RUN TO GREEN

2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

XTEP INTERNATIONAL HOLDINGS LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)
SEHK STOCK CODE: 1368

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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 8,100 stores.

OUR BRANDS AND DISTRIBUTION NETWORK

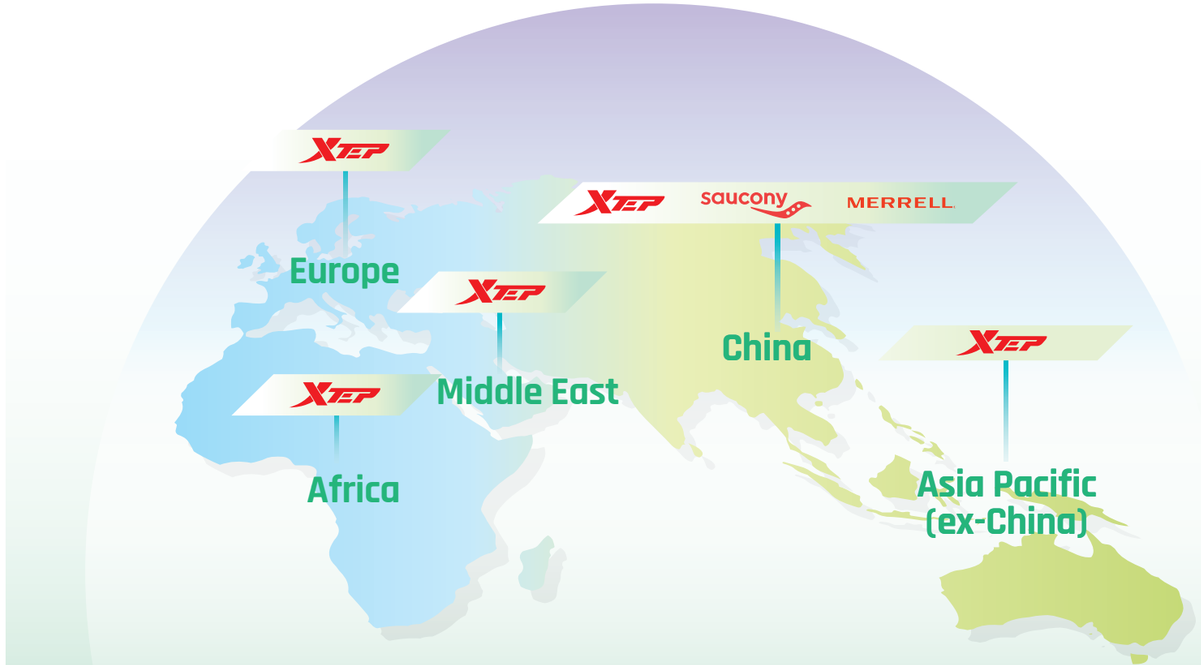
Established in 2001, Xtep is a leading professional sportswear brand with an extensive distribution network of over 6,382 Xtep Adult branded stores, mainly operated by authorized distributors in Mainland China and overseas. Xtep's championship running shoes have ushered in a remarkable era of champions in Chinese marathons, empowering these athletes to shatter records on their extraordinary journeys. As of 31 December 2024, we have helped 95 athletes claim 451 championships.

Xtep also maintained the leading wear rate among the top 100 male and female runners in China for three and two consecutive years, respectively[1], 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



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 2024, in particular the Management Discussion and Analysis section and Corporate Governance Report contained therein.

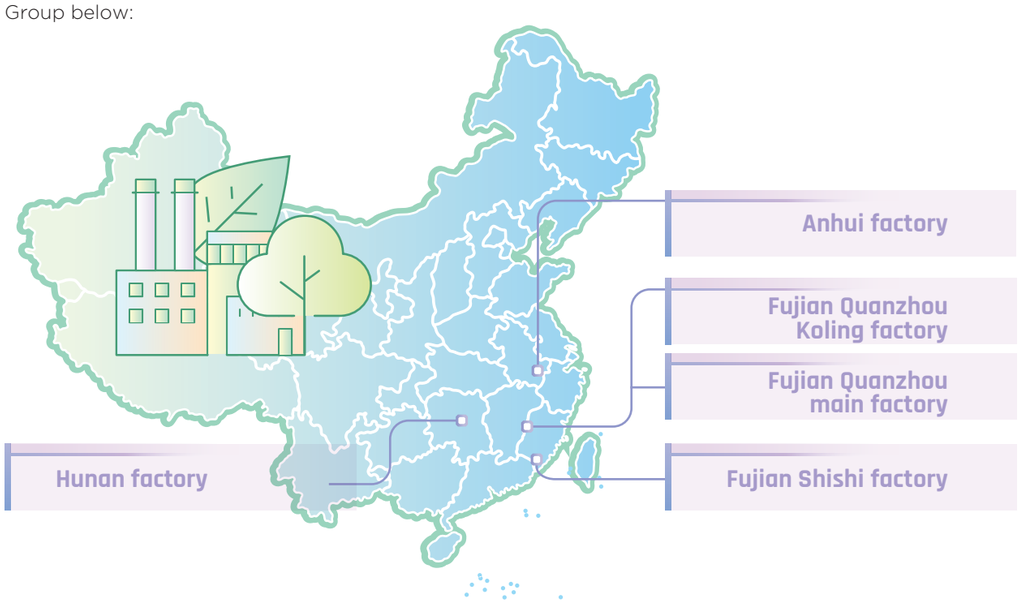
REPORTING FRAMEWORK

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Code ("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 ("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 ("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 2024 (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 and Merrell. The reported ESG data cover the five in-house manufacturing facilities of the Group below:



In order to present a more comprehensive ESG performance, we have expanded the scope of our ESG report to include the Group's innovation Center, which officially commenced operations in September 2024.

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	This Report compiles and discloses quantitative key performance indicators ("KPIs") for evaluating the ESG performance of the Group. Refer to the HKEX ESG Code Content Index in the Appendix for the locations of the KPIs disclosed. Comparative data in 2022 and 2023 are disclosed along with 2024 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.
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

On behalf of the Board, I am pleased to share the Group's 2024 ESG Report. Despite the complexity and changes in the macro-environment, we have always adhered to our core strategy of "Focusing on Running", striving to "Become the Frontrunner in Sustainability".

Establishing a solid ESG framework is critical to the sustainability and creation of value of the Group. At Xtep, we recognize that a robust ESG governance framework is essential for the Group's sustainable development and value creation. During the year, our Sustainability Committee conducted two meetings to discuss and evaluate our sustainability initiatives. This included refining our "10-Year Sustainability Plan" and transforming it into the "2030 ESG Strategy Framework".

Focusing on "Becoming the Frontrunner in Sustainability" as our ultimate goal, we have developed three major sustainability goal systems, namely, protecting the planet, creating a sustainable supply chain and putting people first.

Sustainability covers a wide range of important topics related to our people and planet, and the Group strives to understand which materials are most important to our stakeholders. In 2024, we conducted our first double materiality assessment and identified 23 key issues that are relevant to our business development. These issues align with our existing ESG strategies and targets, further confirming that we are concentrating on the right areas.

We are dedicated to creating a diverse and inclusive workplace where talent can flourish. The Group has introduced a variety of initiatives to support, attract and retain our talents. For example, we have provided more than 711,240 training hours to our employees during the year to equip them with the essential knowledge and skills needed for their success in the workplace. To foster an inclusive environment, we actively seek and value our employee feedback and organized 35 meetings this year with the aim of enhancing employee engagement and allowing them to provide constructive feedback aimed at improving the work environment. We also strive to promote healthy lifestyles and give back to the community we serve. We are proud to have supported 44 marathons and running events throughout China, and donated sportswear and financial contributions exceeding RMB58 million.

The Group recognizes the potential environmental and social impacts within our supply chain and is committed to mitigating these risks through collaboration with our suppliers. We have amended our Supplier Corporate Social Responsibility Management Manual and updated the Supplier Corporate Social Responsibility and Environmental Audit Standards. This revision introduces climate-related bonus criteria to encourage environmental initiatives and provides clearer audit criteria for better understanding and implementation. We also actively engage with our suppliers to enhance their sustainability-related performance. For example, 91 supplier representatives attended our "Supply Chain Social Responsibility and Environmental Compliance Propaganda Sustainable Supply Chain" Conference in August this year. This collaborative dialog has reinforced our commitment to sustainability and served as a vital platform for enhancing our supplier's ESG knowledge.

As climate change poses significant challenges, with extreme weather events becoming more frequent, the Group is committed to proactive measures and refining our initiatives to tackle these issues effectively. This year, we have disclosed our Scope 3 emissions for the first time and conducted a comprehensive assessment of climate-related risks and opportunities. We have also set ambitious carbon emission targets to reduce our absolute greenhouse gas emissions from self-operated areas by 42% by 2030, taking 2020 as our baseline, and are committed to achieving carbon neutrality by 2050. To support this goal, we have implemented various initiatives, such as utilizing solar photovoltaic systems to promote the use of renewable energy and integrated intelligent warehousing solutions to enhance our inventory management to reduce our energy consumption.

In conclusion, I would like to take this opportunity to express my deepest gratitude to our stakeholders for their unwavering support of our commitment to sustainability. Upholding our original aspiration to become a trustworthy national brand for sportswear, we will continue to rely on the lead of our running products to drive our growth of high quality. As we progress, the Group will continue to enhance our commitment to fostering a sustainable future, aiming to generate symbiotic value for all our stakeholders.

