



XTEP INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
SEHK stock code: 1368

2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ABOUT THE GROUP

Xtep International Holdings Limited (SEHK stock code: 1368) is a leading multi-brand sportswear company listed on the Main Board of the Hong Kong Stock Exchange in 2008. The Group principally engages in the design, development, manufacturing, sales, marketing and brand management of sports products including footwear, apparel and accessories for adults and children. With its core Xtep brand, as well as Saucony and Merrell under its diversified brand portfolio, the Group strategically targets the mass market and professional sports segments through an extensive distribution network of more than 8,000 stores.

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OUR BRANDS AND DISTRIBUTION NETWORK



Established in 2001, Xtep is a leading professional sportswear brand with an extensive distribution network of over 6,357 Xtep Adult branded stores, mainly operated by authorized distributors in Chinese Mainland and overseas. Xtep's championship running shoes have ushered in a remarkable era of champions in Chinese marathons, empowering athletes to shatter records on their extraordinary journeys. As of 31 December 2025, we have helped 141 athletes claim 620 championships.

Xtep also maintained the leading wear rate among the top 100 male and female runners in China for four and three consecutive years, respectively¹, clearly establishing its identity as a premier running brand for both elite and mass market runners.



Saucony is among the most sought-after running shoe brands in the world, offering professional and high-tech products of excellent quality. Saucony footwear combines award-winning product design with innovative performance-enhancing technology, which is perfect for both elite and casual runners. As a leading running shoe brand in the industry, the brand continues to achieve a technological breakthrough to satisfy runners' needs and provide customers with maximum comfort and protection.

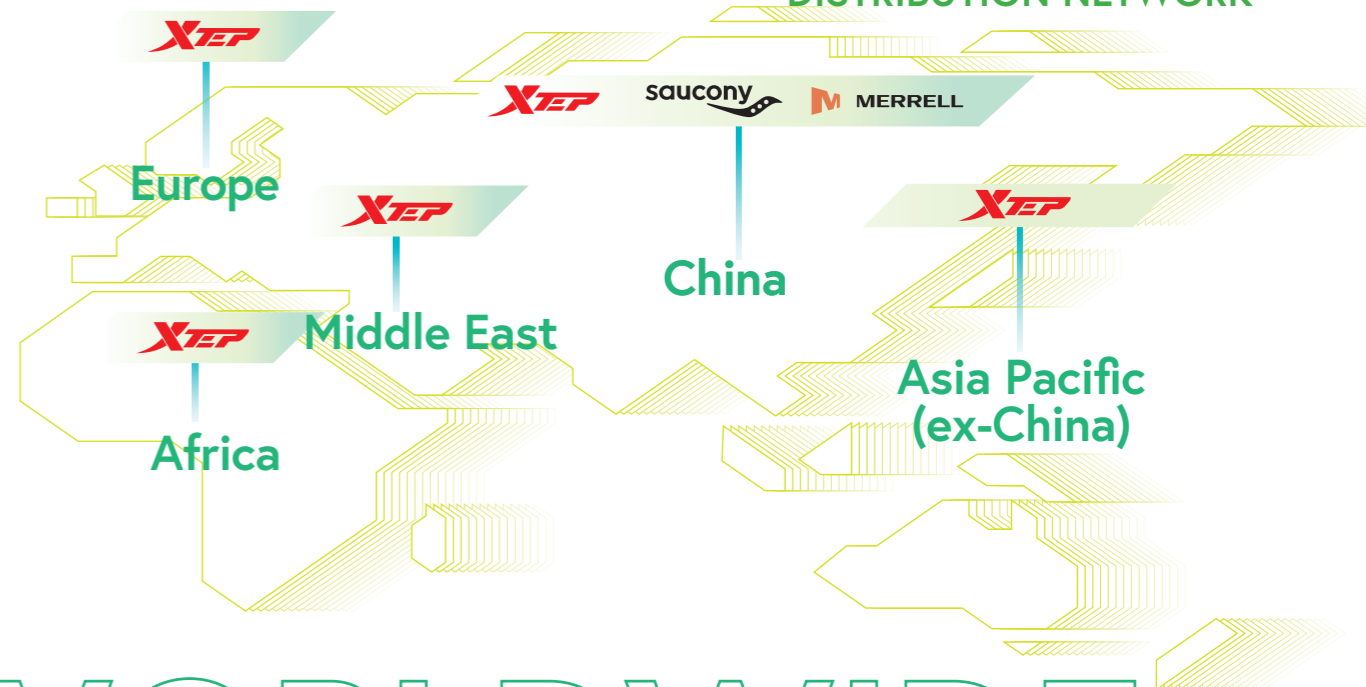


Merrell is one of the most popular global outdoor lifestyle brands, which offers products with high quality and cutting-edge technology. Adhering to the core values of design, durability, versatility and comfort, Merrell prides itself on being a pioneer to create products that make outdoor activities more enjoyable.



¹ Source: 98 Run

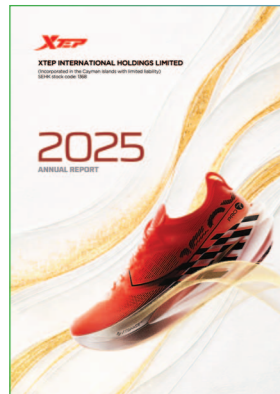
OUR BRANDS AND DISTRIBUTION NETWORK



WORLDWIDE RETAIL AND DISTRIBUTION NETWORK



ABOUT THIS REPORT



Xtep International Holdings Limited (hereinafter "Xtep" or the "Group") acknowledges the influence of its activities on both the environment and society. The Group strives to incorporate effective Environmental, Social, and Governance (ESG) practices into our operations. This ESG Report (the "Report") outlines our progress and achievements in managing the ESG impact of our operations. It is an integral part of our annual reporting and should be read in conjunction with our Annual Report 2025, in particular the Management Discussion and Analysis section and Corporate Governance Report contained therein.

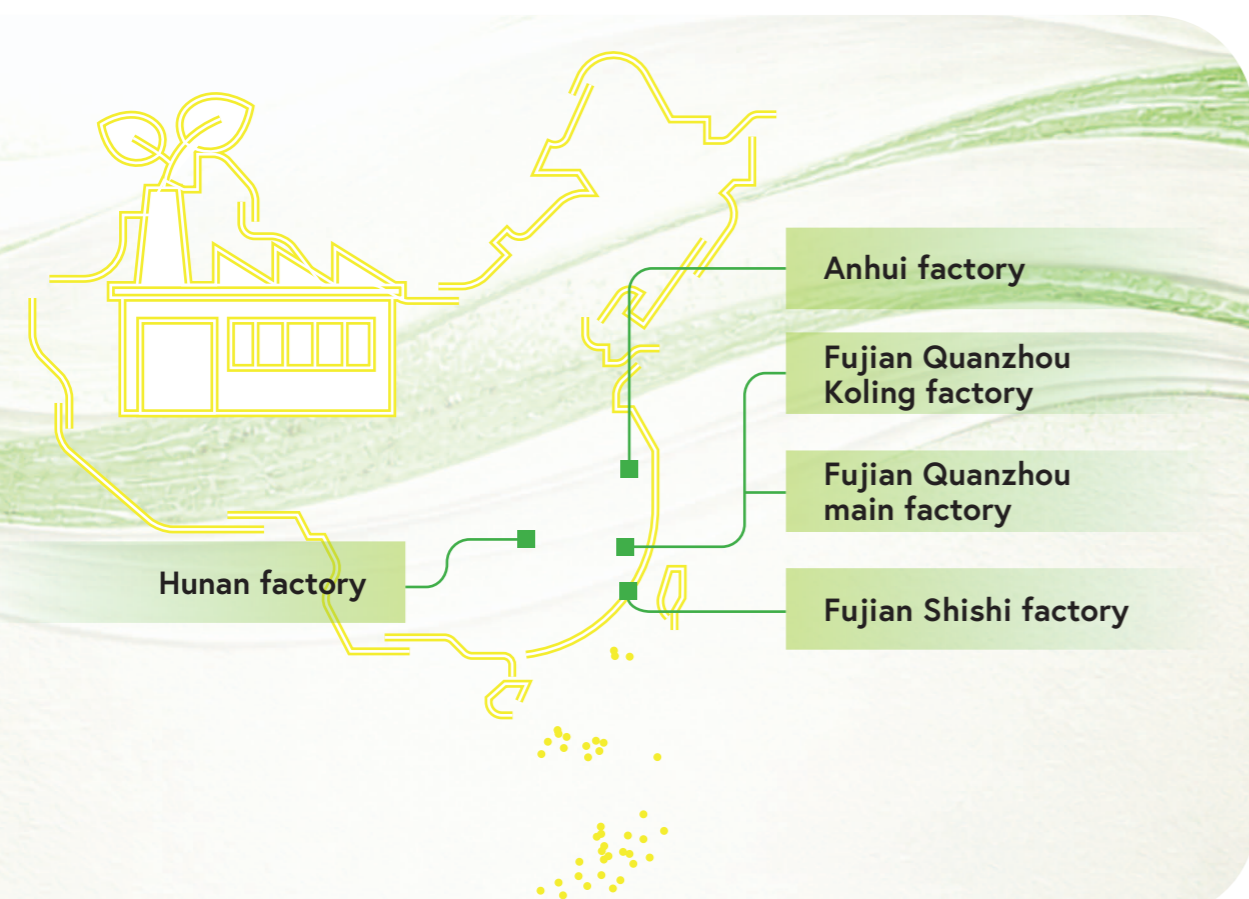
REPORTING FRAMEWORK

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Code (the "ESG Code") contained in Appendix C2 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "SEHK"). It has also been prepared with reference to the Global Reporting Initiative (GRI) Universal Standards and references the United Nations Sustainable Development Goals (SDGs), illustrating how our ESG initiatives align with the 17 SDGs. The Hong Kong Exchanges and Clearing Limited (the "HKEX") ESG Code Content Index and GRI Content Index are provided in the Appendix.

REPORTING BOUNDARY

This Report provides an overview of our sustainability approach and performance for the financial year ended 31 December 2025 (the "reporting period"), unless otherwise specified.

The scope of this Report primarily covers policies and initiatives of the Group's brand portfolio, including Xtep, Saucony, Merrell and our Innovation Center. The reported ESG data cover the five in-house manufacturing facilities of the Group below:



ABOUT THIS REPORT

Unless otherwise specified, the ESG data of Saucony and Merrell are not included since the manufacturing of their products is outsourced. Additionally, we have not included ESG data from our retail stores since most of them are managed by our distributors.

APPLICATION OF REPORTING PRINCIPLES

In the preparation of this Report, we applied the reporting principles of the ESG Code as follows:

Reporting principles	Application in this Report
Materiality	With inputs from our internal and external stakeholders, the Group's material environmental and social issues were identified and prioritized. The materiality assessment process, including stakeholder engagement and the corresponding results, is disclosed in the "Stakeholder engagement and materiality assessment" section.
Quantitative	<p>This Report compiles and discloses quantitative key performance indicators ("KPIs") for evaluating the ESG performance of the Group. Refer to the SEHK ESG Code Content Index in the Appendix for the locations of the KPIs disclosed.</p> <p>Comparative data in 2023 and 2024 are disclosed along with 2025 where practicable to better understand the Group's ESG performance over the years. Information on the standards, methodologies, assumptions and/or calculation tools, and the source of conversion factors used for the KPIs are stated wherever appropriate.</p>
Consistency	Unless otherwise specified, the Group adopts consistent methodologies to gather the ESG data, enabling meaningful comparisons of ESG performance over time. Any changes in the used KPIs or methods are disclosed.
Balance	The Group strives for objective information disclosure to give stakeholders an unbiased picture of our overall ESG performance.

CHAIRMAN'S MESSAGE

Drive green transformation, build a sustainable future.

On behalf of the Board, I am pleased to share the Group's 2025 ESG Report. In a year defined by an evolving macro-environment and shifting global dynamics, our commitment to our core strategy "Focusing on Running" has provided us with a clear sense of purpose. We are not merely navigating change; we strive to transform and enhance our operations to ensure Xtep remains the Frontrunner in Sustainability within the sportswear industry.

A robust ESG framework and a disciplined governance structure is fundamental to our long-term development and value creation. Our Sustainability Committee held two meetings this year to provide the strategic oversight necessary to drive our ESG priorities and monitor progress against the "2030 ESG Strategy Framework". The Framework guides and directs our commitment to protecting the environment, driving sustainable practices across our value chain, and prioritising our people.



CHAIRMAN'S MESSAGE

Our people are the heartbeat of Xtep's progress. Driven by a vision to build a workforce that supports long-term business growth while helping every individual advance in their career, we delivered over 670,000 training hours across the Group this year, focusing on enhancing professional expertise, leadership ability, and cultural alignment. This effort ensures our team is equipped to excel in an evolving marketplace and build a successful career in the workplace. Furthermore, we are dedicated to creating a diverse, fair, and inclusive environment that allows everyone to thrive. This commitment to equity is reflected in our leadership, with our female management ratio reaching 37% this year. To ensure this culture remains vibrant, we launched a range of initiatives, including a Group-wide *Female Employees Protection System* designed to promote equity and safeguard the rights of our female colleagues.

Beyond our internal operations, Xtep remains committed to the communities where we operate. This year, we supported 74 marathons and running events while contributing over RMB64 million in sportswear and financial aid to promote a healthy lifestyle and generate shared value for all.

Sustainability is a systematic endeavor that requires collaborative efforts across the industrial chain. During the reporting year, we fundamentally updated our *Supplier Corporate Social Responsibility Management Manual* to strengthen labor practices across our entire network. Beyond setting standards, we actively engage with our partners to support their growth and improvement. In 2025, we organized ESG training programs for our key suppliers, covering critical environmental and social topics to ensure our value chain is synchronized with our ESG goals. By investing in these partnerships, we are building a more resilient and responsible supply chain that supports our long-term growth.

Our commitment to environmental stewardship is deeply rooted in our proactive efforts to mitigate climate change and reduce our overall carbon footprint. To drive the progress toward our goal of a 42% reduction in absolute greenhouse gas emissions by 2030, Xtep has continued to expand our solar photovoltaic network across our manufacturing sites, generating over 9 million kWh this year to support our transition to a low-carbon energy mix. Furthermore, we have embedded climate accountability into our corporate governance by implementing internal carbon pricing and establishing climate-related remuneration incentive schemes. Beyond carbon reduction, we are dedicated to minimizing our environmental impact across the entire value chain, focusing on biodiversity conservation with preliminary internal assessments and identifications, as well as continuing promoting chemical safety in our value chain. These collective efforts ensure that as Xtep keeps growing, we do so with a lighter environmental footprint, preserving the planet for the next generation.

In conclusion, I would like to extend my sincere gratitude to our stakeholders for their continued trust and partnership to our sustainability journey. As Xtep continues to develop its business, we remain committed to driving high-quality growth through our running products. By deepening our social and environmental impact, we will ensure Xtep creates lasting, symbiotic value for everyone who runs with us.

Mr. Ding Shui Po
Chairman
15 April 2026

2025 AT A GLANCE

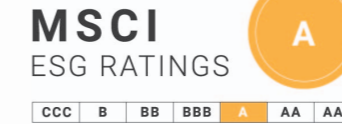
OUR ESG ACHIEVEMENTS IN 2025



2025 AT A GLANCE

"A" MSCI ESG rating

► "A" rating



S&P Global CSA Scores

► Ranked higher than 78% of companies in textiles, apparel and luxury goods in industry



Awards

- 2025 Huxiu Sustainable Brand Model List
- 2025 Value Chain Leadership Award
- 2025 Top 10 Green Development Excellence Cases by the Beijing News Zero Carbon Research Institute
- Environmentally Friendly Pioneer Enterprise of the Year
- 2025 Sustainable Innovation and Development Enterprises
- 2025 Climate Resilience Role Model
- People's Daily Online Best Corporate Responsibility Fulfillment Cases in 2025
- 2025 Public Welfare Enterprise

Issuing Organization

- Huxiu
- Beijing News
- Southern Metropolis Daily
- Forbes China
- Stockstar
- People's Daily Online
- Jiedian Caijing

OUR APPROACH TO SUSTAINABILITY

OUR SUSTAINABILITY GOVERNANCE STRUCTURE

At Xtep, we believe that a robust governance framework is always the cornerstone of sustainable development and value creation. Our sustainability governance structure establishes a solid foundation for integrating sustainability at every level of the Group, advancing our sustainability priorities company-wide.

The Board retains the ultimate responsibility for overseeing sustainability issues, and it is supported by the Sustainability Committee (the "Committee") and the Sustainability Working Group. The Committee is chaired by our non-executive director ("NED") Mr. Tan Wee Seng, and with executive directors Mr. Ding Shui Po and Ms. Ding Mei Qing, as well as independent non-executive director Ms. Chan Yee Wah, as members. The key responsibilities of the Committee include:

- Proposing and recommending to the Board on the Company's sustainability objectives, strategies, priorities, and goals;
- Overseeing, reviewing and evaluating actions taken by the Company in furtherance of the sustainability priorities and goals;
- Reviewing and reporting to the Board on sustainability risks and opportunities;
- Identifying, monitoring and reviewing material sustainability issues that could impact the business operations and performance of the Company;
- Overseeing and reviewing the Company's sustainability policies, practices, frameworks and management approach, and recommending improvements;
- Reviewing and advising the Board on the Company's annual ESG Report and any relevant public disclosures as regards to its sustainability performance;
- Performing such further functions related or incidental to the foregoing which the Committee deems appropriate.

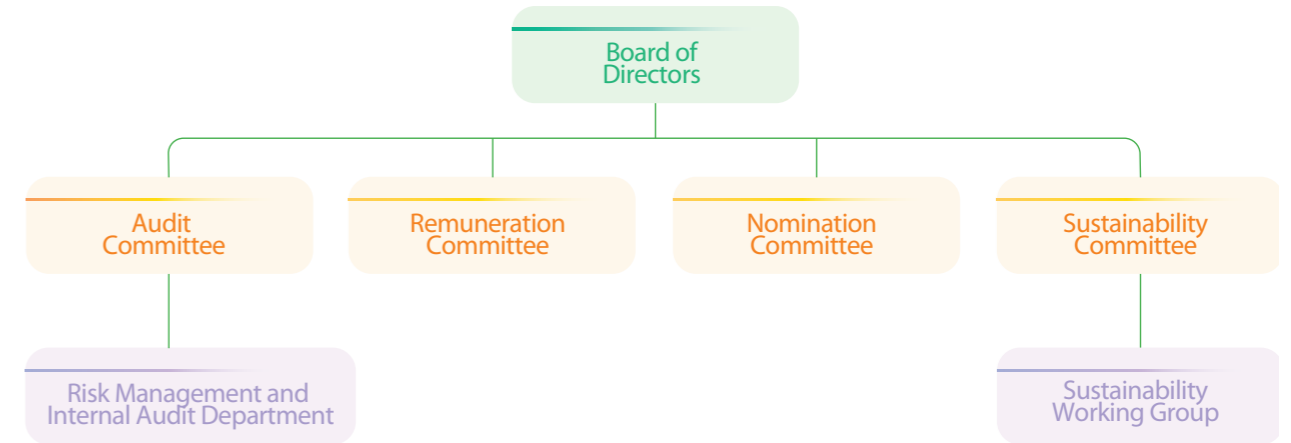
For details, please refer to the Terms of Reference of the Sustainability Committee.

Our Sustainability Working Group is chaired by an Executive Director and comprises senior management from a range of departments and functions. For details on their responsibilities, please refer to the Structure of Xtep's Sustainability Governance.

OUR APPROACH TO SUSTAINABILITY

Xtep's sustainability governance structure

Structure of Xtep's sustainability governance



<p>Board of Directors</p> <p>The Board bears ultimate responsibility for the overall direction of the Group's sustainability, sustainable development vision, strategy, goals, performance and reporting. It is supported by the Sustainability Committee in overseeing sustainability-related matters.</p>	<p>Sustainability Committee</p> <p>The Sustainability Committee is chaired by a NED and its members include two executive directors and one independent non-executive director. The Committee meets at least twice a year and is responsible for advising the Board on the development and implementation of the sustainability objectives, strategies, priorities, and goals.</p>	<p>Sustainability Working Group</p> <p>Chaired by an Executive Director, the Sustainability Working Group consists of senior management from various departments and functions. The Sustainability Working Group is tasked with several key responsibilities. These include developing ESG-related goals, policies and work plans for the Sustainability Committee approval. The Sustainability Working Group meets biannually to review and report the ESG progress and for the preparation of the annual ESG report. Additionally, they oversee the implementation of ESG strategies and policies, managing compliance across various functional departments while collaborating on cross-departmental initiatives. The Sustainability Working Group also identifies potential ESG-related risks and opportunities, and it reports these findings to the Sustainability Committee and formulates management policies and plans to address any identified risks.</p>
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OUR APPROACH TO SUSTAINABILITY

Key ESG governance activities in the year

For the year ended 31 December 2025, the Sustainability Committee convened two meetings to discuss the development and implementation of the Group's sustainability-related matters. Key topics included monitoring progress on our 2030 ESG strategy framework, updating our carbon emission reduction targets, enhancing business resilience to climate-related risks and optimizing the ESG management system within our supply chain.

To strengthen governance and decision-making, the Group's Board members participated in a training session during the year focused on the latest developments in the ESG regulatory landscape. To ensure they remain informed about the evolving regulatory requirements and industry practices, we will continue to explore various training opportunities focused on sustainability and climate-related issues.

OUR SUSTAINABILITY FRAMEWORK AND INITIATIVES

10-Year Sustainability Plan

Xtep has adopted a structured approach to embedding sustainability across our business operations. Based on a solid foundation of our corporate governance, our 2030 ESG Strategy Framework focuses on three main pillars and eight key goals, aiming to demonstrate our commitment to integrating environmental protection and social responsibility into the core of our business development and corporate responsibility. We are also considering including ESG-related strategic objectives in the performance assessment of our management to enhance accountability and to further drive sustainable practices within our business operations.



OUR APPROACH TO SUSTAINABILITY

In alignment with China's national climate goals of reaching peak carbon emissions by 2030 and achieving carbon neutrality by 2060, we have integrated specific targets for carbon neutrality as part of our climate action within the framework. Furthermore, we have standardized our chemical management, promoting waste recycling and reusing initiatives, and actively addressing climate change by implementing energy-saving and emission-reduction strategies.

To foster a sustainable value chain, our Group is committed to utilizing sustainable materials, minimizing resource consumption and waste, and ensuring our suppliers adhere to the requirements outlined in our *Supplier Corporate Social Responsibility Management Manual*. Through these initiatives, we strive to cultivate long-term partnerships that support environmental stewardship and promote social responsibility.





The Group is dedicated to a people-centered philosophy, prioritizing the creation of a healthy, safe, and diverse working environment. We also actively promote fitness activities to foster a high-quality development of sports in China. By nurturing a workplace culture that emphasizes well-being and inclusivity, we aim to foster a supportive atmosphere that encourages personal growth and enhances community engagement.

For details on the targets, please refer to section — "Focus areas and progress of sustainability targets".

OUR APPROACH TO SUSTAINABILITY








OUR APPROACH TO SUSTAINABILITY

Focus areas and progress of sustainability targets

Sustainability Theme	Relevant Material Topics	Key Areas	2030 Targets	Key Metrics	Progress in 2025		
					Getting Started	Work in Progress	Achieved
 Protect Environment	Air and Wastewater Emission Climate Change Use of Energy	 Climate Action	<ul style="list-style-type: none"> By using 2020 as a baseline, reduce absolute greenhouse gas emissions from self-operated areas by 42% by 2030, and achieve carbon neutrality no later than 2050 	<ul style="list-style-type: none"> Carbon intensity of energy use Scope 1, 2 and 3 carbon emissions 		●	
	Waste Management	 Circular Economy	<ul style="list-style-type: none"> Promote waste sorting and recycling to eliminate 100% of waste sent to landfills Encourage the use of recycled or regenerated materials, biodegradable or recyclable plastic packaging, and packaging made from recycled or regenerated materials that are recyclable or certified by the Forest Stewardship Council (FSC), aiming for 50% of products using sustainable packaging 	<ul style="list-style-type: none"> Waste sorting and recycling rate Recyclable packaging rate 		●	●
	Chemical Management	 Chemical Safety	<ul style="list-style-type: none"> Ensure that 80% of Tier 1 and 2 suppliers comply with the Zero Discharge of Hazardous Chemicals (ZDHC) Alliance Manufacturing Restricted Substances List (MRSL) 	<ul style="list-style-type: none"> Restricted chemical use 		●	
	Circular Design and Production Product Green Innovation Product Safety and Quality		<ul style="list-style-type: none"> Utilize safer materials to replace 10 restricted chemicals 			●	

OUR APPROACH TO SUSTAINABILITY

OUR APPROACH TO SUSTAINABILITY














Sustainability Theme	Relevant Material Topics	Key Areas	2030 Targets	Key Metrics	Progress in 2025		
					Getting Started	Work in Progress	Achieved
 <p>Creating a Sustainable Value Chain</p>	Raw Material Traceability	 <p>Sustainable Product Design and Innovation</p>	▶ 50% of products use at least one sustainable material	▶ Proportion of usage of sustainable material			
	Supply Chain Management		 <p>Value Chain Management</p>				
		▶ 100% of Tier 1 and 2 suppliers complete their traceability and publicly disclose the results					
 <p>Put People First</p>	Employment and Welfare	 <p>Empower Employees</p>	▶ Occupational Health and Safety: Zero fatalities	▶ Lost workday rate (LWR) ▶ Serious safety events ▶ Employee engagement ▶ Performance reviews			
	Employee Engagement and Development		▶ Fair Remuneration and Benefits: Provide all employees with competitive and fair remuneration and benefits while maintaining a turnover rate (excluding piece-rate factory employees) of less than 30%				
	Health and Safety		▶ Training and Development: Increase the proportion of key position successors to over 80%				
	Labor Rights						
Diversity and Inclusion	 <p>Diversity, Equality and Inclusion</p>	▶ The proportion of women in the management reaches 40%	▶ Senior management gender diversity				
Advocating Sports Development	 <p>Promote Sports for All</p>	▶ Dedicate 1% of annual net income to support sports development in China	▶ Events and athletes' sponsorship				
Social Contribution and Charity		▶ Sponsor at least 20 road running events each year to support runners in China					

OUR APPROACH TO SUSTAINABILITY

Supporting the SDGs of the United Nations

The Group is committed to conducting our business in a socially and environmentally responsible way. We acknowledge that aligning with the United Nations SDGs can deliver not only to the global economy but also to businesses.

