



**2025** Environmental, Social  
and Governance Report

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# 01

## Report Preparation Instructions

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# REPORT PREPARATION INSTRUCTIONS

This report is the fifth Environmental, Social and Governance (ESG) Report issued by Zhongshan Huali Industrial Group Company Limited.

This report is prepared in compliance with the “Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange – Sustainability Report (Trial)” and the “Self-Regulatory Guidance No. 3 for Companies Listed on Shenzhen Stock Exchange – Preparation of Sustainability Report (2026 Revision)”, ensuring compliance with domestic disclosure standards.

Meanwhile, the report actively references the following globally recognized standards to enhance international comparability of information:

- Referencing the latest standards of the Global Reporting Initiative (GRI);
- In compliance with the latest standards issued by the International Sustainability Standards Board (ISSB), particularly in accordance with the “IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information”, to disclose sustainability topics with financial materiality;
- In accordance with the requirements of “International Financial Reporting Standards Sustainability Disclosure Standard No. 2 – Climate-related Disclosures” (IFRS S2, revised version as of December 11, 2025), this report emphasizes climate-related risks and opportunities while implementing new requirements including greenhouse gas emissions accounting and disclosure. Additionally, the report incorporates the latest refinements from the Sustainability Accounting Standards Board (SASB) standards and relevant amendments from the ISSB’s enhancement initiatives for SASB criteria. Aligning with industry-specific guidance, it strives to effectively bridge domestic regulatory frameworks with international disclosure standards, thereby comprehensively elevating the report’s standardization, completeness, and comparability.

## ▶ Reporting Period

This Report is an annual report covering the period from January 1, 2025 to December 31, 2025. The report of the previous year was released in April 2025.

## ▶ Scope of Reporting

The contents covered in this Report are for companies and organizations within the scope of consolidated statements of Huali Group, which are consistent with the scope covered by the Annual Report of Huali Group.

## ▶ Report Disclosure

This Report is disclosed simultaneously with the annual report of Huali Group in 2025. The financial data involved are consistent with the financial report, which has been audited by an independent third party. The amounts in this report refer to RMB unless otherwise specified.

## ▶ Description of Reference

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

## ▶ Report Acquisition

This Report is prepared in both simplified Chinese and English, in electronic format. The electronic version can be downloaded and read from the official website of Huali Group at <http://www.huali-group.com>. In case of any discrepancy between the Chinese and English versions, the simplified Chinese version shall prevail.

Company name: Huali Group	
Address:	No. 2, Shiji 1st Road, Torch Development Zone, Zhongshan, Guangdong
Postal Code:	528437
Tel.:	0760-28168889
Website:	<a href="http://www.huali-group.com">http://www.huali-group.com</a>

# LETTER FROM THE CHAIRMAN



“ In 2025, the global economic landscape remained challenging, with the United States continuing to impose additional tariffs, intensifying market competition. The Group navigated through a complex and volatile external environment, facing greater operational pressures compared to 2024. Yet it is precisely in such adversity that we witness the indomitable perseverance and unwavering commitment of the Huali team. All colleagues unite as one, remain steadfast in their positions with down-to-earth dedication, and propel the company steadily forward by overcoming formidable challenges. It represents Huali’s most invaluable spiritual asset and serves as a perpetual driving force for the Group’s sustainable development.

Amid external uncertainties, we adhere to a dual focus on global expansion and prudent operations. In February 2025, to meet domestic market demand, the Company commenced mass production at its newly established finished footwear manufacturing facility in Sichuan Province. This established a diversified production network spanning Vietnam, Indonesia, and China, significantly enhancing the Group’s supply chain resilience and risk mitigation capabilities. The year marked numerous achievements, including:

## Deepening green manufacturing, strengthening the foundation for low-carbon development

We address operational challenges through green transformation, embedding environmental stewardship across the entire production and operation value chain. In 2025, The Group generated a total of 3,480,651 kWh of photovoltaic power. By substituting traditional energy sources with clean energy, we effectively reduced carbon emissions. Meanwhile, we actively respond to global environmental disclosure requirements by voluntarily participating in the CDP (Carbon Disclosure Project) assessment. In the 2025 CDP environmental disclosure report, the Group achieved an A rating for climate change and a B rating for water security. The Group was recognized as a leader in corporate environmental transparency for its climate change disclosure, earning a prestigious spot on the CDP A List. This demonstrates the Group’s solid achievements in environmental risk management and efficient resource utilization.

## People-oriented approach to jointly build a responsible ecosystem

We consistently place “people” at the heart of sustainable development, internally enhancing our employee care system while externally strengthening industrial chain collaboration mechanisms, ensuring responsibility permeates the entire value creation process.

In terms of employee rights protection, Annora Vietnam Factory took the lead in February 2025 by incorporating mental health training programs into workplace safety initiatives. Through diversified services including professional psychological counseling, emotional guidance, and wellness support, it provides comprehensive protection for colleagues’ physical and mental well-being. All T1 footwear factories of the Group in Vietnam have completed the Core Values Benchmark Survey, thoroughly addressing employee concerns to further consolidate the corporate cultural consensus of “Responsibility, Collaboration, and Mutual Benefit”. This initiative has strengthened both the emotional and institutional foundations for shared growth between employees and the enterprise.

The Group proactively benchmarked against international sustainability rating systems, achieving a score of 51 in its inaugural participation in the Corporate Sustainability Assessment (CSA). This performance ranks among the top tier within the industry in the Greater China region.

In October 2025, we successfully convened the inaugural Supplier Sustainability Summit, bringing together key suppliers to jointly develop sustainability guidelines and action frameworks for the supply chain. Participants shared practical experiences to extend corporate social responsibility beyond organizational boundaries, fostering an ecosystem of mutual benefit characterized by “shared accountability and shared value”.

## Enhancing governance frameworks and elevating disclosure quality

We regard ESG governance as a key pillar for the company’s high-quality development, continuously improving our framework and standardizing processes to ensure strategic execution through professional governance.

In April 2025, the Group concurrently released its fourth Environmental, Social, and Governance (ESG) Report alongside its inaugural standalone Task Force on Climate-related Financial Disclosures (TCFD) Report. The former system showcases the Group’s ESG practices and future initiatives, while the latter specifically addresses climate-related financial disclosure requirements, marking a new breakthrough in the comprehensiveness, professionalism, and standardization of the Group’s ESG information disclosure.

With a robust governance framework, solid implementation outcomes, and transparent information disclosure, the Group’s ESG Annual Report has garnered multiple accolades: an A rating from Wind ESG, an AAA rating from CNI ESG, and an A rating from Huazheng Index ESG. These recognitions fully demonstrate the capital markets and industry institutions’ high regard for the Group’s ESG governance capabilities and sustainable development potential.

Looking ahead to 2026, global economic uncertainty is expected to persist. The impact of tariffs, weak consumer demand on orders, and potential upward pressure on labor costs all contribute to heightened challenges ahead. However, Huali never halts in the face of challenges. We will deeply integrate ESG principles into our core strategy, leveraging ESG advancement to enhance corporate resilience. We continuously enhance core competencies, comprehensively improve operational efficiency, and deepen cost control with lean management practices. We also proactively expand revenue streams while optimizing expenditures, explore new customer acquisition and business opportunities to secure greater growth potential within prudent operations.

ESG is not just a mandatory question for corporate high-quality development, but also the cornerstone that empowers us to navigate cycles and achieve sustainable, long-term growth. Moving forward, we will advance ESG governance to higher standards, deepen environmentally friendly practices, and strengthen the foundation of social responsibility. Together with all colleagues, partners, investors, and stakeholders, we will forge ahead with unwavering unity and steadfast commitment.

# HISTORY OF DEVELOPMENT OF HUALI GROUP

## 1978-1995



- 1978** • the founder of the Company opened a shoe factory in Taiwan, China
- 1986** • the founder of the Company opened a shoe factory in Mainland China
- 1995** • the Company started cooperation with Converse

## 1999-2009



- 1999** • the R&D and Design Center was established in Zhongshan, Guangdong
- 2001** • the Company started cooperation with UGG
- 2004** • the Company started cooperation with VANS
- 2005** • a factory was operated in Vietnam, and the production base was gradually transferred to Vietnam
- 2009** • the Company started cooperation with Columbia

## 2011-2018



- 2011** • the Company started cooperation with Hoka
- 2012** • the Company started cooperation with Nike
- 2013** • the Company started cooperation with Puma
- 2014** • the Company started cooperation with Cole Haan
- 2016** • the shipment volume exceeded 100 million pairs
- 2018** • the Company started cooperation with Under Armour, and the assets of the founder's footwear factories were reorganized in the same year

## 2019-2025



- 2019** • the Company was restructured into a joint-stock company
- 2020** • the Company started cooperation with Asics and On Running
- 2021** • On April 26, Huali Group was listed on the Growth Enterprise Market of the Shenzhen Stock Exchange
- 2021** • the shipment volume exceeded 200 million pairs
- 2022** • the Company started cooperation with New Balance and Reebok
- 2024** • the Indonesian base commenced operations, and the Company started cooperation with Adidas
- 2025** • the Emeishan Factory in Sichuan commenced operations

# HUALI GROUP ESG MILESTONES

- On April 26, 2021, the Group was successfully listed on the Growth Enterprise Market of Shenzhen Stock Exchange

2021

2022

- The Group released its inaugural (2021) standalone Corporate Social Responsibility Report
- 2022 was as the baseline year for carbon neutrality
- The Group Headquarters launched the rooftop solar photovoltaic system, and in the same year, Annora Vietnam Factory installed its first rooftop solar photovoltaic system with a capacity of 1.71 MWp

2023

- The Group released the second Environmental, Social, and Governance Report
- Initiated the SBTi (Science Based Targets initiative) Project
- Participated in the CDP (Carbon Disclosure Project) questionnaire
- The safety culture maturity assessment of Annora Vietnam Factory reached Level 3
- Annora Vietnam & Adora Vietnam factories achieved Level 4 in gender policy and practice maturity
- Adiana Vietnam Factory offset electricity emissions through EACs procurement
- Released the inaugural version of the Huali Group Annual Solid Waste Management Plan
- The Group's T1 factories achieved zero landfill and zero incineration of solid waste

- The Group released the third Environmental, Social, and Governance Report
- In August, the Group achieved official validation of near-term targets and net-zero targets by SBTi
- First release of the "Supply Chain Decarbonization Action Statement"
- In the 2024 CDP environmental information disclosure results, both climate change and water security topics received a B rating
- Achieved a Wind ESG rating of BBB
- The ESG governance structure was newly established
- The safety culture maturity assessment of Aurora Vietnam, Adora Vietnam, and Roll Sport Vietnam factories reached Level 3
- Annora Vietnam, Aurora Vietnam, Adora Vietnam, and Roll Sport Vietnam factories achieved Level 4 in gender policy and practice maturity
- Launched the EWB project encompassing all factories within the Group
- Initiated a Living Wage survey project encompassing all factories within the Group

2024

2025

- The Group released the fourth Environmental, Social, and Governance Report
- Awarded the AAA rating by the CNI ESG, ranking 6th out of 104 in the textiles, apparel & luxury goods sector
- Awarded the A rating by the Huazheng Index ESG
- Awarded the A rating by the Wind ESG, ranking 5th out of 218 in the textile and apparel industry composite score
- First release of standalone TCFD report
- Inaugural supplier sustainability summit convened
- Scored 51 points in the first participation in the CSA questionnaire
- Annora Vietnam Factory began to incorporate mental health training programs into its workplace safety initiatives
- In the 2025 CDP environmental disclosure report, the Group achieved an A rating for climate change and a B rating for water security. The Group was recognized as a leader in corporate environmental transparency for its climate change disclosure, earning a prestigious spot on the CDP A List
- The Group's total photovoltaic power generation for 2025 reached 3,480,651 kWh
- All T1 factories of the Group in Vietnam completed the Core Values Benchmark Survey

## ESG KEY PERFORMANCE INDICATORS (KPIs)

### Key ESG Data of the Group for 2025



Number of Employees

**185,551**



Female Employees

**146,477**



Female Management

**61.90%**



Product Pass Rate

**99.99%**



Lost Time Injury Rate

**0.04**



Major Environmental &  
Safety Accidents

**0**



Solid Waste Landfill &  
Incineration

**0**



Solid Waste Recycling & Reuse

**76.85%**



Wastewater Recycling &  
Utilization

**77.74%**



Greenhouse Gas  
Emissions Scope 1&2

**309,489** tons



Renewable Energy

**48%**



Sustainable Products

**58.84%**

## GROUP RATING PRESENTATION

**S&P Global**

CSA Score

**51**



Climate Change Rating **A**  
Water Security Rating **B**  
Supplier Engagement  
Assessment **A**



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Science-Based Targets Initiative  
(SBTi) validation approved

**Wind ESG**

**A**



**CNI ESG  
Rating**

**AAA**



**Huazheng  
Index  
ESG Rating**

**A**

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## COMPANY PROFILE

Zhongshan Huali Industrial Group Co., Ltd. was listed on ChiNext of the Shenzhen Stock Exchange on April 26, 2021, with the securities code of "300979" and the securities abbreviation of "Huali Group". The parent company of Huali Group was established in 2004 with the registered capital of RMB1.167 billion and the registered address in Torch Development Zone, Zhongshan City, Guangdong Province.

The Company specializes in the product development, design, manufacturing, and sales of athletic footwear. As a globally leading professional manufacturer of sports shoes, it serves as a key partner for internationally renowned sportswear brands such as Nike, Adidas, Converse, Vans, UGG, HOKA, On, New Balance, Puma, Asics, Under Armour, Reebok, and Lululemon. Its primary product offerings include sports casual shoes, outdoor boots, and sports sandals/slippers.

The corporate headquarters and R&D center are located in Zhongshan, with manufacturing facilities established in Vietnam, Indonesia, China, Dominica, and Myanmar. The trade settlement centers are primarily based in Hong Kong and Zhongshan.



# INDUSTRY SCALE

## Main products, services, and brands

The Company's main products are sports shoes, including sports casual shoes, outdoor boots and shoes, sports sandals/slippers.

The Company adopts the strategy of high-quality major customers, and the Company's main customers and service brands:

Service Brand	Brand Logo	Service Brand	Brand Logo
Nike		New Balance	
Adidas		Puma	
Converse		Asics	
Vans		Under Armour	
UGG		Reebok	
HOKA ONE ONE		Lululemon	
On			

## Global business layout



## Business data

By the end of 2025, Huali Group had **185,551** employees, and the Company had established more than **20** shoe-making factories in Vietnam, Indonesia, China, Myanmar and Dominica.

In 2025, the Company sold **227** million pairs of sports shoes, representing a year-on-year increase of **1.59%**. It achieved operating revenue of RMB **24.98** billion, up **4.06%** year-over-year, while net profit attributable to shareholders of the listed company amounted to RMB **3.207** billion, reflecting a **16.50%** decline compared to the previous year.

## CORPORATE HONORS AND AWARDS



Awarded the title of **“Advanced Collective of Zhongshan City”** by the Zhongshan Municipal Committee of the Communist Party of China and the Zhongshan Municipal People’s Government in 2025



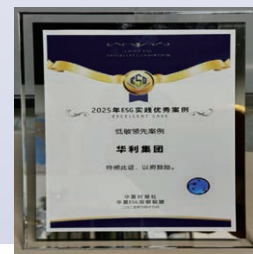
Awarded the **SSE Eagle•Golden Quality ESG Award** by Shanghai Securities News in 2025



Awarded the **ESG Best Practice Award** by New Fortune magazine in 2025



Awarded the **Outstanding Contribution Award** by brand client New Balance in 2025



Awarded the **ESG Best Practice Award** by China Times in 2025



Awarded the **Green Pioneer Exemplar Award** by Guangzhou Daily Press Group in 2025

# 03

## Sustainable Development Management

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## ESG GOVERNANCE STRUCTURE

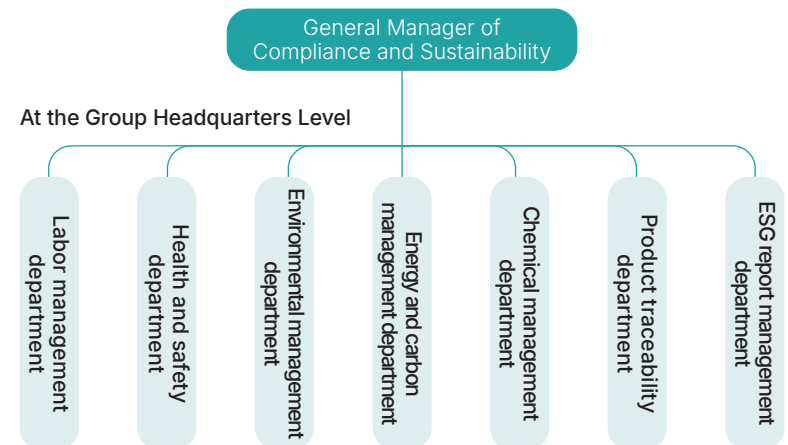
Huali Group has consistently positioned sustainable development as a pivotal component of its core business strategy. To ensure the effective implementation of ESG (Environmental, Social, and Governance) initiatives, we have established a robust management framework with clearly defined responsibilities across governance, management, and operational levels to facilitate orderly ESG execution.

ESG Governance Body	Role	Composition	Responsibilities
Board of Directors	The highest decision-making body	Members of Board of Directors	Guide the ESG strategic direction, authorize a professional ESG management team to oversee ESG-related matters, and review major ESG issues submitted by the ESG Committee.
ESG Committee	Involved in strategy formulation/oversight/reporting	The ESG Committee, composed of department heads from corporate headquarters and top executives from all business divisions	The Committee is responsible for participating in the formulation of ESG strategies/objectives and promoting the integration of ESG principles, guidelines, and daily operational management. Additionally, it reviews ESG-related matters and submits reports to the Board of Directors.
ESG Management Team	Coordinate and oversee ESG-related matters	The General Office of Compliance and Sustainability at the Group Headquarters	Responsible for coordinating group-wide ESG management at the headquarters level, formulating overall ESG strategies and targets, monitoring implementation, facilitating communication and coordination between the ESG Committee and departments, and reporting ESG matters to the ESG Committee regularly.
		Compliance and Sustainability Departments of Various Factories	Responsible for the implementation of ESG strategies and policies, assessing and formulating ESG-related risks and mitigation measures, developing detailed ESG work plans, conducting daily management of ESG-related matters at plant sites, organizing relevant departments to carry out ESG initiatives, and reporting to headquarters and manufacturing facilities.
ESG Execution Team	Execution	Composed of full-time or part-time personnel from the functional departments responsible for each topic.	Composed of full-time or part-time personnel from specialized functional departments and regional/operational execution units, this team is primarily responsible for driving and implementing ESG-related initiatives.

## ESG Management Team

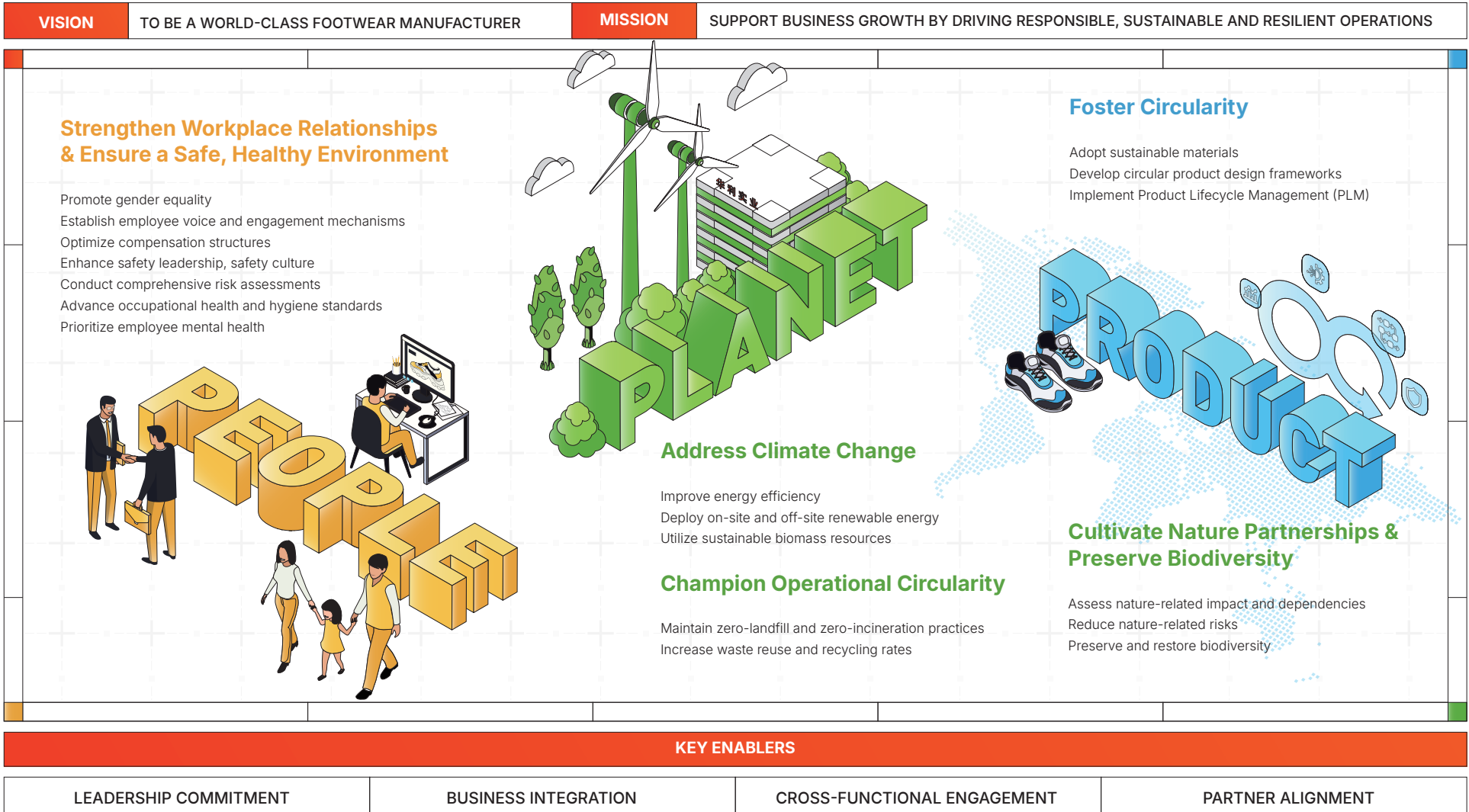
In its daily management and operational activities, Huali Group actively adopts and integrates ESG (Environmental, Social, and Governance) principles into its operations, continuously striving to refine and optimize its ESG management system. The Group has established dedicated compliance and sustainability departments not only at the headquarters level but also across all manufacturing facilities to centrally manage ESG-related initiatives. The team comprises numerous professionals with relevant certifications, all of whom have undergone systematic training in sustainability-related disciplines. Members possess in-depth expertise in the requirements of ISSB (International Sustainability Standards Board), GRI (Global Reporting Initiative), CSRD (Corporate Sustainability Reporting Directive), China's Ministry of Finance, and the Shenzhen Stock Exchange. The team maintains specialized staffing across multiple domains including climate change mitigation, circular economy, HSE (Health, Safety & Environment), and human resource management. Credentials held by team members include China Certified Safety Engineer, US Certified Safety Professional, US Certified Industrial Hygienist, Energy Manager Certification, and Greenhouse Gas Verifier Certification, ensuring comprehensive professional competency across the organization.

The organizational chart for Compliance and Sustainability is shown in the figure below:



# 2026-2030 SUSTAINABILITY STRATEGY

To achieve sustainable development, the Group has established clear strategic objectives aimed at balancing economic, environmental, and social responsibilities to drive long-term value creation. Below is the Group's Sustainability Strategy Map:



# SUSTAINABILITY METRICS AND TARGETS MANAGEMENT

## Targets and progress for 2025

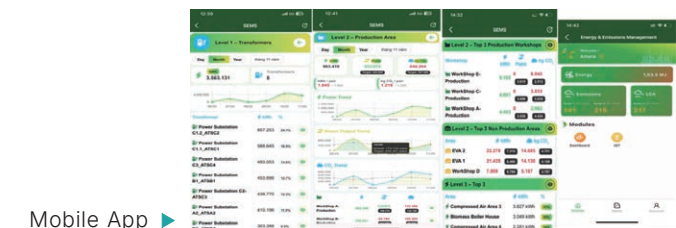
Core fields	Targets for 2025	Progress status for 2025
Climate Change and Energy Management	1. The absolute greenhouse gas emissions for Scope 1 and Scope 2 (market-based) will be maintained below 332,352 tons of CO <sub>2</sub> e	Scope 1 and Scope 2 (market-based) absolute greenhouse gas emissions totaled 309,489 tons of CO <sub>2</sub> e
	2. Scope 3 absolute greenhouse gas emissions from "Purchased Goods and Services" will be maintained below 848,657 tons of CO <sub>2</sub> e	Scope 3 absolute greenhouse gas emissions from "Purchased Goods and Services" totaled 508,333 tons of CO <sub>2</sub> e
	3. Energy consumption per unit product will be maintained below 4.00 kWh/pair	Energy consumption per unit product was 3.97 kWh/pair
Waste Treatment	1. Solid waste generation per unit product: below 191.5 g/pair	Solid waste generation per unit product: 188.8 g/pair
	2. Hazardous waste generation per unit product: below 18.2 g/pair	Hazardous waste generation per unit product: 17.86 g/pair
	3. Solid waste landfill to incineration ratio: 0	Solid waste landfill to incineration ratio: 0
	4. Recycling and reuse rate of solid waste: over 70%	Recycling and reuse rate of solid waste: 76.85%
Water Resources Management	1. Water consumption per unit product: below 9.2 L/pair	Water consumption per unit product: 9.08 L/pair
	2. Reuse rate of treated wastewater: over 77%	Reuse rate of treated wastewater: 77.74%
Occupational Health and Workplace Safety	1. Lost time injury rate: below 0.05	Lost time injury rate: 0.04
Security and Quality of Products	1. Product pass rate: over 99%	Product pass rate: 99.99%
	2. The average number of customer complaints per business unit will not exceed 3 cases	Number of customer complaints: 2 per business unit
Human Resource Management	1. Annual employee turnover rate: below 26%	Employee turnover rate: 25.66%
	2. Employee grievance resolution rate: 100%	Employee grievance resolution rate: 100%

The Group positions its information systems as the core tool and platform for ESG management, enabling efficient and accurate data collection and reporting to support the effective management of all ESG metrics and achievement of ESG targets. During the digital transformation process, we adhere to leveraging internal IT capabilities as the foundation while actively engaging external professional expertise for collaborative advancement, establishing an integrated ESG digital management framework.

In 2025, the Amara (Vietnam) Factory collaborated with the external professional organization ByECO<sub>2</sub> to develop the Amara Smart Energy Metering System (SEMS 1.0). This system serves as a one-stop energy and carbon emission management solution, enabling refined and intelligent monitoring of corporate electricity consumption and carbon emissions through core functionalities including smart meter hardware deployment, energy data management, multi-platform visualization, and automated alerts. Below are the relevant presentations of the system.



Web-based Dashboard



Mobile App

## SUSTAINABILITY ASSESSMENT AND REPORTING

At the beginning of each year, the General Office of Compliance and Sustainability of the Group enters into performance contracts with all factories within the Group. These contracts are established through comprehensive negotiations between headquarters and factory management, serving to define specific sustainability project objectives that each factory is required to achieve. Each project objective is assigned corresponding indicator weights to ensure the comprehensiveness and fairness of the assessment. The achievement of performance contract objectives will be directly linked to the assessment of factory managers at all levels, serving as a key metric in assessing their operational effectiveness.

Additionally, the General Office of Compliance and Sustainability has implemented a quarterly reporting mechanism to monitor progress, culminating in the submission of an annual ESG report to the ESG Committee. This report details the achievement of key indicators, advancements on critical issues, and strategic planning for the upcoming year. The Committee reviews the report from compliance and strategic perspectives before submitting it to the Board of Directors for final review. Building upon this foundation, the Board of Directors integrates sustainability performance into decision-making processes to ensure the long-term sustainability and compliance of the Group's development.

## DUE DILIGENCE

Huali Group is committed to integrating sustainable development principles into its operations, earnestly fulfilling its social and environmental responsibilities. Under the centralized management of the General Office of Compliance and Sustainability of the Group, the Company conducts comprehensive internal ESG due diligence across all subsidiary factories annually, strengthening compliance operations and risk management.

Internal due diligence covers the entire production lifecycle: environmental aspects focus on verifying energy conservation, emission reduction, pollution control, resource recycling, and environmental protection facility operations; social aspects emphasize employee rights, working conditions, occupational health and safety, and community relations; governance aspects examine management systems, compliance operations, and decision-making transparency to ensure alignment with regulations and industry best practices.

The Group has concurrently established a supplier due diligence system, extending ESG management across the entire supply chain. This system implements entry audits and annual reassessments, with a focus on verifying environmental compliance, labor practices, safety, and governance. On-site audits are conducted for critical suppliers, while non-compliant suppliers are required to implement corrective actions within specified timeframes. Cooperation with suppliers failing to meet rectification requirements will be terminated, thereby mitigating ESG risks at the source.

Furthermore, the Group mandates all factories to conduct annual self-assessment under the Social & Labor Convergence Program (SLCP) and complete third-party verification, while driving core suppliers to participate in parallel. This initiative aims to identify gaps, facilitate continuous improvement, and enhance the credibility of operational practices.

Through internal audits, supplier management, SLCP assessments, and third-party verification, the Group has established a comprehensive, end-to-end, and verifiable ESG management and control system. It strictly adheres to regulatory and client requirements, demonstrating its commitment to sustainable development through concrete actions.



# ASSESSMENT AND DETERMINATION OF TOPIC MATERIALITY

## Stakeholder Engagement

### Communication with Stakeholders



Huali Group places great emphasis on daily communication with all stakeholders, establishing diversified channels for dialogue to ensure the solicitation of opinions and suggestions from all parties. This approach safeguards their right to information and participation while enhancing their understanding of and trust in the Group. Building upon this foundation, we integrate stakeholder expectations and concerns into the company's strategic planning and daily operations, continuously improving and optimizing the sustainable development management system. Through collaborative efforts with all parties, we advance the realization of sustainable development goals.






### Stakeholder Questionnaire Survey

In November 2025, Huali Group distributed materiality assessment questionnaires to stakeholders, collecting 466 valid responses. This survey encompassed employees, customers, suppliers, shareholders and investors, regulatory authorities, and communities. Comprehensively focusing on the three key dimensions of Environmental, Social, and Governance (ESG), we extensively solicited stakeholders' evaluations of materiality and core demands regarding the Group's sustainability topics.

The collected feedback not only provides data support for the screening, evaluation, and prioritization of the Group's material topics, but also lays a solid foundation for subsequent optimization of the ESG management system, alignment with stakeholder expectations, and enhancement of sustainable development performance. This further facilitates the deep integration of stakeholder demands with the Group's operational development.

## Stakeholder Expectations and Responses

Stakeholders	Communication mode	Specific format/frequency	Content of focus	Huali's core response measures
 Shareholders/ investors	Report disclosure, meetings, and research	Annual ESG report Financial statement Annual performance briefing Conference call Field research	1. Corporate ESG governance 2. Protection of rights and interests of investors 3. Economic performance 4. Anti-bribery and anti-corruption	1. Establish an ESG Committee 2. Ensure shareholder dividends 3. Achieve sustainable development 4. Establish anti-bribery system
 Brand Client	Regular meetings, audits, seminars	Monthly progress alignment meeting ESG performance follow-up meeting Annual sustainable materials symposium Annual audit	1. Addressing climate change 2. Product safety and quality 3. Chemical safety 4. Sustainable material management 5. Human resource management 6. Ecosystem and biodiversity protection	1. Implement SBTi decarbonization targets 2. Establish a comprehensive quality control system across the entire process 3. Collaborate with ZDHC (Zero Discharge of Hazardous Chemicals)-approved organizations to promote chemical compliance with ZDHC standards 4. Promote the application of GRS/RCS-certified materials 5. Establish a regular employee needs survey mechanism to optimize living support facilities such as accommodation, catering, and medical services; increase investment in training and talent development initiatives 6. Conduct natural-related risk assessments for the Group and complete the TNFD (Taskforce on Nature-related Financial Disclosures) report

Stakeholders	Communication mode	Specific format/frequency	Content of focus	Huali's core response measures
 Government/ Regulatory Authorities	Compliance reporting, policy communication, meetings	Annual compliance report on environmental protection, labor, and safety Conducting special briefing sessions upon policy adjustments	1. Environmental compliance 2. Occupational health and workplace safety 3. Human resource management 4. Addressing climate change	1. In terms of environmental, health, and safety (EHS) compliance, ensure full awareness of applicable laws and regulations, strictly adhere to statutory requirements, and complete all government filings with regulatory agencies in a timely manner 2. Compliance with local labor laws and regulations 3. Implement SBTi decarbonization targets
 Employees	Questionnaire survey, meetings, training suggestion box	Quarterly employee town hall, monthly departmental briefing Annual ESG questionnaire Annual safety/skills training Suggestion box	1. Occupational health and safety 2. Human Resource Management	1. Implement the work safety responsibility system 2. Enhance the compensation and benefits system along with career advancement mechanisms, and establish a skills development platform
 Supplier	Conference, training, verification, management platform	Annual sustainability summit Annual ESG training Annual compliance audit (once per year)	1. Addressing Climate Change 2. Sustainable material management	1. Establish a supplier carbon management system, conduct carbon footprint accounting, and set emission reduction targets 2. Promote the application of GRS/RCS-certified materials in the supply chain
 Local community	Public welfare activities, symposiums, information disclosure	Quarterly environmental sanitation/infrastructure donation Annual environmental emissions/public welfare progress report	1. Pollutant emissions	1. Solid waste "zero landfill, zero incineration" 2. Environmental compliance
 Industry Association/ Organization	Meetings, training sessions, and exchanges	Annual ZDHC conference Ad hoc industry standard seminars Ad hoc engagements with third-party organizations	1. Raw material management	1. Promotion of sustainable materials 2. Sharing ESG practices

## Double Materiality Analysis and Validation

### Double Materiality Assessment Process

#### 01 Background Research

1. Review corporate business operations, production capacity layout, and supply chain structure
2. Analyze macroeconomic policies (trade, environmental protection, labor) and industry trends
3. Identify and prioritize stakeholders

#### 02 Establishment of Topic List

1. Based on the 21 topics outlined in the Guidelines, incorporate industry-specific topics
2. Identify risks, opportunities, and impact dimensions for each topic
3. Conduct cross-departmental review to form an initial topic list

#### 03 Materiality Assessment

1. Impact materiality: Multi-dimensional quantitative scoring (0-5 points)
2. Financial materiality: Quantitative assessment of financial impact magnitude × likelihood of occurrence
3. Dual-dimensional cross-verification

#### 04 Results Consolidation and Reporting

1. Determine the list of double materiality issues and prioritize them (clarify resource allocation weighting)
2. Develop a quarterly disclosure plan and improvement action plan
3. Finalize the analytical report and submit it for review by the ESG Committee

## Background Analysis and Topic List Establishment

The Company has referenced relevant domestic and international guidelines and standards, including the “Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange – Sustainability Report (Trial)”, the “Self-Regulatory Guidance No. 3 for Companies Listed on Shenzhen Stock Exchange – Preparation of Sustainability Report (2026 Revision)”, the “Guidelines for Sustainable Development Work of Chinese Listed Companies” (issued December 2025), the Global Sustainability Standards Board’s “Sustainability Reporting Standards” (GRI Standards), and the Chinese Academy of Social Sciences’ “China Corporate Sustainability Reporting Guidelines” (CASS-ESG 6.0) General Standards. By integrating these with the Company’s business relationships, operational context, and industry-specific characteristics, it has analyzed the sustainability challenges it faces and established a materiality issue identification mechanism. Through this mechanism, the Group has identified its key internal and external stakeholders and systematically screened 24 material issues that hold significant relevance to both corporate operations and stakeholder interests. Ultimately, the impacts, risks, and opportunities associated with these issues were identified and analyzed, as illustrated in the figure below.

