generation designs, completely changing color-tones and display methods, giving consumers enhanced experiences of the new XTEP sports image. We understand that consumers are looking more and more for a shopping experience, in addition to quality products.

### Innovative Functional Sports Products, Always Value for Money

The Group believes that innovation is absolutely necessary in defining the value of a brand, from staying ahead of competition to increasing consumer demand. We continued to hire international designers from leading global sportswear brands to help drive design upgrades in both technical and aesthetics aspects, as well as partner with global giants in fiber material technology, such as Toray from Japan, the Dow Chemical Company and 3M from the United States, to co-develop new materials to which we hold exclusive usage rights.

We have changed the way we look at our footwear products, from focusing on single technology series, to combining different technologies together to best fit the needs of the Chinese runner. We continued to use new generations of the core technologies of "Dynamic Foam", "Reactive Coil" and "Air Mega", each with unique attributes for support, shock absorption and rebound to improve the

## BUSINESS OVERVIEW

runners' performance. Apparels follow footwear, we have employed new materials such as "Xtep Sports Elastic Technology (X-S.E.T.)", "XTEP-FROZEN", "XTEP-DRY" and "XTEP-WARM" for increased comfort in different sports performance needs, namely elasticity, coolness, ultra-quick dry and warmth in the winter. As we have created products from the perspective of consumer demand, we believe these products will help XTEP become the runners' brand of choice.

Following the announcement of the overall football strategy in April 2016, in June, the Group launched our new football product line in retail stores. XTEP football products aims of providing high quality value-for-money products to consumers is consistent with the Group. We recognized that football is still a small segment of the sportswear sector in China, we have stayed ahead of the competition by having our football products worn in competition by over 70,000

Chinese football players over the past five years with our sponsorship of various levels of school football leagues in China. They have provided us with valuable feedback to help improve performance and comfort. "Blade" series football cleats tailor European football shoe designs to Chinese football players' feet and Chinese football facilities which are dominated by artificial grass. We will continue to unveil new product series in football going forward.

### Channel Reorganization Drive Retail Results, E-Commerce Boosts Further Growth

The Group continues to find effective retail channel management to be the key to success. Flattening of the distribution channel and detailed management down to the store level has contributed to significant improvements in overall operational efficiency and profitability. The Group has set detailed guidelines on controlling inventory, unifying store image, and product pricing based on real-time data gathered through the Group's DRP-system. The DRP-system now covers over 90% of XTEP retail stores and feeds into an APP which allows retail staff of all levels to monitor, analyze and quickly react to retail data in order to generate higher store sales efficiency. As a result of the past three years of channel flattening, stores have become more standardized, retail stores and distributors have become quicker to react, and channel inventory levels have been controlled within our guideline levels. We strategically increased the proportion of retail stores directly-managed by distributors to reduce multi-layered sales, and will continue to do so for the next year.



Xtep stores in Wuhan, Hubei Province

## BUSINESS OVERVIEW

XTEP e-commerce has generated stellar sales because of the Group's dedication to this retail channel. We view it as complementary to our offline retail growth, and the two retail channels cooperated closely. XTEP has captured top sales volume positions in sports footwear product category on both Tmall.com and JD.com, and continues to generate high sales growth with our dedicated team of over 300 professionals. In 2016 we have launched O2O, defined as inventory sharing with our distributors, where they can utilize the online platform as another retail channel for products they have ordered for offline sales. This increased the Group's overall sales, and created a win-win situation where both the Group and our distributors can enjoy higher profitability. E-commerce will remain a key part of our overall retail channel going forward, as we believe China online retails will remain robust in the near future.

### Runners' Brand of Choice, An Ecosystem

The Group will continue on the path of the "3+" strategy, which fuels our organic growth by "Products+", "Sports+" and "Internet+". Each of these will be a part of the long-term business strategy of the Group, creating a running ecosystem that differentiates us from our competitors. In "Products+", the Group will be shifting the way we look at products from focusing on technology categories to user behavior driven product segmentation. Footwear will be separated into three levels based on runner usage frequency, namely: RUN FAST (競速快跑), RUN STRONG (動力暢跑) and RUN FIT (舒適易跑) to better serve marathon runners, routine runners and entry-level runners respectively. Apparel introduced six core technology platforms: XTEP-DRY, XTEP-COOL, XTEP-WARM, XTEP-SHIELD, XTEP-COMFORT and XTEP-STRONGER, to match different weather conditions that runners encounter. Other sports categories products that started in the second half of 2016, such as indoor training, outdoor, yoga will continue to grow, and XTEP will increase cooperation with celebrity spokespersons to increase our brand exposure.



## BUSINESS OVERVIEW

“Sports+” exemplifies the Group’s dedication to running beyond products. We intend to continue XTEP 3.21 Running Festival as an annual celebration dedicated to runners that involves both offline and online channels to create a multifaceted impactful event to promote a healthy and sporty lifestyle. We will be sponsoring and organizing more varieties of running events, such as evening marathons, women’s marathons, retail store lead local running events, and training camps and activities revolving around local communities.

In “Internet+”, XTEP uses technology to create a seamless retail system and community building. We plan to continue to roll-out smart retail and payments in our offline stores and use big data to increase sales and profitability, customer stickiness, and better serve the running community. E-commerce will continue to maximize the O2O model to

increase sales efficiency for those products available both offline and online, while benefiting from its fast retail characteristics to quickly react to new fashion trends and replenishment orders. XTEP official store will not only be a point-of-sales, but also a channel of interaction with runners, providing access to running advice and events. Vice versa, the “Xtep Motion Tracker” running APP, it will give customized product suggestions and promotions based on runner’s data for ease of online purchase.