We have adopted the SDGs as a reference for our sustainability practices and identified eight SDGs that are closely related to our "2030 ESG Strategy Framework". These SDGs are illustrated below, highlighting our actions with sustainable development objectives.

Xtep's Sustainability Theme	Relevant SDGs ²	Our Actions
 <p>Protect the Environment</p>	    	<p>We have implemented various environmental protection measures in areas such as sustainable product innovation, chemical usage, energy conservation and air emission reduction to improve resource efficiency across the entire value chain.</p>
 <p>Creating a Sustainable Value Chain</p>	 	<p>The Group's <i>Supplier Corporate Social Responsibility Management Manual</i> outlines our criteria for supplier screening and monitoring to ensure our suppliers operate in accordance with sustainable practices.</p>
 <p>Put People First</p>	  	<p>Our <i>Staff Handbook</i> demonstrates our commitment to fostering an inclusive culture through policies addressing equal opportunity, diversity, employee benefits and welfare. The Group also implemented a welfare system that is regularly reviewed to ensure competitive compensation and protect employee well-being. Beyond our workforce, we actively invest in surrounding communities through regular volunteering activities and donations.</p>

To reinforce our commitment to corporate sustainability, we became a participant member of the United Nations Global Compact (UNGC) in 2024, actively dedicating ourselves to uphold its ten principles on human rights, labor, environment, and anti-corruption.

² The Sustainable Development goals are 17 interconnected goals set up by the United Nations in 2015. Serving as the blueprint to achieve a better and more sustainable future for all, the 17 goals cover economic, socio-political, and environmental targets to be achieved by 2030.

OUR APPROACH TO SUSTAINABILITY

Fostering the industry's sustainable development

As a leader in the sportswear industry, we recognize the importance of continuous improvement in responding to the dynamic market demands and trends. Motivated by the establishment of industry standards and advancements in technology, we are dedicated to collaborating with our industry peers to enhance and promote sustainability throughout the value chain.

Being a member of the China National Textile and Apparel Council, we have actively participated in the "30 · 60 China Fashion Brand Climate Innovation Carbon Neutrality Acceleration Plan", aimed at advancing the industry's journey toward carbon neutrality.

During the year, Annie Ding, the Group's Environmental Ambassador, was honored to be named one of the first "Green Life Partners" at the 2025 Sustainable Global Leaders Conference held in Shanghai. With the theme "Joining Hands to Address Challenges: Global Action, Innovation, and Sustainable Growth," the conference convened global experts to explore new pathways for sustainable development and contribute Chinese momentum to global sustainable governance. This collaboration underscores our commitment to fostering sustainable practices and ensuring that we collectively drive meaningful change for a better future.



OUR APPROACH TO SUSTAINABILITY

This year, UNGC officially released the Chinese version of the "Circular Economy Strategic Guide — A Step-by-Step Guide for Impact-Driven Enterprises in the Circular Economy." Among its contents, the Group's two practical cases — Innovative Exploration of Low-Carbon Running Shoes that Cater to Consumer Needs, and Developing a Circular Economy Strategy with SMART Goals — have been featured, demonstrating our commitment to sustainability and innovation within the industry by showcasing how practical applications can effectively address both consumer demands and environmental challenges. Our sustainability team also played a vital role in reviewing the guide's content, aiming to infuse "Chinese wisdom" into the global circular economy narrative, drawing from the practical experiences of Chinese sports brands.

The Group also participated in the first ESG International Expo held in Beijing this October. At the exhibition, we showcased our eco-friendly shoes made from coffee grounds, highlighting our dual commitment to both "international initiatives and local practices." This effort exemplifies the Group's exploration of new pathways to sustainable development, as we seek innovative solutions that not only minimize our environmental impact but also inspire other brands and communities to adopt sustainable practices and contribute to a more sustainable future.



STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group places significant importance on identifying and managing our material topics, which are essential for guiding our ESG management and strategies. To ensure we address various issues effectively, we actively engage with our key stakeholders to understand their perspectives and respond to their feedback and expectations.

Throughout the year, we conducted a comprehensive review based on the findings from our last year's double materiality assessment. This process included internal management discussions and external stakeholder interviews, drawing insights from suppliers, customers, community representatives, and environmental organizations. The evaluation results have been presented to the Sustainability Committee for their review and approval. The material issues identified last year are still considered applicable to the Group's operations.

Stakeholder engagement

Understanding the views and interests of our internal and external stakeholders is fundamental to developing the Group's sustainability strategies. Xtep places a high priority on our stakeholders, actively seeking to understand and listen to their expectations regarding our ESG management strategies and practices. Based on our unique business activities and operations, as well as insights from global industry peers, we have identified eight major stakeholders and established communication methods tailored to address the concerns of each stakeholder group. The following table provides a summary of the key stakeholder groups that we have identified and the communication channels we employ to engage with them:

Stakeholders	Focus Areas	Key Engagement Channels and Mechanisms
Employees	<ul style="list-style-type: none"> • Employment and Welfare • Employee Engagement and Development • Health and Safety • Labor Rights • Diversity and Inclusion 	<ul style="list-style-type: none"> • Employee Health Examinations • Employee Activities • Employee Congresses • Labor Union Activities • Internal Communication Tools • Employee Training • Employee Feedback System • Employee Satisfaction Surveys
Government and Regulators	<ul style="list-style-type: none"> • Business Ethics • Data Protection and Privacy • Operational compliance 	<ul style="list-style-type: none"> • Organization Inspections • Policy Implementation • Information Disclosure • Action to address climate change • Irregular Environmental Monitoring

OUR APPROACH TO SUSTAINABILITY

Stakeholders	Focus Areas	Key Engagement Channels and Mechanisms
Investors and Shareholders	<ul style="list-style-type: none"> • Climate Change • Energy Management • Supply Chain Management • Business Ethics 	<ul style="list-style-type: none"> • General Meeting • Financial Report • ESG Report • Performance Report • Roadshows • Research • Online Conferences
Customers and Consumers	<ul style="list-style-type: none"> • Product Quality and Safety • Product Green Innovation • Advocating Sports Development • Data Protection and Privacy 	<ul style="list-style-type: none"> • Product Exhibition • Reciprocal visits • New Product Launch Conferences • Customer Research • Technical Workshops • Customer Service Hotline
Suppliers and Business Partners	<ul style="list-style-type: none"> • Supply Chain Management • Raw Material Traceability 	<ul style="list-style-type: none"> • Supplier Management Platform • Supplier Training • Supplier Audits • Online Communication • Irregular Visits • Academic Seminars • Industry Exhibitions and Training
Media	<ul style="list-style-type: none"> • Climate Change 	<ul style="list-style-type: none"> • Official Website • Press Release • Social Media Engagement • Industry Exhibitions • Industry Seminars
Professional Athletes	<ul style="list-style-type: none"> • Product Quality and Safety • Product Green Innovation • Advocating Sports Development 	<ul style="list-style-type: none"> • Equipment Sponsorship • Reciprocal Visits • New Product Launch Conferences • Technical Workshops
Community and the Public	<ul style="list-style-type: none"> • Social Contribution and Charity 	<ul style="list-style-type: none"> • Community Events • Interviews • Community Volunteer Service Activities • Public Welfare Projects

Double materiality assessment

The most recent double materiality assessment, completed in 2024, highlighted the key issues raised by stakeholders. Details of this process can be found in the "Double materiality assessment" section of our 2024 ESG Report.

OUR APPROACH TO SUSTAINABILITY

Materiality topics

Through extensive engagement with our internal and external stakeholders, supported by research and expert interviews, we have identified 23 material issues relevant to Xtep's business and sustainable development. The results revealed that social-related issues were considered more material than environmental, and the top three highest-ranking issues are product quality and safety, employment and welfare and health and safety.

While environmental issues were ranked lower in the assessment, we recognize that environmental issues represent an emerging area of focus for the sportswear industry. As consumer and societal expectations evolve, we acknowledge that maintaining a healthy environment is integral to long-term business success and serving community needs. We will continue progressing in our approach and enhancing transparency in this area.

The double materiality matrix below summarizes the relative importance of the 23 material issues by their financial materiality (Y-axis) and impact materiality (X-axis).

XTEP DOUBLE MATERIALITY MATRIX

FINANCIAL MATERIALITY	HIGH PRIORITY	<ul style="list-style-type: none"> 1 Use of energy 18 Employee engagement and development 23 Diversity and inclusion 	<ul style="list-style-type: none"> 9 Product safety and quality 17 Employment and welfare 19 Health and safety 	
	MEDIUM	<ul style="list-style-type: none"> 2 Use of water 8 Chemical management 16 Raw material traceability 	<ul style="list-style-type: none"> 20 Labor rights 10 Circular design and production 14 Product green innovation 5 Waste management 4 Air and wastewater emission 15 Supply chain management 22 Advocating sports development 6 Climate change 	
	LOW	<ul style="list-style-type: none"> 7 Biodiversity and land use 12 Data protection and privacy 13 Responsible marketing 	<ul style="list-style-type: none"> 3 Use of packaging material 21 Social contribution and charity 11 Business ethics 	
		LOW	MEDIUM	HIGH PRIORITY
		IMPACT MATERIALITY		

OUR APPROACH TO SUSTAINABILITY

List for materiality issues for Xtep in FY2025

Environment	<ul style="list-style-type: none"> 1. Use of energy 2. Use of water 3. Use of packaging material 4. Air and wastewater emission 5. Waste management 6. Climate change 7. Biodiversity and land use 8. Chemical management
Governance	<ul style="list-style-type: none"> 9. Product safety and quality 10. Circular design and production 11. Business ethics 12. Data protection and privacy 13. Responsible marketing 14. Product green innovation 15. Supply chain management
Social	<ul style="list-style-type: none"> 16. Raw material traceability 17. Employment and welfare 18. Employee engagement and development 19. Health and safety 20. Labor rights 21. Social contribution and charity 22. Advocating sports development 23. Diversity and inclusion

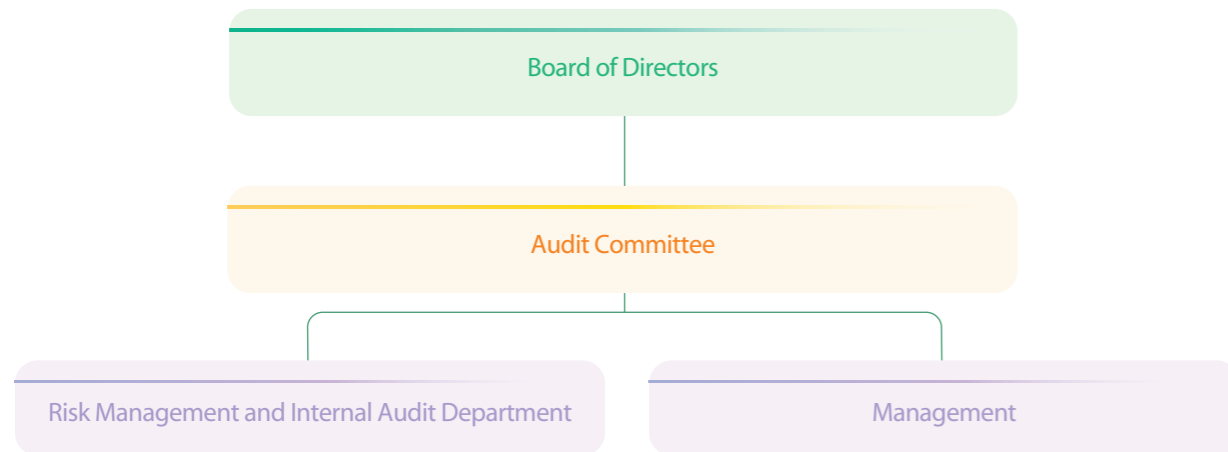
ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

RISK MANAGEMENT AND INTERNAL CONTROL

Xtep places great importance on the effective operation of our risk management and internal control system. The Group regularly evaluates the effectiveness of its risk management approach, with the Board bearing ultimate responsibility for overseeing its performance. We have established a comprehensive risk management framework that clearly defines the roles and responsibilities of key parties.

Our risk governance framework is designed to adapt to a dynamic business environment, ensuring operational effectiveness, compliance with legal and regulatory standards, and the safeguarding of the Group's assets. In addition, the Group regularly reviews its risk management system to ensure it remains capable of addressing the rapidly changing business environment.

Xtep's risk governance structure



ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

The primary responsibilities of each party in the Group's risk governance structure are as follows:



Board of Directors

The Board determines the business strategic objectives of the Group and evaluates the nature and extent of the risks that the Group is willing to take to achieve the strategic objectives of the Group. It also ensures that the Group appropriately and effectively establishes and maintains a risk management system and oversees the overall design, implementation and supervision of the risk management system and internal control system.



Audit Committee

The Audit Committee is responsible for supervising and guiding the Risk Management and Internal Audit Department and the management to establish and operate the internal control systems, regularly supervising the Group's risk management and internal control systems and making recommendations to the Board. The risk management and internal control systems are reviewed at least annually for their effectiveness, and the review process includes all significant aspects of control, including financial, operational, and compliance controls.



Risk Management and Internal Audit Department

The Risk Management and Internal Audit Department assesses the effectiveness and adequacy of the Group's risk management and internal control systems and reports the findings to the Audit Committee for improvement of the identified control weaknesses or material system deficiencies.



Management

The Management is delegated and authorized to:

- (i) design, implement and maintain risk management and internal control systems appropriately and effectively;
- (ii) identify, evaluate, manage and control the risks that may have potential and material impacts on the processes of the operations;
- (iii) monitor risks and take appropriate methods to mitigate risks;
- (iv) respond promptly to and follow up on the findings of the risk management and internal control issues raised by the risk management and internal audit department; and
- (v) provide confirmation to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems.

ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

Risk identification and management

The Group has implemented a risk governance organization structure with defined roles and responsibilities to address and manage risks effectively. The procedures adopted by the Group for identifying, assessing and managing material risks are summarized as follows:



BUSINESS ETHICS

At Xtep, we prioritize business ethics as a cornerstone of our governance framework, fostering stakeholder trust and safeguarding the Group's reputation. To ensure robust accountability, we have implemented a *Management Compliance Investigation and Accountability System*. This system standardizes our approach to handling significant compliance issues and misconduct across management and operations, ensuring they are addressed appropriately and effectively.

In addition to our governance measures, we have conducted comprehensive business ethics training for our sales personnel, contractors, suppliers, and all employees during the year. As part of this initiative, we require our team members to sign the *Employee Integrity Pledge*, which reinforces their commitment to anti-corruption measures and cultivates a culture of integrity throughout the organization.

ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

Furthermore, in recent years, the Group has actively shared real internal case studies that highlight potential ethical dilemmas and their appropriate resolutions. This practical approach not only helps employees understand how such situations can arise in their daily work but also prepares them to address these challenges effectively.

Internal audit

The Group's Internal Audit Department is tasked with conducting annual audits, which include assessing the effectiveness of the Group's risk management and internal control systems. This department regularly reports its findings to the Audit Committee. To ensure the department's effectiveness, the Board and Audit Committee oversee resource allocation, ensuring that the Risk Management and Internal Audit Department receives adequate budget and staffing to fulfill its responsibilities.

Additionally, training programs are available for qualified employees with expertise in maintaining high internal audit quality. These programs equip them with the skills and capabilities necessary to uphold the highest standards of internal audit performance.

Compliance management

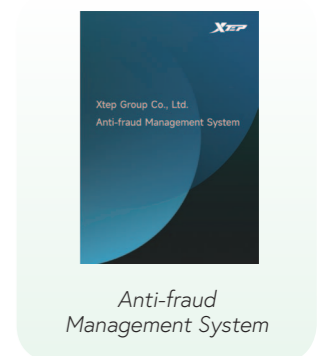
The Group has established preventive, monitoring and control measures to ensure adherence to applicable business operation laws and regulations. During the reporting period, the Group complied with all code provisions and, where appropriate, embraced the best practices recommended in the Corporate Governance Code, with the exception of code provision C.2.1, which pertains to the roles of the chairman and chief executive officer.

Under code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not separate the roles of the chairman and the chief executive officer at present. Mr. Ding Shui Po is the chairman and chief executive officer of the Group. He has extensive experience in the sportswear industry and is responsible for the Group's overall corporate strategies, planning and business management. The Board believes that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the Board and senior management, which is comprised of experienced and high-caliber individuals. The Board currently consists of four executive directors, one non-executive director and three independent non-executive directors and has a vital independence element in its composition.

Anti-corruption

The Group maintains a strict zero-tolerance policy toward corruption, bribery, extortion, fraud, and money laundering. To effectively manage these risks, we have established an *Anti-fraud Management System* designed to identify, report, and address any instances of fraud within our operations. Guided by national standards, such as the *Basic Norms for Internal Control and the Guidelines for the Application of Enterprise Internal Controls*, we have developed our *Anti-corruption Policy*, *Anti-fraud Management System*, and *Code of Integrity*, which clearly define the expectations for all employees. Risk assessments are conducted regularly to identify vulnerabilities within key business operations.

Anti-corruption training is provided to our employees to ensure they thoroughly understand the principles and expectations outlined in our policies. This training is offered regularly and made available online for easy access. For more information, please refer to the *Anti-fraud Management System* available on the Group's official website. In 2025, 2 non-compliance cases were identified, investigated, and verified internally, and the staff members involved were referred to the authorities for further action.



ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

We understand the importance of promoting anti-corruption throughout our supply chain. All suppliers must sign the *Incorruptible Cooperation Agreement*, committing to our standards on issues such as bribery and fraud. For further details, please refer to the "Supplier assessment and management" section, which outlines our approach to supply chain management.



Provided over
150 hours
of anti-corruption trainings

Conflict of interest

Transparent communication of expectations and robust policies is essential for preventing, identifying, and managing any perceived or actual conflicts of interest in our operations and throughout the value chain. The Group's *Employee Conflict of Interest Declaration Management System* mandates our employees to submit regular declarations. This enables the Group to implement improvements based on the insights gained from these submissions.

Our Anti-corruption Policy clearly defines the professional and ethical standards that employees must follow in all business transactions. All employees are required to regularly report any potential conflicts of interest. Furthermore, our *Supplier Code of Conduct* outlines our expectations and requirements for all suppliers, ensuring that their operations align with our ethical standards.

Whistleblowing policy

To prevent potential misconduct within the Group and its supply chain, and to uphold the highest ethical standards in our operations, we have implemented a whistleblowing system. This system enables employees, suppliers (including their employees), and other relevant external stakeholders to anonymously report any actual or suspected misconduct, fraudulent activities, or breaches of policy through confidential channels, such as a dedicated email address, WeChat account, and the monitoring department, for investigation.

The Risk Management and Internal Audit Department, along with the Audit Committee, ensures strict confidentiality regarding the identities of whistleblowers and related records. Whistleblowers are protected from any form of retaliation, including unjust dismissal or unwarranted disciplinary action, as outlined in our *Anti-fraud Management System*. All reports are subject to thorough and careful review and investigation.

ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

Additionally, the Group's grievance procedure for human rights-related whistleblower reports involves collaborating with relevant departments to develop timely action plans, handling each case based on its nature and severity, and implementing necessary corrective, mitigation, and remediation measures. Employees and stakeholders may raise concerns on issues such as human rights protection, discrimination or harassment, working conditions, compensation and benefits, occupational safety, or personal development through appropriate communication or reporting channels. We review the facts of each incident, formulate targeted response plans, and carry out improvement, corrective, or disciplinary actions to safeguard the legitimate rights and interests of employees and other affected parties while promoting a fair, respectful, and harmonious workplace.

In 2025, no whistleblowing report was received from the whistleblowing channels.

Information security

As a company entrusted with a substantial amount of information, we acknowledge our duty to protect the personal information of our customers and employees. In compliance with relevant laws and regulations, including the *Cyber Security Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, and the *Personal Data (Privacy) Ordinance of Hong Kong*, the Group continues to enhance our information management security system. We have formulated various policies, which include the *Information Security Confidentiality System*, *Information Security Training Management Standard*, *Group Information Security Management Policy*, and *Anti-Virus Management Standard*. Together, these policies ensure that customer data is collected, stored, utilized, and protected in a responsible and ethical manner.

To ensure the effectiveness of our information security management, we have a top-down governance structure with the Board of Directors holding ultimate oversight responsibility for the Group's information security and the management team oversees the establishment, implementation, and maintenance of the Group's information security management systems. The primary responsibilities of each party in the Group's information security management structure are as follows:

Board of Directors	The Board of Directors holds ultimate oversight responsibility for information security. It is tasked with approving the Group's information security strategy, reviewing major information security-related policies, budgets, and projects, and regularly receiving reports from management on information security matters to ensure that information security risks are properly managed and consistent with the Group's overall risk appetite.
Executive	<p>At the executive level, the Assistant Vice President of Information and Digital Systems oversees the Group's information security initiatives, including leading the establishment, implementation, and maintenance of the Group's information security management systems. Core responsibilities include, but are not limited to:</p> <ul style="list-style-type: none"> • Developing and enhancing the Group's information security management systems and processes; • Organizing and executing daily information security management tasks, including risk assessments, security audits, and incident responses; • Reporting to the Board of Directors on the status of the Group's information security and any significant risks. <p>Additionally, we have designated senior management personnel as the primary accountable parties for information security management within our operational framework. This provides essential support for establishing, implementing, monitoring, and improving the information security management system, as well as assuming full responsibility for its effectiveness.</p>

ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

The aforementioned governance mechanisms and division of responsibilities have been clearly defined in our internal management system, ensuring the standardization and traceability of work. We are committed to continuously optimizing our information security management system through regular internal audits and management reviews.

In alignment with national standards such as the *Guideline for the Information and Communication Technology Supply Chain Risk Management* (GB/T 36637), we integrate third-party information security management into our existing risk management system and have established a comprehensive "Third-Party Information Security Management Specification" that incorporates the Group's information security requirements throughout the entire lifecycle of collaborations with third parties. This specification operates under the principle of "outsourcing services, not responsibilities," reaffirming our ultimate accountability for information security management.

Before entering into collaboration, we conduct a thorough admission assessment process that evaluates multiple security qualifications, including foundational credentials, data security capabilities, system and technical support security, business continuity, and financial health. During the partnership, we maintain continuous monitoring through security protocols, regular audits, and risk assessments. Additionally, we create a vendor security performance scorecard and integrate third parties into our emergency response system to ensure timely reporting and collaborative incident management. Upon conclusion of collaborations, we require third parties to securely return or destroy all relevant data and assets, immediately terminate access permissions, and facilitate knowledge transfer to ensure a smooth transition.

To ensure continuous, safe, and reliable operations, we have established and maintain a comprehensive information security management program. This program is deeply integrated into our corporate governance and daily operations, aiming to systematically identify, assess, and manage information security related-risks. Key initiatives of the program include:

- A business continuity plan that identifies critical functions and assets through regular impact analyses, setting clear recovery time and point objectives;
- Disaster recovery procedures and testing;
- A vulnerability analysis and risk assessment mechanism that covers asset identification, threat recognition, and vulnerability evaluation.

Annual independent internal audits of the Group's IT infrastructure and security management system are conducted to assess compliance with established security policies, evaluate the effectiveness of control measures, and review management processes. The results of these audits are documented and presented to management to facilitate continuous improvement. External audits are also performed, and a formal reporting process has been established for security incidents, vulnerabilities, and suspicious activities, ensuring all employees understand their reporting responsibilities. Additionally, regular mandatory information security awareness training is provided to all employees to enhance their information security awareness and capabilities.

In 2025, the Group identified zero data breaches, information security vulnerabilities or other network security incidents.

ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

Responsible marketing

We are committed to nurturing meaningful relationships with our customers through transparency and ethical practices. Guided by our policy on ethical marketing, advertising, and sales practices, we strive to provide accurate and balanced information regarding our products and services. Whether in our product advertising or community initiatives, we strive to accurately represent our offerings, prioritize sustainability, and build trust with all stakeholders.

Our strict adherence to relevant laws and regulations — including the *Advertising Law*, the *Advertising Law of the People's Republic of China*, the *Anti-unfair Competition Law of the People's Republic of China* and the *E-commerce Law of the People's Republic of China* — reflects our dedication to protecting consumer rights and fostering the healthy advancement of the advertising industry. We ensure that all promotional activities and statements across various channels are precise, refraining from any exaggeration regarding the functions or ESG attributes of our products. Furthermore, the Group has taken vulnerable market groups into consideration, such as children, and we strictly avoid making false or misleading claims regarding our competitors' products.

In 2025, no violations related to advertising or labeling of the products and services we provided were identified.

Intellectual property protection

We are committed to upholding intellectual property rights and strictly adhere to the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China. To protect our valuable intellectual property, the Group has established a comprehensive framework, including the *Regulations on Intellectual Property Management*, *Methods for Patent Applications and Maintenance*, and *Measures for Rights Protection and Counterfeit Crackdown*. To further enhance employees' understanding of this critical area, we organized four relevant training sessions in 2025, targeting key departments including product development and research and development ("R&D"). As of 31 December 2025, the Group has been granted 2,513 patents.