Mr. Ding Shui Po
Chairman
03 April 2025

2024 AT A GLANCE

OUR ESG ACHIEVEMENTS IN 2024

Launched the 2030 ESG Strategy Framework that includes quantitative targets for climate action and social impact, designed to drive sustainable growth throughout the entire value chain.

Delivered over **711,240 hours of training** to foster workforce capabilities with enhanced role-specific training programs across all functions.

Introduced **Female Employees Protection System** to safeguard women's rights and advocate gender equity in our workplace.

Sponsored renowned **44 marathons and running events** throughout China during the reporting year, leveraging sports to promote green lifestyles, DEI values and rural revitalization.

Refined the **Supplier Corporate Social Responsibility and Environmental Audit Standards,** introducing climate-related bonus criteria to promote environmental initiatives among suppliers.

Conducted a comprehensive screening of scope 3 GHG emissions, prioritizing key categories for disclosure, with total scope 3 emissions quantified at **1,227,450 tonnes CO_2e**.

As part of an upgrade to existing facilities, our Shishi factory has newly installed solar panels this year, resulting in a **95%** increase in total renewable energy generation compared to the prior year.

SUSTAINABILITY RATING AND RECOGNITION

MSCI ESG Rating

- "A" rating

S&P Global CSA Scores

- Ranked higher than 84% of companies in textiles, apparel and luxury goods in industry

S&P Global Ratings

Southern Metropolis Daily

- 2024 Annual Green Consumption Brand

Yicai China

- 2024 Yicai China Corporate Social Responsibility Ranking Awards — Social Innovation Contribution Award

Wallstreetcn

- Zero Carbon Future ESG Innovation Practice List — Environmental Protection Innovation Case (Earth Day Running Shoes)

KPMG China

- The Second ESG50 Awards • 2024 Sustainable Supply Chain Pioneers

The Chamber of Hong Kong Listed Companies and the Center for Corporate Governance and Financial Policy of Hong Kong Baptist University

- Hong Kong Corporate Governance and ESG Excellence Awards 2024 — Awards of Excellence in ESG — Honourable Mention

Caijing Magazine

- Outstanding Case of Sustainable Development Innovation

Finance.china.com.cn

- 2024 China Enterprise ESG Practice Research • 2024 Annual ESG Brand Influential Enterprise

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.

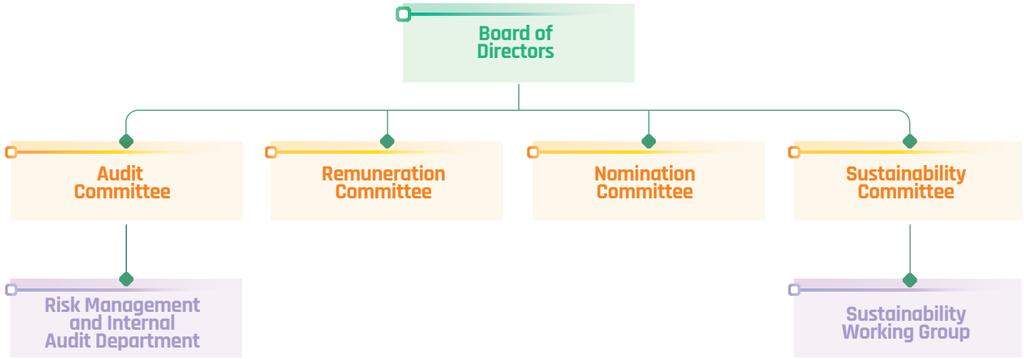
The Board retains the ultimate responsibility for overseeing sustainability issues, and it is supported by the Sustainability Committee (the "Committee") and the Sustainability Working Group. The Committee is chaired by our non-executive director ("NED") Mr. Tan Wee Seng, and with executive directors 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.

Throughout the year, the Group has restructured our sustainability working group, incorporating senior management from various departments and functions. This initiative aims to enhance the promotion and implementation of our ESG strategy and ensure the ongoing development of our ESG-related initiatives.

Structure of Xtep's Sustainability Governance



Board of Directors

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.

Sustainability Committee

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.

Sustainability Working Group

Chaired by an Executive Director, the Sustainability Working Group consists of senior management from various departments and functions. The Sustainability Working 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.

OUR APPROACH TO SUSTAINABILITY

Key ESG governance activities in the year

Between 1 January 2024 and the date of this Report, the Sustainability Committee has held two meetings to discuss and evaluate the Group's sustainability-related initiatives. This included reviewing and enhancing our "10-Year Sustainability Plan" and transforming it to the "2030 ESG Strategy Framework", reviewing and managing the Group's ESG-related risks, establishing our carbon neutrality goals, making a significant step forward in addressing global climate challenges. For further details, please refer to the "Our Sustainability Framework and Initiatives" section.

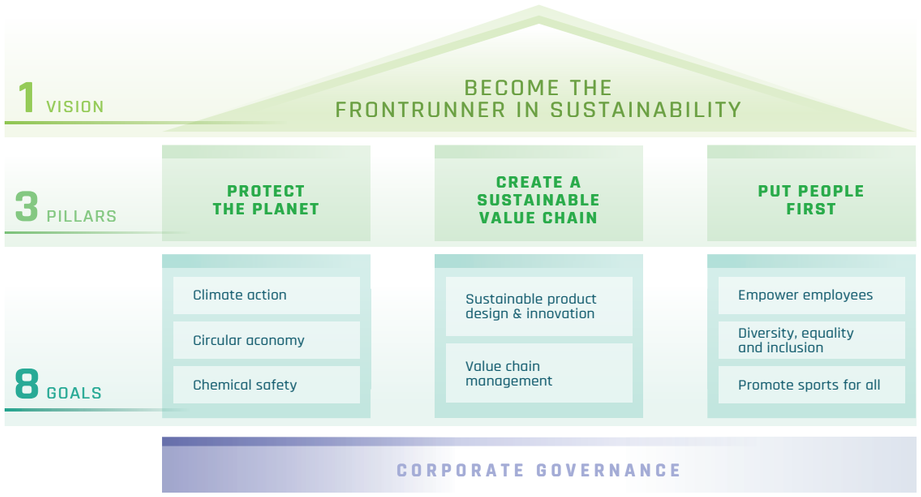
To enhance governance and decision-making, the Group's Board members participated in two training sessions during the year focusing on ESG trends and insights. This ensures they remain informed about evolving regulatory requirements and industry practices. We will continue to explore various training opportunities focused on sustainability and climate-related issues to keep them updated on the latest industry trends and regulatory updates.

OUR SUSTAINABILITY FRAMEWORK AND INITIATIVES

2030 ESG Strategy Framework

ESG issues are a key focus for the Group in its operations and strategic planning as it continuously works to integrate sustainability deeply into corporate growth. In early 2021, our Sustainability Committee set out the "10-Year Sustainability Plan" for 2021–2030, which centers on three main themes: supply chain management, environmental protection, and social responsibilities. This plan emphasizes the Group's long-term commitment to sustainable development through embedding environmental and social priorities into its business model.

Throughout the year, we have reviewed and enhanced our "10-Year Sustainability Plan" and upgraded it to the "2030 ESG Strategy Framework" with the vision of becoming the frontrunner in sustainability. Based on a solid foundation of our corporate governance, the framework focused 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 targets to reach a carbon emissions peak by 2030 and achieve carbon neutrality by 2060, we have incorporated targets to achieve carbon neutrality as part of our climate action on the framework. In addition, the Group has further standardized our chemical management, promoting waste recycling and actively addressing climate change by implementing energy-saving and emission-reduction measures.

To drive a sustainable value chain, the Group strives to use sustainable materials, minimize resource consumption and waste, and request our suppliers to comply with the requirements in the Group's supplier corporate social responsibility management manual. Through these efforts, we aim to strengthen long-term partnerships that contribute to environmental stewardship and social responsibility.

The Group upholds a people-centered philosophy and is committed to creating a healthy, safe and diverse working environment. We also actively promote fitness activities to foster a high-quality development of sports in China. By developing a workplace culture of well-being and inclusivity, we strive to cultivate a supportive workplace 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	Key Areas	2030 Targets	Key Metrics	Progress in 2024		
				Getting Started	Work in Progress	Achieved
Protect Environment	Climate Action	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	Carbon intensity of energy use Scope 1, 2 and 3 carbon emissions		◆	
	Circular Economy	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	Waste sorting and recycling rate Recyclable packaging rate	◆	◆	
	Chemical Safety	Ensure that 80% of Tier 1 and 2 suppliers comply with the Zero Discharge of Hazardous Chemicals ("ZDHC") Alliance Manufacturing Restricted Substances List ("MRSL") Utilize safer materials to replace 10 restricted chemicals	Restricted chemical use		◆ ◆	
Creating a Sustainable Value Chain	Sustainable Product Design and Innovation	50% of products use at least one sustainable material	Proportion of usage of sustainable material		◆	
	Value Chain Management	100% of Tier 1 and 2 suppliers fully meet the Group's fundamental ESG requirements 100% of Tier 1 and 2 suppliers complete their traceability and publicly disclose the results	Supplier management Raw material tracing rate		◆ ◆	
Put People First	Empower Employees	Occupational Health and Safety: Zero fatalities 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% Training and Development: Increase the proportion of key position successors to over 80%	Lost Time Injuries ("LTIs") Serious Safety Events Employee Engagement Performance reviews		◆ ◆	◆
	Diversity, Equality and Inclusion	The proportion of women in the management reaches 40%	Senior management gender diversity		◆	
	Promote Sports for All	Dedicate 1% of annual net income to support sports development in China Sponsor at least 20 road running events each year to support runners in China	Events and athletes' sponsorship			◆ ◆

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. As part of the global community, we acknowledge our responsibility to create a positive impact by supporting the United Nations SDGs. These goals provide a roadmap for businesses, governments, and societies to work towards a more sustainable future by 2030.