**Keep on  
Fighting**

**柔若无形**

**CONVECTUS** / Softpad 柔软垫



## ENVIRONMENT PROTECTION

### 1. Environment Protection

#### 1.1 Environment and Natural Resources

The most significant environmental impacts in the footwear and apparel industry are air emission, waste disposal, and wastewater discharges in the process of production that are regarded as harmful to human health and environment. As a responsible sportswear brand producer, the Group strived to reduce our impacts through effective implementation of environmental management systems and strict compliance to laws and regulations. Aligning with national climate change strategy and global trends on greenhouse gas reductions, energy saving and water management are also relevant environmental issues to the Group. Continuous efforts and relevant measures have been taken to reduce our environmental footprints. Also, the Group is dedicated to developing healthy and environmentally friendly materials and products, integrating environmental protection with our innovation strategy. Our achievements in product innovation are disclosed in chapter 2.3 *Product Innovation*.

#### 1.2 Environmental Management System

##### 1.2.1 General policy

Since 2010, all our production sites have adopted ISO14001 environmental management standards to ensure the production processes comply with national environmental laws and regulations. We also incorporated the latest facilities and technologies with less environmental impact to improve production efficiency as well as reduce emissions. In 2016, the Group spent approximately RMB5 million for the application and construction of exclusive-use pipelines for water, electricity and natural gas supply at the Quanzhou production site. These exclusive-use pipelines ensure the Group has a safer and more stable supply of energy and other resources. It can also save energy through the replacement of diesel generation with natural gas. The pipelines goes through security check twice a month for production safety.

##### 1.2.2 Waste emission and treatment

Our guiding principles for waste disposal is collective treatment, recycling, and reuse as much as possible. The Group has established strict waste storage and disposal management systems as well as emergency plans to ensure production safety.

The emissions and hazardous waste regulated by the Chinese government most relevant to our production include industrious glues and waste leather. All industrial glues we use are imported from qualified international suppliers, which has stricter quality and safety standards than domestic suppliers, and produces significantly less chemical emissions and odor during production. Although the costs are higher, we prioritize the benefits to our factory workers' health and the environment. All the waste leather the Group produced

are recycled and reused. All recyclable waste and garbage are categorized and recycled accordingly. Legal external waste disposal contractors are responsible for the treatment of general non-recyclable waste.

Liquid waste generated during production are collected together and discharged into the city pipelines to sewage treatment plants. No waste is untreated and illegally discharged to external water bodies.

#### 1.3 Resource and Energy Conservation

##### 1.3.1 General policy

The major categories of energy consumed by the Group are electricity and natural gas. To correspond with China's national 13th five-year-plan on energy conservation, the Group has implemented energy saving procedures across all operation sites to reduce the use of energy and improve production efficiency. We have replaced all steam boilers in the factory with electric equipment to reduce energy usage as well as to reduce the risks of industrious accidents such as boiler explosion. New facilities will be introduced continuously to enhance energy efficiency and green production.

##### 1.3.2 Energy saving measures

The Group continued to invest in facility upgrades and process improvements in our production sites to improve energy efficiency. Since 2014, all the lighting equipments used in our factories have been replaced by energy-saving ones to conserve energy. All facilities we use in production now are in compliance with national environmental protection standards and can save approximately 5% of electricity compared to ones used previously. Besides energy saving measures in production, the Group has also introduced several environmental friendly measures in offices to reduce environmental footprints in daily operations. We have established clear energy saving rules to ensure all staff participates in energy and water conservation.

##### 1.3.3 Water management

Since water is also one of the key natural resources essential in sportswear industry, we strive to reduce water usage and improve efficiency in all our factories through several measures including process improvement, and water recycling and reuse. In 2016, the Group participated in Quanzhou City's initiative to become a National Water Saving City. We also established rules and promoted group-wide water saving education to ensure all staff implement water saving principles in daily operations.

#### 1.4 Compliance

The Group strictly followed national laws and regulations regarding environmental protection. No violations and non-compliance incidents occurred during the reporting Year.



**Keep  
Running**

## PRODUCT RESPONSIBILITY AND SUPPLY CHAIN

### 2. Product Responsibility & Supply Chain

#### 2.1 Product Quality Management

##### *2.1.1 General policy*

Since quality defines and differentiates XTEP brand, the Group has established standardized operation procedures since 2003 based on ISO 9001 quality management standard in every production line to ensure product quality. Our outsourced suppliers also need to follow the same standardized procedures as well as quality checks conducted by the Group. All raw materials used by suppliers are collectively procured by the Group to ensure quality consistency.

A dedicated team headed by the Chief Quality Officer is responsible for constant oversight of the manufacturing progress and for internal quality control on our products. Their duty is to conduct all the necessary inspections and offered guidance to major suppliers on enhancing their production and working environment, as well as implementing relevant waste management procedures.

The Group is equipped with the most advanced level of manufacturing equipment in the country, and places great emphasis on production standards. To further enhance manufacturing standards, we have integrated the industrial processes with information systems and constantly upgraded our equipments with new automation features to ensure we meet industry benchmarks for safety and standardized quality control.

The Group also operated laboratories that are nationally certified and have well-established testing and management systems in place. The laboratories conducted tests on raw materials provided by suppliers to ensure product safety and accordance with China's sustainable development plan.