A dedicated team actively monitors potential infringements and enforces preventive measures. In 2025, we have conducted 2,500 patent-related cases of risk reviewing. The Group has implemented a multi-faceted approach to combat intellectual property infringement, leveraging both online and offline strategies, with total involved amounts exceeding RMB36 million. Additionally, we hold our suppliers to high standards by including confidentiality provisions and other requirements in supplier agreements to safeguard the Group's intellectual property and patents.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

At Xtep, we recognize our employees as the cornerstone of our ongoing innovation and success. We believe that supporting employee well-being and offering opportunities for professional advancement are vital to sustainable business development. To facilitate transparent communication and active engagement in our daily operations, we are committed to nurturing a diverse and inclusive culture that creates a respectful and fair workplace where everyone can thrive. We also instill in our employees the values of candor, courtesy, respect for humanity, and privacy. As an engaged and responsible corporate citizen, we strive to create positive impacts in local communities. We support charitable programs through product donations, financial contributions, and by encouraging our employees to participate in volunteer activities. These efforts reflect our commitment to giving back and ensuring a lasting, meaningful impact on the communities we serve.

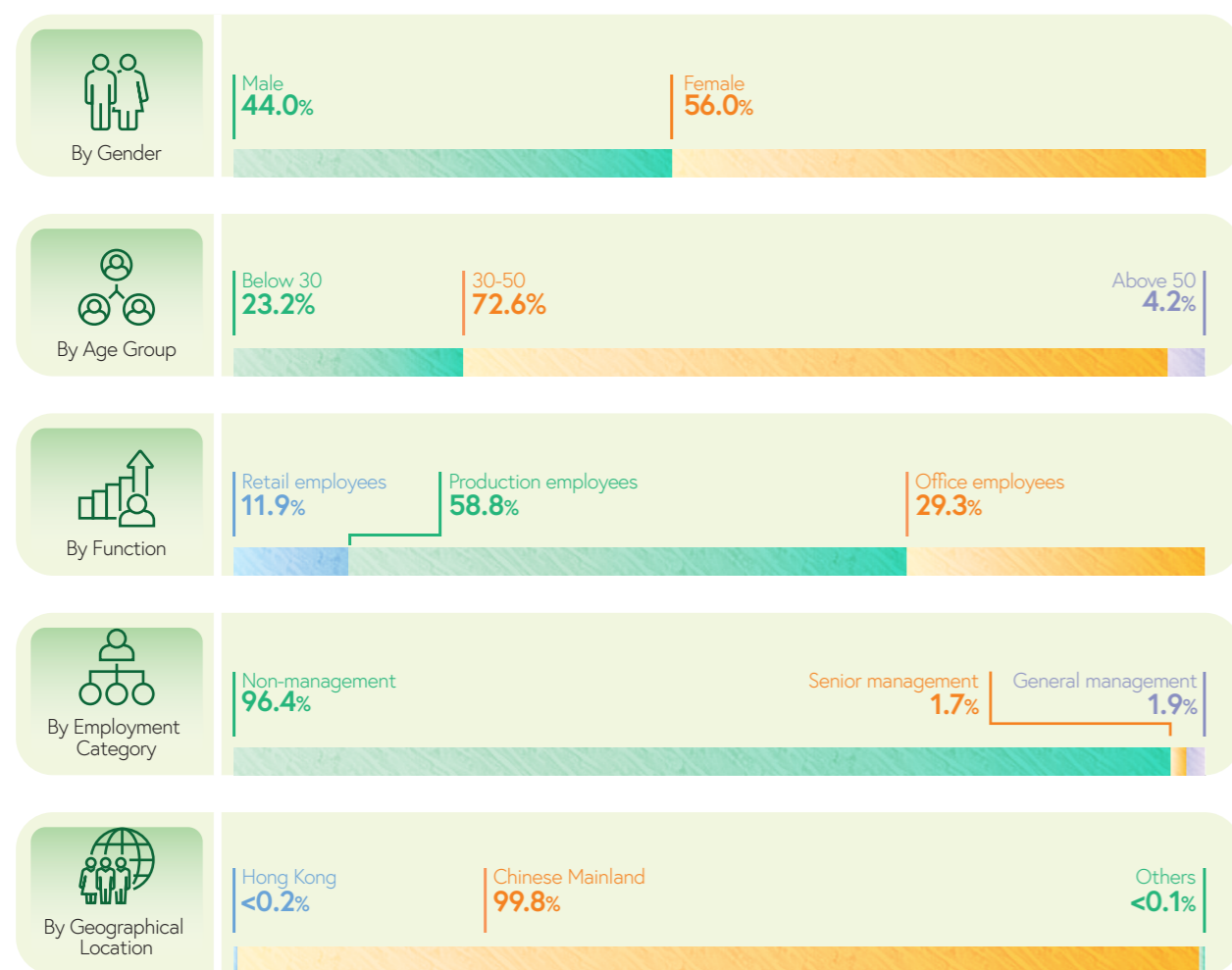
SUPPORTING THE GROWTH AND WELL-BEING OF OUR PEOPLE

Our skilled and motivated workforce is key to our success, driving innovation, growth, and adaptability in the ever-changing market. The Group's employee management is centered on talent attraction and retention through offering competitive compensation, a variety of training opportunities, and cultivating a caring and supportive corporate culture. These initiatives aim to create a safe, positive, and growth-oriented work environment for all employees.

Staff portfolio

A highly skilled and collaborative workforce is fundamental to the Group's development and succession. As of 2025, we had approximately 8,829 employees, covering 28 ethnic minorities in China, with the workforce breakdown detailed as follows.

2025 Staff Breakdown



FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

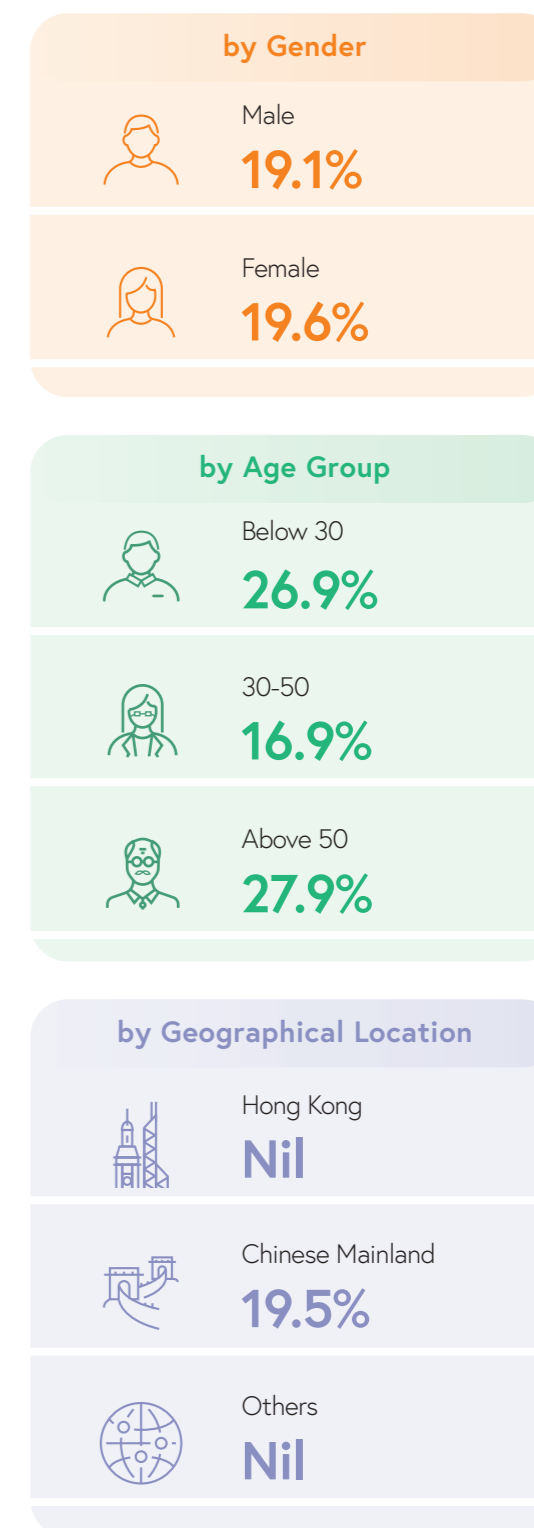
Talent retention

The Group strictly abides by the *Labor Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China* to ensure our recruitment and employment practices are impartial and consistent. Our *Staff Handbook* covers key issues such as remuneration and termination, recruitment and promotion, working hours, and leave, to promote equal opportunities within the workplace. This year, our employee turnover rate was 19.4%, below our 30% target, reflecting our dedication to talent retention.

For compensation and benefits, we employed equitable and competitive systems to ensure that our salary levels stay above local minimum wage requirements. We are committed to compensating all employees fairly based on factors such as tenure, experience, job responsibilities, performance, and market conditions. We regularly evaluate market compensation data and adjust compensation annually to ensure our compensation packages remain reasonable and competitive. Furthermore, we offer equity incentive plans for all general employees to encourage and reward career advancement, alongside salary adjustments to recognize high-performing individuals.

The Group is committed to upholding fair and responsible labor practices by closely monitoring working hours, including overtime, to ensure employees are properly compensated. We actively engage with workers' representatives to maintain open dialogue on working conditions and work to expand social protection for employees beyond public programs. In addition, we encourage the full use of paid annual leave to support employee well-being.

Employee voluntary turnover in 2025³



³ The reported turnover rates exclude the factory piecework employees.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

We have utilized a structured performance management system to conduct fair and comprehensive assessments on employee performance, providing a solid basis for promotions and compensation adjustments. This system incorporates multidimensional evaluations, team-based performance appraisals, and agile performance conversations, enabling a more holistic understanding of individual contributions. Regular dialogues between employees and their supervisors further support continuous improvement and alignment of individual goals with the Group's vision. Our performance-linked remuneration structure ensures that high-performing employees who exceed expectations are recognized and rewarded fairly for their achievements.

During the reporting year, we facilitated 87 sharing sessions, including 67 thematic and 20 regular sharing sessions, to encourage internal communication and collaboration. Furthermore, our online platform "X-TALK" serves as a dynamic channel for our frontline employees to voice their perspectives, enabling us to gain invaluable insights that drive our continuous improvement and strategic decision-making. These programs also covered our part time and contractual employees.

Organized regular meeting sessions between management and trainees



Talent requires nurturing and guidance to evolve into the cornerstone of the Group's long-term success. With this vision, Xtep has organized meeting sessions that connect our trainees with management-level employees. During these collaborative sessions, experienced professionals share their insights and experiences with ambitious young talent, addressing their questions and concerns. This invaluable interaction not only empowers the trainees but also fosters their growth into a skilled and capable workforce, ready to meet the challenges of the future.

Cultivated connections in mentorship



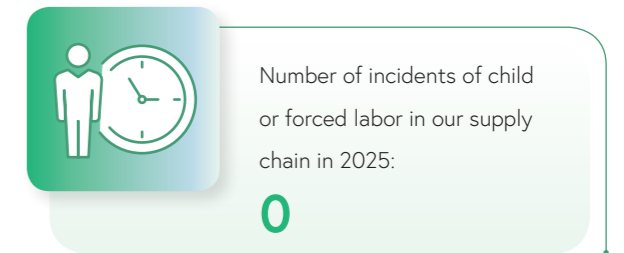
To enhance collaboration among our internal mentors, Xtep hosted a communication session for our mentor colleagues, who are experienced professionals from diverse functional areas. During this collaborative exchange, participants shared personal insights and reflections on the mentorship process, discussing their unique approaches to transferring expertise to the wider team. This session not only bridged connections among different instructors but also inspired our mentors to continue their valuable efforts in sharing knowledge and experience.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Anti-child, forced labor and human rights

The Group strictly prohibit child labor and forced labor in any of our operations. To ensure this commitment, we comply with international standards on labor and with specific provisions outlined in our *Staff Handbook*. During the recruitment and onboarding processes, we prevent the employment of minors by applying stringent verification and control procedures. We also regularly evaluate our employment practices to ensure fairness and legality. During the reporting period, no material violations of labor standards or related laws and regulations were identified or recorded.

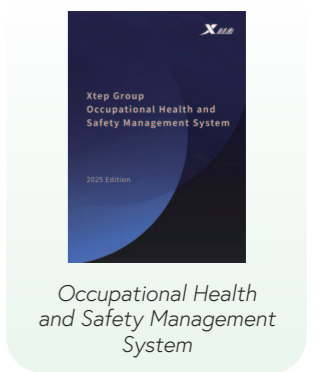
Additionally, we are committed to promoting ethical labor practices across our supply chain management. Our *Supplier Corporate Social Responsibility Manual* (the "Manual") emphasizes fundamental labor rights and the standards of accommodation and catering services provided. During the reporting period, we conducted thorough supply chain assessments and found no instances of child or forced labor. For more detailed information, please refer to the "Supplier assessment and management" section of this report.



The Group supports and upholds internationally recognized human rights standards, including the United Nations International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, and the Convention on the Elimination of All Forms of Discrimination against Women. Our *Staff Handbooks*, which apply to all employees, also outline behavioral and ethical guidelines covering key areas such as a zero-tolerance approach to child and forced labor, human trafficking, discrimination, and the protection of freedom of association and the right to collective bargaining.

Labor health and safety

The Group recognizes that maintaining a safe and healthy workplace is not only a legal obligation but also a moral responsibility. We have implemented a comprehensive *Occupational Health and Safety Management System* (the "OHSMS"), which is reviewed and approved by the Board, integrating worker consultation and the participation of employee representatives. With rigorous control measures adopted, we aim to manage occupational health and safety risks effectively, informing the prioritization of workplace safety matters and the development of corresponding action plans. This year, we successfully renewed our ISO 45001:2018 certification for the OHSMS, ensuring full compliance with relevant laws and regulations. We also established standardized operating procedures and work guidelines to provide clear instructions for our workforce. Additionally, our proactive approach to safety is supported by well-defined health and safety performance targets and emergency response protocols which are designed to address potential safety incidents effectively.

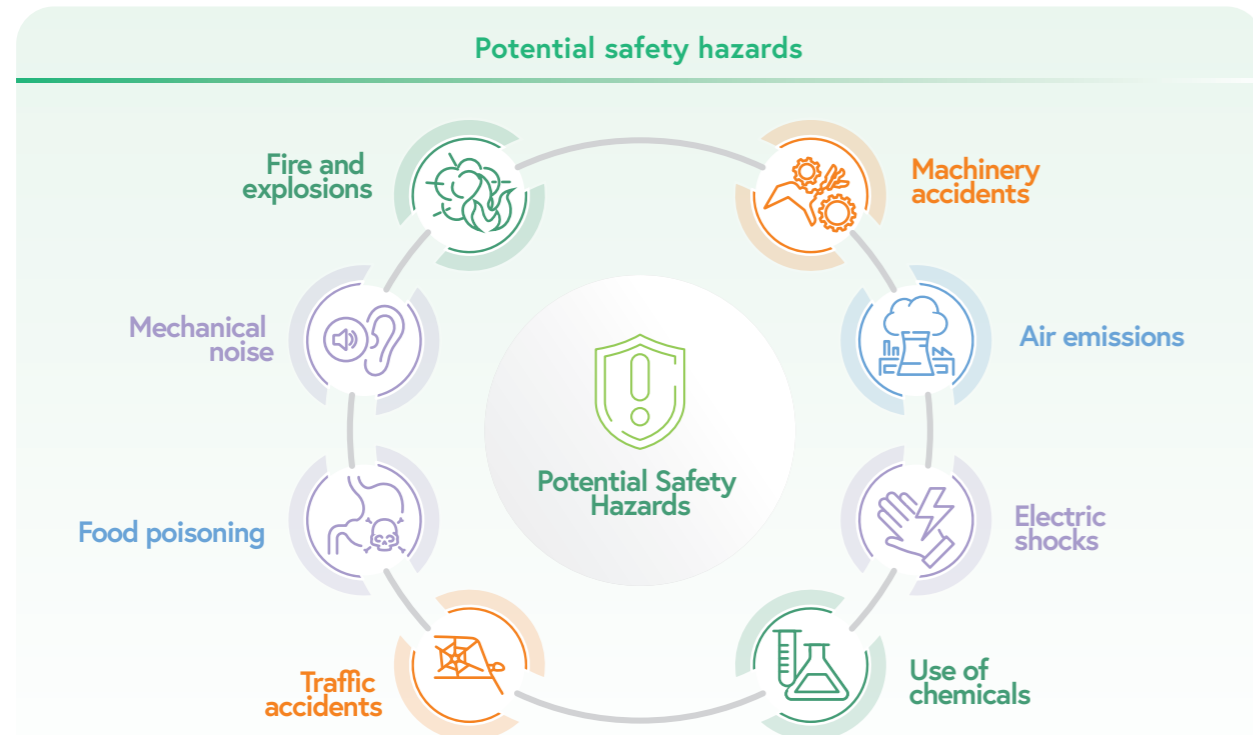


FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

We are committed to fostering a safe workplace that prevents accidents and injuries, ensuring smooth operations and consistent productivity. During the year, we completed our annual assessment of occupational disease status, identifying potential safety risks across various operational environments and equipment, and implementing a dual prevention mechanism to evaluate and manage these hazards effectively. Additionally, our annual monitoring of occupational diseases and safety risks revealed that this year's findings met relevant requirements, with no significant risks detected using the Likelihood Exposure Consequence method. Furthermore, the Company conducts a comprehensive assessment of occupational hazards in its facilities and operations every three years.

To enhance our employees' working environment, we have upgraded to eight new automated laser cutting machines, two freezers, and an air compressor, all aimed at improving operational safety and creating a more comfortable workplace. Our commitment to mitigating operational hazards is demonstrated by a general hazard rectification rate of 99% and a 100% rectification rate for major hazards. We also achieved a 100% rectification rate for "three violations" (violations of command, illegal operations, and labor violations), with fewer than three such incidents reported annually. In key operational roles, we maintained 100% compliance in personal protective equipment usage, timely safety training notifications for relevant employees, and equipment integrity. Regular maintenance and upgrades are performed on special equipment, fire safety systems, surveillance systems, and operational machinery. Our workforce's working and living conditions comply with national industrial hygiene standards, as established by laws and regulations, and we supported this with at least three emergency response drills throughout the reporting period.

During the reporting period, the Company recorded 20 workplace-related accidents, the majority of which were commute-related rather than operational or site-based. Each incident was promptly reported to the relevant authorities to facilitate occupational injury assessments and ensure appropriate follow-up. We have established internal quantitative targets for Occupational Health and Safety (OHS) performance to systematically track progress and drive reductions in work-related injury rates.



FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Occupational health and safety performance in 2025⁴



To maintain a high level of health and safety awareness, the Company regularly conducts emergency drills designed to enhance response times and ensure swift action during incidents. These exercises improve overall readiness and help identify potential areas for improvement within our existing emergency protocols. Additionally, we strive to cultivate a safety culture in the workplace through various training programs that strengthen safety consciousness and promote knowledge across the workforce. This includes safety inductions for new personnel, annual safety reinforcement sessions for all staff, and specialized training for those responsible for managing hazardous substances.

Throughout the year, our Safety Production Committee convened four major safety-themed meetings in 2025 to foster a safer operational environment for our employees. These included quarterly meetings focused on Major Hidden Danger Investigation and Rectification, as well as an annual Safety Production Meeting, with the aim of enhancing safety awareness, addressing potential hazards, and facilitating the implementation of effective safety measures throughout our operations.

During the reporting period, the Company achieved significant results by rigorously implementing our safety management systems. We maintained a 100% completion rate for health examinations for employees in high-exposure roles and conducted safety orientations for all new employees. Moreover, we sustained a 100% compliance rate with certification requirements for special operations workers, ensuring that all special equipment underwent thorough inspections. Additionally, we provide supplementary occupational health assessments for employees working in high-risk positions to monitor their health status.

In June 2025, we conducted our annual health examinations to evaluate and monitor the overall well-being of our employees, facilitating early identification of potential health issues.

⁴ Work-related injuries reported refer to cases reported to the local Human Resources and Social Security Bureau for an occupational injury assessment. The lost day figure reported is the aggregate of the work-related injury leave periods indicated by the assessments.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Employee well-being

Our workforce is the foundation of our company, and we prioritize their well-being by providing comprehensive support. In addition to established welfare programs — such as statutory insurance, paid leave, and regular health screenings — we have expanded our offerings to include medical subsidies tailored to the diverse needs of our employees. Additionally, we have established an Employee Mutual Fund to offer timely financial assistance to those facing unforeseen challenges, enabling them to navigate difficult circumstances more effectively.

To promote both physical and mental wellness in the workplace, we provide dedicated on-site facilities for our employees, including an employee care studio, a fitness center and lactation rooms for new mothers. Understanding the importance of work-life balance, we offer flexible working arrangements to help employees integrate their professional and personal lives. Additionally, we grant family visitation leave for out-of-town employees to ensure they have the time they need to foster personal well-being and family connections.

To enhance employees' daily experience, we offer access to a well-stocked cafeteria featuring nutritious, delicious meals, as well as fully equipped dormitories.

Nurturing early childhood development

At Xtep, we are dedicated to supporting the families of our employees. In addition to supporting children's education, the Xtep Sunshine Children's Home features engaging learning areas, play zones, a piano room, and comfortable relaxation spaces. This facility serves over 100 preschool-aged children of our employees by providing after-school care, academic support, recreational activities, and interest development, all within a nurturing environment designed to foster their growth and well-being.

Empowering employees through health and fitness initiatives

Recognizing the importance of regular exercise in maintaining individual well-being and aligning with our athletic corporate culture, we are committed to promoting an active lifestyle within our workplace. We offer employees complimentary access to the fitness center on workdays. Additionally, the basketball court is available for staff to participate in sports and recreational activities after working hours.

Cultivating a supportive corporate culture

We are dedicated to fostering an inclusive culture where everyone feels a sense of belonging. We also emphasize individual recognition by giving thoughtful gifts to employees. Moreover, we celebrate key dates such as International Women's Day, Mother's Day, and Father's Day with special events, reflecting our values of family, gratitude, and inclusion. Together, these initiatives create a motivating environment where employees feel valued and supported.



Building bonds through sports: Xtep sports day



In October, the Group organized a Sports Day to promote active lifestyles and enhance team engagement within the workplace. This event allowed employees to compete and showcase their talents while building new connections and strengthening existing relationships through friendly competition and a shared passion for sports. These interactions not only created a vibrant atmosphere but also fostered a more supportive and harmonious workplace environment.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY



Celebrating gratitude: Xtep's engagement during thanksgiving

During Thanksgiving 2025, the Group has launched various events under the theme "Every Step is Gratitude". For example, we have invited a selected group of employees to share their cherished stories of growing alongside Xtep over the years. We have also introduced an interactive "Fortune Draw" machine, where participants have the chance to win exciting prizes and engage in fun activities.



Moreover, thirty Xtep families gathered in front of the Xtep Running Club in Xiamen. With the professional support of the Fujian Tongxin Charity Foundation's Earth Beauty project, they came together to hold hands and kick off a beach clean-up initiative, promoting community spirit and environmental awareness.



Empowering women: celebrating International Women's Day



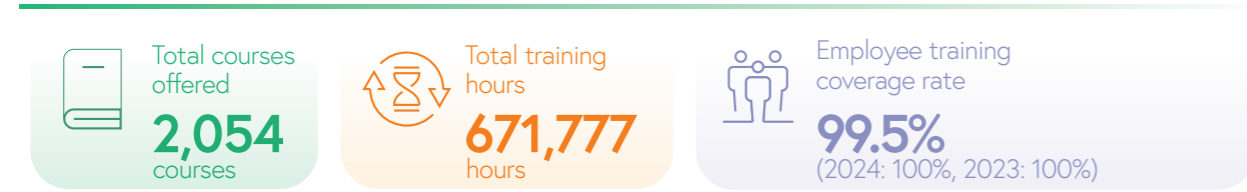
On International Women's Day, the Group celebrates the strength and wisdom of women while consistently focusing on their growth in the workplace. This year, we hosted a special event to explore how women can balance various identities and roles. Additionally, we organized hands-on workshops featuring coffee tasting, workplace image styling, and DIY perfume-making, offering employees a chance to enjoy moments of relaxation outside of work.

Training and development

The Group is dedicated to cultivating a proficient and culturally integrated workforce to support the long-term organizational development through deploying a range of training and upskilling initiatives. Our strategy centers on broadening employees' professional expertise, enhancing leadership capabilities, and fostering cultural alignment, ensuring that the employee development is aligned with the Group strategic objectives. In 2025, the Group continued to focus on talent development and capability enhancement across its entire business ecosystem, providing a systematic training program for formal internal employees and frontline retail partners. During the reporting period, the Group delivered a total of 671,777 training hours across all channels. Of this total, formal employees of the Group received 162,829 training hours, while frontline retail employees (including employees of distributor stores and third-party retail partners, who are not on the Group's official payroll) received 508,948 training hours.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

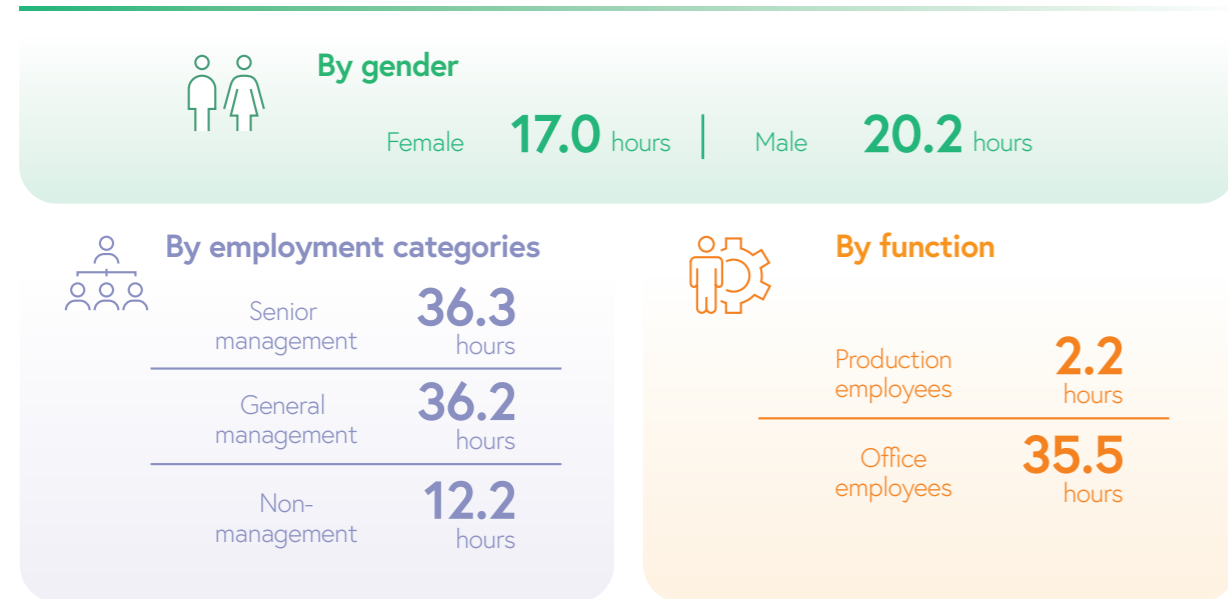
Overall training for the Group in 2025



Employees trained

By gender	2025	2024	2023
Male	48.3%	47.6%	47.9%
Female	51.7%	52.4%	52.1%

Average training hours of our employees in 2025⁵



Average training hours of retail employees in 2025



⁵ The calculation basis of average training hour data of our employees has been updated to enhance the data quality comparing with the prior year.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Xtep's talent development strategy is anchored around three primary pillars: leadership, professional expertise, and cultural alignment. By focusing on these core areas, we provide diverse and customized learning tracks that allow our employees to grow at their own pace and according to their professional needs. In 2025, we achieved a total training duration of 671,777 hours across the Company.

