

HUALI GROUP
TNFD REPORT



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About This Report

Report Overview

Huali Industrial Group Co., Ltd. ("Huali" or "the Company") has published this Taskforce on Nature-related Financial Disclosures (TNFD) Report as part of its commitment to responsible management, sustainable growth, and the conservation of natural capital and biodiversity across its global footwear manufacturing operations and supply chain.

This report has been prepared to transparently disclose to key stakeholders — including brand clients, institutional investors, employees, and local communities — the nature-related impacts and dependencies arising from Huali's business activities. As one of the world's largest athletic and outdoor footwear manufacturers, Huali recognizes that its operations and value chain are materially interconnected with natural ecosystems — from the leather, rubber, and cotton sourced upstream to the water and land resources used across its main manufacturing sites in China, Vietnam, and Indonesia.

Huali manages nature-related risks and opportunities through information disclosures aligned with the final recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), as part of the Company's broader ambition to achieve net-zero emissions by 2050 and to contribute to a nature-positive global economy.

Reporting Period

The quantitative data in this report covers the most recent fiscal year, 2025, with each year defined as the period from 1 January to 31 December.

Reporting Scope

The scope of data collection and disclosure regarding natural capital and biodiversity in this report encompasses all entities within Huali's consolidated financial statements, consistent with the boundary applied in the Company's Annual Report.

Reporting Standards

This report has been prepared in accordance with the TNFD Recommendations (v1.0, September 2023), the globally recognized disclosure framework for nature-related risks, impacts, dependencies, and opportunities.



01

Governance

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Board Oversight

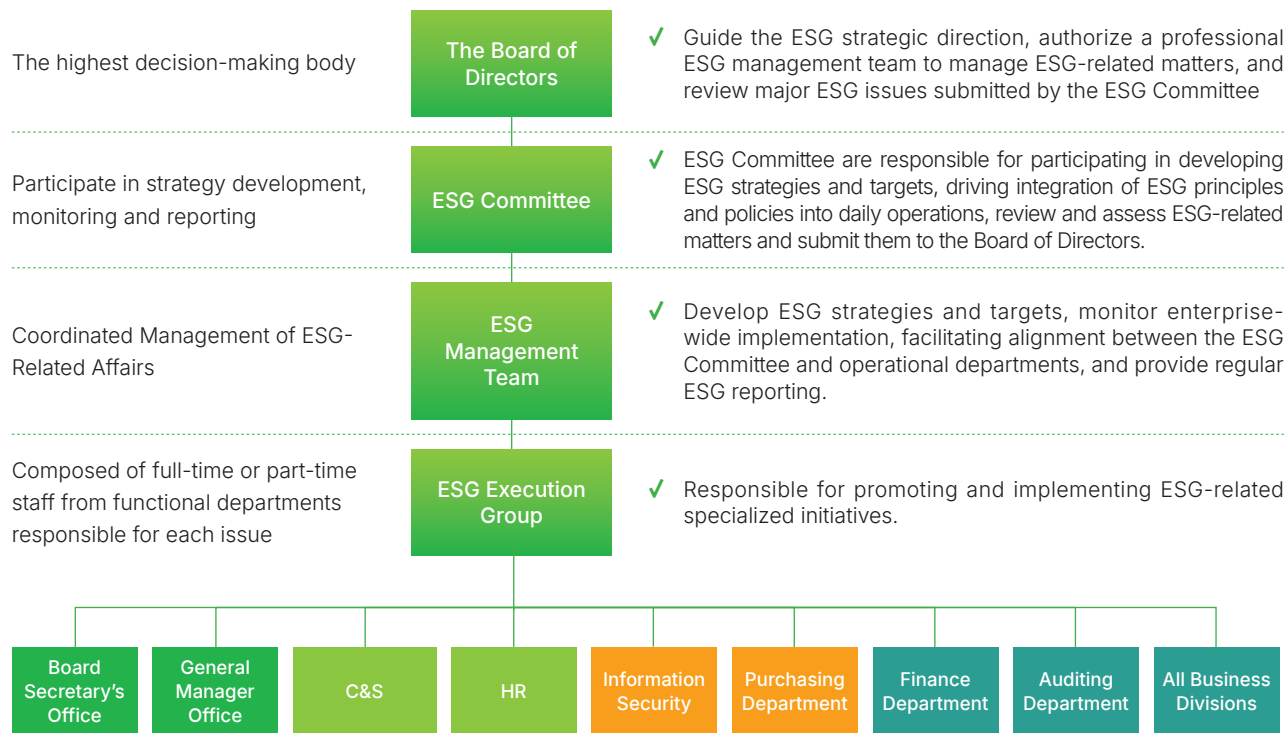
The Board of Directors at Huali Industrial Group bears the ultimate responsibility for overseeing nature-related dependencies, impacts, risks, and opportunities. Through the strategic leadership of the Board's Strategy Committee, nature-related issues are seamlessly integrated into the company's mandate, ensuring that biodiversity loss and ecosystem degradation are addressed with the same rigor as climate change and financial risks.

In pursuit of this commitment, Huali has established the Biodiversity Conservation and Zero-Deforestation Policy. This policy is a testament to the company's unwavering dedication to adhering to all relevant laws and regulations, while actively promoting initiatives that foster ecological conservation and biodiversity protection.

- **Strategic Integration:** The Board conducts an annual review of the Group's sustainability strategy, placing particular emphasis on biodiversity impacts, water stewardship, and deforestation risks within the supply chain. This strategic integration ensures that nature-related considerations are embedded in the company's overarching sustainability objectives.
- **Risk Oversight:** Nature-related risks, particularly those stemming from physical impacts of climate change, such as flooding in manufacturing regions, and transition risks, including biodiversity regulation development, leather sourcing regulations, are systematically incorporated into the enterprise risk management framework. This framework undergoes rigorous review by the Audit Committee, ensuring comprehensive oversight and proactive management of potential risks.

The Board of Directors exercises oversight over nature- and sustainability-related matters, convening at least annually to review management reports on initiatives addressing nature-related risks and opportunities. These discussions cover topics such as the TNFD, sustainable investment strategies, significant nature and sustainability issues, work plans, performance objectives, and progress monitoring. The Board also evaluates and approves major operational decisions, overseeing the Group's exposure to and management of nature-related risks and opportunities.

Figure 1.1: Nature Governance Structure of Huali Group







Management Responsibility

The stewardship of our nature-related strategy is entrusted to the ESG Committee, which is spearheaded by senior executives. This committee plays a pivotal role in orchestrating cross-departmental collaboration among Procurement, Manufacturing, and Environment, Health, and Safety (EHS) divisions to effectively implement our commitments to nature.

The ESG Committee is responsible for developing biodiversity strategies, setting target roadmaps, and deliberating on material nature-related risks, conservation planning, and investment decisions that significantly affect business operations — including forest- and biodiversity-related regulatory responses and risk assessments. The ESG Team within the Compliance & Sustainability Department is responsible for the day-to-day execution of operational plans, supplier engagement, data monitoring, and stakeholder communication. Stakeholders may also submit concerns or grievances through Huali's designated sustainability communication channel.

The Committee reviews the alignment between the company's business strategy and long-term natural capital management strategies. As sustainability disclosures become increasingly important, nature and biodiversity are also important issues discussed at the management and board levels. In 2026, the ESG management team began working to understand nature-related dependencies and impacts associated with business operations, and to work with third-party consultant S&P Global to identify, evaluate, and assess nature-related impacts and dependencies aligned with the "LEAP" framework recommended by the TNFD.

Table 1.2: Management Role in Nature-related Issues

Function	Nature-Related Responsibilities
 ESG Committee	<ul style="list-style-type: none"> Coordinates the LEAP assessment process; Sets biodiversity and water targets; Reports progress to the Board.
 Procurement Department	<ul style="list-style-type: none"> Manages upstream nature risks; Enforces Supplier Code of Conduct regarding deforestation-free leather and sustainable rubber; Tracks supplier traceability.
 Manufacturing Operations	<ul style="list-style-type: none"> Manages direct impacts at factory sites; Implements water recycling systems; Ensures zero-discharge of hazardous chemicals (ZDHC) compliance.
 Product Traceability Department	<ul style="list-style-type: none"> Ensures supply chain transparency by tracking product origins; Assessing nature-related risks; Strengthening sustainable sourcing to reduce environmental impacts.

Local Community and Stakeholder Engagement

Stakeholder Engagement

Huali Industrial Group is steadfast in its dedication to upholding and safeguarding human rights throughout its operations and value chain, with a focused commitment to Indigenous Peoples, local communities, employees, suppliers, and other stakeholders impacted by its activities. Huali integrates human rights principles into its Code of Conduct and management policies, covering its own operations and extending across the full value chain. The Group has established a supplier due diligence framework that incorporates entry screening, annual reviews, and on-site audits for key suppliers. Non-compliant suppliers are required to implement corrective actions within defined timelines, with business relationships terminated where remediation fails, enabling proactive prevention of ESG risks at source.

All manufacturing sites are required to complete annual Social & Labor Convergence Program (SLCP) self-assessments, supported by third-party verification or brand-appointed audits. Participation is actively promoted among core suppliers to drive continuous improvement, enhance transparency, and strengthen the credibility of social and labor performance management.

Through internal audits, supplier governance, SLCP assessments, and independent verification, Huali maintains a comprehensive, end-to-end, and verifiable ESG control system. This system supports compliance with regulatory and customer requirements and underpins the identification and management of nature-related dependencies, impacts, risks, and opportunities.

The Group engages in structured collaborations with key brand partners, including Nike, VF, PUMA, New Balance, and On Running, etc., concentrating on Environmental, Social, and Governance (ESG) priorities and the financial ramifications of social and environmental challenges. Internal employee engagement indicates strong recognition of the Group’s compliance with environmental protection and occupational health and safety standards, while also highlighting areas for improvement, such as compensation and career development.

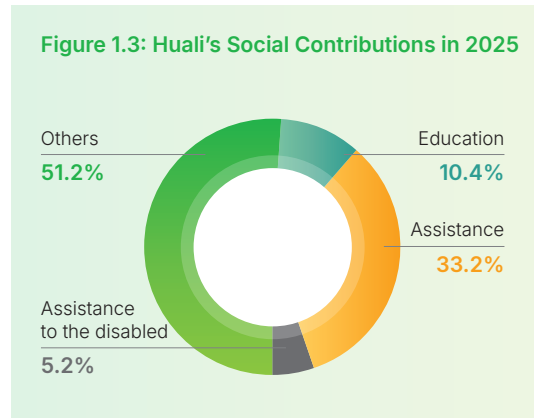
Local Community

As part of its governance approach to managing nature-related social impacts, Huali engages in a range of community outreach, environmental stewardship, and social investment initiatives across its operating regions. In 2025, the Group delivered strong outcomes in social contribution activities, organizing a total of 72 initiatives with 16,727 participant engagements, averaging 1.79 hours per person and approximately 29,977 total volunteer hours. These activities benefited 21,764 individuals, including students, elderly people, people with disabilities, and local community members. In parallel, Huali made total charitable donations of RMB 3.90 million, primarily supporting education, poverty alleviation, disability assistance, and other community development initiatives.

Huali regularly organizes nature-positive community initiatives, including tree-planting activities at selected manufacturing sites and environmental protection actions led by employee volunteers. These initiatives contribute to local ecological restoration, enhance green spaces around operational areas, and demonstrate the Group’s commitment to biodiversity protection and long-term environmental sustainability. In parallel, the Group has organized marine and coastal debris clean-up activities, mobilizing employees to help reduce marine pollution, protect coastal and marine ecosystems, and raise environmental awareness within local communities.

In addition to hands-on environmental actions, the company supports community development and rural revitalization initiatives through charitable contributions and partnerships aligned with national and local policy priorities. These efforts reflect Huali’s commitment to inclusive development and responsible corporate citizenship in the regions where it operates.