##### *2.1.2 Setting the industry standard in China*

Being a leading industry player, the Group not only improved our product safety standards by adhering to the latest national requirements, but also actively participated in the drafting and revision of associated national and industry standards in China. Since 2008, the Group has worked with different institutions and industry associations to participate in the drafting of 20 national and industry standards (Full list in Appendix 1).

We have been a regular member of the "Quality and Credibility Alliance" (質量信譽聯盟單位常務委員單位) since 2006. The Group has strengthened ties with China National Institution of Standardization, China Association for Quality and AQSIC, which has contributed to the enhancement of product safety and quality management. Our annual quality report is released through the AQSIC.

#### 2.2 Customer Relationship

##### *2.2.1 Standardized customer service procedures and training*

To make sure our customers enjoy the same high quality service in every retail stores, the Group has established standardized training modules for retail stores. The Group provided both in-store and classroom training for all retail staff.

An in-store service menu is provided by the Group, with step-by-step instructions to precisely demonstrate our high standard of customer service and to standardize service routines among all retail stores. The Group also provided regularly updated training on new product knowledge, product displays, brand campaign, retail sales strategies and inventory control through our internal "Super Shopping Guide" (超級導購) APP.

## PRODUCT RESPONSIBILITY AND SUPPLY CHAIN



### 2.2.2 Product recall and customer complaint process

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

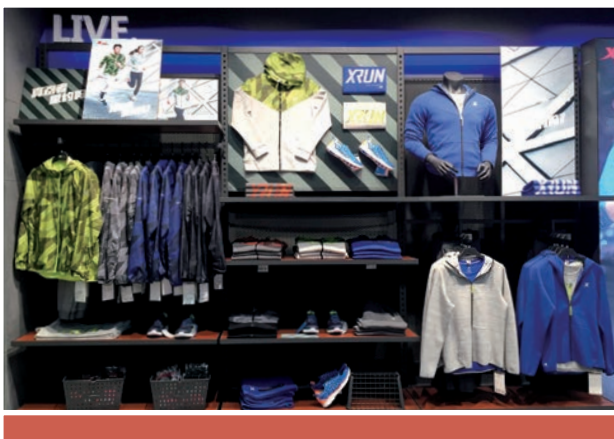
The Group categorizes product recall incidents into 3 different levels according to estimated amount of financial loss. If a major product recall incident happens, all relevant persons will be held responsible and penalized according to the severity of the incident. The quality management center has to complete incident investigations within 15 working days and provide a

“responsibility attribution report” to the senior management and Human Resources department. Once the persons responsible for the respective incident are identified, they need to provide reasonable corrective measures for future prevention and improvement within 10 working days.

### 2.2.3 Customer and market survey

Customer recognition, behaviour, satisfaction, and loyalty to XTEP brand is crucial for the Group in pursuing sustainable growth in China. The Group takes customers’ feedbacks and reactions of the market as one of the top drivers of our business and branding decisions. Customer satisfaction and relevant indicators have been regarded as one of the performance indicators of our entire retail network, to ensure our service meets customers’ needs and expectations.

The Group conducts a “brand healthiness survey” annually to review our competitiveness against peers, identify key challenges and adjusts our branding and product strategies accordingly. According to the latest survey conducted in 2016, customers have very strong recognition of our brand in the running sports category. XTEP ranked top 3 among all domestic sports brands, affirming our achievements in branding and product development after changing to the new professional sports image.



## PRODUCT RESPONSIBILITY AND SUPPLY CHAIN

### 2.3 Product Innovation

The Group regards innovation as an effective approach to business sustainability. We continue to work with our partners to develop new materials and products that are both more advanced in technology and have more positive environmental and health impacts to either upstream production or end consumer.

#### *2.3.1 Promoting safer and healthier lifestyle through technology innovation*

Technological innovation enhances both performance and safety of runners. We applied new technologies and new materials in both footwear and apparel products to keep runners running sustainably.

##### Footwear technologies:

The “Dynamic Foam” (動力巢) series offers bounce and soft rebound in shock absorption with improved new soft and high resilience material. “PUE Foam” (特步雙向控震) provides maximal low temperature resistance, hydrolysis resistance, and super cushioning, to improve user’s sports performance through quickly absorbing and transforming shock force into rebound motion

The “Reactive Coil” (減震旋) series applies stabilization technology with XTEP’s signature DNA hollow loop structure, supporting shape recovery from compression and impact

The “Air Mega” (氣能環) series utilizes the multiple-segmented connected support structure around the entire sole, forming an air-cushion system, providing a flexible range of shock absorbing protection during foot impact

“Softpad™” (柔軟墊) is a key new shoe insole technology the Group co-developed with the Dow Chemical Company. Softpad™ is world-leading, combining XTEP’s design technology and the Dow Chemical Company’s VORALAST™ polyurethane memory materials. The insole provides memory foam like comfort for the wearer and protects the foot from injuries. Both parties will strengthen the cooperation with an aim to launch more professional sports products, applying international state-of-the-art technologies in the future

“Air Comfort” (透氣網) material uses a uni-body customized breathable mesh surface, relieving the feet from the sweat and stiffness, providing a lightweight and comfortable experience during hot weather

“COMFYCUBES” (柔立方) technology uses cube modules to support pressure from the foot and ground, while applying memory type material to bring increased softness and cushioning for footwear products

“Dow” (仙護盾) is a chemical agent added to shoe insoles with intelligent silver ions which can effectively restrain odor and pathogenic microorganisms

“Thinsulate™” material from the 3M Company was applied to winter footwear, providing lightweight insulation, especially for northern regions