### Topic List

Environmental		Social		Governance	
1	Addressing climate change	10	Rural revitalization and social contribution	18	Board Governance
2	Energy management	11	Innovation-driven	19	Risk management
3	Pollutant emissions	12	Supply chain management	20	Anti-unfair competition
4	Ecosystem and biodiversity protection	13	Product safety and quality	21	Anti-commercial bribery and anti-corruption
5	Environmental compliance management	14	Data security and customer privacy protection	22	Group ESG governance
6	Circular economy	15	Human Resource management	23	Economic performance
7	Chemical safety	16	Occupational health and workplace safety	24	Protection of rights and interests of investors
8	Waste management	17	Raw material management		
9	Water resources management				

**Analysis of Impacts, Risks, and Opportunities of Material Issues**

S/N	Topics	Impact	Opportunities/Risks	Scope of Impact	Time Range
1	Addressing Climate Change	Positive Actual: Enhancing business resilience and operational continuity Potential: Strengthening customer collaboration and revenue growth potential	Opportunity: Untapped market potential in low-carbon business	Upstream and downstream value chain	Medium to long-term
		Negative Actual: If the return on investment in emission reduction falls short of expectations, it may undermine the commercial value of such investments Potential: Low return on investment renders the commitment meaningless	Risk: Evolving climate change policies pose compliance risks		
2	Energy Management	Positive Actual: Reduced energy consumption directly cuts operational costs for enterprises Potential: Long-term energy efficiency advantages can enhance the appeal of green financing while simultaneously elevating corporate low-carbon brand image.	Opportunity: Long-term cost advantages from enhanced energy efficiency	Operating costs	Medium to long-term
		Negative Reality: The initial equipment investment during the energy transition phase is relatively high, exerting certain pressure on short-term cash flow Potential: Insufficient adaptability to transformation technologies may lead to risks of equipment idleness or increased operational complexity	Risk: Production disruption due to unstable energy supply		
3	Pollutant emissions	Positive Actual: Maintenance of operational management and mitigation of compliance risks Potential: Implementing sustainable development pathways to drive corporate transformation	Opportunity: Green production	Ecological environment	Continuous
		Negative Actual: Daily operation and maintenance cost investment in pollution control facilities Potential: Compliance risks arising from policy changes	Risk: Non-compliant emissions resulting in penalties and fines		
4	Ecosystem and biodiversity protection	Positive Actual: Maintain the ecological environment surrounding the industrial park Potential: Align with ecological conservation policy directives, likely to qualify for relevant subsidies or policy incentives	Opportunity: Supporting the development of an eco-friendly corporate brand	Ecological environment	Long-term
		Negative Actual: Ecological protection requirements restrict the scope of resource/land utilization, impacting corporate expansion Potential: Limited spatial options for corporate project expansion may decelerate the pace of certain business deployments	Risk: Compliance penalty risk due to ecological damage		
5	Environmental compliance	Positive Actual: Mitigate legal risks and enhance corporate reputation Potential: Driving technological innovation and efficiency enhancement while promoting sustainable development	Opportunity: Building a sustainable development pathway to strengthen trust among consumers, investors, and the public	Ecological environment	Continuous
		Negative Actual: Insufficient technical and managerial capabilities Potential: Increased complexity in multi-regional operations	Risk: Lack of environmental protection technical personnel or management experience may hinder effective compliance implementation and timely response to the iteration and updates of regulatory standards		
6	Water Resources Management	Positive Actual: Conserve water and reduce water extraction Potential: Supply chain risk management	Opportunity: Managing risks to sustain the operational environment of the enterprise	Ecological environment	Continuous
		Negative Actual: Water resource expenditure costs Potential: Increased regional water stress threshold	Risk: Increased costs associated with purchasing fresh water or wastewater treatment.		
7	Waste Management	Positive Actual: Mitigate the negative environmental impact of waste disposal processes Potential: Supply chain-driven innovation	Opportunity: Enhance waste recycling and reuse to foster the development of a circular economy	Ecological environment	Continuous
		Negative Actual: The volume of waste generated is substantial, with the majority of recycling dependent on third-party recovery channels Potential: Technical or policy constraints on waste recycling and reuse	Risk: Uncontrollable terminal disposal		
8	Circular economy	Positive Actual: Enhance resource reuse efficiency and reduce costs Potential: Strengthen the green supply chain image to attract environmentally-conscious customers and partners	Opportunity: Resource recycling builds long-term cost savings	Upstream and downstream value chain	Long-term
		Negative Actual: The initial phase of circular technology R&D requires substantial capital and human resource investments Potential: Technical implementation may fall short of expectations, potentially leading to resource waste	Risk: Incomplete circular supply chain may hinder corporate growth momentum		

S/N	Topics	Impact	Opportunities/Risks	Scope of Impact	Time Range
9	Chemical safety	Positive Actual: Ensuring the health of employees in daily operations and the safety of production activities Potential: Strengthening corporate security compliance reputation and mitigating industry safety incident-related public opinion risks	Opportunity: Standardized management enhances production safety	Employee health and production safety	Continuous
		Negative Actual: Increased direct and indirect costs for chemical compliance management Potential: Continuous iteration of chemical-related standards leads to increased compliance management adjustment workload	Risk: Potential safety incidents due to chemical leaks		
10	Rural revitalization and social contribution	Positive Actual: Strengthen external recognition of the Group's social value contribution Potential: Expanding rural market collaboration opportunities to enhance brand social impact	Opportunity: Optimizing the local business environment for enterprises	Community and society	Medium to long-term
		Negative Actual: Increased capital investment in rural revitalization projects has elevated corporate operating costs Potential: The project's implementation results may fall short of expectations, potentially undermining the brand's social credibility	Risk: Failure to meet project implementation expectations may trigger reputational risk		
11	Innovation-driven	Positive Actual: Enhance production efficiency and strengthen competitive market advantage Potential: Accumulate technical patent resources to establish industry technology barriers	Opportunity: Driving the development of high value-added products/technologies	Corporate competitiveness	Long-term
		Negative Actual: High capital investment in innovation R&D coupled with risk of project failure Potential: Extended commercialization cycle for innovation outcomes exerts pressure on short-term profitability	Risk: Competitive risk of innovation being replicated		
12	Supply chain management	Positive Actual: Ensuring efficiency and quality stability in product delivery Potential: Optimize the supply chain collaboration system to mitigate volatility's impact on long-term operations	Opportunity: Strengthening supply chain resilience to mitigate market volatility	Production and delivery	Medium to long-term
		Negative Actual: Increased cross-process coordination costs for supply chain optimization Potential: Fluctuations in delivery cadence during supply chain realignment may impact customer collaboration experience	Risk: Contingent risks arising from supplier ESG non-compliance		
13	Security and Quality of Products	Positive Actual: Maintaining the core customers' trust in the product directly Potential: Build a premium product reputation to attract new customers and market partners	Opportunity: Premium products facilitate customer acquisition and market share expansion	Clients and markets	Continuous
		Negative Actual: Increased costs in quality control inspections and quality assurance processes Potential: Industry quality standards upgrade, requiring additional equipment/technology investment to comply with new requirements	Risk: Product defect-induced recall or claim exposure		
14	Data security and customer privacy protection	Positive Actual: Enhance customer confidence in data security Potential: Strengthening compliance reputation to enhance long-term client collaboration and repurchase intent	Opportunity: Strengthening data security enhances customer trust	Customer trust and compliance	Continuous
		Negative Actual: The construction and operational maintenance costs of data security systems are relatively high Potential: Data security regulations are evolving, requiring additional investment to adapt to new compliance requirements	Risk: Compliance and reputational risks stemming from data breaches		
15	Human Resource Management	Positive Actual: Enhance current employee satisfaction and loyalty Potential: Attract top-tier talent to join the team, reducing long-term recruitment and employee turnover costs	Opportunity: Talent pool development to enhance corporate vitality	Human resources	Medium to long-term
		Negative Actual: Increased direct cost investment in employee benefits and training Potential: Higher welfare/training standards require sustained investment post-enhancement to maintain experience	Risk: Operational disruption risk due to key employee turnover		
16	Occupational health and workplace safety	Positive Actual: Reduce workplace accidents and ensure operational continuity Potential: Building a safe, supportive and responsible employer brand to enhance employees' sense of belonging and retention rate	Opportunity: A secure work environment enhances employee productivity	Employee safety and operations	Continuous
		Negative Actual: Increased costs for safety facility configuration and safety training Potential: New occupational safety regulations implemented, requiring upgrades to existing facilities to meet updated compliance standards	Risk: Production disruption and compensation exposure arising from workplace injuries		

S/N	Topics	Impact	Opportunities/Risks	Scope of Impact	Time Range
17	Raw material management	Positive Actual: Ensuring compliance and supply stability of raw materials Potential: Strengthen supply chain compliance to mitigate the ripple effects of upstream raw material risks	Opportunity: A stable supply chain serves as the foundation for production activities	Supply chain and production	Continuous
		Negative Actual: Increased costs for raw material compliance testing Potential: Tightening compliance standards for raw materials may drive up procurement costs for compliant materials	Risk: Product quality risks arising from non-compliant raw materials		
18	Board governance	Positive Actual: Enhances the scientific rigor of decision-making and standardizes corporate operations Potential: Strengthen investor confidence in the enterprise and enhance the brand's capital market recognition	Opportunity: Standardized governance enhances corporate credibility	Enterprise management	Long-term
		Negative Actual: Administrative communication for governance process optimization, increased process costs Potential: Temporary decline in decision-making efficiency during the new governance process alignment phase	Risk: Inadequate governance structure may lead to decision-making errors		
19	Risk management	Positive Actual: Systematically mitigate the immediate risks of current operational disruptions Potential: Enhancing long-term risk resilience for enterprises and strengthening trust among stakeholders (customers/investors)	Opportunity: Ensuring steady and sustainable business growth	Business operation	Continuous
		Negative Actual: Direct investment in funds and labor costs for the construction of the risk management system Potential: Ongoing investment is required for system maintenance and standard upgrades, while excessive control may temporarily impact operational efficiency	Risk: Potential loss exposure due to incomplete risk identification		
20	Anti-unfair competition	Positive Actual: Maintain a fair competitive order in the industry market Potential: Enhance corporate compliance reputation and attract partners and investors who prioritize regulatory adherence	Opportunity: Strengthening trust with partners and investors	Market and compliance	Continuous
		Negative Actual: Increased costs for compliance oversight and anti-competitive behavior review Potential: Additional resources required to comply with newly implemented competition regulations	Risk: Penalty risks arising from unfair competition practices		
21	Anti-commercial bribery and anti-corruption	Positive Actual: Effectively mitigate legal risks associated with commercial bribery Potential: Strengthen internal compliance culture within the enterprise and enhance the brand's reputation for integrity in the market.	Opportunity: Enhancing the positive image of corporate compliance operations	Legal and compliance	Continuous
		Negative Actual: Increased human and oversight costs for anti-bribery control procedures Potential: Long-term operational and maintenance costs of the anti-corruption oversight system, or cumbersome procedures impacting operational efficiency	Risk: Legal and reputational risks following exposure of bribery practices		
22	Corporate ESG governance	Positive Actual: Driving ESG goal implementation, enhancing transparency in corporate information disclosure, and leveraging reporting to improve management Potential: Strengthening corporate sustainability resilience and aligning with international ESG Standards to expand global collaboration	Opportunity: Attracting ESG investments and enhancing market credibility	Corporate strategy and reputation	Long-term
		Negative Actual: The initial capital and resource investment for ESG governance system construction is relatively high Potential: Additional costs required to comply with upgraded international/industry ESG standards	Risk: Failure to meet ESG targets may trigger market skepticism		
23	Economic benefits	Positive Actual: Generated revenue can directly support ESG investments, ensuring a sustainable development pace Potential: Enhanced long-term financial stability, strengthening corporate resilience against cyclical risks	Opportunity: Pursuing long-term stable sustainable returns	Finance and strategy	Long-term
		Negative Actual: Short-term ESG investments partially utilize profit resources Potential: Short-term performance fluctuations may impact the confidence of certain shareholders temporarily	Risk: Declining profitability may result in insufficient ESG investment		
24	Protection of rights and interests of investors	Positive Actual: Enhance capital market confidence in enterprises Potential: Attracting long-term value investors to optimize shareholder structure	Opportunity: Robust protection mechanisms facilitate lower financing costs	Investor relations	Long-term
		Negative Actual: Compliance procedures for investor rights protection, increased costs of information disclosure Potential: Enactment of new investor rights protection regulations and policies may necessitate additional resource allocation to comply with updated requirements	Risk: Equity impairment may trigger reputational and financing risks		

## Double Materiality Assessment

### Impact Materiality Assessment

The Group evaluates the positive and negative impacts of material issues across multiple dimensions, including: scale of impact (i.e., the extent of impact), scope (i.e., the breadth of impact), irremediability (i.e., the reversibility of impact – this dimension applies exclusively to negative impacts), and likelihood of occurrence. Each dimension is scored on a 0 to 5-point rating scale.

**Evaluation Dimensions:** Positive Impact (Scale/Scope/Likelihood of Occurrence), Negative Impact (Scale/Scope/Irremediability/Likelihood of Occurrence);

**Scoring Criteria:** 0-5 points (0 = No Impact, 5 = Extremely Severe/Global Scale/Irremediable/Highly Probable);

**Scoring Formula:** Impact Materiality Score = (Positive Impact Score + Negative Impact Score) ÷ 2 (where both Positive Impact Score and Negative Impact Score are the average scores of respective dimensions, with values rounded to two decimal places);

**Materiality threshold:** ≥4 points (i.e., scores ≥4 indicate “topics with impact materiality”);

**The list of topics with impact materiality is as follows:**

Scope	S/N	Topic Name	Scope	S/N	Topic Name
Environmental	1	Addressing Climate Change	Social	12	Security and Quality of Products
Environmental	2	Energy Management	Social	13	Human Resource Management
Environmental	3	Pollutant emissions	Social	14	Occupational health and workplace safety
Environmental	4	Ecosystem and biodiversity protection	Social	15	Raw material management
Environmental	5	Environmental compliance management	Governance	16	Board governance
Environmental	6	Circular economy	Governance	17	Anti-commercial bribery and anti-corruption
Environmental	7	Chemical safety	Governance	18	Corporate ESG governance
Environmental	8	Water Resources Management	Governance	19	Economic benefits
Environmental	9	Waste Management	Governance	20	Protection of rights and interests of investors
Social	10	Innovation-driven	Governance	21	Risk management
Social	11	Supply chain management			

### Financial Materiality Assessment

The Group evaluates the potential impacts of specific issues on its business model, operational activities, strategic development, financial position, operating results, cash flows, financing methods, and associated costs in the short, medium, and long term. The internal finance department evaluated these issues across two dimensions: the magnitude of impact and the probability of occurrence (likelihood). The evaluation adopts a 0 to 5-point scoring system, where the Financial Materiality Score is calculated as: Financial Materiality Score = Impact Magnitude Score × Likelihood Score/5.

#### Scoring Rules

**Evaluation Dimensions:** Likelihood of Financial Impact (0-5 points), Magnitude of Financial Impact (0-5 points, based on net profit impact);

**Scoring Formula:** Financial Materiality Score = (Impact Magnitude Score × Likelihood Score) ÷ 5;

**Materiality threshold:** ≥3 points (i.e., scores ≥3 points indicate “topics with financial materiality”);

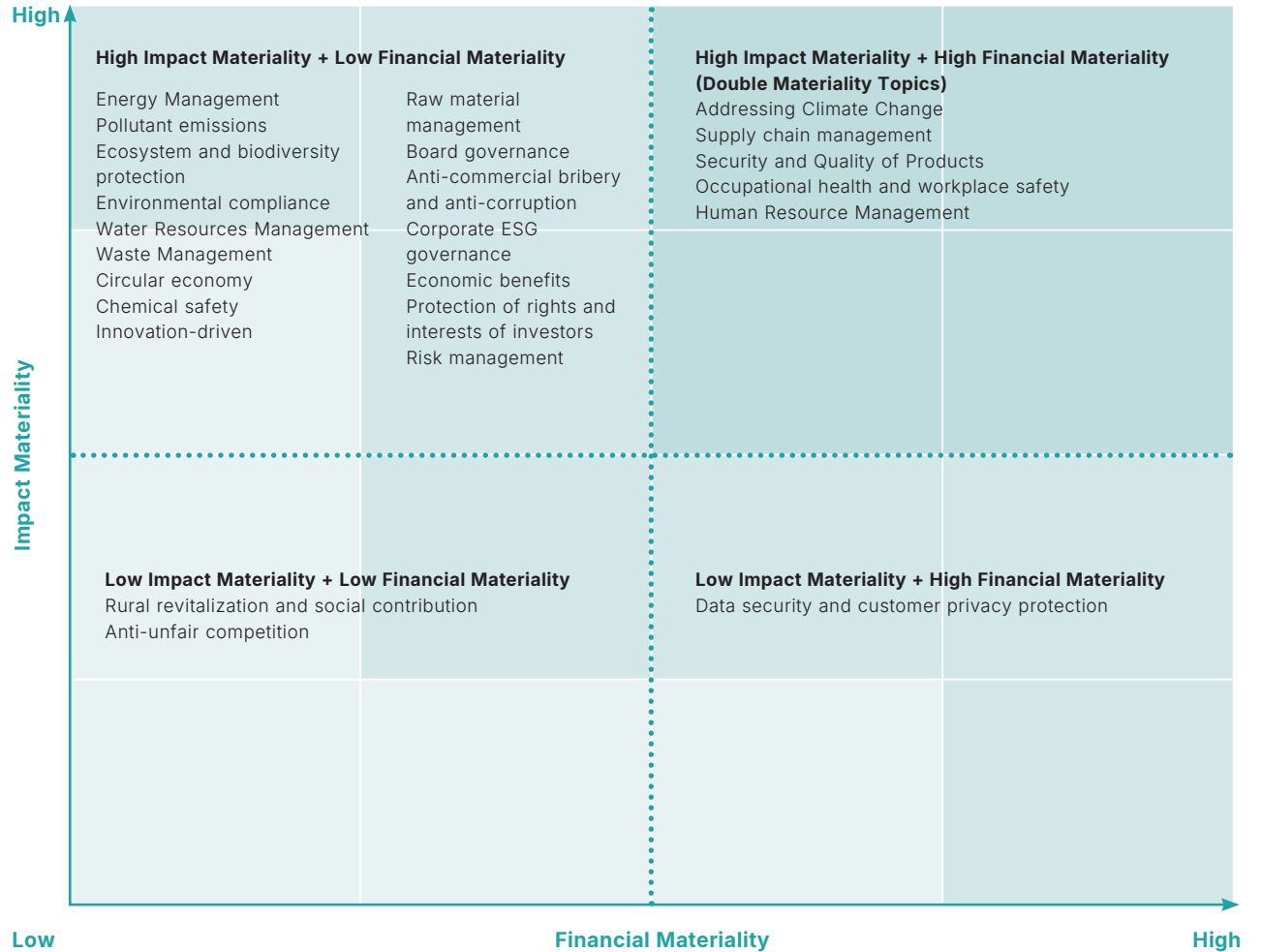
**The list of topics with financial materiality is as follows:**

S/N	Topic Name
1	Addressing Climate Change
2	Supply chain management
3	Security and Quality of Products
4	Human Resource Management
5	Occupational health and workplace safety
6	Data security and customer privacy protection

## Results Consolidation and Reporting

The Group conducted quantitative analysis on the evaluation results of impact materiality and financial materiality, presenting the overall materiality and priority of each issue in a matrix format. Among the 24 materiality topics, 5 are classified as double materiality topics, and 1 is identified as a financial materiality topic.

The figure illustrates the Group's 2025 Materiality Matrix:



# 04

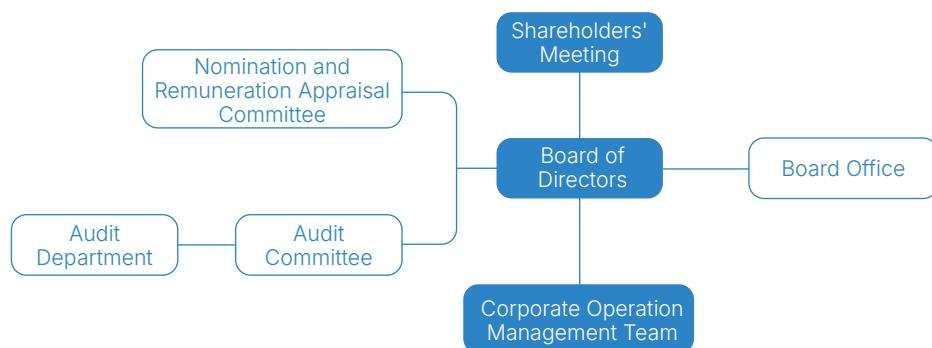
## Governance

- 27 Corporate governance
- 28 Diversification of the Board of Directors Structure
- 29 Protection of rights and interests of investors
- 30 Anti-commercial bribery and anti-corruption
- 31 Anti-unfair competition
- 32 Risk management
- 34 Internal Control
- 34 Audit



# CORPORATE GOVERNANCE

In 2021, Huali Group was officially included in the sample stock list of the SZSE Component Index, the Growth Enterprise Index, and the SZSE 100 Index (collectively referred to as the SZSE "1+2" Core Index). The Company strictly adheres to the relevant provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, and the Articles of Association of the Company, and has established a corporate governance structure consisting of the Shareholders' Meeting, the Board of Directors, each special committee and the executive management team. Meanwhile, according to laws and regulations, and relevant requirements of the China Securities Regulatory Commission and Shenzhen Stock Exchange, the Company has established and improved internal control systems such as the Related Transaction Management System, the External Guarantee Management System, and the Foreign Investment Management System in combination of the organizational structure, industry characteristics, operation mode and the Company's operation and development needs, covering the management of subsidiaries, foreign investment, financial management and other matters, to ensure that all the work carried out by the Company has rules and regulations to effectively guard against operating risks. In 2025, the Company continued to improve the corporate governance structure and the system for safeguarding shareholders' rights and interests. It also has improved the Company's internal control management system and business processes, providing guarantees for the compliant and orderly production and operation activities as well as sustainable development of the Company.



## Shareholders' Meeting

The Shareholders' Meeting is the authoritative body of the Company and exercises the highest decision-making power on major matters of the Company. The Company strictly adheres to the relevant provisions of laws, regulations, normative legal documents, and the Articles of Association in standardizing the procedures for convening, holding, and voting at shareholders' meetings, ensuring that all shareholders equally enjoy the rights to information and voting on material matters as stipulated by laws and regulations. All Shareholders' Meetings adopt the combination of on-site voting and online voting to facilitate shareholders' exercise of their rights. Additionally, lawyers will be present to witness the convening of Shareholders' Meetings, ensuring that the legitimate rights and interests of all shareholders, especially minority shareholders, are not infringed.

In 2025, the Company convened three shareholders' meetings.

## Board of Directors<sup>1</sup>

The Board of Directors is the executive body of the resolutions of the Shareholders' Meeting and is accountable to the Shareholders' Meeting. As of the end of 2025, the Board of Directors consists of 13<sup>2</sup> directors, including 4 female directors. The Board of Directors contains 5 independent directors, with professional backgrounds in accounting, law, etc. They are required to participate in professional training organized by relevant regulatory authorities, familiarize themselves with relevant laws and regulations, and fulfill their responsibilities objectively, fairly, and independently to safeguard the interests of the Company and shareholders, especially minority shareholders. The Company strictly adheres to the director election procedures stipulated in the "Company Law of the People's Republic of China" and its Articles of Association. In alignment with its business model and developmental requirements, the company emphasizes diversified board composition – encompassing but not limited to gender, age, cultural and educational background, geographic origin, professional experience, skills, and expertise – to enhance the scientific rigor and representativeness of decision-making.

Under the Board of Directors, there is a Secretary of the Board of Directors, responsible for handling the daily affairs of the Board of Directors. Under the Board of Directors, there is the Audit Committee and the Nomination and Remuneration Assessment Committee. The special committees of the Board of Directors perform their duties in strict accordance with the Working Rules of the Special Committees of the Board of Directors, operate in compliance with laws and regulations, and provide robust support for the scientific decision-making of the Board of Directors.

In 2025, the Company held 6 board meetings.

## Senior Management<sup>1</sup>

The CEO, General Manager, Deputy General Manager, Chief Financial Officer (Financial Head), and Secretary of the Board of Directors of the Company are senior management personnel of the Company and together form the Company's executive management team. The Company has one CEO, one general manager, several deputy general managers, one chief financial officer (financial head) and one secretary of the Board of Directors, all of whom are appointed or dismissed by the Board of Directors, and perform their corresponding duties in strict accordance with the Articles of Association, Working Rules of the CEO, Working Rules of the Chief Financial Officer and Working Rules of the Secretary of the Board of Directors, and facilitate the effective execution of the Company's daily operating and management activities.

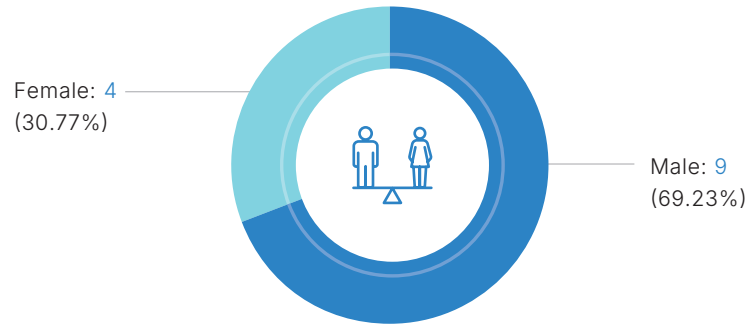
Note 1: For details about the gender, age and remuneration of directors and senior managers of the Company, please refer to the 2025 Annual Report of the Company.

Note 2: On January 19, 2026, the Company duly completed the Board of Directors reelection in accordance with statutory procedures. To enhance the operational efficiency of the Board of Directors and optimize the corporate governance structure, the Company has implemented adjustments to the size and composition of the Board. The newly elected Board of Directors consists of 9 members, including 3 independent directors and 1 employee representative director.

## DIVERSIFICATION OF THE BOARD OF DIRECTORS STRUCTURE

As of the end of 2025, the Board of Directors of Huali Group consists of 13 members, featuring a diverse and balanced composition in terms of gender, position, expertise, and age structure. The board maintains internal-external checks and balances with complementary experience, ensuring scientific and standardized decision-making.

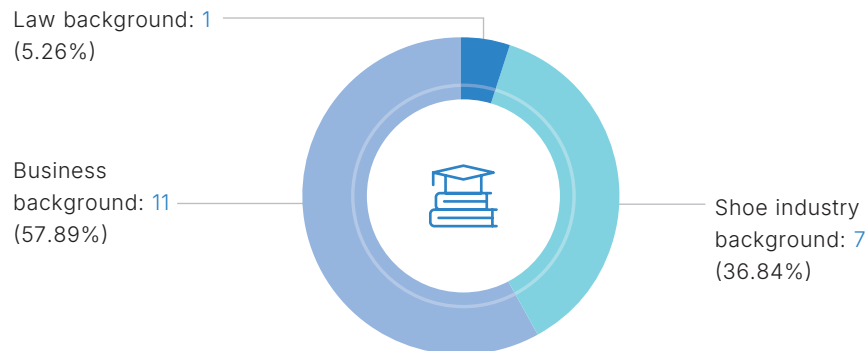
### Gender Structure Distribution



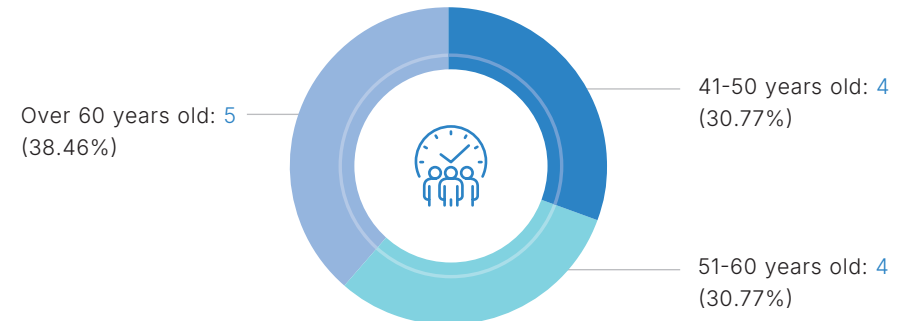
### Position Structure Distribution



### Professional Background Distribution



### Age Structure Distribution



# PROTECTION OF RIGHTS AND INTERESTS OF INVESTORS

## Information Disclosure

The Company has fulfilled its obligation of information disclosure in accordance with the law, continuously strengthened the professionalism and accuracy of information disclosure, and enhanced transparency and communication efficiency. In 2025, the Company disclosed 174 documents to the public on the Shenzhen Stock Exchange website (www.szse.cn), CNINFO (www.cninfo.com.cn), and other information disclosure websites designated by regulatory authorities for GEM companies, including intermediary opinions, and institutional documents, among which 78 were announcement documents.

The Company has received an **A-level** rating in the information disclosure assessment of GEM companies on the Shenzhen Stock Exchange **for four consecutive years** since its listing.



## Investor Relations Management

The Company has established a “regular + ad hoc” investor research communication mechanism, maintaining long-term, stable, and high-frequency in-depth interactions with various domestic and international investors. Through diversified channels such as investor visits, analyst meetings, earnings briefings, brokerage strategy sessions, the Shenzhen Stock Exchange Interactive Platform, and on-site shareholder meetings, the company proactively communicates its operational performance and future development plans to investors, ensuring timely and equitable access to information. The Company has established an analyst communication workflow, promptly organizing analyst meetings following the disclosure of periodic reports, quarterly reports, and other significant matters. These sessions facilitate detailed discussions on operational and related company information, guiding investors toward accurate interpretation of corporate announcements.

To facilitate investors’ intuitive understanding of footwear manufacturing processes and provide comprehensive insights into the Company’s operational realities, we organized a tour at our factory in Emeishan City, Sichuan Province for investor representatives in May, 2025.

In 2025, the Company conducted 100 surveys (strategy meetings, site visits, conference calls, etc.) and answered 98 investor questions through the online platform of the Shenzhen Stock Exchange, with a response rate of 100%.

## Return to Investors

While strengthening its management and continuously improving operational efficiency, the Company values shareholder investment returns. Since going public, the Company has taken cash distribution as an important way to achieve shareholder returns and continuously and steadily distributed profits to investors, maintaining and ensuring the investment value of shareholders.

In 2022, the Company’s cash dividend payout ratio stood at **43.38%** of its annual net profit. In 2023, the cash dividend distribution accounted for **43.76%** of the annual net profit. The year 2024 saw a cash dividend payout ratio of **69.97%** relative to net profit. For 2025, an interim dividend was introduced, with the semi-annual cash dividend representing **69.83%** of the period’s net profit.

# ANTI-COMMERCIAL BRIBERY AND ANTI-CORRUPTION

## Upholding compliance as the bottom line and fortifying integrity as the foundation

Huali Group consistently upholds integrity and compliance as its core business principles, maintaining an unequivocal stance against bribery and corruption. The Group strictly adheres to relevant laws and regulations worldwide, deeply integrating compliance requirements into corporate governance and end-to-end business operations. We have not only established comprehensive policy documents such as the Anti-Bribery & Corruption Policy and Employee Handbook, but also actively demonstrated responsible business conduct through concrete actions. Our compliance framework is strategically integrated with corporate social responsibility initiatives and sustainable development strategies, upholding the highest standards of business ethics.

To establish a comprehensive risk prevention and control system across the entire value chain, the Group has implemented a robust internal control and supervision mechanism. We conduct regular internal compliance-focused audits to accurately identify potential violations and disciplinary risks, ensuring the integrity and security of financial and asset management.

Meanwhile, we facilitate diversified oversight channels and encourage all employees to participate in compliance monitoring. A dedicated task force has been established to oversee closed-loop handling of complaint cases. Multiple reporting channels have been implemented, including a dedicated email (anti.corruption@huali-group.com), regional hotlines (Vietnam: +84 97 – 4563525; China: +86 760 – 86181068), and on-site suggestion boxes, ensuring employees can conveniently and securely report compliance violations. The Group strictly safeguards whistleblower confidentiality and resolutely prohibits retaliatory actions. For any substantiated cases of bribery or corruption, we consistently uphold the principles of prompt investigation and impartial resolution.

In 2025, the Group continued to strengthen compliance capacity building, with a total of 123,765 employees receiving anti-bribery and anti-corruption training, accounting for **66.7%** of the total workforce. Among management personnel who underwent anti-bribery and anti-corruption training, the total number of deputy manager-level and above participants reached 808, achieving a **100%** participation rate for deputy manager-level and above executives. During the reporting period, the Group did not encounter any incidents of commercial bribery or embezzlement.

Moving forward, we will continue to refine our compliance management system, deepen the cultivation of a compliance culture, and uphold the integrity foundation of our enterprise with a zero-tolerance approach, thereby contributing to the development of a compliant ecosystem within the industry.



## ANTI-UNFAIR COMPETITION

Anti-unfair competition management refers to an enterprise's comprehensive governance system that, in accordance with laws and regulations such as the "Anti-Unfair Competition Law of the People's Republic of China", adheres to the principles of voluntariness, equality, fairness, good faith, and business ethics. Through institutional development, process control, training programs, supervision mechanisms, and risk prevention measures, it prevents, deters, and addresses acts including commercial confusion, commercial bribery, false advertising, trade secret infringement, and commercial defamation. This system safeguards fair market competition, protects the legitimate rights and interests of businesses and consumers, and enhances corporate compliance standards and commercial reputation.

As an OEM manufacturer, the Company prioritizes the prevention of unfair competition risks, including trade secret leakage, intellectual property infringement, commercial bribery, false advertising, and supply chain transmission, while strictly adhering to fair competition and business ethics standards. To uphold market fairness, safeguard legitimate rights and interests, enhance commercial credibility, and mitigate legal risks, Huali Group continued to strengthen compliance management in 2025 by establishing a robust prevention and response mechanism against unfair competition.

### The Group has implemented the following specific countermeasures:

#### 1. Trade secret protection

- 1) Establish a trade secret management system to standardize information confidentiality obligations for employees and partners. All employees of the Group have signed the "Huali Group Non-Disclosure Agreement" to ensure the confidentiality of client and third-party information, with strict prohibitions against unauthorized disclosure.
- 2) Establish a data security management system and implement physical and technical confidentiality measures, such as surveillance systems (CCTV), access control, document encryption, and permission management.

#### 2. Supplier and partner management

Sign the "Huali Supplier Code of Conduct" with suppliers, requiring them to adhere to fair competition principles, strengthen supply chain compliance, conduct regular monitoring, and prevent improper benefits transfer.

### Anti-unfair performance in 2025

During the reporting period, there were **zero** cases of litigation or significant administrative penalties resulting from the Company's unfair competition practices, with no involved parties and no administrative penalties imposed.

#### 1. Zero legal litigation:

In 2025, the Company did not engage in any litigation cases related to unfair competition.

#### 2. Employee training coverage:

All employees signed the "Huali Group Non-Disclosure Agreement" to strengthen accountability awareness, with a 100% signing rate achieved in new employee training.

#### 3. Whistleblowing mechanism enhancement:

To ensure the effectiveness of the ethics and compliance system, the Company continuously enhances its whistleblowing and grievance mechanisms. We have established a multi-channel reporting platform (including dedicated hotlines, confidential email addresses, etc.) to ensure that both internal and external stakeholders can conveniently and securely report concerns. All whistleblower information is strictly confidential to prevent retaliation. In 2025, we did not receive any reported cases.

### Strengthen industry collaboration and self-regulation:

Promote industry self-regulation: Advocate for and drive industry self-discipline, standardize market order, and jointly uphold a fair competitive environment.

In summary, when confronted with unfair competition, the Group employs a comprehensive approach integrating legal, technological, and managerial measures to strengthen self-protection and enhance competitiveness. Meanwhile, by strengthening industry collaboration and self-regulation, we jointly uphold market order and foster a fair competitive environment, thereby contributing to the healthy development of the sector.

# RISK MANAGEMENT

In terms of risk governance, Huali Group has established a comprehensive risk management system with clearly defined responsibilities and authorities that complies with international governance standards. This framework adopts a “Three Lines of Defense” structure, clearly delineating risk management responsibilities and collaboration mechanisms across all levels. It establishes the Board of Directors as the supreme decision-making and oversight body of the risk management system. Under the Board’s authorization, the Audit Committee performs professional oversight functions regarding the establishment, operation, and effectiveness of the risk management framework.

The first line of defense consists of business units and corporate functions, serving as direct risk owners and frontline managers responsible for implementing risk identification, assessment, and control measures in daily operations.

The second line of defense refers to the Group’s risk management department and its specialized teams, which undertake professional support functions including system design, standard setting, overall coordination, as well as risk monitoring and reporting.




The third line of defense consists of the Board of Directors and its authorized Audit Committee. The Board is responsible for major risk management decisions and top-level oversight, while the Audit Committee operates independently from executive management, reporting directly to the Board. Its mandate includes conducting independent audits, evaluations, and verifications of the effectiveness of risk management and internal controls implemented by the first two lines of defense.

## Impact, Risk, and Opportunity Management

Huali Group implements comprehensive risk management at the corporate level, conducting systematic annual assessments of potential existing and emerging risks. This process encompasses five key steps: risk identification, risk analysis and evaluation, risk response, as well as monitoring and improvement. This process encompasses all aspects of corporate operations, designed to achieve comprehensive closed-loop risk management through identifying and analyzing internal/external risks and their impacts, while conducting periodic reviews to optimize the adequacy and effectiveness of existing control measures. This dynamic process provides a solid foundation for the Company’s business continuity and robust growth, supporting the achievement of overarching strategic objectives and sustainable development.