Looking ahead, Huali will continue to strengthen governance over nature-related social issues by enhancing stakeholder engagement and integrating stakeholder inputs into the management of nature-related risks and opportunities, supporting effective oversight and long-term resilience.



Biodiversity & No Deforestation Policy

Huali Industrial Group has established the "Biodiversity Conservation and Zero-Deforestation Policy" (the "Policy") to formalize its commitment to ecological protection and the responsible stewardship of natural capital across its global operations and value chain. The Policy applies to Huali's headquarters and all subsidiaries and extends to the entire value chain — including main manufacturing sites in Vietnam, Indonesia, and China, as well as suppliers, service providers, contractors, and other business partners. The Policy was developed in alignment with international agreements and sustainability frameworks, including the United Nations Convention on Biological Diversity (CBD) and the Kunming-Montreal Global Biodiversity Framework (GBF), which sets the global ambition to halt and reverse biodiversity loss by 2030, as well as recognized industry standards such as the Forest Stewardship Council (FSC) certification for wood and paper-based materials and the Leather Working Group (LWG) protocol for responsible leather sourcing. The Policy also reflects Huali's response to evolving regulatory developments, including the EU Deforestation Regulation (EUDR), which imposes due diligence requirements on key commodities – including natural rubber and cattle-derived leather — that are central to Huali's upstream raw material supply chain.

The core commitments under the Policy include: a prohibition on all business activities linked to deforestation or forest degradation; mandatory biodiversity impact assessments for new facility site selections; sustainable land and vegetation management at existing operational sites using native plant species and reduced pesticide use; and active participation in afforestation, habitat restoration, and community conservation programs. Over the long term, Huali is committed to achieving No Net Loss (NNL) of biodiversity and progressing toward Net Positive Impact (NPI) by 2050, in alignment with the Company's Science Based Targets initiative (SBTi)-approved net-zero pathway.



02

Strategy: The LEAP Approach

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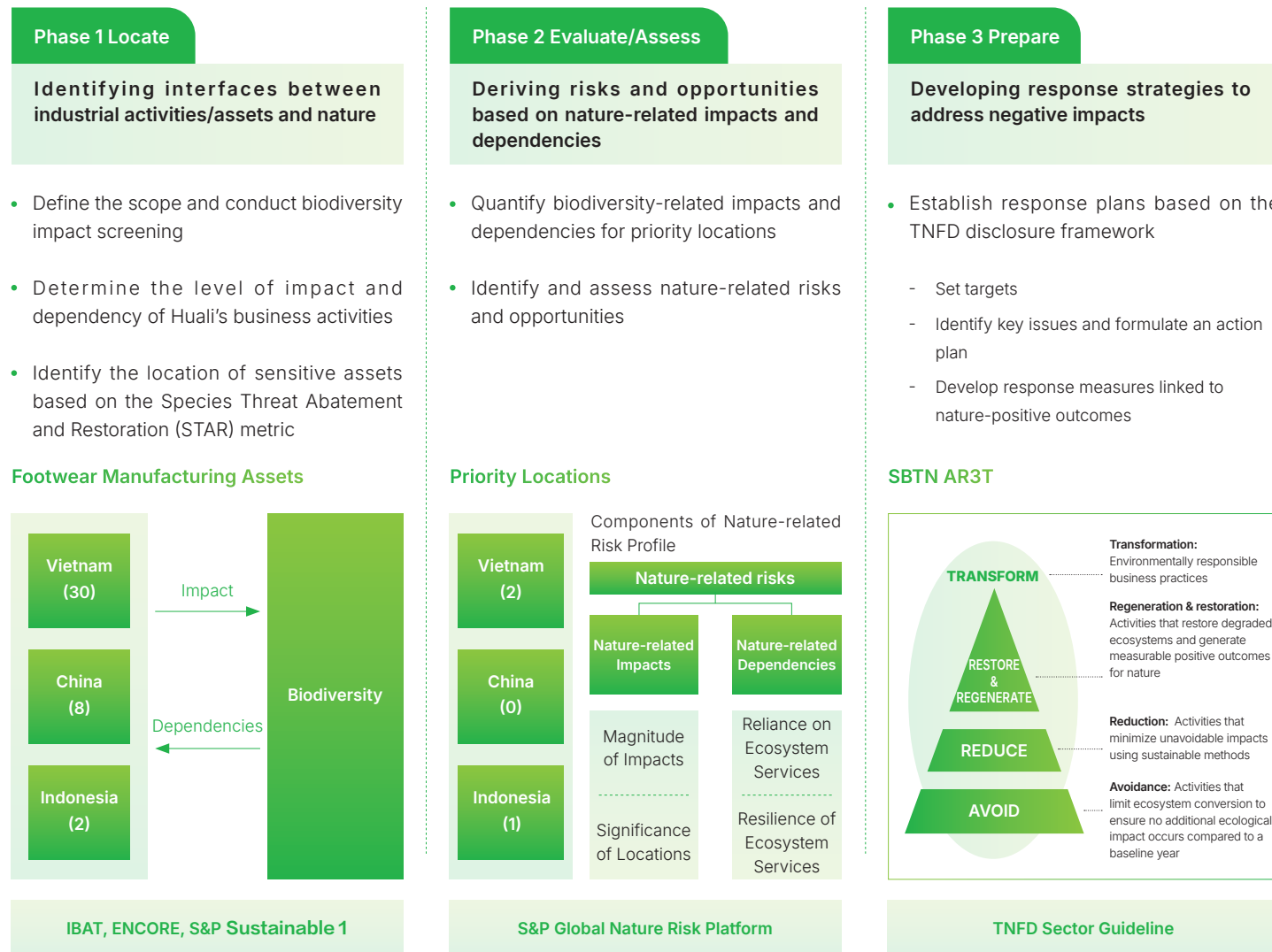


As nature and biodiversity rise to the forefront of the global ESG agenda alongside climate change, organizations are increasingly expected to adopt structured, forward-looking approaches to natural capital management. Huali recognizes the importance of nature-related risks and opportunities and is committed to strengthening its role as a responsible and sustainable enterprise.

In alignment with the LEAP (Locate, Evaluate, Assess, Prepare) approach recommended by the TNFD, Huali has established a robust natural capital management process to systematically identify and evaluate its nature-related dependencies, impacts, risks, and opportunities. Through this framework, the Group has assessed where its operations and value chain interface with nature, the extent of its reliance on and impacts on natural capital, and the associated risks and opportunities.

Building on these insights, Huali is advancing the structured management of nature-related issues and enhancing the transparency and consistency of its information disclosure. Going forward, the Group will continue to integrate nature considerations into its governance and management processes, progressively strengthening its approach to mitigating negative impacts and supporting sustainable outcomes in line with TNFD recommendations.

Figure 2.0: Huali's LEAP Approach Overview



LOCATE: Identify the organization's Interface with Nature

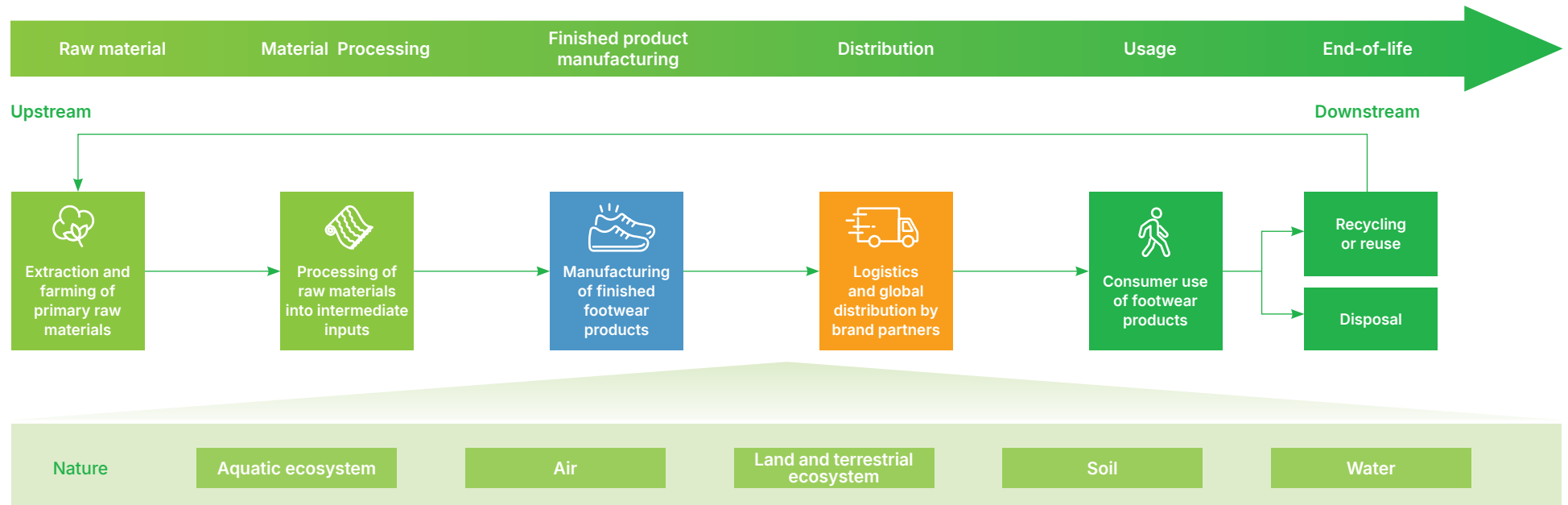
The Locate phase identifies and prioritizes locations where Huali Group's direct operations interact with nature.

Business Model & Value Chain Scope

Huali's business model centers on contract manufacturing for leading global footwear brands. Our value chain spans from raw material sourcing to finished product delivery:

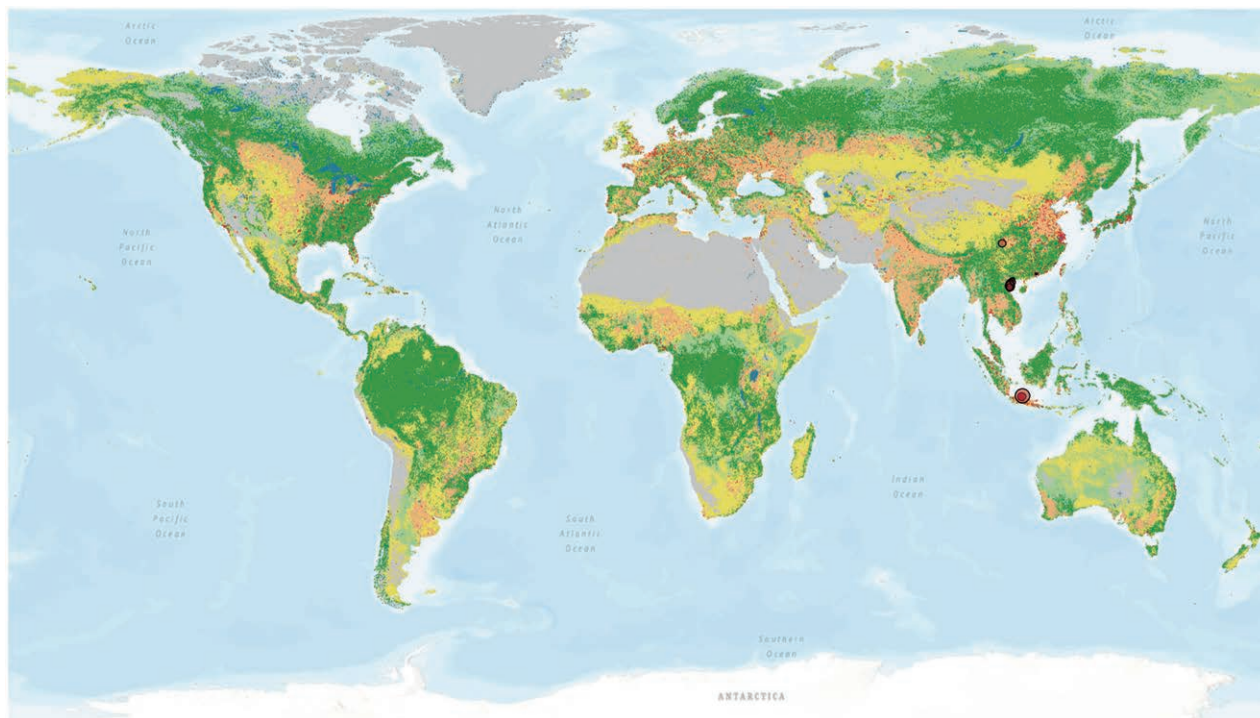
- Upstream (Tier 1-4 Suppliers): Raw material extraction and processing — leather tanneries, rubber plantations, cotton farms, synthetic material manufacturers (petrochemical).
- Direct Operations: Owned/operated factories across Vietnam, Indonesia, and China, etc. Activities include cutting, stitching, and assembling.
- Downstream: Distribution to brand partners; consumer use phase (minimal direct control); end of life (increasing focus on circularity).