##### Apparel Technologies:

“X-SEAMLESS-TECH” (無縫一體工藝) introduces seamless knitting technique in professional running apparel to reduce friction during sport

“XTEP-WARM” series applies ceramic printing within apparel products, which can effectively absorb and reflect the far-infrared of human body heat to improve thermal insulation and provide increased warmth without extra weight

“XTEP-FROZEN” (冰纖科技) technology applies cooling nano-powder in clothing fibers, which reflects sunlight and absorbs heat immediately when it comes into contact with the skin, thus providing users with a feeling of instant and lasting coolness

“XTEP-DRY” (酷乾科技) transfers moisture on the skin quickly to the surface of the fabric through the special permutation and combination of yarn, which is then transferred to the air to achieve the effect of instant absorption and immediate dryness

“Xtep Sports Elastic Technology” (X-S.E.T.特步運動彈性科技) is a more stretchable and more elastic material that allows athletes and sports participants to stretch freely during exercise


“X-REFLECT” (反光科技) uses special reflective and light-emitting materials to enable better visibility in the dark, thus improving the safety of outdoor sport at night

## PRODUCT RESPONSIBILITY AND SUPPLY CHAIN

FOOTWEAR TECHNOLOGIES:			
 <p>offers bounce and soft rebound in shock absorption with improved new soft and high resilience material</p> 	 <p>applies stabilization technology with XTEP's signature DNA hollow loop structure, supporting shape recovery from compression and impact</p> 	 <p>utilizes the multiple-segmented connected support structure around the entire sole, forming an air-cushion system, providing a flexible range of shock absorbing protection during foot impact</p> 	 <p>a key world-leading new shoe insole technology the Group co-developed with the Dow Chemical Company, combining XTEP's design technology and the Dow Chemical Company's VORALAST™ polyurethane memory materials. The insole provides memory foam like comfort for the wearer and protects the foot from injuries</p> 
 <p>uses special reflective and light-emitting materials in professional design enabling better visibility in the dark, thus improving the safety of outdoor sport at night</p>	 <p>an chemical agent added to shoe insoles with intelligent silver ions which can effectively restrain odor and pathogenic microorganisms</p>	 <p>uses cube modules to support pressure from the foot and ground, while applying memory type material to bring increased softness and cushioning for footwear products</p>	 <p>uses a uni-body customized breathable mesh surface, relieving the feet from the sweat and stuffiness, providing a lightweight and comfortable experience during hot weather</p>

APPAREL TECHNOLOGIES:			
 <p>transfers moisture on the skin quickly to the surface of the fabric through the special permutation and combination of yarn, which is then transferred to the air to achieve the effect of instant absorption and immediate dryness</p>	 <p>applies cooling nano-powder in clothing fibers, which reflects sunlight and absorbs heat immediately when it comes into contact with the skin, thus providing users with a feeling of instant and lasting coolness</p>	 <p>a more stretchable and more elastic material that allows athletes and sports participants to stretch freely during exercise</p>	 <p>applies ceramic printing within apparel products, which can effectively absorb and reflect the far-infrared of human body heat to improve thermal insulation and provide increased warmth without extra weight</p>


### ENVIRONMENTAL PROTECTION



Environmental-friendly organic cotton with good air permeability and is soft to the touch

**X-ORGANIC COTTON**  
有机棉

### OUTDOOR



Waterproof materials help to keep the shoes dry and comfortable in wet conditions


**X-WATERPROOF**  
防水科技



enhances visibility in dark environment and offers all-time protection


**X-REFLECT**  
反光科技

### HYGIENE



Restrains the reproduction and growth of bacteria on the fabric, cuts down on unpleasant odor and keeps the clothes fresh


**X-ANTIBACTERIAL**  
抗菌科技



Keeps the clothes fresh and unaffected

**X-DEODORIZATION**  
消臭科技

### TECHNOLOGY



introduces seamless knitting technique in professional running apparel to reduce friction during sport

**X-SEAMLESS TECH**  
无缝一体

## PRODUCT RESPONSIBILITY AND SUPPLY CHAIN

### 2.3.2 Adoption of environment-friendly materials

The Group used organic and environment friendly materials to reduce the impacts to the environment. For example, we used X-Organic cotton and Dupont™ Sorona® material, which is lightweight and soft to the skin, waterproof, quick-dry, antibacterial and deodorizing. We also used infrared ceramic printing within apparel products, which can effectively absorb and reflect the far-infrared of human body heat to improve thermal insulation and provide increased warmth without using additional materials.

### 2.4. Supply Chain ESG Management

Our main types of suppliers include outsourced production suppliers and material suppliers. The Group used outsourced suppliers in China to produce approximately 45% of our footwear and approximately 85% of our apparel products. All of the outsourced suppliers are constantly monitored by the Group's quality control team deployed in the suppliers' manufacturing sites to uphold our top quality standards.

The Group required all suppliers to comply with national and local laws and regulations regarding environmental protection, production safety, labor condition and human rights. Quarterly check is conducted by our Procurement, Laws and Compliance, as well as Human Resources departments to ensure no violations against relevant laws and regulations.



The Group actively encouraged suppliers to establish environment friendly and energy efficient production management systems. Relevant trainings were provided to encourage suppliers to adopt ISO14001 environmental management system and other environment and labor friendly measures.

In addition, the Group has also cooperated with government authorities and environment monitoring institutions to conduct inspections, and offered guidance to major suppliers on enhancing their production and working environment, as well as employing relevant environmental, health, and safety management procedures.