## Material Risk Identification Results

 Risk Type	 Risk Description	 Response Measures
International trade risks	Geopolitical risks, significant changes in the economic environment of major importing countries, weakening consumer demand, or substantial alterations in trade and tariff policies between exporting and importing nations may materially impact the Company's business development.	On one hand, the Company will actively expand production capacity beyond Vietnam; on the other hand, it will continue to develop new clients, optimize corporate structure, and thereby enhance profitability and risk resilience.
Cross-border operational risk	Cross-border operations are significantly impacted by the varying policies of different countries and regions. Political situations, trade barriers, economic crises, and even unforeseen events can all influence corporate development, thereby affecting capacity expansion plans and profitability levels.	The Company will maintain close communication with local governments and consultants, monitor changes in local laws, policies, and customs, and continuously enhance its international operational management capabilities.
Risk of rising labor costs	Given that Vietnam, the Company's primary production hub, currently enjoys relatively low labor costs, the ongoing economic development of the country – coupled with the increasing relocation of manufacturing operations by various enterprises to Vietnam – has led to a steady rise in Vietnamese labor expenses. If the Company fails to effectively address the challenges posed by rising labor costs and implement reasonable planning and strategic deployment, it will adversely impact the Company's operational profitability.	The Company will continuously increase investment in automation equipment, improve tooling and fixtures, and optimize process technologies to enhance production efficiency and mitigate the impact of rising labor costs.
Customer concentration risk	Should the primary clients of the Company experience material adverse changes in their operations, or should the Company's products fail to effectively meet the requirements of said clients, this would materially and adversely impact the Company's business development.	On one hand, the Company will continue to strengthen its competitive advantages in development and design capabilities, rapid production and delivery capabilities, and deepen relationships with existing premium clients. On the other hand, the Company will actively expand its new customer base.
Risk of production base concentration	The Company's primary manufacturing facilities are currently concentrated in Vietnam. Should significant changes occur in the country's political climate, economic conditions, or investment/trade environment, this could materially impact the Company's business operations and growth prospects.	The Company will implement a multi-site operational strategy to mitigate risks.
Risk of failure to achieve expected returns on capital-raising investment projects	In the event of sudden incidents such as political instability, trade disputes, economic crises, significant fluctuations in foreign exchange rates, wars, armed conflicts, and political, military, or diplomatic tensions in the country where the project is located, the smooth implementation of the Company's overseas fundraising projects may be adversely affected. This could lead to risks associated with project timelines and outcomes falling short of expectations, potentially exerting a negative impact on the Company's operational performance.	The Company will strictly comply with relevant regulations, prioritize projects based on urgency and importance, and effectively manage and utilize the raised capital. It will steadily advance the construction of capital investment projects while mitigating implementation risks associated with these initiatives.
ESG risk	The Company may face operational risks such as compliance crises, financial losses, or reputational damage due to poor environmental, social, and governance (ESG) performance.	It will integrate ESG principles deeply into corporate strategy and daily operations, transforming risks into opportunities for enhancing long-term value and competitive advantage through proactive management and transparent disclosure.

## Fostering a Risk Management Culture

Leveraging a robust risk management framework, we have comprehensively integrated risk management principles into daily operations while continuously fostering a risk management culture. We incorporate critical risk management metrics such as product quality, information and data security, labor, and EHS (Environment, Health & Safety) into the routine performance evaluation framework of our departments.

Through regular risk management training and awareness campaigns, we enhance all employees' risk awareness and response capabilities, ensuring that every position can effectively identify and manage potential risks. At the same time, we have established incentive mechanisms for risk management to encourage employees to actively participate in risk prevention and control, fostering a positive environment where all staff are engaged in collectively addressing risks.



## INTERNAL CONTROL

We conduct risk management through scientific and systematic operational mechanisms, implementing risk identification, assessment, and control measures. Through regular reporting and communication, we ensure the entire risk management process operates effectively with closed-loop circulation, effectively preventing, mitigating, and appropriately assuming or leveraging encountered risks. Internal control serves as the cornerstone of our risk management framework, providing robust procedural and institutional safeguards for the Company's stable operations. The Group's Internal Audit Department, as an independent auditing function, annually evaluates the Company's existing processes based on risk-oriented principles, and conducts internal audits on high-risk business processes or departments within the global operational scope.



## AUDIT

The Board of Directors of the Company has an Audit Committee to lead the internal audits of the Company in a unified way. The Audit Department conducts internal audit under the leadership of the Audit Committee and maintains a high degree of independence. The Audit Department conducts independent and objective evaluations on the appropriateness and effectiveness of the Company's business activities, internal controls and risk management, the authenticity and integrity of financial information, and the efficiency and effectiveness of business activities.

The Audit Department will prepare an annual audit plan based on risks, which shall be implemented after being approved by the Audit Committee. The Audit Department reports its work to the Audit Committee quarterly, including the implementation of the audit plan and the problems found in internal audits. In cases involving the improvement and perfection of corporate governance, the Audit Committee reports to the Company's board of directors, and the Company's Board of Directors for relevant resolutions on the improvement and perfection of governance, so as to achieve the goals of promoting the improvement of corporate governance and ensuring the smooth operation of the Company.

On the basis of daily supervision and special supervision, the Audit Department organizes and implements the evaluation of the Company's internal control, which covers all the business and matters of the Company, and makes an independent and objective evaluation of the design and operation effectiveness of the Company's internal control, so as to achieve the goals of promoting the continuous improvement and perfection of the Company's internal control.

In the process of internal audits, the Audit Department actively introduces the knowledge and practice of corporate governance such as internal control and risk management to the audited unit or department, assists the staff of the audited unit or department in deepening their understanding of the knowledge of corporate governance such as internal control and risk management, and enhances their application ability in internal control and risk management.

# 05

## Environment

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# ADDRESSING CLIMATE CHANGE

## Governance

Addressing climate change as a core sustainability issue has been fully integrated into Huali Group's business strategy and enterprise-wide management processes. The Group has established a three-tier governance framework comprising board-level strategic decision-making, specialized departments for coordinated advancement, and implementation teams for on-the-ground execution. This is complemented by science-based carbon targets and performance-linked incentive mechanisms, creating a closed-loop management system of "strategy-execution-evaluation" to drive the realization of low-carbon transformation objectives.

### Board of Directors: Strategic Decision-Making and Oversight

The Group has integrated climate change management into its highest governance level, with direct oversight by the Board of Directors:

1. The General Office of Compliance and Sustainability annually submits and presents updated environmental policies to the Board of Directors, reports on the achievement of annual environmental indicators, and provides special reports on major climate initiatives such as SBTi target attainment and TCFD risk-opportunity analysis. The Board reviews and approves relevant significant operational matters.
2. In 2025, the first climate change report was issued in accordance with the TCFD framework.

### Implementation Level: ESG Task Force Oversees Execution

1. We have established an ESG task force composed of full-time personnel from key departments such as the Board Office, General Manager's Office, Human Resources, and Procurement, under the leadership of the General Manager of the General Office of Compliance and Sustainability.
2. We have established regular meetings and reporting mechanisms to synchronize progress on climate-related issues, track completion of key performance indicators, and outline next-quarter work plans, ensuring efficient decision implementation.

## Huali Group Climate Governance Structure

**Highest decision-making body:**  
Members of Board of Directors

Board of Directors

Guide the ESG strategic direction, authorize a professional ESG management team to oversee ESG-related matters, and review material ESG issues submitted by the ESG Committee

**Participation in strategy formulation/oversight/reporting:**

ESG Management Committee composed of department heads from corporate headquarters and top executives from all business divisions

ESG Committee

The Committee is responsible for participating in the formulation of ESG strategies/objectives and promoting the integration of ESG principles, guidelines, and daily operational management. Additionally, it reviews ESG-related matters and submits reports to the Board of Directors

**Overseeing ESG-related matters:**

- 1) The General Office of Compliance and Sustainability at the Group Headquarters
- 2) Compliance and Sustainability Departments of Various Factories

ESG Management Team

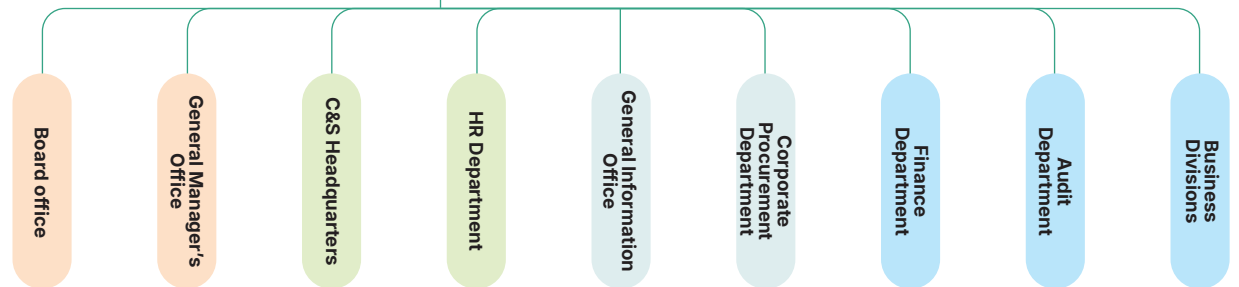
- 1) Responsible for overseeing the group-wide ESG coordination at the group headquarters level, formulating overall ESG strategies/objectives, while monitoring the implementation progress across the organization; facilitating communication and coordination between the ESG Committee and various management departments, and providing regular updates on ESG-related matters to the ESG Committee
- 2) Responsible for the implementation of ESG strategies and policies, assessing and formulating ESG-related risks and mitigation measures, developing detailed ESG work plans, conducting daily management of ESG-related matters within factories, organizing relevant departments to carry out ESG initiatives, and reporting to headquarters and factories

**Execution Level:**

Composed of full-time or part-time personnel from functional departments responsible for each topic

ESG Execution Team

Composed of full-time or part-time personnel from specialized functional departments and regional/operational execution units, this team is primarily responsible for driving and implementing ESG-related initiatives



## Long-term Strategic Planning

Huali Group released its TCFD report in 2025, identifying climate-related risks and opportunities. The report conducted scenario analysis on key climate risks, quantified their financial impacts, and formulated corresponding climate transition plans and strategies.



### Short-term (2025-2026):

Achieve corporate greenhouse gas (GHG) emission reductions in alignment with the Science Based Targets initiative (SBTi) pathway, promote GHG inventory assessments and emission reduction target-setting among suppliers, and drive decarbonization across the upstream value chain. All business units shall progressively optimize their energy mix by prioritizing renewable electricity procurement, advancing rooftop photovoltaic projects at manufacturing facilities, and implementing Direct Power Purchase Agreement (DPPA) initiatives.

### Medium-term (2027-2032):

Using 2022 as the baseline year, the Group aims to achieve a 50.4% reduction in absolute Scope 1 and Scope 2 greenhouse gas emissions by 2032, while concurrently delivering a 30.0% reduction in absolute Scope 3 greenhouse gas emissions from purchased goods and services.

### Long-term (2033-2050):

Reach net-zero greenhouse gas emissions across the entire value chain by 2050; transit to 100% renewable energy for operational needs within the same timeframe.



### Risk Management and Control:

In response to the identified and assessed physical risks that may materially impact Huali, the Group has established relevant emergency management procedures and procured property insurance to transfer such risks. In 2025, Huali's factories in Vietnam were impacted by two typhoon-induced floods. The relevant factories effectively implemented emergency management protocols to mitigate losses and transferred risks through commercial insurance, thereby minimizing the impact. To address market and technological risks associated with transition risks, Huali convened a supplier conference in 2025, launching a supply chain emission reduction initiative to encourage upstream partners to proactively reduce emissions, thus preemptively lowering market risks. Huali remained committed to transitioning toward low-carbon technologies in 2025, such as adopting green and clean energy to reduce operational carbon emissions, further diminishing the effects of technological risks.



### Opportunity Exploration:

In 2025, Huali continued to explore opportunities centered around low-carbon transformation. The Company further advanced the installation of rooftop solar panels and closely monitor policy developments regarding Vietnam's DPPA initiative, leveraging green electricity to further reduce the energy costs of Huali Group.

## Energy Consumption and Greenhouse Gas Emissions

### Energy Utilization

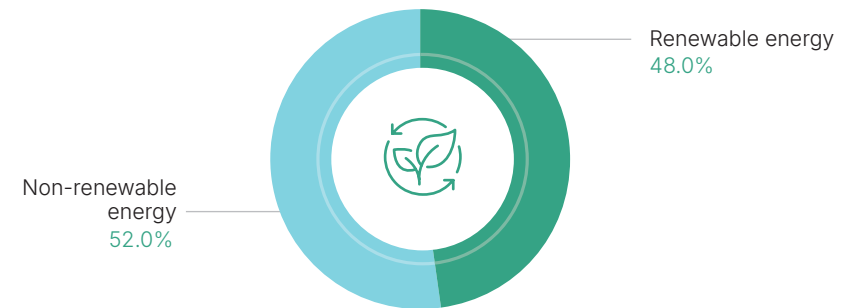
Currently, the Company's main energy sources include five categories, namely electricity, biomass fuel, gasoline, diesel, and liquefied petroleum gas. Among these, electricity accounts for approximately 75%, while biomass fuel constitute around 20%, representing the two predominant energy sources. Other types such as gasoline, diesel, and liquefied petroleum gas account for about 5%, which are minor types of energy. The Company is actively optimizing and adjusting its energy mix, promoting electrification transformation and increasing the utilization of renewable energy.

Year	Grid Electricity (kWh)	Solar Electricity (kWh)	Energy Attribute Certificate (kWh)	Biomass fuel (tons)	Gasoline (L)	Diesel (L)	Liquefied petroleum gas (Kilogram)
2022	508,115,443	2,027,071	0	50,578	732,865	2,371,707	86,061
2023	490,372,190	2,461,055	6,500,000	41,445	938,801	2,817,716	86,689
2024 <sup>1</sup>	577,744,234	2,446,603	72,933,667	42,293	1,088,998	2,859,370	93,791
2025	673,858,753	3,480,651	251,083,436	36,512	1,176,522	3,436,249	116,325

Huali Group Energy Mix - 2025



Huali Group Renewable Energy Proportion - 2025

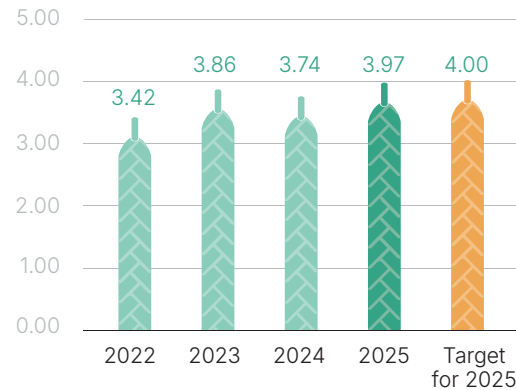


For the purpose of comprehensively evaluating the group's energy performance, the Company has set energy consumption indicators, carbon emission indicators, and renewable energy proportion indicators to comprehensively and systematically account for, evaluate, and report the energy efficiency and greenhouse gas emission reduction achievements of the Company.

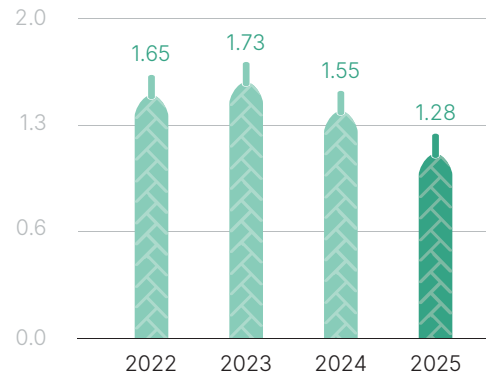
## Group Energy Targets for 2025

Total energy consumption <sup>2</sup>	Energy Greenhouse gas emissions per pair	Total greenhouse gas emissions <sup>3</sup>	Energy consumption per pair <sup>3</sup>	Total renewable energy	Proportion of renewable energy
kWhe <sup>4</sup>	kWhe/pair	t CO <sub>2</sub> e	kg CO <sub>2</sub> e/pair	kWhe	%
903,180,677	3.97	291,873	1.28	433,153,774	48.0%

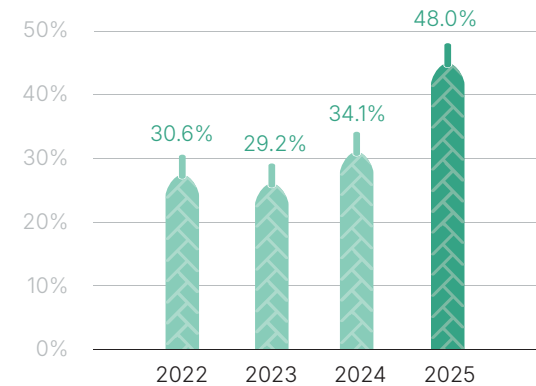
Energy Greenhouse gas emissions per pair (kWhe/pair)



Energy consumption per pair (kg CO<sub>2</sub>e/pair)



Proportion of renewable energy



- Note 1: In July 2025, Huali Group commissioned TÜV Rheinland to conduct third-party verification of its 2024 greenhouse gas emissions and related activity data. During the verification process, minor inconsistencies were identified in the data pertaining to electricity, gasoline, and diesel; however, all deviations were maintained within the 5% materiality threshold. Accordingly, the 2025 Disclosure Report will utilize verified and amended data to replace the corresponding figures disclosed in the original 2024 ESG Report.
- Note 2: Regarding the energy consumption indicator, the power calorific value stands at 860 kcal/kWh. The calorific value of biomass fuel is determined based on the latest third-party testing report provided by the supplier. The calorific values of gasoline, diesel, and liquefied petroleum gas are derived from the data published by the China Energy Statistical Yearbook and the International Energy Agency.
- Note 3: The disclosure of greenhouse gas emission data herein primarily serves to facilitate the formulation and dynamic monitoring of the Company's monthly energy management performance metrics. The current accounting boundary is defined as follows: Scope 1 covers direct emissions from stationary combustion sources (e.g., boilers and other thermal equipment) and mobile combustion sources (such as transport fleets), with fugitive/vented emissions and industrial process emissions currently excluded (not applicable); Scope 2 employs market-based accounting for indirect electricity emissions. In accordance with the principle of management authority-responsibility alignment, Scope 3 value chain emissions have not been incorporated into the regular performance tracking indicator system at this stage.
- Note 4: Based on the analysis of Huali Group's energy structure characteristics, electricity consumption accounts for 75% of total energy usage. Therefore, when establishing energy consumption indicators, electricity is designated as the benchmark energy source. In accordance with the ISO 50001 Energy Management System standard, the consumption of fossil fuels such as gasoline, diesel, and liquefied petroleum gas shall be converted using the thermodynamic equivalent method, specifically employing the lower heating value (LHV) for electricity equivalent conversion, with the measurement unit expressed in kWhe (kilowatt-hour equivalent).

## Greenhouse Gas Emissions Situation

### SBTi targets

In March 2023, Huali Group officially pledged to join the Science Based Targets initiative (SBTi) and successfully obtained SBTi validation for both its "Near-Term Targets" and "Net-Zero Targets" in August 2024.

#### Net-zero target:

Huali Group commits to achieving greenhouse gas "Net-zero" emissions across its entire value chain by 2050.

#### Near-term targets:

Huali Group commits to reducing absolute Scope 1 and 2 greenhouse gas emissions by 50.4% by 2032 from a 2022 base year. Additionally, Huali Group pledges to achieve a 30.0% reduction in absolute Scope 3 greenhouse gas emissions from "Purchased Goods and Services" during the same period.

#### Long-term targets:

Huali Group commits to reducing absolute greenhouse gas emissions from Scope 1 and 2 by 90% by 2050, from a 2022 base year. In addition, Huali Group also pledges to reduce absolute greenhouse gas emissions from Scope 3 by 90% during the same period.



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

### Classification of Greenhouse Gas Emissions Data

Huali Group's long-term target in the areas of energy and carbon emissions is to achieve carbon neutrality in the footwear manufacturing process by 2050. In 2025, the Company's calculated Scope 1 emissions amounted to 31,488 tons of CO<sub>2</sub>e, with Scope 2 emissions based on location totaling 447,849 tons of CO<sub>2</sub>e and market-based emissions reaching 278,001 tons of CO<sub>2</sub>e. After data compilation, the Company's greenhouse gas emissions are categorized by country/region and source type as follows:

#### Classification by Country and Region (Scope 1 and 2):

Project	Mainland China (Ton)	Hong Kong region (Ton)	Taiwan region (Ton)	Vietnam (Ton)	Indonesia (Ton)	Total (Ton)
Scope 1	849	1	6	29,818	814	31,488
Scope 2 – Location-based	7,197	14	39	418,266	22,333	447,849
Scope 2 – Market-Based	8,269	14	39	269,658	21	278,001

#### Classification by Source Type (Scope 1 and 2):

Scope	Emission source category	2022 <sup>1</sup> (Ton)	2022 <sup>2</sup> (Ton)	2023 (Ton)	2024 <sup>3</sup> (Ton)	2025 (Ton)
Scope 1	Stationary combustion emissions	3,553	3,504	4,691	3,535	3,301
	Mobile combustion emissions	6,464	6,722	6,933	8,665	10,571
	Industrial process emissions	N/A	N/A	N/A	N/A	N/A
	Fugitive emissions	7,145	16,123	15,383	17,648	17,616
Scope 2	Location-based emissions	354,535	366,662	323,589	380,255	447,849
	Market-based emissions	354,535	365,207	318,270	332,119	278,001

In 2025, Scope 1 and Scope 2 (market-based) emissions amounted to 309,489 tons of CO<sub>2</sub>e, representing a 21% reduction compared to the 2022 baseline year.

**Classification by Source Type (Scope 3):**

Category	2022 <sup>1</sup> (Ton)	2022 <sup>2</sup> (Ton)	2023 (Ton)	2024 <sup>3</sup> (Ton)	2025 <sup>4</sup> (Ton)	2025 (%)
1. Purchased goods and services	914,304 <sup>5</sup>	932,589 <sup>5</sup>	723,032 <sup>6</sup>	632,392 <sup>6</sup>	508,333 <sup>6</sup>	49.78%
2. Capital goods	49,327	53,284	39,071	57,748	72,308	7.08%
3. Fuel and energy-related activities	89,147	91,883	60,073	70,661	83,814	8.21%
4. Upstream transportation and distribution	137,213	141,567	127,313	170,436	166,219	16.28%
5. Waste generated during operation	1,575	1,614	1,457	3,941	1,548	0.15%
6. Business travel	144	147	341	164	182	0.02%
7. Employee commuting	98,296	102,178	96,012	108,935	113,655	11.13%
8. Upstream leased assets	0	0	0	0	0	0.00%
9. Downstream transportation and distribution	20,270	22,150	15,931	18,637	17,707	1.73%
10. Processing of sold products	4,833	21,564	16,393	39,915	17,623	1.73%
11. Use of sold products	0	0	0	0	0	0.00%
12. Disposal of end-of-life sold products	35,808	37,014	31,335	36,656	33,499	3.28%
13. Downstream leased assets	0	0	0	0	0	0.00%
14. Franchise rights	0	0	0	0	0	0.00%
15. Investment	1,049	1,049	39	6,288	6,275	0.61%
<b>Total</b>	<b>1,351,965</b>	<b>1,405,039</b>	<b>1,110,997</b>	<b>1,145,772</b>	<b>1,021,163</b>	<b>100%</b>

**Scope 1, 2, and 3 Emissions Aggregation Data**

Scope	2022 <sup>1</sup> (Ton)	2022 <sup>2</sup> (Ton)	2023 (Ton)	2024 <sup>3</sup> (Ton)	2025 <sup>4</sup> (Ton)
Scope 1	17,162	26,349	27,007	29,848	31,488
Scope 2 – Location-based	354,535	366,662	332,589	380,255	447,849
Scope 2 – Market-based	354,535	365,207	318,270	332,119	278,001
Scope 3	1,351,965	1,405,039	1,110,997	1,145,772	1,021,163

In 2025, the Group's Scope 3 Category 1 (Purchased Goods and Services) greenhouse gas emissions amounted to 508,333 tons of CO<sub>2</sub> equivalent. Compared to the emissions calculated using the industry average data method and expenditure method in the base year of 2022, there was a year-on-year decrease of 45.5%; compared to the emissions calculated using the supplier-specific data method on the same basis in 2023, there was a year-on-year decrease of 29.7%. Compared to the emissions calculated using the supplier-specific data method on a comparable basis in 2024, there was a year-on-year decrease of 19.6%.

In 2025, the total greenhouse gas emissions across the Group amounted to 1,021,163 tons of CO<sub>2</sub> equivalent. Compared to the Scope 3 Category 1 emissions calculated using the industry average data method and expenditure method in the base year of 2022, there was a year-on-year decrease of 27.3%; compared to the Scope 3 Category 1 emissions calculated using the supplier-specific data method on the same basis in 2023, there was a year-on-year decrease of 8.1%. Compared to Scope 3 Category 1 emissions calculated using the supplier-specific data method on a comparable basis in 2024, there was a year-on-year decrease of 10.9%.

### Other Emissions: Biomass Combustion Emissions

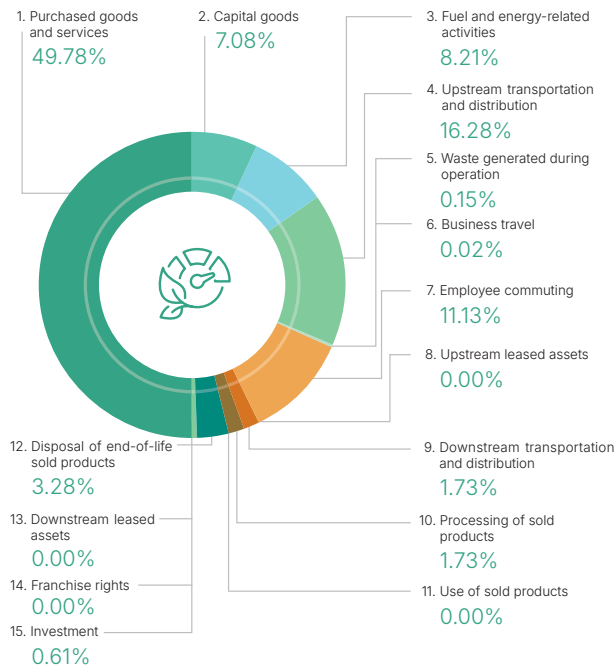
According to the GHG Protocol Accounting and Reporting Standards for Enterprises, biogenic carbon dioxide emissions are excluded from Scope 1, Scope 2, and Scope 3. It must be accounted for separately from those of mineral carbon dioxide and be listed separately. Meanwhile, since the photosynthesis of organisms does not absorb methane and nitrous oxide, the methane and nitrous oxide emitted from the combustion of biomass can be released into the atmosphere and have a negative impact on the climate. This should be included in Scope 1.

Additionally, in strict compliance with the "Montreal Protocol on Substances that Deplete the Ozone Layer" and "China's National Implementation Plan for the Montreal Protocol on Substances that

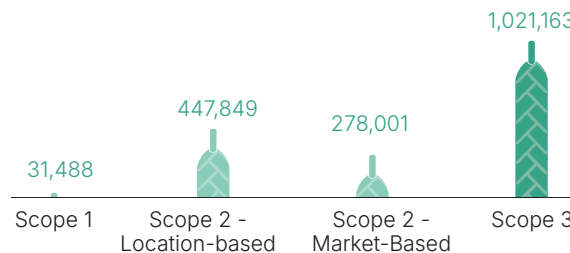
Deplete the Ozone Layer (2025-2030)", the Company has implemented specialized optimization of the emission management and reporting system for HCFC refrigerant R-22 effective from 2025. R-22, as a greenhouse gas regulated under the "Kyoto Protocol", has its emissions incorporated into both the Company's Scope 1 (direct emissions) total emission accounting and separately reported as line-item data. This fulfills the specialized disclosure requirements for fluorinated gas emissions as stipulated by the international carbon accounting standards (GHG Protocol).

Report separately	2022 <sup>1</sup>	2022 <sup>2</sup>	2023	2024 <sup>3</sup>	2025
Direct CO <sub>2</sub> emissions from biomass fuel combustion	98,541	99,801	81,780	83,453	72,046
Emissions from upstream activities of biomass fuel	2,969	3,007	2,464	2,514	2,170
Emissions from upstream transportation of biomass fuel	638,804	646,970	438,314	452,765	835,626
Emissions of HCFC refrigerant R-22	3,131	3,131	3,131	2,377	2,309
Emissions from land-use change	10,821	11,823	15,645	18,238	18,238

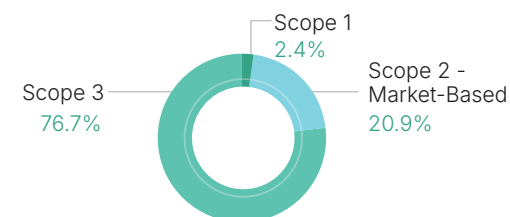
#### Huali Group Scope 3 Emissions Share - 2025



#### Huali Group Greenhouse Gas Emissions (tCO<sub>2</sub>e) for 2025



#### Huali Group's Share of Greenhouse Gas Emissions for 2025 (%)



- Note 1: In accordance with the official validation results from the Science Based Targets initiative (SBTI) dated August 14, 2024, adjustments have been made to the carbon emission baseline data disclosure methodology for Huali Group. All greenhouse gas emissions data disclosed in the Company's ESG reports for previous years (2023-2024) will be recalculated using the latest SBTi-verified accounting methodology as of 2024. This calibration aims to enhance data comparability and transparency, ensuring consistent statistical methodologies for annual emissions reporting. All adjusted results have been simultaneously updated to the corporate ESG database.
- Note 2: In light of the acquisition of Athena Vietnam Footwear Co., Ltd. by Huali Group in 2023, the Company has adjusted the organizational boundary and refined data for the base year 2022 greenhouse gas emissions, completing a comprehensive recalculation. The revised total baseline emissions for 2022 show a 5.3% variance from the original data, meeting the 5% significance threshold stipulated by SBTi. This revision pertains solely to the baseline year data adjustments. The Company's Science-Based Targets (near-term and net-zero targets) remain unchanged in terms of emission reduction pathways, target years, and ambition levels. All relevant targets continue to meet the SBTi standard requirements.
- Note 3: In July 2025, Huali Group commissioned TÜV Rheinland to conduct third-party verification of its 2024 greenhouse gas emissions and related activity data. During the verification process, minor inconsistencies were identified in the data pertaining to electricity, gasoline, and diesel; however, all deviations were maintained within the 5% materiality threshold. Accordingly, the 2025 Disclosure Report will utilize verified and amended data to replace the corresponding figures disclosed in the original 2024 ESG Report.
- Note 4: In accordance with the GHG Protocol Scope 3 Standard, the Group has adopted a tiered disclosure mechanism for its 2025 Scope 3 emissions accounting. For Category 4 (Upstream Transportation and Distribution) and Category 9 (Downstream Transportation and Distribution), the current calculations are based on 2022 SBTi-verified baseline data, utilizing the Time-series Extrapolation methodology. For emissions under Category 15 (Investments), in accordance with Section 8.2 of the "Corporate Value Chain (Scope 3) Accounting and Reporting Standard", the Proportional Investment Approach is prioritized for estimation when complete financial data from investee companies is not yet available.
- Note 5: In January 2024, when Huali Group submitted its Scope 3 greenhouse gas emissions data to the Science Based Targets initiative (SBTI), the emissions related to raw material procurement were calculated using the industry average data method and the expenditure method.
- Note 6: In October 2024, to enhance the accuracy and granularity of greenhouse gas data, the Group implemented iterative optimization of its Scope 3 accounting methodology. This revision established the supplier-specific data method for calculating greenhouse gas emissions from purchased raw materials, replacing the industry average data method and expenditure method adopted during the 2022 baseline year. In terms of data collection, greenhouse gas emissions data was gathered from 96 suppliers in 2023, with data collected from 110 suppliers in 2024 and 2025 respectively. The majority of data submitted by the aforementioned suppliers has undergone third-party verification of organizational-level greenhouse gas emissions in compliance with ISO 14064-1, or product carbon footprint assessments conducted in accordance with ISO 14067 and Life Cycle Assessment (LCA) methodologies.

## CDP Environmental Information Disclosure

### Huali Group achieves CDP Environmental Leadership "A" Rating

In 2025, Huali Group was recognized by the global nonprofit environmental organization CDP for its outstanding leadership in corporate environmental information transparency and climate change initiatives, earning a place on its prestigious annual A List.

CDP operates the world's only independent environmental disclosure system, conducting annual assessments for thousands of corporations. In 2025, over 22,100 enterprises disclosed environmental data through the CDP platform, with 20,000 of them receiving performance ratings. Receiving an A-grade rating signifies that Huali Group has achieved global leadership in disclosure completeness, environmental governance maturity, and the effective advancement of environmental resilience building.

The CDP rating employs a rigorous and independent scoring methodology, fully aligned with the TCFD (Task Force on Climate-related Financial Disclosures) framework. The evaluation encompasses the depth of corporate information disclosure, the level of environmental risk awareness, and best practice case studies – including the ambition of target-setting and verified actions. CDP maintains the world's largest environmental disclosure database, with its data and ratings extensively utilized to guide global investment and procurement decisions, driving progress toward a net-zero, sustainable, and nature-positive economic ecosystem.

In 2025, a total of 640 investors managing assets worth USD127 trillion leveraged the CDP platform to gather corporate environmental impact, risk, and opportunity data.

Jacky Chang, CEO of Huali Group, stated: "We are deeply honored to receive our first CDP 'A' rating, which represents a significant recognition of the Group's long-term commitment to climate governance, green supply chain development, and low-carbon manufacturing. Moving forward, we will remain guided by scientific

objectives, deepen environmental management across the entire industrial chain, and collaborate with upstream and downstream partners to advance carbon neutrality efforts, contributing to global sustainable development."

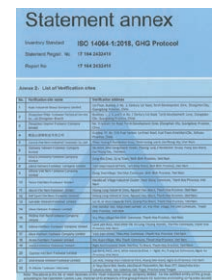
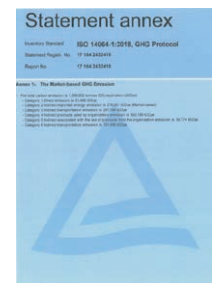
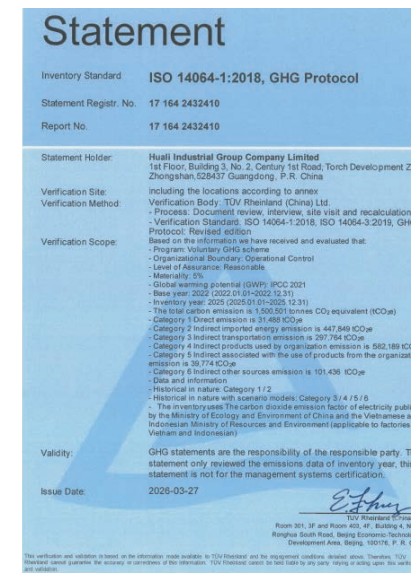
CDP CEO Sherry Madera stated: "Congratulations to all companies that have made it to the CDP A List. Companies achieving an A-grade rating are demonstrating that environmental ambition and business strength can go hand in hand. High-quality data empowers leaders with the confidence to make Earth-positive decisions, thereby ensuring long-term corporate competitiveness, attracting capital, and safeguarding natural ecosystems. These organizations demonstrate that when transparency serves as the cornerstone of action, it unleashes the formidable potential of enterprises."

The complete list of companies achieving CDP A List status this year can be viewed here: [https://cdp.net/en/data/scores?utm\\_source=twitter&utm\\_medium=organicsocial&utm\\_campaign=disclosure&utm\\_content=alist&utm\\_term=disclosers#corporate-a-list](https://cdp.net/en/data/scores?utm_source=twitter&utm_medium=organicsocial&utm_campaign=disclosure&utm_content=alist&utm_term=disclosers#corporate-a-list)



## Third-party Verification of Greenhouse Gas Emissions Data

In 2025, Huali Group engaged TÜV Rheinland, an internationally recognized third-party certification body, to conduct comprehensive independent verification of its Scope 1, Scope 2, and Scope 3 greenhouse gas emissions accounting processes. This verification engagement encompasses critical aspects including emission factor selection, activity data collection and statistics, greenhouse gas accounting methodology application, as well as data boundary and record management. Through systematic verification, it ensures the authenticity, accuracy, completeness, and compliance of emission data with relevant international standards and domestic regulatory requirements. The independently verified material deviation threshold for this greenhouse gas data accounting is below 5%, with verification results ranking at the premium level of global manufacturing standards, effectively ensuring the reliability and compliance of the Group's greenhouse gas information disclosure.



## Energy and Carbon Emission Target Setting and Periodic Review Mechanism

### Target Setting Principles

- ❖ In accordance with the 1.5°C temperature control target set forth in the “Paris Agreement”, the Group has established phased greenhouse gas emission reduction goals under the framework of the Science Based Targets initiative (SBTi).
- ❖ The emission reduction targets encompass Scope 1, Scope 2, and Scope 3 across the entire value chain, implemented through tiered short-term (2022-2025), medium-term (2026-2032), and long-term (2033-2050) phased approaches with progressive execution.

### Quantitative Targets (with 2022 as the baseline year)

**Group-wide target:** Establish corporate-level emission reduction goals based on the Science-Based Targets initiative (SBTi): Using 2022 as the baseline year, achieve a 50.4% reduction in absolute Scope 1 and Scope 2 greenhouse gas emissions by 2032, while realizing a 30% reduction in absolute Scope 3 greenhouse gas emissions associated with purchased goods and services.

**Target breakdown and implementation:** Centered on the Group’s Science-Based Targets, decompose emission reduction objectives into operational control facilities and supply chain segments. Among these, the Group’s manufacturing facilities and office premises have committed to achieving an annual reduction in absolute greenhouse gas emissions of no less than 5%; while core suppliers have pledged an annual reduction in absolute greenhouse gas emissions of no less than 3%.

### Periodic Review and Control Mechanism

**Monthly monitoring:** Complete regular reporting of energy consumption and emission data via the corporate data management platform, automatically generate energy performance indicators, and achieve dynamic tracking of emission data.

**Quarterly review:** Conduct periodic evaluations of emission reduction target achievements and project implementation progress across the Group and production bases, identify variances, analyze root causes, and implement continuous improvement measures.

**Annual verification:** Engage independent third-party institutions to conduct energy and greenhouse gas verification audits, validate emission reduction outcomes, and optimize emission reduction technology pathways and implementation plans based on audit findings.

## Stakeholder Collaboration

The Company organizes an annual supplier management meeting to disseminate low-carbon technologies and emission reduction solutions, driving continuous improvement in greenhouse gas management transparency and mitigation capabilities across the supply chain.

