

Zhongshan Huali Industrial Group Co., LTD

Sustainable Raw Materials Policy

1. Policy Purpose

To build an environmentally friendly, socially responsible, and economically sustainable supply chain system, ensure that the raw material procurement for footwear products complies with global sustainable development trends, and promote joint fulfillment of social responsibilities between enterprises and suppliers, this policy is hereby established.

2. Scope of Application

This policy applies to raw material procurement activities of all footwear products of Huali.

3. Content of Policy

3.1 Guiding Principles

- The principle of Compliance: Strictly comply with domestic and foreign laws, regulations, industry standards, and international conventions.
- The principle of transparency: Establish a traceable procurement system to ensure clear sources of raw materials, assessable environmental and social impacts, and make relevant information public to stakeholders.
- The principle of sustainable development: Adhere to the "Environmentally Friendly, Socially Equitable, and Economically Efficient" triple bottom line, integrating ESG (Environmental, Social, and Governance) requirements throughout the entire procurement process.
- The principle of win-win cooperation: Establish long-term strategic partnerships with suppliers to jointly promote technological innovation and management improvement, and share the fruits of sustainable development.

3.2 Core Procurement Principles

- Procurement of green materials: Prioritize the procurement of renewable and recyclable materials, and prohibit the use of leather from endangered animals. For leather materials, select those certified by the Leather Working Group (LWG). Organic cotton and recycled polyester (RPET) should be given priority for textile products. The sole material should give priority to using recycled rubber. Require the supplier to provide the environmental protection test report of raw materials to ensure that the products do not contain toxic substances prohibited by law and customers.

- **resource saving:** Encourage suppliers to adopt water-saving, energy-saving and other processes. When conditions permit, assess the environmental footprint of raw materials.
- **Social responsibility compliance:** Protect labor rights; suppliers shall respect and safeguard the legitimate rights and interests of their employees.
- **Quality and safety responsibility:** Suppliers shall establish a comprehensive quality management system to ensure stable and reliable product quality. They must guarantee product safety during use and prevent safety incidents caused by quality defects.
- **Traceability requirements:** Require the supplier to provide proof of the origin of raw materials and the usage of recyclable materials, etc.
- **Ethical and Compliant Operation:** Suppliers shall uphold principles of integrity, adhere to business ethics, and refrain from any unethical conduct including fraud, false advertising, or commercial bribery. Make procurement decisions public, ensuring the transparency of procurement quotations and the bid evaluation process.
- **Diversified Procurement Strategy:** For each category of key raw materials, at least two qualified alternative suppliers should be reserved to avoid excessive reliance on a single region or enterprise and reduce risks such as geopolitics and natural disasters.
- **Low-Carbon Logistics Collaboration:** Suppliers are encouraged to adopt low-carbon transportation methods such as maritime shipping and railways. Nearshore suppliers (with a transport distance ≤ 500 km) are required to prioritize new energy vehicles for distribution.

4. Communication and Reporting

We encourage all stakeholders to supervise the implementation of this policy and communicate and report any violations in a timely manner. We promise to protect the information of whistleblowers from being leaked and to stop all possible retaliation.

Group Grievance & Reporting Email: anti.corruption@huali-group.com