### 2.5 Compliance

The Group strictly follows national laws and regulations regarding product health and safety, labelling, marketing, as well as privacy protection. No violations and non-compliance incidents occur in the reporting Year.





# Show Your Edge



## HUMAN RESOURCES

### 3. Human Resources

#### 3.1 Employment Policies

##### 3.1.1 General policy

As a responsible employer, the Group fully complied with the relevant national laws and regulations on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, wage and other employee benefits and welfare. Above the requirements, the Group regards our employees as the most valuable assets of the Company, with dedication to providing wages, welfares and working environments that are significantly better than our peers. The Group has earned numerous recognitions from our employees and the government, making us a top choice employer.

##### 3.1.2 Wages and welfares

The Group firmly believes in providing reasonable wage and comfortable and harmonious working and living environments for its employees. The wages we provided to our factory workers are significantly higher than the minimum wage required by law.

The Group spent approximately RMB20 million annually on employee welfare, relevant facilities and activities. We provided each factory worker with meal, living quarters, dining facilities, outdoor fitness areas, and activity rooms for employees to spend their leisure time in a social environment. The Group spent approximately RMB80 million in 2016 to build an apartment complex for factory workers in our production site in Quanzhou. The Group also organized monthly group birthday parties and annual "Sunshine Cultural Tours" to enrich the social life of our workers.

To encourage our employees to exercise and maintain healthy work life balance, the Group has set the 21th day of each month as "Xtep running day." All workers are encouraged to run together to promote a healthy lifestyle.

In recognition for our high quality working environment, the Group was awarded "National Model Harmonious Labor Relations Enterprise"

and "May 1st Labor Medal", and in 2015 one of our factory worker in An Hui Province won "National Excellent Migrant Worker" award, a national award given to only 981 people that year. In 2016, the Group was awarded "Best Employer Professional Manager Friendly Enterprise in China" (中國最佳僱主職業經理人宜居企業) by Economy Magazine and China Association for Professional Manager.

##### 3.1.3 Equal opportunity, diversity, and anti-discrimination

The Group's policy is to hire the most suitable and capable individuals without any discrimination. We emphasized treating employees fairly, including ensuring fair wage, fair working hours and fair treatment regardless of gender, race or other aspects of diversity. We apply the same level and structure of remuneration for men and women with the same standard for measuring performance.

##### 3.1.4 Child labor and forced labor

The Group strictly complied with International Labor Standards and the PRC government's "Provision on the Prohibition of Using Child Labor". During the Year, we did not hire any employee under the age of 16.

The Group firmly eradicated any forced labor, we protected the rights of staff in terms of providing rest and leave days according to relevant government laws and regulations. The Group fully respected our staff's freedom of employment, there is no forced labor in any of our factories. To provide workers with a safe and healthy working environment, we only asked our factory workers to work day shift. Night shift in our production sites did not exist even during peak season.

#### 3.2 Health and Safety Management

##### 3.2.1 General policy

As manufacturing is part of the Group, protecting the health and safety of our staff is always one of the Group's top priorities. All of our production sites have been certified by OHSAS 18001 occupational health and safety standards since 2010. We strictly comply with national and local laws and regulations regarding work safety.

## HUMAN RESOURCES



The Group is devoted to providing a safe and healthy work environment by minimizing our staff's exposure to potential health and safety risks. We ensure all factory workers are provided with sufficient safety and protective equipment while they perform their job function. All of our safety equipments and measures are prepared in accordance to applicable laws and regulations to ensure their sufficient results.

The Group have established a reporting mechanism on all health and safety incidents in our Environmental and Social Management System. When a safety incident occurs, employees are required to report to their supervisors or managers for the appropriate actions following our Company's policy on incident reporting and investigation. The details of all incidents, responses, and remedial measures will be documented and reported to further determine responsibility attribution and penalties.

### 3.2.2 Training

The Group is keen to promote and increase employees' awareness of health and safety in the workplace. The most effective way to engrain occupational health and safety in the minds of employees is to provide regular training. Fire and earthquake escape and safety trainings are provided on an annual basis. Production sites conduct drills for emergency incidents every 6 months to ensure every worker has the capability and relevant knowledge in case industrial accidents happen.

### 3.3 Training and Career Development

#### 3.3.1 General policy

The Group considers its employees as its most valuable assets and is committed to providing benefits for them. With regard to human resources training, a series of on-the-job training programs are in place to promote the career development of employees. Meanwhile, a system for career advancement has been established to provide employees with clear direction on career path and upward mobility. Every employee of the Group has annual performance review and promotion opportunity.

The Group provided introductory orientation programs and continuous training to its



employees. Topics covered include industry knowledge, technology and product knowledge, industry quality standards and work safety standards. The Group continued to strengthen our human resources management through staff recruitment initiatives, optimization of the organizational structure and promotion of our corporate culture, to maintain sustainable business growth for the future.

The Group provided regular training and personal enrichment courses for employees through our internal training center "XTEP UNIVERSITY" in addition to on-the-job training. The courses covered all areas of the business

## HUMAN RESOURCES



and allowed employees to not only gain a deeper understanding of the skills required in their own positions, but also, learn about the different parts of the Group's operations and hone additional skills for career advancement.

In 2016, the Group was awarded "China Corporate Training Innovative Achievement Gold Award" (中國企業培訓創新成果金獎) and XTEP UNIVERSITY was awarded "Most Valuable Corporate University in China" (中國最具價值企業大學) by Committee of Enterprises Education Top 100 in China, recognizing our efforts and achievements on employee training and development.