Figure 2.1: Huali's Value Chain Scope



In our first natural-related disclosures report, we included mainly our manufacturing assets in Vietnam, Indonesia, and China. We will expand our analysis to cover our full value chain analysis in the future.

Figure 2.2: Huali's Assets Map

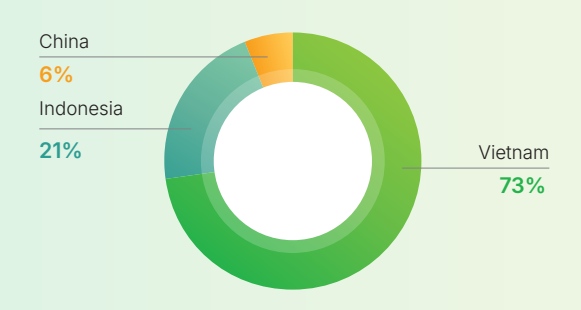


LEGEND

- Urban
- Cropland
- Pasture
- Forest
- Unmanaged Grass/Shrubland
- Sparse/No Vegetation
- Water

Source: Winkler et al. (2020) HILDA+ Global Land Use 2019

Figure 2.3: Total Land Use by Geography



Interface with Nature and Sensitive Locations — Locating Priority Areas

In accordance with the TNFD LEAP (Locate, Evaluate, Assess, Prepare) approach, Huali conducted a location-based screening of 40 directly operated manufacturing sites across Vietnam, China, and Indonesia to identify where its operations interface with nature and to prioritize nature-sensitive locations for further assessment.

Using S&P Global Sustainable1’s Nature & Biodiversity methodology, Huali assessed how its asset locations interface with nature by evaluating biodiversity sensitivity and the significance of each site’s ecosystem relevance. To do so, two metrics are used: the STAR (Species Threat Abatement and Restoration) metric and the Critical Natural Assets (CNA) metric.

The STAR metric quantifies the potential to reduce global species extinction risk by addressing threats in specific locations. Individual species are assigned a score based on their threat status, and that score is then distributed across their range. High STAR scores are found in areas with high richness of range-restricted Threatened species. Reducing identified threats in these locations will make a high contribution to reducing species’ global extinction risk. Failure to do so represents a high opportunity cost and contributes disproportionately to driving species to extinction.

Critical Natural Assets are defined separately for global ecosystem service provision (e.g., carbon sequestration) and local ecosystem service provision (e.g., pollination). It represents areas that are integral to securing 90% of current levels of ecosystem service provision.

The overall results indicated a low level of nature-related risk across most sites, with an average STAR score of 0.1, indicating a low opportunity to reduce global species extinction risk across Huali’s assessed assets. Only one site, Venus Vietnam Footwear, has a medium level of opportunity to reduce species extinction risk.

Within a 10 km radius, Venus Vietnam Footwear Co., Ltd. is associated with several threatened terrestrial mammal species, including the Sunda Pangolin, Bengal Slow Loris, and Asian Black Bear, based on IUCN Red List screening. While the site does not overlap with Key Biodiversity Areas or legally protected areas, the presence of critically endangered and endangered species indicates heightened species sensitivity within an already-stressed landscape.

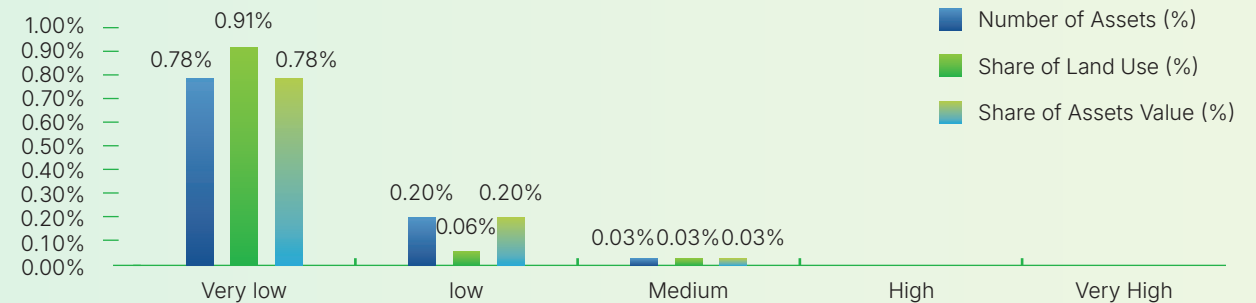
To further identify areas of heightened sensitivity, asset locations were mapped against globally recognized datasets, including Key Biodiversity Areas (KBAs) and Protected

Areas (PAs), using data from the World Database of Key Biodiversity Areas and the World Database on Protected Areas via the Integrated Biodiversity Assessment Tool (IBAT). The Protected Area is "a clearly defined geographical space, recognized, dedicated and managed through legal or other effective means to achieve the long-term conservation of nature with associated ecosystem services and cultural values". Key Biodiversity Areas (KBAs) are sites that contribute significantly to global biodiversity persistence (International Union for Conservation of Nature, IUCN).

In parallel, water-related sensitivities were screened using location-based indices such as WRI Aqueduct and the WWF Water Risk Filter, enabling the identification of assets exposed to higher biodiversity and water-stress risks.

The analytical results show that none of our 40 assets assessed overlap with the KBAs and PAs, indicating minimal regulatory risk.

Figure 2.4: Species Extinction Risk of Huali Assessed Assets



EVALUATE: Screen Dependencies and Impacts

The Evaluate phase assesses dependencies and environmental impacts in the priority locations identified in the Locate phase.

Identification of Impact Drivers and Dependency Factors

Huali first identified the key drivers, nature-related impacts, and dependencies associated with footwear manufacturing, and then assessed the relative degree to which these assets depend on and impact nature capital. The analysis identified land, freshwater, and ocean — use change, pollution, and resource use as the Group's primary impact drivers, alongside a high overall dependency on ecosystem services — particularly water-related regulation services and the provision of biologically derived materials — reflecting the nature-intensive characteristics of its operations and value chain.

Table 2.5: Huali Group's Impact Factors on Nature Capital

Impact Driver	Huali's Activities	Nature Impact
Land/freshwater/ocean-use change	<ul style="list-style-type: none"> Sourcing of biologically derived materials (e.g., leather, natural rubber, cotton) Operation of large-scale footwear manufacturing facilities Land occupation for factories and supporting infrastructure across production regions 	<ul style="list-style-type: none"> Localized conversion and modification of terrestrial and freshwater ecosystems Primary effects on ecosystem structure and physical organization near operational sites. Overall ecosystem footprint and aggregate impact intensity assessed to be low, with limited effects on broader biodiversity and ecosystem service provision
Pollution/pollution removal: Soil pollutants	<ul style="list-style-type: none"> Use of chemicals, auxiliaries, and dyes in footwear manufacturing processes Solid waste handling at manufacturing facilities Potential release of micro-pollutants associated with production and material handling 	<ul style="list-style-type: none"> Potential localized soil and freshwater pollution, affecting water purification, filtration, and bio-remediation functions Overall impact intensity assessed to be low at the portfolio level, with effects largely constrained to local environments
Pollution/pollution removal: Water pollutants	<ul style="list-style-type: none"> Use of chemicals, dyes, and auxiliaries in leather processing and footwear assembling Washing and treatment of synthetic and blended materials Wastewater discharge from manufacturing facilities 	<ul style="list-style-type: none"> Potential degradation of freshwater and subterranean ecosystems due to chemical residues and heavy metals Reduced water purification and biological control functions in receiving water bodies Localized impacts on aquatic ecosystem health, with overall impact intensity remaining constrained at the portfolio level
Resource use/replenishment: Water use	<ul style="list-style-type: none"> Water use across large-scale footwear manufacturing facilities Indirect water use embedded in upstream raw material production (e.g., leather, natural rubber, cotton) 	<ul style="list-style-type: none"> Pressure on local freshwater resources, particularly in water-stressed regions Potential impacts on water flow regulation, water availability, and water purification functions in surrounding freshwater and subterranean ecosystems Localized effects on ecosystem services related to water supply, with overall impact intensity remaining limited at the portfolio level
Resource use/replenishment: Other resource	<ul style="list-style-type: none"> Use of synthetic materials and plastic-based components in footwear production Sourcing of man-made cellulosic fibres (e.g. viscose) for footwear uppers, linings, and components Indirect reliance on mineral and energy resources through upstream production of synthetic and cellulosic materials 	<ul style="list-style-type: none"> Contribution to pressure on non-renewable resources, including fossil-based inputs, minerals, and energy resources Potential impacts on terrestrial and subterranean ecosystems associated with raw material extraction and processing Effects on ecosystem services such as soil and sediment retention and biological control, with overall impact intensity remaining limited at the portfolio level

Table 2.6: Huali Group's Key Dependency Factors on Nature Capital

Categories	Ecosystem Services	Dependency Description	Dependency Rating
Regulation and Maintenance	Water Flow Maintenance	Huali depends on reliable surface and groundwater to sustain water-intensive manufacturing processes. Disruptions to local water cycles could affect Huali's operational continuity.	High
Regulation and Maintenance	Mass Stabilization and Erosion Control	Manufacturing sites depend on surrounding vegetation and soil stability to manage erosion risks. Land cover loss or ecosystem degradation could increase flood exposure, infrastructure damage, and maintenance needs.	Medium
Regulation and Maintenance	Bio-remediation	Local ecosystems support the natural breakdown and detoxification of industrial contaminants. Reduced bio-remediation capacity may increase compliance risks and reliance on engineered treatment solutions.	Medium
Regulation and Maintenance	Dilution by Atmosphere and Ecosystems	Huali's operations rely on natural systems to disperse and dilute air emissions and water effluents within regulatory thresholds. Reduced dilution capacity could increase environmental and regulatory risks.	Medium
Regulation and Maintenance	Filtration	Aquatic and terrestrial ecosystems contribute to filtering pollutants from air and water. Degradation of these ecosystem services may increase treatment costs and operational constraints at manufacturing locations.	Medium
Regulation and Maintenance	Flood and Storm Protection	Vegetation and natural land cover around production sites provide buffering against floods and extreme weather events. Reduced protective capacity could disrupt operations and logistics, particularly in climate-vulnerable regions.	Medium
Regulation and Maintenance	Water Quality	Clean surface water bodies are essential for industrial water intake and discharge compliance. Declining water quality may require additional treatment and increase operational costs.	Medium
Provisioning	Fibers and Other Materials	Huali's upstream value chain depends on biologically derived materials, including leather, natural rubber, and cotton. Ecosystem degradation in sourcing regions could affect material availability, quality, and cost stability.	High
Provisioning	Groundwater	Groundwater contributes to water availability at some locations, supported by diversified water sourcing and operational controls.	Low
Provisioning	Surface Water	Surface water provides an important but non-exclusive water source for manufacturing operations. Dependency is moderated by water recycling, treatment systems, and alternative sourcing strategies.	Low