The Group has 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
Protect the Environment	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION	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.
Creating a Sustainable Value Chain	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	The Group's *Supplier Corporate Social Responsibility Management Manual* outlines our criteria for supplier screening and monitoring to ensure our suppliers operate in accordance with sustainable practices.
Put People First	1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH	Our *Staff Handbook* 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.

During the year, we strengthened our commitment to corporate sustainability by becoming a participant member of the United Nations Global Compact, and are committed to the ten principles covering human rights, labor standards, environment and anti-corruption. This commitment not only aligns with our sustainability values but also underscores our dedication to responsible and ethical business practices.

[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 understand the necessity of continuous improvement to adapt to the ever-changing market demands. Driven by the establishment of new industry standards and technological advancements, we are committed to fostering collaboration with our industry peers to enhance and promote sustainability across the value chain.

As one of the members of the China National Textile and Apparel Council, we participated in its "30 · 60 China Fashion Brand Climate Innovation Carbon Neutrality Acceleration Plan" to promote the industry's development of carbon neutrality.

The Group has also attended the Road Races Sustainability Forum, the first-ever all-day event dedicated to sustainability organized by a World Athletics Label Race. During the event, the Group's Chairman and Chief Executive Officer Mr. Ding Shui Po has delivered a keynote speech with the theme of "Running for Sustainability", emphasizing the Group's contribution in the field of road running and sustainable development. The Group will continue to promote sustainability and green product innovation and run towards sustainability with Xiamen Marathon.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group places great emphasis on identifying and managing our material topics, as they are fundamental to informing our ESG management and approaches. As such, we actively engage with our key stakeholders to understand their views on different issues and respond to their feedback and expectations.

During the year, the Group conducted our first double materiality assessment to help us recognize risks and opportunities that are significant from both a financial and non-financial standpoint, hence supporting the development of our ESG targets. The exercise enabled the enhancement of report disclosures to focus on topics that are the most material to the Group and our stakeholders, as well as allocating resources in prioritized areas to drive our sustainability processes.

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	• Employment and Welfare • Employee Engagement and Development • Health and Safety • Labor Rights • Diversity and Inclusion	• Employee Health Examinations • Employee Activities • Employee Congresses • Labor Union Activities • Internal Communication Tools • Employee Training • Employee Feedback System • Employee Satisfaction Surveys
Government and Regulators	• Business Ethics • Data Protection and Privacy • Operational Compliance	• Organization Inspections • Policy Implementation • Information Disclosure • Actions to Address Climate Change • Irregular Environmental Monitoring
Investors and Shareholders	• Climate Change • Energy Management • Supply Chain Management • Business Ethics	• General Meeting • Financial Report • ESG Report • Performance Report • Roadshows • Research • Online Conferences

Stakeholders	Focus Areas	Key Engagement Channels and Mechanisms
Customers and Consumers	• Product Quality and Safety • Product Green Innovation • Advocating Sports Development • Data Protection and Privacy	• Product Exhibition • Reciprocal Visits • New Product Launch Conferences • Customer Research • Technical Workshops • Customer Service Hotline
Suppliers and Business Partners	• Supply Chain Management • Raw Material Traceability	• Supplier Management Platform • Supplier Training • Supplier Audits • Online Communication • Irregular Visits • Academic Seminars • Industry Exhibitions and Training
Media	• Climate Change	• Official Website • Press Release • Social Media Engagement • Industry Exhibitions • Industry Seminars
Professional Athletes	• Product Quality and Safety • Product Green Innovation • Advocating Sports Development	• Equipment Sponsorship • Reciprocal Visits • New Product Launch Conferences • Technical Workshops
Community and the Public	• Social Contribution and charity	• Community Events • Interviews • Community Volunteer Service Activities • Public Welfare Projects

Double Materiality Assessment

During the year, the Group followed the materiality assessment principles outlined in HKEX ESG Code and Sustainability Accounting Standards Board ("SASB") standards and conducted a double materiality assessment that considered financial and impact materiality. The assessment process involves assessing the sustainability impact of our actions on the broader world and understanding how sustainability-related issues may influence our business performance. It also examines how these factors could shape our future strategic direction.

OUR APPROACH TO SUSTAINABILITY

The double materiality assessment evaluates impact materiality, which assesses the Group's impacts on the economy, environment and society, and financial materiality, which assesses ESG topics that could create or erode our enterprise value. The process of the assessment consists of five stages and is summarized as follows:

STEP 1: Universe of Topics Review

Identify corporate background information such as geographic location, business activities and relationships. Combine this with policies, regulations, industry practices, and stakeholder opinions to determine potential ESG materiality issues.

STEP 2: Research and Engagement

Our employees, suppliers, investors, and other stakeholders completed online surveys regarding impact materiality. Research and stakeholder interviews were conducted to further discuss our impact and financial materiality areas.

STEP 3: Significance Assessment

Based on the survey results, assess the impact and financial significance and further engage with our employees, impact and finance experts, investors, and other stakeholders.

STEP 4: Topic Analysis and Prioritization

Analyze impact and financial materiality from a double materiality perspective for topic prioritization.

STEP 5: Results and Approvals

Summarize and consolidate the review's results and recommendations. Consult with internal stakeholders to validate the final conclusions. Finalize double materiality matrix with management reviews and approvals.

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 material issues we have identified are aligned with our current ESG strategies and targets, further validating that we are focusing on the right areas.

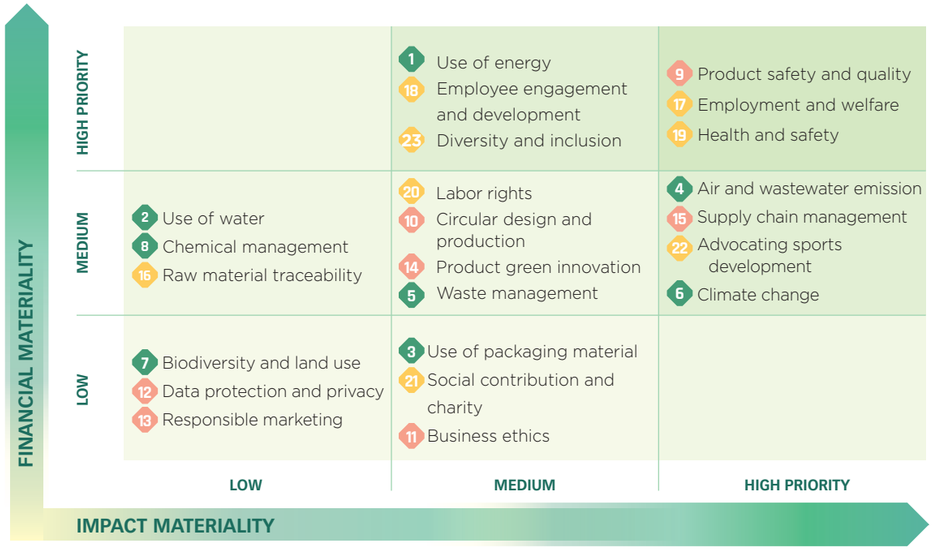
The results revealed that social-related issues were considered more material than environmental, and the top three highest-ranking issues are product quality and safety, employment and welfare and health and safety.

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.

OUR APPROACH TO SUSTAINABILITY

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



Environment	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	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	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

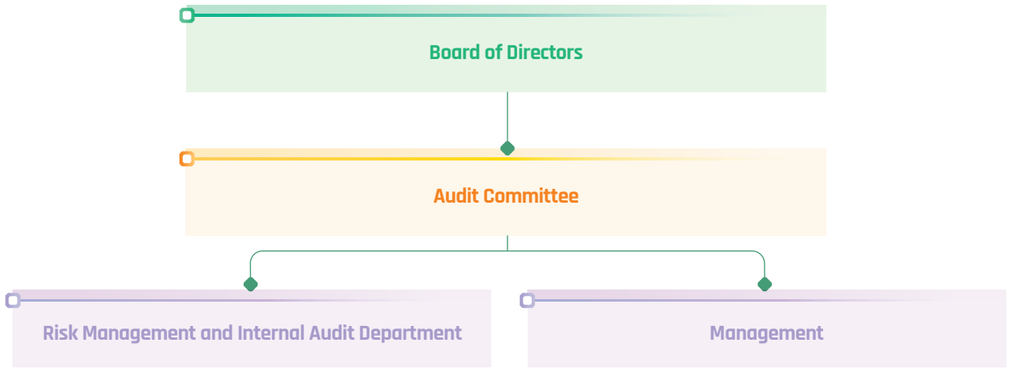
RISK MANAGEMENT AND INTERNAL CONTROL

Risk management is embedded in our operations and decision-making processes. To ensure robust risk management, 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 risk governance organization structure

Structure of Xtep's risk governance organization



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

Board of Directors	Audit Committee	Risk Management and Internal Audit Department	Management
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 and risk management system and oversees the overall design, implementation and supervision of the risk management system and internal control system.	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.	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.	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

We have implemented a risk governance organization structure with defined roles and responsibilities to address and manage risks effectively. Our processes for identifying, assessing and managing material risks are summarized as follows:

Risk Identification

Identifies risks that may potentially and materially affect its strategies, business, operations and finances.