### 3.4 Anti-corruption Policy

#### 3.4.1 General policy

The Group upheld the corporate culture of integrity and honesty, with zero tolerance for corruption. A comprehensive anti-corruption investigation system is in place to strengthen our control and enforcement of such culture for fair, just, and transparency.

The Group has established "Anti-fraud Complaints Reporting Management System" (反舞弊舉報投訴管理制度) and a "Code of Integrity"

(廉潔守則) based on relevant national policies such as "Basic Norms for Internal Control" and "Guidelines for Application of Enterprise Internal Controls" released by the Chinese government as the guiding principle for anti-corruption measures. Types of corruption behaviors were clearly defined and anonymous whistleblowing channels are provided to reduce corruption risks and facilitate healthy, stable development for the Group. Once suspicious corruption behavior is detected and confirmed, the Group will take immediate action for correction and prevention, and take legal actions if necessary.

#### 3.4.2 Whistleblowing channel

Whistleblowing channels established by the Group are completely anonymous. Personal information regarding the whistle-blower will only be reported to CEO of the Group.

Email: [audit@xtep.com.cn](mailto:audit@xtep.com.cn)

Wechat Account: Xteplianjie

### 3.5 Compliance

The Group strictly followed national laws and regulations regarding human resources and anti-corruption. No violations and non-compliance incidents occur in the reporting Year.





# My Style

## SOCIAL INVESTMENT

### 4. Social Investment

#### 4.1 Advocating a Healthy Lifestyle

The Group persistently advocated mass participation in sports, and believed this to be part of our social responsibilities. Especially since the rebranding of XTEP to a professional sports brand with stylish and functional products, we have promoted participation in running and other mass sports activities with low entry requirements, which can attract a greater population to become active and more health conscious. We engaged our resources to help the development of the sports industry in China, and hope to improve the health of Chinese citizens.

##### 4.1.1 Running

A total of 328 marathons have been registered through the Chinese Athletic Association in 2016, which was 2.5 times of that in 2015, and growing at CAGR of 59.5% since 2010. This number is expected to be as high as 500 in 2017. The total number of participants was around 2.8 million in 2016, almost doubled of that in 2015, and which was only around 400,000 in 2011. XTEP continued to carry the title of the sportswear sponsor for the most number of marathons in China in 2016, where we were the sole sports brand sponsor. In 2016, XTEP sponsored 44 major running events, became official partner of China Marathon (中國馬拉松官方合作夥伴) recognized by China Athletic Association (中國田徑協會) in August, title sponsored the Beijing Olympic Forest Park XTEP Running Track (奧林匹克森林公園特步跑道), and organized the 3.21 Running Festival as an annual celebration for runners in China.

In 2016 the Group sponsored 24 major marathons (2015: 17) in major cities such as Guangzhou, Hangzhou, Wuhan, Changsha, Xiamen, and other 20 running events which we either sponsored or organized. Total participant in 44 events exceeded 760,000. After nearly ten

years of cultivation in running in China, XTEP was identified amongst our domestic peers as the footwear brand worn by the highest number of runners who finished a full marathon within three hours, in four of the most prominent marathons in China, namely: Beijing Marathon, Shanghai International Marathon, Guangzhou Marathon and Xiamen International Marathon, according to research by Joyrun.

Our involvement in running events went beyond sponsoring marathons. In March of 2016, we organized the 3.21 Running Festival, a nationwide celebration for runners, emphasizing the Group's focus on running through different channels both offline and online. Offline, we organized a ten-city run starting at the same time; in retail shops, the Group added advertisements and store displays with "3.21 Running Festival" to promote the festival spirit and encourage participation. Online, the Group launched a 100-city "3.21 Real Runner" online marathon with Joyrun. Any runner who completed this marathon from 21 March 2016 to 6 April 2016 was awarded with various prizes, including marathon commemorative medals and RMB321 cash vouchers. Within the Wechat Friends Circle, many runners from the XTEP Runners Club (特跑族) shared messages on the event, triggering wide public attention. At the same time, the Group unveiled our title sponsored Beijing Olympic Forest Park XTEP Running Track (奧林匹克森林公園特步跑道) with added ancillary facilities, such as Xtep runners' supply stations and a professional running store, to provide professional services beyond products. This sponsorship offered runners a running space related to the Group, leading to increased brand exposure among consumers and the media.

## SOCIAL INVESTMENT



Besides organizing our own running event, the Group title sponsored China's first 10km run championship circuit — Xtep Happy 10k, which held 10km runs in six cities during 2016. We also sponsored four "Finding Mr. Right Love Marathons" in association with the popular film "Finding Mr. Right 2: Book of Love", in order to introduce another social function of running as an activity where couples can increase their bond with each other, or where singles can meet "Ms./Mr. right". Continuing from 2015, the Group's ILLUMI RUN sponsorship increased to

eight in 2016, as they match perfectly with XTEP's belief that running is fun and running can be for everyone. These 5km night-runs end with a concert and each event draws thousands of young participants whether they are frequent runners or just looking for a fun gathering.

Aside from supporting running events, XTEP has sponsored a number of athletes who provide inspiration to others, including Xie Zhenye (谢震业) who was part of China's 4x100m relay Olympic team during the summer of 2016 and competed in the 100m dash individually as well, and the Kazakhstan National Track and Field Team, where Olga Rypakova is one of the world's leading triple jump athletes, and won Bronze Medal in the summer 2016 Olympics.

