

# Zhongshan Huali Industrial Group Co., Ltd.

## Circular Economy Management Policy

### 1. Policy Purpose

Huali Group actively responds to the global call for sustainable development, committing to integrate circular fashion principles deeply into the sportswear and casual footwear manufacturing sector. Through green innovation across the entire industrial chain, we aim to achieve a dynamic balance between economic benefits and environmental impact.

### 2. Scope of Application

This policy applies to Huali Group headquarters and all subsidiaries, covering the entire business process from design & development, procurement, production, and sales, as well as upstream and downstream supply chain partners, employees, and stakeholders.

### 3. Policy Content

#### 3.1 Commitments

We pledge to implement circular economy principles in all stages, including design & development, procurement, production, and sales, prioritizing environmentally friendly raw materials that align with circular fashion. Our commitments include:

- ✓ **Design & Development:** Incorporate circular fashion concepts during the design & development phase, considering the product lifecycle to create easily repairable and recyclable products.
- ✓ **Eco-Friendly Material Procurement:** Prioritize regenerative, recyclable (e.g., GRS-certified), and low-impact materials, such as organic cotton, recycled polyester (rPET), and bio-based alternatives.
- ✓ **Waste Reduction:** Optimize methods of production and improve material efficiency to minimize waste generation.
- ✓ **Sustainable Supply Chain:** Collaborate with suppliers to drive sustainability across the entire

supply chain.

✓ **Employee Awareness:** Enhance environmental consciousness through training and activities, encouraging eco-friendly practices in daily operations.

### 3.2 Action Plan

To fulfill these commitments, Huali Group will take the following measures:

- **Circular Design:** Embed sustainability in product design, optimizing product design and material selection, considering material recyclability and product sustainability to ensure easy recycling at end-of-life, extend product lifecycle, and reduce waste. Meanwhile, driving innovative design to further prolong product service life and to reduce consumptions of resources.
- **Waste Reduction:** Implement lean production and optimize methods of production to avoid waste, and adopt advanced technologies to improve efficiency and reduce material loss.
- **Procurement Standards:** Establish and implement guidelines for sourcing eco-friendly material to ensure all procurement practices compliant with circular fashion standards and lay a good ground for production.
- **Green Procurement:** Prioritize sourcing of eco-friendly materials, banning endangered animal leather and favoring LWG-certified leather, organic cotton or r-PET textile, and regenerative rubber soles.
- **Supplier Engagement:** Establish binding mechanism, ensuring strict supplier adherence to environmental regulations, guaranteeing both the quality and environmental performance of materials. Conduct periodic environment performance assessment to suppliers, timely track environmental issues for continuous improvement. Furthermore, encourage suppliers to share their best practices and incentivize those with best performances to elevate overall environment standards among the supply chain.
- **Training Programs:** Develop training plan and organize thematic training sessions, knowledge-sharing workshops, and similar initiatives about advanced environmental technologies and concepts to employees, enhancing their awareness and sense of responsibility, enabling all employees to consciously implement sustainable practices in their daily work, thereby fostering a company-wide culture of active environmental participation.

## 4. Communication & Reporting

We encourage suppliers, contractors, and stakeholders to monitor policy compliance and report any violations. All reports will be handled confidentially, with zero tolerance for retaliation.

Group Grievance & Reporting Email: [anti.corruption@huali-group.com](mailto:anti.corruption@huali-group.com)