Risk Evaluation

Evaluates the identified risks by using the designated risk assessment criteria developed by management;

Evaluates the potential impacts and the likelihood of their occurrence.

Risk Response

Prioritizes the material risks by comparison of the risk assessment results;

Determines the risk control strategies and internal control processes to avoid, prevent or mitigate the identified risks.

Risk Reporting and Monitoring

Reports the results of risk management to the Board, the Audit Committee and management regularly;

Continuously monitors the identified risks and ensures that internal control system processes are conducted appropriately;

Reassesses the risk control strategies and internal control processes in case of any material changes in business and the external environment.

BUSINESS ETHICS

Maintaining high standards of business integrity and transparency is essential for earning stakeholders' trust and protecting the Group's reputation. To this end, we have established relevant policies and measures to ensure adherence to the highest standards of business ethics.

We have implemented a *Management Compliance Investigation and Accountability System* to standardize handling mechanisms, ensuring significant compliance issues or misconduct in management and operations are addressed appropriately. Additionally, during the year, we provided business ethics training for our salespersons, contractors, suppliers and all employees and required our employees to sign the Employee Integrity Pledge, reinforcing awareness of anti-corruption measures and promoting a culture of integrity.

ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

In recent years, the Group has shared real internal case studies to illustrate potential ethical dilemmas and their appropriate resolutions. This approach helps employees better understand how such situations may arise in their daily work and how to address them effectively.

Internal audit

Our Internal Audit Department is responsible for carrying out internal audit functions annually, including evaluating the effectiveness of the Group's risk management and internal control systems, and reporting regularly to the Audit Committee. The Board and the Audit Committee oversee resource allocation to ensure that the Risk Management and Internal Audit Department is provided with sufficient budget and manpower to fulfill its internal audit responsibilities.

Training programs are offered to qualified employees with expertise in maintaining internal audit quality, equipping them with the necessary skills and capabilities to uphold high standards of internal audit performance.

Compliance management

The Group has implemented preventive, monitoring and controlling measures to ensure compliance with relevant business operation laws and regulations. During the reporting period, the Group complied with all code provisions and, where appropriate, adopted the best-recommended practices as set out in the Corporate Governance Code, except code provision C.2.1 (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 and three independent non-executive directors and has a vital independence element in its composition.

Anti-corruption

The Group adopts a zero-tolerance approach to corruption, bribery, extortion, fraud, and money laundering. An *Anti-fraud Management System* has been established to identify, report, and address fraud risks in operations. Guided by national policies such as the *Basic Norms for Internal Control* and *Guidelines for Application of Enterprise Internal Controls*, we have developed our *Anti-corruption Policy*, *Anti-fraud Management System*, and *Code of Integrity*, which clearly outline expectations for all employees. Risk assessments are conducted regularly to identify vulnerabilities within key business operations.

Anti-corruption training is provided to employees to ensure they fully understand the expectations and principles outlined in our policies. The training is conducted regularly and shared online with employees for accessibility. For further details, please refer to the *Anti-fraud Management System* published on the Group's official website. In 2024, we are not aware of any material non-compliance on corruption, bribery, extortion, fraud and money laundering.

ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

We also recognize the importance of promoting these values throughout the supply chain. All suppliers are required to sign the *Incorruptible Cooperation Agreement* and commit to adhering to our standards on issues such as bribery and fraud. For more information, please refer to the section — *Supplier Assessment and Management* for our approach to supply chain management.

Conflict of interest

Transparent communication of expectations and robust policies enable us to prevent, identify, and effectively mitigate any potential, perceived, or actual conflicts of interest within our operations and across the value chain. The Group has implemented the *Employee Conflict of Interest Declaration Management System*, which requires employees to submit regular declarations, allowing the Group to make improvements based on the findings from the submitted results.

Our *Anti-Corruption Policy* also outlines the professional and ethical standards employees must adhere to in all business transactions. All employees are required to regularly report any potential conflicts of interest. Additionally, our *Supplier Code of Conduct* sets out our expectations and requirements for all suppliers, ensuring their operations align with our ethical standards.

Whistleblowing policy

To prevent potential misconduct within the Group and its supply chain and to ensure operations adhere to the highest ethical standards, we have established a whistleblowing system. This system allows 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 of whistleblowers' identities and related records. Whistleblowers are protected from any form of retaliation, such as unjust dismissal or unwarranted disciplinary action, as detailed in our *Anti-fraud Management System*. All reports are subject to thorough and proper review and investigation.

In 2024, no whistleblowing report was received from the whistleblowing channels.

ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

Responsible marketing

We are committed to building meaningful connections with customers through transparent and ethical practices. Whether through product advertising or community initiatives, we are dedicated to accurately representing our offerings, considering sustainability, and earning stakeholders' trust.

We strictly comply with relevant laws and regulations, including 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* to protect consumer rights and promote the healthy development of the advertising industry. We ensure that all promotional activities and statements across various channels are accurate and do not exaggerate the functions or ESG attributes of our products.

In 2024, no violations related to advertising or labeling of the products and services we provided were identified.

Data security and customer privacy protection

As a company handling a significant amount of customer information, we recognize our responsibility to protect customer data and privacy. In compliance with laws and regulations, including the *Cyber Security Law of the People's Republic of China* and the *Personal Data (Privacy) Ordinance of Hong Kong*, we have established policies such as the *Information Security Confidentiality System*, *Information Security Training Management Standard*, *Group Information Security Management Policy* and *Anti-Virus Management Standard*. These policies ensure that customer data is collected, stored, used, and protected in an ethical manner.

We have a top-down governance structure for information security, with an Information Security Steering Group responsible for approving the Group's information security policies. The management team oversees the implementation of these policies to ensure they are effectively carried out.

Our commitment to data security and customer privacy is formally outlined in our Data Governance Policy, which is based on the following core principles:

ADVOCATING BUSINESS ETHICS AND VALUING INTEGRITY

Continuous awareness training is one of our key approaches to protecting customer privacy. We regularly broadcast information security awareness messages in public areas to emphasize the importance of cybersecurity across the organization. Additionally, we conduct training sessions every six months to ensure employees fully understand the significance of information and cybersecurity.

To prevent IT system interruptions and cyberattacks, we operate a 24/7 network and information security monitoring system equipped with automated and manual alert mechanisms to respond promptly to any security issues. We also regularly back up all business data to prevent data loss and conduct bi-annual data recovery tests to evaluate our restoration procedures. Furthermore, we perform annual security drills and risk assessments, including penetration testing and phishing simulations, to proactively identify vulnerabilities and strengthen our security posture and incident response capabilities in today's ever-evolving threat environment.

We remain committed to continuously enhancing data security measures to meet the latest regulatory requirements and reflect the expectations of our stakeholders.

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 2024, targeting key departments including product development and research and development ("R&D"). As of 31 December 2024, the Group has been granted 2,021 patents.

A dedicated team actively monitors potential infringements and enforces preventive measures. In 2024, we have conducted 2,232 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 RMB25 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 that our employees are key drivers of our continuous innovation and success. We understand that supporting employee well-being and providing opportunities for their growth are essential for achieving long-term business growth. To support open communication and active participation in our daily decision-making, we are committed to creating a workplace that is diverse and inclusive, where every individual can thrive in an environment of fairness and respect.

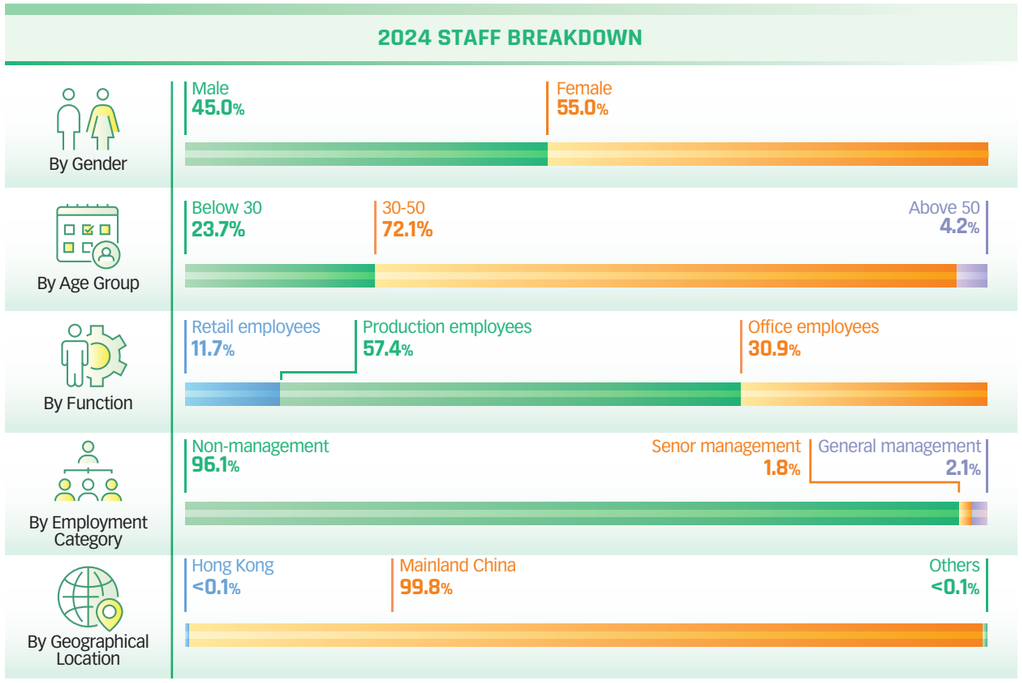
As a responsible corporate citizen, we keep contributing positively to the society. We support charitable initiatives through in-kind donations, monetary contributions, and by encouraging employee involvement in volunteer activities. These efforts reflect our dedication to giving back to the communities where we operate and to making a meaningful and lasting impact on the people we serve.