Evaluation of Impacts on Nature

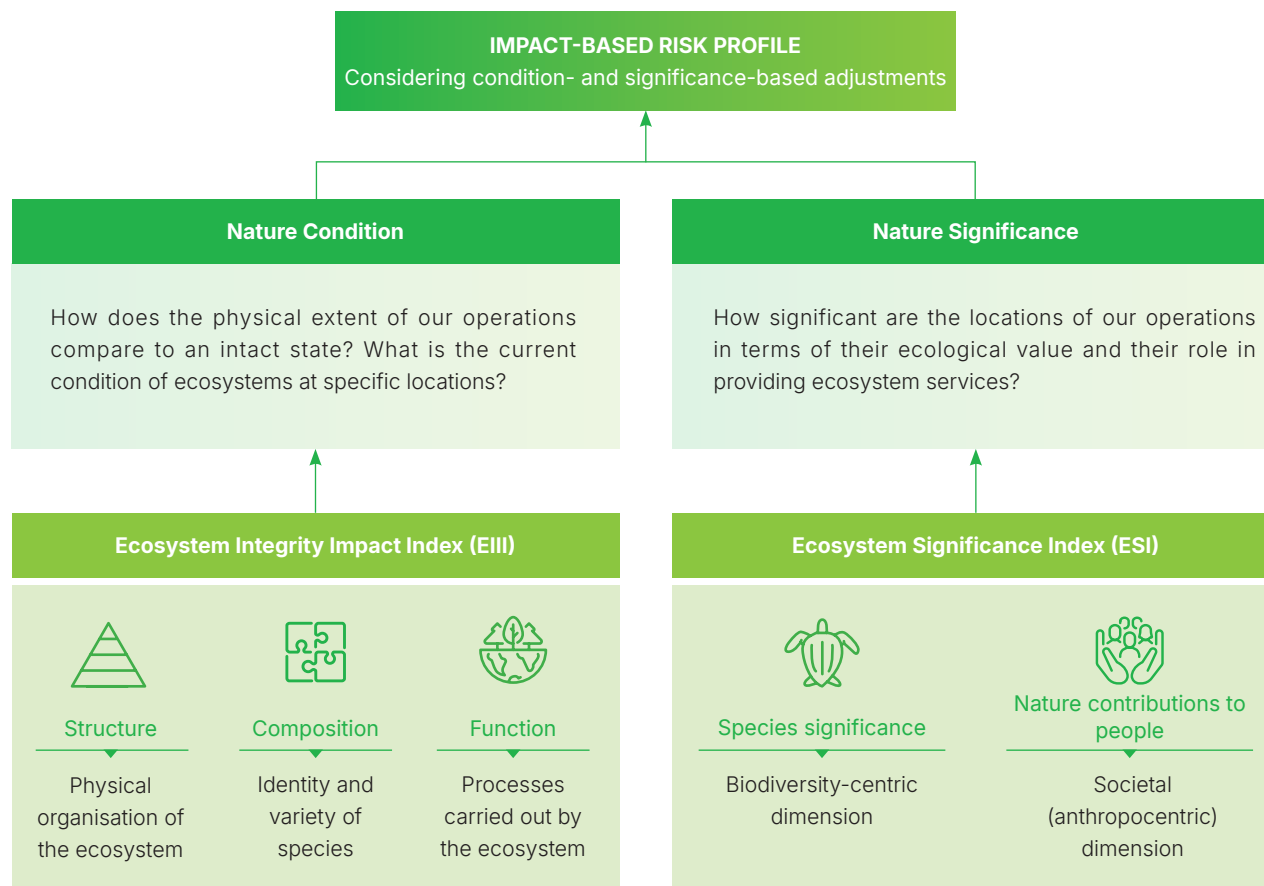
The TNFD recommends that companies disclose and prioritize locations with assets in their direct operations in high-integrity ecosystems, or where the company is likely to have significant potential impacts. Impacts refer to changes in the state of nature that can affect nature's capacity to provide social and economic functions. We worked with S&P Global to use the Ecosystem Footprint (EF), Ecosystem Integrity Impact Index (EIII), and Ecosystem Significance Index (ESI) to evaluate the magnitude and sensitivity of the impact on nature capital.

First, to measure the "magnitude of impact", we looked at the adjusted condition of ecosystems, which reflects their ability to provide full ecosystem services, support species populations, and adapt to future environmental changes. Measuring the condition-adjusted area involves quantifying the extent of ecosystem coverage in an area of interest and then reducing this total extent by a factor representing its condition compared to an 'intact' reference state. We used the metric "Ecosystem Integrity Impact Index (EIII)" to represent this level of ecosystem change. EIII is a combination of geospatial layers representing the three components of ecosystem integrity. These three layers include ecosystem structure, ecosystem composition, and ecosystem functioning.

A limitation of focusing solely on the magnitude of impacts through footprinting approaches is that the relative significance of impacted ecosystems is not fully accounted for. Areas that host significant stocks of environmental assets, such as biodiversity, water, and soil, may be of heightened importance for nature-related risks.

Therefore, the second aspect our assessment considers is the significance of the asset's location. This 'significance index' approach allows interpretation of impacts in terms of their relative location significance. We consider both the location's significance to species and its significance to people.

Figure 2.7: Huali's Impact Analysis Methodology Visualization Chart



The 40 assets analyzed have a very low overall impact on nature, according to the above methodology, primarily because their locations are of low significance to the ecosystem. However, approximately 90% of assessed assets are in a severely degraded state, driven mainly by pressure on ecosystem structure, followed by impact on composition. Structure refers to the physical organization and arrangement of an ecosystem. A strong ecosystem structure means a complex and interconnected habitat.

There are four assets with “high” or “very high” impact levels, driven primarily by material ecosystem degradation. Around 8% of assets intersect with areas of moderate to high ecological significance, where negative impacts are more likely to translate into material biodiversity outcomes. Within this group, three assets emerge as clear impact hotspots, where high levels of degradation coincide with ecologically important landscapes, resulting in disproportionately severe impacts.

Figure 2.9: Huali’s Asset Locations by Nature Significance and Condition

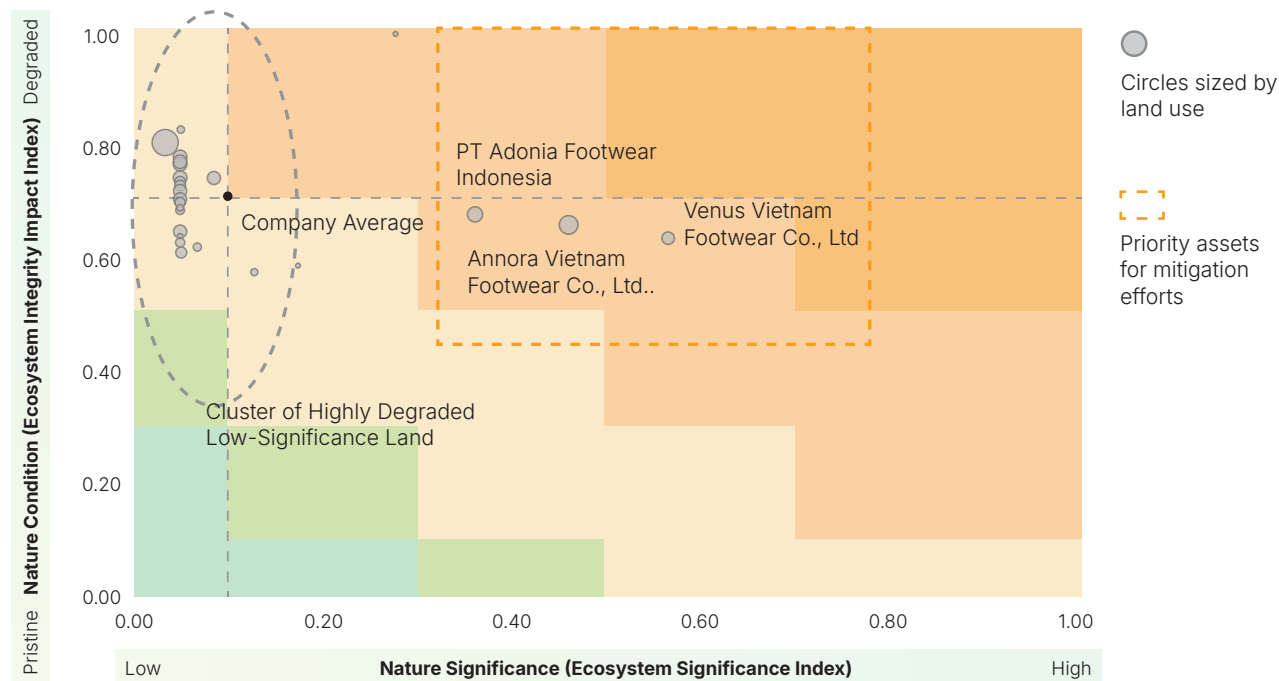


Table 2.8: Top Assets by Ecosystem Impact Ratio

No	Asset Name	Country	Ecosystem Footprint (ha HSA eq.)	Total Land Use (ha)	▼Impact Ratio	Impact Level	Ecosystem Integrity Impact Index (EIII)	Leading Factor for EIII	Ecosystem Significance Index (ESI)	Leading Factor for ESI
1	Venus Vietnam Footwear Co., Ltd.	Vietnam	3.42	9.44	0.36x	Very High	0.64	Structure	0.57	Species
2	Annora Vietnam Footwear Co., Ltd.	Vietnam	6.63	21.72	0.31x	Very High	0.66	Structure	0.46	Ecosystem
3	Zhongshan Zhijie Footwear Technical Services Co., Ltd.	China	0.39	1.39	0.28x	Very High	1.00	Function	0.28	Ecosystem
4	PT Adonia Footwear Indonesia	Indonesia	3.90	15.79	0.25x	High	0.68	Structure	0.36	Ecosystem

Note: Ecosystem Impact Ratio is calculated as the adjusted ecosystem footprint after taking into account ecosystem impact and significance (the Ecosystem Footprint)/the Total Land Use

The top three sites that have the most impact on nature are Annora, PT Adonia and Venus. The key drivers of the impact are a combination of habitat complexity loss and the ecosystem's significance. Ecosystem significance is measured using the Critical Natural Assets (CAN) metric, which highlights areas critical to the continued provision of 90% of ecosystem services at both global and local levels. Venus is situated in a location with a moderate level of species significance.

Venus Vietnam Footwear Co., Ltd. is identified as the most critically impacted location assessed by its highest impact ratio. The site operates in an already stressed landscape where land-use change and long-term physical disturbance have contributed to the degradation of ecosystem structure. These pressures increase exposure to deforestation-related risks, habitat fragmentation, and reduced ecosystem resilience. In parallel, impacts are concentrated in areas important for biodiversity, making further disturbance more likely to affect sensitive and threatened species. Production-related inputs and waste streams further intensify pressure on surrounding ecosystems through nutrient loading (nitrogen and phosphorus excess), chemical use (including pesticides), and plastic leakage, which can degrade soil quality, impair freshwater systems, and disrupt adjacent habitats. Together, these factors indicate high severity of negative impacts on nature, particularly where existing degradation limits the ecosystem's capacity to absorb additional pressure.

Several additional assets, particularly in Vietnam and Indonesia, also exhibit high levels of ecosystem degradation, driven primarily by land transformation, habitat fragmentation, and cumulative pollution pressures. Annora Vietnam Footwear Co., Ltd. and PT Adonia Footwear show pronounced impacts on ecosystem condition and functioning, even where broader ecological significance is lower. While these sites may not overlap with globally significant biodiversity areas, the scale and persistence of degradation, combined with pressures linked to resource inputs, agricultural supply chains, and plastic waste, raise concerns around cumulative and landscape-level impacts in regions already under stress.