- Professional expertise development: Xtep leverages capability models and tiered design to accurately identify employees' skill enhancement needs. Through innovative training methods such as online learning platforms and "learning by doing" initiatives, such as Artificial Intelligence (AI) design competitions and footwear development contests. These initiatives aim to equip our employees with practical skills that drive business innovation and efficiency.
- Leadership development: For management staff, Xtep utilized Individual Development Plans to create tailored growth strategies. Programs such as "Navigator", "Pacesetter" and "Career Accelerator" are designed to enhance leadership capabilities at different career stages, ensuring managers are equipped to meet evolving challenges.
- Cultural alignment: To strengthen employees' understanding and commitment to Xtep's core values, we implement innovative initiatives and cultural heritage activities. For example, the "Alignment Program for Shared Core Values" was designed to unify employees around shared values and goals.

Training courses offered by the Xtep Talent Center



Partnered with Zhejiang University for the third phase of the Navigator Program



In 2025, Xtep partnered with Zhejiang University for the third phase of the Navigator Program. This phase focuses on a curriculum that integrates AI Technology Understanding with Strategic Execution, designed to enhance the innovation capabilities of our executive team in the digital age. This program connects academic knowledge with real-world cases, fostering deep learning and equipping participants to implement AI-driven solutions in their daily work.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY



2025 Xtep key talent development initiative: Spark program



Empowering our people to lead the future of product innovation, the Spark Program is a key part of our talent development strategy. The program consists of three phases of intensive workshops, intricately designed to establish a core competency framework essential for product professionals: Insight, Planning, and Story. By thoroughly exploring consumer insights, participants effectively identify pain points and needs. The focus then shifts to product planning, translating these insights into actionable and assessable business proposals. Additionally, the program enhances storytelling skills, fostering emotional connections and value recognition that resonate with consumers. Notably, participants have shared their learnings through 22 internal training sessions, reaching over 150 team members beyond the program. This approach ensures that the methodologies learned truly circulate within the organization, allowing the fire of knowledge to continue spreading.

Xtep is dedicated to utilizing its digital learning platform to provide employees with a wide range of educational resources and targeted programs that enhance learning efficiency. In 2025, the platform recorded 3,331 active learners and achieved an impressive average monthly engagement rate of 74.4%. Additionally, the educational resources offered through our digital learning platform have been integrated into various offline training courses, including leadership development courses. This integration allows learners to study at their convenience and review materials as needed, successfully combining the flexibility of online learning with traditional offline formats.



Active learners on the Xtep online training platform in 2025:

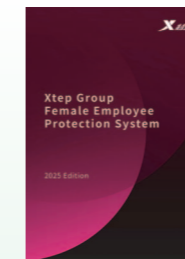
3,331

We are committed to fostering the growth and development of our employees by providing support for degree programs and professional certifications. We have established a dedicated program to offer financial assistance and access to qualified educational platforms for employees pursuing continuous learning.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Diversity, equity and inclusion

The Group is committed to cultivating a diverse, equitable, and inclusive workplace where all employees have the opportunity to thrive. To support this commitment, we have implemented clear policies that prohibit all forms of discrimination, with comprehensive details provided in the *Staff Handbook*. Additionally, we provide regular training for all employees on preventing discrimination and harassment in the workplace to enhance employees' awareness of their rights and responsibilities and to foster a safe, respectful, and inclusive work environment.



Female Employee Protection System

A range of Diversity, Equity, and Inclusion ("DEI") initiatives have been launched to ensure fair employment opportunities for all staff members. One key initiative is the Group-wide *Female Employees Protection System*, which aims to safeguard the rights of female employees and promote gender equality throughout the workforce. This system features a formal complaint process that enables female employees to protect their rights as needed and includes stringent policies prohibiting sexual harassment in the workplace. Furthermore, the Group focused on increasing the representation of women in leadership positions to foster a more balanced and inclusive management structure.



Employees' insights are crucial for enhancing our work environment to foster diversity and inclusion. To gather these insights, we conduct two annual satisfaction surveys, with 91% of employees responding to the survey. One survey focuses on employee satisfaction with HR and administrative departments, while the other is an engagement survey that assesses work satisfaction as well as levels of happiness and stress. In addition to collecting feedback, we honor employees' rights to engage in collective bargaining and exercise freedom of association, allowing them to join a union at their will. Currently, over 4,800 employees in Xiamen and Quanzhou are union members.



Female management ratio:
37%
(including general and senior management)

To promote fairness and transparency, we have set up multi-tiered management teams to improve communication and coordination across various levels of the organization. Additionally, we have created a dedicated review panel made up of HR representatives, complaint supervisors, and members from relevant departments to carry out impartial and thorough assessments of employee grievances. This system is designed to safeguard the rights of all employees and cultivate a fair, inclusive, and respectful work environment.

CONTRIBUTING A POSITIVE IMPACT TO OUR SOCIETY

We strongly believe that social responsibility is a vital part of our journey toward sustainable development. In light of this, the Group is dedicated to creating and implementing programs that not only address societal needs but also make lasting and meaningful contributions to local communities. Furthermore, we intend to leverage our corporate strengths and resources to actively engage in charitable events, reinforcing our commitment to making a positive impact.

Promoting sports and active lifestyles

Xtep is committed to enhancing social well-being and investing in the communities we serve. We energize these communities and promote healthy lifestyles through initiatives such as sponsoring marathons, which inspire residents to adopt an active lifestyle.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Xtep Running Club

The Xtep Running Club acts as a comprehensive resource for runners, combining events, social engagement, equipment, and services in one place. Our mission is to provide personalized and thoughtful support to runners across the nation. As of December 31, 2025, there were 71 Xtep Running Clubs throughout Chinese Mainland, benefiting over 2.5 million members of the Xtep Runners Club. We strive to incorporate running into everyday life by offering expert services that enhance and enrich the running experience.

X Young

As a professional sports apparel brand, we recognize that scientifically designed equipment is essential to youth development, and have collaborated with authoritative organizations to support research and discussion about the health of Chinese youth. We also foster youth's interest in sports by supporting street dance education programs and sponsoring charity events that showcase street dance achievements.



Launching a comprehensive height development program for youth

During the year, X Young has partnered with eight authoritative organizations to release the "Blue Book on Exercise and Height Development for Chinese Youth," which brings together experts in policy interpretation, sports science, pediatric medicine, and nutrition. This groundbreaking publication establishes a collaborative theoretical framework for "Height Enhancement through Exercise." It provides a comprehensive sports program targeting youth aged 7 to 14, who are in a crucial growth period, offering a full-chain solution that encompasses foot assessment, equipment fitting, and exercise guidance. This initiative aims to effectively elevate growth and height development in young individuals.

Additionally, the Group partnered with Stanford Translational Research and Applied Medicine to establish the "X Young International Cooperation Joint Laboratory". This initiative brings together the expertise of researchers from five countries to advance cutting-edge results and ensure that the technology behind X Young's growth shoes is backed by scientific validation.



Empowering China's next generation for the world stage

During the year, X Young sponsored the Juste Debut China qualifiers, which drew over 200 participants. The competition has concluded and seven spots have been secured. Those names now carry a shared mission: to represent China at the final competition in Paris next year. This initiative demonstrates the Group commitment to empowering the next generation and supporting their physical and personal development.



FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Merrell and Saucony

Merrell and Saucony actively host and sponsor a variety of outdoor events to promote sports culture and pursue partnerships that strengthen their brand presence. Merrell demonstrated its commitment to promoting active lifestyles and expanding brand influence in 2025 through a series of targeted social investments in trail running. For example, it hosted the first proprietary trail-running event, "This Wild Place," which attracted more than 500 participants, launched the "Skyward" initiative and its inaugural Skyward Training Camp, where 20 participants completed 15 sessions ranging from daily conditioning to mountain runs. Merrell also sponsored a string of major races — including Shenzhen 100, Moganshan 100, Xiamen Ultra Trail by UTMB, Chongli 168, Northeast 100, and Guangzhou 100 — reinforcing its dedication to healthy lifestyles and competitive engagement.



Sponsoring the Hood to Coast China Relay 2025



Committed to promoting healthy lifestyles and strengthening brand presence, Saucony renewed its sponsorship of the Hood to Coast International Relay Series in China and equipped participants with professional gears. Staged across two stops, the event attracted 1,400 teams and 7,000 runners competing for top honors. Through this high-visibility platform, Saucony not only championed active living but also significantly expanded its brand reach and engagement among core running audiences.

Running event sponsorship

At Xtep, we recognize the profound ability of sport to bring communities together and enhance individual well-being. Supporting large-scale running events such as marathons is central to our mission of fostering healthier lifestyles and building a more vibrant society.

Through these events, we showcase Xtep's commitment to ESG values, including supporting rural revitalization and empowering women through sport. For example, the two women's half-marathons we sponsored in 2025 were designed to promote gender equality and broaden opportunities for female runners. Throughout the year, we also allocated our resources effectively to support 74 marathon and running events nationwide, further reinforcing our dedication to building a vibrant, inclusive, and healthy society.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Donations and charity events

As a responsible corporate citizen, Xtep recognizes that true success goes beyond commercial growth, it also requires giving back to the communities we serve. We are committed to fostering meaningful community engagement, partnering with local charitable organizations, and encouraging employee volunteerism to create lasting and positive impact.



Supporting the "Love Sets Sail — Special Growth Program" through the China Next Generation Education Foundation



受助单位：吉林省松原市第一幼儿园

In 2025, Xtep donated more than RMB20 million worth of footwear and apparel to the "Love Sets Sail — Special Growth Program," a public welfare initiative under the China Next Generation Education Foundation. To date, Xtep Group has contributed over RMB260 million in footwear and apparel to this program, helping to improve sports education resources for youth in remote regions.



中国下一代教育基金会爱启航公益项目捐赠
中国下一代教育基金会
爱启航公益项目捐赠

These sustained charitable efforts now reach more than 4,400 schools across 24 provinces, including Guizhou, Yunnan, and Sichuan, benefiting over 780,000 students. By providing sports shoes and apparel, the program has significantly improved the conditions for physical activity among children and adolescents.



Donated over
RMB64 million
worth of sportswear and cash
donation in 2025

REINFORCING RESPONSIBLE VALUE CHAIN

PROMOTING GREEN PRODUCT INNOVATION

We recognize that our influence extends beyond our direct operations and affects multiple stages of the value chain. To address this, we have implemented comprehensive supply chain management practices aimed at reducing our environmental impact and supporting sustainable development across the value chain. We are also increasing the use of green and sustainable materials in our products and actively working with suppliers who share our commitment to responsible and sustainable practices.

Design with green and sustainable materials

The sustainability of a product is fundamentally rooted in its design, which reflects our commitment to green product innovation across our sportswear products. By integrating environmental considerations into the design process, we ensure that our products not only meet performance standards but also minimize environmental impact. In line with our 2030 goal, we have also set a target for at least 50% of our products to incorporate at least one sustainable material.

During the year, our core brand Development Center adopted a range of ESG-compliant, environmentally friendly practices to help reduce the environmental impact of our products. These efforts included the use of sustainable printing and embroidery techniques, eco-friendly sewing threads, and certified eco-friendly adhesive film materials during the development stage. In total, these measures were applied across 224 styles.

The Group continued to advance the use of green and sustainable materials by developing multifunctional fabrics, synthetic leathers, and trims using a variety of environmentally friendly compositions that align with product planning needs. In collaboration with our suppliers, we also progressed the development of fluorine-free, eco-conscious oil-repellent treatment technologies. In addition, we expanded the use of recycled yarns and recyclable thermoplastic polyurethane films, further strengthening our commitment to circular design principles and reducing environmental impact across our material portfolio.

Circular fashion

The Group is committed to advancing circular fashion by enhancing product functionality and timeless design, reducing reliance on short-lived fast-fashion trends and extending product life cycles. For example, our core running shoe series focuses on professional performance upgrades rather than short-term style changes.

During the year, the Group launched a textile-waste recycling initiative to collect production offcuts and, working in partnership with third-party recyclers, transform them into new yarns. Through collaboration with 14 suppliers, we collectively diverted and recycled 51.3 tons of production waste, reinforcing our commitment to circular fashion practices.



Launching the first "Used Running Shoes Recycling Program"

At this year's Beijing Marathon Expo, the Group launched its first "Used Shoe Recycling Program," further advancing the Group's commitment to circular fashion. Targeted at runners of the 160X and 260X series, the program gives collected shoes a meaningful second life. A selection of the recycled pairs is preserved in the "Xtep Running Shoe Time Gallery" as a symbol of runner achievement and brand heritage, while the remaining shoes are sent to the Xtep Sports Science Laboratory. There, outsole wear patterns and creasing are transformed into precise runner data that directly support product research and innovation. Insights gained from these recycled shoes help inform the development of next-generation running shoes and reduce reliance on continuous new-product turnover.



REINFORCING RESPONSIBLE VALUE CHAIN

Below are some examples of our environmentally friendly products.

Advancing textile-to-textile circularity through waste-fiber recycling

The Group is accelerating its circular-fashion strategy through the adoption of textile-to-textile regeneration technology, transforming production offcuts and unsold product remnants into high-quality eco-friendly yarns. This recycled yarn is then used to produce performance apparel, including the official race shirts for the Xiamen Marathon. Over the past three years, the initiative has supplied more than 100,000 race shirts made from 100% environmentally friendly materials. By replacing raw materials with recycled textile fibers, the program has achieved significant environmental benefits, including an approximately 95% reduction in water usage and an estimated 85% decrease in carbon emissions during production comparing with the products in traditional materials.



Currently, a total of 51.3 tons of production surplus materials have been recycled. These materials have been technologically transformed into raw materials for various environmentally friendly sports equipment, achieving a closed loop of resource recycling, and in 2026, there will also be more products made from recycled yarn.

Sustainable raw materials sourcing

We are committed to continuously strengthening our sustainable supply chain by prioritizing the use of environmentally responsible raw materials, including sustainably sourced and traceable cotton and leather.

We have formulated clear and publicly available policies for the procurement of environmentally sustainable leather and cotton, demonstrating its commitment to green and responsible sourcing. In 2025, we have implemented leather traceability in our supply chain, making sure that all of our leather suppliers operate with Leather Working Group (LWG) certifications in compliance with relevant environmental sustainability standards. For cotton sourcing, our traceability and third-party certification roadmap has set specific, quantifiable targets aligned with recognized independent environmental standards, targeting 50% traceable and certified compliant cotton by 2030. The company requires all suppliers to produce or purchase sustainable leather and conducts regular inspections to ensure compliance. Additionally, we are actively collaborating with major cotton suppliers to establish and implement programs focused on land use management, as well as the reduction of water consumption and pesticide usage.

For Saucony's China footwear line, the OG series incorporates a significant amount of natural leather materials, such as full-grain cowhide, which are biodegradable. Looking ahead, it is committed to further enhancing material sustainability by integrating more recyclable and biodegradable raw materials, beginning at the yarn stage.

Advocating sustainable consumption

Xtep promotes sustainable consumption by increasing the use of environmentally friendly materials across its product portfolio. We also equip consumers with the knowledge and practical tools needed to make more sustainable choices through engaging awareness campaigns, empowering them to make informed decisions that contribute to a healthier planet.

The Group promotes sustainable values and encourages responsible consumption through our official website, social-media channels, and sports events, where we highlight the environmental attributes of our products — such as the biodegradability of polylactic acid materials and the benefits of recycled fibers. At the same time, we provide clear care and maintenance guidance across product labels, user manuals, and online platforms, offering expert advice on proper washing and storage practices to help extend product longevity and support more sustainable use throughout the product life cycle.

REINFORCING RESPONSIBLE VALUE CHAIN

SUPPLIER ASSESSMENT AND MANAGEMENT

The supply chain plays a central role in advancing the Group's sustainability agenda, particularly within the footwear and apparel manufacturing industry. Suppliers are our key business partners, and in addition to monitoring their operational performance, we place strong emphasis on their ESG practices. To support this, we have established supplier admission and audit mechanisms that help oversee their performance and manage potential environmental and social impacts. While safeguarding suppliers' basic rights, we also focus on capacity building and provide appropriate support where needed. Management strategies are tailored to different supplier categories to reflect their specific operational characteristics. Through these efforts, we aim to work collaboratively with our partners to promote sustainable development across the industry.

Our Supplier portfolio

Our production significantly depends on the materials provided by our suppliers, from whom we source most of our product components. During the year, 66% of our footwear and 91% of our apparel manufacturing were outsourced, and we collaborate with 144 suppliers in Chinese Mainland.

The Group has categorized its suppliers into various tiers to improve and optimize the management efficiency of our supply chain operations. The definitions and breakdown of suppliers within each tier are presented in the table below.

Definition:

		Number of suppliers
Tier 1	Suppliers that provide finished products.	63
Tier 2	Suppliers that provide fabrics, auxiliaries, packaging materials and other raw materials for Tier 1 garment suppliers; and suppliers that provide processing procedures such as embroidery and washing for Tier 1 suppliers.	71
Tier 3	Suppliers of raw materials (e.g. yarn, chemical raw materials, chemical agents, etc.).	10

Supplier ESG management

The Group has established a set of policies and management systems to advance responsible value chain practices across all regions in which it operates, aiming to manage or mitigate potential environmental and social risks. Guided by international standards and frameworks includes relevant conventions of the International Labor Organization (ILO), the Ten Principles of the United Nations Global Compact (UNGC), and the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct, Xtep has developed the *Supplier Corporate Social Responsibility Management Manual* (the "Manual"), which outlines expectations and requirements of environmental, social, and ethical practices for all suppliers.



The Manual incorporates the Group's *Supplier Code of Conduct* ("SCC"). The SCC defines requirements related to labor practices, including the prohibition of forced labor and child labor, working conditions, occupational health and safety, non-discrimination and anti-harassment, as well as freedom of association and collective bargaining. Environmental requirements are also embedded in the SCC. Suppliers are required to comply with relevant environmental regulations and are encouraged to reduce pollution, improve resource efficiency, protect biodiversity, explore the use of cleaner energy and technologies, and pursue opportunities in renewable materials and circular economy practices. To further support climate-related actions, the Manual includes an incentive mechanism under which suppliers may receive additional credit during environmental management audits when they undertake initiatives such as setting science-based carbon targets, implementing energy-saving or emission-reduction measures, or developing sustainable materials or products.

REINFORCING RESPONSIBLE VALUE CHAIN

The Group requires that all suppliers should establish policies, codes of conduct, and operational procedures to address prohibited business practices. These frameworks are designed to prevent bribery, corruption, and fraud across the supply chain, with an expectation of consistent implementation. Furthermore, suppliers are required to adopt measures that mitigate the risk of their financial transactions being exploited for money laundering. The Group also strictly prohibits suppliers from engaging in any anti-competitive behaviors, including price-fixing, illegal market allocation, and other related regulatory violations.

The Group periodically updates its policies to reflect evolving stakeholder expectations, international best practices, and emerging sustainability topics. The Manual is reviewed regularly to ensure alignment with the Group's sustainability strategy. During the reporting year, the Manual was updated to strengthen supply chain labor practices. Living wage considerations have been integrated into the supplier audit criteria, requiring suppliers to ensure that the actual minimum wage paid to workers aligns with local living wage benchmarks. This methodology draws on the ILO's definition of a living wage and references the framework developed by IDH to assess wage gaps. In addition to applying the latest version of Xtep's Supplier Corporate Social Responsibility ("CSR") Audit Standards, the Group accepts industry-standard audit reports such as Sedex Members Ethical Trade Audit (SMETA) and amfori Business Social Compliance Initiative (amfori BSCI) from third-party independent audit bodies including Bureau Veritas ("BV"), Intertek ("ITS"), and SGS, to evaluate and analyze suppliers' compliance with living wage payment requirements. To achieve our long-term target of meeting living wage standards across the supply chain by 2030, the Group collaborates with suppliers to advance decent work. We enhance supply chain resilience through optimized order structures, shared procurement cost mechanisms, and workforce productivity improvements, striving for a win-win between commercial success and social responsibility. We have standardized programs to support living wage payments, including targeted capacity-building workshops and technical assistance for suppliers to implement wage adjustments sustainably.

To support compliance, all business partners are required to follow the SCC, and procurement decisions take into account suppliers' audit results besides their operational performance. Suppliers with stronger performance may receive a larger allocation of orders as an incentive for continued adherence to requirements. Our Group has also established grievance channels for individuals and organizations. Those affected by supply chain impacts resulting from violations of our SCC may submit grievances to Xtep's Supplier Management Center (the "SMC"), with detailed contact information published in the SCC. We commit to strict confidentiality for all whistleblowers, and provide an anonymous reporting option alongside clear non-retaliation commitments to protect reporters. These grievance mechanisms are made available to supply chain workers in local languages, with standardized access channels. All Tier 1 and Tier 2 suppliers are required to post grievance contact information in public areas of their facilities and provide training to all employees on the grievance process. Upon receiving a grievance, Xtep conducts on-site investigations, leads consultations with relevant stakeholders to develop targeted solutions, and continuously follows up on improvement outcomes. We also collaborate with affected individuals or organizations to formulate remediation plans. To ensure timely and transparent management of supply chain incidents, suppliers must report major events to Xtep immediately. Specifically, suppliers are required to notify the SMC and the Director of Supply Chain Operations within 24 hours via their primary representative or designated Corporate Social Responsibility & Environmental Officer. In addition, we require suppliers to establish internal grievance mechanisms within their own organizations, ensuring that any individual can file a grievance without facing negative consequences.

The Manual also introduced updated supplier screening processes and the annual supplier audit mechanism. Our SMC and brand-specific teams work closely with suppliers to support ongoing improvements and to conduct supervision in accordance with Group requirements. The Group's Sustainability Committee oversees the implementation of supplier-related ESG initiatives and provides timely updates to the Board on material matters that may influence decision-making.

REINFORCING RESPONSIBLE VALUE CHAIN

New supplier admission process

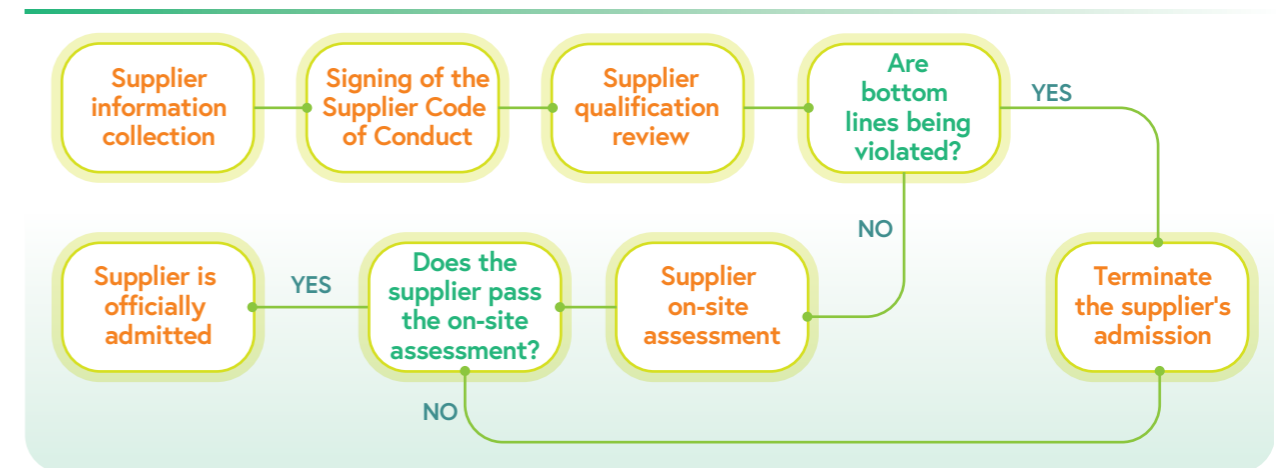
The Group's supplier selection process extends beyond traditional considerations such as product quality, pricing, and delivery capabilities. In recent years, greater emphasis has been placed on sustainability performance, including environmental protection and social responsibility. This approach supports the development of a responsible and resilient supply chain. While maintaining an appropriate balance with business needs, the Group gives preference to suppliers that demonstrate stronger ESG performance based on their assessment results.

All potential suppliers undergo a structured screening process managed by the SMC. The process begins with an initial qualification and compliance review. New suppliers are required to meet the expectations set out in the Group's SCC and comply with applicable national laws and regulations related to labor practices, occupational health and safety, human rights protection, and environmental management. The Group has also established "bottom-line clauses" outlining non-negotiable requirements for supplier admission. Further details on these requirements are provided in the Manual.