### 4.1.2 National Sports Events

The National Games of the People's Republic of China is the largest domestic sporting event in China held every four year. XTEP was greatly honored to become the first and only domestic sportswear brand to be invited to serve as the sole apparel sponsor of the National Games



## SOCIAL INVESTMENT

when the 10th National Games was held in 2005. This unique opportunity was of great significance as the Group helped break the tradition of prioritizing international brands ahead of local brands in sponsoring prestigious sporting events. XTEP was subsequently entrusted as the sole official sportswear partner of the 11th and 12th National Games which were held in 2009 and 2013 respectively, during which the Group provided custom-designed outfits for officials, torch relay members, escort runners, judges and volunteers, and performers in the opening ceremony. In addition, distinctive outfits were designed for many delegation teams, including Hong Kong and China People's Liberation Army teams.

### 4.1.3 Football

The Chinese Government announced that by 2020, the nation-wide target for football fields is to exceed 70,000 from only around 10,000 in 2015, specialized football schools to reach 20,000, and the number of people who regularly participate in football to exceed 50 million. With strong government support, football will also become part of the national curriculum in Chinese schools. XTEP has been a promoter of campus football in China since 2010, ahead of our local peers. The Group announced our comprehensive football strategy — “Blade Project” (鋒芒計劃) on 22 April 2016. The project focuses on developing wide exposure for XTEP in the football field. Our goal is to serve over 5 million of the Chinese football youths in the coming five years.

Over our peers, XTEP had the unique advantage of brand recognition associated with football with our sponsorships since 2010 that served over 70,000 players from primary to university school leagues. As a part of the Blade Project, we have established official sportswear partnerships with many Chinese youth football education and training services providers. XTEP products have been tested by tens of thousands of professional and university football players over the past five years, assuring safety and the highest quality. In 2016, the Group signed former European Footballer of the Year, current Ukraine National Football Team head coach — Andriy



Shevchenko as Xtep Football Ambassador to promote both XTEP football products and the development of Chinese youth football segment. The Group also sponsored a number of domestic and foreign football clubs to expand XTEP's presence both nationally and internationally. All of these football club players wore XTEP professional football products during their matches and achieved stellar performances. These football matches were broadcasted on TV and through other media channels where worldwide audiences, including PRC fans, can watch.

Ultimately, through the combination of these endeavors, the Group hopes to promote the growth of football as a sport in China and to encourage more participation in sports activities, especially among the youth population.



## SOCIAL INVESTMENT

### Football Leagues Sponsored by the Group in 2016:



XTEP China University Football League (CUFL)  
(sponsorship since 2012)



XTEP China College Futsal League (CCFL)  
(sponsorship since 2011)



China High School Football League organized by CSSF  
(sponsorship since 2016)



ZSFL XTEP League  
(sponsorship since 2010)



3rd R&F Cup Guangzhou Primary and Secondary School Football League  
(sponsorship since 2016)

### Football teams and clubs sponsored by the Group in 2016:



Guangzhou R&F Football Club  
(new sponsorship in 2016)



China All Star Football Team  
(sponsorship since 2012)



中国足球记者联队  
China Football Press United  
(sponsorship since 2013)



Hong Kong All Star Sports Association  
(sponsorship since 2009)



Hong Kong Rangers FC  
(sponsorship since 2010)



La Liga, Villarreal C.F.  
(Spanish National League)  
(sponsorship since 2011, ended at 30 June 2016)



## SOCIAL INVESTMENT

### 4.2 Charity

During the year, the Group continued to engage in social and charitable activities across Greater China, aimed at youth education and poverty alleviation. A list of the Group’s support for local charity programs and events are shown below.

Item	Recipient (s)	Donated Amount/Supplies
Wuan City flood relief	Communist Party of China Wuan City Committee, Wuan Municipal People’s Government	RMB4 million of supplies
Xiamen University’s anniversary celebration	Xiamen University	RMB2 million
“Crowdfunding” the building of a charity canteen for Yushu children	Shanghai Rende Foundation	Raised a total of RMB147,000
“2016 Warm Winter Operations”	China Foundation for Poverty Alleviation	RMB4.25 million of supplies
“Targeted School Subsidized by the Project Hope’s Vocational Education Fund — BNVS” Program	China Youth Development Foundation	386 pairs of sports shoes
Support and visit “New Great Wall Class”	China Foundation for Poverty Alleviation	60 pairs of sports shoes
Sending Christmas blessings	Hong Kong Sunlight Elderly Nursing Centre	180 pairs of sports shoes
Visiting Po Leung Kuk Wing Lung Bank Golden Jubilee Sheltered Workshop and Hostel	Hong Kong Po Leung Kuk	60 pairs of sports shoes



## HKEX ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT GUIDE INDEX

Aspects	General Disclosure & KPIs	Corresponding Chapter
<b>A. Environmental</b>		
A1. Emission	General Disclosure	1.2 Environmental Management System 1.4 Compliance
A2. Use of Resources	General Disclosure	1.3 Resource and Energy Conservation
A3. The Environment and Natural Resources	General Disclosure	1.1 Environment and Natural Resources
<b>B. Social</b>		
Employment and Labor Practice		
B1. Employment	General Disclosure	3.1 Employment Policies 3.5 Compliance
B2. Health and Safety	General Disclosure	3.2 Health and Safety Management 3.5 Compliance
B3. Development and Training	General Disclosure	3.3 Training and Career Development
B4. Labor Standards	General Disclosure	3.1 Employment Policies 3.5 Compliance
Operating Practices		
B5. Supply Chain Management	General Disclosure	2.4 Supply Chain ESG Management
B6. Product Responsibility	General Disclosure	2.1 Product Quality Management 2.2 Customer Relationship 2.3 Product Innovation 2.5 Compliance
B7. Anti-corruption	General Disclosure	3.4 Anti-corruption Policy 3.5 Compliance
Community		
B8. Community Investment	General Disclosure	4.1 Advocating a Healthy Lifestyle 4.2 Charity