Figure 2.10: Venus Vietnam Footwear Co., Ltd (2014 vs 2025)

Satellite imagery analysis reveals expanding impacts and intensifying pressures over the past 10-15 years around strategic assets



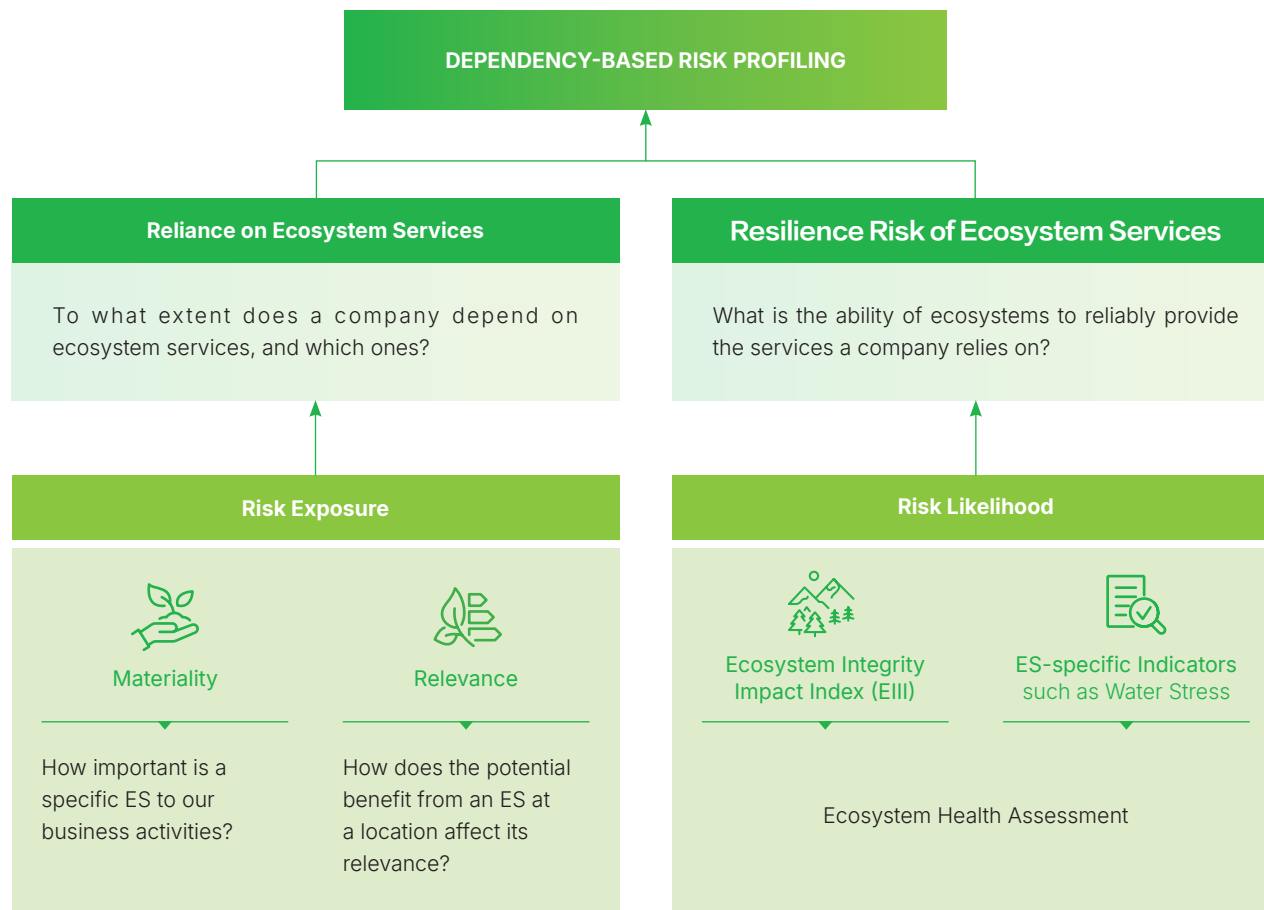
Evaluation of Dependencies on Nature

Huali’s dependency assessment evaluates our exposure to ecosystem service risks by assessing the degree to which business activities rely on key ecosystem services and the ability of local ecosystems to continue providing those services under current environmental conditions.

Overall dependency at the company and asset levels is assessed using the two core pillars of “reliance on” and “resilience of”. We examined the materiality and relevance of ecosystem services from the ENCORE knowledge base, layered with our assessment of ecosystem resilience, as the likelihood that dependency-related risks materialize depends on ecosystems’ capacity to continue providing the necessary ecosystem services.



Figure 2.11: Huali’s Dependency Analysis Methodology Visualization Chart



The analysis indicates a high aggregate dependency score of 0.78 (0-1, with 0 being the lowest and 1 being the highest), with Vietnam showing the highest reliance on ecosystem services. Out of the 21 ecosystem services, Huali depends on 3 of the 5 Provisioning Services and 7 of the 16 Regulating and Maintenance Services.

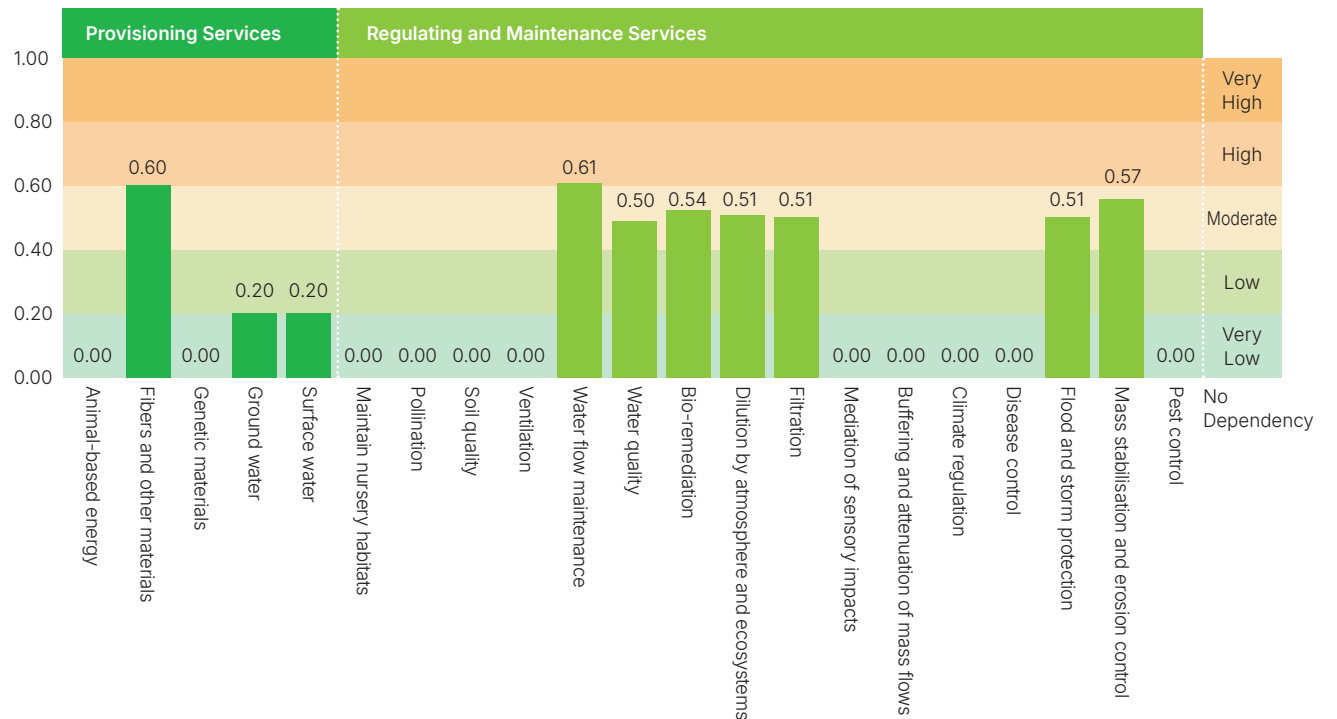
Among Provisioning Services, the “Fibers and Other Materials” service emerges as the leading one, with a dependency score of 0.60. Fibers and materials from plants, algae, and animals are used directly or processed for various purposes, such as wood, cotton, dyes, animal feed, and fertilizer. It is important to consider biologically derived materials in footwear components and upstream sourcing.

In “Regulation and Maintenance Services”, Water Flow Maintenance stands out with an overall dependency score of 0.61. This ecosystem service is important, as the water cycle moves water through the atmosphere, land, and oceans, replenishing groundwater and sustaining surface water flows. The high dependency score is slightly driven more by the high resilience risk (less resilient ecosystem risk) coupled with high reliance of the business on water. The top assets impacted include one in Zhonshan ,China and a few others in Vietnam. Apart from Water Flow Maintenance, Bio-remediation, Mass Stabilization, and Erosion Control, they also have overall medium-to-high dependency scores. In particular, sites in Zhongshan, China, exhibit extreme vulnerability in the bio-remediation function (resilience risk scores of 1), contributing to a high level of dependency risk. Bio-remediation refers to the natural capacity of living organisms — soil microbes, fungi, wetland plants, riparian vegetation, and aquatic bacteria — to break down, neutralize, filter, and remove pollutants from water, soil, and air. Our

manufacturing operations are chemically intensive. To achieve effective pollution management, a robust ecosystem for the bio-remediation process is important.

The dependency analysis shows a common trend of heightened resilience risk across several of our assets in China on the key ecosystem services. This is helpful for us to further investigate and presents us opportunities to restore local ecosystem services and reduce reliance risks as part of our nature strategies.

Figure 2.12: Huali’s Dependency on Different Ecosystem Services Overview



ASSESS: Analyze Risk and Opportunity

The Assess phase translates nature-related dependencies and impacts into risks and opportunities, determining their materiality to business and financial performance.

Risk and Opportunity Identification

Based on Phases L and E, we identified nature-related risks across physical, transition, and summarized them in the table below.