Suppliers that pass the preliminary review proceed to on-site audits conducted by qualified internal auditors from the Group's supply chain development, quality control, and operations departments. These audits allow the Group to evaluate whether suppliers meet the standards communicated through the SCC and the Manual. Throughout this process, the Group ensures that expectations concerning product quality, operational practices, and regulatory compliance are clearly communicated to suppliers.

During the reporting year, the Group assessed 12 new suppliers. All suppliers met the established criteria and were accepted into the Group's supply chain.

New supplier admission review process



REINFORCING RESPONSIBLE VALUE CHAIN



Initiation

- Business units initiate the new supplier admission procedure by completing a form with the details of their procurement demands and basic information of the supplier to be introduced.
- The SMC will review the request, and the assessment process will commence once the initial review is passed.



Assessment - Document Review

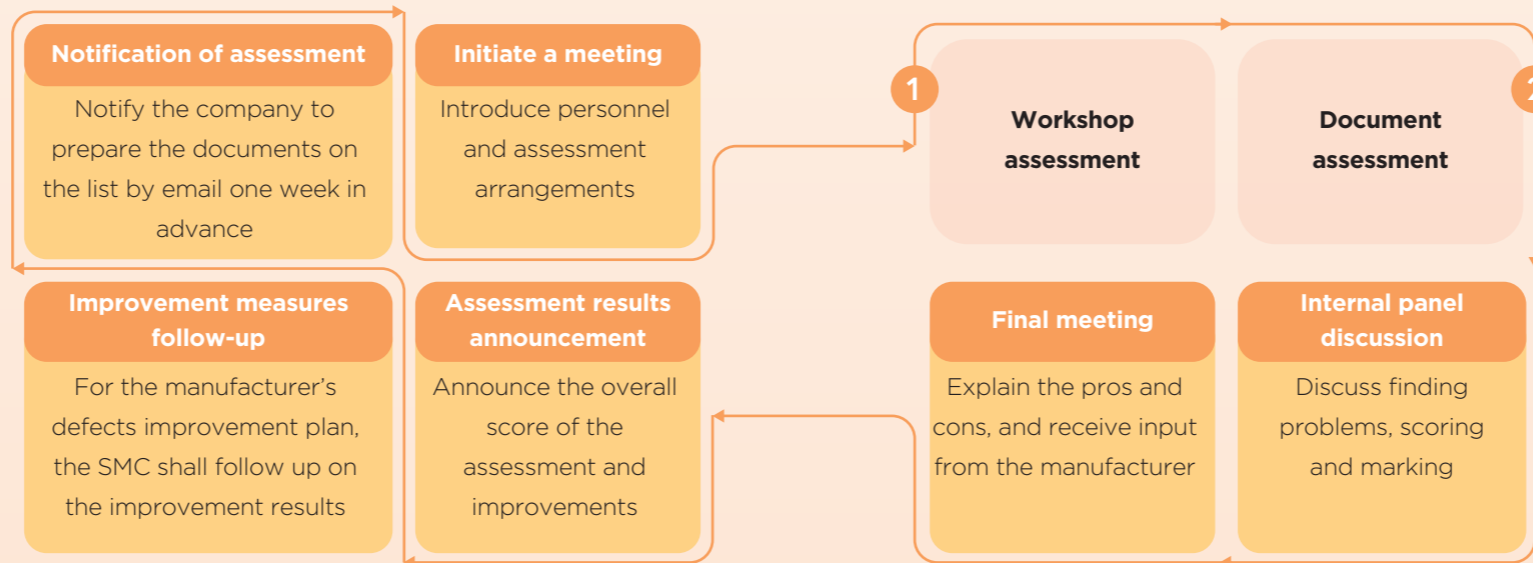
- The SMC collects basic information and relevant certifications from the potential suppliers and provide them with our SCC through the SMC platform.
- Suppliers shall sign the SCC and provide other required information through the SMC platform for the SMC to conduct a qualification assessment based on the information submitted by the supplier. Besides basic business information, third-party qualification assessment-related files and compliance documents are required for review in this phase.



Assessment — On-Site Inspection

- The staff from the SMC will perform site visits to verify and evaluate the social responsibility and environmental management performance of potential suppliers, including review of relevant documentations and the implementation of relevant practices on-site.
- Any bottom-line violations, or causing in our “Zero-tolerance” issues will result in immediate termination of the admission process, which includes:
 - Provision of false documents
 - Commercial bribery
 - Child labor
 - Forced labor
 - Life-threatening working and living conditions

On-site assessment workflow



On-site assessment dimensions

Social responsibility system Assessment dimensions

- 1 Prohibition of child labor and protection of young workers
 - 2 Prohibition of forced labor
 - 3 Equality and non-discrimination
 - 4 Disciplinary measures and anti-harassment
 - 5 Freedom of association
 - 6 Regular employment
 - 7 Wages and benefits
 - 8 Working hours & rest days
 - 9 Health and safety – production & accommodation
 - 10 Social responsibility management system
- Bonus criteria
- The supplier is equipped with an intelligent fire protection central control system.
 - The supplier has obtained internationally recognized certificates for social responsibility audits/certification standards, and these certificates are consistent with its actual performance.

Environmental system assessment dimensions

- 1 Environmental Management System (EMS)
- 2 Energy use
- 3 Water use
- 4 Wastewater discharge
- 5 Air emissions
- 6 Waste management
- 7 Bonus criteria
 - Climate action



Admission

- The on-site inspection findings will be documented with a composite score given to the supplier based on their environmental and social performance, along with other business requirements. Besides passing the composite score threshold, suppliers must also reach a total score of 60 or above in social responsibility and environmental aspects without any bottom-line violations.
- The assessment results of suppliers that fail will be archived so that the Group will be alerted if there are future admission attempts.

REINFORCING RESPONSIBLE VALUE CHAIN

Ongoing supplier evaluation

To ensure that supplier practices remain aligned with the Group's values and standards, the Group conducts regular monitoring and annual assessments to evaluate supplier performance. These activities support transparency and accountability across the supply chain.

For existing key footwear, apparel and material suppliers, the Group evaluates business relevance based on critical factors, including the share of procurement spend, purchase volume, and carries out a comprehensive assessment of their social responsibility practices and environmental compliance systems each year between September and December. The assessment process and requirements follow the same approach as the supplier admission audits, ensuring consistency and alignment with the SCC. This review helps confirm that suppliers continue to meet the Group's expectations and maintain day-to-day compliance, while also supporting ongoing improvements.






Our Group conducts annual reviews covering 100% of our suppliers. All core Tier 1 and Tier 2 suppliers are subject to on-site audits, while other suppliers are required to complete our Group's *Supplier Corporate Social Responsibility Self-Assessment Questionnaire* for performance monitoring. There were no zero-tolerance issues or business-critical violations identified in 2025, while 1% of suppliers were required to make continuous improvements due to general issues, primarily related to health and safety. Minor non-conformities were observed across all supplier audits, and 100% of these issues were corrected within the agreed timeframe. To address supplier misconduct and non-conformance, we have established clear and targeted improvement mechanisms: any zero-tolerance violations will result in immediate termination of cooperation. For general non-conformities, suppliers are required to implement corrective actions within a 1–3 month rectification period, depending on the severity of the issues. The Group will keep monitoring the progress and regularly review their performance, as well as support all of them in corrective action plan implementation with instruction. Following rectification, our auditors conduct on-site follow-up verification to ensure effectiveness. Suppliers that fail to complete required rectification or meet the minimum performance score will face measures from reduced orders to termination of partnership. In 2025, 100% of general non-conformities were successfully rectified, demonstrating our sustained engagement and robust remediation processes. To maintain fairness, objectivity, confidentiality, and professionalism throughout the audit process, all auditors are required to sign the *Xtep Auditor Code of Conduct*.

In addition to internal assessments, the Group also recognizes qualified third-party certifications and audits. For social responsibility, these may include SA8000, Social and Labor Convergence Program (SLCP), Worldwide Responsible Accredited Production (WRAP), amfori BSCI, and SMETA. For environmental management, the Group acknowledges assessments such as amfori Business Environmental Performance Initiative (amfori BEPI) and the Higg Index. Suppliers holding relevant and valid third-party reports may submit them to our SMC for verification.

For the Saucony and Merrell brands, all Tier 1 suppliers underwent third-party audits during the year, with a focus on corporate social responsibility requirements. The Group prepares an annual assessment report for these suppliers, communicates any identified non-compliance, and sets deadlines for corrective actions. Follow-up audits are conducted to verify progress. Suppliers that are unable to meet business requirements or the Group's standards may face termination. In 2025, all Tier 1 suppliers for Saucony and Merrell successfully passed the evaluation.

To support the effective implementation of its supply chain strategies, Xtep conducts targeted internal training for departments engaged in supply chain management, such as the procurement team, in addition to regular capability-building sessions for the suppliers themselves. The criteria used to evaluate supplier social responsibility performance and the application of assessment results are summarized as follows. The Group enforces strict compliance mechanisms, suppliers failing to meet the minimum ESG requirements within a stipulated timeframe are subject to contract termination or exclusion from future procurement processes.

REINFORCING RESPONSIBLE VALUE CHAIN

Ratings	Range	Application
S, Superior 	90 ≥ score	Supplier self-assessment, sampling assessment once every 2 years, eligible to participate in the annual group supplier evaluation, and selected for the strategic core supplier candidate list
A, Excellent 	85 ≤ score < 90	Sampling assessment once every 2 years, eligible to participate in the group supplier evaluation, and selected for the strategic core supplier candidate list
B, Good 	70 ≤ score < 85	Sampling assessment once per year, regular follow-up on non-compliant issues for improvement, conduct semi-annual reviews, and eligible to participate in supplier evaluations
C, Pass 	60 ≤ score < 70	Sampling assessment once per year, regular follow-up on non-compliant issues for improvement, conduct semi-annual reviews, and not eligible to participate in any supplier evaluations
D, Fail 	Score < 60 coupled with zero tolerance issues	Suppliers are required to make immediate improvements; and if a review is failed within one quarter, they are classified as high-risk suppliers, and reductions in the volume of cooperation orders are considered until suspension/withdrawal of cooperation

REINFORCING RESPONSIBLE VALUE CHAIN

Enhancing our suppliers' ESG capability

The Group actively engages with suppliers to support improvements in their sustainability performance. Through ongoing communication, dialogue, and collaborative initiatives, the Group works with suppliers to exchange best practices and identify opportunities to strengthen ESG performance. These interactions help suppliers better understand emerging ESG expectations and contribute to fostering a responsible culture across the supply chain.



Supplier training on social responsibility and environmental standards



During the year, the Group organized ESG training programs covering key Tier 1, Tier 2, and Tier 3 suppliers. The training addressed topics including labor standards, occupational health and safety, environmental protection, chemical management, supply chain decarbonization, circular economy, and business ethics. To strengthen supplier awareness of labor rights within the supply chain, labor-related modules were added to the training curriculum this year. All participating core Tier 1 and Tier 2 suppliers completed the training and met the assessment requirements.

Chemical safety management was also a key focus area. The training enhanced suppliers' understanding of chemical classification and proper use, supporting efforts to promote responsible chemical handling and to reduce potential environmental and human-health impacts. These training initiatives form part of the Group's ongoing efforts to improve ESG practices and build supplier capacity across the value chain.

REINFORCING RESPONSIBLE VALUE CHAIN

STRENGTHENING PRODUCT QUALITY AND SAFETY

Xtep is dedicated to ensuring high quality, safety and sustainability in every aspect of our product development. We implement a rigorous approach to guarantee product safety and quality, which includes ongoing quality monitoring and safety measures to ensure that our customers receive products that meet the highest standards.

Product quality control process and procedures

Throughout the reporting year, the Group continued to strengthen product quality control, supplier capability building, and quality enhancement in accordance with its established quality management system and internal requirements. The Group's approach centers on the development of quality standards, process monitoring, and supplier training to support quality risk prevention and the standardization of product management. The Group maintains an ISO 9001-certified quality management system, which provides structured procedures for the value chain of the Xtep core brand. During the research and development stage, all materials and products undergo thorough evaluation, verification, and testing by the Group's standards team. No major product quality incidents or product recalls occurred during the year.

During the year, the Group further refined and optimized its foundational quality management framework. A total of 20 quality management documents were updated or revised, helping enhance internal procedures and mechanisms. The Group also completed the development or revision of 92 quality standards, which were consolidated and released through the Group's quality information platform to ensure consistent management of documentation and implementation requirements across the Group and its suppliers.

The Group continued to strengthen quality management throughout the supply chain. This included enhancements to quality team capacity, ISO system development, laboratory certification, and the implementation of standardized processes across key Tier 2 and Tier 3 suppliers. During the year, five Tier 1 suppliers upgraded their quality system certifications, and 49 factory laboratories from Tier 1 and Tier 2 suppliers completed their annual certification reviews. The Group also implemented ongoing on-site monitoring, conducting monthly inspections of production processes and product quality for Tier 1, Tier 2, and core Tier 3 suppliers, followed by regular tracking to ensure issues were addressed. In addition, the Group held regular product return analysis meetings and conducted root-cause reviews based on market feedback, leading to improvements in standards and manufacturing processes. Through initiatives such as Quality Control Circles and dedicated quality-improvement projects, the Group achieved notable improvements in key quality indicators, including a 20% reduction in the return rate related to footwear cleanliness and a 13% reduction in size-related return rates.

Supplier training and capacity building

To enhance quality management capabilities across the supply chain, the Group organized training sessions during the year covering topics such as quality management, audit methodologies, product inspection, and data analysis. A total of four quality management training sessions were held, with 352 participants. The Group also advanced certification programs for audit engineers and quality personnel, covering supply chain quality audit engineers, quality control personnel, and data analysis engineers, with coverage rates of 50%, 100%, and 50% respectively. Based on supplier needs, 11 focused support courses were delivered, and five standardized training modules were published on the Group's knowledge platform. During the year, eight apparel suppliers completed the certification training for quality audit engineers, involving 16 participants.

REINFORCING RESPONSIBLE VALUE CHAIN

Participation in industry standardization and external collaboration

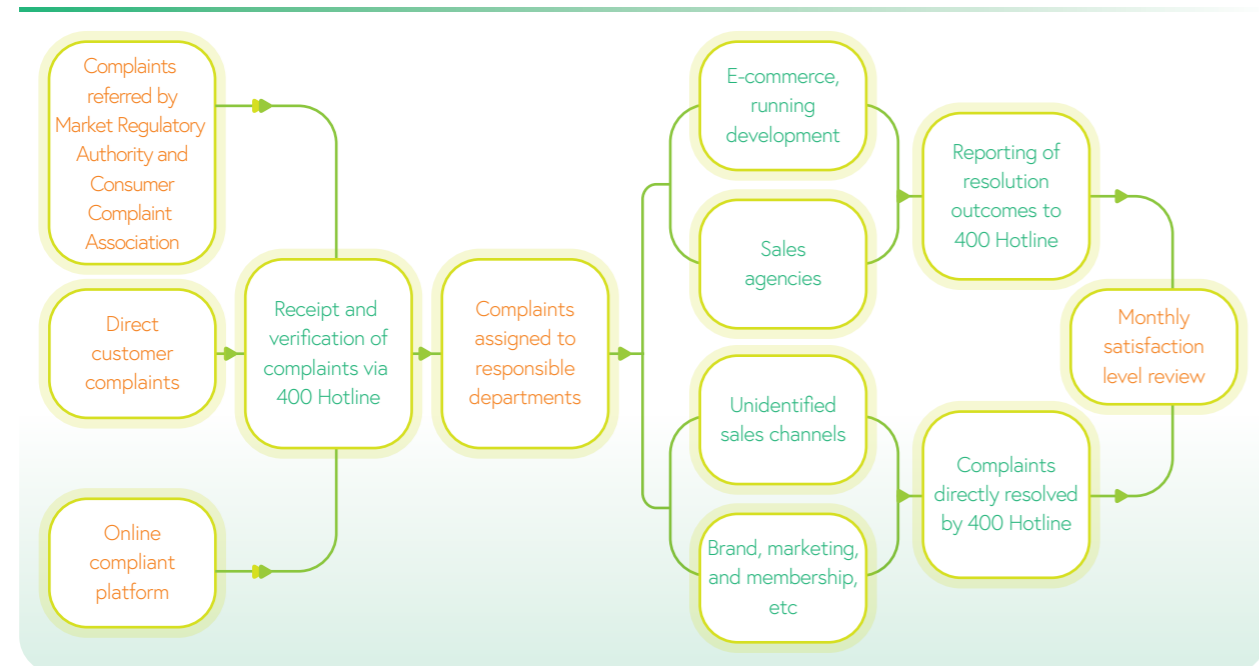
The Group continued to participate actively in domestic and international standard-setting initiatives. During the year, the Group contributed to the drafting of ISO 16187:2025 *Footwear and Footwear Components — Test Method for Evaluating Antibacterial Performance*, participated in the drafting and revision of the group standard *Polyurethane Waterproof and Breathable Microporous Membrane*, and provided technical comments on 11 national standards. The Group also participated in five industry seminars to keep abreast of emerging trends in quality management technologies. In recognition of its contributions, the Group received the "Outstanding Partner" award from the Knitted Products Sub-Committee of the National Technical Committee for Textile Standardization.

In addition, the Group continued to explore new material standards within the industry. During the year, the Saucony brand collaborated with China Textile Testing & Certification Center (CTTC) to jointly define a new material standard for "Athletic Lifestyle Wool".

Customer relationship management and satisfaction

The Group upholds a customer-centric approach and continues to enhance product responsibility and service quality to strengthen long-term trust in our brands. A closed-loop customer complaint handling mechanism is in place, supported by cross-departmental coordination to ensure clarity of accountability. The dedicated "400 Hotline" serves as the primary contact point for customer complaints. All cases received through the hotline or other service channels are documented, verified, and assigned to the responsible departments for follow-up. The Group generally provides a response within two working days. For more complex cases, additional resources are allocated, and legal support is involved when necessary to ensure issues are resolved in a fair and appropriate manner. In 2025, the Group received 474 customer feedback cases from "400 Hotline".

Closed-loop customer complaint handling mechanism



REINFORCING RESPONSIBLE VALUE CHAIN

Following each completed interaction through the online service platform or the 400 Hotline, customers are invited to evaluate their satisfaction with the service. The Group sets performance targets for key service indicators. The annual satisfaction target for the "400 Hotline" is 95% or above. In 2025, the actual satisfaction rate reached 99.6%, with 8,219 participants and 8,191 satisfied responses. The online service channels also have an annual satisfaction target of at least 95%, achieving an actual result of 95.0%, with 8,760 participants and 8,325 satisfied responses. In addition, the Group's e-commerce service platforms maintain internal assessment targets and collect monthly performance data. The annual satisfaction target for the e-commerce service platform was 86.7%, and the year-end result was 87.6%, representing a year-on-year increase of 0.3%. During the reporting year, the Xtep core brand also conducted its annual Net Promoter Score (NPS) survey with the support from a third-party organization, resulting in an NPS of 62.

The Group continues to maintain and refine all existing communication channels to ensure smooth and accessible customer engagement. A structured management mechanism is also in place to handle product recall and quality-related issues. In the event of a major product recall, the Quality Management Center conducts a thorough investigation, reports the findings to senior management, and implements corrective measures to reduce the likelihood of recurrence. This proactive approach supports the maintenance of strong customer relationships and upholds the Group's commitment to product quality.

Customer privacy

The Group strictly complies with applicable data protection laws as stated in section "Information security" of the Report. Following the core principles below, our commitment to data security and customer privacy is formalized in our *Data Governance Policy* and publicly accessible *Privacy Policy*, available via our official website and mobile applications.

- Only collect customers' data and personal information that are relevant and required to conduct our business.
- Will not disclose customers' data and personal information outside the Group unless we have obtained our customers' consent or are required by law.
- Regularly maintain appropriate safeguards/security measures to prevent unauthorized access to our customers' data and personal information.
- Eradicate customers' data and information on or before the termination of the authorization to the use of data.

We have institutionalized comprehensive mechanisms to protect user rights. Customers retain full authority to determine how their personal data is collected, used, saved, and processed. This includes the rights to access, correct, delete, and transfer their data to other service providers. We require explicit opt-in consent for data collection, provide clear opt-out options for commercial marketing, and allow users to withdraw their consent at any time without affecting prior processing validity. In specific scenarios involving sensitive personal information and when sharing data with third parties, the Group enforces stringent protocols that require separate, explicit user consent. Furthermore, we monitor the percentage of users whose data is utilized for secondary purposes to maintain strict oversight of data usage. Dedicated and accessible customer service channels have been established to facilitate these rights, ensuring all requests are processed within legally mandated timeframes.

Robust technical and organizational measures underpin our privacy commitments. To prevent unauthorized access and cyberattacks, the Group operates a 24/7 network and information security monitoring system equipped with automated and manual alert mechanisms. We conduct regular business data backups alongside bi-annual data recovery tests to evaluate our restoration procedures and prevent data loss. Furthermore, we proactively identify vulnerabilities through annual security drills and risk assessments, which include penetration testing and phishing simulations. This technical infrastructure is reinforced by a strong security culture; we broadcast continuous information security awareness messages and mandate bi-annual cybersecurity training sessions for employees, ensuring our security posture remains resilient in an ever-evolving threat landscape.

PRESERVING THE NATURAL ENVIRONMENT

Guided by the *Xtep Group Environmental Policy*, we embed sustainability into our operations, focusing on climate change, biodiversity and land use, air emissions, water management, chemical use, packaging materials, and waste management. To standardize our environmental management practices, our Fujian Quanzhou main factory has obtained ISO 14001 certification and undergoes regular third-party audits, and our remaining production facilities implement equivalent environmental operational controls, compliance evaluations, and performance monitoring mechanisms. We are steadily expanding certification coverage according to our annual plan, with the goal of achieving system coverage across all facilities. For more information regarding our sustainable development initiatives, please refer to section "2030 ESG Strategy Framework" in this Report. The Group is not aware of any environmental violations during the reporting year.



Xtep Group Environmental Policy

TACKLING CLIMATE CHANGE

Recognizing the profound impact of climate change, Xtep incorporates climate considerations into its strategic planning. We actively manage climate-related risks, explore emerging opportunities, and develop adaptation strategies tailored to the Group. Through a collaborative approach, we seek to mitigate environmental impacts while offering insights to facilitate the industry's practice. In alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) and the International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures issued by the International Sustainability Standards Board (ISSB), we have integrated climate governance into our business management. By embedding these considerations into our governance framework, we evaluate policy, industry, and market trends to identify and assess climate-related risks and opportunities. Furthermore, the Group focuses on advancing climate risk management and transitioning toward sustainable operations. We optimize product design and production processes to steadily reduce our reliance on non-renewable resources and hazardous chemicals. By investing in technological innovation, research and development, and the application of eco-friendly materials, we aim to minimize resource consumption and greenhouse gas (GHG) emissions across our operations, ultimately strengthening our resilience to climate change.

Climate-related risks and opportunities

Governance

Xtep has established a clear, three-tier governance structure for climate-related matters, ensuring effective management and oversight from top to bottom. This framework enables the Group to accurately identify climate-related risks and opportunities, formulate and implement effective climate action plans, and mitigate the impacts of climate change.

PRESERVING THE NATURAL ENVIRONMENT

Tier	Responsibilities Regarding Climate Governance	Frequency of Communication
Board of Directors	<ul style="list-style-type: none"> The highest governing, decision-making, and supervisory body for climate-related matters. It assumes ultimate responsibility for the Group's climate-related objectives, strategies, risks, management, performance, and expenditures, within the context of strategic planning and major investment decisions Supervise Sustainability Committee's ongoing work and monitor the progress 	<ul style="list-style-type: none"> Quarterly board meetings to review progress on climate-related matters
Sustainability Committee	<ul style="list-style-type: none"> Composed of four directors, including two executive directors, one non-executive director and one independent non-executive director Develop climate-related management targets, policies, and work plans Oversee the formulation and implementation of climate management strategies Monitor climate risk and opportunity management Promote and coordinate climate compliance across departments Collects expectations and requirements from stakeholders regarding climate issues Approve annual climate-related financial expenditures 	<ul style="list-style-type: none"> At least two meetings per year, with additional meetings scheduled when significant decisions require attention
Sustainability Working Group	<ul style="list-style-type: none"> Comprised of senior executives from different brands and internal functions within the Group Regularly report to the Sustainable Development Committee on identified major sustainability risks, opportunities, and trends, and develop climate management targets, policies, and action plans Responsible for planning and implementing sustainability-related initiatives Responsible for compiling the annual ESG report 	<ul style="list-style-type: none"> At least two meetings per year, with additional meetings scheduled when significant decisions require attention Regular meetings with the Sustainability Committee to report on climate-related matters

PRESERVING THE NATURAL ENVIRONMENT

During the reporting year, the Board of Directors convened two meetings with the Sustainability Committee and the Sustainability Working Group to advance our sustainability agenda. These discussions focused on reviewing and approving the 2024 ESG Report, as well as formulating the ESG strategic plan for the 2025–2030 period. Additionally, the leadership reviewed updates to our carbon reduction targets and pathways, discussed the optimization of our supply chain ESG management system, and evaluated business resilience planning to address climate-related risks.

To maintain effective climate governance, the Group prioritizes the continuous development of board members, the Sustainability Committee, and the Sustainability Working Group. We offer a variety of online and offline training activities to equip our leadership with relevant climate-related knowledge and skills. Our senior management also participates in external environmental forums and industry events to stay informed on emerging sustainability trends. In 2025, we invited external climate experts to deliver annual training for all directors, which included specialized sessions on the new climate regulations introduced by HKEX. Additionally, the Sustainability Committee and the Sustainability Working Group completed two dedicated climate training sessions. To align leadership accountability with our environmental objectives, the Group has instituted a remuneration mechanism that links executive compensation to climate-related performance. This framework encompasses both cash and non-cash incentives designed to motivate directors and executives in advancing our climate change management strategies. Specifically, the achievement of annual KPIs directly influences the allocation of financial bonuses. In addition to monetary rewards, we recognize internal sustainability contributions through corporate accolades, such as the introduction of the "ESG Frontrunner Award" in 2025.