SUPPORTING THE GROWTH AND WELL-BEING OF OUR PEOPLE

Our approach to employee management is centered around attracting and retaining talent, achieved through competitive remuneration, extensive training opportunities, and fostering a caring and supportive corporate culture. These efforts are designed to create a safe, positive, and growth-oriented work environment for all employees.

Staff portfolio

Our group's development relies on skilled and capable employees. As of 2024, we had approximately 8,900 employees and the breakdown is as follows.



FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Talent retention

The Group strictly adheres to the *Labor Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China*, ensuring fairness and consistency in recruitment and employment practices. 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 19.2%, below the target rate of 30%, demonstrated our efforts of retaining talents.

In terms of compensation and benefits, we have implemented fair and competitive systems to ensure that salary levels exceed the local minimum wage standards. Salary determination is based on factors such as tenure, experience, scope of work, performance, and market conditions, with regular reviews of market salary data and annual salary adjustments to maintain the reasonableness of our compensation packages. We have introduced equity incentive plans, with incentive policies covering all general employees, aiming to motivate and reward staff career development within the company. Additionally, we offer salary adjustments for high-performing employees to recognize their exceptional contributions.

We have established a mature performance management system to evaluate employee performance, which serves as the basis for promotions and salary adjustments. As part of the performance system, regular discussions between employees and supervisors are conducted to gather feedback, which is crucial for enhancing employees' performance and aligning individual goals with organizational objectives. This year, 35 meetings were held to promote internal communication and foster collaboration, resulting in improved employee engagement and stronger teamwork. We introduced an online platform named "X-TALK" to provide a channel for frontline employees to share their perspectives, enabling us to gain deeper insights into their experiences. Additionally, we enhanced our performance-based incentive structure by revising the bonus calculation methodology, allowing high-performing employees who exceed their targets to receive increased rewards.

Employee turnover in 2024

by Gender

Male	18.8%
Female	19.9%

by Age Group

Below 30	32.1%
30-50	16.2%
Above 50	10.0%

by Geographical Location

Hong Kong	11.8%
Mainland China	19.2%
Others	0.0%

[3] The reported turnover rates exclude the factory piecework employees.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Communication session for new graduate employees

Considering the needs of new graduates upon joining the company, Xtep organized communication sessions for newly recruited graduate employees. These sessions aim to address their queries and facilitate their integration into Xtep's corporate culture.

Roundtable discussion with outstanding leadership program participants

The Group invited outstanding participants from its leadership development program at both director and manager levels to participate in roundtable discussions. These discussions provide a platform for sharing insights, reinforcing learning outcomes, and fostering a collaborative learning environment within the Group.

We have implemented an employee job grading system to define the levels, titles, and job descriptions for each position, resulting in improved operational efficiency and productivity. In addition, we have updated our recruitment management system and introduced a refined internal mobility framework to support talent retention and enhance recruitment efficiency. Our focus is on fostering a fair, transparent, and engaging work environment, aligned with the Group's long-term development objectives.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Child and forced labor

The Group is committed to creating a supportive and respectful working environment that enables all employees to perform at their best while strictly adhering to relevant laws and regulations to safeguard employees' fundamental rights. We firmly oppose child labor and forced labor, with specific provisions outlined in the *Staff Handbook*. During recruitment and onboarding processes, stringent checks and control procedures are implemented to prevent the employment of minors. Regular reviews of employment practices are conducted to ensure fairness and legality. No material violations of labor standards or related laws and regulations were identified during the reporting period.

Furthermore, our commitment to ethical labor practices extends beyond our own operations to encompass supply chain management. In 2024, we revised the *Supplier Corporate Social Responsibility Manual*, focusing on assessing potential and existing suppliers based on their compliance with fundamental labor rights and the standards of accommodation and catering services provided to employees. No instances of child labor or forced labor were identified in supply chain assessments during the reporting period. Further details regarding supplier management can be found in the section — *Supplier Assessment and Management* of this Report.

Number of incidents of child or forced labor in our supply chain in 2024:

0

Labor health and safety

In 2024, the Company continued to prioritize the protection of employees' health and safety by implementing a robust Occupational Health and Safety Management System ("OHSMS") and strict management measures to effectively mitigate occupational health and safety risks. During the reporting period, the Company successfully renewed its ISO 45001:2018 certification for the OHSMS and strictly adhered to relevant laws and regulations. Standardized operating procedures and work guidelines were established to provide clear guidance for employees. The Company also set targets, standardized procedures, and emergency response plans for identified risks to promptly eliminate potential safety hazards.

In terms of occupational health and safety management, the Company adopted a range of proactive measures. In May 2024, the annual occupational disease status monitoring was completed, and in April 2023, a triennial occupational disease status assessment was conducted. The Company identified safety risks across different environments, machinery, and equipment, and implemented a dual prevention mechanism that focuses on risk grading management and control of safety risks. The results of the occupational disease and safety risk identification for the year met relevant requirements, and no significant safety risks were identified through the Likelihood Exposure Consequence method. Additionally, the Company organized a comprehensive health examination for all employees in May 2024 to identify potential health issues proactively.

To improve the working environment, the Company replaced the activated carbon in the production exhaust system in November 2024, newly installed four automated laser cutting machines, and renovated the factory restrooms to reduce safety hazards associated with manual operations. These efforts aimed to provide employees with a safer and more comfortable working environment. During the reporting period, the Company achieved a general hazard rectification rate of 99%, a major hazard rectification rate of 100%, and fewer than three instances of "three-violation" (Violation of command, illegal operation, and violation of labor) per year, with a 100% rectification rate. Employees in key positions achieved 100% compliance with personal protective equipment usage, safety training notification rates for relevant parties, and integrity rates of equipment. The working and living conditions of employees met national industrial hygiene standards, and the Company conducted at least three emergency response drills throughout the year.

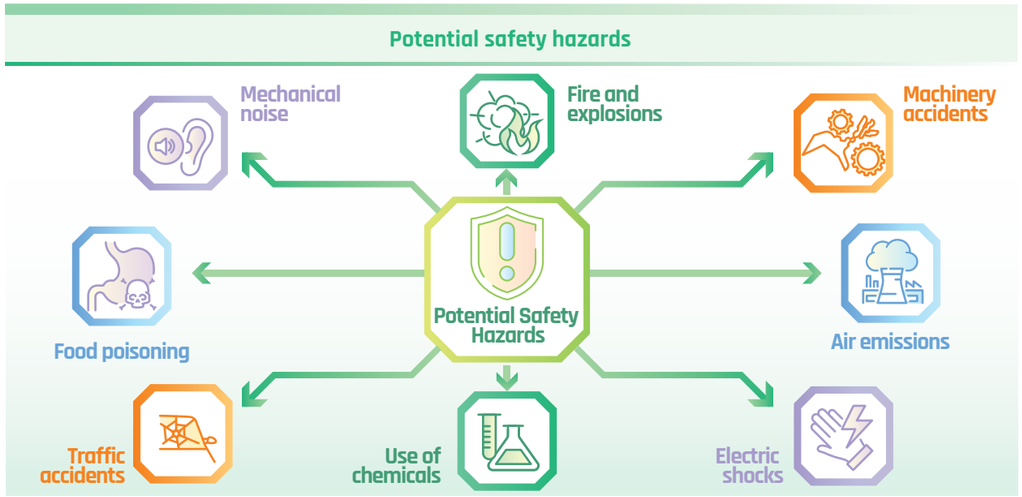
FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

The Company places great emphasis on daily safety management, with professional health and safety officers conducting on-site inspections during each work shift to ensure employees strictly follow safety protocols during production. Additionally, the Company uses notice boards and LED screens to educate employees on the latest laws and regulations related to fire safety, food safety, and workplace safety, reinforcing safety awareness. During the reporting period, no incidents occurred that violated laws and regulations and had a significant impact on the Group.

In terms of equipment management, the Company regularly maintains and upgrades special equipment, fire safety equipment, surveillance systems, and machinery to provide employees with necessary protective gear. The Company also established a Safety Production Committee, which convened four major safety-themed meetings in 2024, including quarterly Major Hidden Danger Investigation and Rectification Meetings and an annual Safety Production Meeting. Furthermore, the Company conducts a comprehensive assessment of occupational hazards in facilities and operations every three years and performs annual inspections to identify occupational risks.

In 2024, the Company reported 39 workplace-related accidents, the majority of which occurred during commuting rather than within the workplace itself. All incidents were promptly reported to the relevant authorities for occupational injury assessment and proper follow-up. The Company deeply regrets the unfortunate incidents that occurred during the reporting period. We have offered our condolences and support to the families and employees affected instantly. To learn from these incidents and drive continuous improvement, the Company has taken the following proactive measures:

- Enhanced safety training: Comprehensive safety awareness training has been conducted for all employees, particularly focusing on commuting safety and workplace operating procedures.
- Improved working environment: A thorough inspection of the workplace and equipment has been carried out, and safety facilities have been upgraded to minimize potential risks.
- Refined emergency response mechanisms: More efficient emergency response plans have been established to ensure swift actions and support during emergencies.
- Risk assessment: A risk identification process has been implemented for similar production equipments, with a detailed checklist produced for continuous risk management.



FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Occupational health and safety performance in 2024[4]

- 1 Work-related fatality (2022–2023: 0)
- 39 Work-related injuries
- 1,547 Lost days due to work-related injuries

Employee's health and well-being training

To maintain a high level of health and safety awareness, we undertake regular emergency drills to ensure our staff are equipped with abilities to respond appropriately to incidents, thereby strengthening their preparedness and identifying potential gaps in our emergency plans. Additionally, we reinforce safety consciousness and knowledge through a range of training initiatives, including induction safety education for new joiners, annual safety refresher training for all employees, and specialized training for those working with hazardous materials.

During the reporting period, we strictly implemented our safety management systems, achieving 100% coverage for specialized training and health screenings for specific workers, and safety education for new hires. Furthermore, we ensured 100% compliance with certification requirements for special operations workers and 100% inspection rates for special equipment.

Our management team conducts regular reviews of incident cases to identify root causes and implement preventive measures, driving continuous improvement in safety management. Additionally, we provide supplementary occupational health assessments for employees working in high-risk positions to monitor their health status.

Beyond occupational health and safety, we are committed to supporting the overall health and well-being of our employees. This includes providing annual free health examinations to help identify potential health issues. We also offer necessary psychological support services to assist employees in maintaining good mental health. To further enhance employees' overall wellness, we have introduced health awareness training programs, covering topics such as cold prevention and emotional management, to promote a culture of health and well-being within the organization.

Training and development

To foster a skilled, capable, and culturally aligned workforce that supports the Company's sustainable growth, the Group has invested in extensive training and upskilling opportunities for our employees. Our approach focuses on enhancing employees' professional expertise, leadership capabilities, and cultural alignment, ensuring that individual growth aligns with our long-term objectives. During the reporting year, 100% of our employees have undergone training sessions.

Overall trainings for the Group in 2024

- Total courses offered: 2,167 courses
- Total training hours: 711,240 hours
- Total number of people trained: 16,025 employees and non-employees[5]

[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.

[5] Including employees, contractors and employees who left the Group during the reporting period.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Average training hours in 2024

By Gender

Female **62.3** hours | Male **37.1** hours

By Employment Categories

Senior management	115.7 hours
General management	184.6 hours
Non-management	72.8 hours

By Function

Retail employees	236.6 hours
Production employees	22.0 hours
Office employees	90.6 hours

Xtep's talent development framework is centered around three core pillars: leadership, professional expertise, and cultural alignment, offering employees diverse and customized learning pathways. This year, we achieved a total training duration of 711,240 hours.

- 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, aiming 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

- Professional Expertise Development: 294 courses
- Leadership Development: 1,650 courses
- Cultural Alignment: 223 courses

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Enhanced Navigator Program

In 2024, Xtep Group partnered with Xiamen University to enhance its Navigator Program, a leadership development initiative aimed at improving strategic planning, innovation, and management capabilities among senior executives. The Program combines theoretical instruction with practical case studies, focusing on market trend analysis, production and sales process optimization, and strategic formulation. This collaboration is expected to improve supply chain and sales efficiency by 10-15%, elevate management standards, foster innovation, and cultivate a culture of continuous learning and adaptability for sustainable growth.

Xtep's First AI Design Competition and Innovation Camp

Xtep actively follows advancements in cutting-edge technologies and promotes the application of AI within the industry. In 2024, Xtep launched its inaugural AI Design Competition, combining technical empowerment with innovative practices to inspire employee creativity and explore AI applications in design.

The three-week initiative included pre-event research interviews, tailored workshops, and thematic practice assignments, enabling employees to enhance their skills through hands-on experience. This program not only fostered technical proficiency but also encouraged continuous learning and innovation, aligning with Xtep's commitment to leveraging technology for competitive advantage.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Alignment Program for Shared Core Values

Since 2023, Xtep Group has implemented the Alignment Program for Shared Core Values, a cultural training initiative designed to unify the team and clarify action standards to address collaboration efficiency. In 2024, the program expanded to five regions, including Xiamen and Quanzhou, with 30 training sessions attended by over 1,600 employees, led by 16 professional facilitators.

The curriculum focuses on four core values: "Perseverance", "Innovation", "Integrity", and "Collaboration". Through this program, participants gained a deeper understanding of the Company's culture and learned to integrate these values into daily work.

To ensure effective learning, Xtep continuously improves its online platform, offering various resources and targeted programs. In 2024, the platform has recorded over 3,386 active learners. Additionally, our ongoing collaborations with Beijing Institute of Fashion Technology and Fuzhou University continued to nurture talents within the footwear and apparel industry. We will continue to actively engage with educational institutions to identify and attract promising candidates with technical skills and potential. Our goal is to increase the proportion of first successors to key positions to over 80%.

Active learners on the Xtep online training platform in 2024:

3,386

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Employee's engagement, leisure and welfare

We are committed to fostering a comprehensive support system for our employees, aiming to enhance their overall well-being. In addition to improving existing benefits such as statutory insurance, paid leave, and regular health examinations, we have expanded our welfare programs to include medical subsidies, catering to the diverse needs of our workforce. Furthermore, we have established an Employee Mutual Fund to provide timely financial support to employees facing unforeseen difficulties, helping them navigate challenging circumstances with greater ease.

In our workplace, we have introduced dedicated facilities such as lactation rooms for working mothers, fitness centers, and an employee care studio, all aimed at promoting physical and mental health. To accommodate varying work-life needs, we have implemented flexible working arrangements, enabling employees to work remotely or work from home when necessary, thereby better balancing their professional and personal responsibilities. Additionally, we have extended family visitation leave for out-of-town employees, further supporting their work-life harmony.

To enrich employees' daily experiences, we provide access to a well-stocked canteen offering nutritious and appealing meals, as well as fully equipped dormitories.

Xtep Sunshine Children's Home

At Xtep, we extend our care to employees' families. Beyond assisting with children's education, we opened the Xtep Sunshine Children's Home last August, featuring learning areas, play zones, a piano room, and rest spaces. This multifunctional facility offers after-school care, academic support, recreational activities, and interest development for over 100 pre-school-aged children of our employees, creating a nurturing environment for their growth and well-being.

Employee Health and Wellness

To support employees in maintaining a healthy work-life balance, we offer free access to our fitness center from 5:30 PM to 8:00 PM on workdays. Recognizing the importance of physical health for both individual development and alignment with our company's athletic culture, we encourage regular exercise. Additionally, our employee care studio provides scientifically-based psychological support and counseling services, offering employees a platform to address personal challenges and maintain emotional well-being.

Cultivating a Supportive Corporate Culture

We strive to build a culture of inclusivity and belonging through various initiatives. Our "Sunshine sharing" sessions provide a platform for employees to exchange inspiring stories, celebrate achievements, and strengthen team cohesion. We also promote active lifestyles through running clubs and other interest groups, enriching employees' leisure time. Thoughtful gestures, such as birthday gifts, further demonstrate our commitment to employee well-being. Moreover, we celebrate key dates such as International Women's Day, Mother's Day, and Father's Day with special events, reinforcing our values of family, gratitude, and inclusion. These efforts reflect our dedication to creating a workplace where employees feel valued, supported, and motivated.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Diverse Festival Celebrations

Dragon Boat Festival activities

Xtep celebrates traditional festivals to immerse employees in China's rich cultural heritage. During the Dragon Boat Festival, we distributed Zongzi, a traditional delicacy, allowing employees to experience the joy and warmth from it.

International Women's Day activities

On International Women's Day, we highlighted female empowerment and celebrated women's contributions to our organization. Through engaging activities, we aimed to foster a sense of recognition and pride among female employees, aligning with our commitment to gender equality and diversity.

Thanksgiving Day activities

During our Thanksgiving Day events, we encouraged employees to express appreciation for one another, fostering a culture of respect and recognition within the organization. These activities reinforce our belief in the importance of acknowledging and valuing each employee's contributions.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Diversity, equity and inclusion

Our Group places great emphasis on fostering a culture of DEI, which is realized through systematic policies and practices. We have clearly outlined relevant policies in our *Staff Handbook* and implemented a range of DEI measures to ensure equal employment opportunities for all employees. Additionally, we are committed to increasing the representation of women in leadership roles. In 2024, we officially introduced the Group-wide *Female Employees Protection System*, which safeguards the legitimate rights and interests of female employees across multiple dimensions, including employment, health care, workplace environment, and prevention of sexual harassment. This initiative aims to promote gender equality and create a respectful, equitable, and caring work environment.

Employee's feedback is a cornerstone in shaping a diverse and inclusive workplace. We conduct two satisfaction surveys annually to gather insights on HR and administrative functions. Furthermore, we uphold employees' legal rights to collective bargaining and freedom of association. Currently, over 4,600 employees in Xiamen and Quanzhou have joined the Company's union. To ensure fairness and transparency, we have established multi-tiered management teams to facilitate effective communication and coordination between different levels of the organization. Additionally, we have formed a dedicated review panel, comprising HR representatives, complaint supervisors, and representatives from relevant departments, to conduct impartial and comprehensive assessments of employee grievances. This mechanism is designed to protect the rights of all employees and foster a fair, inclusive, and respectful work environment.