## Scope 1 and 2 Emission Reduction Pathways and Measures

### Energy Efficiency Enhancement

#### ❖ Low-carbon retrofitting of boiler systems:

1. Commencing in 2018, implement a phased transition from centralized heating boilers to decentralized heating boilers, targeting a 28% reduction in biomass fuel consumption by 2025 compared to the 2022 baseline.
2. Conduct regular quality inspections of thermal oil in factory boilers. By monitoring and evaluating key indicators such as kinematic viscosity, acid number, carbon residue, water content, and flash point, scientifically determine the replacement cycle of thermal oil to ensure safe and stable equipment operation as well as energy efficiency optimization.

#### ❖ Air compressor efficiency enhancement

1. Conduct annual comprehensive efficiency assessments for air compressors at Vietnam factories, and phase out outdated models with efficiency ratings below 60%.
2. The replacement of pneumatic with electric shoe upper grinding machines at Adora Vietnam Factory and Aurora Vietnam Factory in 2025 is projected to achieve a 95.8% energy efficiency improvement upon evaluation.
3. In 2025, Roll Sport Vietnam Factory and Alena Vietnam Factory implemented energy-saving air guns, which are projected to achieve 18% energy efficiency while reducing noise levels by approximately 9 dB.

### Energy Structure Optimization

#### ❖ Roof-mounted solar system layout

1. In August 2025, Alena Vietnam Factory signed an agreement for a rooftop distributed photovoltaic power generation project with an installed capacity of 2,056 kWp. The project commenced commercial operations in January 2026, with an estimated annual electricity output of approximately 2 million kWh. It is projected to reduce carbon dioxide emissions by around 1,320 tons per year.

2. In August 2025, Amara (Vietnam) Factory signed an agreement for a rooftop distributed photovoltaic power generation project with an installed capacity of 2,056 kWp. The project commenced commercial operations in January 2026, with an estimated annual electricity output of approximately 2 million kWh. It is projected to reduce carbon dioxide emissions by around 1,320 tons per year.
  3. In April 2025, five companies including Huali Group, Zhongshan Jingmei, Zhongshan Zhijie Branch, Zhongshan Tengxing, and Zhongshan Tongyi jointly signed a 2,400 kWp rooftop distributed photovoltaic power generation project. The project commenced commercial operation in June 2025, with an estimated annual power generation of 1.5 million kWh and an annual reduction of approximately 800 tons of carbon dioxide emissions.
  4. In 2025, the rooftop photovoltaic project at Huali Group's factories generated a total of 3.48 million kWh of electricity, resulting in an aggregate reduction of 2,090 tons of CO<sub>2</sub> emissions.
- ❖ **Procurement of Energy Attribute Certificates (EACs):** In 2025, Huali Group's affiliated factories collectively procured 251,083 MWh of Energy Attribute Certificates (EACs). Based on market emission factor calculations, this corresponds to a reduction of 170,920 tons of CO<sub>2</sub> emissions.

## Others

Huali Group has not incorporated carbon offsetting and the China Certified Emission Reduction (CCER) mechanism into its core decarbonization pathway when formulating short-term science-based carbon targets, primarily due to the following considerations:

1. Lack of standardization and transparency controversies in international carbon offset mechanisms: Persistent issues such as inconsistent standards and insufficient transparency in verification systems within international carbon offset mechanisms continue to expose cross-border carbon asset transactions to financial risks and compliance barriers.
2. Cost and scale-up challenges of Carbon Capture, Utilization, and Storage (CCUS) technology: In January 2026, the State Administration for Market Regulation (Standardization Administration of China) approved and issued 12 national standards for CCUS. However, the technology still faces high-cost barriers and bottlenecks in large-scale application. Although China's CCUS industry has entered the initial phase of commercial-scale deployment, the entire value chain ecosystem requires further refinement.
3. Domestic CCER market process efficiency and supply status: Following the nationwide CCER market relaunch in 2024, the verification process has been significantly optimized compared to the previous version, though certain complexities remain. Market supply requires further unleashing.

## Scope 3 Supply Chain Collaborative Decarbonization Initiative

Huali Group rigorously adheres to the Science Based Targets initiative (SBTi) framework, establishing and implementing a phased scientific emission reduction strategy that focuses on advancing greenhouse gas mitigation efforts across key value chain segments. The Group has designated 2022 as the base year and established clear near-term emission reduction targets: by 2032, achieve a 30% reduction in absolute Scope 3 Category 1 (Purchased Goods and Services) greenhouse gas emissions.

To systematically implement the aforementioned science-based carbon targets, the Group officially launched the "Supply Chain Decarbonization Initiative 2024-2032" in October 2024, establishing a comprehensive supplier carbon management system across all operational processes. On October 14, 2025, the Group convened its annual supplier conference in Zhongshan, officially announcing corporate emission reduction targets and low-carbon supply chain management requirements. Key initiatives include:

**Supply Chain Access Standards Upgrade:** Huali Group has implemented stringent low-carbon access requirements for suppliers. For core suppliers accounting for the top 85% of procurement volume, mandatory submission of third-party independently verified greenhouse gas emission reports have been enforced starting in 2024. These reports must include either an ISO 14064-1 organizational-level greenhouse gas verification statement or product carbon footprint (PCF)/life cycle assessment (LCA) reports compliant with the ISO 14067 standard. Regarding data disclosure, greenhouse gas emissions data and reports were collected from 96 suppliers in 2023. The collection expanded to 110 suppliers annually in both 2024 and 2025, achieving comprehensive coverage and standardized management of emissions data from core suppliers.

**Shared Responsibility Mechanism for Emission Reduction:** The Group stipulates emission reduction obligations for all parties through commercial cooperation agreements, mandating key suppliers to commit – using 2022 as the baseline year – to achieving a 30% reduction in absolute greenhouse gas emissions within organizational boundaries or a 30% decrease in carbon intensity per unit product by 2032, thereby driving coordinated supply chain efforts to meet science-based emission reduction targets.

**Data Quality Management System:** The Group has established a standardized supplier carbon emissions database, implementing a comprehensive verification, traceability, and management mechanism covering emission inventories, third-party audit reports, and product output data. This ensures the authenticity, accuracy, traceability, and timeliness of carbon emissions data, providing reliable data support for emission reduction decisions and target management.

**Capacity Building Support Program:** The Group has established a dedicated support fund to provide systematic low-carbon empowerment for core suppliers, including specialized assistance such as greenhouse gas accounting methodology training, energy-saving and emission-reduction technology retrofit consulting, and low-carbon management capacity building. This initiative aims to enhance suppliers' carbon management capabilities and emission reduction implementation efficiency.

## Renewable Energy Opportunity Deployment

**Long-term Renewable Energy Targets:** The Group has anchored its strategy in global climate governance by establishing a long-term goal to achieve 100% renewable energy usage across all owned or operated facilities by 2050. It is steadfastly advancing the low-carbon transition of energy mix, systematically replacing fossil fuels with renewable sources to reduce greenhouse gas emissions at the manufacturing source.

01

**Special Governance Framework Establishment:** The Group has established a cross-departmental collaborative governance mechanism led by the Group's Compliance and Sustainability Department, in conjunction with energy management teams from key production bases to form a dedicated Renewable Energy Task Force. This team is fully responsible for the technical evaluation, development and construction, operational management, and benefit tracking of renewable energy projects. It coordinates and advances the implementation of core projects including on-site distributed photovoltaic power generation, direct power purchase agreements (DPPAs), and energy attribute certificates (EACs) procurement.

02

**Grid Connection Investment:** Continued increase in infrastructure investment for renewable energy, with dedicated funding from cooperative developers allocated to grid integration projects for renewable power generation. By the end of 2025, five distributed photovoltaic power generation projects had been successfully connected to the grid; a clear roadmap had been established to achieve full grid integration of all planned renewable energy projects by 2030, ensuring stable green power supply and efficient consumption.

03

**Power Generation Capacity Planning and Progress:** Establishing a clear growth trajectory for renewable energy installed capacity: targeting 100 MWp of renewable energy generation capacity by 2030. In 2025, the Group added 4 MWp of renewable energy generation capacity, further expanding its renewable energy application scale.

04

## Climate Governance Mechanisms and Internal Incentives

### Performance Evaluation and Incentives

The Group has established a climate performance-oriented compensation assessment and incentive system, embedding the effectiveness of climate actions such as carbon emission reduction and energy management into the entire performance management process. This creates a top-down climate responsibility transmission mechanism to drive full participation in low-carbon transformation.

**Executive Climate Accountability:** The Group links executive and director compensation to climate performance metrics. The Nomination and Remuneration Committee of the Board of Directors is responsible for establishing performance evaluation criteria and conducting assessments for directors and senior management, as well as formulating and reviewing compensation policies and plans. The annual compensation of directors and executives includes performance metrics related to environmental issues such as climate change and water resources.

**Comprehensive Quantitative Incentivization:** The Group implements a tiered, quantifiable climate target decomposition mechanism that systematically breaks down the Group's overall emission reduction objectives by year, geographic region, and production facility. This establishes key performance indicators including annual absolute greenhouse gas emissions, energy consumption reduction per pair, and renewable energy utilization metrics. The achievement of targets is ensured through pathways such as energy conservation and consumption reduction, energy efficiency enhancement, and process optimization. These indicators are incorporated into the annual performance evaluations of all employees, directly linked to compensation incentives and realized on an annual basis, thereby stimulating the organization's intrinsic motivation for low-carbon initiatives. In addition, the Group has established an inspection scoring and incentive mechanism. The C&S Department of the factory conducts monthly inspections and evaluations on the above-mentioned indicators and items for each production and logistics department. Based on the evaluation results, corresponding bonus amounts are awarded (e.g., the first-place department at Vietnam Annora Factory receives 1,000,000 VND, the second place receives 500,000 VND, and the third place receives 300,000 VND). Relevant management personnel will also receive corresponding incentives. Additionally, production and logistics departments that submit environmental improvement case studies will receive a special bonus of 200,000 VND from the factory. The aforementioned inspection scoring and incentive mechanism will impact the promotion and salary increase criteria for managerial positions in relevant departments.

### Energy Management Optimization

The Group continues to refine its standardized and systematic energy management system, establishing a phased energy efficiency improvement target with total energy savings of 5,000 MWh. This is implemented through measures such as energy-saving retrofits for high-consumption equipment, lean optimization of production processes, and upgrades to intelligent energy management controls. The Group has established an annual target tracking, data verification, and dynamic adjustment mechanism to continuously improve energy utilization efficiency and promote low-carbon, high-efficiency development in operational processes.

# POLLUTION PREVENTION AND ECOSYSTEM AND BIODIVERSITY PROTECTION

## Environmental compliance management

Huali Group adheres to the philosophy of green development and compliance-driven operations, deeply embedding environmental compliance throughout its entire production and operational processes, while positioning it as the cornerstone of its ESG development strategy. Leveraging the Group's integrated EHS management system, we have established a comprehensive environmental compliance framework with robust policies, clearly defined responsibilities, and efficient control mechanisms. We strictly comply with national and local environmental protection regulations and standards, fully implement the "Three Simultaneities" requirement in environmental protection, and strengthen compliance safeguards across multiple dimensions including system construction, operational control, risk prevention, and supervision improvement, to achieve harmonious coexistence between the enterprise and the ecological environment, while driving continuous enhancement of environmental performance.

### Environmental Management System Development and Compliance Fundamentals

The Group adheres to the ISO 14001 Environmental Management System as its guiding framework, integrating the specific characteristics of the footwear manufacturing industry to establish an environmental management organizational structure characterized by **centralized group coordination, factory-level implementation, and full employee participation**. This structure operates in deep synergy with the Occupational Health and Safety Management System, ensuring that environmental management is planned, deployed, and evaluated in alignment with production and operational activities.

**Standardization of Institutional Framework:** The Group has formulated comprehensive standardized procedural documents such as the "Environmental Management Manual" to clarify responsibilities, workflows, and evaluation criteria for each operational phase, ensuring systematic environmental governance with established protocols.

**Dynamic Regulatory Compliance Adaptation:** The Group has established a corporate-level EHS legal and regulatory database, with dedicated personnel responsible for real-time updates on regulations and client requirements, coupled with periodic awareness training. It has incorporated regulatory compliance into annual audit priorities to promptly identify and rectify compliance risks.

**Implementation of the "Three Simultaneities" Environmental Policy:** All new construction, renovation, and expansion projects strictly adhere to the "Three Simultaneities" environmental protection system, completing full-cycle compliance procedures including environmental impact assessment (EIA) filing/approval and environmental protection acceptance. This ensures zero tolerance for violations such as commencing construction without approval or initiating operations prior to acceptance.

**Closed-Loop Accountability Assessment:** The Group incorporates environmental compliance, energy conservation, and carbon reduction metrics into performance evaluations at all levels; executes environmental performance responsibility agreements to clarify primary accountability for each management tier. It has established monthly inspections, quarterly reviews, and annual assessment mechanisms to reinforce managerial responsibilities through hierarchical implementation.

### Environmental Compliance Management and Control Across the Entire Production and Operation Process

The Group adheres to the core principles of **source control, process optimization, and end-of-pipe treatment**, implementing categorized precision management for key environmental impact factors in footwear production such as waste gases, wastewater, solid waste, and noise, thereby fundamentally mitigating the negative environmental impact of operational activities.

► **Precision Waste Gas Management:** Prioritizing waste gas control, all factories are equipped with optimized waste gas treatment systems, establishing routine emission source inspections and dynamic management mechanisms to accurately update emission source inventories. Dedicated processing equipment is allocated for different production processes, with high-efficiency bag-type dust collectors for sole grinding dust. Enclosures are installed for laminating equipment, and targeted high-efficiency treatment devices are configured based on organic exhaust pollutant components. Saturated activated carbon is managed as hazardous waste and entrusted to licensed entities for disposal. Some factories have deployed online emission monitoring systems for waste gases, enabling real-time monitoring, dynamic alerts, and traceable data to ensure stable compliance with emission standards.



**Standardized Solid Waste Management:** In strict compliance with solid waste pollution prevention regulations, the Group implements classified collection, standardized storage, and compliant disposal for general industrial solid waste and hazardous waste. It has established a management ledger to ensure full traceability throughout the process. For details, please refer to the "Pollution Prevention and Waste Management" section of this Report.

**Management of Other Environmental Factors:** In water conservation and emission reduction, we optimize water usage processes, adopt water-saving equipment, classify and treat wastewater to ensure compliant discharge or reuse, and establish water usage ledgers to improve water resource efficiency. For noise control, we implement vibration reduction and sound insulation measures to minimize noise levels, conduct regular boundary noise monitoring, and promptly address any exceedances. Regarding energy conservation and carbon reduction, we integrate these into core objectives by promoting green production technologies and energy-efficient equipment, advancing clean energy alternatives, allocating targets across factories, and conducting periodic tracking and analysis of energy goal attainment.



## Environmental Risk Prevention and Control and Emergency Response

The Group adheres to the principle of **prevention first, combining prevention with response, and scientific handling**, integrating environmental risk prevention and control into daily operations, coordinating with workplace safety emergency systems, and improving emergency response mechanisms for environmental incidents. We establish an environmental risk identification and assessment mechanism, conduct regular risk point inspections with tiered controls, prioritize monitoring of high-risk segments, perform scheduled maintenance on environmental protection facilities, and implement closed-loop management of potential hazards. All production facilities have formulated, filed, and periodically updated the "Emergency Response Plan for Environmental Incidents". They are equipped with adequate emergency supplies that are dynamically replenished, along with supporting infrastructure such as emergency containment ponds. Environmental emergency drills are incorporated into the annual plan, and emergency response knowledge is included in EHS specialized training, achieving 100% employee coverage. We establish a rapid response mechanism to immediately activate contingency plans for sudden environmental incidents, control pollution and report incidents, conduct proper follow-up and environmental remediation, ensuring full compliance throughout the entire handling process.

## Environmental Compliance Supervision and Continuous Improvement

The Group has established a multi-tiered supervision system encompassing **internal self-inspections, group audits, and third-party verifications**, leveraging the PDCA cycle to achieve comprehensive environmental compliance oversight and continuous optimization of the management framework. Each production facility conducts daily self-inspections by designated personnel with immediate rectification of identified issues; the Group's Compliance and Sustainability Department incorporates environmental compliance as a key focus in annual EHS audits, linking results to performance evaluations and ensuring closed-loop corrective actions; periodic third-party verification by accredited agencies is conducted for emissions, wastewater, etc., to validate compliance and identify potential risks. The Company recorded no major environmental pollution incidents in 2025.

## Environmental Culture Development and All-Staff Participation

The Group embraces the philosophy of "all-staff participation, co-creation and sharing", integrating environmental knowledge into training programs, organizing various eco-themed activities, and establishing a hazard reporting and reward system to enhance employee engagement in environmental initiatives. Moving forward, we will continue to strengthen environmental compliance management, implement green and low-carbon development initiatives, and diligently fulfill our corporate social responsibilities in environmental protection.

## Environmental protection investment

The Group has consistently allocated special environmental protection investments, primarily directed towards the upgrading and maintenance of environmental protection facilities, as well as replacement of energy-saving equipment. This ensures the stable operation of such facilities, facilitates carbon reduction and pollution control in production processes, and provides solid financial and hardware support for environmental compliance management.

Year/ Country	China	Vietnam	Indonesia	Total (RMB10,000)
2023	238.4	3,161.3	-	3,399.7
2024	47.1	4,942.1	547.6	5,536.8
2025	153.8	3,001.6	499.3	3,654.7

## Pollutant Emission and Waste Management

As the impact of global climate change intensifies and public awareness of sustainable development and environmental protection grows, Huali Group increasingly recognizes our corporate citizenship responsibility to safeguard the environment through effective pollutant management. Huali Group complies with environmental protection regulations and actively reduces its environmental impact by implementing internal policies and optimizing control technologies.

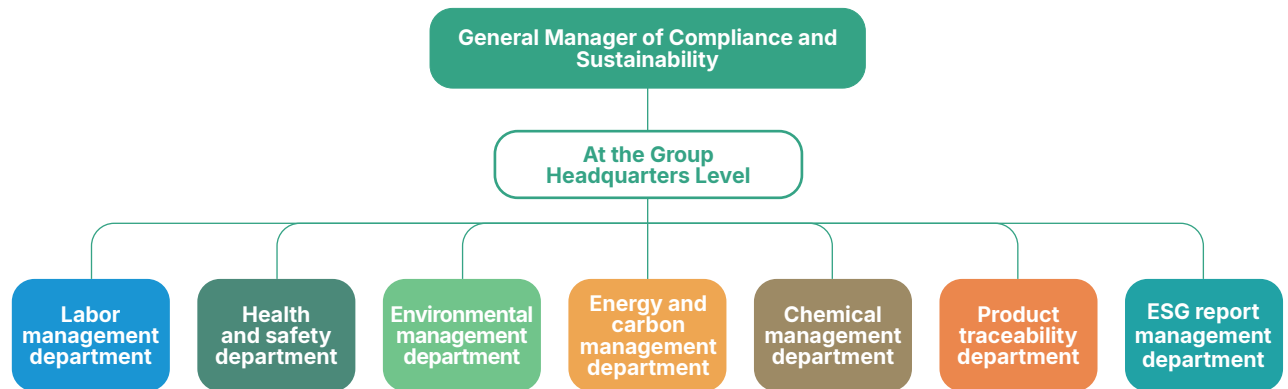
Huali Group recognizes that as a globally leading sports footwear manufacturer, responsible environmental stewardship constitutes a core operational obligation and serves as the cornerstone for achieving long-term sustainable development. We are committed to integrating circular economy principles throughout the entire production process, systematically managing waste streams to minimize environmental footprints, unlock resource value, and generate sustainable returns for stakeholders.







## Robust Framework and Institutional Safeguards

The Company has incorporated waste management into top-level governance and daily operational management systems.

- **Board-level oversight:** The Board of Directors has established an ESG Committee responsible for participating in the formulation and oversight of the Company's ESG strategy and objectives, including key performance indicators for waste reduction and resource recovery. The Committee also drives the integration of ESG principles, policies, and daily operational management. The Committee regularly reviews management reports on environmental compliance and risk management (including waste management), evaluates ESG-related matters, and presents findings to the Board of Directors.
- **Management-level implementation:** Huali Group has established a dedicated Environmental Management Department, overseen by the General Manager of the Group's Compliance and Sustainability department. The department has appointed designated personnel at both the corporate headquarters and factories to oversee waste management operations. Led by the Environmental Management Department, in collaboration with Production, Supply Chain, R&D, and General Affairs departments, cross-functional coordination and cooperation are implemented to drive and execute environmental strategies, implement improvement initiatives, and track performance. For instance, in waste recycling, the Group's waste management plan is ensured to be effectively implemented, promoting sustainable development and the circular economy.



- **Systems and risk management:** We have established a series of institutional documents, including the Environmental Management System (compliant with ISO 14001 standards), Waste Classification and Management Procedures, and Hazardous Waste Management Regulations. Through continuous monitoring of internal and external regulations, customer guidelines, and industry trends, we systematically identify, assess, and manage waste-related compliance risks, operational cost risks, and reputational risks to ensure business resilience.

Dimension	Risk Description	Opportunity
 <p><b>Compliance and Regulatory Risk</b></p>	<ul style="list-style-type: none"> <li>Stricter regulations: Environmental policies in key global markets (e.g., EU, US, China) – particularly concerning waste classification, recycling rates, restricted hazardous substances, and Extended Producer Responsibility (EPR) frameworks – are increasingly stringent. Non-compliance risks substantial fines and operational shutdowns.</li> <li>Client compliance requirements: Core brand clients have established clear and stringent assessment criteria for waste management within the supply chain. Failure to meet client requirements may result in order reduction or termination of cooperation.</li> </ul>	<ul style="list-style-type: none"> <li>Promoting innovation in materials and processes.</li> <li>Exploring circular business models: Expanding from a pure manufacturing enterprise to a circular economy service provider, exploring new business models.</li> </ul>
 <p><b>Operational and Financial Risks</b></p>	<ul style="list-style-type: none"> <li>Raw Material cost volatility: Inefficient scrap material recycling leads to increased procurement of virgin raw materials, exposing operations to greater market price fluctuations.</li> <li>Supply chain disruption risk: Reliance on external waste management vendors poses operational vulnerabilities. Non-compliance, licensing issues, or bankruptcy of these vendors may result in waste accumulation at Huali, potentially disrupting regular production cycles.</li> </ul>	<ul style="list-style-type: none"> <li>Resource recycling and cost reduction: Through refined management and technological upgrades, enhance the internal recycling and reuse rate of EVA, rubber, and other scrap materials (e.g., ground for use in specific products), directly reducing raw material procurement costs.</li> <li>Waste-to-resource initiative: Partnering with downstream recycling companies, classify waste with specific requirement and repurposed as production inputs for other industries. For instance, recycled EVA (shoe sole material) can be repurposed into sports field padding.</li> </ul>
 <p><b>Reputation and Market Risk</b></p>	<ul style="list-style-type: none"> <li>Brand-customer reputation linkage: Any waste management scandal (e.g., illegal dumping, contractor environmental violations) can rapidly escalate through media and NGO reports, jeopardizing client brand equity.</li> <li>Investors and ESG rating pressure: Global investors are increasingly focusing on ESG performance. Waste management is a core metric in the “E” (Environmental) segment. Poor performance may result in a downgrade of ESG ratings, adversely affecting financing costs and investor confidence.</li> </ul>	<ul style="list-style-type: none"> <li>Become a strategic partner to clients: Strengthen and deepen strategic collaborations by assisting brand clients in fulfilling their sustainability commitments through superior waste management and circular economy practices.</li> <li>Establish a green supply chain benchmark: Set an industry standard for environmental management to attract new brand clients seeking sustainable supply chains, thereby expanding business channels.</li> </ul>
 <p><b>Environmental and Safety Risks</b></p>	<ul style="list-style-type: none"> <li>Pollution and liability risks: Improper management of hazardous waste (e.g., chemical residues, waste oils) may result in soil and groundwater contamination, leading to long-term environmental remediation obligations and substantial compensation claims.</li> <li>Occupational health and safety: Improper on-site storage or disposal of waste, especially hazardous waste, may pose risks to employee health and safety.</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities for Enhancing Capital and Brand Value:</li> <li>Attracting green investment: Strong ESG performance, including transparent waste management practices, facilitates access to low-cost financing through ESG-themed funds and green bonds.</li> <li>Enhancing corporate reputation and employer brand: As a responsible manufacturer, it strengthens the appeal to top-tier talent and elevates the company’s image among communities, government entities, and the general public.</li> </ul>

## Strategy and Objectives: The Path Forward

### Long-Term Vision (Through 2030):

Collaborate with stakeholders to minimize waste/water impact and strive to become a global benchmark in circular waste management, supporting the development of circular economy.

### Objective (by 2030):

1. Zero waste Landfill and Incineration sustained
2. Reduce shoe product unit waste by 1% year over year
3. Raise the rate of waste reuse and recycling to be 75% at least

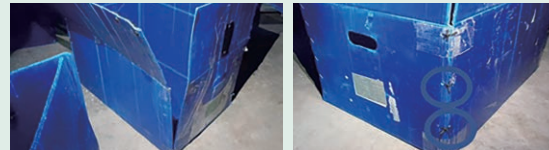
### Measures:

#### 1. Source Reduction and Process Optimization

- o Collaborate with brand clients during the R&D and design stage to optimize pattern design and minimize material cutting waste.
- o Invest in automated cutting machines to enhance material utilization precision. Currently, various types of automatic cutting machines are utilized across the Group's major factories for processing footwear material components.
- o Continuously conduct employee training and incentive programs, promote a culture of frugality, and reduce unnecessary waste in production processes. For example:

### Case 1

Repair damaged material handling containers to restore them to shipping-ready condition for reuse in material circulation.



### Case 2

To meet production requirements, the factory utilizes PE plastic film as auxiliary positioning material during special material processing. The original PE plastic film used was thick and heavy. Based on recommendations from the improvement team and with approval from production and relevant departments, the factory has procured a lighter-weight version of PE plastic film. The results indicate that the PE plastic film weight for cutting 100 collar materials has decreased from 36.85 g to 10.28 g. During the evaluation period, the total PE plastic film usage was reduced from 3,395 kg to 2,970 kg, achieving an average reduction of 0.1 g per pair of shoes, representing a 9% decrease.



### Case 3

Roll Sport Vietnam's data analysis revealed that synthetic leather scraps were the predominant waste category at the time. To this end, the factory's waste management team has prioritized analyzing the utilization of synthetic leather across all production stages to identify viable pathways for waste reduction.

On-site observations revealed that the team identified a consistent practice of delivering raw materials to the factory with additional width margins, resulting in redundant materials that prove challenging to utilize effectively during actual production. After extensive communication and coordination, the factory procurement department engaged with suppliers to address and implement improvement requirements. After multiple rounds of negotiations, the supplier has ultimately agreed to trim the excess material prior to delivery.



## 2. Segregated Collection and Resource Utilization

- o Implement strict waste classification requirements across all production bases, with clearly designated collection, labeling, and storage areas.
- o Establish long-term partnerships with rigorously audited, compliance-certified recycling vendors to transform non-recyclable waste into renewable resources (e.g., repurposing discarded EVA into sports flooring mats).

## 3. Harmless Disposal and Compliance Management

- o Implement full-process tracking for all hazardous waste (e.g., waste chemicals, used oil, etc.) from generation and transfer through to final disposal, ensuring environmentally safe and legally compliant treatment.
- o Conduct regular on-site audits and performance evaluations of waste disposal contractors to manage downstream environmental risks in the supply chain. In 2025, the Group evaluated a total of 38+ waste disposal contractors, including newly introduced service providers. Based on the assessment results and the respective processing scopes of these contractors, the Group formulated a waste management plan for Vietnam, standardizing the end-to-end waste management process from generation to disposal across all Vietnam-based factories. Factories outside the Vietnam region prioritized compliant waste disposal, ensuring at minimum that solid waste undergoes co-processing. Building upon this foundation, efforts were made to progressively enhance waste recycling and reuse rates.

## 4. Innovation and Collaboration

- o Actively engage in customer-initiated sustainable material innovation projects, researching and utilizing materials with higher recycled content.
- o Explore the development of a "Waste Resource Utilization Information Platform" to enhance waste data transparency and management efficiency, laying the foundation for future participation in a broader circular economy ecosystem.

## 5. Data Collection and Analysis:

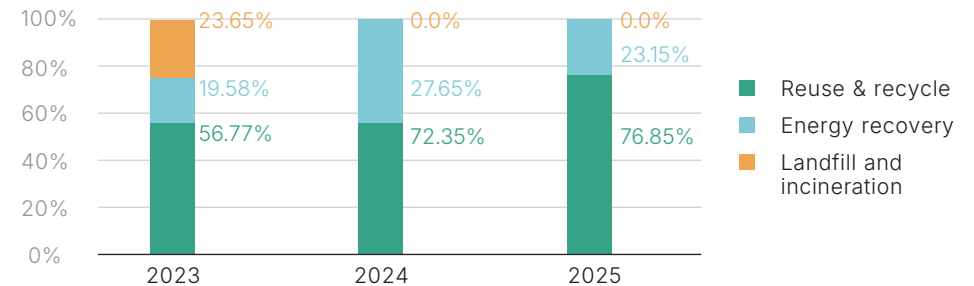
- o Establish a comprehensive data collection system and conduct analysis to support waste reduction initiatives and related activities.
- o Establish waste management control indicators, conduct monthly reviews, and propose corrective actions.

## 6. Internal Audit and Evaluation:

- o In accordance with the Group's requirements, the factory conducts periodic self-audits of its waste management operations to drive continuous improvement through performance evaluation.
- o The Group Headquarters annually organizes an internal audit team to evaluate waste management practices at key manufacturing facilities during designated periods, providing improvement recommendations and conducting real-time follow-ups.

Performance indicators <sup>1</sup>	Unit	2023	2024	2025
Amount of hazardous waste generated	Ton	3,320.04	3,865.80	3,804.48
Hazardous waste generation per unit of product	g/pair	17.37	17.60	17.86
Amount of solid waste generated	Ton	34,824.15	41,573.80	40,221.70
Solid waste generation per unit of product	g/pair	182.22	189.70	188.80
Recycling and reuse rate of solid waste	%	56.77	72.35	76.85
Solid waste recycling and reuse	Ton	19,770.26	30,077.47	30,911.32
Energy recovery	Ton	6,817.11	11,497.20	9,310.38

### Huali Group's Waste Disposal Methods



## Prospects

In the future, Huali Group will continue to uphold the philosophy of **"Green Manufacturing, Circular Development"**, integrating waste management more closely with climate change mitigation and resource security assurance. We plan to further increase investment in **waste pretreatment and recycling technologies**, deepen collaboration with value chain partners, and jointly build a more resilient and sustainable industrial ecosystem. This initiative responds to the expectations of investors, clients, and the broader society, transforming our environmental management advantages into the company's long-term competitive edge.

Note 1: Waste data does not include development centers in China region and newly commissioned factories.

## Wastewater Treatment

Huali Group has positioned water resource management as the cornerstone of its environmental governance strategy, establishing a comprehensive wastewater management system that spans “source control – operational process management – terminal reuse – compliant discharge”. The majority of the Group’s factories are equipped with comprehensive industrial wastewater treatment systems, employing a three-stage treatment process for progressive purification to ensure effluent quality meets both environmental compliance standards and recycling requirements. A limited number of factories discharge pretreated wastewater through dedicated pipelines to industrial park or municipal treatment facilities for centralized processing, achieving full-scope regulatory compliance management.

At the operational level, the Group has implemented a wastewater management checklist system, rigorously enforcing regular facility maintenance while dynamically adjusting treatment parameters based on production process changes to ensure sustained system effectiveness. To address the limitations in internal personnel qualifications and response capabilities, the Group’s factories have widely established maintenance agreements with third-party professional service providers. These contracts facilitate periodic evaluations of wastewater treatment systems and process controls, effectively mitigating the risks of non-compliant discharge. Meanwhile, all operational bases strictly adhere to the wastewater monitoring frequencies stipulated in the environmental impact assessment approvals: Vietnam region primarily conducts quarterly monitoring, Indonesia region performs monthly assessments, while China region implements semi-annual inspections. In 2025, 19 footwear factories under the Group successfully passed ZDHC wastewater testing, with results fully compliant with the discharge limits established by the Zero Discharge of Hazardous Chemicals (ZDHC) Programme. This achievement demonstrates internationally recognized wastewater management standards within the supply chain.

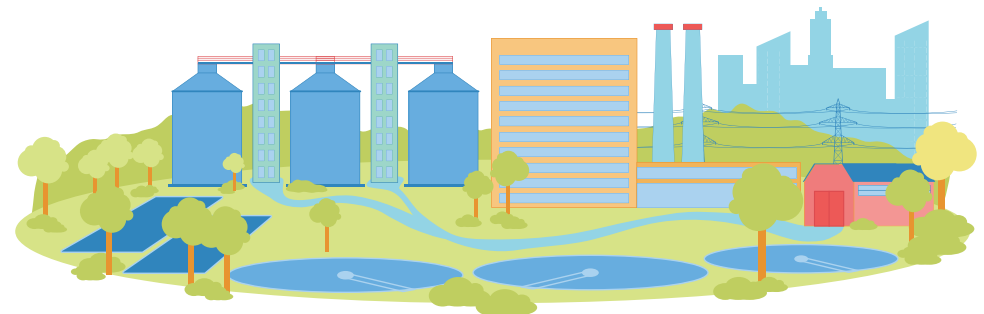
In the realm of water conservation and recycling, the Group has identified wastewater reuse as a strategic entry point for reducing water resource consumption. The newly constructed factories have integrated the synergistic layout of wastewater treatment and recycling systems during the design phase. Upon approval by the relevant government authorities, the priority is given to utilizing treated reclaimed water for toilet flushing, landscape irrigation, and certain auxiliary production processes, thereby minimizing freshwater intake. The remaining non-recyclable portion is discharged through standardized outlets in compliance with regulatory requirements.

In 2025, the Group achieved a wastewater recycling rate of

**77.74%**

and secured a CDP Water Security Rating of **B** for its systematic water resource management performance, demonstrating sustained commitment to building water resilience.

Performance indicators <sup>2</sup>	Unit	2023	2024	2025
Wastewater treated	m <sup>3</sup>	2,260,844	2,319,803	2,558,895
Wastewater recycled	m <sup>3</sup>	1,892,555	1,823,108	1,989,205
Wastewater discharge	m <sup>3</sup>	368,289	496,695	569,690
Wastewater recycling rate	%	83.71	78.59	77.74



Note 2: Wastewater data excludes development centers in China region and newly commissioned factories.

## Ecosystem and Biodiversity Protection

The Group considers biodiversity conservation and sustainable utilization as a critical component of its corporate sustainability initiatives. We are committed to strict compliance with all applicable laws and regulations in our operational activities, while actively promoting ecological conservation and biodiversity protection initiatives.

Prior to project implementation, the Company conducts rigorous site selection evaluations to ensure compliance with legal and regulatory requirements. The assessment holistically considers factors including regional ecosystem integrity, species richness, and the presence of rare or endangered species habitats, thereby mitigating potential impacts on biodiversity at the source.

In the construction and operation of factories, we adhere to the principles of eco-design. On one hand, efforts are made to preserve surrounding natural vegetation and promote ecological restoration through afforestation. On the other hand, production processes are optimized by adopting water-saving technologies and high-efficiency pollution treatment facilities to reduce resource consumption and pollutant discharge, thereby minimizing impacts on aquatic biodiversity.

The Company strictly implements the “Three Simultaneities” environmental protection policy, ensuring that environmental protection facilities are designed, constructed, and put into operation simultaneously with the main project. The Company implements stringent management of waste, wastewater, and emissions: waste disposal adheres to the principles of reduction, resource recovery, and harmlessness; wastewater undergoes multi-stage treatment to meet discharge standards; emissions are treated through purification equipment to remove hazardous substances, minimizing impact on the atmosphere and ecological

environment. In the raw material procurement process, the Company recognizes that over-reliance on a single species or unsustainable sources may impose significant survival pressure on related species, thereby impacting biodiversity. Therefore, the Company has established stringent raw material procurement standards and an evaluation system, prioritizing sustainably sourced materials and encouraging suppliers to adopt eco-friendly harvesting and production methods. At the same time, the Company actively expanded raw material supply channels, reduced dependence on single species, and ensured that the procurement process adhered to biodiversity conservation principles.

The Company’s R&D center collaborates with leading brands to jointly develop new technologies and products aimed at reducing ecological impact. Through continuous innovation, the Company explores more environmentally friendly and efficient production technologies, integrating biodiversity conservation principles into product design to minimize ecological impact throughout the product lifecycle.

Additionally, the Company places great emphasis on the role of employees in biodiversity conservation. It ensures that every employee thoroughly comprehends the importance of biodiversity conservation, masters relevant knowledge and skills, and consciously implements biodiversity protection principles in daily operations, thereby contributing to the company’s sustainable development.

To further enhance the systematic, scientific, and transparent management of biodiversity and nature-related risks, the Company will conduct a systematic assessment and prepare a TNFD (Taskforce on Nature-related Financial Disclosures) report with professional advisory support from S&P Global, in alignment with the TNFD framework. The report will be released concurrently with this annual report. We will systematically identify and assess the dependencies and impacts of operations and supply chains on nature and biodiversity through the LEAP methodology, comprehensively integrating ecosystem conservation and biodiversity management into corporate strategy, governance, and risk control systems. By adopting international standards to advance nature-positive objectives, we aim to achieve synergistic development between commercial value and ecological value.