Strategy

The Group recognizes the interdependencies between climate-related risks and opportunities. For example, while navigating the challenges posed by evolving climate policies, we also identify opportunities arising from technological innovations and the transition to a lower-carbon economy. To manage these factors, Xtep applies a structured approach to developing its climate change strategies. By utilizing climate data models and developing high- and low-emission scenarios, we evaluate potential challenges and opportunities under varying climate conditions. Furthermore, we assess the impacts of these climate factors on our business operations and financial planning across short-, medium-, and long-term horizons. Based on this analysis, we establish strategic directions and adaptive measures to address climate-related issues, maintaining business resilience and ensuring our operational plans remain responsive to changing circumstances.

The Group integrates climate objectives into its financial planning and enterprise management systems. To advance the Group's strategic decarbonization targets, we have established an internal carbon pricing ("ICP") mechanism. Functioning as a core management tool for the low-carbon transition, the ICP utilizes a dual-track model comprising a shadow price and an internal carbon fee. The initial price is set at RMB80 to 120 per metric ton of carbon dioxide equivalent (CO₂e). This valuation is derived from an assessment of abatement technology costs within the sporting goods industry, domestic carbon market benchmarks, the marginal costs of renewable energy adoption, and anticipated regulatory developments. To maintain its relevance in guiding business decisions, the price is subject to a dynamic biennial review. It is projected to increase by 10% to 15% per adjustment cycle, contingent upon actual emission reduction performance, market price fluctuations, and updates to international standards.

PRESERVING THE NATURAL ENVIRONMENT

The application of the ICP mechanism is structured across three progressive phases. During the initial phase (2025–2026), the pricing covers Scope 1 direct emissions and Scope 2 indirect emissions from purchased electricity and heating within the Group's self-owned production and operational facilities. The second phase (2027–2028) will extend the mechanism to key Scope 3 emission sources, including core suppliers and logistics operations. By 2029 and beyond, the third phase aims to encompass the entire value chain.

In practice, the shadow price is applied during investment appraisals, R&D project approvals, and strategic planning. This allows the Group to quantify the financial impact of carbon emissions and prioritize capital expenditures for low-carbon initiatives. Currently the carbon fee is levied on self-owned operations based on their actual emission volumes. The capital collected will be specific budgets for climate-adaptive measures and emission reduction projects, such as facilities reinforcement, renewable energy substitution and the development of low-carbon materials. To optimize capital allocation, Xtep conducts product carbon footprint assessments and cost-benefit analyses for its emission reduction projects. The Board and the Audit Committee oversee this resource distribution to ensure adequate financial and human capital is maintained. Further details on specific emission reduction initiatives are provided in section "Energy efficiency and carbon reduction". Additional funding is directed toward supply chain capacity building, supplier training, and footwear recycling initiatives.

To promote collaborative emission reductions upstream, the Group plans to implement an assessment and incentive framework for suppliers, evaluating metrics such as the utilization rate of low-carbon materials, energy efficiency improvements, and the transparency of emission data. To support this mechanism, the Group utilizes its existing ESG data management system to maintain a carbon emission ledger, ensuring that data remains traceable and verifiable. Management regularly tracks the operational outcomes of the ICP, monitoring metrics such as the proportion of emission sources covered, carbon fee financial flows, and total realized emission reductions.

Identification of risk and opportunity

During the reporting period, the Group reassessed its climate-related risks and opportunities to ensure alignment with its current operational context and strategic objectives. This review was conducted through an established climate risk assessment framework that integrates external climate factors, evolving regulatory policies, and internal strategic planning. The framework systematically evaluates the severity and value chain distribution of potential impacts across short-, medium-, and long-term time horizons. By applying this multi-level evaluation process, the Group develops evidence-based adaptation strategies and integrates climate considerations into its broader corporate decision-making.

Time horizon	Different climate-related risks and opportunities will impact the company over distinct timeframes. In line with the national Carbon Peaking and Carbon Neutrality targets and Xtep's 2050 net-zero goals, we have defined the time horizon to be short-term (0-1 year), mid-term (1-5 years), and long-term (above 5 years, up to 2050).
Impacts on value chain and financial impact	Identified risks and opportunities may have already or will potentially impact the company's revenue, expenses, assets and liabilities, and cash flow, both directly and indirectly.

PRESERVING THE NATURAL ENVIRONMENT

Evaluation of physical risks and response actions

Risk category	Impacts on business models	Time horizon	Anticipated financial impacts	Response actions
Extreme heat	<p>Employee health and efficiency: Extreme heat can lead to elevated temperatures in factory premises, posing a risk of heatstroke among workers across our direct operations and upstream supply chain and potentially reducing productivity. This could result in decreased production output and revenue.</p> <p>Operational disruptions: High temperatures may create uncomfortable working conditions, leading to increased use of cooling systems and thereby raising operational costs.</p> <p>Transportation obstacles: During periods of frequent extreme heat, road and rail transport may face restrictions or delays due to issues such as softening of bitumen in asphalt roads, leading to extended delivery times within our distribution channels and potentially disrupting the procurement of raw materials.</p>	Short-term; Mid-term; Long-term	Increased operating cost	<p>Adjusting work schedules and equipment maintenance: Adjust work schedules to avoid extreme heat hours, enhance ventilation and cooling systems in workplace, and conduct regular maintenance of power systems to prevent failures caused by overheating.</p> <p>Ensuring employee well-being: Provide heat protection supplies, such as cold beverages and sun protection gears, and provide cash allowances during extreme heat weathers.</p>
	<p>Upgrading temperature-controlled warehouses: Install temperature and humidity monitoring systems in warehouses to prevent material degradation.</p>			

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Risk category	Impacts on business models	Time horizon	Anticipated financial impacts	Response actions
Extreme precipitation	<p>Operational disruption: Some branches of the Group are located in coastal provinces in China, making them vulnerable to heavy rainfall. Such events can lead to flooding in factories, equipment malfunctions, and disruptions in production processes.</p> <p>Loss of asset: Excessive moisture from extreme precipitation can damage raw materials like textiles and leather, increasing scrap rates. Additionally, finished products such as shoes and clothing may be harmed, leading to the decrease in inventory.</p> <p>Transportation obstacles: Heavy rainfall can disrupt connections between warehouses and transportation hubs, preventing goods from being delivered. This affects business continuity and reduces company income.</p>	Short-term; Mid-term; Long-term	Increased production cost; increased operating cost; increased expenditure	<p>Upgrading drainage systems: Install underground drainage networks and pumping equipment in coastal factories to enhance flood resistance.</p> <p>Usage of waterproof packaging: Apply double-layer waterproof packaging to protect raw materials like leather and textiles from humidity.</p> <p>Developing alternative transport solutions: Request railway transport during heavy rain to logistics service provider to minimize impacts from road or rain shipment.</p>
	<p>Loss of asset: Branches that are in coastal provinces may suffer structural damage or power outages due to typhoon, leading to production stoppages.</p> <p>Transportation obstacles: During typhoon, roads, railways, and ocean transport might be disrupted, leading to longer delivery times to retail channels and end consumers and reduced income.</p> <p>Personnel safety: Typhoon could impact employee safety during commuting, delivery and retail store operations</p>			<p>Increased production cost; increased operating cost; increased capital expenditure</p> <p>Adopting multi-sourcing: Reduce dependency on a single supplier by sourcing materials across different regions.</p> <p>Transferring key raw materials: Conduct comprehensive warehouse inspections prior to typhoons and transfer vulnerable materials to mitigate risks of damage from heavy rains.</p> <p>Establishing employee safety protocols: Mandate work stoppage during typhoon red alerts and provide shuttle services to ensure employees are transported to safe locations.</p>

PRESERVING THE NATURAL ENVIRONMENT

Risk category	Impacts on business models	Time horizon	Anticipated financial impacts	Response actions
Flooding	<p>Operational disruptions: Potential flooding of factories and warehouses may result in equipment damage, deterioration of raw materials and finished goods.</p> <p>Transportation obstacles: Flood may cause damage to roads and bridges, leading to a complete disruption of logistics operations. This can affect the supply of raw materials and the shipment of finished products.</p>	Short-term; Mid-term; Long-term	Increased operating cost; increased capital expenditure	<p>Emergency mitigation: Regular maintenance of drainage pipelines and pre-positioning of sandbags, as well as upgrading the power supply chain for drainage pump stations.</p> <p>Emergency management: Establish a regional emergency storage network and activating backup suppliers to address raw material shortages.</p>
Rising of sea level	The Group's primary manufacturing facilities, located in coastal areas, are at risk of seawater erosion and damage to operational sites, which could disrupt the entire supply chain, from material sourcing to final product delivery.	Long-term	Loss of asset; increased production cost; increased operating cost	<p>Flood prevention task force: Proactively assembling emergency teams, developing defense plans, and pre-positioning flood prevention materials to ensure rapid response capabilities.</p>
Humidity variation	<p>Decreased production efficiency: Persistent high humidity would lead to damage to the strength of cotton fibers and affects the stability of raw material production areas within our supply chain for rubber, leather, and other materials.</p> <p>Asset losses: Fluctuations in humidity levels can decrease the availability of raw materials such as cotton, impacting product quality.</p>	Long-term	Increased production cost	<p>Adopting multi-sourcing: Reduce dependency on a single supplier by sourcing materials across different regions.</p>

PRESERVING THE NATURAL ENVIRONMENT

Evaluation of transition risks and response actions

Risk category	Risk	Impacts on business models	Time horizon	Anticipated financial impacts	Response actions
Policy and regulatory risk	Stricter regulatory oversight	<p>Compliance Requirements: Domestic and international regulatory bodies, including the Chinese Mainland and Hong Kong Stock Exchange, are gradually implementing stricter requirements for climate change, carbon emissions, and disclosures of product carbon footprint. This may lead to increased operational expenses related to disclosure.</p> <p>Compliance Requirements: The <i>Green and Low-Carbon Development Action Plan for the Textile Industry</i> by National Development and Reform Commission mandates a 18% reduction in carbon emissions per unit of product by 2025.</p>	Short-term; Mid-term; Long-term	Increased operating costs	<p>Actively review emerging laws, regulations, and disclosure requirements. Benchmark against mainstream disclosure standards and requirements and ensure disclosure documents meet compliance.</p> <p>Starting from 2025, disclose Scope 3 carbon emissions data in ESG reports, driving value chain emission reductions.</p> <p>Establish a TCFD framework to enhance regulatory transparency.</p>
	Increased emission costs	<p>Export restrictions: Once the European Carbon Border Adjustment Mechanism (CBAM) covers textile categories, exports to Europe will face additional carbon costs.</p>	Mid-term; Long-term	Increased operating cost	<p>Commit to reducing greenhouse gas emissions in own operations by 42% by 2030 and achieve carbon neutrality no later than 2050 (10 years ahead of China's national target).</p> <p>Drive value chain emission reductions starting from disclosing Scope 3 carbon emissions data in 2025.</p> <p>Transition to a greener energy structure through procurement of green electricity and installation of photovoltaic systems.</p>

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Risk category	Risk	Impacts on business models	Time horizon	Anticipated financial impacts	Response actions
Market risk	Growing preference for green products	With the increase of consumer awareness, preference of green products continues to grow. Low carbon designed products (such as running shoes produced with recycled material) may achieve higher sales and gross margins. If the Group fails to capture this shift in consumer preferences and timely launch green products, it could lose market share.	Short-term; Mid-term; Long-term	Decreased revenue; increased production cost; increased R&D expenditure	<p>Publish 2030 ESG goals, aiming for at least 50% of products to use sustainable materials (such as bio-based or recycled) by 2030.</p> <p>Continuously achieve technological innovation in environmental material to reduce carbon emissions. Implement old clothing recycling programs, such as collecting used shoes and clothes through nationwide stores, and repurposing old shoe soles into sports mats and old garments into eco-friendly bags.</p>
	Raw material supply	<p>Restrictions on high-carbon material: Global climate policies, such as the EU's Circular Economy Action Plan, are gradually phasing out fossil fuel-based materials, forcing companies to switch to bio-based or recycled materials, such as recycled polyester and algae extracts. This may lead to short-term increases in procurement costs.</p> <p>Raw material supply stability: Limited availability of sustainable raw material suppliers can result in supply concentration and reduced bargaining power, potentially leading to supply chain disruptions in severe cases.</p>	Mid-term; Long-term	Increased raw material cost	<p>Continue to evolve and implement the <i>Supplier Corporate Social Responsibility Management Manual</i> (the "Manual"), incorporating ESG standards into supplier entry and evaluation systems, covering responsible sourcing of raw material and production safety, and providing ESG training to core suppliers to promote green production.</p> <p>Supply chain collaboration platform: Established centralized procurement practice, shared inventory, and batch material distribution through a supply chain collaboration platform to reduce risks of supply disruption.</p>

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Risk category	Risk	Impacts on business models	Time horizon	Anticipated financial impacts	Response actions
Technical risk	Innovations in low-carbon technologies	<p>Innovations in low-carbon technologies: The application of new technologies may lead to equipment replacement or affect operational efficiency, thereby increasing operational costs.</p> <p>Investment in research and development of low-carbon technology: Introducing low-carbon technologies, such as waterless dyeing and 3D weaving, would increase the cost of low-carbon technology research and development. In addition, failure of any research and development would become sunk cost.</p> <p>Market competition: Competitors' low-carbon technological advancement in could lead to a loss of market share for Xtep.</p>	Short-term; Mid-term; Long-term	Increased R&D expenditure	<p>Continuous investment in research and development for low-carbon products.</p> <p>A comprehensive reward system is established to encourage innovation.</p> <p>Active collaboration with other industry peers.</p>
Reputational risk	Concerns from stakeholders	An increasing number of stakeholders have been more aware of the climate change and cared more about climate-related performance of the companies, these stakeholders including but not limited to shareholders, business partners, customers, and the public.	Short-term; Mid-term; Long-term	Decreased revenue	<p>Establish a Sustainable Development Committee under the Board of Directors.</p> <p>Senior management manages and supervises the Group's climate change responses plan and stays informed about climate-related policy trends.</p> <p>Strengthen communication with investors and consumers.</p>

PRESERVING THE NATURAL ENVIRONMENT

Evaluation of opportunities and response actions

Opportunity category	Opportunity	Impacts on business models	Time horizon	Anticipated financial impacts	Response actions
Resource efficiency	Adopt efficient production methods	Energy saving: Implementation of energy-saving and emission-reduction technologies and deploying smart operation systems reduces energy usage and emissions during production. This will effectively improve the efficiency of water and energy usage and reduce operational costs.	Short-term; Mid-term; Long-term	Reduced operating cost	Through the All-Domain Inventory Integration Platform, integrate online and offline inventories to upgrade from "inventory management" to "planning management". This will optimize production and logistics efficiency and reduce resource waste.
	Adopt efficient transportation methods	Efficient transport: Using low-energy vehicles, such as electric vehicles, and optimizing transport routes can effectively reduce fuel consumption and lower operational costs.	Short-term; Mid-term; Long-term	Reduced operating cost	Utilize Geographic Information Systems and logistics software to monitor real-time traffic conditions and traffic flow dynamics and adjust delivery routes to reduce fuel consumption and transportation costs.
Energy structure	Increase use of renewable energy	Enhance efficiency: Reasonably increasing the proportion of renewable energy use will help Xtep accelerate its transition to a more sustainable energy structure. This will reduce the carbon emissions per unit product and lower operational costs. Improve product carbon performance: Using renewable energy can significantly reduce the Group's carbon footprint and greenhouse gas emissions. This helps to establish a responsible corporate image and enhance brand value.	Short-term; Mid-term; Long-term	Reduced operating cost	Xtep has revised the Manual to require suppliers to achieve at least a 50% renewable energy usage by 2030, making this a core evaluation criterion for supplier selection. Photovoltaic systems at the factories increase the proportion of renewable energy used in the production process. Using bio-based materials at the design stage of products reduces dependence on traditional energy sources.

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Opportunity category	Opportunity	Impacts on business models	Time horizon	Anticipated financial impacts	Response actions
Products and services	Develop low-carbon products and services	Low-carbon products: Conducting environmental impact assessments throughout the entire lifecycle of products and managing the carbon emissions of key products throughout their lifecycle helps ensure that products have a low-carbon advantage, creating potential growth opportunities. Sharing potential low-carbon production models can further reduce production costs. Green materials: Continuously improving the research and application of environmentally friendly materials. Enhance competitive position: Actively promoting the development of green initiatives that minimize environmental impact, such as establishing recycling systems and continuously innovating and developing new low-carbon products. This can effectively enhance the competitive position of companies or organizations.	Short-term; Mid-term; Long-term	Increased market share; increased revenue; reduced operating cost	The Group has engaged in extensive cross-industry and institutional collaborations, participating in the drafting of industry standards such as the <i>ESG Disclosure Guidelines for Textile Industry</i> and the <i>Technical Specifications for the Development and Evaluation of Carbon-Neutral Factories in the Textile Industry</i> . Establishing a lifecycle carbon footprint calculation and labeling system for products, quantitatively assessing the carbon footprints of key low-carbon products.

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Opportunity category	Opportunity	Impacts on business models	Time horizon	Anticipated financial impacts	Response actions
Market	Focus on market preferences	As consumers increased awareness of environmental protection and sustainability, it is necessary to launch green and low-carbon products to adapt to changing consumer preferences and provide products that meet customers' low-carbon requirements, thereby increasing market share.	Short-term; Mid-term; Long-term	Increased revenue	The Group continues to produce products meet customers' expectations and is committed to greening and upgrading product production and design. This includes using renewable materials and energy-saving technologies, such as launching the first carbon footprint T-shirt series.
Resilience	Enhance climate risk management	Improving climate risk management capabilities, exploring green technologies, enhancing production efficiency, optimizing production processes, and developing new products to diversify Xtep's product offerings and marketing activities. Developing a sustainable supply chain enhances Xtep's ability to withstand risks associated with climate change.	Short-term; Mid-term; Long-term	Decreased operating cost	Continuously increasing the proportion of renewable materials used for production. Continuous investment in green innovation, from design, production to recycling and reuse. Launch an environmental technology platform and establish ESG-related assessment systems for suppliers. In addition, provide ESG training for suppliers to strengthen the sustainability practices in the supply chain.

PRESERVING THE NATURAL ENVIRONMENT

Scenario analysis

In 2024, the Group conducted and disclosed its climate scenario analysis for the first time. Based on management's evaluation, the outcomes of this analysis are consistent with the Group's current strategic planning. To maintain this alignment, the Group has conducted an annual climate resilience assessment, ensuring that adequate resources and operational capabilities are deployed to address emerging climate risks.

Physical Risks

For physical risks, Xtep has selected the Representative Concentration Pathways (RCP) scenarios used by the Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report to conduct the analysis. The Group focuses on evaluating asset risk across 20 of our operational sites, selected based on their geographic locations, to comprehensively assess various physical risk conditions by applying to the following climate scenarios:

Climate Scenario	RCP4.5	RCP8.5
Temperature rise level (compared to pre-industrial levels in 2100)	~2.7°C	>4°C
Description of climate scenario	Assuming strong climate mitigation actions are adopted globally. This will result in a rise in global average temperature by 2°C or more by 2100.	Assuming the world continues to emit GHG at the current rate and maintains business as usual. This will result in a rise in global average temperature by 4°C or more by 2100.
Climate scenario key assumptions	Based on data availability, we limit our assessment of the financial impact of physical risks to the asset value dimension, and do not cover other transmission mechanisms, such as operational interruptions and energy efficiency degradation. This approach ensures clear boundaries for the risk quantification model and the verifiability of our conclusions.	

Under the baseline scenario, Xtep's main physical risks include extreme precipitation, increasing humidity trends and tropical cyclones, primarily affecting operations in Fujian Province, China. The Group has established a comprehensive emergency response mechanism for physical risks across all operating locations to enhance its adaptability to climate-related challenges. It has also developed and implemented emergency plans for extreme weather events, such as floods, typhoons, and hurricanes, in these high-risk areas. In 2025, no operating base experienced significant financial losses due to these physical risks.

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Transition Risks

Based on the Group's carbon reduction targets, the scenario analysis of transition risks focuses on the potential carbon cost risks (or opportunities) associated with carbon emissions trading under the current policy framework. We selected the Network for Greening the Financial System's (NGFS) Net Zero 2050 scenario, the Nationally Determined Contributions (NDCs), as well as the SSP1-1.9 and SSP2-4.5 scenarios disclosed by the IPCC to evaluate the potential transition risks and opportunities along our transition path.

Climate Scenario	NGFS Net Zero 2050	SSP1-1.9	NGFS NDCs	SSP2-4.5
Temperature rise level (compared to pre-industrial levels in 2100)	<1.5°C	<1.5°C	~2.5°C	2~3°C
Description of climate scenario	Assuming to limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO ₂ emissions around 2050.	Assuming that countries enhance their commitments to development goals, reduce inequalities both within nations, and shift consumption patterns towards low material growth and low resource-energy intensity. The scenario outlines a pathway to limit global warming to below 1.5°C.	Assuming that the climate commitments made by the world's governments in their NDCs in early 2021 will be maintained throughout the 21st century, resulting in a gradual decline in GHG emissions and the global average temperature increase of approximately 2.5°C above pre-industrial levels by 2100.	Assuming that global temperatures rise by 2-3°C, and indicates that CO ₂ emissions will start to decline around 2045, reaching half of 2050 levels by 2100. It also assumes that development and income growth will be uneven across countries, leading to slow progress despite concerted efforts to achieve the SDGs.
Climate scenario key assumptions	We assume that the Group will implement its carbon reduction targets at an average reduction rate in the future, and that external carbon tax policies will be improved, with effective and fully operational carbon market trading mechanisms that can indirectly reflect the carbon reduction costs for the enterprise.			

The analysis indicates that Xtep's transition risks across various climate scenarios are generally manageable, with the overall Climate Value-at-risk (CVaR)⁶ ranging from -0.1% to 1.85%. The potential financial impact remains within an acceptable range. Under the SSP1-1.9 scenario, the CVaR reaches 1.85%, suggesting that the Group's current emission reduction plan effectively addresses transformation needs, with potential costs having minimal impact on operating income. Only under the NGFS Net Zero 2050 scenario could carbon costs equivalent to 0.1% of enterprise value be incurred. This low-risk exposure may result from Xtep's proactive GHG emission reduction measure.

⁶ Climate Value-at-Risk (CVaR): It represents the ratio of discounted carbon costs to enterprise value over a specific period. It reflects the extent to which policy changes (affecting carbon prices) impact the company's own value. If this value is positive, it indicates potential carbon revenues for the company under the scenario, but it does not imply actual profits; rather, it signifies the absence of additional reduction costs. The Group's output value is based on the benchmark year (2022), and factors such as monetary inflation are not considered.

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From a temporal perspective, the CVaR for each scenario before 2030 is positive, with significant average annual growth in carbon earnings under the SSP1-1.9 scenario, underscoring the scientific validity of current emission reduction efforts. After 2030, the CVaR is expected to decline gradually under other scenarios, while it will turn negative in 2031 under those NGFS scenarios, revealing corresponding potential carbon costs that will become increasingly apparent each year. This trend highlights the need for the Group to sustain our current pace of emissions reductions while proactively establishing a carbon pricing response mechanism to balance long-term policy pressures.

There remains significant uncertainty regarding how climate change will manifest under different climate-related scenarios, particularly in relation to shifts in temperature and the frequency and severity of extreme weather events. These uncertainties make it challenging to predict the precise impacts on our businesses, resulting in inherent uncertainty when assessing the timing, scale, and nature of climate-related risks across our operations. Based on the outcomes of our climate-related scenario analysis, we anticipate that our strategy and business model will retain flexibility and resilience to adapt to a range of possible climate-related changes. We will continue to monitor developments and refine our assessments as new scientific evidence, regulatory expectations, and market insights emerge.

Risk management

To further understand the potential impacts of climate change, we have integrated climate risks into our existing risk management system. The Board holds the ultimate oversight and decision-making authority for these risks. The Audit Committee is responsible for overseeing and guiding all matters related to climate risks. The Risk Management and Internal Audit departments, together with senior management, are in charge of implementing initiatives that drive efficient monitoring and management of climate risks.

To systematically address these identified vulnerabilities, the Group employs a four-step closed-loop management approach:

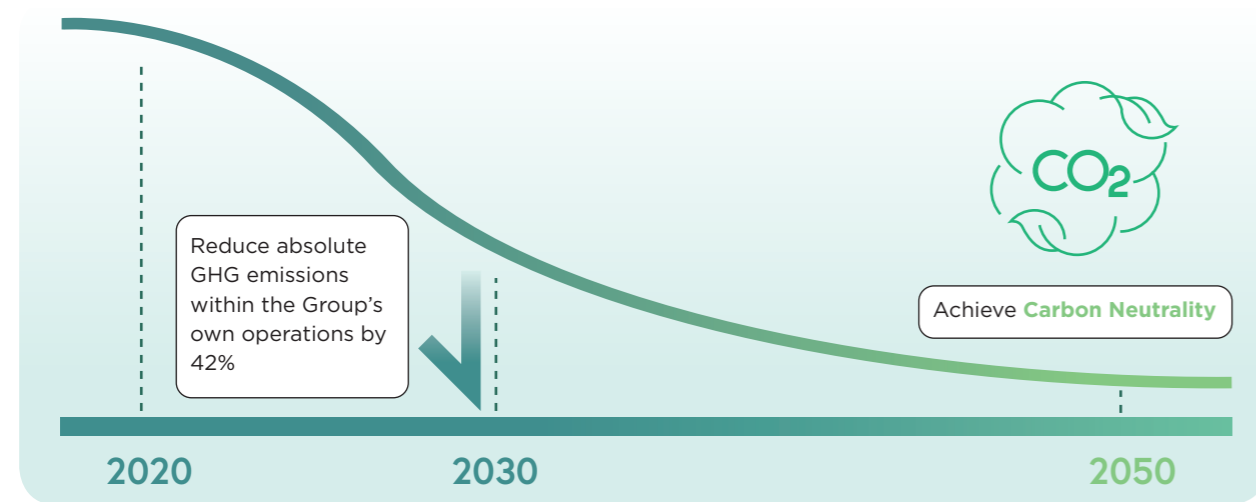
Identification	Assessment	Mitigation	Reporting and monitoring
<ul style="list-style-type: none"> Identify potential and/or significant impacts of climate risks from aspects of the Group's strategy, operations, and financial. 	<ul style="list-style-type: none"> Evaluate the likelihood and materiality of climate risks using management-defined risk assessment criteria. 	<ul style="list-style-type: none"> Prioritize climate risks through in-depth analysis of the assessment results. Formulate diverse climate risk monitoring strategies and internal monitoring procedures to mitigate or minimize impacts. 	<ul style="list-style-type: none"> Regular discussions on climate risks among the Board of Directors, Audit Committee, and senior management. Continuously monitor climate risks to ensure the effective operation of internal controls. Reassess potential and/or significant impacts of climate risks when there are major changes in external conditions or Group operations.