Female management ratio:

37%

(including general and senior management)

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

CONTRIBUTING A POSITIVE IMPACT TO OUR SOCIETY

We fully understand that sustainable development is driven by fulfilling social responsibility. Therefore, our Group has consistently been dedicated to implementing initiatives that promote sustainable growth and meet societal needs, bringing positive impacts to the communities where we operate. Looking ahead, we will continue to leverage our corporate strengths to actively participate in charitable activities.

Promoting sports and active lifestyles

Xtep is committed to enhancing social well-being and making strategic investments in the communities we serve. We invigorate communities and promote healthy lifestyles through initiatives such as sponsoring marathon events, which encourage residents to adopt an active lifestyle through recreational running.

Xtep Running Club

The Xtep Running Club serves as a professional one-stop destination for runners, integrating events, social interactions, equipment, and services. It is dedicated to delivering tailored and considerate support to runners nationwide. As of 31 December 2024, there were 72 Xtep Running Clubs across Mainland China, creating value for over 2.2 million Xtep Runners Club members. Our club aims to integrate running into everyday life, offering expert services to enhance and enrich the running experience.

Running along the Canal

Since 2023, Xtep Runner has organized significant running events annually, "2023 Run the Canal" and "2024 Run the Yellow River", demonstrating corporate social responsibility and social value.

Running along the Yellow River

Over the course of 81 days, more than 60,000 participants ran through 30 cities in eight provinces, covering a total distance of 5,500 kilometers to reach the Yellow River estuary. Through exploring Yellow River culture, the event embodied the principle of healthy running and public welfare promotion, infusing energy into the cultural tourism development of cities along the Yellow River and underscoring Xtep Runner's social responsibility and commitment to its mission.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Xtep Kids

As a professional brand that focuses on children's sports apparel, Xtep pays close attention to the healthy growth of children. We organize family sports events, sponsor family running activities, and advocate for the importance of children's physical development. Scientific and professional sports equipment is essential for children's physical development, and Xtep Kids collaborates with Tsinghua University to host forums focused on the healthy growth for Chinese children, aiming to advance research related to children's growth. Additionally, we emphasize nurturing children's interest in sports by donating to the construction of street dance studios, supporting street dance education programs, and sponsoring charity events showcasing street dance achievements.

Xtep Kids Street Dance Game

Xtep Kids continues to collaborate with the Street Dance Committee of the China Dancers Association to organize children's street dance activities and competitions, including the 2024 Xtep Kids BDS World Kids Street Dance Game. Xtep Kids serves as the official sports brand for the event, providing professional support and equipment to promote the healthy growth of young participants.

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Merrell and Saucony

As professional sports brands, Merrell and Saucony actively organize and sponsor various outdoor activities to promote sports culture and seek collaborations to enhance their brand influence. In 2024, Merrell sponsored the Xiamen Tong'an Ultra Trail Race, Shenzhen 100 Ultra Trail Race, and Guangzhou 100 Ultra Trail Race, while also collaborating with local clubs to host numerous urban outdoor events, including city road races, urban treks, and trail running. These initiatives encourage urban residents to embrace nature through healthy and active running events.

Saucony running training camps

Saucony's running training camps are spread across 13 cities, with 16 camps in total. Through 8 to 12 weeks of scientific, systematic, and professional guidance and training, these camps have engaged 6,400 participants. Camp members have shared nearly 4,900 posts on the local social media platform "RedNote", reaching a cumulative readership of 966,000. Saucony will continue to optimize its training camp strategies in line with new product launches, precisely targeting its audience to further strengthen its brand influence.

In addition, Xtep Group has sponsored the "2024 Wuhan Open Tennis Tournament", marking Xtep's first step into the tennis sector and elevating its diversification strategy to new milestone. During the WTA 1000 Wuhan Open, as an official sponsor, Xtep provided professional equipment support to event staff and hosted multiple activities to showcase its brand influence. Xtep has also officially signed on as a global partner for The World Games 2025 to be held in Chengdu, following its collaboration with Chengdu during the 2021 FISU World University Games. By continuously innovating and strategically positioning itself, Xtep aims to inspire more Chinese people to embrace a healthy and active lifestyle, aligning with its goal of dedicating 1% of its net income annually to support sports development in China.

Running event sponsorship

At Xtep, we deeply understand the transformative power of sport in uniting communities and improving individual well-being. Sponsoring large-scale running events such as marathons lies at the heart of our mission to promote health and create a vibrant society.

Through these events, we demonstrate Xtep's ESG values, such as supporting rural revitalization and empowering women through sport. For example, our national "Harmonious and Beautiful Rural Run for Health" events support the development of rural areas in China, while our sponsorship of the women's half-marathon race promotes gender equality in sports. In 2024, we optimized our resources to sponsor renowned marathons and running events throughout China, endorsing a total of 44 events.

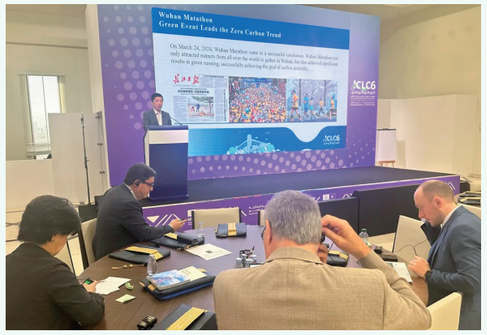
FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Major marathons and running events sponsored by Xtep in 2024

January	January	March	March	March
Shishi Marathon	Xiamen Marathon	Chongqing Marathon	Wuhan Marathon	Yangzhou Jianzhen Half Marathon
Fujian	Fujian	Chongqing	Hubei	Jiangsu
April	April	April	May	May
Beijing International Long Distance Running Festival and Beijing Half Marathon	Jiangyin Half Marathon	Qianjiang Fanwan Lake Marathon	Zhuzhou Marathon	National running race "Harmonious and Beautiful Rural Run for Health" in Yibin, Sichuan province
Beijing	Jiangsu	Hubei	Hunan	Sichuan
May	May	June	June	August
Rushan Women's Half Marathon	Baoqing Marathon	Jilin City Marathon	National running race "Harmonious and Beautiful Rural Run for Health" in Changzhi, Shanxi province	National running race "Harmonious and Beautiful Rural Run for Health" in Lingwu, Ningxia province
Shandong	Heilongjiang	Jilin	Shanxi	Ningxia
September	September	September	October	October
National running race "Harmonious and Beautiful Rural Run for Health" in Handan, Hebei province	Shenyang Marathon	Taiyuan Marathon	National running race "Harmonious and Beautiful Rural Run for Health" in Jinjiang, Fujian province	Changsha Marathon
Hebei	Liaoning	Shanxi	Fujian	Hunan
October	November	November	December	December
Chengdu Marathon	Xi'an Marathon	Zhengzhou Marathon	Hangzhou Women's Half Marathon	Xiamen Haicang Half Marathon
Sichuan	Shaanxi	Henan	Zhejiang	Fujian
December	December	December	December	
Jinjiang Marathon	China Marathon Elite Ranking Race	Xiamen Huandong Half Marathon	Changsha Red Half Marathon	
Fujian	Changzhou	Fujian	Hunan	

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Carbon neutrality initiatives in 2024 Wuhan Marathon



The 2024 Wuhan Marathon achieved carbon neutrality by offsetting its total emissions of 1,528.67 metric tonnes. The organizing committee promoted eco-friendly practices, such as encouraging low-carbon transportation, recycling materials, and using environmentally-friendly materials for exhibition booths. Partnerships with the Bank of China, Xtep, and BYD further supported sustainability efforts through digital credit cards, eco-friendly T-shirts, and electric vehicles. The event not only set a benchmark for green sporting events but also highlighted the enthusiasm of Wuhan citizens and runners in embracing a low-carbon lifestyle.

Donations and charity events

At Xtep, we are dedicated to responsible operations and giving back to the communities where we operate. The Group fosters a culture of civic engagement and actively invests in impactful community initiatives through partnerships with local charitable organizations and employee volunteer programs. During 2024, Xtep donated sportswear and financial contributions exceeding RMB58 million. Following our commitment to the China Next Generation Education Foundation in 2023, this year marks the first year of our donation pledge, with continued efforts to benefit more Chinese youth.

Donated over

RMB58 million

worth of sportswear and cash donation in 2024

FOSTERING TALENT AND GIVING BACK TO THE SOCIETY

Supporting children with autism

On World Autism Day 2024, Xtep successfully organized the "Planet without Loneliness — Focus on Special Needs" public welfare campaign and donated RMB5 million to the Quanzhou Autism Care Fund. This initiative aims to provide additional care and support for autistic individuals and their families.

Promoting rural revitalization

In response to national calls, Xtep actively promotes physical activity in rural areas to contribute to rural revitalization. The "Colorful Countryside — 2024 National Village Basketball Cultural Showcase" and "Colorful Countryside — National running race 'Harmonious and Beautiful Rural Run for Health'" were officially launched in 2024. These events are key initiatives established to advance rural revitalization, showcase environmental improvements, and promote healthy and harmonious rural development. As a leading sportswear company in China, Xtep has become the official social partner for these 2024 Village series events. Through supporting rural sports activities, Xtep not only advances rural sports development but also provides a vital platform for showcasing rural achievements and promoting cultural revitalization. These efforts demonstrate Xtep's firm commitment to fulfilling corporate social responsibility and supporting rural development, while offering villagers more opportunities to engage in physical activities and promote healthy lifestyles.