# RESOURCE UTILIZATION AND CIRCULAR ECONOMY

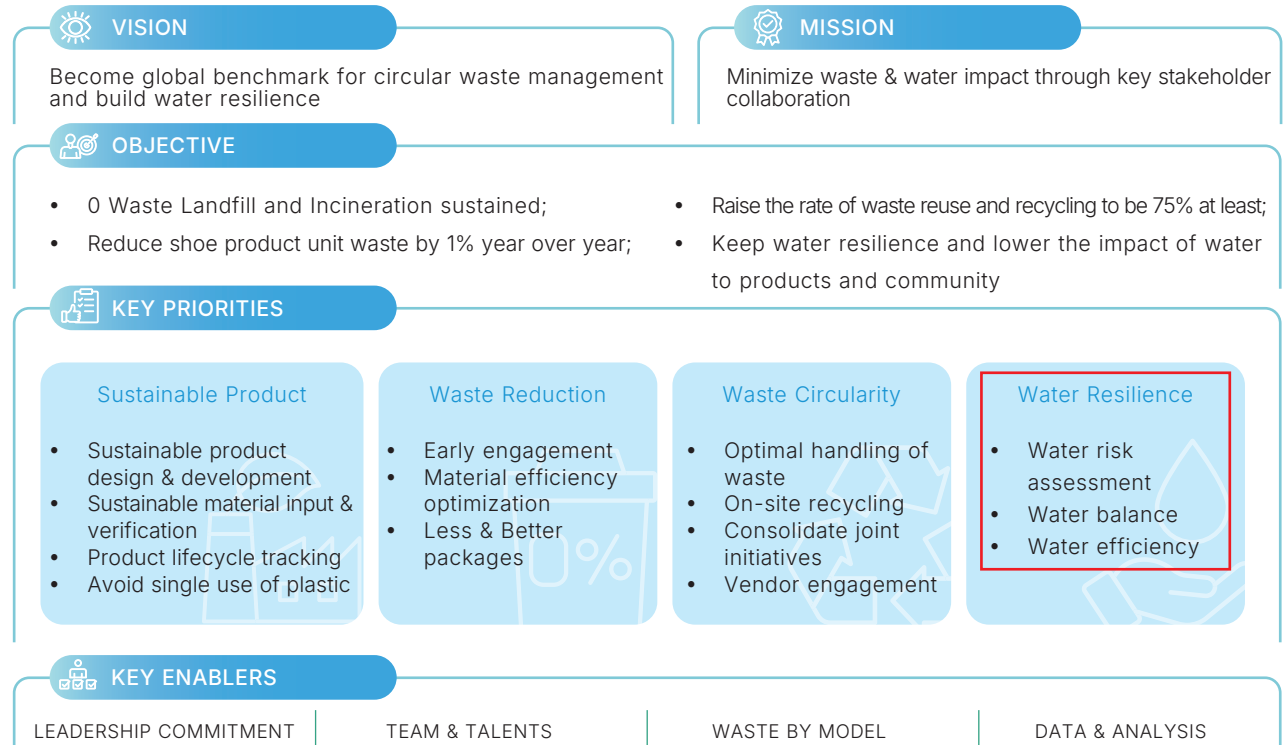
## Water Resources Utilization and Management

Water resources are an indispensable strategic asset in the operations and value chain of footwear manufacturing enterprises. Our operations critically depend on stable, clean water sources for multiple core processes – from raw material production (particularly leather tanning and textile dyeing) to finished goods manufacturing. At the same time, our operations have a direct impact on the local water environment, which has made us acutely aware of the management responsibilities we bear.

At the dependency and impact level, the company faces multiple challenges. Approximately 70% of the footwear industry's water consumption occurs in the upstream supply chain, particularly in leather production, which carries a substantial water footprint. In our own operations, the water consumption associated with traditional processes and the potential accompanying wastewater discharge constitute our direct environmental impact. These factors collectively form the company's water risk landscape: Physical risks manifest as potential production disruptions due to water scarcity in supply chain concentration areas; financial risks reflect heightened profit sensitivity to rising water prices, increased treatment costs, and regulatory penalties; while compliance and reputational risks stem from increasingly stringent environmental regulations and intense public scrutiny of sustainable production practices.

As a global leader in athletic footwear manufacturing, Huali Group fully recognizes the critical value of water resources in both production operations and community ecosystems. The Group regards water resources as a critical environmental and social asset. Adhering to the principles of efficiency, circularity, and responsibility, we have established a comprehensive water resource management system spanning the entire lifecycle of "withdrawal-usage-discharge." Committed to minimizing our water footprint, we strive to achieve sustainable business growth while ensuring responsible stewardship of this vital resource.

In response to emerging focus trends, Huali Group has implemented timely strategic revisions by incorporating naturally positive contents into the previous framework. The updates emphasize water resilience management, with enhanced focus on water risk assessment, water balance management, and efficiency improvement initiatives.



At the beginning of 2025, the Group Headquarters mandated all factories to utilize WRI or WWF's open-access water risk assessment tools to evaluate their respective water-related risks. Based on the assessment results, corresponding risk prevention and mitigation plans must be formulated. These include: strengthening maintenance of water supply networks and rainwater systems to prevent leaks and blockages; conducting water conservation training and promoting greywater reuse to enhance water efficiency; upgrading drainage infrastructure, establishing flood early warning systems, and strictly enforcing groundwater and environmental regulations. These measures form a systematic approach to addressing water resource and flood management challenges.

The Group has implemented a water balance assessment program, where factories install water metering instruments across various zones to facilitate daily water resource management and system maintenance through data-driven analytical outcomes.

As a labor-intensive industry, Huali Group employs a substantial workforce, making domestic water usage a significant component of its water resource consumption. This primarily encompasses employee hygiene, catering services, and facility sanitation within the factory premises. In 2025, Huali Group's factories consumed a total of 1,933,479 tons of CO<sub>2</sub>e of fresh water (including groundwater), with 73% allocated for domestic activities.

Performance indicators <sup>3</sup>	Unit	2023	2024	2025
Total water withdrawal	m <sup>3</sup>	1,710,868	1,993,899	1,933,479
Water consumption per unit of product	L/pair	8.95	9.10	9.08
Municipal water supply	m <sup>3</sup>	1,574,602	1,878,893	1,828,230
Groundwater	m <sup>3</sup>	136,266	115,006	105,249
Wastewater discharge	m <sup>3</sup>	368,289	496,695	569,690
Water consumption	m <sup>3</sup>	1,342,579	1,497,203	1,363,789

In 2025, through systematic water resource management, Huali Group achieved a CDP Water Security Rating of B, demonstrating its ongoing commitment to building water resilience. Overview of Huali Group's water resource management:

**Strategic and Systematic Management:** The Group has initiated water consumption control mechanisms at factories by establishing quantifiable targets and conducting regular audits to drive continuous improvement.

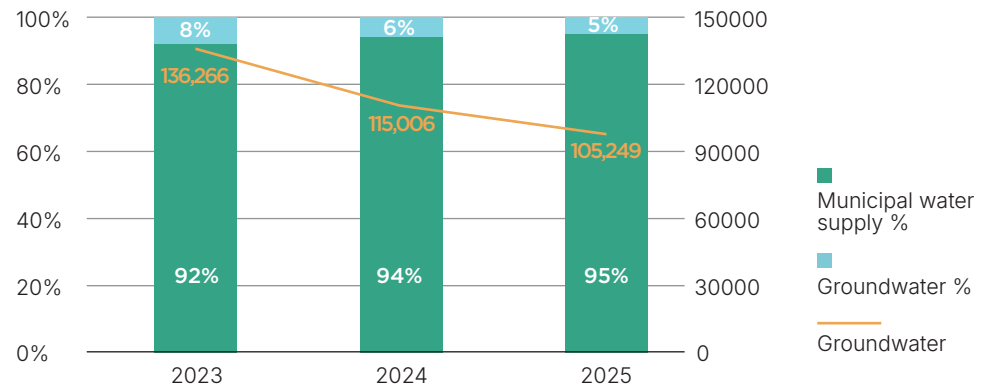
**Water Conservation and Recycling in Production Process:** Focusing on key water-intensive stages, we vigorously promote water-saving measures through process optimization and technological upgrades. For instance, implementing closed-loop circulation in cooling systems to significantly enhance water recycling rates, and utilizing treated reclaimed water in applicable processes to reduce freshwater intake. Meanwhile, we strengthen pipeline maintenance and leakage detection to eliminate unnecessary losses.

Note 3: Water data excludes development centers in China region and newly commissioned factories.

**Comprehensive Wastewater Management:** We invest in and continuously upgrade advanced wastewater treatment facilities to ensure all production effluents meet or exceed local regulatory standards prior to discharge. Certain factories have implemented reclaimed water reuse systems, utilizing treated wastewater for landscaping, road cleaning, and non-production processes, thereby enhancing closed-loop water resource management.

**Supply Chain Collaboration and Risk Mitigation:** The Group prioritizes water resource risks in its operations and supply chain, particularly in regions with high water stress. By assessing water stress conditions at factory locations, we develop adaptive management plans and actively engage with suppliers to promote water conservation awareness and practices throughout the supply chain.

### Water Usage of Huali Group



**Employee Engagement and Capacity Building:** Annual water conservation training programs are conducted for all staff to enhance awareness of water-saving practices.

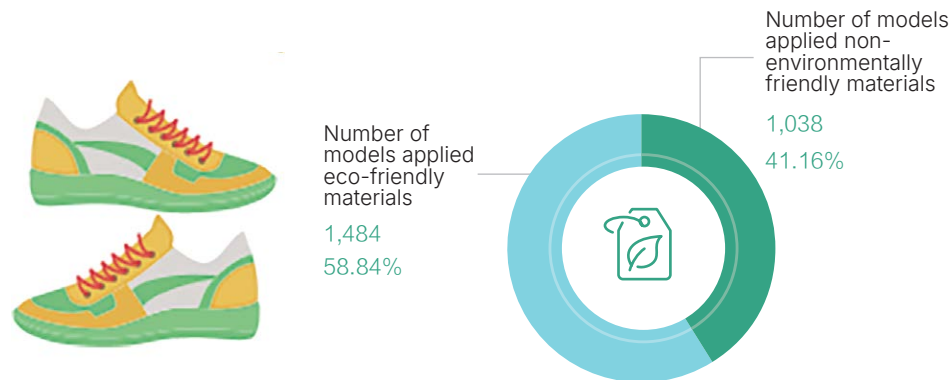
**Community Engagement:** We actively participate in water conservation initiatives and environmental protection activities within the factory's local community to fulfill corporate citizenship responsibilities.

Looking ahead, we will continue to deeply integrate water resource management into our corporate strategy. By establishing scientifically-based water conservation targets, enhancing supply chain water usage transparency, and investing in green manufacturing processes, we are committed not only to minimizing operational impacts on aquatic ecosystems, but also to strengthening supply chain resilience, controlling long-term costs, and safeguarding brand reputation – thereby creating sustainable long-term value for all stakeholders.

## Circular Economy

In fulfillment of its ESG development responsibilities, Huali Group actively explores new pathways for green growth, deeply integrating the circular economy concept into its corporate development strategy as a core driver for achieving sustainable development. To systematically advance the full-chain green transformation initiative, the Group has implemented multidimensional strategies: continuously expanding procurement of recycled raw materials, comprehensively upgrading product packaging processes, and implementing green packaging systems across all operations; optimizing full production processes by establishing precision material utilization models, leveraging computer-aided design systems and intelligent pattern software to conduct digital precision pattern-making and cutting based on shoe size and model characteristics, significantly improving material utilization rates; actively promoting no-sew technology and modular production modes to reduce waste generation (including threads and scraps) at the source; concurrently establishing a circular product design framework, accelerating R&D of eco-friendly products, making steady progress on sustainability-related certifications, and building a green production system.

During the reporting period, the Group achieved milestone progress in sustainability certification. Nine factories successfully obtained sustainability certifications, including six factories certified under the Global Recycled Standard (GRS) and three factories certified under the Recycled Claim Standard (RCS), thereby establishing a robust compliance foundation for the Group's green production operations. In 2025, the Group developed a total of 2,522 shoe models, among which 1,484 models applied eco-friendly materials, accounting for 58.84% of the total, while the remaining 1,038 models utilized conventional materials, demonstrating remarkable achievements in sustainable R&D.



During the shoe model development process, the Group has integrated circular economy principles throughout the entire workflow – from product design and material selection to manufacturing techniques. Through innovative material formulations, optimized structural designs, and upgraded production processes, we have developed multiple outstanding shoe models that combine environmental sustainability, functionality, and premium quality. Below are examples of outstanding eco-friendly models:



**ALTRA Experience Flow 3:** This model embodies eco-conscious principles through meticulous material selection and structural design. The upper features dual-layer engineering mesh, optimized yarn utilization to minimize material waste at source while delivering breathability and lightweight performance. Equipped with GuideRail technology, it provides neutral support for wearers, complemented by a rubber outsole ensuring superior traction and durability across diverse scenarios – from daily training to long-distance jogging. The midsole utilizes lightweight EVA foam, effectively lowering material consumption and the carbon footprint throughout the production process. The innovative InnerFlex groove design greatly enhances midsole flexibility and extends the overall lifespan of the shoe. A one-piece construction reduces assembly steps during production, further minimizing manufacturing waste. The combination of high-abrasion rubber on the outsole and durable materials on the upper effectively extends the product's wear life, reducing the frequency of replacement and minimizing resource waste at the user level.



**Softride Mayve Wn's:** This model employs a knitted upper construction with outstanding performance in recycled material utilization. The upper incorporates an impressive 81% recycled polyester content, while achieving optimal structural integrity through a scientifically calibrated blend of 15% nylon and 4% spandex. This precise material composition ensures the upper's enveloping fit and durability rival virgin materials, delivering uncompromised sustainability without sacrificing product excellence.

Moving forward, the Group will continue to deepen its expertise in the circular economy sector. Driven by technological innovation, we will consistently elevate the adoption rate of eco-friendly materials. With sustainable development as our ultimate objective, we will fulfill our green development responsibilities while creating more competitive environmentally conscious products.

# CHEMICAL MANAGEMENT

Chemicals, as fundamental and critical materials in footwear manufacturing, are extensively utilized in key processes such as upper treatment, adhesive bonding, and cleaning/finishing. They permeate the entire production lifecycle, directly impacting corporate compliance operations, employee health, ecological environment, and product quality. The unwavering commitment and proactive leadership of senior management are the cornerstone for the effective implementation of the chemical management system. Therefore, we pledge:

1. Compliance with local laws, regulations, customer standards, and industry requirements.
2. Adoption of sustainable chemical management practices during the production process.
3. Continuous improvement of the effectiveness of the chemical management system.
4. Ensure the use of safe chemicals in the factory to protect the health and safety of workers and minimize impacts on environment.
5. Embed traceability and transparency in factory operational activities.



## Chemical Management Improvement Practices:

Reducing volatile organic compound (VOCs) emissions stands as a core priority in chemical management.

The primary emission sources of VOCs stem from industrial chemical products such as inks, paints, solvents, and cleaning agents used in manufacturing processes. Through photochemical reactions with nitrogen oxides in the atmosphere, these compounds generate ozone and other hazardous pollutants. This not only deteriorates ambient air quality but also poses significant health risks to humans via respiratory inhalation and dermal exposure.

In the field of sustainable chemical management, Huali Group actively implements green development principles. On one hand, the company reduces VOC emissions at the source by phasing out or minimizing the use of solvent-based chemicals. On the other hand, through systematic process improvements and optimizations, it achieves comprehensive reduction in the consumption of various chemical substances. This series of practical initiatives fully demonstrates the Group's substantive commitment to environmental protection and sustainable development.

Factory	Division	Before Replacement		After Replacement	
		Chemical Name/Code	VOC Composition	Chemical Name/Code	VOC Composition
Annora Vietnam	Stitching Process	8250-2	73.3%	TECHNOMELT MELTACE 733 P	0%
Roll Sport Vietnam	Assembly	111GN	86.5%	UE-8SF	0%
Roll Sport Vietnam	Assembly	1071	80.5%	CL-16	20%
Adora Vietnam	Assembly	P434	80.0%	A628W	0%
Aleron Vietnam	Bottom finishing	NP-72KMN	84.5%	LOCTITE AQUACE W-80	0%

Table: Substitution with water-based chemicals or low-VOC-content chemicals to reduce VOC generation and emissions




Factory	Image	Process Name	Description Before Improvement	Description After Improvement and Outcomes
Annora Vietnam		Seamless stitching	Utilizing solvent-based adhesive (8250-2)	Switch to TECHNOMELT MELTACE 733 P <ol style="list-style-type: none"> <li>1. Reduce VOC emissions</li> <li>2. Workforce reduced from 2 to 1 worker</li> </ol>
Adora Vietnam		Attach primer	Both canvas and special satin fabric are treated with P434 solvent-based primer	The canvas part is treated with A628W water-based primer, while the satin fabric still utilize P434 primer <ol style="list-style-type: none"> <li>1. Reduce VOC emissions</li> <li>2. Worker-friendly operation</li> </ol>
Aleron Vietnam		Upper stitching		<ol style="list-style-type: none"> <li>1. Spray adhesive on the upper/upper lining before stitching and bonding</li> <li>2. Stitch inner/outer quarter overlays/ inner/outer eyelet stays</li> <li>3. Stitch inner/outer eyelet stays/ eyelet overlays</li> </ol> Using computer stitching for inner/outer quarter overlays, eyelet stays, eyelet overlays and quarter lining. <ol style="list-style-type: none"> <li>1. Eliminate adhesive process</li> <li>2. Combined process using computerized stitching, improving efficiency by 19%</li> </ol>

Table: Optimization of Process for Reducing VOCs Generation and Emissions

The Group's chemical management practices are integrated throughout the entire factory management process. From input control to production utilization and final waste treatment/disposal, all operations strictly comply with legal regulations and brand customer standards. By establishing a comprehensive chemical tracking and traceability management system along with training mechanisms, we ensure compliant, controllable, and traceable operations at every stage. In addition, Huali Group has implemented targeted special projects to continuously enhance chemical management performance.

## Chemical Visibility Initiative

Since November 2023, Huali Group has officially launched the Chemical Visibility Initiative, progressively expanding its coverage and subsequently extending the initiative to all operational Tier 1 factories within the Group. The Chemical Visibility Initiative leverages a digital platform to enable rapid, convenient, and accurate consolidation of chemical inventory data and monitoring of chemical usage. Additionally, the Performance InCheck reports automatically generated by the platform enable internal monitoring of ZDHC MRSL conformance levels for chemicals in the inventory list, while also facilitating deeper exploration and identification of continuous improvement opportunities and challenges. Based on the current conformance ratios across our factories, we are actively collaborating with the Procurement and Chemical Engineering departments to establish ambitious targets and develop clear implementation roadmaps, thereby progressively enhancing MRSL (Manufacturing Restricted Substances List) conformance performance.

In 2025, to further enhance the credibility of the Performance InCheck reports for the factories, Annora and Aleron factories in Vietnam underwent ZDHC InCheck verification (Level 1). The verification process involved on-site inspections and report validation conducted by a ZDHC-approved third-party auditing body. Both factories successfully passed the assessment, conclusively demonstrating the comprehensive integrity and accuracy of the chemical inventory lists.

**ROADMAP TO ZERO** ZDHC Verified InCheck - Level 1 Report

Project		
report number	2025-V11-Q-3008	
on-site visit date	06 Mar 2025	
reference document	Verifier InCheck Level 1 V1.0	
Supplier		
ZDHC AID	A291H6.19	
organisation	Annora Vietnam Footwear Limited	
address	Nghi Son Economic Zone, Xuan Lam Ward, Nghi Son Township, Thanh Hoa Vietnam	
ZDHC Approved Solution Provider		
organisation	Shenzhen Impaq Testing Technology Co., Ltd.	
verifier	Wang, Shengrong	
verification type	third party	
Verification results		
Type 2: chemical inventory equal to or greater than 30 chemical products		
Check parameter	Max. points (A)	Points scored (B)
Check 5 random chemical products during walkthrough	5	5
Check 10 chemical products selected from inventories	10	8
Check 5 chemical products from documentation	5	4
Check 5 chemical products from recipe sheets	5	3
Check 5 chemical products from the facility's inventory records	5	5
Total points scored	30	25
% Score (Total Points Scored/30)x100	83.33%	
Verification Outcome		
Supplier has successfully completed the Performance InCheck verification review (score >= 80%)		

ZDHC InCheck Verification (Level 1) Report

## ZDHC Factory Zero Discharge Project (Supplier to Zero)

To gain a comprehensive understanding of current chemical management practices and identify areas for improvement in sustainable chemical stewardship, selected manufacturing factories within the group have initiated Supplier to Zero projects under the brand's strategic guidance. In 2025, building upon the project implementation at existing Nike, Puma, and New Balance manufacturing factories, Under Armour's factory officially launched this initiative to standardize, enhance transparency, and continuously optimize chemical management.



Supplier to Zero Certification

# 06

## | Social

62	Innovation-Driven	90	Occupational Health and Safety
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## INNOVATION-DRIVEN

### Development Strategy and Core Objectives

The Group adheres to a dual-drive strategy centered on technological and management innovation. By leveraging innovation to empower production operations, enhance value, and drive sustainable development, it has established a modern operational system defined by high quality, high efficiency, low consumption, and corporate responsibility.

Through technological and management innovation, we optimize production and processes to boost efficiency and quality, thereby strengthening our core competitiveness. Meanwhile, we drive process reengineering and refined supply chain management to tighten cost control and achieve lean operations.

We integrate environmental protection and social responsibility into our operations, vigorously advancing green manufacturing by promoting recycled materials, energy-efficient equipment, and low-carbon processes. We continuously reduce carbon emissions, pursuing a path of green, low-carbon, and sustainable high-quality development.



### Innovation and R&D Cases



#### Material Innovation

##### Semi-transparent dual-color dual-density high-rebound midsole

1. This shoe outsole features a design where a semi-transparent jelly-textured outer layer encases a fluorescent inner layer, creating a dynamic interplay of luminous hues with a subtle, ethereal glow. Light penetrates the outer layer, exciting the fluorescent molecules within.
2. Through formula optimization and equipment upgrades, we have achieved scientifically differentiated hardness configurations for inner and outer layers: inner layer  $40 \pm 2$ , outer layer  $48 \pm 2$ .

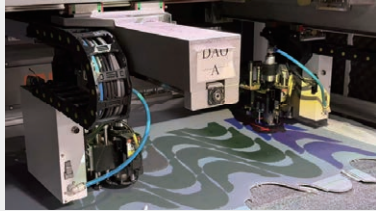
##### Outer ring $48^\circ$ · Stabilizing framework

The translucent outer layer hardness is set at 48 degrees with a rebound value of 50. This hardness strikes a balance between support and flexibility, functioning like an invisible hand that firmly stabilizes the foot's perimeter. It delivers exceptional torsional resistance and landing stability, preventing excessive pronation while ensuring dynamic responsiveness during movement.

##### Inner layer $40^\circ$ · Soft pressure relief

The hardness of the inner fluorescent zone measures only 40 degrees, while rebound resilience has improved to 55. The softer material combined with enhanced rebound performance ensures each step efficiently absorbs impact and converts it into gentle push-back energy. Its arch-conforming design delivers an immersive "soft yet supportive" comfort experience.

### Upper Automatic cutting machine



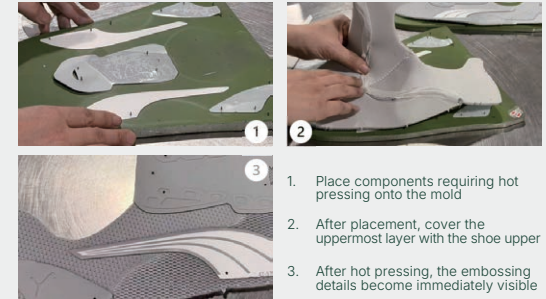
#### "Traditional Manufacturing" Transitions to "Digital Manufacturing"

Through computer-aided positioning and automated cutting technology, we reduce reliance on traditional die-cutting and manual labor, enhancing cutting precision and production efficiency, establishing replicable, scalable processes with quantifiable consistent quality standards.

### Overlay Fusible mold hot pressing

#### "Batch Processing" Transitions to "One-Shot Forming"

Integrate the originally segmented hot-pressing process into a single-step completion. All required hot-pressed components can be processed simultaneously while remaining compatible with conventional high-frequency techniques. Eliminate piece-by-piece positioning time and reduce manual intervention. Significantly reduce production cycle time while enhancing overall efficiency and stability.



### Cutting Positioning point laser cutting

#### "Manual Alignment" Transitions to "Digital Precision"

Replace traditional micro-punching and cutting methods with laser technology. Minimize the risk of blade damage and rework caused by micro-hole machining. Simultaneously reduce mold footprint, enhance material utilization efficiency, and lower production costs. Through precision positioning systems, we eliminate manual operation errors and enhance machining consistency.



### Assembly Robotic arm automatic glue dispensing

#### "Quality Fluctuations" Transitions to "Stable Output"

Through automated coating control, ensure the adhesive volume and coating application are precisely consistent. Minimize discrepancies and reduce rework rates. Establish predictable and replicable process quality standards.



Infrared positioning adhesive application range



Robotic arm automatic glue dispensing



### Application of Sustainable Materials

Crafted with recycled leather, this design upholds the classic Tasman construction while integrating sustainability into mass production processes.

### Process and Quality Optimization

Optimize pattern nesting and material selection criteria for regenerated leather properties to enhance appearance consistency and quality stability.  
Optimize the edge-binding woven tape and recycled leather bonding process to ensure fit and visual appeal.  
Enhance material property testing and durability validation during the development phase to uphold brand quality standards while utilizing eco-friendly materials.

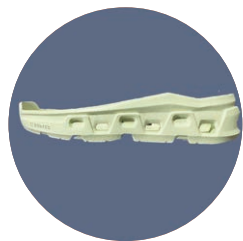


### Application of Sustainable Materials

- Utilizing a technical mesh upper made with 55% recycled polyester fibers to advance circular economy practices.
- SCF EVA cushioning material is lighter, more durable, and balances performance with resource efficiency.

### Ergonomics and Motion Protection

- Active Foot Frame™ stabilizes the heel, while MetaRocker™ optimizes gait mechanics to minimize exercise-related injuries.
- Optimize the edge-binding woven tape and recycled leather bonding process to ensure fit and visual appeal.
- 3D structured collar prevents ankle slippage, enhancing athletic safety.



### Bio-based midsole

#### Model Cloud Monster Toddler

Innovative use of bio-based midsole reduces carbon emissions, enables recyclability and biodegradability, achieving circular economy objectives.

## R&D Investment

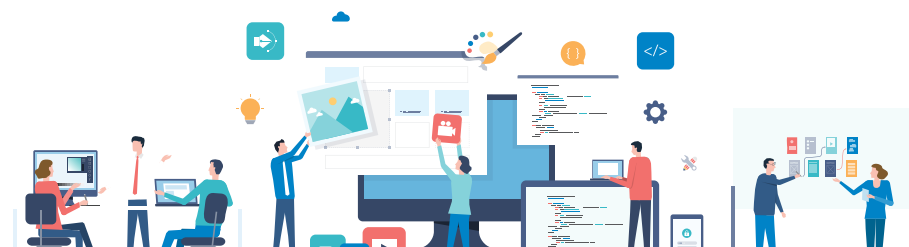
### 1. R&D Investment in 2025

Year	Revenue (RMB 10,000)	R&D expense (RMB 10,000)	Ratio of R&D expenses to revenue
2023	2,011,374.10	30,903.42	1.54%
2024	2,400,639.36	37,473.31	1.56%
2025	2,498,012.51	41,382.87	1.66%

### 2. Number of R&D Personnel

In 2025, with business expansion, the proportion of R&D personnel correspondingly increased as shown in the table below.

Year	2023	2024	2025
Total number of employees in the Group	157,545	177,591	185,551
Number of R&D personnel	3,751	4,077	4,495
Ratio of R&D personnel to the total number of employees	2.38%	2.30%	2.42%



### 3. Patent Management

During the reporting period, the Company filed 32 patent applications, including 2 invention patents. As of December 31, 2025, the Company had been granted 175 patents, with 26 being invention patents, and possessed 3 software copyrights.

175

the Company had been granted 175 patents

Starting in 2025, we have intensified collaborative R&D with equipment suppliers to enhance automation efficiency. The following is example of the Group's 2025 R&D cases for benefits/efficiency improvements.

Project	Efficiency improvement rate	Reduction in headcount
Dr. Light - Laser Marking Machine	202%	2.5 persons
Wool cutting machine upgrade	155%	68 persons
Laser punching on outsole	450%	63 persons
New screen printing machine	80%	63 persons

## SUPPLY CHAIN SECURITY

### Supply Chain Management

Huali Group remains steadfast in building a secure, reliable, responsible and sustainable supply chain ecosystem, positioning suppliers as pivotal links in the value chain and integral components of its ESG framework. In 2025, the Group stayed true to its mission of "maximizing customer benefits and competitiveness". With the core objective of "ensuring on-time material delivery, quality compliance, competitive pricing and ESG performance to achieve a win-win-win scenario for the Group, customers and suppliers", we established a comprehensive supplier lifecycle management system encompassing "selection – management – evaluation – elimination". By embedding ESG requirements throughout the supply chain, we have solidified the foundation of a responsible supply chain, thereby supporting the Group's global operations and sustainable development.

### Governance

To ensure the effective implementation of supply chain management strategies, the Group has established a three-tier "lead-specialized-collaborative" organizational framework. This structure clearly defines the core responsibilities and authorities of each functional department, creating a well-defined and highly efficient management loop that ensures the orderly advancement of the entire supply chain management process.

### Governance Structure

Adopting a "lead-specialized-collaborative" three-tier organizational framework ensures clear division of labor and efficient coordination.

Department Type	Responsible Department	Core Responsibilities
Leading Department	Procurement Department	Supplier evaluation, records management, cooperation negotiation, and relationship maintenance
Specializing Department	C&S Department	ESG standard formulation, supplier ESG evaluation and rectification tracking
Collaborating Departments	Technical, Quality Control, Production, Finance, etc.	Provide data support and evaluation for technology, quality, delivery, and cost

## Institutional Safeguards

The Group has established a systematic and standardized supplier management system framework. Centered on the "Supplier Management Policy" and "Supplier ESG Evaluation Standards", supplemented by supporting documents such as the "Supplier Code of Conduct", it forms comprehensive management rules covering the entire supplier lifecycle to ensure traceable, compliant, and orderly supply chain governance.

### Supplier Admission Criteria

The Group defines the complete process from supplier qualification to inclusion in the approved supplier list to ensure high-quality suppliers enter the supply chain system:

1. **Information Collection:** Conduct extensive collection of potential supplier information through multiple channels such as internet searches, industry referrals, and trade fair exchanges to establish a comprehensive supplier database.
2. **Preliminary Screening:** Conduct qualification reviews, production capacity evaluations, and ESG pre-assessments on potential suppliers to identify candidate suppliers that meet the basic requirements.
3. **On-Site Audit:** For key candidate suppliers, a dedicated task force comprising technical, quality control, and C&S departments will conduct field inspections to comprehensively verify their actual operational conditions.
4. **Sample Validation:** Conduct trial testing and quality verification of new materials from suppliers that have passed on-site audits to confirm compliance with the group's quality standards.
5. **Inclusion of Supplier:** Suppliers that have successfully passed multi-tier evaluations are formally listed in the "Approved Supplier List", thereby becoming eligible collaborative resources for the Group.

### Continuous Management Mechanism

The Group has established a continuous management mechanism covering the entire supplier collaboration process to ensure dynamic optimization of the supply chain:

1. **Daily Performance Tracking:** Utilize systematic management tools to monitor key operational metrics such as supplier on-time delivery rate, quality anomalies, price fluctuations, and service response speed in real-time, enabling prompt identification of collaboration issues.
2. **Periodic Comprehensive Evaluation:** Conduct annual or quarterly comprehensive assessments of suppliers, incorporating multi-dimensional metrics such as quality, delivery performance, pricing, and ESG performance for quantitative scoring, culminating in an evaluation report.
3. **Graded Management System:** Suppliers are categorized into different grades based on comprehensive evaluation results, implementing differentiated management strategies to optimize resource allocation.
4. **Coaching and Elimination Mechanism:** For suppliers requiring performance improvement, a coaching mechanism is initiated to assist in enhancing their performance; for suppliers with consistently poor performance, major violations, or failure to complete required rectifications, an elimination process is triggered to preserve the integrity and quality of the supply chain.

### Compliance and Ethical Requirements

The policies place particular emphasis on strict compliance with the "HLIG-Supplier Code of Conduct", explicitly requiring all suppliers to adhere to the following principles in business operations:

1. Comply with national laws and regulations as well as industry-related provisions to ensure lawful and compliant business operations;
2. Uphold business ethics and eliminate violations such as commercial bribery and unfair competition;
3. Safeguard employees' legitimate rights and interests, comply with labor employment regulations, and foster a favorable working environment;
4. Prioritize environmental protection, strictly adhere to relevant environmental standards, and promote green production.

Through a comprehensive institutional framework, the Group ensures that all commercial activities within the supply chain adhere to ethical standards and regulatory requirements, thereby providing robust safeguards for the stable and sustainable operation of the supply chain.

## Strategy

We have integrated supply chain ESG management as a pivotal component of the Group's overarching sustainable development strategy. Through strategic partnerships and dynamic management practices, we are building a resilient and responsible supply chain network.

- Strategic Collaboration:** We advocate for establishing long-term strategic partnerships with suppliers, with a particular emphasis on fostering in-depth collaborative relationships with key suppliers (such as those accounting for the top 85% of transaction volume). This partnership model, which transcends short-term transactions, facilitates deeper collaboration between both parties in areas such as technological innovation, quality enhancement, cost optimization, and ESG practices. It enables joint efforts to address industry challenges and achieve mutually beneficial supply-demand outcomes.
- ESG Integration:** We comprehensively embed environmental, social, and governance requirements throughout the entire supplier lifecycle management process. During the admission stage, rigorous ESG pre-assessment is conducted; in daily management, ESG-related performance is monitored in real time; during periodic evaluations, critical weighting is assigned to ESG indicators. This initiative ensures that while focusing on traditional metrics of Quality (Q), Cost (C), Delivery (D), and Service (S), ESG is incorporated as a core dimension for evaluating suppliers' comprehensive value and risk profiles.
- Dynamic and Varied Control:** Based on periodic evaluation results of suppliers, we implement differentiated management strategies. For high-performing suppliers, increase procurement share and deepen strategic partnerships; for suppliers requiring improvement, initiate targeted coaching and corrective action programs. This dynamic management model ensures efficient resource allocation and continuous supply chain optimization.

## Risk and Opportunity Management

### Implement a Comprehensive Due Diligence Management Process Covering the Entire Lifecycle

Through systematic process management, we proactively identify, assess, and mitigate potential ESG-related risks within our supply chain, while actively exploring ESG opportunities to drive continuous improvement and upgrading.

### Rigorous Admission Assessment

New supplier onboarding requires rigorous qualification review, production capacity evaluation, and ESG pre-assessment. For key suppliers, we will establish a dedicated task force comprising representatives from technical, quality control, compliance, and sustainability departments to conduct on-site audits. The audit scope will comprehensively cover both core operational dimensions and sustainability aspects, specifically including:

- Production Capacity:** Advancement and compatibility of production equipment, standardization level of production processes, capacity flexibility (adjustment capability to handle order fluctuations), rationality of production planning, and capacity expansion, etc.;
- Delivery Assurance:** Historical order on-time delivery rate records, production cycle stability, supply chain collaborative response speed (e.g., raw material procurement cycle control), contingency plans (for unforeseen circumstances affecting delivery timelines such as force majeure), etc.;
- Quality Control:** Quality management system (including implementation status of certifications such as ISO), raw material inspection standards and procedures, in-process quality inspection mechanisms, finished product inspection protocols, defective product handling, quality traceability systems, etc.;
- Sustainable Development:** Environmental facility operations (e.g., efficiency of pollution control equipment, implementation of energy-saving and consumption-reduction measures), employee rights protection (standardized labor contract implementation, compliant compensation and benefits, and a safe working environment etc.), and business ethics (enforcement of anti-bribery policies, fulfillment of fair competition commitments, etc.).

Process Stage	Specific Content
Information Collection	Obtain supplier information through channels such as internet searches, industry referrals, and trade fair exchanges.
Preliminary Screening	Conduct qualification review, production capacity assessment, and ESG pre-assessment.
On-site Verification	A dedicated task force comprising representatives from Technical, Quality Control, and C&S departments conducted on-site inspections to comprehensively verify production capacity, delivery assurance, quality management, and ESG-related performance.
Sample Validation	Conduct new material trial testing and quality validation.
Inclusion of Supplier	Upon successful evaluation, the supplier will be included in the Approved Supplier List.

We recognize internationally accepted industry assessment results. For suppliers holding valid reports such as SLCP or FEM (Factory Environmental Module), their reports may be adopted after evaluation to avoid duplicate assessments and enhance evaluation efficiency.

### Ongoing Daily Monitoring and Performance Evaluation

- **Daily Tracking:** We systematically manage supplier profiles to document basic information and the entire collaboration process, while real-time monitoring key operational metrics such as on-time delivery rate (triggering alerts when below 90%), quality exceptions, and price fluctuations.
- **Comprehensive Evaluation System:** We have established a quantitative supplier assessment framework, with ESG performance serving as one of the core evaluation dimensions. Suppliers will be classified into four grades – A (≥90 points), B (80-89 points), C (70-79 points), and D (<70 points) – based on their performance scores during annual or quarterly evaluations.