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Metrics and targets

Climate-related target

In 2024, Xtep introduced its "2030 ESG Strategy Framework" and Carbon Neutrality Goals to address global climate change and related environmental impacts. Aligning with the Paris Agreement's objective of limiting global warming to 1.5°C above pre-industrial levels and considering the Group's operational context, we have committed to reducing absolute gross GHG emissions within its operations (Scope 1 and location-based Scope 2) by 42% by 2030, with the ultimate goal of achieving carbon neutrality no later than 2050.

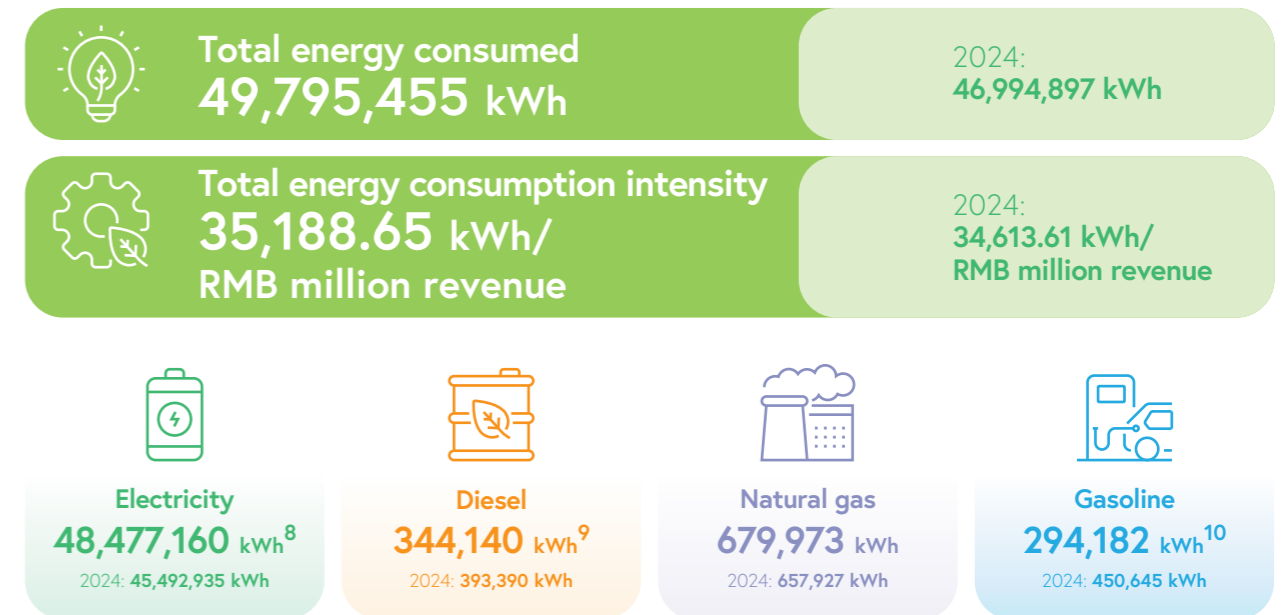


Climate-related metrics

In addressing the challenges of climate change, monitoring energy consumption and carbon emissions is crucial for assessing and improving environmental performance. The Group has demonstrated a strong commitment to sustainability by actively tracking these metrics to inform strategic decisions and drive continuous improvement. In 2025, we continued to measure and disclose our Scope 1 and Scope 2 GHG emissions, while adopting a more precise methodology for calculating Scope 3 emissions. Our Scope 1, 2, and 3 emissions data has obtained limited assurance from a third-party professional assurance provider. Additionally, we have implemented an assessment of energy consumption and carbon emissions of suppliers, requiring our core suppliers in top procurement scales to submit carbon and energy use data to strengthen supply chain carbon management.

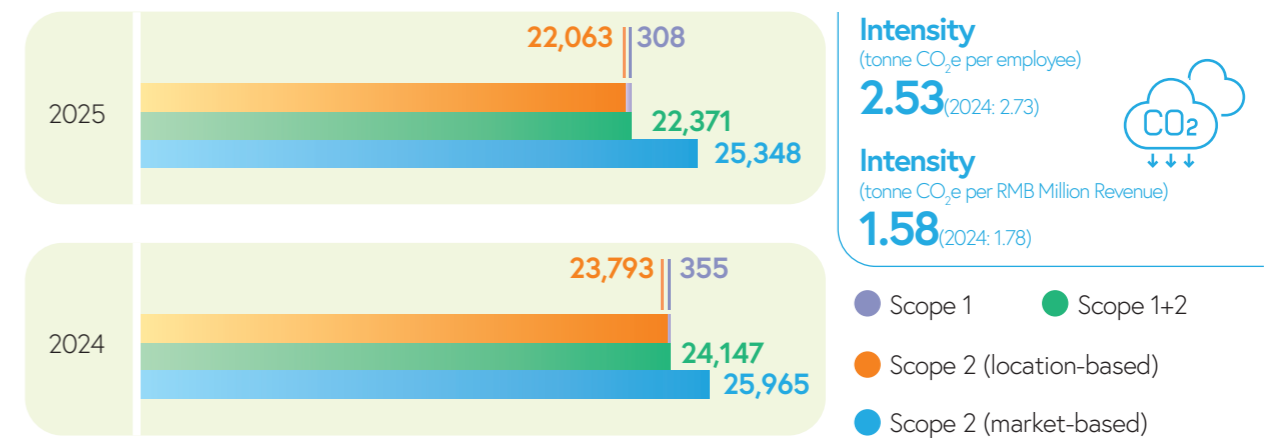
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Energy consumption in 2025⁷ (kWh)



Scope 1 and Scope 2 GHG emissions

Carbon emissions in 2025¹¹ (tonne CO₂e)



⁷ Energy conversion factors are referenced from the China Energy Statistical Yearbook 2023.
⁸ The total amount of electricity consumption increased compared to that of 2024. This was primarily due to the inclusion of a full year of data for the Xtep Innovation Center, which commenced operations in September 2024, as well as an increase in production volume at our Fujian Quanzhou Koling factory.
⁹ The total amount of diesel consumption decreased compared to that of 2024. This was due to the cancellation of diesel shuttle buses at the Fujian Quanzhou main factory in 2025.
¹⁰ The total amount of gasoline consumption decreased compared to that of 2024. This was due to adjustments in our business vehicle scheduling, which resulted in a reduction in vehicle usage frequency.
¹¹ The Group's Scope 1 and Scope 2 GHG emissions are calculated using the operational control approach in accordance with the GHG Protocol: Corporate Accounting and Reporting Standard. Carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) are included and converted into carbon dioxide equivalent (CO₂e) using appropriate global warming potentials. Scope 1 emissions include all greenhouse gases resulting from the Company's owned or controlled operations, such as fuel combustion in stationary and mobile sources, and are quantified using emission factors from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. Scope 2 emissions, representing indirect emissions from purchased electricity, are calculated using the emission factor issued by the Ministry of Ecology and Environment and the National Bureau of Statistics of the PRC in December 2025. Emission factors are referenced from the Database of National Greenhouse Gas Emission Factor issued by the People's Republic of China and the average emission factor of the national grid in 2023 announced by the Ministry of Ecology and Environment of the People's Republic of China.

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Scope 3 GHG emission

Emission Sources	Emissions (tCO ₂ e)	Scope of Reported Emissions	Calculation Methods	% of Total Scope 3
Category 1 — Purchased Goods and Services	299,672.54	<ol style="list-style-type: none"> Direct procurement of finished goods (apparel, footwear, and accessories); Direct procurement of raw and auxiliary materials for in-house manufacturing facilities; Procurement of non-production related expenses and services. 	<ol style="list-style-type: none"> Spend-based quantification: In line with internal financial accounting, the spend amount for major raw and auxiliary materials and finished goods in 2025 was adjusted for inflation using CPI. The adjusted amount was converted from RMB to USD using the 2022 average exchange rate. Emissions were quantified by matching this spend data with emission factors from the US EPA's USEEIO database. Hybrid quantification: Key suppliers in the apparel and footwear industry were screened. Based on the major raw and auxiliary materials procured by these suppliers for Xtep International in 2025, along with their Scope 1 and Scope 2 emissions from production operations, the carbon emission intensity per unit of procurement spend was calculated for quantification. 	76.28%
Category 2 — Fixed Assets	2,184.10	New additions of electronic equipment, transportation vehicles, machinery, office equipment, etc., during the reporting year.	Following internal financial accounting, the spend amount for major capital goods categories in 2025 was adjusted for inflation using CPI. The adjusted amount was converted to USD using the 2022 average exchange rate. Emissions were quantified by matching this spend data with emission factors from the US EPA's USEEIO database.	0.56%
Category 3 — Fuel- and Energy-Related Activities	4,835.89	Upstream emissions of fuels and energy consumed as reported in Scope 1 and Scope 2 (e.g., natural gas, gasoline, diesel, electricity, and associated transmission and distribution losses) during the reporting year.	Based on the fuel and energy consumption data used for Scope 1 and Scope 2, the activity data for quantification was derived by applying coefficients to the 2025 consumption figures for major energy sources. Emissions were quantified by matching this activity data with emission factors from international, regional, and third-party databases.	1.23%
Category 5 — Waste Generated in Operations	269.21	Emissions from the final disposal of general waste, production waste, and hazardous waste generated in the Group's own operations, including offices and factories, during the reporting year.	Quantified by matching the type, quantity, ownership, and treatment method of various waste streams in 2025 with emission factors from the Emission Factors for Greenhouse Gas Inventories database.	0.07%
Category 6 — Business Travel	4,749.51	Emissions from employee business travel during the reporting year via air, rail, road, and hotel accommodations.	Using data from a third-party travel management platform, information such as hotel room nights, air travel distance and spend, road travel distance and spend, and rail travel spend was collected. This data was converted into quantifiable activity data using coefficients and matched with emission factors from the DEFRA database (including WTT and TTW dimensions).	1.21%

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Emission Sources	Emissions (tCO ₂ e)	Scope of Reported Emissions	Calculation Methods	% of Total Scope 3
Category 7 — Employee Commute	2,630.31	Emissions from employees' daily commute between their homes and workplaces using various modes of transportation during the reporting year.	Activity data for each commuting mode was quantified by estimating the commuting ratio and average distance per trip based on the total number of employees. These were then matched with relevant commuting emission factors for quantification.	0.67%
Category 8 — Upstream Leased Assets	5,209.30	Emissions associated with all upstream leased assets (including warehouses and office buildings) during the reporting year.	The total leased floor area of operational entities not already included in Scope 1 and Scope 2 was obtained. Total electricity consumption was estimated by multiplying the floor area by an estimated electricity consumption rate per unit area. Emissions were then quantified by matching this electricity consumption with the appropriate electricity emission factor.	1.33%
Category 11 — Use of Sold Products	49,271.92	Indirect emissions from the use phase (washing and drying) of all apparel products sold during the reporting year.	<ol style="list-style-type: none"> Assumed an average of 52 washes and dry cycles per year for sold apparel products; Selected a 5% average penetration rate for dryers in China. 	12.54%
Category 12 — End-of-Life Treatment of Sold Products	22,153.27	Emissions generated during the end-of-life treatment of all apparel and footwear products sold during the reporting year.	<ol style="list-style-type: none"> Assumed that all products sold ultimately become waste; Assumed that all waste is predominantly treated via landfill. 	5.64%
Category 13 — Downstream Leased Assets	1,864.07	Emissions associated with all downstream leased assets (including office buildings, retail stores, and factories) during the reporting year.	The total leased floor area of assets subleased to external parties was obtained. Total electricity consumption was estimated by multiplying the floor area by an estimated electricity consumption rate per unit area. Emissions were then quantified by matching this electricity consumption with the appropriate electricity emission factor.	0.47%
Total	392,840.11			

PRESERVING THE NATURAL ENVIRONMENT

Energy efficiency and carbon reduction

Carbon reduction in factory production

Xtep continues to prioritize energy efficiency by upgrading production facilities and adopting cleaner energy solutions. During the reporting year, the Group expanded its solar photovoltaic (PV) network, completing new installations at the Quanzhou main factory and the Anhui factory. These additions complement the existing solar PV systems at the Hunan and Shishi facilities, further reducing our reliance on purchased grid electricity. Total solar power generation reached 9,097,279 kWh this year, with self-generated solar energy covering 17% of the total annual electricity consumption across our production factories.

In 2024, Xtep publicly showcased its Anhui smart factory following its first full year of operation. The facility features full digitalization across all garment production processes, supporting our transition toward lower-carbon manufacturing. By modularizing production steps, the factory can adapt to various product requirements, streamlining operations and improving overall production efficiency by 20% compared to traditional assembly lines. Furthermore, the facility utilizes an Automated Guided Vehicle (AGV) smart warehousing system. Through technical tagging of each fabric piece, certain processing stages can be completed without ambient lighting, optimizing labor resources and reducing energy consumption in key operational areas. In 2025, we introduced photovoltaic power to two additional factories, and the photovoltaic system at our Shishi Factory was fully put into operation, resulting in a significant increase in solar power consumption.

Across our operations, we implement targeted equipment upgrades to drive group-wide energy conservation. The Hunan and Shishi factories are currently serving as pilot locations for replacing traditional fixtures with voice-controlled lighting systems, while the Anhui factory has fully transitioned to LED alternatives. Additionally, all boilers across the Group's production sites are powered by natural gas, a measure that enhances combustion efficiency while lowering greenhouse gas and air pollutant emissions. To sustain these energy-saving benefits and prevent resource waste from equipment degradation, we conduct regular maintenance on all boiler systems.



9,097,279kWh

solar electricity generated
at our factories

(2024: 1,153,226 kWh)

PRESERVING THE NATURAL ENVIRONMENT

Carbon reduction in retail stores

Within our retail operations, we implement targeted measures to monitor and optimize energy consumption across our store network. By leveraging real-time data, we adjust air conditioning and climate control settings based on actual demand, which supports operational efficiency and lowers overall energy usage. Our low-carbon store in Shanghai, the Xtep Running Club, continues to serve as a benchmark for these retail initiatives. The facility incorporates sustainable building design principles, specifically utilizing roofing materials integrated with high-performance polyurethane insulation. This structural enhancement improves the building's thermal efficiency, thereby reducing the energy required for daily heating and cooling.

Carbon reduction in logistics operations

Recognizing the environmental impact of our supply chain, Xtep is actively working to reduce transportation-related emissions. We prioritize partnerships with third-party carriers that utilize clean energy to help lower our carbon footprint. To optimize our transportation strategy, we focus on maximizing vehicle load capacity and cargo space utilization, which decreases the total number of required transit trips. This approach supports operational efficiency while lowering fuel consumption. Furthermore, we consistently refine route planning within our facilities to eliminate unnecessary mileage, helping to alleviate local congestion and shorten delivery times. Within our distribution centers, the integration of intelligent warehousing solutions allows us to enhance inventory management, optimize space utilization, and reduce energy waste.



Advancing green logistics through strategic partnership

To further explore low-carbon supply chain solutions, Xtep established a strategic partnership with SF Express in 2025, focusing on automated warehousing upgrades and intelligent logistics. Through this collaboration, SF Express provides an end-to-end logistics framework utilizing smart warehousing, dynamic route planning, and AI for order sorting. These technological integrations are designed to improve delivery efficiency to our retail terminals and shorten response times for product returns and exchanges.

Additionally, the partnership actively explores green logistics models, including multimodal transportation and reusable packaging, aiming to establish lower-carbon operational practices within the industry.



PRESERVING THE NATURAL ENVIRONMENT

BIODIVERSITY CONSERVATION

The Group has recognized the importance of ecological systems to our business and the broader environment. Approved by the Board, Xtep has established a formal *Biodiversity Conservation Policy*. This policy applies to all our operational activities, and we actively encourage our business partners to align with its principles. Biodiversity management is fully integrated into our overall ESG governance structure, with the Board serving as the ultimate decision-making body responsible for overseeing nature-related risk management and monitoring ecological impacts.



In 2025, the Group initiated the application of the Taskforce on Nature-related Financial Disclosures (TNFD) framework. This approach allows us to systematically identify dependencies and potential impacts related to water resources, land use, and biodiversity across the footwear and apparel value chain. We conduct periodic biodiversity risk assessments covering our own operations, as well as the business activities of our suppliers and partners. Based on these evaluations, we identify specific risk points, formulate targeted mitigation measures, and track their implementation progress over time.

Across the value chain, we prioritize avoiding impacts on critical biodiversity areas by incorporating ecological considerations into operational planning. During site selection and expansion for our own facilities, we reference relevant biodiversity assessments. We also evaluate the environmental contexts of our suppliers' and partners' operating locations, guiding them to avoid ecologically sensitive zones. Any operational activities requiring exceptions to these guidelines must undergo a standardized assessment and approval process. To ensure our policies remain practical and effective, we engage with external stakeholders, incorporating their feedback into our ongoing management practices.

Focusing on manufacturing processes and the procurement of raw materials such as cotton and leather, we have conducted preliminary screenings to assess whether our supply chain intersects with ecologically sensitive areas. To ensure alignment across our value chain, biodiversity conservation requirements have been formally integrated into our *Supplier Corporate Social Responsibility Management Manual* (the "Manual"). Concurrently, the Group is developing a nature-related management roadmap. We plan to establish specific KPIs by 2026, advancing toward a target of achieving "No Net Loss" (NNL) in regions of high ecological value by 2030. Beyond this baseline, we are evaluating the feasibility of reaching a "Net Positive Impact" (NPI) on biodiversity in the future. Furthermore, as an apparel and textile company, we are committed to a strict "no gross deforestation" across our own operations, while actively exploring collaborative partnerships to support regional reforestation efforts.

AIR EMISSION

During our manufacturing operations, stationary combustion from equipment such as boilers generates air emissions. To mitigate these environmental impacts and enhance thermal efficiency, we have transitioned our boiler fuel source from diesel to natural gas. Additionally, we employ activated carbon filtration systems to treat exhaust gases prior to atmospheric discharge. To maintain operational integrity, certified third-party suppliers replace these filters annually, ensuring the proper capture and management of airborne pollutants. Currently we are implementing a centralized energy data reporting system designed to standardize emissions data collection and calculation. This digital infrastructure improves data accuracy and establishes a more rigorous framework for ongoing air emission management.

PRESERVING THE NATURAL ENVIRONMENT

WATER MANAGEMENT

Water usage

Although water consumption is not currently identified as a material issue for our factory and office operations, and we do not operate in or source raw materials from water-stressed regions, the Group maintains a structured approach to water management. Our primary water consumption stems from production processes and employee dormitories. To manage our internal water usage, we regularly assess consumption patterns and implement targeted facility upgrades. These initiatives include routine inspection and maintenance of plumbing systems to mitigate leaks associated with equipment failure. To optimize water efficiency and mitigate associated risks, we continuously monitor consumption metrics and implement targeted reduction initiatives. Moving forward, Xtep plans to evaluate the development of a systematic water management framework. This prospective monitoring system is intended to facilitate a more detailed assessment of our water footprint, supporting the identification of potential operational risks and further enhancing resource utilization. Furthermore, we have installed automated water flow controls in our living quarters, optimizing flushing frequencies in restrooms across our factories and dormitories. Alongside these infrastructure updates, we conduct ongoing educational campaigns to promote daily water conservation habits among employees and raise awareness about resource efficiency.

We also extend our water management expectations to our supply chain. Under the Manual, suppliers are required to measure and record their water usage on a monthly basis. Suppliers are expected to establish relevant improvement targets and review their progress annually. In response to broader environmental changes, the Group will continue to monitor water withdrawal and consumption across our own operations and those of our key suppliers.



ESG KPIs	Unit	2025	2024	2023
Total water consumption ¹²	m ³	549,876	458,500	487,863
Total water consumption intensity	m ³ /Revenue per million RMB	30.86	33.77	34.01

Wastewater discharge

Within our own operations, wastewater management is governed by our Environmental Management System (EMS). Our effluent primarily consists of domestic sewage with negligible chemical content, which is not subject to heavy industrial wastewater regulations. Instead, this domestic effluent is discharged directly into municipal wastewater networks. We continuously monitor our discharge practices to align with local regulatory standards across all operating locations.

We also maintain strict wastewater management expectations for our supply chain. Suppliers are required to monitor their wastewater and sewage discharges, maintain accurate records, and hold valid, up-to-date discharge permits in accordance with local environmental regulations. Furthermore, we require suppliers to maintain clear drainage network maps that distinguish between rainwater and sewage lines. Suppliers must identify specific pollutants and water quality parameters, understand their effluent flow and discharge points, and provide regular wastewater testing reports to demonstrate compliance. To properly manage effluent, suppliers must implement systems that facilitate appropriate wastewater treatment — whether managed on-site or through off-site facilities — prior to discharge into natural water bodies. When utilizing off-site treatment, suppliers must verify that the receiving facility has adequate processing capacity for the volume generated and meets minimum regulatory discharge standards. Additionally, associated byproducts, such as sludge, must be handled and disposed of responsibly. Through consistent monitoring and the regular review of testing reports, we encourage our suppliers to progressively enhance their wastewater quality beyond baseline compliance.

¹² The total amount of water consumption increased compared to that of 2024. This was primarily due to the inclusion of a full year of data for the Xtep Innovation Center, which commenced operations in September 2024, as well as water meter adjustments at the Fujian Quanzhou main factory.

PRESERVING THE NATURAL ENVIRONMENT

USE OF CHEMICALS

Chemical safety management

We assess the risks associated with hazardous substances and implement targeted management measures across our supply chain. In our manufacturing facilities, we communicate occupational health protection measures to employees and display information regarding potential workplace hazards. To support transparency, we provide chemical testing reports upon request, allowing customers to access information about the materials used in our products. Furthermore, we launched the "ESG Knowledge Hub" on our official public account to share information regarding the environmental and health impacts of various chemical ingredients. Through this platform, we have published articles discussing the characteristics, potential risks, and preventive measures related to substances such as perfluorinated compounds and chlorophenols. We hope that through these initiatives, we can improve consumer awareness of product chemical content via easily accessible channels.

Minimizing use of hazardous chemicals

Our products comply with China's national testing standards for restricted substances. We strictly prohibit the intentional use of nationally banned hazardous substances within our supply chain, and our products do not contain materials classified as hazardous by regulatory agencies. To maintain these standards, we establish specific chemical limits across various product categories and conduct regular chemical testing on our apparel and footwear. In 2025, we formally joined the Zero Discharge of Hazardous Chemicals (ZDHC) foundation and adopted the ZDHC Manufacturing Restricted Substances List (MRSL). To drive continuous improvement, we have established targets to have 80% of our Tier 1 and Tier 2 suppliers comply with the ZDHC MRSL and to replace 10 regulated chemicals with safer alternatives. The Group is making steady progress toward these goals. With the aim of minimizing the environmental impacts associated with hazardous chemicals, we are actively decreasing our reliance on such substances. As part of our transition toward the ZDHC zero discharge plan, we collaborate with chemical formulators to phase out hazardous formulations. During the reporting period, we supported our footwear formulators in achieving ZDHC MRSL Level 3 certification for 61 chemical products.

Focusing on advancing technological innovation in safer materials, we have invented and patented fluorine-free foaming materials, silicone-free wear-resistant designs, and ultra-light formulas. For footwear, we are developing eco-friendly water-repellent and anti-stain upper technologies in collaboration with suppliers with 19 models slated for rollout in the fourth quarter of 2026. Furthermore, we are collaborating closely with our upstream suppliers to phase out the use of industrial chlorophenol. To align with legal requirements and demonstrate our track record, we have reduced reliance on substances of concern by replacing harmful formulations and adopting safer alternatives.



Empowering suppliers through ZDHC chemical safety training

On July 2, 2025, we hosted a training session regarding the ZDHC Project Implementation Plan at our Xiamen headquarters. Following our commitment to the ZDHC initiative in April 2025, we engaged external experts to train core supplier management teams on chemical safety practices. The session focused on advancing digital chemical management capabilities to support the implementation of our supply chain objectives.



PRESERVING THE NATURAL ENVIRONMENT

PACKAGING MATERIALS AND WASTE MANAGEMENT

The Group adheres to the principles of reducing, reusing, and recycling across our manufacturing facilities, offices, and employee dormitories. Under our 2030 ESG Strategy Framework, we have established a target to achieve zero waste to landfill by promoting comprehensive waste sorting and recycling practices. For hazardous waste generated during production, such as activated carbon and contaminated containers, we strictly comply with local regulations and engage qualified third-party vendors for proper collection, treatment, and recycling. General recyclable waste is sorted and processed centrally, while non-recyclable waste is managed by appointed external contractors. To further minimize our environmental footprint, we promote a zero-waste culture within our administrative and living spaces. This is supported by paperless office initiatives, ESG training to enhance employee sustainability awareness, and conservation slogans displayed throughout our facilities.