## APPENDIX 1: NATIONAL AND INDUSTRY STANDARDS THE GROUP PARTICIPATED IN DRAFTING

序號	時間	標準類別	標準號	標準名稱	標準化委員會	備註
1	2008	GB	GB/T 21980-2008	Current technical criterion for sportswear and exposure suit	Technical Committee on knit goods Standardization	Released on May 23 2008
2	2009	HG	HG/T 3082-2010	Rubber Soling	Technical Committee on Rubber Shoes Standardization	Released on November 22 2010
3	2010	GB	GB/T 28844-2012	Knitted sportswear Specification	Technical Committee on knit goods Standardization	Released on November 05 2012
4	2010	HG	HG/T 2017-2011	Sport Shoes	Technical Committee on Rubber Shoes Standardization	Released on December 20 2011
5	2010	ISO	ISO/NP 16187	Antimicrobial technical requirements for footwear linings & insoles	National Technical Committee 305 on Footwear of Standardization Administration of China	Released
6	2011	GB	GB/T 15107-2013	Athletic shoes	National Technical Committee 305 on Footwear of Standardization Administration of China	Released on October 10 2013
7	2011	GB	GB/T 29292-2012	Footwear — Critical substances potentially present in footwear and footwear components	National Technical Committee 305 on Footwear of Standardization Administration of China	Released on December 31 2012
8	2011	FZ	FZ/T 81007-2012	Casual wear	Technical Committee on Clothing Standardization	Released on December 28 2012
9	2011	QB	QB/T 4333-2012	Footwear-Assessment for fitting	National Technical Committee 305 on Footwear of Standardization Administration of China	Released on May 24 2012
10	2011	QB	QB/T 4334-2012	Test methods for assessing shoes' sports control	National Technical Committee 305 on Footwear of Standardization Administration of China	Released on May 24 2012
11	2011	FZ	FZ/T 73020-2012	Knitted casual wear	Technical Committee on knit goods Standardization	Released on December 28 2012
12	2011	GB	GB/T 29868-2013	General technical criterion for knitted Sports protection article	Technical Committee on knit goods Standardization	Released on November 12 2013
13	2011	GB	GB/T 29869-2013	General technical requirements for professional knitted sportswear	Technical Committee on knit goods Standardization	Released on November 12 2013
14	2012	GB	GB/T 29778-2013	Textiles — Tests for colour fastness — Assessment of the potential to phenolic yellowing of materials	National Technical Committee 209 on Textile of Standardization Administration of China	Released on October 10 2013
15	2012	GB	GB/T 19706-2015	Football shoes	Technical Committee on Rubber Shoes Standardization	Released on December 31 2015
16	2012	HG	HG/T 2870-2014	Special table tennis sports shoes	Technical Committee on Rubber Shoes Standardization	Released on October 01 2014
17	2012	QB	QB/T 2673-2013	Footwear	National Technical Committee 305 on Footwear of Standardization Administration of China	Released on December 31 2013
18	2012	FZ	FZ/T 74001-2013	Textiles — Knitted sports protectors	Technical Committee on knit goods Standardization	Released on October 17 2013
19	2015	GB	GB/T 2662-201X	Cotton wadded clothes	National Technical Committee 209 on Textile of Standardization Administration of China	Not released
20	2015	GB	GB/T 21980-201X	Current technical criterion for sportswear and exposure suit	National Technical Committee 209 on Textile of Standardization Administration of China	Not released

## GLOSSARY

APP	A software program for download onto mobile devices
AQSIQ	General Administration of Quality Supervision, Inspection and Quantitative of the PRC
Board	The Board of Directors of the Company
Company	Xtep International Holdings Limited
CAGR	Compound annual growth rate
DRP-System	Distribution Resource Planning System
Environmental footprints	Emissions the company produces and natural resources the company uses in production
ESG	Environmental, Social and Governance
ESG Guide or The Guide	Appendix 27 of Hong Kong Stock Exchange Listing Rules and Guidance: Environmental, Social, and Governance Guide
GDP	Gross domestic product
Group	The Company and its subsidiaries
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange or Stock Exchange or HKEx	The Stock Exchange of Hong Kong Limited
ISO 9001	International Quality Management System Standard issued by International Organization for Standardization
Joyrun	A leading Chinese APP for runners
ISO 14001	International Environmental Management System Standard issued by International Organization for Standardization
Materiality Assessment	Procedures to identify the material issues that are most relevant to the company's daily operations and to our stakeholders
National 13th five-year-plan	China's official national economic and social development plan from year 2016–2020
National Games	The National Games of the People's Republic of China
PRC or China or Mainland China	The People's Republic of China excluding, for the purpose of this ESG report, Hong Kong, Macau and Taiwan
O2O	Online to offline
OHSAS 18001	International Occupational Health and Safety Standard issued by BSI Group
Qihoo 360	A leading Internet platform company in China as measured by active user base
RMB	Renminbi, the lawful currency of the PRC
Share(s)	Ordinary share(s) of HK\$0.01 each in the share capital of the Company
Shareholder(s)	Shareholder(s) of the Company
XTEP	Xtep brand
XTEP Kids	The Children's sportswear business of the Group
XTEP UNIVERSITY	An internal department of the Group as a training center for employees
Year	For the year ended 31 December 2016



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