Figure 2.14: Nature-related Risks Analysis Chart

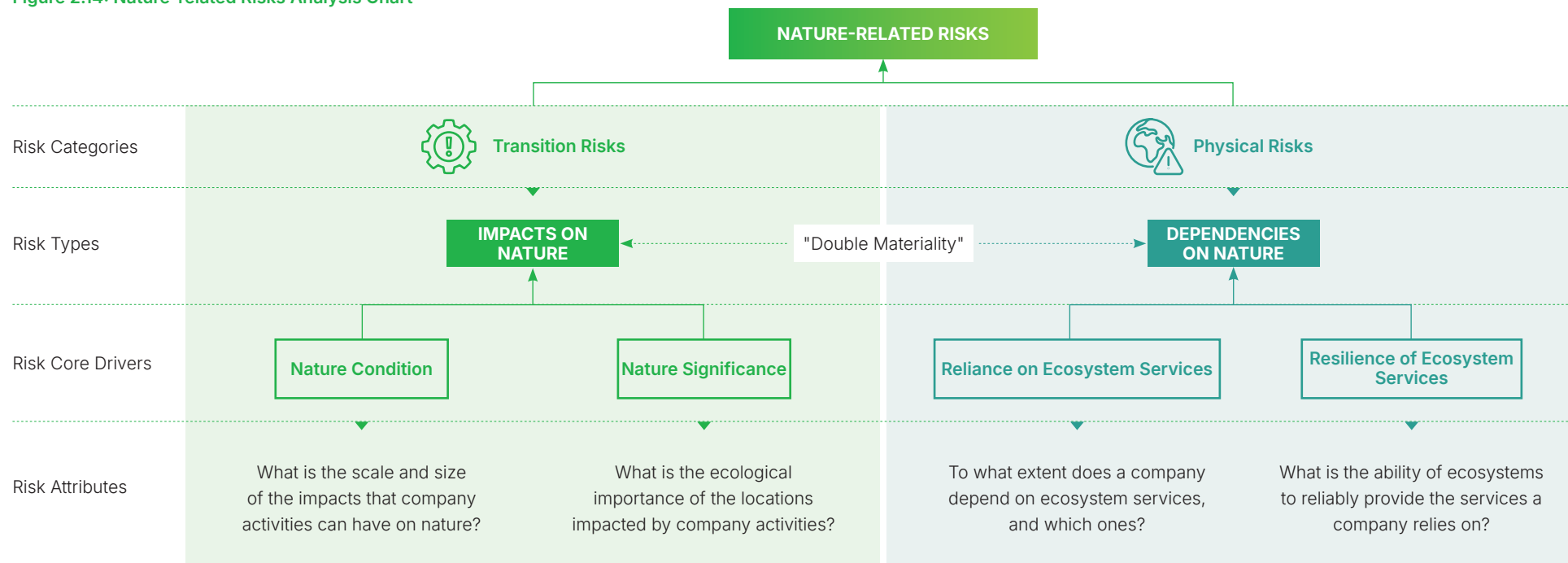





Table 2.15: Nature-Related Risks & Opportunities (IRO) Assessment

Category	Sub-category	Nature-Related Risk/Opportunity Drivers	Impact on Huali Industrial Group		
		Impact/Dependency/Opportunity	Impact Level	Key Reasons	Financial Impact
 Transition Risk	Policy & Legal	Regulatory risks on operations in or adjacent to Key Biodiversity Areas (KBAs) or Protected Areas (PAs) — particularly relevant for upstream raw material suppliers	Low	Huali's 40 manufacturing sites across China, Vietnam, and Indonesia show no direct overlap with designated KBAs or PAs	Increased policy scrutiny and compliance costs in operating jurisdictions; potential capital expenditure for biodiversity impact assessments
		Changes to legislation and regulation aimed at achieving nature-positive outcomes, including supply chain due diligence laws (e.g., EU EUDR) affecting leather, rubber, and cotton procurement	Medium	Huali operates in jurisdictions (Vietnam and Indonesia) with emerging biodiversity and supply chain legislation; EUDR compliance risk is moderate given Huali's leather and rubber sourcing from high-deforestation-risk regions	Incurrence of operating costs for nature preservation, supply chain due diligence audits, and management systems
	Market	Shifting consumer and investor preferences toward sustainable and nature-positive products, increasing pressure on brand clients (Nike, Adidas, Puma) to mandate nature disclosures and certification	Low	Huali's sustainable product share and strong CSA scores and CDP ratings (climate and water) provide credibility with sustainability-focused brand clients; nature impact across direct operations is limited, though moderate upstream dependency risks remain in leather and rubber sourcing	Operating costs incurred for transitioning to a more sustainable supply chain and obtaining nature-related certifications
		Decline in brand value and competitive positioning due to nature performance being perceived as worse than peers (Stella International, YueYuen Group)	Low	Compared with peers, Huali demonstrates a lower direct operational impact footprint; SBTi-approved targets and 48% renewable energy use position Huali favourably on the nature-climate nexus	Potential decline in corporate value and order share if nature performance falls below brand client expectations
	Reputational	Reputational risks arising from water pollution, chemical discharge, and soil contamination in the manufacturing process and upstream supply chain (tanneries, rubber plantations, synthetic textile mills)	Medium	Tannery and rubber supplier wastewater in Indonesia and Vietnam manufacturing clusters poses moderate contamination and reputational risk	Reduction in revenue due to brand client concerns over the supply chain performance; potential order cancellations or audit requirements

Category	Sub-category	Nature-Related Risk/Opportunity Drivers	Impact on Huali Industrial Group		
		Impact/Dependency/Opportunity	Impact Level	Key Reasons	Financial Impact
 Physical Risks	Acute	Increased risk of physical damage from floods, storms, and extreme weather events affecting Huali's manufacturing facilities in coastal and river delta regions across Vietnam (Binh Duong, Dong Nai), Indonesia (East Java)	Medium	Huali's key manufacturing hubs are located in flood-prone coastal and delta provinces; Huali also has a moderate reliance on flood and storm protection ecosystem services, which are degrading due to mangrove loss and land-use change	Increased operational costs and decline in asset value of business sites affected by extreme weather events; business continuity risks
		Water stress and disruption to water availability and quality are affecting high water-intensity production processes at Huali manufacturing sites	Medium-High	Huali's total water consumption was 1,363,789 m ³ in 2025, achieving a 77.74% water reuse rate; low-to-medium water dependency risk for groundwater and surface water quantity	Costs will increase in water-stressed regions.
	Chronic	Chronic degradation of regulating and provisioning ecosystem services — including water flow maintenance, natural fibre production (cotton, leather, rubber), soil stability, mass stabilisation, and bio-remediation — directly impacting availability and cost of Huali's core raw materials	High	Huali's leather uppers, natural rubber outsoles, and cotton/textile fabrics rely on ecosystems subject to chronic degradation and over extraction; Dependency screening identifies high dependency on water flow maintenance, bio-remediation, and fibre/material provisioning services	Increased capital expenditure on supply chain adaptation, alternative material development, and ecosystem restoration; potential long-term raw material price volatility
 Opportunities	Ecosystem Restoration, Protection & Regeneration	Implement nature-based solutions in and around Huali's manufacturing clusters in Vietnam and Indonesia. Invest in watershed protection, mangrove restoration, and reforestation programmes with local communities near production sites. Leverage Huali's CDP Water Programme and SBTi net-zero commitment to access green and sustainability-linked finance for ecosystem restoration projects	Medium-High	Huali's manufacturing sites have medium-to-high dependencies on water flow maintenance and bio-remediation ecosystem services; ecosystem restoration in upstream watershed areas can stabilise production conditions and reduce operational risk	Enhanced business model resilience and reduced supply chain disruption risk; potential access to sustainability-linked loan instruments and green bonds
	Resource Efficiency	Expand Huali's water recycling programme toward a 90%+ reuse rate target by 2030 (up from 77.74% in 2025). Accelerate transition to bio-based and recycled raw materials (recycled rubber outsoles, organic cotton, bio-based synthetics). Implement circular production systems with zero-liquid discharge	Medium-High	Huali's existing 77.74% water reuse and 76.85% waste recycling rates demonstrate established capacity for further efficiency improvements; SBTi-aligned decarbonization targets create co-benefits for nature; strong brand client demand for circular and bio-based materials	Reduced exposure to raw material price volatility and nature capital scarcity; lower operating costs from water and energy efficiency; strengthened supply agreements with sustainability-focused brand clients
	Products & Services	Develop and scale nature-positive product lines using regenerative leather, recycled natural rubber outsoles, bio-based synthetic fabrics, and FSC-certified packaging. Actively position Huali as a preferred manufacturing partner for brand clients' (Nike, Adidas, Puma, Decathlon, On Running) sustainability programmes and TNFD-aligned Nature Action Plans	Medium-High	Developing capabilities in regenerative leather, bio-based materials, and fully-recycled inputs positions Huali as a preferred strategic partner for premium sustainability-focused product lines from major brand clients	Increased revenues and market share from sustainable product lines; strengthened long-term order book with sustainability-committed global brands; improved ESG ratings, attracting lower-cost capital

PREPARE: Strategic Response

Huali Group takes the Kunming–Montreal Global Biodiversity Framework (GBF) as a key international reference and aligns it with the UN Sustainable Development Goals and SBTN AR3T framework, ensuring close alignment between corporate policies and international objectives.

Avoid

Huali Group prioritizes avoiding nature-related impacts and risks by embedding biodiversity protection and zero-deforestation principles into strategic decision-making. Nature-related risks — such as biodiversity loss, deforestation, and ecosystem degradation — are systematically identified and addressed at an early stage to prevent adverse impacts on raw material sourcing, facility siting, and operational continuity. Mandatory biodiversity assessments are incorporated into the planning phase of new facilities, while strict procurement standards prohibit the sourcing of deforestation-related raw materials. Through governance oversight and policy alignment, the Group seeks to avoid ecological compliance risks, supply chain disruptions, and reputational impacts that could hinder the achievement of its long-term strategic objectives, including the 2050 net-zero target.

At the operational level, Huali avoids unnecessary pressure on freshwater ecosystems by adopting closed-loop and recirculating cooling-water systems and phasing out once-through cooling practices where technically feasible, thereby preventing avoidable water withdrawals and thermal impacts on surrounding environments.

Reduce

Where impacts cannot be fully avoided, Huali Group focuses on reducing its nature-related footprint across operations and the value chain. Operational strategies are optimized through environmentally responsible site selection, the adoption of cleaner technologies, and enhanced environmental management practices at existing facilities, including greening measures and zero-landfill and zero-incineration approaches. In parallel, the Group strengthens supply chain management by requiring sustainability certifications such as FSC and LWG and by promoting coordinated risk control among suppliers. These measures reduce pressure on biodiversity, forests, water resources, and the climate, while lowering environmental compliance costs and operational risks.

To reduce water-related impacts, Huali installs on-site industrial wastewater treatment systems employing multi-stage treatment processes, ensuring effective control of pollutant loads prior to discharge. Where on-site treatment is not technically feasible, wastewater is managed through certified municipal or industrial treatment facilities, reducing risks to freshwater ecosystems and supporting regulatory compliance. Together, these measures lower nature-related operational risks, improve environmental performance consistency, and contribute to more resilient and resource-efficient production systems.

Restore & Regenerate

To address residual impacts, Huali Group undertakes restoration and regenerative actions to compensate for potential ecological disturbances associated with its operations. The Group participates in forest restoration and afforestation initiatives to support ecosystem recovery and reinforce commitments to no net loss of biodiversity and zero net deforestation. These actions are complemented by continuous improvements in resource efficiency and environmental management, contributing to ecosystem resilience while supporting the stability and long-term feasibility of strategic execution.



Transform

Group views nature-related considerations as a core driver of long-term strategic transformation. Biodiversity protection, climate action, and sustainable resource use are integrated into the Group's medium- and long-term strategy, closely aligned with the 2050 net-zero target and brand development objectives. By advancing energy efficiency, decarbonization, renewable energy adoption, and sustainable supply chain development, the Group aligns with international frameworks such as the Kunming — Montreal Global Biodiversity Framework, the Paris Agreement 1.5°C pathway, SBTi targets, and TNFD recommendations. This transformation strengthens regulatory alignment, enhances global competitiveness, and positions nature-positive action as a key enabler of high-quality, sustainable growth.

As part of this transformation, Huali strengthens the integration of water and nature risk management into core infrastructure planning and operational design. This includes

embedding water-management considerations into factory design and capital investment decisions, coordinating wastewater systems within broader site-wide water-management frameworks, and enhancing drainage and rainwater infrastructure to improve resilience to flooding and extreme rainfall events.

To support forward-looking and risk-informed decision-making, Huali applies external water and nature risk assessment tools (such as WRI Aqueduct and WWF Water Risk Filter) to inform site-level actions, long-term planning, and adaptive management strategies. Together, these measures enable a shift toward more resilient, resource-efficient, and nature-aligned operations, positioning nature-positive action as a strategic enabler of sustainable growth and global competitiveness.



03

Risk Management

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Nature-related risks — encompassing both the degradation of ecosystems on which Huali depends and the adverse impacts that Huali's operations and value chain exert on nature — are managed through a structured, end-to-end risk management process. This process spans identification, assessment, prioritization, response, and ongoing monitoring, and is fully integrated into Huali's enterprise risk management (ERM) framework. The ESG Committee holds oversight responsibility for nature-related risk governance, with the Compliance and Sustainability Department responsible for day-to-day execution. The outputs of the risk management process directly inform strategic decision-making and are reviewed at least annually to reflect evolving science, regulatory developments, and operational changes.