Evaluation Dimension	Weight Proportion
Quality	40%
Delivery date	25%
Price	20%
ESG	15%

Supplier Comprehensive Evaluation and Graded Management Measures	Measures
	Grade A (≥90 points): Increase procurement volume and establish long-term strategic partnership.
	Grade B (80-89 points): Maintain regular procurement and encourage continuous performance improvement.
	Grade C (70-79 points): Issue a rectification notice and increase the frequency of incoming material inspections.
	Grade D (<70 points): Suspend cooperation and initiate the elimination process.

- **Annual ESG Evaluation:** Based on the "Huali Group Supplier ESG Self-Assessment Checklist", a systematic assessment is conducted on suppliers' practices in areas such as regulatory compliance, employee rights, workplace safety, and environmental protection through multiple approaches including self-assessment, document review, and on-site verification. At the same time, we recognize internationally accepted industry assessment results. For suppliers holding valid reports such as SLCP or FEM, their reports may be adopted after evaluation to avoid duplicate assessments and enhance evaluation efficiency. Based on the final evaluation results, an ESG rating of "Excellent, Good, Average, Poor" will be assigned.

### Proactive Coaching, Rectification, and Elimination

- **Closed-Loop Improvement:** For issues identified during the evaluation, particularly "zero-tolerance" issues in the ESG assessment (such as severe environmental violations or infringement of fundamental labor rights), suppliers are required to submit a written corrective action plan within the stipulated timeframe (typically within one month after the assessment) and complete closed-loop rectification within six months. Suppliers failing to complete rectifications within the stipulated timeframe will face escalated measures, including notification to brand clients, restricted cooperation, and ultimately termination of business relations.
- **Elimination Mechanism:** Suppliers who consistently underperform (e.g., receiving consecutive quarterly ratings of C/D), fail to cooperate in resolving major quality incidents, or exhibit ESG zero-tolerance violations without effective remediation will be subject to the elimination process to maintain overall supply chain integrity and compliance standards.



## Indicator and Target Management

We continuously monitor key performance indicators (KPIs) for supplier management and provide regular reports to management, serving as critical references for procurement decisions and supplier management.

### Local Procurement Ratio

The Group accelerates supplier localization transformation, continuously expands regional supplier resources, and steadily enhances localized procurement capabilities.

	Targets for 2025	Localization rate of raw material suppliers in 2025
Localized procurement ratio in Vietnam	>50%	56.90%
Localized procurement ratio in China	>80%	97.80%
Localized procurement ratio in Indonesia	>20%	25.10%

### Strategic Supplier Comprehensive Evaluation Results

Strategic Supplier Evaluation Results for 2025	Targets for 2025	Proportion by Grade for 2025
Grade A	>60%	65.08%
Grade B	>25%	30.95%
Grade C	<15%	3.97%
Grade D	<0%	0%

## Supplier ESG Assessment Performance

In 2025, the Group launched a supplier ESG assessment program, conducting written ESG assessments for 75 suppliers (including third-party audit reports submitted by suppliers and the self-assessment forms of Huali Group's supplier ESG evaluation). It is projected that on-site audit sampling for 10% of suppliers will be completed by June 2026.

The signing rate of Supplier Code of Conduct is

**100%**

Number of participating suppliers at the 2025 Supplier Sustainability Summit:

**122**



## Special Activities:

Amid intensifying global climate change challenges and increasingly stringent sustainability regulations, supply chain resilience and environmental-social responsibility have emerged as core determinants of corporate long-term competitiveness. To collaboratively address industry challenges and seize transformation opportunities with value chain partners, Huali Group successfully hosted its inaugural Supplier Sustainability Summit on October 14, 2025.

The summit, themed "Forging Synergistic Partnerships for a Resilient Future", brought together the Group's core supplier partners and representatives from internationally recognized third-party institutions such as SGS, Bureau Veritas, TÜV SÜD, S&P Global, and PwC. The initiative aims to elevate supply chain sustainability from an external "compliance obligation" to a collaborative "strategic opportunity" with partners, jointly driving the comprehensive transformation of the footwear industry's value chain.

During the summit, the Group officially unveiled its comprehensive supplier evaluation system, which systematically incorporates ESG performance metrics for the first time – expanding beyond traditional cost, quality, and delivery parameters – to steer partnerships toward more holistic and sustainable development. The summit focused on in-depth

discussions about supply chain emission reductions. Huali Group shared its emission reduction commitments approved by the Science Based Targets initiative (SBTi) – aiming to reduce operational carbon emissions by 50.4% by 2032 and drive a 30% reduction across its supply chain. We hereby issue a clear initiative to all partners: jointly conduct carbon footprint audits, establish quantifiable emission reduction targets, and engage professional third-party institutions for verification, taking concrete actions to align with global climate objectives.

Looking ahead, Huali Group will take this summit as a starting point to continuously integrate ESG principles deeply into supplier relationship management. We will collaborate with our partners to eliminate "zero-tolerance" operational risks, systematically advance energy conservation and emission reduction initiatives, and actively explore green materials and circular solutions. We look forward to establishing a more resilient, responsible, and long-term value-sharing industrial ecosystem network with value chain partners through sustained and open strategic collaboration, jointly advancing toward a low-carbon and sustainable future.



Sustainability Summit Event Photos

## Sustainable Raw Material Management

We are committed to sourcing sustainable raw materials, minimizing environmental impact, and advancing the circular economy. We prioritize the procurement of certified raw materials from reliable sources with environmentally friendly production processes, emphasizing materials manufactured through low-energy and low-emission processes. All procured materials must comply with RSL standards.

In the realm of circular utilization and resource recovery, we actively promote the adoption of recyclable and reusable raw materials to minimize resource consumption and waste generation, prioritizing materials with high recyclability and regeneration rates. Meanwhile, in terms of customer support, we collaborate with suppliers to explore pathways for raw material circularity. Through technological innovation and business model innovation, we promote the utilization of waste as a resource, achieving closed-loop resource management.

In 2025, Huali Group achieved remarkable progress in sustainable material procurement. The Group formulated and implemented the Circular Economy Management Policy, Sustainable Raw Materials Policy, and Packaging Materials Policy. The proportion of certified materials continues to be optimized across all categories.



### Certified Material percentage by Category

Category	Targets for 2025	Actual % for 2025
Percentage of certified materials in Canvas	80%	91.97%
Percentage of certified materials in leather	100%	100%
Percentage of certified materials in wool	100%	100%
Percentage of certified materials in artificial PU	40%	46.38%
Percentage of certified materials in rubber outsole	15%	15.37%
Percentage of certified materials in EVA bottom	30%	33.68%
Certified wood/paper fiber packaging materials Percentage	100%	100%
Percentage of certified wood/paper packaging materials	10%	16.46%

Looking ahead to 2026, Huali Group will further increase procurement of certified recyclable materials. Our objective is to progressively elevate the proportion of materials with eco-friendly attributes such as renewable and recyclable properties, thereby driving our supply chain toward greener and more sustainable development.

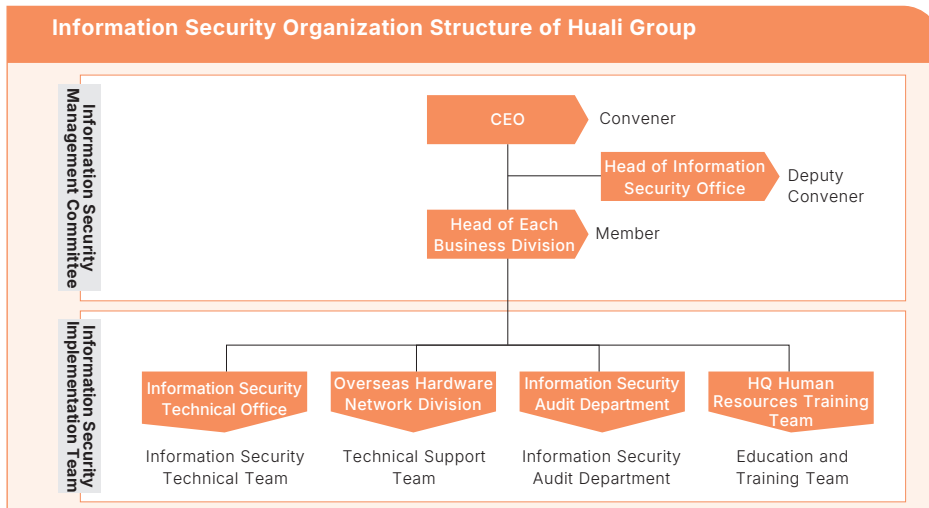
## Data Security and Customer Privacy Protection

### Data Security Management

Amid the wave of digital transformation, Huali Industrial Group recognizes data assets as a pivotal component of corporate core competitiveness. In 2025, the Group further strengthened its data security governance framework by establishing a comprehensive protection network in compliance with the ISO/IEC 27001 Information Security Management System standard.

### Management Policy and System

Under the supervision of the Board of Directors and executive management, the Group has established an Information Security Management Committee and an Information Security Implementation Team to collectively form the information security governance framework. The Information Security Management Committee, as the supreme leadership and decision-making body for the company's information security initiatives, is responsible for planning, formulating, and coordinating information security governance policies. The CEO serves as the convener of this committee, overseeing the overall development and implementation of information security policies. Business unit heads conduct risk identification and management in accordance with brand and corporate information security standards. The Information Security Implementation Team is tasked with the specific execution and audit of these measures across factories and subsidiaries.



### Data Security Strategy

All operating factories of the Group comply with local data security laws and regulations, ensuring that policies align with the latest legal requirements, including the "Data Security Law", "Personal Information Protection Law", and international standards such as GDPR (General Data Protection Regulations). With the support and oversight of the Information Security Management Committee at the executive level, we have established and continuously update information security policy documents such as the "Information Security Policy", "Group Information Security Management Guidelines", and "Data Lifecycle Management Procedures".

We define the data lifecycle as comprising six distinct phases (as illustrated in the diagram below), including: data creation, data protection, data access, data transmission, data archiving (backup), and data sanitization (destruction). We implement appropriate oversight and controls at each stage, strengthening security protections for critical processes such as data transmission, storage, and usage. This includes data classification, grading, encryption, and logging of data processing events. The following measures are adopted to ensure data security during storage, processing, and transmission.

- Implement access control for data, ensuring unauthorized accounts cannot access sensitive files to maintain data integrity and information system reliability.
- Establish a Data Loss Prevention (DLP) mechanism to detect and prevent any anomalous data access activities.
- For critical business core data, in addition to DLP protection deployment, firewall devices are utilized to segment network zones, preventing unauthorized access.



Data Lifecycle Management

### Audit and Compliance

We conduct regular internal information security audits. In 2025, we underwent security assessments by Nike's security department and JLA, a third-party professional institution arranged by Adidas. Based on the risks identified in the audits, corresponding rectification plans with completion deadlines were formulated to ensure effective risk management and issue resolution.

## Data Risk Management

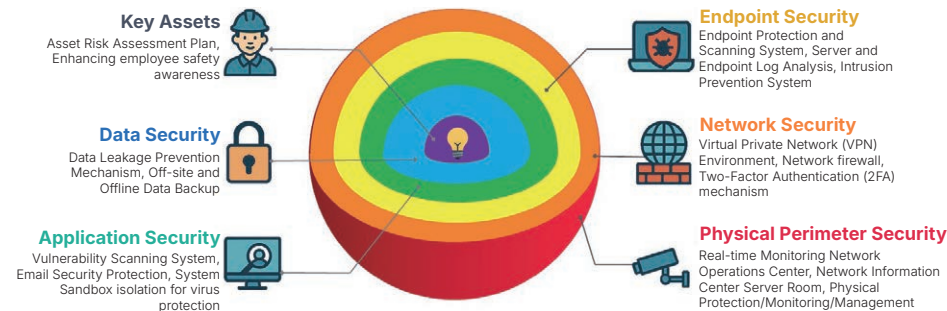
The Group's Information Security Headquarters conducted a systematic analysis of key internal and external factors in information security management across four dimensions: S (Strengths), W (Weaknesses), O (Opportunities), and T (Threats). This process identified the project's core advantages, existing gaps, growth opportunities, and potential risks.

		S (Strengths)	W (Weaknesses)
O (Opportunities)	<ol style="list-style-type: none"> <li>Brand clients are placing increasing emphasis on information security</li> <li>Emergence of new anti-intrusion detection and defense technologies/products</li> <li>The Group's senior management supports and drives the implementation of information security policies and related governance initiatives</li> </ol>	<ol style="list-style-type: none"> <li>Four-level management documentation for establishing an information security system</li> <li>Implementation of Kaspersky Endpoint Detection, Anti-Targeted Attack Defense, and Email Security Protection Systems</li> <li>Conduct information security training and simulated phishing email drills for personnel</li> <li>Conduct regular internal and external vulnerability scans and penetration testing</li> </ol>	<ol style="list-style-type: none"> <li>Insufficient information security awareness among IT personnel</li> <li>Some computer specifications are outdated, resulting in the inability to upgrade systems and patch vulnerabilities</li> <li>Certain self-developed/procured application systems have outdated versions that remain unpatched, resulting in vulnerabilities and risks</li> </ol>
		SO (Leverage)	WO (Remedy)
T (Threats)	<ol style="list-style-type: none"> <li>The evolving tactics of hackers and zero-day exploits leave enterprises with no foolproof defense</li> <li>The decline in orders has made senior management reluctant to invest in information security equipment</li> <li>Some personnel have brought personal computers into the factory premises for unauthorized use</li> </ol>	ST (Monitor)	WT (Avoid)
		<ol style="list-style-type: none"> <li>Engage a third-party information security service provider to conduct remote monitoring of internal network information equipment</li> <li>Employees using personal computers for work purposes are required to uniformly switch to company-issued equipment</li> </ol>	<ol style="list-style-type: none"> <li>Offer competitive compensation packages to attract cybersecurity professionals</li> <li>Establish an in-house R&amp;D team to oversee the construction and implementation of system upgrade projects</li> </ol>

## Multi-layered Defense

We have established a multi-layered defense mechanism encompassing assets, data, systems, networks, and peripheral environments (as illustrated). All servers, workstations, personal computers, laptops, and other assets are equipped with MDR (Managed Detection and Response)/EDR (Endpoint Detection and Response) endpoint protection systems, providing anti-intrusion detection and antivirus services. Additionally, we regularly engage professional information security vendors to conduct vulnerability scans and penetration tests. Identified vulnerabilities are promptly remediated through targeted improvements to eliminate potential risks, thereby ensuring the security of our application systems and network infrastructure.

## Data Encryption



Multi-layered Defense

For the dissemination of critical data, we employ a DLP (Data Loss Prevention) system to encrypt core R&D data, financial information, and employee personal assets, while also preventing corporate data from being transmitted via removable storage devices, third-party sharing, or external storage. During the reporting period, we enhanced data breach prevention technologies by implementing full lifecycle encryption for both storage and transmission.

## Cybersecurity Management

We strictly regulate the online conduct of all personnel. Each factory is equipped with Sangfor Internet Behavior Management systems, which enable the restriction of access to websites, communication software, and applications. This prevents employees from downloading suspicious programs from unauthorized or malicious websites/software, thereby safeguarding the Group's intranet security.

## Access Control

Key systems are secured with SSL VPN dual-factor authentication and external network access restrictions, complemented by upgraded local firewalls to safeguard corporate data on information assets.

## Security Awareness Enhancement Training

To enhance the information security awareness of all personnel, we mandate that every new employee complete information security training during onboarding. Additionally, the Information Security Department intensifies training and awareness efforts through weekly security meetings, internal phishing email drills, targeted training for non-compliant staff, and monthly security bulletins issued across all facilities. These initiatives aim to equip employees with knowledge on information security, enable effective risk management, and elevate the protective capabilities of security professionals.

In 2025, we conducted multiple information security training sessions targeting personnel involved in security violations, with nearly 300 participations.



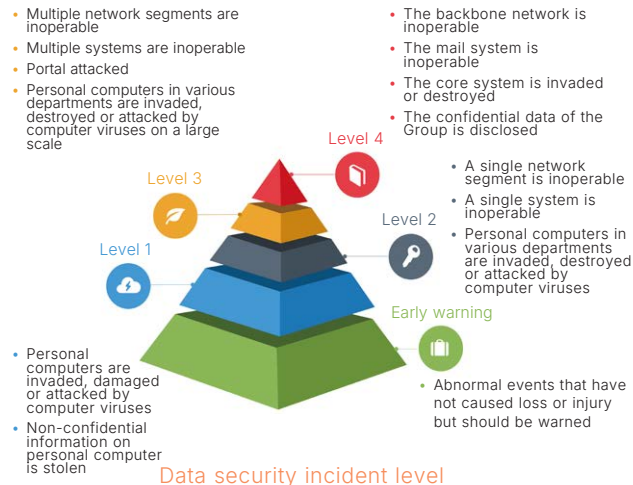
Information Security Awareness Enhancement Training

## Information Security Metrics and Objective Management

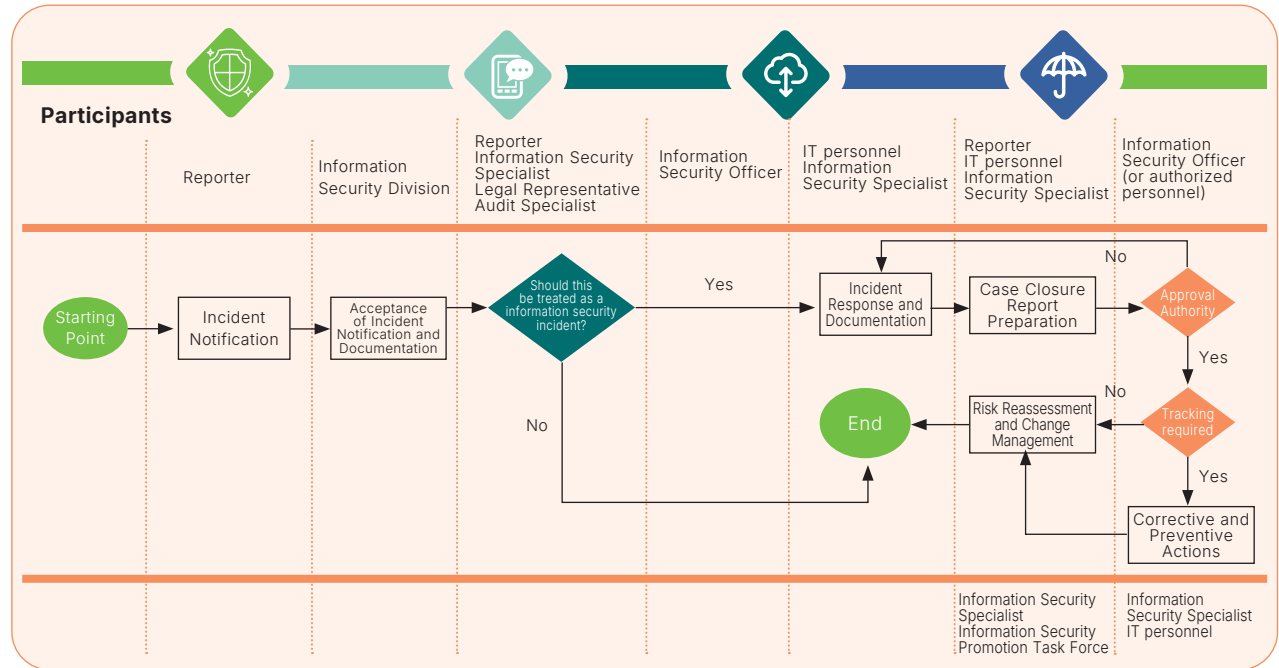
In response to the ever-evolving landscape of cyber threats, the Group has established the "Information Security Incident Reporting and Response Platform". This system enables personnel to promptly report and address security incidents, thereby mitigating potential damages.

We have formulated and issued the "Information Security Incident Management Procedure", which classifies various information security incidents into five severity levels: Level 1 through Level 4, plus an Early Warning level. The priority levels for incident handling are categorized into five grades: Emergency, High, Medium, Low, and Alert. Corresponding response and notification timeframes are stipulated for each grade, establishing a clear escalation process and mechanism.

All employees are required to promptly report any information security risks or incidents through the established Information Security Notification Mechanism, ensuring timely and proper resolution of all security-related matters.



## Information Security Incident Notification and Response Protocol



In 2025, the Group recorded 275 data security incidents, all classified as Medium. The severity breakdown was as follows: 257 Alert-level incidents, 14 Level-1 incidents, and 4 Level-2 incidents. All incidents have been fully resolved through closed-loop management. No Level 3 or higher security incidents were identified.

Zero financial losses due to data security incidents, no customer privacy breach cases recorded, achieving the 2025 target.

### Data Security and Privacy Protection Performance Indicator Table

Indicators	Unit	Targets for 2025	Actual performance in 2025
Number of Level 3 or higher security incidents	/	0	0
Number of data security incidents resulting in financial losses	/	0	0
Number of customer privacy breach incidents	/	0	0

## Security and Quality of Products

### Product Quality Management

In the highly competitive market, product quality and safety are paramount for Huali Group, serving as the cornerstone for earning consumer trust. To this end, the Group has strengthened governance in three key aspects: First, establishing a Product Quality and Safety Management Committee led by senior leadership at the business unit level to oversee strategic planning and supervision; second, setting up dedicated quality management departments in each factory responsible for daily inspections, monitoring, and continuous improvement; third, clearly defining specific quality and safety responsibilities for all departments to ensure individual accountability.

Huali Group's Quality Control is centered on quality and based on full participation, adhering to the following quality principles:

**"Quality first, continuous improvement;  
Customer-centric approach with full participation  
from all employees;  
Strict process control to ensure safety;  
Strive for excellence and pursue perfection".**

This principle serves as the cornerstone of our quality management system and defines our long-term strategic direction – to consistently meet customer needs and expectations, drive sustainable corporate growth through continuous management system optimization, and perpetually enhance our competitive advantages.

To align with the direction set forth by this quality management policy, we have established specific quality objectives and clearly defined them within our Quality Control System documentation. All factories have established quality control systems in compliance with ISO 9001 standards. Our management system documentation encompasses the quality policy (as stated above), quality objectives, quality manual, procedural documents, and work instructions, ensuring standardized, systematic, and effective quality management practices.

Meanwhile, we conducted a comprehensive review and analysis of the production/service processes to identify existing bottlenecks and potential issues. Through process reengineering and continuous improvement, we consistently optimize workflows to enhance operational efficiency and product quality. In addition, the factories under the Group regularly conduct quality management training to enhance employees' quality awareness and professional skills, ensuring that every staff member

thoroughly understands and strictly implements the requirements of the quality management system, thereby contributing to the achievement of our quality policy, direction, and objectives.

### Comprehensive Management of Product Quality Risks and Opportunities

Huali Group's quality risk and opportunity management constitutes a systematic process that ensures product quality stability and reliability through comprehensive identification, assessment, mitigation, and improvement of quality risks, coupled with the identification, evaluation, utilization, and summarization of quality opportunities. This approach enables the Group to capitalize on quality enhancement prospects while strengthening its competitive advantages.



## Risk Management

In terms of risk management, we have implemented the FMEA (Failure Mode and Effects Analysis) methodology from the initial development phase. Through in-depth analysis across multiple dimensions including design, structure, materials, paperboard, molds, and process settings, we can accurately identify potential quality risks and quantify their Risk Priority Number (RPN). Based on this foundation, we have identified priority improvement initiatives and developed targeted action plans to ensure consistent quality and stability throughout the mass production process.

To ensure the effective application of FMEA, the Group has established a dedicated risk management team. Whenever a product enters a new quarter and receives the TP (Technical Specifications or related documents), the team promptly convenes relevant functional groups to jointly analyze potential risks and confirm risk items. Through early factory involvement and joint prototype testing, we progressively validate product quality performance from small-batch to mass production. Throughout this process, we fully leverage the quality control system to conduct comprehensive tracking inspections on products, ensuring every detail complies with stringent quality standards.

Quality risks and corresponding mitigation measures are exemplified as follows:

S/N	Quality Risk Description	Likelihood	Severity	Risk Rating	Current Measures	Improvement Plan
1	Unstable raw material supply or substandard quality	High	High	High risk	<ul style="list-style-type: none"> <li>Establish stable supplier partnerships and conduct supplier performance evaluations</li> <li>Strengthen incoming material inspection to ensure quality compliance</li> <li>Establish safety stock of raw materials to mitigate supply disruptions</li> </ul>	<ul style="list-style-type: none"> <li>Enhance the incoming material inspection process and implement advanced testing equipment</li> <li>Establish an emergency raw material procurement mechanism to address sudden supply disruptions</li> </ul>
2	Lax production process controls result in product defects	Medium	High	Medium to high risk	<ul style="list-style-type: none"> <li>Develop detailed production process flows and operational standards</li> <li>Strengthen on-site production monitoring to ensure full compliance with process execution</li> <li>Perform regular maintenance and calibration of production equipment and tools</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen on-site production monitoring and implement intelligent monitoring systems</li> <li>Conduct regular process training for production staff to enhance operational efficiency</li> </ul>
3	Product inspection standards are unclear or not strictly enforced	Low	Medium	Medium risk	<ul style="list-style-type: none"> <li>Define product inspection standards and procedures to ensure inspectors comprehend and implement them effectively</li> <li>Enhance the training and assessment of inspection personnel to improve inspection capabilities</li> <li>Engage third-party inspection agencies to conduct periodic sampling inspections</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen regular training and assessment of inspection personnel to enhance testing accuracy</li> <li>Introduce automated inspection equipment to minimize human errors</li> </ul>
4	Delayed or improper handling of customer feedback	Medium	Medium	Medium risk	<ul style="list-style-type: none"> <li>Establish an effective customer communication mechanism to ensure timely receipt and handling of customer feedback</li> <li>Enhance training for the customer service team to elevate service awareness and professional competencies</li> <li>Conduct regular internal audits of customer service to ensure service quality meets client requirements</li> </ul>	<ul style="list-style-type: none"> <li>Enhance training for the customer service team to improve service response speed</li> <li>Establish a customer feedback tracking system to ensure issues are resolved in a closed-loop manner</li> </ul>

Through effective risk management controls, we maintained an impeccable safety and quality record during the reporting period (2025), with zero major liability incidents related to our products and services and zero product recalls.

## Opportunity Management

In terms of risk assessment management for quality, we not only focus on risks but also proactively identify opportunities. Through in-depth analysis of market demand, technological advancements, and competitor dynamics, we can identify potential market opportunities and threats. Building upon this foundation, we have formulated a series of strategies designed to precisely seize opportunities and effectively mitigate threats, thereby continuously enhancing the quality of our products and services to ensure they not only meet but exceed customer expectations.

The opportunities for quality management and corresponding measures are as follows:

S/N	Opportunity Description	Market Potential	Technical Feasibility	Economic benefits	Implementation Plan
1	Implement advanced quality management methodologies and tools	High	High	High	Research and select the latest quality management methodologies and tools Develop a detailed implementation plan and timeline Conduct employee training to ensure the effective application of methodologies and tools
2	Optimize production processes to enhance product quality and consistency	High	High	High	Conduct a comprehensive review of existing production processes to identify potential quality issues and bottlenecks Introduce advanced tools to optimize and standardize production processes Encourage employees to propose improvement suggestions and innovative ideas to stimulate their enthusiasm and creativity
3	Enhance employee quality and competencies	High	High	High	Conduct regular training sessions for employees on production processes and quality standards to enhance their technical skills and quality awareness
4	Enhance quality monitoring and feedback mechanisms	High	High	High	Establish a comprehensive quality monitoring system to conduct full-process supervision and data analysis of the production process Introduce a quality feedback mechanism to promptly collect and address customer feedback, continuously improving product quality and service standards

Looking ahead, we will continue to refine our quality management system while strengthening both risk management and opportunity management. We will continue to introduce advanced management tools and technical solutions to enhance the efficiency and accuracy of quality management. At the same time, we will enhance communication and collaboration with our clients, gaining deeper insights into their needs and expectations to deliver superior products and services. Through these efforts, we are confident that our products and services will maintain a leading position in the market, earning greater trust and support from our customers.

### Quality Objective and Indicator Management

The objective and indicator management of quality control aims to ensure the organization consistently delivers high-quality products and services that meet or exceed customer expectations. Throughout this process, we have established clear and measurable quality objectives that not only reflect our commitment to product excellence but also demonstrate our dedication to customer satisfaction. The Group's quality objectives for 2025 are as follows:

**1. Product pass rate:** Increase the product pass rate to above **99%**.

**2. Number of customer complaints:** The average number of complaints per business unit shall not exceed **3**.

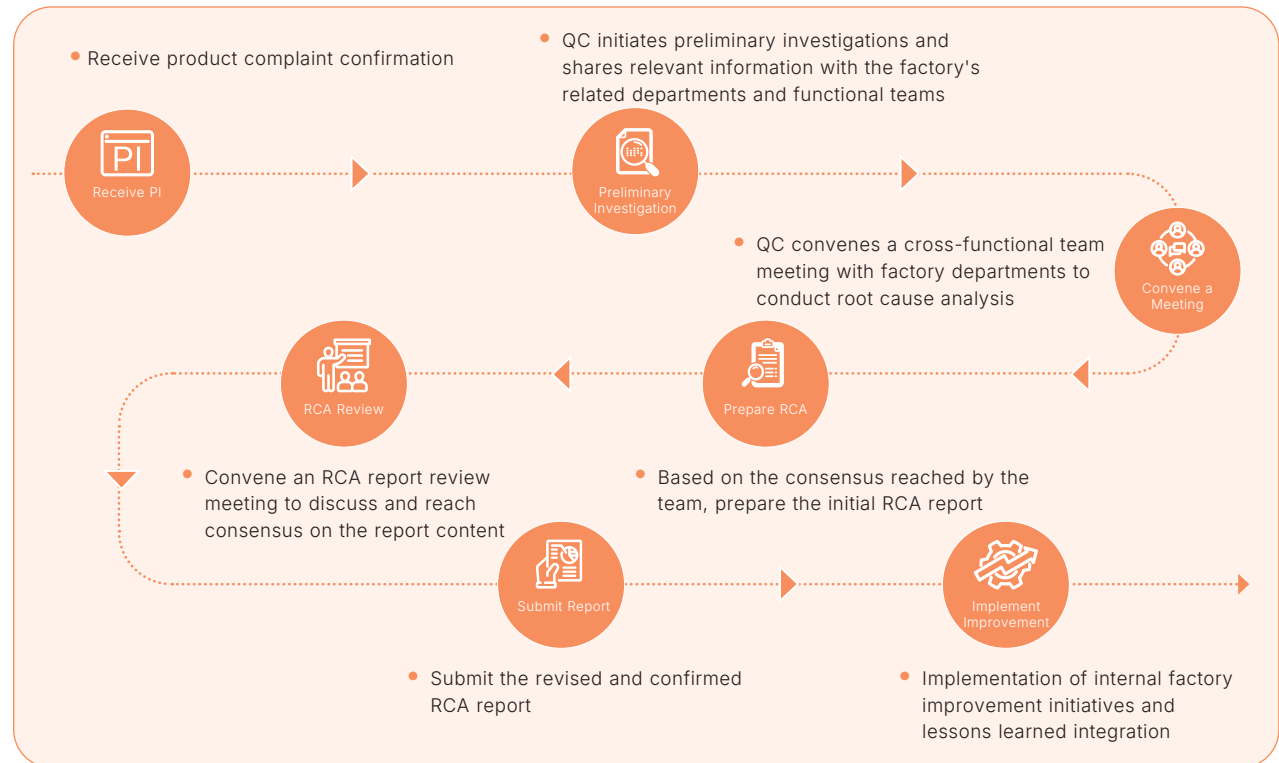
To achieve these objectives, we have established a comprehensive indicator management system. These metrics encompass every stage from raw material procurement to finished product delivery, ensuring comprehensive and in-depth quality management. By regularly monitoring and evaluating these metrics, we can promptly identify and address potential quality issues, thereby continuously enhancing the quality standards of our products and services.

Below are the actual indicators for the 2025 targets.

Key Performance Indicators (KPIs)	Targets for 2025	Actual achievements for 2025
Product pass rate	99%	99.99%
The average number of customer complaints per business division	≤ 3	2

### Customer Complaint Handling

In 2025, in response to customer complaints regarding product quality within the Group, an internal Quality Issue Analysis Team was established at the Group's factories. The team conducts comprehensive testing on the complained products, performs Root Cause Analysis (RCA), and delivers actionable solutions. To address specific issues, we optimized production processes by enhancing adhesive bonding and material strength testing, while reinforcing quality control measures across the production line. This ensures every pair of shoes meets standards, minimizing quality defects at the source. Additionally, the Group has established a series of real-time feedback mechanisms, adhering to a customer-centric principle to promptly address client needs and deliver optimal solutions. Meanwhile, we will hold the relevant departments accountable, conduct an in-depth root cause analysis, and incorporate customer complaints into our lessons learned, and implement internal awareness campaigns to prevent recurrence of similar incidents. Below is the specific procedure for handling customer complaints by the Group's Quality Management Department:



## Olympic Quality Management Initiative

### Case

In 2025, the factories under the Group actively collaborated with partner brands to implement diversified quality management enhancement initiatives and specialized improvement projects under the "Quality First" principle, achieving significant results. Through a series of quality enhancement initiatives, the Company's product quality has achieved continuous optimization. The following are some activities organized by certain factories in the field of quality management.



Annora Vietnam, Roll Sport Vietnam, and Aurora Vietnam factories held Olympic-themed activities

## Human Resource Management

At Huali Group, employees are not just value creators but the core engine driving sustainable corporate development. We firmly believe: Fairness fosters loyalty, inclusivity drives innovation, and security builds trust. Guided by the core principles of "people-oriented, legal compliance, and integrity", we have deeply integrated human resource management into our comprehensive ESG governance framework. Against the backdrop of global operations, we strive to build a workplace ecosystem featuring compliance as the foundation, equity as the soul, development as the guideline, and care as the essence. Through systematic human resource governance, forward-looking talent strategies, and comprehensive employee safeguards, we empower professional growth and safeguard employee rights. With a mission-driven and resilient workforce, we propel the Group's sustainable advancement in global markets.

### Governance Foundation: Establishing a Transparent and Compliant Global Workforce Governance System

We have established a global human resources governance framework characterized by clearly defined responsibilities and closed-loop oversight, ensuring the compliance, professionalism, and ethical integrity of management decisions. We recognize that in today's rapidly evolving global regulatory landscape, compliance is no longer solely the responsibility of legal departments, but has become a strategic factor impacting corporate brand reputation and global competitiveness.

Enhancing governance structure and policy framework: As the global strategic approval center for human resources, the Group's Human Resources Headquarters oversees the implementation and compliance of key workforce policies, including talent acquisition, cultivation and development, as well as compensation and benefits. We have established a closed-loop management mechanism of "strategy-implementation-audit-feedback", subject to independent audits and reporting to senior management, ensuring governance effectiveness and transparency.

Strengthening professional management and process oversight: We deploy specialized human resources teams across all global operational locations and conduct regular targeted training programs on local labor regulations and risk prevention and control. Through a three-dimensional oversight system comprising internal audits, periodic management reviews, and real-time employee feedback, we continuously optimize the entire talent management cycle of "selection, development, deployment, and retention" to ensure fairness and transparency in all personnel decisions.

Upholding ethical standards and workplace discipline: We maintain a zero-tolerance stance towards child labor, forced labor, and all forms of discrimination. Strict adherence is enforced to our Anti-Bribery & Anti-Corruption Policy, No Child Labor Policy, Non-Discrimination Policy, and Anti-Harassment & Abuse Policy. Through employee integrity self-declaration systems and whistleblowing mechanisms, we ensure policy efficacy, resolutely safeguarding the dignity and safety of every employee while fortifying the ethical foundation of our enterprise.

## Strategic Navigation: Dual-Driven Focus on Organizational Resilience and Talent Competitiveness

Amidst the opportunities and challenges of globalization, we conduct systematic analyses of substantive issues in the human capital domain, formulating and continuously refining HR strategies to ensure alignment with the Group's business objectives, thereby injecting sustainable human capital momentum for high-quality development.

**Vision:** To become a globally leading sustainable workplace where every employee is respected, empowered, and fulfilled.

**Mission:** To reshape capabilities for the future, foster innovation through inclusive culture, and build a sustainable organization that resonates with business imperatives while creating shared value for society.

### Strategic Pillars:

- Compliance and trust: Building deep mutual confidence through a compliance framework that exceeds industry standards.
- Attraction and retention: Securing top global talent with highly competitive total rewards and transparent career progression pathways.
- Development and empowerment: Enhancing employee competencies through a systematic learning ecosystem to drive organizational innovation.
- Diversity and care: Fostering a sustainable community with high engagement through a workplace culture of respect, inclusivity, and safety.

## Identify Risks, Seize Opportunities, and Create Sustainable Value Identify Risks and Opportunities

### Key Potential Risks

- Compliance management risks: In the context of globalization, the complexity, diversity, and dynamic evolution of labor regulations across multiple countries and regions present multifaceted challenges to the Group's global HR compliance governance.
- Talent attraction and retention risks: The competition in the key talent market is intensifying. Should internal career development pathways remain insufficiently streamlined, there exists a heightened probability of core talent attrition, which may consequently disrupt the Group's business development trajectory.
- Employee relations and workplace safety risks: Any occurrence of improper management practices, workplace discrimination, or safety incidents may adversely affect employee morale, production efficiency, and corporate brand reputation.