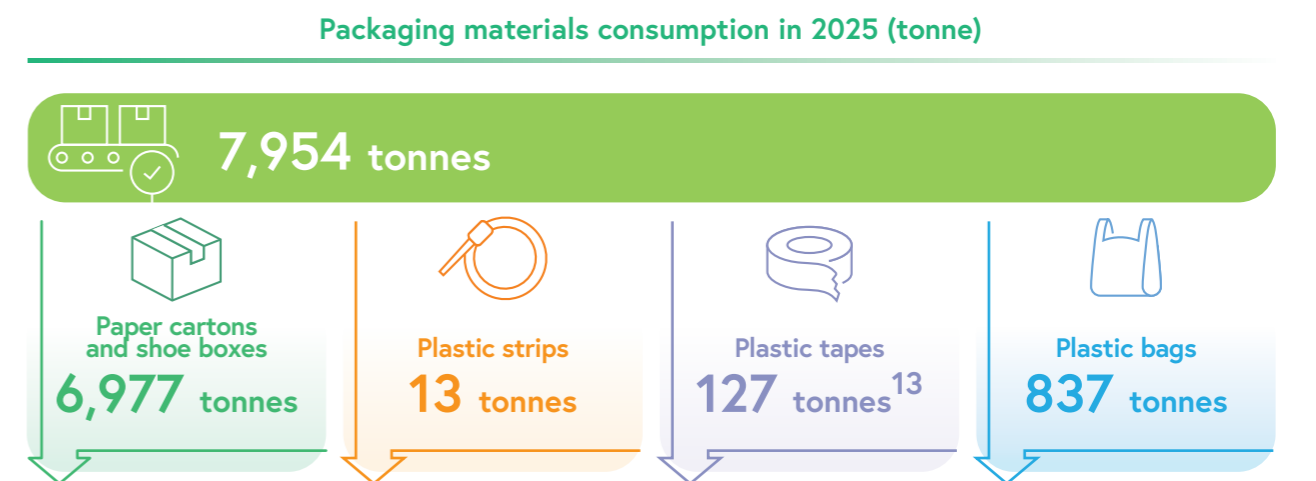


Total non-hazardous waste in 2025

559 tonnes

Recognizing the environmental impact of packaging materials, we are actively transitioning toward more sustainable alternatives. Our 2030 ESG Strategy Framework includes a target to utilize sustainable packaging for 50% of our products. To support this goal, we encourage the use of biodegradable or recyclable plastics, as well as packaging derived from recycled materials or Forest Stewardship Council (FSC) certified sources.

Across our Xtep brand, we have implemented several material reduction and optimization strategies. These include providing size-specific shoeboxes to lower material consumption, utilizing natural wood-colored boxes to minimize the environmental impact of printing, and reducing the total number of hangtags by printing double-sided. We also advocate for the use of FSC-certified paper and are systematically reducing plastic packaging. Similarly, Merrell also prioritizes eco-friendly materials. For the Merrell China footwear line, over 80% of shoeboxes are currently made from renewable kraft paper, and over 80% of hangtags utilize environmentally friendly cardboard. Moving forward, Merrell will continue to invest in recyclable packaging standards, decrease general plastic packaging, and reduce the production of footwear and apparel samples by 50%.



¹³ The increased consumption of plastic tape was due to the replacement of plastic strips with plastic tape during the packaging process at the Fujian Quanzhou main factory.

APPENDIX

HKEX ESG CODE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	<ul style="list-style-type: none"> Chairman's message Our sustainability governance structure Risk management and internal control
Reporting Principles — Materiality	The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	<ul style="list-style-type: none"> Application of reporting principles
Reporting Principles — Quantitative	Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	<ul style="list-style-type: none"> Application of reporting principles
Reporting Principles — Consistency	The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	<ul style="list-style-type: none"> Application of reporting principles
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	<ul style="list-style-type: none"> Reporting boundary

APPENDIX

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	<ul style="list-style-type: none"> Air emission Biodiversity conservation Packaging materials and waste management Promoting green product innovation Tackling climate change Use of chemicals Water management
KPI A1.1	The types of emissions and respective emissions data.	<ul style="list-style-type: none"> Air emission Tackling climate change <p>Given the nature of the Group's business, we do not have significant air emissions from our production processes.</p>
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	– Currently, hazardous waste is not considered material to the Group, and we have not yet collected or consolidated relevant information. We will continue to review and disclose further information as appropriate.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	<ul style="list-style-type: none"> Packaging materials and waste management

APPENDIX

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Our sustainability framework and initiatives Tackling climate change
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Our sustainability framework and initiatives Packaging materials and waste management Water management Use of Chemicals
Aspect A2: Use of resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	<ul style="list-style-type: none"> Packaging materials and waste management Tackling climate change Water management
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	<ul style="list-style-type: none"> Tackling climate change
KPI A2.2	Water consumption in total and intensity.	<ul style="list-style-type: none"> Water management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Our sustainability framework and initiatives Tackling climate change
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Our sustainability framework and initiatives Water management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	<ul style="list-style-type: none"> Packaging materials and waste management

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	<ul style="list-style-type: none"> Our sustainability framework and initiatives Preserving the natural environment Promoting green product innovation
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	<ul style="list-style-type: none"> Our sustainability framework and initiatives Preserving the natural environment Promoting green product innovation
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: <ol style="list-style-type: none"> the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. 	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
KPI B2.2	Lost days due to work injury.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
KPI B3.1	The percentage of employees trained by gender and employee category.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
KPI B3.2	The average training hours completed per employee by gender and employee category.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	<ul style="list-style-type: none"> Supporting the growth and well-being of our people
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	<ul style="list-style-type: none"> Supplier assessment and management
KPI B5.1	Number of suppliers by geographical region.	<ul style="list-style-type: none"> Supplier assessment and management <p>During the reporting year, 100% of our suppliers were from Chinese Mainland.</p>
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	<ul style="list-style-type: none"> Supplier assessment and management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	<ul style="list-style-type: none"> Supplier assessment and management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	<ul style="list-style-type: none"> Supplier assessment and management

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	<ul style="list-style-type: none"> Business ethics Strengthening product quality and safety
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	<ul style="list-style-type: none"> Strengthening product quality and safety
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	<ul style="list-style-type: none"> Strengthening product quality and safety
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	<ul style="list-style-type: none"> Business ethics
KPI B6.4	Description of quality assurance process and recall procedures.	<ul style="list-style-type: none"> Strengthening product quality and safety
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	<ul style="list-style-type: none"> Business ethics
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	<ul style="list-style-type: none"> Business ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	<ul style="list-style-type: none"> Business ethics
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	<ul style="list-style-type: none"> Business ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	<ul style="list-style-type: none"> Business ethics

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	<ul style="list-style-type: none"> Contributing a positive impact to our society
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	<ul style="list-style-type: none"> Contributing a positive impact to our society
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	<ul style="list-style-type: none"> Contributing a positive impact to our society
Climate-related Disclosures		
(I) Governance		
Paragraph 19	An issuer shall disclose information about: (a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about: (i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; (ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities; (iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;	<ul style="list-style-type: none"> Tackling climate change

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
<ul style="list-style-type: none"> (iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities, including whether and how related performance metrics are included in remuneration policies; and (b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about: <ul style="list-style-type: none"> (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and (ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions. 		
(II) Strategy		
Climate-related risks and opportunities		
<p>Paragraph 20</p> <p>An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:</p> <ul style="list-style-type: none"> (a) describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term; (b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk; 	<ul style="list-style-type: none"> • Tackling climate change 	

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
<ul style="list-style-type: none"> (c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons — short, medium or long term — the effects of each climate-related risk and opportunity could reasonably be expected to occur; (d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making. 		
Business model and value chain		
<p>Paragraph 21</p> <p>An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose:</p> <ul style="list-style-type: none"> (a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and (b) a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets). 	<ul style="list-style-type: none"> • Tackling climate change 	
Strategy and decision-making		
<p>Paragraph 22</p> <p>An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:</p> <ul style="list-style-type: none"> (a) information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about: <ul style="list-style-type: none"> (i) current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities; 	<ul style="list-style-type: none"> • Tackling climate change 	<p>While we have not formulated a standalone climate transition plan, we actively embed energy conservation and emission reduction measures into our daily operations. Specific details regarding these initiatives can be found further down in this chapter.</p>

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
<ul style="list-style-type: none"> (ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect); (iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and (iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40; and 		
(b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).		
Paragraph 23	An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	<ul style="list-style-type: none"> • Tackling climate change
Financial position, financial performance and cash flows		
Current financial effect		
Paragraph 24	An issuer shall disclose qualitative and quantitative information about: <ul style="list-style-type: none"> (a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and (b) the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements. 	<ul style="list-style-type: none"> • Tackling climate change

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Anticipated financial effect		
Paragraph 25	The issuer shall provide qualitative and quantitative disclosures about: <ul style="list-style-type: none"> (a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration: <ul style="list-style-type: none"> (i) its investment and disposal plans; and (ii) its planned sources of funding to implement its strategy; and (b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities. 	<ul style="list-style-type: none"> • Tackling climate change
Climate resilience		
Paragraph 26	An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose: <ul style="list-style-type: none"> (a) the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of: <ul style="list-style-type: none"> (i) the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis; (ii) the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and (iii) the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term; 	<ul style="list-style-type: none"> • Tackling climate change

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
<ul style="list-style-type: none"> (b) how and when the climate-related scenario analysis was carried out, including: <ul style="list-style-type: none"> (i) information about the inputs used, including: <ul style="list-style-type: none"> (1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios; (2) whether the analysis included a diverse range of climate-related scenarios; (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks; (4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change; (5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties; (6) time horizons the issuer used in the analysis; and (7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis); (ii) the key assumptions the issuer made in the analysis; and (iii) the reporting period in which the climate-related scenario analysis was carried out. 		

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
(III) Risk Management		
Paragraph 27	<p>An issuer shall disclose information about:</p> <ul style="list-style-type: none"> (a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about: <ul style="list-style-type: none"> (i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes); (ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks; (iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria); (iv) whether and how the issuer prioritises climate-related risks relative to other types of risks; (v) how the issuer monitors climate-related risks; and (vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period; (b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and (c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process. 	<ul style="list-style-type: none"> • Tackling climate change

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
(IV) Metrics and Targets		
Greenhouse gas emissions		
Paragraph 28	An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO ₂ equivalent, classified as: (a) Scope 1 greenhouse gas emissions; (b) Scope 2 greenhouse gas emissions; and (c) Scope 3 greenhouse gas emissions.	• Tackling climate change
Paragraph 29	An issuer shall: (a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions; (b) disclose the approach it uses to measure its greenhouse gas emissions including: (i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions; (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes; (c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and (d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).	• Tackling climate change

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Climate-related transition risks		
Paragraph 30	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	• Tackling climate change We are continuously exploring methodologies and processes to assess the impact of climate-related risks and opportunities on the Group's financial position, financial performance, and cash flows for future disclosures.
Climate-related physical risks		
Paragraph 31	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	• Tackling climate change We are continuously exploring methodologies and processes to assess the impact of climate-related risks and opportunities on the Group's financial position, financial performance, and cash flows for future disclosures.

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Climate-related opportunities		
Paragraph 32	An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	<ul style="list-style-type: none"> Tackling climate change <p>We are continuously exploring methodologies and processes to assess the impact of climate-related risks and opportunities on the Group's financial position, financial performance, and cash flows for future disclosures.</p>
Capital deployment		
Paragraph 33	An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	<ul style="list-style-type: none"> Tackling climate change <p>We are continuously exploring methodologies and processes to assess the impact of climate-related risks and opportunities on the Group's financial position, financial performance, and cash flows for future disclosures.</p>

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Internal carbon prices		
Paragraph 34	An issuer shall disclose: <ul style="list-style-type: none"> (a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and (b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making. 	<ul style="list-style-type: none"> Tackling climate change
Remuneration		
Paragraph 35	An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	<ul style="list-style-type: none"> Tackling climate change
Industry-based metrics		
Paragraph 36	An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	The Group is currently reviewing the applicability of these metrics and will enhance the disclosure in future reporting periods as appropriate.

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Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
Climate-related targets		
<p>Paragraph 37</p> <p>An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose:</p> <ul style="list-style-type: none"> (a) the metric used to set the target; (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives); (c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region); (d) the period over which the target applies; (e) the base period from which progress is measured; (f) milestones or interim targets (if any); (g) if the target is quantitative, whether the target is an absolute target or an intensity target; and (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target. 	<ul style="list-style-type: none"> • Our approach to sustainability • Tackling climate change 	
<p>Paragraph 38</p> <p>An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:</p> <ul style="list-style-type: none"> (a) whether the target and the methodology for setting the target has been validated by a third party; (b) the issuer's processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions. 	<ul style="list-style-type: none"> • Our approach to sustainability • Tackling climate change 	

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
<p>Paragraph 39</p> <p>An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.</p>	<ul style="list-style-type: none"> • Our approach to sustainability • Tackling climate change 	
<p>Paragraph 40</p> <p>For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:</p> <ul style="list-style-type: none"> (a) which greenhouse gases are covered by the target; (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target; (c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target; (d) whether the target was derived using a sectoral decarbonisation approach; and (e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose: <ul style="list-style-type: none"> (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits; (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset). 	<ul style="list-style-type: none"> • Our approach to sustainability • Tackling climate change 	<p>There were no carbon credits were utilized during the reporting year. However, we plan to incorporate carbon credits into our future emissions reduction strategy.</p>

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GRI CONTENT INDEX

Statement of use	Xtep has reported the information cited in this GRI content index for the period 1 January 2025 to 31 December 2025 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
General Disclosures				
The organisation and its reporting practices	GRI 2: General Disclosures 2021	2-1	Organisational details	• Our brands and distribution network
		2-2	Entities included in the organisation's sustainability reporting	• About this Report
		2-3	Reporting period, frequency and contact point	• About this Report
		2-4	Restatements of information	There has been no restatement of information.
		2-5	External assurance	The external assurance report is published on Xtep's official website. For the complete assurance statement, please refer to the Sustainability section of our corporate website.
		2-6	Activities, value chain and other business relationships	• 2025 Annual Report • Our brands and distribution network • Stakeholder engagement and materiality assessment
		2-7	Employees	• Supporting the growth and well-being of our people
		2-8	Workers who are not employees	The information of workers who are not employees in the reporting period is not available. For more information, please refer to "Supporting the growth and well-being of our people" section in our 2025 ESG report.
Activities and workers				

Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
Governance		2-9	Governance structure and composition	• Our sustainability governance structure
		2-10	Nomination and selection of the highest governance body	• 2025 Annual Report
		2-11	Chair of the highest governance body	• 2025 Annual Report • Our sustainability governance structure
		2-12	Role of the highest governance body in overseeing the management of impacts	• 2025 Annual Report • Our sustainability governance structure
		2-13	Delegation of responsibility for managing impacts	• 2025 Annual Report • Our sustainability governance structure
		2-14	Role of the highest governance body in sustainability reporting	• Our sustainability governance structure
		2-15	Conflicts of interest	• Business ethics
		2-16	Communication of critical concerns	• Stakeholder engagement and materiality assessment
		2-17	Collective knowledge of the highest governance body	• Our sustainability governance structure
		2-18	Evaluation of the performance of the highest governance body	• 2025 Annual Report
		2-19	Remuneration policies	• 2025 Annual Report
		2-20	Process to determine remuneration	• 2025 Annual Report
		2-21	Annual total compensation ratio	• Please refer to our Emolument Policy in the 2025 Annual Report.

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Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
Strategy, policies and practices		2-22	Statement on sustainable development strategy	<ul style="list-style-type: none"> Chairman's message Our sustainability framework and initiatives
		2-23	Policy commitments	<ul style="list-style-type: none"> Business ethics
		2-24	Embedding policy commitments	<ul style="list-style-type: none"> Advocating business ethics and value integrity Supporting the growth and well-being of our people Reinforcing responsible value chain Preserving the natural environment
		2-25	Processes to remediate negative impacts	<ul style="list-style-type: none"> Advocating business ethics and value integrity
		2-26	Mechanisms for seeking advice and raising concerns	<ul style="list-style-type: none"> Advocating business ethics and value integrity
		2-27	Compliance with laws and regulations	<ul style="list-style-type: none"> Advocating business ethics and value integrity Supporting the growth and well-being of our people Reinforcing responsible value chain Preserving the natural environment
		2-28	Membership associations	<ul style="list-style-type: none"> Sustainability rating and recognition
Stakeholder engagement		2-29	Approach to stakeholder engagement	<ul style="list-style-type: none"> Stakeholder engagement and materiality assessment
		2-30	Collective bargaining agreement	<ul style="list-style-type: none"> Supporting the growth and well-being of our people

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Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
Material topics				
Disclosures on material topics	GRI 3: Material Topics 2021	3-1	Process to determine material topics	<ul style="list-style-type: none"> Stakeholder engagement and materiality assessment
		3-2	List of material topics	<ul style="list-style-type: none"> Stakeholder engagement and materiality assessment
Topic-specific disclosures				
Biodiversity and Land Use	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder engagement and materiality assessment Biodiversity conservation
		GRI 101: Biodiversity 2024	101-1	Policies to halt and reverse biodiversity loss
			101-2	Management of biodiversity impacts
Procurement Practices	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder engagement and materiality assessment Supplier assessment and management
		GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers
Anti-Corruption	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder engagement and materiality assessment Business ethics

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Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
	GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	• Business ethics
		205-2	Communication and training about anti-corruption policies and procedures	• Business ethics
		205-3	Confirmed incidents of corruption and actions taken	• Business ethics
	GRI 206: Anti-competitive Behaviour 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	• Business ethics
Materials	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> • Our sustainability framework and initiatives • Stakeholder engagement and materiality assessment • Packaging materials and waste management
	GRI 301: Materials 2016	301-1	Materials used by weight or volume	• Packaging materials and waste management

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Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark	
Energy	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> • Our sustainability framework and initiatives • Stakeholder engagement and materiality assessment • Tackling climate change 	
		GRI 302: Energy 2016	302-1	Energy consumption within the organisation	• Tackling climate change
			302-2	Energy consumption outside of the organisation	• Tackling climate change
			302-3	Energy intensity	• Tackling climate change
		302-4	Reduction of energy consumption	<ul style="list-style-type: none"> • Tackling climate change • Our sustainability framework and initiatives 	
Water and effluents	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> • Our sustainability framework and initiatives • Stakeholder engagement and materiality assessment • Water management 	
		GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	<ul style="list-style-type: none"> • Water management • It is considered that there are no significant water-related impacts in this reporting period.
			303-2	Management of water discharge-related impacts	• Water management
			303-5	Water consumption	• Water management

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Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
Emissions	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder engagement and materiality assessment Tackling climate change Air emission
		GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions
	305-2		Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> Tackling climate change
	305-3		Other indirect (Scope 3) GHG emissions	<ul style="list-style-type: none"> Tackling climate change
	305-4		GHG emissions intensity	<ul style="list-style-type: none"> Tackling climate change
	305-5		Reduction of GHG emissions	<ul style="list-style-type: none"> Our sustainability framework and initiatives Tackling climate change
Waste	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder management and materiality assessment Packaging materials and waste management
		GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts
	306-2		Management of significant waste-related impacts	<ul style="list-style-type: none"> Packaging materials and waste management

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Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
Supplier Environmental Assessment	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder engagement and materiality assessment Supplier assessment and management
		GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria
	308-2		Negative environmental impacts in the supply chain and actions taken	<ul style="list-style-type: none"> Supplier assessment and management
Employment	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder engagement and materiality assessment Supporting the growth and well-being of our people — talent retention
		GRI 401: Employment 2016	401-1	New employee hires and employee turnover
	401-2		Benefits provided to full-time employees that are not provided to temporary or part-time employees	<ul style="list-style-type: none"> Supporting the growth and well-being of our people — talent retention

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Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
Occupational Health and Safety	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder engagement and materiality assessment Supporting the growth and well-being of our people — labor health and safety
		GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system
	403-2		Hazard identification, risk assessment, and incident investigation	Supporting the growth and well-being of our people — labor health and safety
	403-3		Occupational health services	Supporting the growth and well-being of our people — labor health and safety
	403-4		Worker participation, consultation, and communication on occupational health and safety	Supporting the growth and well-being of our people — labor health and safety
	403-5		Worker training on occupational health and safety	Supporting the growth and well-being of our people — labor health and safety
	403-6		Promotion of worker health	Supporting the growth and well-being of our people — labor health and safety
	403-7		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Supporting the growth and well-being of our people — labor health and safety
	403-9		Work-related injuries	Supporting the growth and well-being of our people — labor health and safety
	403-10	Work-related ill health	Supporting the growth and well-being of our people — labor health and safety	

Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
Training and Education	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder engagement and materiality assessment Supporting the growth and well-being of our people — training and development
		GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee
	404-2		Programmes for upgrading employee skills and transition assistance programmes	Supporting the growth and well-being of our people — training and development
Diversity and Equal Opportunity	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder engagement and materiality assessment Supporting the growth and well-being of our people — diversity, equity and inclusion

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Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
Child Labour	GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	<ul style="list-style-type: none"> Supporting the growth and well-being of our people-anti-child, forced labor and human rights
Forced or Compulsory Labour	GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	<ul style="list-style-type: none"> Supporting the growth and well-being of our people-anti-child, forced labor and human rights
Local Communities	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder engagement and materiality assessment Contributing a positive impact to our society
	GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	<ul style="list-style-type: none"> Contributing a positive impact to our society Preserving the natural environment
Supplier Social Assessment	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Our sustainability framework and initiatives Stakeholder management and materiality assessment Supplier assessment and management
	GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	<ul style="list-style-type: none"> Supplier assessment and management
		414-2	Negative social impacts in the supply chain and actions taken	<ul style="list-style-type: none"> Supplier assessment and management

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Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
Customer Health and Safety	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Stakeholder engagement and materiality assessment Strengthening product quality and safety
	GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	<ul style="list-style-type: none"> Strengthening product quality and safety
		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	<ul style="list-style-type: none"> Strengthening product quality and safety
Marketing and Labelling	GRI 3: Material Topics 2021	3-3	Management of material topics	<ul style="list-style-type: none"> Stakeholder engagement and materiality assessment Business ethics
	GRI 417: Marketing and Labelling 2016	417-1	Requirements for product and service information and labelling	<ul style="list-style-type: none"> Business ethics
		417-2	Incidents of non-compliance concerning product and service information and labelling	<ul style="list-style-type: none"> Business ethics
		417-3	Incidents of non-compliance concerning marketing communications	<ul style="list-style-type: none"> Business ethics
	Customer Privacy	GRI 3: Material Topics 2021	3-3	Management of material topics
GRI 418: Customer Privacy 2016		418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<ul style="list-style-type: none"> Strengthening product quality and safety

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GLOSSARY

AI	Artificial Intelligence
amfori BEPI	amfori Business Environmental Performance Initiative
amfori BSCI	amfori Business Social Compliance Initiative
Board	The Board of Directors of Xtep International Holdings Limited
Committee	The Board-level Sustainability Committee
CTTC	China Textile Testing & Certification Centre
CVaR	Climate Value-at-Risk
DEI	Diversity, Equity, and Inclusion
ESG	Environmental, Social, and Governance
ESG Code	Appendix C2 of Hong Kong Stock Exchange Listing Rules and Guidance: Environmental, Social, and Governance Reporting Code
EU CBAM	EU Carbon Border Adjustment Mechanism
FSC	Forest Stewardship Council
GB/T 36637	Guideline for the Information and Communication Technology Supply Chain Risk Management
GHG	Greenhouse Gas
GOTS	Global Organic Textile Standard
GRI	Global Reporting Initiative
Group, Company or Xtep	Xtep International Holdings Limited and its subsidiaries
HKEX	The Hong Kong Exchanges and Clearing Limited
Hong Kong	The Hong Kong Special Administrative Region of the PRC
IFRS S2	International Financial Reporting Sustainability Disclosure Standard No.2 — Climate-related Disclosures
ILO	International Labor Organization
IPCC	Intergovernmental Panel on Climate Change

ISO 14001	International Environmental Management System Standard issued by International Organisation for Standardisation
ISO 45001	International Occupational Health and Safety Standard issued by The British Standards Institution
ISO 9001	International Quality Management System Standard issued by International Organisation for Standardisation
KPI(s)	Key Performance Indicators
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
LWG	Leather Working Group
LWR	Lost Workday Rate
Manual	Supplier Corporate Social Responsibility Management Manual
Materiality Assessment	Procedures to identify the material issues that are most relevant to the company's daily operations and to our stakeholders
MRS�	Manufacturing Restricted Substances List
MSCI	Morgan Stanley Capital International, Inc.
NDC(s)	Nationally Determined Contributions
NED	Non-Executive Director
NGFS	Network for Greening the Financial System
NPS	Net Promoter Score
OECD	Organization for Economic Co-operation and Development
OHSMS	Occupational Health and Safety Management System
PRC or Chinese Mainland	The People's Republic of China excluding, for the purpose of this ESG report, Hong Kong, Macau and Taiwan
RCP	Representative Concentration Pathway
R&D	Research & Development
Report	2025 Environmental, Social, and Governance Report of the Group

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RMB	Renminbi, the lawful currency of the PRC
S&P CSA	S&P (Standard & Poor's) Global Corporate Sustainability Assessment
SA8000	Social Accountability 8000
SCC	Group's Supplier Code of Conduct
SDGs	United Nations Sustainable Development Goals
SEHK	The Stock Exchange of Hong Kong Limited
SLCP	Social and Labor Convergence Program
SMC	Supplier Management Center
SMETA	Sedex Members Ethical Trade Audit
SSP	Shared Socioeconomic Pathways
TCFD	Task Force on Climate-related Financial Disclosures
The Reporting Period	The financial year ended 31 December 2025
UNGC	United Nations Global Compact
WRAP	Worldwide Responsible Accredited Production
ZDHC	Zero Discharge of Hazardous Chemicals

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