Risk Identification and Assessment

Risk Analysis of Impacts and Dependencies

Huali systematically identifies nature-related dependencies and impacts across its direct operations, with ongoing work to progressively extend this assessment across the full value chain — from upstream raw material sourcing to downstream product use and end-of-life. This approach supports the effective management of nature-related risks and opportunities through both quantitative and qualitative evaluation.

In an initial screening phase, Huali applied the ENCORE framework and the SBTN materiality screening tool to assess nature-related impacts and dependencies across operational assets in Vietnam, China, and Indonesia, while accounting for the specific impact drivers and ecosystem service dependencies characteristic of the footwear manufacturing sector. This analysis identified three priority assets (with very high impact ratios) and four key natural capital dependency factors that could materially affect business performance.

Building on this foundation, Huali conducted a more detailed natural capital and biodiversity risk assessment in

collaboration with S&P Global Sustainable¹, using location-specific data for each priority asset. The assessment applied a structured nature risk profile methodology to systematically evaluate Huali's dependencies on, and impacts to, nature at the asset level, enabling more granular identification, characterization, and prioritization of nature-related risks across business activities.

To quantify the extent of direct ecosystem impacts associated with its operations, Huali calculated its Ecosystem Integrity Footprint based on the spatial area (in hectares) occupied by its business activities. This spatial analysis identified the areas where operations exert direct physical pressure on ecosystems and differentiated ecologically sensitive areas from those situated within already-degraded landscapes. Results indicate that approximately 8% of the assessed area contributes to measurable impacts on the natural environment, with ecosystem structure — the physical organization and arrangement of biotic and abiotic components — emerging as the primary driver of overall impact.

In parallel, Huali evaluated natural capital dependencies across its 40 directly operated assets, assessing 21 ecosystem services against two core indicators: reliance (the degree to which a business process depends on a given ecosystem service to function) and resilience (the capacity of the local ecosystem to continue supplying that service under stress). This dual-lens assessment revealed that Huali exhibits a high level of dependency on water flow maintenance and fibres and other biologically derived materials. This reflects their critical importance to production continuity, upstream sourcing security, and the long-term viability of key raw material supply chains.

Figure 3.1: Resilience Scores Distribution | Water Flow Maintenance

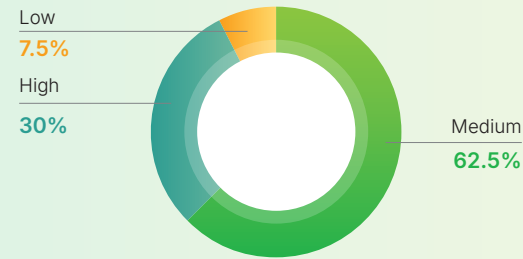
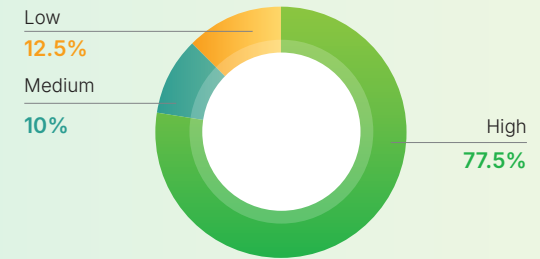


Figure 3.2: Resilience Scores Distribution | Mass Stabilization and Erosion Control



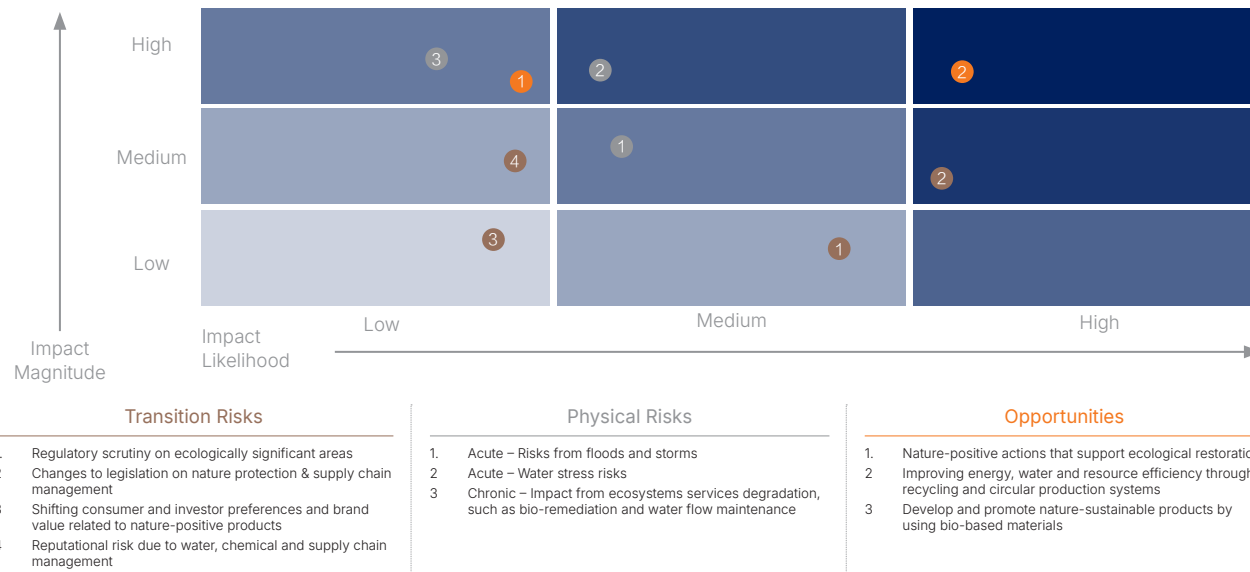
Risk Prioritization and Monitoring

Huali prioritized key risks and opportunities through its risk materiality analysis, which considers the LEAP analysis and its scenario analysis. Moving forward, Huali will regularly re-evaluate risks and opportunities through environmental trend analysis, interviews with field personnel, and scenario-based assessment.

Risk Materiality Analysis

Identified nature-related risks are prioritized based on two intersecting dimensions: the magnitude of potential business operational impact on Huali's assets and supply chain, and the likelihood of materialization, taking into account the condition and trajectory of relevant ecosystems, geographic exposure, and regulatory context. This prioritization enables Huali to focus management attention and resource allocation on the risks most likely to affect business continuity and value.

Figure 3.3: Nature-related Risk and Opportunity Matrix (Short-Term View 1-3 years)



Within the next 1-3 years, Huali's short-term focus is on transition risks, particularly legislation and regulations related to nature and biodiversity commitments, especially in supply chain management. These pose a higher short-term risk than physical risks. However, the impacts of water stress, flood and storm protection, and more chronic ecosystem services, such as water flow maintenance, fiber and mass stabilization, are greater on Huali's business operations, especially in the medium to long term.

On opportunities, over the next few years, improving resource efficiency, materials, and waste recycling is a low-hanging fruit that bears material benefits to the business and reduces nature-related dependencies and impacts. In the short- to medium-term, supporting ecological restoration, protection, and conservation will yield greater business and nature impacts. Working with suppliers and consumers to develop biomaterials-based sustainable products is also critical to building a resilient business.



Risk Monitoring

Regular LEAP Assessment

Huali conducts regular LEAP assessments as the core mechanism for monitoring nature-related risks and opportunities across its operations. The assessment:

- Screens asset locations for changes in ecosystem condition, biodiversity significance, and water-related stress.
- Updates evaluations of nature-related impacts and dependencies using consistent methodologies; and
- Assesses risk likelihood and potential financial implications under evolving physical and transition drivers.

Huali prepares to regularly update and enhance the LEAP process. The updates would allow Huali to detect shifts in risk exposure, surface emerging risks before they materialize, and measure whether mitigation measures are delivering the intended effect. Outputs feed directly into the risk materiality matrix and into annual strategy and capital planning.

Stakeholder Engagement

Stakeholder engagement complements risk monitoring and prioritization. Inputs are collected through:

- Ongoing engagement with key brand partners on evolving biodiversity, water, and deforestation expectations.
- Feedback from local communities and employees at operational sites, particularly in regions exposed to water stress or extreme weather, and
- Monitoring of external signals, including regulatory developments, NGO assessments, and industry initiatives relevant to the footwear sector.

Stakeholder insights are considered alongside quantitative assessment results to validate risk-prioritization outcomes and ensure that emerging transition and reputational risks are captured in a timely manner.

Together, these processes enable Huali Group to maintain a dynamic, forward-looking approach to nature-related risk prioritization and monitoring, aligned with TNFD recommendations and integrated into broader enterprise risk management practices.

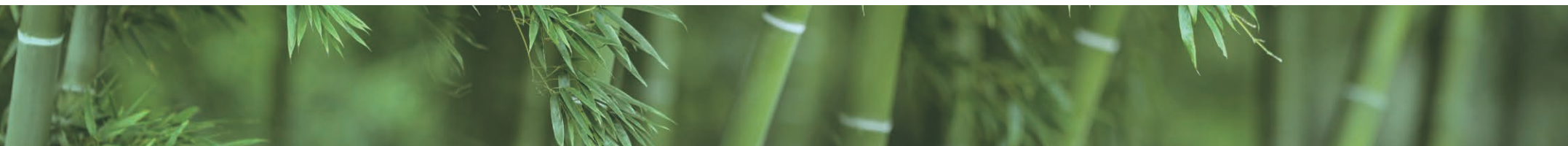


Integration with Enterprise Risk Management

Huali integrates nature-related risks and opportunities identified through the TNFD LEAP assessment into its broader ERM framework, ensuring that nature considerations are embedded within existing governance, risk assessment, and decision-making processes.

The Compliance and Sustainability Department is responsible for integrating nature-related dependencies, impacts, risks, and opportunities identified through the TNFD LEAP assessment into Huali's day-to-day management ERM processes. Nature-related risks are managed as an integral part of operational, supply chain, and investment decision-making, rather than as standalone sustainability issues. Specific mechanisms include:

- Data-Driven Risk Identification and Monitoring:**
 Huali applies location-based and asset-level analytics to monitor key nature-related risk drivers, including water availability, ecosystem condition, and land-use impacts at manufacturing sites and priority sourcing regions. Outputs from annual LEAP assessments are translated into internal nature risk profiles that highlight assets and business activities with elevated dependency and impact exposure, supporting timely management action.
- Risk Prioritization and Closed-Loop Management:**
 Nature-related risks are prioritized using a standardized risk materiality matrix based on likelihood and impact thresholds. High-priority risks — particularly those related to freshwater availability, soil and ecosystem degradation, and sourcing of fiber and other biologically derived materials — are incorporated into site-level and functional action plans. Responsibilities for mitigation measures are assigned to relevant operational teams, with progress reviewed through regular internal reporting cycles.
- Supplier and Value Chain Risk Integration:**
 Suppliers of leather, natural rubber, cotton, and other biologically derived materials are required to comply with the Group's biodiversity and zero-deforestation requirements.
- Linking Nature-Related Goals to Performance Management:**
 Huali integrates nature-related performance indicators into management assessment systems to reinforce accountability. At the beginning of each year, the Compliance and Sustainability Department aligns with manufacturing facilities and relevant functions to define nature-related objectives, such as improvements in water efficiency, compliance with biodiversity protection requirements, or progress in sustainable material sourcing. Achievement of these objectives is incorporated into internal performance evaluations, ensuring that nature-related risk management outcomes directly influence management accountability and operational effectiveness.
- Integration into Financial Planning and Investment Decisions:**
 For significant capital investments and expansion projects, nature-related risk considerations — including ecosystem condition, water availability, and land-use sensitivity — are integrated into investment risk assessments. Scenario-based analysis is applied where relevant to evaluate potential exposure under different physical and transition pathways, supporting informed decision-making and long-term resilience.