### Core Growth Opportunities

- Enhancing talent competitiveness: By leveraging a market-competitive total compensation system and a systematic employee development framework, we attract and retain core key talents, thereby providing continuous momentum for the Group's business expansion and innovation-driven growth.
- Building organizational resilience: Fostering a highly inclusive and belonging-driven workplace culture to enhance employee engagement and retention, thereby strengthening the Group's organizational resilience in navigating market volatility and industry challenges.
- Enhancing global collaboration capabilities: Focusing on the core needs of key employees, increasing investment in language and cross-cultural competency development, establishing a global talent collaboration framework, and driving efficient synergistic operations under the Group's globalization strategy.

## Impact, Risk, and Opportunity Management

We leverage a three-tier "Strategy-Action-Results" implementation framework to translate human resource management strategies into measurable, traceable daily practices, systematically managing risks while capturing growth opportunities. On the three material topics of talent competitiveness, organizational resilience, and global collaboration capabilities, we focus not only on current performance but also establish deep correlations between human capital and financial performance as well as innovation capabilities by adopting internationally recognized measurement standards.

Material Topics	Risk and Opportunity Analysis	Impact on Business Operations	Management Strategy	Key Initiatives and 2025 Outcomes
<b>Talent Competitiveness</b>	<ul style="list-style-type: none"> <li><b>Risk:</b> The competition for key talent in the market has reached a fever pitch. If career development pathways remain obstructed, it may precipitate the attrition of core personnel, adversely impacting business expansion and innovation cadence.</li> <li><b>Opportunity:</b> Establishing a leading-edge total compensation and development system to transform "talent attraction" into "business propulsion".</li> </ul>	Directly impact core business delivery capabilities, innovation efficiency, and market competitiveness	<ol style="list-style-type: none"> <li><b>Talent Acquisition Strategy:</b> Promote internal employee referrals, optimize external recruitment channels, and precisely target high-potential candidates.</li> <li><b>Full-Cycle Development:</b> Integrating management, professional, and technical channels to empower employees throughout their entire career lifecycle.</li> <li><b>Strategic Compensation:</b> Ensuring equity, competitiveness, and transparency.</li> </ol>	<p><b>Actions:</b></p> <ol style="list-style-type: none"> <li>Optimize the internal referral mechanism by establishing a "Special Talent Referral Award" position to expand key talent acquisition channels.</li> <li>Establish a dual-track training system integrating "management line + professional line", launch the Huali Empowerment Academy, and achieve full employee coverage.</li> <li>Regularly benchmark compensation against market standards to ensure competitive pay for key positions, while continuously optimizing the benefits structure.</li> </ol> <p><b>Outcomes:</b></p> <ul style="list-style-type: none"> <li><b>Talent Acquisition:</b> Annual recruitment and internal transfers totaled 72,010 employees, with 4,997 hires sourced through employee referrals. A total of 1,905 management personnel were recruited throughout the year, with partnerships established across 12 educational institutions.</li> <li><b>Talent Depth:</b> 344 department heads cultivated internally; language incentive program covering 5,566 employees.</li> <li><b>Learning Intensity:</b> Average training hours per employee reached 20.91; the Empowerment Academy launched 326 online courses with 62,000 participant engagements in online training.</li> <li><b>Compensation &amp; Benefits:</b> Minimum cash remuneration for employees across all operational jurisdictions (China, Vietnam, Indonesia, etc.) exceeds local statutory requirements, with 100% statutory benefits coverage; 8,131 employees utilized parental leave.</li> </ul>
<b>Organizational Resilience</b>	<ul style="list-style-type: none"> <li><b>Risks:</b> Improper management, workplace discrimination, or safety incidents will directly impair employee morale, production efficiency, and corporate reputation.</li> <li><b>Opportunities:</b> Foster a highly inclusive, secure, and respected workplace culture that significantly enhances employee engagement and retention while strengthening organizational resilience.</li> </ul>	Impact team stability, production efficiency, and corporate reputation, undermining organizational resilience to risks.	<ol style="list-style-type: none"> <li><b>Risk Pre-control:</b> Enhance the risk assessment mechanism;</li> <li><b>EWB and Communication Mechanism:</b> Optimizing the measurement system for employee well-being and satisfaction.</li> <li><b>Culture Shaping:</b> Foster a fair, respectful, and psychologically safe environment through a "zero tolerance" approach and diversified communication.</li> <li><b>Health &amp; Safety:</b> Strengthen the occupational health and safety management system.</li> </ol>	<p><b>Actions:</b></p> <ol style="list-style-type: none"> <li>Conduct regular risk assessments and continuously improve processes to establish the "Labor Risk Assessment Checklist".</li> <li>Implement the EWB data measurement and analysis mechanism, and establish feedback channels such as a dedicated complaint email and exclusive hotline.</li> <li>Conduct "Zero Tolerance for Violence and Harassment" and "Gender Equality" training programs across all factory premises.</li> <li>Implement workplace safety and occupational health management, and conduct regular safety drills.</li> </ol> <p><b>Outcomes:</b></p> <ul style="list-style-type: none"> <li><b>Engagement and Well-being:</b> Employee engagement and well-being stands at 75.33%.</li> <li><b>Zero Tolerance Achievements:</b> The Group recorded zero incidents of violence or harassment.</li> <li><b>Safety Baseline:</b> Maintain the annual workplace accident rate within target parameters and achieve zero fatalities in occupational safety.</li> <li><b>Employee Care:</b> Throughout the year, 102 employee grievances were received, with a 100% case closure rate.</li> </ul>
<b>Global Collaboration Capability</b>	<ul style="list-style-type: none"> <li><b>Risks:</b> The complexity and dynamic nature of multinational labor regulations present ongoing challenges to global compliance management.</li> <li><b>Opportunities:</b> By enhancing linguistic and cross-cultural competencies, we will establish a global talent collaboration framework to transform diverse backgrounds into competitive advantages for synergistic innovation.</li> </ul>	It may lead to increased compliance costs, legal disputes, and hinder the advancement of globalization strategies.	<ol style="list-style-type: none"> <li><b>Proactive Compliance:</b> Establish a regulatory tracking mechanism to achieve preemptive compliance management.</li> <li><b>Capability Co-creation:</b> Systematically enhance employees' cross-cultural communication and collaboration competencies.</li> <li><b>International Benchmarking:</b> Proactively align with international labor standards to enhance global competitiveness.</li> <li><b>Data Governance:</b> Promoting the establishment of unified human capital data standards to enhance cross-border management efficiency.</li> </ol>	<p><b>Actions:</b></p> <ol style="list-style-type: none"> <li>Establish a dynamic tracking mechanism for labor regulations in countries where group subsidiaries operate, regularly updating regulatory changes across jurisdictions and conducting compliance training.</li> <li>Conduct cross-cultural communication training for overseas expatriates and local liaison teams.</li> <li>Promote the inclusion of overseas manufacturing facilities in the Better Work program to align with international labor standards.</li> <li>Promote the establishment of a global human capital data platform with standardized definitions to provide data support for cross-border mobility and decision-making.</li> </ol> <p><b>Outcomes:</b></p> <ul style="list-style-type: none"> <li><b>Compliance Leadership:</b> Four factories in Vietnam completed Better Work program assessments, achieving international standard certification.</li> <li><b>Talent Mobility:</b> Increased willingness for cross-regional employee transfers, invigorating the global talent pool.</li> </ul>

## Workforce Composition and Talent Deployment: A Diversified, Balanced, and Globally Synergistic Talent Ecosystem

As of December 31, 2025, the total global workforce of Huali Group reached 185,551 employees, reflecting a 4.48% year-over-year growth from 2024. This steady talent expansion has bolstered the Company's global business deployment while establishing a diversified talent structure anchored by Vietnam as the core production base, with extended operations across Indonesia, Mainland China, Taiwan region, and Hong Kong region.

### Stable female employment:

Female employees totaled 146,477, accounting for 78.94% of the total workforce, fully demonstrating the dominant role of women in the footwear industry. In management positions, a total of 7,056 women hold leadership roles at various levels, accounting for 61.90% of all managerial staff (total managerial workforce: 11,399). This demonstrates the Group's steadfast commitment to gender equality in employment and career advancement.

### More balanced age structure:

Employees under 30, the driving force of organizational innovation, reached 41,273 (22.24%) by 2025, infusing the team with dynamic creativity. The core operational workforce aged 30-49, totaling 124,480 (67.09%), ensures operational stability and continuity with their seasoned expertise. Senior employees aged 50 and above numbered 19,798 (10.67%), reflecting a 2.5 percentage point increase from 2024, demonstrating strong retention stability and the enduring value of veteran experience.

### Job grade structure remaining robust:

Non-managerial (frontline employees) account for 93.86% (174,152), while the total managerial staff stands at 11,399 (6.14%), comprising 144 senior executives and 11,255 mid-level managers, forming a stable talent pyramid with frontline employees as the foundation and steady managerial development.

### Continued optimization of educational attainment structure:

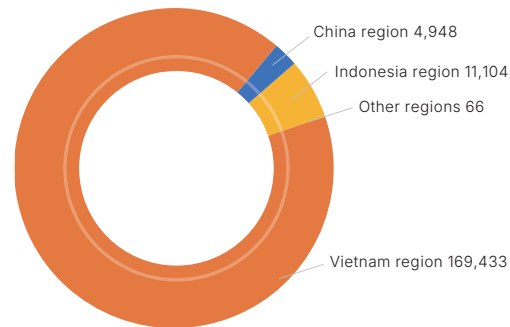
Employees with associate degrees or higher reached 13,861, accounting for 7.47% of the total workforce—a 0.54 percentage point increase from 2024. Among them, 79 hold master's or doctoral degrees, representing 0.04% of the total. We continuously empower employee growth through internal promotion programs and skills development training.

### More diversified regional deployment:

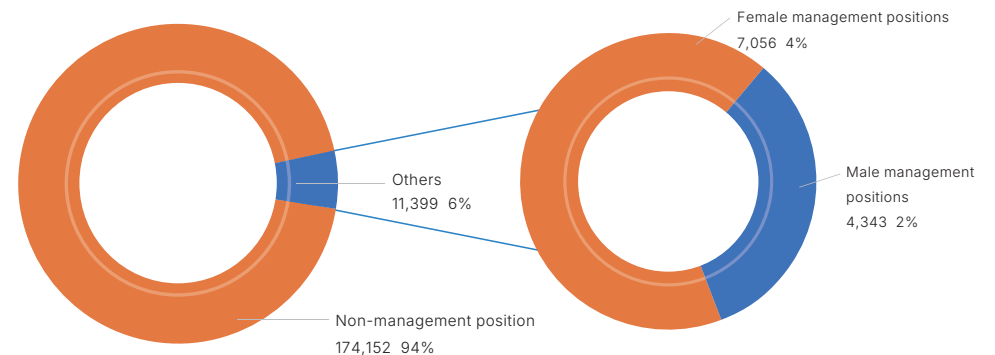
Vietnam remains the core production base with 169,433 employees (91.31% of total workforce); Indonesia operations employ 11,104 workers (5.98%), nearly doubling the headcount since 2024; China operations show 122.18% year-on-year growth with 4,948 employees (2.67%). This demonstrates the Group's strategic success in balanced regional development while effectively promoting community employment and cultural integration.

A diverse, inclusive, and youthful workforce serves as the cornerstone for Huali Group in building an equitable and shared workplace while fostering organizational resilience. We value the unique contributions of every employee and are committed to providing equal development opportunities and growth platforms for individuals from diverse backgrounds.

Workforce Distribution by Region for 2025



Group Job Grade Distribution for 2025

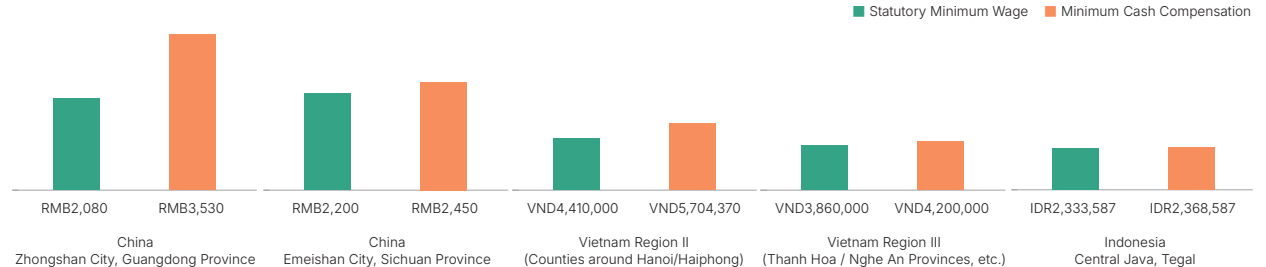


## Rights Protection: Building a Fair, Shared, and Inclusive Workplace Community

We are committed to elevating "employee rights" from institutional safeguards to cultural recognition, ensuring every staff member at Huali experiences a sense of belonging and dignity.

### A fair and transparent comprehensive compensation and benefits system

- Ensuring pay equity and livelihood security:** We firmly believe that fair compensation and robust safeguards are the cornerstones of employee dignity, engagement, and organizational resilience. Committed to exceeding statutory requirements, we are building a global, multi-dimensional integrated incentive and care system. We strictly adhere to the statutory minimum wage requirements across all jurisdictions where we operate, ensuring that the total minimum cash compensation for all full-time employees consistently exceeds local legal mandates, thereby safeguarding the economic security of our workforce and their families.



- Multidimensional Welfare Protection in a Globalized Perspective:** We ensure the provision of robust statutory welfare foundations for employees worldwide. In 2025, our global social security coverage (including statutory insurance) reached 100%. Furthermore, we have significantly expanded our supplemental benefits program, encompassing commercial health insurance, personal accident insurance, as well as diverse care initiatives such as festival bonuses, birthday allowances, and wedding/bereavement subsidies. These comprehensive measures collectively establish a multidimensional safety net spanning from individual wellness to family welfare. For overseas and cross-cultural employees, we offer a tailored benefits package that includes comprehensive living provisions such as complimentary accommodation, nutritious meals, and shuttle services; vacation policies exceeding local standards with family visitation flight allowances; and customized comprehensive insurance coverage with emergency medical assistance. We respect diverse cultural customs by regularly organizing festive events and team-building activities to holistically promote employees' physical and mental well-being as well as work-life balance.

We provide overseas employees with a vacation policy that exceeds statutory requirements and remains highly competitive in the market. Special emphasis is placed on work-life balance, including generous family visitation leave with airfare subsidies, ensuring seamless integration of professional commitments and family responsibilities.



We formulate local leave policies in compliance with labor laws applicable to different regions, with particular emphasis on safeguarding the maternity and breastfeeding rights of female employees. In 2025, the Group's employees were entitled to an average of 11.78 days of paid annual leave, with 8,131 staff members availing themselves of parental leave benefits.

We provide employees with marriage congratulatory gifts, bereavement condolence payments and floral arrangements, childbirth benefits, illness/hospitalization sympathy payments, and housewarming celebration allowances. For overseas staff, we offer complimentary bereavement flight tickets, demonstrating corporate care during employees' significant life events.



The Group provides employees across all factories with a diverse range of benefits, including festival vouchers/cash gifts for Dragon Boat Festival, Mid-Autumn Festival, and Chinese New Year, birthday congratulatory bonuses, transportation allowances, meal subsidies, as well as organized Women's Day events, year-end banquets, and recreational activities to foster a warm and harmonious extended-family atmosphere.

We provide tailored comprehensive insurance plans for overseas employees, including life insurance, accidental injury coverage, and health protection (encompassing hospitalization, critical illness/cancer/accident medical treatment), along with professional overseas emergency assistance services to alleviate employees' concerns.



We strictly comply with labor regulations across all jurisdictions, providing comprehensive social security benefits including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance. Additionally, we provide regular health checkups for designated employees and actively organize diverse recreational activities such as hiking, basketball, and mountaineering to comprehensively promote their physical and mental well-being.

We provide overseas employees with complimentary dormitory accommodations, staff recreation and fitness centers, and shuttle services between dormitories and urban areas. Additionally, we offer free, nutritious meals tailored to employees' dietary preferences to ensure their quality of life and effectively address their practical challenges.



As a multinational corporation, we actively foster a diverse, equitable, and inclusive workplace environment that respects regional cultural customs and employees' religious beliefs. We provide essential worship facilities, create pregnancy-friendly workspaces, and establish team-building funds to support cross-cultural exchange initiatives.

- Family-Friendly Commitment:** Through institutional design, we systematically support employees in achieving work-life balance. In 2025, the Group's average paid annual leave per employee reached 11.78 days, with 8,131 staff members utilizing parental leave benefits. We place particular emphasis on career continuity for female employees post-maternity, ensuring smooth reintegration and long-term professional development through structured reboarding programs and skills upgrading initiatives.

Year	Total Parental Leave	Return-to-Work Rate		Retention Rate (Proportion of Employees Returning for Over One Year)	
		Male	Female	Male	Female
2024	10,749	99.82%	87.11%	67.45%	61.61%
2025	8,131	99.45%	82.36%	69.14%	45.92%

### Diverse and Inclusive Workplace Culture

We are committed to fostering a workplace environment built on respect, integrity, transparency, and diversity & inclusion, which we regard as the cornerstone social capital for sustainable corporate development.



- Institutionalized Communication Channels and Equitable Recruitment:** We have established diversified and regular two-way communication mechanisms, including grievance channels, management face-to-face meetings, and exit interviews, to ensure employee voices are heard and valued. In our recruitment process, we strictly adhere to the principles of fair hiring and non-discrimination. Employment decisions are never influenced by any legally protected factors such as age, gender, nationality, or religious beliefs. We have established standardized selection procedures and behavior-based interviews to ensure objective and impartial evaluations. All supply chain partners must adhere to the same human rights and labor standards.



- Driving Diversity and Empowering Women's Advancement:** We are committed to fostering a workplace that provides equal development opportunities, ensuring fairness across recruitment, promotion, and compensation processes, while proactively cultivating an inclusive environment that supports women's long-term professional growth. By the end of 2025, female employees accounted for 78.94% of the Group's workforce, with 7,056 women holding management positions at various levels. Diversity is not merely numerical; it is the wellspring of our innovation and decision-making.



- Zero-Tolerance Policy for Workplace Safety and Dignity:** We uphold a strict "zero-tolerance" stance against all forms of discrimination, harassment, violence, and unethical conduct, as outlined in key policies such as the Employee Grievance Management Procedure. We have established a closed-loop grievance handling process encompassing confidential intake, independent investigation, and impartial adjudication, with rigorous enforcement of whistleblower protection measures. Since 2024, the Group has consistently conducted "Zero Tolerance for Violence and Harassment" and gender equality training programs across all manufacturing facilities. By participating in international initiatives such as "Better Work Vietnam", we continue to elevate workplace environment standards.

## Talent Development: Empowering Employees Throughout Their Growth Cycle to Drive Organizational Evolution

We regard talent development as a strategic investment in the future, establishing a comprehensive cultivation system encompassing "skills foundation-building, management empowerment, cultural forging, and global collaboration" to provide core talent momentum for the implementation of the Group's strategy.

### Systematic Training and Digital Learning Ecosystem



In 2025, the Group invested approximately **RMB3 million** in talent development initiatives, establishing an integrated online-offline learning ecosystem. The annual average training hours per employee reached **20.91**.

- **Offline Expansion:** We conducted a total of **5,763** skill enhancement and management training sessions throughout the year.
- **Online Empowerment:** Huali Empowerment Academy has launched a total of **326** courses, serving **62,000** learner engagements.

### Key Talent and Leadership Pipeline



- **Reserve Cadre 369 Program:** Through 18 months of full-time job rotation and on-the-job practice, the Group continuously cultivates versatile management reserves with a global perspective.
- **Professional Technical Talent Development:** Focusing on workplace safety, process optimization, and digital systems, we conducted **3,454** job-specific training sessions to systematically build a professional competency matrix.
- **Leadership Development:** We established a pyramid-style cultivation system, employing scenario simulations and strategic workshops to successfully develop **344** department heads and high-potential executives throughout the year, effectively reinforcing the organization's management foundation.

### Global Capability Building



- **Language and Cross-Cultural Competency:** To support our globalization strategy, we consistently invest in enhancing employees' language proficiency and intercultural capabilities. In 2025, **5,566** employees received language proficiency incentives, while **1,200** participants engaged in cross-cultural communication training, laying a solid talent foundation for global operational synergy.
- **Cultural Consensus and Sustainability Philosophy:** We integrate corporate vision, mission, core values, and integrity culture into new employee onboarding and company-wide training programs. The "Path of Integrity Commitment" training launched in 2025 achieved full staff coverage, continuously reinforcing shared sustainability principles.



## Core Indicator and Target Management

In 2025, Huali Group achieved remarkable results in advancing its human resource management system. We focused not only on the process but also committed to linking human capital value with corporate financial performance and innovation capabilities through quantifiable, traceable indicator management. This approach addresses global investors' growing expectations for transparency in human capital data. The specific core indicators & targets and achievement are as follows:

Indicator Category	Key Performance Indicators (KPI)	Targets for 2025	Performance for 2025
Women's Empowerment	Proportion of female executives	>55%	61.90%
Salary and welfare	Statutory Benefits Coverage Rate	100%	100%
	Payroll Compliance Rate by Operating Location	100%	100%
Training and development	Annual per capita training hours	>18 hours	20.91 hours
Employee	Turnover rate	<26%	25.66%
Workplace Environment	Employee Engagement/Satisfaction	>75%	75.33%
	Number of Major Labor Dispute Incidents	0	0

## Future Outlook: Deepening ESG Practices to Forge Sustainable Competitive Advantage

Looking ahead, Huali Group will continue to deepen its ESG practices in the human resources domain, with a strategic focus on the following key areas:

- **Digital Skills Popularization:** In response to Industry 4.0 trends, we propose establishing a cross-cultural, scalable global competency framework. This system will leverage digital tools to identify capability gaps and precisely align employee skills with strategic objectives, transforming "competency" into the universal language for multinational collaboration and talent development.
- **Global Leadership Enhancement:** We will establish systematic global rotation and cross-border project mechanisms to accelerate the development of international talent pipelines with cross-cultural leadership competencies.
- **Innovation in Employee Well-being System:** By fostering open communication mechanisms and a fault-tolerant cultural framework, we will unleash employees' innovative potential, ensuring teams maintain exceptional decision-making capabilities and collaborative efficiency in highly complex tasks.
- **Supply Chain Talent Ecosystem Co-creation:** We will disseminate our best practices in labor rights and talent development to supply chain partners, jointly enhancing sustainable development capabilities across the entire value chain.

We will steadfastly uphold our core value of "people-oriented", continuously refining our talent strategy to forge the most robust competitive edge for the Group's sustainable development, while creating shared growth value with all stakeholders.

## Rights and Interests of Employees

The Group places high priority on safeguarding employee rights, enhancing grievance and feedback mechanisms, clearly defining prohibited conduct through multiple policies, and establishing stringent procedures for addressing sexual harassment and workplace violence incidents. We have established dedicated complaint channels with designated personnel responsible for impartial investigations and strict confidentiality. We actively promote employee care initiatives and cultivate an eco-conscious workplace.

The Group has established labor unions in all its factories, each comprising multiple specialized committees. Committee members are elected by employee representatives to safeguard the lawful rights and interests of employees in accordance with the law. Through equal consultation, collective agreements, and regular employee congresses, we have established a sound labor relations coordination mechanism. The collective agreement covers all employees and is renewed every three years, fostering harmonious and stable labor relations.



## Employee Care

The Group has established a high-standard, compassionate global employee care system, achieving 100% statutory social insurance coverage for all employees worldwide. Additional benefits include supplementary commercial insurance, diverse condolence allowances, and guaranteed paid leave encompassing parental leave, family visitation leave, and other entitlements to safeguard employee welfare.

In 2025, the Group conducted skill training programs, team-building activities, and mental health seminars to enhance team cohesion and employee well-being. A total of RMB 2,723,103 was invested in annual assistance programs, benefiting 12,547 individuals through financial aid and medical subsidies for employees facing hardship or illness.

In the future, the Group will continue to increase investment in employee care and support programs, refine our mechanisms, and foster mutual growth and integration with our workforce.

### Case "Warm Winter" Coat and Supplies Sharing Initiative

In alignment with our commitment to humanistic care and corporate warmth, Annora Vietnam's Women Leadership Team (WLT) initiated the "Warm Winter" coat and supplies sharing initiative at the employee cafeteria on June 26-27, 2025.

This event, themed "Joining Hands to Share – Sowing Seeds of Hope", aims to tangibly alleviate employees' shopping expenses and living pressures through the centralized distribution of winter clothing and daily necessities, while also building a bridge of internal mutual assistance and compassion.



### Case Visiting Employees in Difficult Situations

We care about employees facing family hardships and provide support and assistance to every staff member in need. In 2025, the factories regularly visited impoverished employee households, provided financial assistance to children of underprivileged staff to enhance their educational conditions, and supported employees in need by constructing houses to improve their living standards.



### Case Factory Sports Activities

Roll Sport Vietnam Factory organized a sports event in September 2025 to facilitate team bonding among employees outside of work hours. It enhanced communication and collaboration among employees across different departments, further boosting their sense of belonging and team cohesion.



### Case Annora Vietnam Factory Mental Health Initiative

Annora Vietnam, as the exclusive pilot site for Nike's global supply chain mental health training initiative, has implemented specialized mental health programs. This elevates mental wellness from a welfare consideration to a strategic priority, establishing an exemplary model for global supply chains to emulate.

The project adopts a "Train-the-Trainer" model, targeting management personnel, safety promoters, and frontline employees. Through various formats such as workshops, case studies, and peer mentoring, it aims to facilitate early identification of psychological issues, thereby mitigating safety risks.

The project was launched in February 2025 and successfully implemented throughout the entire process: 277 internal trainers conducted 2,224 training sessions, covering 11,120 frontline employees, exceeding the established targets. Survey results indicate that 97% of employees are willing to provide suggestions for workplace improvements, representing a 3% increase over the corporate average, with marked enhancement in psychological safety and engagement levels among staff.

This initiative has effectively enhanced employee well-being, strengthened behavioral safety awareness, reduced security risks, and achieved dual improvements in both safety performance and operational resilience. At the same time, we have established a comprehensive mental health management system tailored to the manufacturing industry, embodying Huali's "people-oriented" philosophy and providing valuable practical references for the sector.



## Occupational Health and Safety

### Governance

The Group places occupational health and safety production at the core of corporate governance, deeply integrating ESG development concepts. We have established a three-tier governance framework spanning the board decision-making level, group management level, and factory execution level, clearly defining the authority and responsibility boundaries at each tier. A well-defined and efficiently coordinated accountability system has been implemented, supported by four core governance principles, ensuring closed-loop management throughout the entire occupational health and safety production process for effective implementation and tangible results.

### Governance Structure and Authority & Responsibility Description

Governance Hierarchy	Core Lead Entity	Key Responsibilities and Authorities
Decision-making Level	Board of Directors and the ESG Committee under its purview	1. Review and approve the overall occupational health and safety production strategy, objectives, and major management systems; 2. Incorporate health and safety performance as a core evaluation dimension in the corporate ESG strategy; 3. Receive regular specialized reports on health and safety management compliance, risk control, and performance.
Management Level	Group Compliance and Sustainability Division	1. Oversee and coordinate comprehensive health and safety management operations, formulate institutional procedures, and drive system implementation with performance evaluations; 2. Supervise factory-wide compliance with health and safety management requirements, conducting cross-factory performance assessments and continuous improvement initiatives.
Execution Level	Factory Supervisors (Primary Responsible Persons), Full-time Factory Safety Production Management Personnel	1. Upholding the principle of "business management entails safety responsibility", comprehensively implement risk control measures within the organization; 2. Responsible for establishing, operating, and maintaining the occupational health and safety management system of the organization; 3. Convene monthly Health and Safety Committee meetings punctually to effectively fulfill managerial duties; 4. Deploy a full-time safety management team in compliance with regulations to undertake professional functions including daily supervision, inspection, guidance, and hazard remediation.

### Core Governance Principles

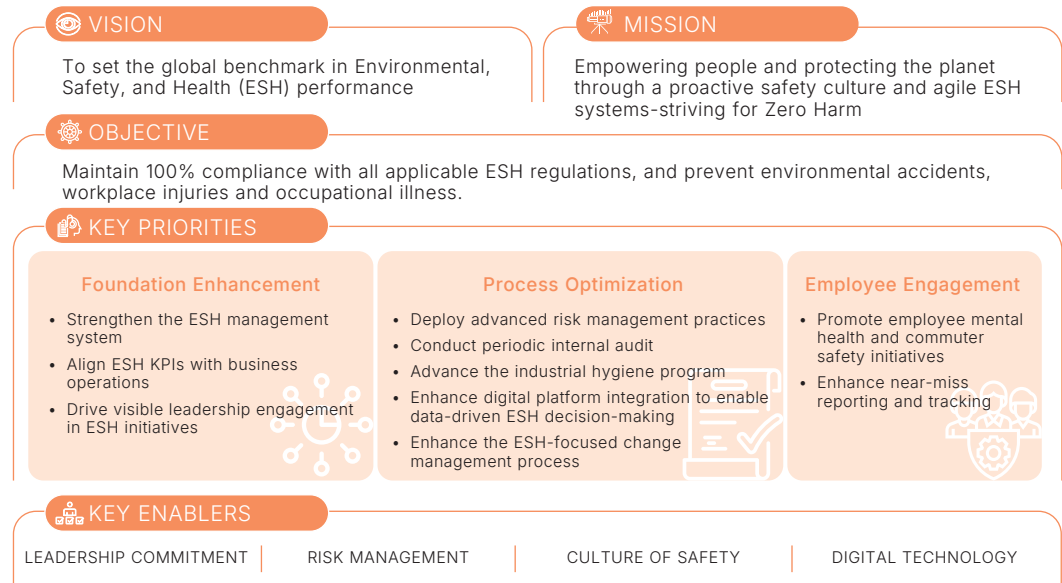
To ensure the robust operation of the occupational health and safety management system, the Group adheres to four governance principles and strengthens end-to-end accountability implementation:

- Leadership Commitment:** The management takes the lead in fulfilling responsibilities, with performance linked to evaluations
- Risk-Oriented:** Systematic control of safety risks throughout the entire process
- Transparent Disclosure:** Regularly publish information and subject to internal and external oversight
- Continuous Improvement:** Driving system upgrades through PDCA cycles

### Strategy

The Group prioritizes occupational health and safety production as a core strategic pillar for sustainable development, deeply integrating it into the company's overarching vision, mission, and strategic planning. With the guiding principle of "establishing global benchmarks in environmental, safety, and health performance", the Group embeds EHS management comprehensively throughout the entire production and operational lifecycle.

### ENVIRONMENT, SAFETY & HEALTH STRATEGY (CY26-CY30)



## Management of Impacts, Risks, and Opportunities

Leveraging the labor-intensive nature of the footwear manufacturing industry, the Group has comprehensively identified both internal and external impacts as well as potential risks in occupational health and safety management. By proactively exploring development opportunities arising from management upgrades, we have established a full-process risk management mechanism centered on "risk orientation, tiered control, and continuous improvement". This system achieves closed-loop management encompassing risk identification, assessment, control, and monitoring. Furthermore, we transform risk control initiatives into strategic opportunities for system optimization, operational efficiency enhancement, and safety culture development.

### Core Impact Identification

The Group's production and operational activities involve the use of hazardous chemicals, high-risk operations, and multi-position collaboration. Inadequate occupational health and safety management may adversely affect employee life, health, and safety; corporate production and operational order; and the company's social image. Conversely, a robust EHS (Environment, Health, and Safety) management system safeguards employee rights, enhances production efficiency, reduces operational risks, strengthens corporate brand credibility and market competitiveness, and drives sustainable business development.

### Systematic Risk Management

**Risk Identification and Assessment:** Based on the internationally recognized Risk Matrix Methodology and tailored to industry-specific characteristics, production processes, and regulatory requirements, we have established internal "Occupational Health and Safety Risk Identification and Assessment Procedures". This framework implements a routine + real-time risk assessment mechanism to conduct systematic and standardized risk identification and tiered evaluation across all operational processes.

1. Annual comprehensive assessment: Conduct a full-coverage review of potential risks across all dimensions including production processes, equipment, and facilities, update the critical risk register with dynamic tracking;
2. Monthly special inspection: Conduct targeted inspections focusing on high-risk processes and seasonal operations, establish a tracking ledger, and implement closed-loop resolution;
3. Ad hoc immediate evaluation: For scenarios such as process modifications, new equipment deployment, and regulatory updates, promptly initiate specialized assessments to ensure risk control keeps pace with business development.

**Through systematic identification, the Group's current core risk categories primarily consist of four major types:**

1. **Process Safety Risks:** Covering the entire lifecycle of hazardous chemicals including storage, transportation, usage, reaction, and waste disposal, with key focus on preventing risks such as leaks, explosions, runaway reactions, and corrosion incidents.
2. **Occupational Health Risks:** Focusing on factors such as noise, dust, and exposure to toxic/hazardous chemicals during production processes, with preventive measures against long-term health impairments to employees' hearing, respiratory systems, skin, etc.
3. **Emergency Risks:** Encompassing fire incidents, hazardous chemical leaks, extreme natural disasters such as typhoons/heavy rains/earthquakes, and mass emergencies, evaluating their impacts on personnel safety, property damage, and operational disruptions.
4. **Work Safety Risks:** Mitigating personal injury risks during operations involving high-risk activities such as hot work, confined space entry, working at heights, and lifting operations, as well as routine tasks including equipment operation, mechanical hazards, and electrical safety.

Risk tiered control adheres to the principle of graded management and targeted measures, establishing a three-tier risk prevention system with engineering controls as the priority, administrative controls as safeguards, and personal protective equipment as the last line of defense. Differential control strategies are implemented for risks at various levels to ensure they remain manageable, preventable, and treatable.

Risk Rating	Control Strategy	Specific Measures
High risk	Immediate rectification + Priority monitoring	<ol style="list-style-type: none"> <li>1. Establish a dedicated task force comprising production supervisors, safety officers, operators, and technical personnel to develop a detailed rectification plan with clearly defined timelines and responsible parties;</li> <li>2. Priority implementation of engineering control measures, such as process optimization, equipment upgrades, physical isolation, and installation of online monitoring systems;</li> <li>3. Suspend all high-risk operations involved; work may only resume after thorough rectification and strict compliance verification;</li> <li>4. Implement full-work-hour key monitoring to track risk rectification progress and prevention effectiveness in real time.</li> </ol>
Medium risk	Rectification within a prescribed time limit + Enhanced control measures	<ol style="list-style-type: none"> <li>1. Specify rectification deadlines and enhance control measures by refining operational procedures, increasing inspection frequency, implementing work permit systems, and improving safety warning signage;</li> <li>2. Conduct specialized training programs to enhance risk identification and emergency response capabilities of personnel in their respective positions;</li> <li>3. Conduct periodic reviews of risk ratings, evaluate the effectiveness of control measures, and dynamically adjust management protocols.</li> </ol>
Low risk	Continuous improvement + Enhanced protection	<ol style="list-style-type: none"> <li>1. Incorporated into the PDCA continuous improvement plan to optimize operational processes and enhance workplace safety procedures;</li> <li>2. Enhance targeted safety training and hands-on drills for employees to strengthen risk prevention awareness;</li> <li>3. Enhance the allocation of Personal Protective Equipment (PPE) and standardize the wearing of protective gear by employees;</li> <li>4. Establish a risk register, conduct periodic reviews of risk status, and ensure risks remain within manageable parameters.</li> </ol>

### Risk Monitoring and Continuous Improvement

We have established a multi-dimensional risk monitoring system to track risk variations and the execution effectiveness of control measures in real time through on-site inspections, online monitoring systems, employee hazard reporting, and third-party audits. We conduct quarterly risk management performance reviews to refine control strategies by incorporating internal and external audit feedback. Leveraging the PDCA cycle, we update the risk register and control plans annually to achieve closed-loop management encompassing "identification – assessment – control – improvement".

### Opportunity Identification and Conversion

The Group regards the enhancement of occupational health and safety production management as a pivotal opportunity for corporate development. By refining the EHS management system and strengthening its implementation, the following objectives are achieved:

1. Reducing the incidence of workplace accidents, minimizing losses from operational disruptions, and enhancing production and operational efficiency;
2. Safeguarding employees' life and health rights;
3. Establishing a strong corporate social responsibility image, enhancing brand credibility and market competitiveness, and meeting the high expectations of clients and the market for the Group's ESG performance.

## Target and Indicator Management

The Group, centering on its core strategy of occupational health and safety production, has formulated qualitative and quantitative, short-term and long-term integrated target and indicator systems tailored to industry characteristics and corporate development realities. These targets are cascaded across all organizational levels and functional departments, incorporated into performance evaluations to ensure effective implementation, thereby driving continuous improvement in EHS management performance.

Core Overall Objective: Strictly comply with applicable laws and regulations to prevent environmental incidents, occupational injuries, and diseases.

### 2025 Key Performance Indicators (KPIs) and Achievement Status

Indicators	Targets for 2025	Achievement in 2025
Work-related fatality incident	0	0
Lost Time Injury Rate (LTIR) <sup>1</sup>	<0.05	0.04
Contractor On-Site Lost Time Injury Rate	0	0
Administrative penalty incidents due to health or safety management violations	0	0
Occupational disease cases	0	0
Close-out rate of near-miss corrective actions	100%	100%

### Indicator Implementation and Assessment

The Group has incorporated the aforementioned target indicators into the annual operating plan, signing performance contracts with each factory and department to clarify responsibilities at all levels. A monitoring mechanism for indicator implementation has been established, featuring monthly evaluations, quarterly reviews, and annual assessments, directly linking indicator completion to the performance evaluations of management personnel and departments. Additionally, a safety incentive program has been introduced to recognize and reward outstanding teams and individuals who achieve their indicators, thereby fully mobilizing employee participation and ensuring the effective realization of all targets.

Note 1: Lost Time Injury Rate (LTIR) = (Number of lost time injuries × 200,000)/Total plant working hours.

## 2025 Special Initiative Description

### Strengthening Compliance Management

#### (I) Compliance Monitoring System

Establish a corporate-wide EHS legal and regulatory database to dynamically collect and update international standards (ISO 14001, ISO 45001, etc.), national laws and regulations, regional statutory requirements, as well as industry and customer specifications. Conduct regular training sessions across all factories to ensure effective cascading of compliance requirements throughout all organizational levels.

#### (II) Compliance Audits and Internal Control Procedures

1. Strictly implement the annual corporate-level EHS compliance audit, covering environmental protection, occupational health and safety, fire emergency response, and other areas. Incorporate audit results into the annual performance evaluation of factories and implement closed-loop rectification for identified issues.
2. Establish a comprehensive workplace safety internal control system encompassing "inspection – evaluation – rectification – training – drills – assessment", implementing three-tier hazard identification at the position/workshop/factory level. Classify risks according to internal SOPs and establish rectification priorities, achieving a 100% hazard resolution rate during the reporting period. Incorporate internal control performance into monthly evaluations to strengthen process oversight.



## Key Actions to Drive Continuous Improvement

### (I) Effective Operation of Health and Safety Management System

Guided by the core principles of "**leadership commitment, employee engagement, process approach, and continuous improvement**", we have fully integrated health and safety management into corporate strategic planning and daily operations, ensuring alignment between EHS objectives and the Group's overarching development strategy.

### (II) Continued Enhancement of Specialized Health and Safety Investment Initiatives

In 2025, we continued to increase strategic investments in health and safety, with a total allocation of RMB96.279 million, focusing on key areas such as machinery and equipment safety protection, and emergency response capacity building. Through hardware upgrades and process optimization, we aim to mitigate safety risks, enhance emergency response plans, and conduct practical drills to provide material support for the effective operation of the EHS management system.

### (III) Training Empowerment and Health & Safety Initiatives Implementation

1. Establishing a systematic training framework: In 2025, we implemented an annual training program encompassing online learning, offline instruction, and on-site practical coaching, aligned with regulatory requirements, industry standards, and client specifications. The total duration for machinery management and safety training in 2025 reached 595,002 hours. The Group offered advanced courses for EHS professionals, including elevated work operations, hazard identification, and electrical safety, ensuring comprehensive training coverage for management personnel, specialized operators, and new/transferred employees, with all assessments meeting compliance benchmarks.
2. Conducting diversified safety culture activities to enhance overall safety awareness.

We regularly conduct specialized emergency drills such as fire evacuation and chemical spill response to ensure employees can respond swiftly, orderly, and effectively in unexpected scenarios.



Workplace Safety Training Activity



Workplace Safety Training Activity



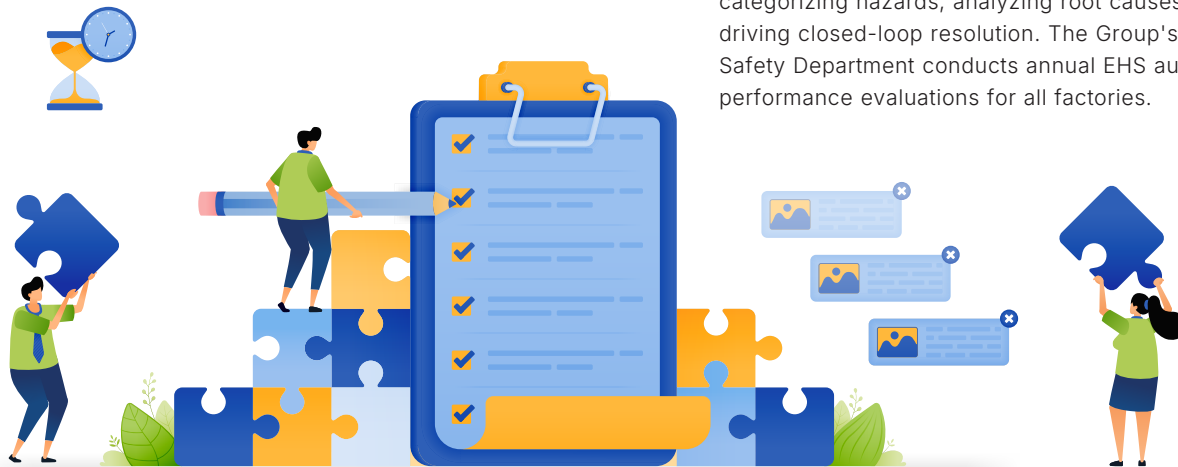
Knowledge Competition



Emergency Response Contest

#### (IV) Annual Safety Production Target Sign-off and Incentive Mechanism

The Group signs annual performance contracts with each factory, clearly defining safety production targets. Each factory appoints dedicated safety officers responsible for implementing objective management according to their duties. Factories develop monthly assessment plans and establish safety incentive mechanisms to recognize and reward outstanding teams and individuals in safety production, thereby fostering full participation.



#### (V) Multi-tier Centralized Review and Security Inspection

1. The Group's Compliance and Sustainability Department conducts annual centralized EHS audits of the factories, performing comprehensive verifications through plant walkthroughs, document reviews, interviews, and instrument measurements. Audit findings serve as the basis for policy refinement and management improvement. During the August-September 2025 group-wide internal audit, 378 non-conformities were identified, with all factories having developed corresponding corrective action plans.
2. The factories implement routine inspections, specialized inspections, key holiday checks, and periodic reviews. The EHS department organizes cross-functional joint inspections with full participation from factory leadership, systematically categorizing hazards, analyzing root causes, and driving closed-loop resolution. The Group's Health & Safety Department conducts annual EHS audits and performance evaluations for all factories.

#### (VI) Refined Occupational Health Management

1. Enhancing institutional framework and staffing: We timely update occupational health management systems, appoint dedicated occupational health professionals with certified training, dynamically interpret regulatory changes, and organize specialized training sessions.
2. Hazard factor control: We conduct regular identification, assessment, and monitoring of occupational health hazards in the workplace; perform routine maintenance of protective facilities and implement comprehensive preventive measures at the source, including dust suppression, toxic substance containment, noise reduction, and heat stress mitigation.
3. Personal protection and training: We issue job-specific personal protective equipment (PPE) with completed fit assessments, conduct routine inspections of PPE compliance, and provide targeted occupational health training for respective positions.

Health examination and records management: We conduct occupational health examinations for new hires, current employees, and departing staff in strict compliance with regulations, while establishing and dynamically updating employee occupational health records. We have established occupational health surveillance records, developed personalized health monitoring plans and job placement arrangements based on medical examination results, with the goal of achieving zero occupational disease cases across the Group in 2025.

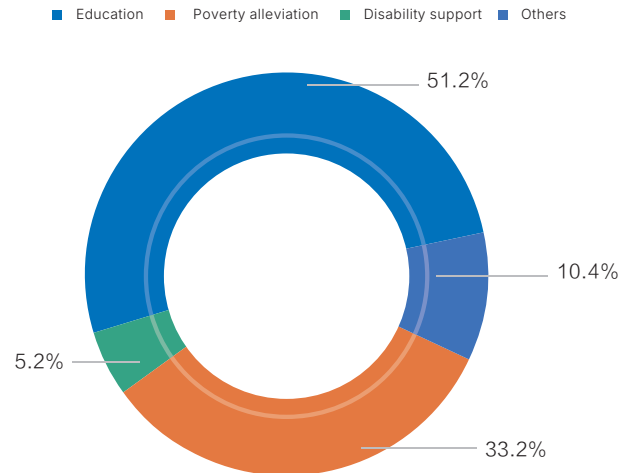
## Rural Revitalization

In March 2025, the Group donated RMB30,000 to Longhu Town, Chaozhou to support rural revitalization assistance initiatives and promote rural development.

## Social Contribution

In 2025, the Group actively advocated social contribution initiatives, earnestly fulfilled corporate social responsibilities, and channeled compassion and resources into public welfare endeavors. By organizing employees to participate in volunteer services, material donations, and visits, we encourage active engagement in social development to spread positive energy. This ensures that every charitable contribution and each item of donated material achieves maximum impact, contributing to the building of a harmonious society.

In 2025, we achieved outstanding results in the field of social contribution. A total of **72** social contribution initiatives were organized, engaging **16,727** participants with an average involvement duration of **1.79** hours per person, accumulating approximately **29,977** hours. The beneficiary groups included students, senior citizens, individuals with disabilities, and community residents, totaling **21,764** recipients. Additionally, aggregate donations amounted to RMB**3,896,800**, primarily allocated to education, poverty alleviation, disability support, and other philanthropic sectors.



## Public Welfare Charity

### Practicing Corporate Social Responsibility to Jointly Build a Civilized and Better Society

As a company deeply rooted in Zhongshan, we remain steadfast in our commitment to upholding Dr. Sun Yat-sen's spirit of "universal love, humanitarianism, and dedication". We actively engage in social welfare initiatives, contributing to urban civilization development and the practice of the new era. We firmly believe that enterprises are not merely participants in economic development, but also creators of social value and leaders of civilized trends. In 2025, we continued to fulfill our social responsibilities through concrete actions, driving the harmonious resonance between corporate culture and urban ethos.

#### I. Supporting the Charity Walkathon, Promoting the New Ethos of Universal Love

In February 2025, we donated RMB20,000 to the Charity Walkathon Project of the Zhongshan Red Cross Society, demonstrating our commitment to supporting this citywide philanthropic event that embodies Zhongshan's spirit and promotes cultural progress. Through this gesture, we aim to inspire more individuals to spread warmth through tangible actions, uphold Zhongshan's distinctive culture of universal fraternity and mutual assistance, and collectively foster a harmonious and benevolent social environment.

#### II. Empowering Cultural Heritage, Supporting the Philanthropic Performance of Original Musical "Dr. Sun Yat-sen"

To further explore and promote the cultural heritage of Dr. Sun Yat-sen while enriching the connotation of the New Era Civilization Practice, in March 2025, we donated RMB300,000 to the Zhongshan Education Foundation. This contribution was specifically allocated to support the public welfare performances of the original musical "Dr. Sun Yat-sen". We aspire to bring Dr. Sun Yat-sen's spirit and legacy into more hearts through artistic expression, particularly providing youth with vivid and profound local cultural education to strengthen urban cultural confidence.

#### III. Consolidating Internal Strength to Build a Sustainable Philanthropic Mechanism

In 2025, with strong support from factory management, we collaborated with labor unions and relevant departments to actively organize various employee volunteer activities and internal philanthropic initiatives, covering areas such as environmental protection, community service, and employee welfare. These initiatives have not only fostered employees' sense of belonging and pride but also gradually cultivated a philanthropic culture of "universal participation and sustained contribution", integrating responsibility into the corporate routine.

**Case** **Dream Builder Scholarship, Empowering Students' Journey – Scholarship Award Ceremony**

In September 2025, Annora Vietnam awarded scholarships to students from Mai Lam Secondary School, Phu Son Secondary School, Binh Minh Primary School, and Xuan Lam Primary School, recognizing and encouraging their outstanding academic achievements to inspire greater enthusiasm for learning and a spirit of progress.



**Case** **Building Homes with Love, Warming Hearts with Care – Illuminating the "Dream of Home" for Vulnerable Groups**

In March 2025, Akalia Vietnam partnered with the Vietnam Fatherland Front Central Committee of Nhu Thanh Commune to donate three houses to impoverished families, solitary elderly individuals, and special hardship groups, providing fundamental housing security for vulnerable populations. The total value of 240 million VND has significantly improved their living conditions.



**Case** **Caring for the Underprivileged, Fulfilling Social Responsibility – Launching Public Welfare Donation and Assistance Initiatives**

In May 2025, Continuance Vietnam cumulatively donated gifts and cash totaling 20 million VND to the Hai Duong Social Protection Center, supporting orphans, individuals with disabilities, isolated elderly, and children in distress under the center's care. Spreading social warmth and providing spiritual care, they take concrete actions to promote community integration and advance the development of social welfare initiatives.



**Case** **Earth Hour – Supporting Sustainable Marine Ecosystem Conservation**

Weilina Vietnam actively responded to "Earth Hour" on March 22, 2025, organizing a dedicated volunteer initiative for marine debris cleanup. The factory mobilized employee volunteers to actively participate in large-scale marine debris cleanup operations along the coastline and surrounding waters. Through concrete actions, they aim to reduce solid marine pollution and restore the marine ecological environment.



## Environmental, Social and Governance (ESG) Performance Sheet

ESG KPIs		Unit	2025
<b>Social</b>			
<b>Social contribution</b>			
Rural revitalization	Investment amount for rural revitalization	CNY 10,000	3
<b>Total investment in social welfare initiatives (including the following five categories)</b>		CNY 10,000	389.68
Investment Amount	Amount for social poverty alleviation	CNY 10,000	129.31
	Amount for educational assistance	CNY 10,000	40.47
	Amount for disability assistance	CNY 10,000	20.25
	Others	CNY 10,000	199.65
Social Contribution Activities (Tree Planting, Blood Donation, Waste Cleanup, etc.) Participation Frequency and Duration	Number of events held	Times	72
	Total number of participants	Person	16,727
	Average participation duration	Hours	1.79
	Total participation duration	Hours	29,977
Beneficiary Scope and Quantity	Students	Person	11,467
	Senior citizens	Person	336
	Persons with disabilities	Person	7,664
	Community residents	Person	2,297
	Total Beneficiary Count	Person	21,764
<b>Employees</b>			
<b>Employee composition (count)</b>			
Total number of employees		Person	185,551
Gender	Male	Person	39,074
	Female	Person	146,477
Age	<30	Person	41,273
	30-49 years old	Person	124,480
	Above 50 years old	Person	19,798
Position	Senior management position	Person	144
	General management position	Person	11,255
	Non-management position	Person	174,152
Educational background	Below junior college	Person	171,690
	College and undergraduate	Person	13,782
	Master's and Doctoral degrees	Person	79

ESG KPIs		Unit	2025
Region	Vietnam region	Person	169,433
	China region	Person	4,948
	Indonesia region	Person	11,104
	Other regions	Person	66
<b>Percentage of Total Workforce %</b>			
Gender	Male	%	21.06
	Female	%	78.94
Age	<30	%	22.24
	30-49 years old	%	67.09
	Above 50 years old	%	10.67
Position	Senior management position	%	0.08
	General management position	%	6.06
	Non-management position	%	93.86
Educational background	Below junior college	%	92.53
	College and undergraduate	%	7.43
	Master's and Doctoral degrees	%	0.04
Region	Vietnam region	%	91.31
	China region	%	2.67
	Indonesia region	%	5.98
	Other regions	%	0.04
<b>Diversification</b>			
	Total number of management positions	Person	11,399
	Proportion of women in all management positions	%	61.90
	Proportion of men in all management positions	%	38.10
	Proportion of women in general management positions	%	62.30
	Proportion of men in general management positions	%	37.70
	Proportion of women in senior management positions	%	30.56
	Proportion of men in senior management positions	%	69.44
	Percentage of Vietnamese nationals in management positions relative to total management headcount	%	87.44
	Percentage of Chinese nationals in management positions relative to total management headcount	%	5.68
	Percentage of Indonesian nationals in management positions relative to total management headcount	%	6.66

ESG KPIs		Unit	2025
	Percentage of management positions held by other nationalities relative to total management headcount	%	0.22
<b>Recruitment</b>			
	Total number of newly hired employees	Person	72,010
	General management position	Person	1,866
	Senior management position	Person	39
	Vietnam	Person	57,801
	China	Person	4,142
	Indonesia	Person	10,049
	Other regions	Person	18
<b>Turnover rate</b>			
	Total number of departures	Person	64,050
	Turnover rate	%	25.66
<b>Statutory benefits leave</b>			
	Total number of employees utilizing parental leave	Person	8,131
	Average number of paid annual leave days per capita	Day	11.78
<b>Employee relationship</b>			
	Employee Engagement and Well-being	%	75.33
	Number of Appeals Received	/	102
	Appeal Resolution Completion Rate	%	100
	Labor Dispute	/	0
<b>Employee Assistance Program</b>			
	Employee Assistance Amount	CNY 10,000	272.31
	Number of employees assisted	Person	12,547
<b>Career and Development</b>			
	Total Training Expenditure	CNY 10,000	296.48
	Total training hours	Hours	3,842,154
	Average training hours per person	Hours	20.91
	Total training attendances	Persons	2,878,282
	Total training attendances in Vietnam Region	Persons	2,825,183
	Total training attendances in China Region	Persons	44,171

ESG KPIs	Unit	2025
Total training attendances in Indonesia Region	Persons	8,928
Training attendances for general management staff	Persons	113,265
Training attendances for senior management staff	Persons	1,575
Machine Management and Security Training	Persons	511,499
Machine Management and Security Training	Hours	595,002
Coverage Rate	%	100
Health and Environment	Persons	671,362
Health and Environment	Hours	1,157,405
Coverage Rate	%	100
Professional Development	Persons	433,437
Professional Development	Hours	565,642
Coverage Rate	%	100
Authority and Responsibility Standards in Workplace Scenarios	Persons	1,205,388
Authority and Responsibility Standards in Workplace Scenarios	Hours	1,475,617
Coverage Rate	%	100
Production Operations Management and Process Optimization	Persons	56,596
Production Operations Management and Process Optimization	Hours	48,488
Coverage Rate	%	100
<b>Health and safety</b>		
Major accidents	Cases	0
Serious accidents	Cases	0
Lost Time Injury Rate	Cases per 200,000 hours worked	0.04
Work-related fatality incident	/	0
Total safety investment	CNY 10,000	9,627.90
Administrative penalty incidents due to health or safety management violations	/	0
Occupational disease cases	/	0
Close-out rate of near-miss corrective actions	%	100

ESG KPIs	Unit	2025
<b>Environmental</b>		
<b>Energy Management</b>		
Grid Electricity	kWh	673,858,753
Solar Electricity	kWh	3,480,651
Energy Attribute Certificate	kWh	251,083,436
Biomass Fuel	tons	36,512
Gasoline	L	1,176,522
Diesel	L	3,436,249
Liquefied petroleum gas	kg	116,325
<b>Energy Metrics</b>		
Total energy consumption	kWhe	903,180,677
Energy consumption per unit of product	kWhe/pair	3.97
Proportion of renewable energy	%	48
Total renewable energy	kWhe	433,153,774
Total greenhouse gas emissions	tCO <sub>2</sub> e	291,873
Greenhouse gas emissions per unit of product	kg CO <sub>2</sub> e/pair	1.28
<b>Addressing Climate Change</b>		
<b>GHG emissions</b>		
Scope 1	Ton	31,488
Scope 2 (Market-based)	Ton	278,001
Scope 2 (Location-based)	Ton	447,849
<b>Scope 3</b>		
1. Purchased goods and services	Ton	508,333
2. Capital goods	Ton	72,308
3. Fuel and energy-related activities	Ton	83,814
4. Upstream transportation and distribution	Ton	166,219
5. Waste generated during operations	Ton	1,548
6. Business travel	Ton	182
7. Employee commuting	Ton	113,655
8. Upstream leased assets	Ton	0
9. Downstream transportation and distribution	Ton	17,707
10. Processing of sold products	Ton	17,623
11. Use of sold products	Ton	0

ESG KPIs	Unit	2025
12. Disposal of end-of-life sold products	Ton	33,499
13. Downstream leased assets	Ton	0
14. Franchise rights	Ton	0
15. Investment	Ton	6,275
<b>Other Emissions: Biomass Emissions</b>		
Direct CO <sub>2</sub> emissions from biomass combustion	Ton	72,046
Emissions from upstream activities of biomass fuels	Ton	2,170
Emissions from upstream transportation of biomass fuels	Ton	835,626
Emissions of HCFC refrigerant R-22	Ton	2,309
Emissions from land-use change	Ton	18,238
Number of suppliers submitting greenhouse gas emissions data and reports for 2025	/	110
<b>Environmental compliance</b>		
Total Investment in Environmental Projects (By Country)	CNY 10,000	3,654.70
China	CNY 10,000	153.80
Vietnam	CNY 10,000	3,001.60
Indonesia	CNY 10,000	499.30
Major Environmental Pollution Incident	/	0
<b>Waste</b>		
Amount of hazardous waste generated	Ton	3,804.48
Hazardous waste generation per unit of product	g/pair	17.86
Amount of solid waste generated	Ton	40,221.70
Solid waste generation per unit of product	g/pair	188.80
Recycling and reuse rate of solid waste	%	76.85
Solid waste recycling and reuse	Ton	30,911.32
Energy recovery	Ton	9,310.38

ESG KPIs	Unit	2025
<b>Circular economy</b>		
Proportion of eco-friendly styles	%	58.84
<b>Water Resources Management</b>		
Water consumption per unit of product	L/pair	9.08
Wastewater treated	m <sup>3</sup>	2,558,895
Wastewater recycled	m <sup>3</sup>	1,989,205
Wastewater recycling rate	%	77.74
Total water withdrawal	m <sup>3</sup>	1,933,479
Municipal water supply	m <sup>3</sup>	1,828,230
Groundwater	m <sup>3</sup>	105,249
Wastewater discharge	m <sup>3</sup>	569,690
Water consumption	m <sup>3</sup>	1,363,789
<b>Product Quality Management</b>		
Number of customer complaints (per business group)	/	2
Product pass rate	%	99.99
Number of major product incidents	/	0
<b>Innovation-driven</b>		
R&D investment amount	CNY 10,000	41,382.87
Ratio of R&D investment to main operating income	%	1.66
Number of research and development personnel	Person	4,495
Proportion of R&D personnel to total employees	%	2.42
<b>Supplier Management</b>		
Total number of suppliers	/	949
Number of Level 1 suppliers	/	895
Number of key suppliers (strategic suppliers) among Level 1 suppliers	/	220
Procurement amount from Level 1 key suppliers as a percentage of total procurement %	%	85
Non-Level 1 suppliers	/	54

ESG KPIs	Unit	2025
Number of suppliers assessed through ESG written evaluation	/	75
Number of suppliers participating in ESG training	/	122
<b>Localized procurement</b>		
Localized procurement ratio in Vietnam	%	56.90
Localized procurement ratio in China	%	97.80
Localized procurement ratio in Indonesia	%	25.10
<b>Sustainable Materials (Preferred Raw Materials) Management</b>		
Percentage of certified materials in cotton fabric	%	91.97
Percentage of certified materials in leather	%	100
Percentage of certified materials in wool	%	100
Percentage of certified materials in artificial PU	%	46.38
Percentage of certified materials in rubber outsole	%	15.37
Percentage of certified materials in EVA base	%	33.68
Percentage of certified materials in wood/fiber-based packaging	%	100
Percentage of recyclable plastic packaging	%	16.46
<b>Data Security and Customer Privacy Protection</b>		
Number of Level 3 or higher security incidents	/	0
Number of data security incidents resulting in financial losses	/	0
Number of customer privacy breach incidents	/	0
<b>Governance</b>		
<b>Business data</b>		
Operating revenue	CNY 100 million	249.80

ESG KPIs	Unit	2025
Total assets	CNY 100 million	224.37
Net profit attributable to shareholders of the listed company	CNY 100 million	32.07
Sports shoe shipment volume	100 million pairs	2.27
<b>Intellectual property protection</b>		
Number of patent applications	/	32
Number of invention patents	/	26
Software copyrights	/	3
Number of authorized patents	/	175
<b>Anti-commercial bribery and anti-corruption</b>		
Total number of directors who have received anti-commercial bribery and anti-corruption training	Person	13
Percentage of directors who have received anti-commercial bribery and anti-corruption training	%	100
Total number of employees who have received anti-commercial bribery and anti-corruption training	Person	123,765
Percentage of employees who have received anti-commercial bribery and anti-corruption training	%	66.7
Total number of deputy managers and above in management who have received anti-commercial bribery and anti-corruption training	Person	808
Participation rate of deputy managers and above in anti-commercial bribery and anti-corruption training	%	100
Number of commercial bribery and anti-corruption incidents	/	0

**Definition and Description:**

**Data time range:** January 1, 2025 – December 31, 2025

**Data Collection Scope:** The data coverage of this report aligns with the consolidated financial statements of the Company’s annual report, encompassing all IPO subsidiaries and branches within the Group. Where partial data is unavailable due to statistical methodology constraints, corresponding sections will provide clarification.

**Total Participants:** Aggregate count of individuals engaged in various corporate social responsibility initiatives (tree planting, blood donation, waste cleanup, etc.)

**Total Participation Duration:** Single Event Total Duration (Duration of Each Thematic Activity × Number of Participants) × Number of Events Held

**Management Positions: All personnel at the rank of team leader and above**

**General Management Positions: Refer to managerial personnel at or above the rank of team leader but below assistant manager**

**Senior Management Positions: Refer to managerial personnel at the level of assistant manager and above**

**Lost Time Injury Rate (LTIR)** = (Number of lost time injuries × 200,000)/Total hours worked

**Tier 1 Suppliers:** Refer to suppliers that directly provide goods, materials, or services (including intellectual property (IP) and patents) to the company. If the company does not specify, we will assume it to be a Level 1 supplier.

**Non-Tier 1 Suppliers:** Refer to suppliers that provide products and services to the company through Level 1 suppliers. Non-tier 1 suppliers are positioned outside the Level 1 suppliers, such as secondary, tertiary, or nth-tier suppliers within the corporate supply chain.

**Recyclable Plastic:** Refers to packaging materials that can be reprocessed into new finished products, product components, or secondary (recycled) raw materials through manufacturing processes after use; excludes energy recovery and fuel utilization.

**Machine Management and Safety Training:** Pertaining to safety management when using machinery in the workplace, including equipment protection inspection guidance, fire safety drills, storage tank safety, radiation and laser training, as well as in-plant traffic safety.

**Health & Environment:** Pertaining to health, occupational safety, and environmental protection matters, including basic first aid training, energy and waste management, water consumption monitoring programs, industrial hygiene and safety protocols.

**Professional Development:** Support for fundamental job-related skills, including career competency enhancement: leadership, management, and communication; work-life balance techniques; return-to-work guidance for maternity leave employees; office productivity tools (Word/Excel); foreign languages, etc.

**Workplace Rights and Responsibilities Framework:** Pertaining to corporate, client, and government regulations, including employee conduct standards and rights protection, anti-harassment/anti-violence/anti-sexual harassment training, labor rules and attendance management, employment contracts/social insurance/benefits policies, and democratic workplace culture.

**Production Operations Management and Process Optimization:** Pertaining to production process management, system optimization and production method optimization, such as CE PFC, BPF foundational training, MES system training, CSSI, MQA, ISQ, and QMS awareness.

**Certified: Refers to third-party (environmental or social) standard certifications,** including but not limited to the following certifications: Textile Exchange’s Recycled Claim Standard (RCS), Global Recycled Standard (GRS), Organic Content Standard (OCS), Responsible Down Standard (RDS), Responsible Wool Standard (RWS), and Responsible Mohair Standard (RMS), Global Organic Textile Standard (GOTS), Cotton made in Africa (CmiA), Fairtrade Certification, Organic and Fairtrade, Leather Working Group (LWG), Forest Stewardship Council (FSC) Certification, Programme for the Endorsement of Forest Certification (PEFC), Better Cotton Initiative (BCI).

**Number of Level 3 (or higher) security incidents:** Refer to incidents where multiple network segments become inoperable, multiple systems fail to function, corporate portals suffer attacks, or a large-scale intrusion, destruction, or virus infection affects personal computers across multiple departments.

## Benchmarking Index Table

Report Disclosure Topics	Corresponding ESG Report Section	Corresponding Shenzhen Stock Exchange Topics	GRI Standard
Board governance	Section on Corporate Governance	Corporate governance	GRI 2:2-9, 2-11
Risk management	Section on Risk Management	Risk management	GRI 2:2-9
Economic performance	Section on Company Profile	Economic performance	GRI 201-1
Protection of rights and interests of investors	Section on Protection of Rights and Interests of Investors	Investor relations	GRI 2: 2-27, 2-29
Anti-commercial bribery and anti-corruption	Section on Anti-Commercial Bribery and Anti-Corruption	Anti-commercial bribery and anti-corruption	GRI 205-2, 205-3
Anti-unfair competition	Section on Anti-Unfair Competition	Anti-unfair competition	GRI 206-1
Corporate ESG governance	Section on Sustainable Development Management	Due Diligence/Communication with Stakeholders	GRI 2:2-9, 2-12, 2-14, 2-22, 2-23, 2-29; GRI 3-1, 3-2, 3-3
Addressing Climate Change	Section on Addressing Climate Change	Addressing Climate Change	GRI 2-9; GRI 305-1, 305-2, 305-3, 305-4, 305-5, 305-6
Energy Management	Section on Energy Consumption and Greenhouse Gas Emissions	Energy Utilization	GRI 302-1, 302-2, 302-3, 302-4, 302-5
Pollutant emissions	Section on Pollutant Emission and Waste Management	Pollutant emissions	GRI 306-1, 306-2, 306-4
Waste Management	Section on Pollutant Emission and Waste Management	Waste Treatment	GRI 306-1, 306-2, 306-3, 306-4, 306-5
Ecosystem and biodiversity protection	Section on Ecosystem and Biodiversity Protection	Ecosystem and biodiversity protection	
Environmental compliance management	Section on Environmental Compliance Management	Environmental compliance management	GRI 2:2-27
Circular economy	Section on Circular Economy	Circular economy	GRI 301-1, 301-2;
Chemical safety	Section on Chemical Safety	Safety production	GRI 306-2
Water Resources Management	Section on Water Resources Utilization and Management	Utilization of water resources	GRI 303-1, 303-2, 303-3, 303-4, 303-5
Rural revitalization and social contribution	Section on Rural Revitalization and Social Contribution	Rural revitalization/social contribution	GRI 413-1
Supply chain management	Section on Supply Chain Security	Supply Chain Security	GRI 204-1; GRI 301-1, 301-2, 301-3; 308-1; GRI 414-1
Innovation-driven	Section on Innovation-driven	Innovation-driven	
Security and Quality of Products	Section on Product Quality Management	Security and Quality of Product and Services	
Data security and customer privacy protection	Section on Data security and Customer Privacy Protection	Data security and customer privacy protection	GRI 418-1
Human Resource Management	Section on Human Resources Management	Employees	GRI 2:2-7, 2-23; GRI 401-1, 401-2, 401-3; GRI 404-2, 404-3; GRI 405-1
Occupational Health and Safety Production	Section on Occupational Health and Safety Production	Employees	GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9
Raw material management	Section on Sustainable Raw Material Management	Supply chain management	GRI 204-1; GRI 301-1, 301-2, 301-3

Note:

1. Technology ethics is suitable for fields sensitive to technological ethics such as life sciences and artificial intelligence, and is not applicable to Huali Group.
2. The topic of "Equal Treatment of Small and Medium-sized Enterprises (SMEs)" is applicable only to specific entities: enterprises with an accounts payable (including notes payable) balance exceeding RMB 30 billion or accounting for more than 50% of their total assets as of the reporting period; and enterprises that, either themselves or through their subsidiaries, have disclosed overdue payments to SMEs to the public via the National Enterprise Credit Information Publicity System. This topic is not applicable to Huali Group.

# Third-party Verification Report



## Independent Assurance Statement

### Introduction

TUV Rheinland (Shanghai) Co., Ltd., a member of TÜV Rheinland Group (hereinafter "TÜV Rheinland" or "We"), was entrusted by Huali Industrial Group Company Limited (hereinafter "Huali Group" or "the Company") to conduct an independent third-party assurance of its 2025 Environmental, Social and Governance Report (hereinafter, "Report"). The Report disclosed Huali Group's sustainability information for the fiscal year 2025 (from 1 January 2025 to 31 December 2025).

### Responsibilities

Huali Group is not only responsible for the preparation of ESG report and the collection and reporting of sustainability information in accordance with applicable reporting standards but also has the obligation to implement and maintain effective internal control of information and data to support the report compilation process.

TÜV Rheinland implements sustainability information assurance activities under a quality management system that complies with the requirements of the ISO/IEC 17029:2019 Standard and adheres to the TÜV Rheinland Global Code of Ethics and Compliance Program. Our assurance service follows the principles of independence and impartiality and does not participate in the preparation of the Report of Huali Group. The assurance project was implemented by a team with expertise and assurance experience in the corresponding sustainability issues. The role of TÜV Rheinland is to carry out independent assurance work in accordance with the assurance agreement and the agreed scope of assurance work, and to make independent and impartial professional judgments on sustainability reporting.

### Assurance Standard

TÜV Rheinland undertook assurance work for the sustainability information disclosed in the Report of Huali Group in accordance with the AccountAbility AA1000 Assurance Standard v3 (AA1000AS v3), Type 1 and Moderate level.

### Assurance Objectives

The purpose of the assurance was to provide management of Huali Group and stakeholders concerned with the company's sustainability information and performance with an independent view of the assurance, including that we review and assess the content of the report adherence to the AA1000AP (2018) Assurance Principles (including inclusivity, materiality, responsiveness and impact).

### Assurance Criteria

The following assessment criteria (including reporting frameworks or standards) were also used in undertaking the work:

- The Self-Regulatory Guidelines No.17 for Companies Listed on Shenzhen Stock Exchange - Sustainable Development Report (for Trial Implementation)
- Self-Regulatory Guidelines for Listed Companies on the Shenzhen Stock Exchange No. 3 - Preparation of Sustainability Reports (Revised in 2020)
- The Global Reporting Initiative Standards (GRI Standards), the Sustainability Reporting Standards (Version 2021)
- International Sustainability Standards Board (ISSB), IFRS Sustainability Disclosure Standard 1 - General Requirements for Disclosure of Sustainability-related Financial Information
- Adherence to the AA1000AP AccountAbility Principles, i.e., *Inclusivity, Materiality, Responsiveness, and Impact*

### Methodology

Our assurance activities and procedures include:

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- Inquiring management to understand the company's business and reporting processes, including sustainability strategy, philosophy and management.
- Interviewing relevant executive personnel in key functions to understand and assess the processes, systems and controls related to sustainability management, including key management procedures, stakeholder engagement processes, topic materiality assessment processes, impact assessments, etc.
- Assessing available performance information based on sampling principles and document review.
- Collecting and inspecting supporting evidence to assess the extent to which relevant disclosures within the scope of the assurance engagement and sustainability reporting support and adherence to AA1000AP assurance principles.
- Reporting assurance observations or recommendations to give the company's management an opportunity to correct errors before the assurance process is completed.

### Limitations

TÜV Rheinland planned and executed the verification in accordance with the scope of the assurance agreed upon and obtained evidence information and necessary explanations to provide the basis for the conclusion of the assurance in accordance with the moderate level of AA1000AS v3. The nature and extent (scope) of the procedures involved in moderate level assurance engagement are lower than those required to obtain high level assurance.

Forward-looking information relates to events and actions that have not yet occurred and may never occur. Actual results are likely to be different because expected events often do not occur as expected. We did not guarantee the availability of forward-looking information.

The information and performance relating to the assurance is limited to the disclosure of the contents of this Report. Our assurance work did neither cover financial report and its financial data, nor cover other information not related to the subject matters of sustainability and beyond the scope of the assurance.

### Conclusions

Based on the above assurance procedures and methodology performed and the evidence obtained, we conclude that there are no instances or information that would be contrary to the following statements:

- 2025 ESG Report of Huali Group and its contents are in adherence to the AA1000AP AccountAbility Principles.
- Evidence of the use of relevant processes, systems and controls, and available performance information have been reviewed and assessed, and can reflect sustainability practices of the Company.

TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision on Huali Group based on this Assurance Statement.

### Adherence to the AA1000AP AccountAbility Principles

#### Inclusivity

Huali Group has established a multi-level stakeholder communication mechanism covering employees, customers, suppliers, communities, governments/regulators, investors and industry associations/associations. Evidence showed that the Company conducted a double materiality questionnaire in 2025 and analysed the survey results to provide a reference for the adjustment of sustainability strategies.

#### Materiality

Huali Group has adopted a double materiality assessment methodology. Evidence showed that the Company systematically identified 24 issues by analysing the new guidelines of the Shenzhen Stock Exchange, macro policies and industry trends, and quantitatively evaluated them from the two dimensions of impact materiality and financial materiality. The topic matrix clearly presented double material issues (e.g., climate change and carbon emissions, supply chain management, product safety and quality, human resource management, and occupational health and workplace safety) and prioritization of the issues.

#### Responsiveness

The diversified communication channels between Huali Group and its key stakeholder groups usually included employee training, customer meetings, supplier training and verification, climate disclosure and compliance reporting,

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grievances and whistleblowing, etc. Evidence indicated that the Company has management strategies, goals and actions in core areas such as human resource management, climate change and energy and water resource management, occupational health and safety production. This report disclosed the progress of annual targets and quantitative data on key ESG performance indicators (such as greenhouse gas emissions, water resources, pollutant emissions, human resource management, supply chain management, etc.) to respond to stakeholder concerns in a timely manner.

### Impact

Evidence showed that Huali Group paid great attention to operational risks and ESG risks, and linked the assessment of key risk indicators (such as information and data security, labour and HSE, etc.) to daily performance evaluations. This report disclosed an analysis of the impacts, risks and opportunities of each material issue, covering topics such as climate change response and supply chain management. We recommend that Huali Group further deepen the quantitative analysis of the impact at the social and value chain levels in the future.

**Daniel Pan**  
Technical Manager of Corporate Sustainability Services  
TUV Rheinland (Shanghai) Co., Ltd  
Shanghai, China, 31 March 2026



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