04

Metrics & Targets

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Target Setting and Performance Measurements

Targets and Performance — Freshwater

Huali identifies freshwater as a critical operational dependency and manages it through robust, group-level monitoring of water withdrawals, consumption, and discharge. The company is committed to achieving 100% wastewater recycling by 2035, reinforcing its dedication to sustainable water stewardship. In 2025, total water withdrawal amounted to 1,933,479m³, while total water consumption was 1,363,789m³. Of the water withdrawn, 95% was sourced from municipal supplies and **5%** from groundwater. This sourcing strategy reflects Huali's clear preference for municipal water, reducing dependence on groundwater and supporting responsible water resource management.

To track operational water efficiency, Huali monitors water consumption intensity, calculated as water consumption per thousand pairs of footwear produced (C9.08 m³/thousand pairs), enabling consistent performance management and comparability across production sites.

For wastewater and discharge management, total water discharge in 2025 was 569,690 m³, all of which was classified as freshwater. Wastewater quality is managed through facility-level monitoring, with key pollutant concentrations varying by factory and controlled through site-specific compliance management. Additionally, discharge water temperature was consistently maintained within 21.3–27.6°C, well below the regulatory threshold



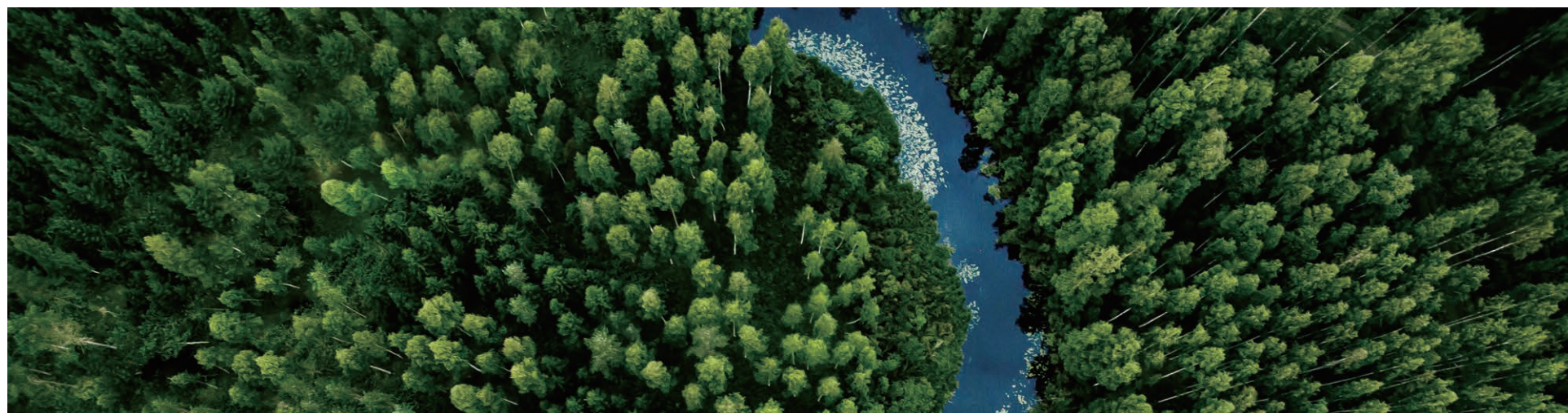
of 40°C, further mitigating thermal impacts on receiving environments.

At the same time, all manufacturing sites conduct wastewater monitoring strictly in accordance with the frequencies specified in their environmental impact assessment (EIA) approvals. Monitoring is generally carried out quarterly at sites in Vietnam, monthly at sites in Indonesia, and semi-annually at sites in China. In 2025, a total of 19 footwear manufacturing facilities across the Group completed ZDHC wastewater testing, with all results fully meeting the limit requirements set by the Zero Discharge of Hazardous Chemicals (ZDHC) Programme, demonstrating a high standard of wastewater management and recognition from the international supply chain.

Huali Group's water management practices are aligned with the TNFD recommendations. By systematically tracking freshwater-related dependencies, impacts and risks, the Group implements group-wide monitoring of water intake, consumption and discharge, as well as factory-level control of wastewater quality. It has also set a continuous improvement target to reduce freshwater consumption per unit product by **0.5%** annually. These initiatives fully demonstrate proactive management and transparent disclosure, and help promote the sustainable use of water resources and the enhancement of ecosystem resilience.

The total water withdrawal and consumption data from water-scarce regions are as follows:

Factory name	Water withdrawal (m ³)			Percentage of factory water withdrawal to the group's total water withdrawal	Water consumption (m ³)	Percentage of factory water consumption to the group's total water consumption
	Municipal water	Groundwater	Water intake			
Annora Vietnam Footwear Co., Ltd.	342,149	0	342,149	17.70%	223,391	16.4%
Aresa Vietnam Footwear Co., Ltd.	35,781	0	35,781	1.85%	7,156	0.5%
CÔNG TY TNHH MTV TRƯỜNG THẮNG	36,912	0	36,912	1.91%	6,980	0.5%
Trieu Son Vietnam Footwear Co., Ltd.	28,301	0	28,301	1.46%	13,568	1.0%
Adiana Vietnam Footwear Co., Ltd.	81,594	0	81,594	4.22%	55,684	4.1%
Alina Vietnam Footwear Co., Ltd.	7,316	0	7,316	0.38%	5,573	0.4%
Akalia Vietnam Footwear Co., Ltd.	54,594	3,702	58,296	3.02%	55,504	4.1%



Targets and Performance — Waste and Plastics

Huali implements a strict “zero landfill” policy for factory waste and ensures hazardous waste is managed by qualified third-party providers. All factories operate under a zero-landfill mandate, with hazardous waste transferred exclusively to licensed contractors for compliant treatment and disposal.

In 2025, Huali generated 3,804.48 tonnes of hazardous waste and 40,221.7 tonnes of non-hazardous waste, with 76.85% of total waste recycled or reused. Non-hazardous waste was managed as follows: 9,310.38 tonnes were incinerated (energy recovery only), 0 tonnes were sent to landfill, and 30,911.32 tonnes were treated through other disposal methods.

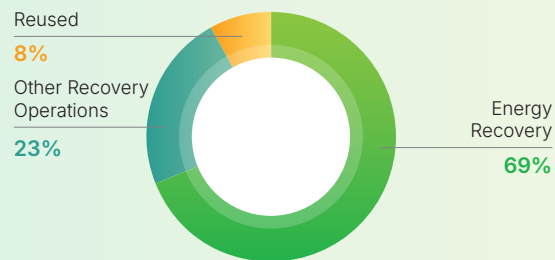
To further reduce resource use and environmental risk, Huali conducted an internal review of plastic packaging and established preliminary structural indicators. In 2025, total plastic usage was 377.03 tonnes, with recyclable plastic packaging accounting for 16.46%, compostable plastic packaging for 35.84%, and recycled materials comprising 10% of total plastic packaging. These efforts support the company’s commitment to circularity and responsible materials management, in line with international definitions for recycled and compostable packaging.

Targets and Performance — Land and Biodiversity

Huali has established a Biodiversity Conservation and Zero-Deforestation Policy, committing to prohibiting deforestation-linked activities and to complying with relevant environmental laws. The Group aims to achieve No Net Loss (NNL) of biodiversity and aspires to progress toward a Net Positive Impact (NPI) by maintaining or enhancing biodiversity at its operational sites. These commitments are operationalized through embedding a “No Conversion of Natural Ecosystems” requirement into new project site selection and supplier onboarding processes, supported by a land-footprint baseline methodology developed with S&P Global to identify priority regions and high-risk land-use types.

Huali’s operational land footprint totals 2,923,044.13 m² (2.923 km²). and is managed through ecological compliance reviews, a preference for existing industrial land, and land-use controls integrated into factory planning. During construction and operations, the Group promotes biodiversity protection and ecosystem recovery through vegetation retention, greening and tree-planting initiatives, pollution control, and water-saving measures, while upstream sourcing standards prioritize sustainable materials and supplier practices that support biodiversity protection across the value chain.

Figure 4.1: Recovery Types under Non-hazardous Waste



Core Nature Metrics

Huali is establishing a set of core metrics to support the implementation of its sustainability strategy and to enable systematic performance management and continuous monitoring. These metrics — covering priority nature-related topics for footwear manufacturing such as freshwater, waste/circularity, and land and biodiversity interfaces — are intended to provide consistent benchmarks for quantifying Huali’s dependencies and impacts on nature, and for identifying clear directions for future improvement.

Table 4.2: Huali’s Nature-related Metrics

No	Impact Drivers	Indicator	Metrics	2025 Data
	Climate Change	GHG emissions	<ul style="list-style-type: none"> Scope 1 GHG emissions GHG emissions intensity (Scope 1 & 2) Scope 2 GHG emissions(location-based) Scope 3 GHG emissions (Total) 	<ul style="list-style-type: none"> Scope 1 GHG emissions: 31,488 tCO₂e Scope 2 GHG emissions (location-based): 447,849 tCO₂e Scope 3 GHG emissions (Total): 1,021,163 tCO₂e
C1.0	Land/freshwater/ocean-use change	Total spatial footprint	<ul style="list-style-type: none"> Total spatial footprint Total disturbed area Total surface area controlled/managed by the organization Total rehabilitated/restored area 	<ul style="list-style-type: none"> Refer to Target and Performance — Land and Biodiversity
C2.1		Wastewater discharge	<ul style="list-style-type: none"> Water discharged – Total Water discharged – Other Water consumption intensity Water discharged – Freshwater Discharge water temperature (range) ZDHC wastewater testing 	<ul style="list-style-type: none"> Refer to Target and Performance — Freshwater
C 2.2	Pollution/ Pollution removal	Waste generation and disposal	<ul style="list-style-type: none"> Hazardous waste generated (total) Non-hazardous waste disposed of: <ul style="list-style-type: none"> - Incinerated (energy recovery only) - Sent to landfill - Other disposal methods Non-hazardous waste disposed of <ul style="list-style-type: none"> - Reused - Recycled - Other recovery operations 	<ul style="list-style-type: none"> Non-hazardous waste generated (total)
		Plastic pollution	<ul style="list-style-type: none"> Total plastics used (all categories) Plastic packaging – composition and end-of-life characteristics (%): <ul style="list-style-type: none"> - Compostable plastic packaging - Technically recyclable plastic packaging - Recycled content in plastic packaging 	<ul style="list-style-type: none"> Refer to Target and Performance — Waste and Plastics
C4.0	Invasive alien Species and other		<ul style="list-style-type: none"> Proportion of priority at-risk assets evaluated by the impact index and the significance index (greater than 0.5) 	<ul style="list-style-type: none"> Of the 40 assets assessed, one asset located in Vietnam has been identified as a priority at-risk asset.
C5.0	State of nature		<ul style="list-style-type: none"> Level of ecosystem condition by countries (Ecosystem integrity impact index & Ecosystem significance impact index) Impact on mean species extinction risk (STAR metric) 	<ul style="list-style-type: none"> Ecosystem integrity impact index¹: <ul style="list-style-type: none"> -Vietnam: 0.71 -Indonesia: 0.77 -China: 0.71 Ecosystem significance impact index²: <ul style="list-style-type: none"> -Vietnam: 0.11 -Indonesia: 0.11 -China: 0.09 STAR Metric: 0.1

Note 1: The Ecosystem Integrity Index is an index that describes the condition of ecosystems at asset locations on a scale from 0 to 1, with 0 indicating severely degraded ecosystems and 1 indicating ecosystems that remain largely intact in terms of structure, composition, and ecological function.

Note 2: The Ecosystem Significance Impact Index is an index that describes the ecological importance of ecosystems at asset locations on a scale from 0 to 1, with 0 indicating low ecological significance and 1 indicating high ecological significance in terms of biodiversity value and nature’s contributions to people.