REINFORCING RESPONSIBLE VALUE CHAIN

We recognize that our influence goes beyond our direct operations and affects various value chain stages. As a result, we have established comprehensive supply chain management practices designed to reduce our environmental impact, enhance social welfare, and foster sustainable development throughout the value chain. We are also increasing the use of green and sustainable materials in our products and strive to collaborate with suppliers who share our commitment to sustainable and responsible practices.

PROMOTING GREEN PRODUCT INNOVATION

Green and sustainable materials

The sustainability of a product is fundamentally anchored in its design, which underscores our commitment to green product innovation within our sportswear products. By embedding environmental considerations into the design process, we ensure that our products not only fulfill performance criteria but also reduce environmental impact. Furthermore, we have also established a target for at least 50% of our products to use at least one sustainable material as part of our 2030 goal.

Below are some examples of green and sustainable materials used in our products.

Organic Cotton and Recycled Cotton Yarn Products

Merrell and Saucony are expanding the use of organic cotton and recycled cotton yarn in the production stage and have launched a variety of clothing items that are made of organic cotton yarn that is certified by the Global Organic Textile Standard ("GOTS").

Recycled Materials

We are increasing the use of recycled materials in different parts of our shoe products to minimize reliance on raw materials, reduce waste generation and conserve energy. For example, the Group uses polyethylene terephthalate materials that meet the Global Recycled Standard in various parts of our shoe products, including uppers, linings, shoelaces, webbing, and midsole fabric.

Saucony and Merrell have also incorporated recycled materials into their footwear products. For example, 20% of Saucony's and 100% of Merrell's footwear products sold in China contain organic and recyclable materials.

Bio-Based and Biodegradable Materials

In the past years, the Group has actively promoted using polylactic acid materials made from fermented plant starch, such as corn and sugarcane, in our product offering. Additionally, we are actively exploring the use of other biodegradable materials, including plastics derived from palm oil and various bio-based alternatives.

Other Materials

The Group introduced eco-friendly waterproof membranes into our products and increased the use of water-based adhesives in our production processes. These water-based adhesives are SGS-certified and comply with the stringent standard requirements set by California Proposition 65 and the European Union's REACH Regulation.

We also implemented a program to source leather from Leather Working Group ("LWG") Gold-certified tanneries, with a focus on increasing the proportion of certified materials over time.

REINFORCING RESPONSIBLE VALUE CHAIN

Circular fashion

We are dedicated to integrating the principles of circular fashion into our business practices to support our 2030 emissions reduction targets, making a significant contribution to sustainable initiatives.

During the year, our Xtep Kids brand obtained the Recycled Claim Standard, demonstrating its commitment to incorporating recycled materials in its products, thereby fostering a more sustainable production cycle.

Below are some examples of our environmentally friendly product series.

Core Xtep Brand — Championship Running Shoes

- Utilizes bio-based raw materials (such as corn, canola, tall oil and used cooking oil) and eco-friendly water-based glue to reduce environmental pollution
- Each pair reduce around 11.6–13.1G carbon emissions
- Replace traditional chemical foaming techniques by "PISA" supercritical foaming technology, significantly reducing the use of chemicals during the foaming process

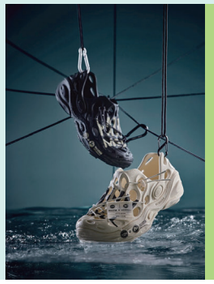
Core Xtep Brand — 2024 Xiamen Marathon T-shirt and the Windbreaker Racing Vest

- Both products made from recycled plastic bottle slices

For the Windbreaker Racing Vest:

- Utilizes digital heavy spraying technology, conserving water and electricity
- Contains 100% natural plant extracts bio-based antimicrobial additives

Merrell X Palladium — HYDRO NEXT MOC



- Feature BLOOM® algae in the foam, which keeping the ecology of the waterways in balance, and use less non-renewable oil

Saucony — Triumph Run For Good

- Cotton upper utilizing plant-based dyes
- 55% corn-based midsole
- 80% natural rubber outsole

REINFORCING RESPONSIBLE VALUE CHAIN

Sustainable raw materials sourcing

We are committed to continually enhancing our sustainable supply chain by prioritizing using sustainable raw materials in our production processes, such as sustainable and traceable cotton and leather materials.

For example, the Group has implemented a program to source leather from LWG Gold-certified tanneries, with a focus on increasing the proportion of certified materials over time. Merrell and Saucony use organic cotton yarn in a diverse range of clothing items that are certified by the GOTS. Merrell also joined the LWG as an early adopter to establish strong environmental stewardship practices since 2006.

Advocating sustainable consumption

Xtep advocates sustainable consumption by increasing the use of green and environmentally friendly materials in our products. We also empower our customers with the knowledge and tools to make sustainable choices through engaging campaigns, enabling them to make informed decisions that contribute to a healthier planet.

Promoting sustainable consumption through community engagement at the "Run to Green" series exhibition

In December 2024, the Group hosted the "Run to Green" series exhibition to showcase its longstanding commitment to environmental protection. The event featured a diverse range of innovative products crafted from eco-friendly materials and cutting-edge technologies, highlighting our dedication to sustainability. Through immersive experiences, we engaged attendees and illustrated how our stylish, functional offerings align with their desire for environmentally responsible choices.

The Group also launched an innovative recycling device for old clothes at the exhibition. This initiative aims to elevate our customers' environmental protection awareness and foster active participation in sustainable practices. By engaging consumers in recycling activities, we not only promote the essential concept of sustainability but also cultivate brand loyalty and a deeper sense of community among our customers, reinforcing their commitment to responsible consumption.

REINFORCING RESPONSIBLE VALUE CHAIN

SUPPLIER ASSESSMENT AND MANAGEMENT

As a leading sports brand, we are dedicated to upholding responsible business practices and expanding our influence across the entire value chain. Xtep recognizes that a sustainable supply chain has the potential to generate lasting value for the Group and the communities we operate in. Hence, we have integrated sustainability considerations into critical aspects of our supply chain, actively engaging with our suppliers and encouraging them to embrace sustainability initiatives.

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 90% of our apparel manufacturing were outsourced, and we collaborate with 500 suppliers in Mainland China.

The Group has categorized our suppliers into various tiers to improve and optimize the management efficiency of our supply chain operations. Our suppliers are classified into three tiers and the definitions of each tier are tabulated below.

Definition:

Tier 1	Suppliers that provide finished products.
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.
Tier 3	Suppliers of raw materials (e.g. yarn, chemical raw materials, chemical agents, etc.).

As of year-end, we have 115 Tier 1 suppliers and 385 Tier 2 suppliers. Going forward, improving engagement with Tier 3 suppliers remains a focus as we seek to optimize sustainable operations and raw materials sourcing.

Supplier ESG management

The Group acknowledges the potential environmental and social consequences that can arise throughout the supply chain and is dedicated to mitigating these risks through collaborative efforts with our suppliers. Our Supplier Management Center ("SMC") and dedicated teams from different brands collaborate closely with our suppliers to enhance ways of working and ensure they operate sustainably in this ever-changing environment.

The Group's *Supplier Code of Conduct* and *Supplier Corporate Social Responsibility and Environmental Audit Standards* stand as a cornerstone of our commitment, serving as a comprehensive guideline for both our suppliers. We encourage all of them to comply with the environmental, social and ethical business practices that align with the Group's requirements, as they foster sustainable practices and enhance performance for the benefit of stakeholders and the communities we serve.

During the year, we have enhanced our *Supplier Corporate Social Responsibility Management Manual* and updated the *Supplier Corporate Social Responsibility and Environmental Audit Standards*. The update includes the addition of climate-related bonus criteria to encourage suppliers to engage in environmental initiatives, as well as a clearer and more quantifiable set of audit criteria to facilitate understanding and implementation by our suppliers.

REINFORCING RESPONSIBLE VALUE CHAIN

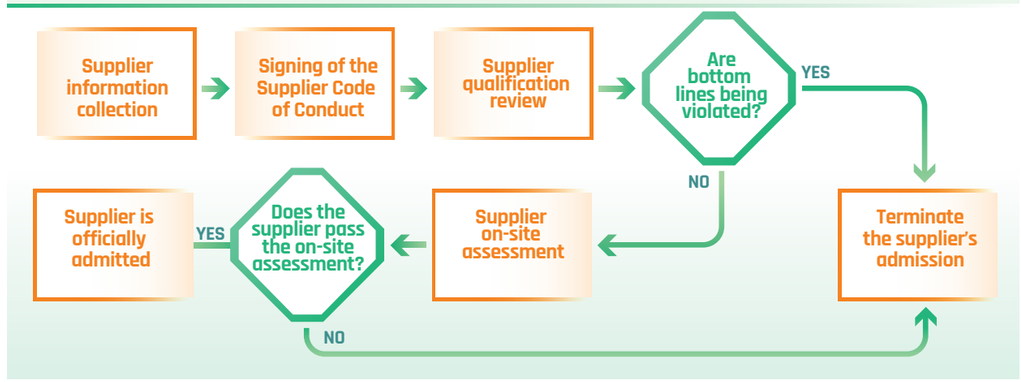
New supplier admission process

The Group's selection of suppliers extends beyond traditional metrics of product quality, price competitiveness, and delivery capabilities. Over the years, we have been placing increasing emphasis on sustainability factors, including environmental protection and social responsibility, ensuring that our supply chain is not only efficient but also responsible and sustainable.

The Group implements a rigorous screening process for all our potential suppliers, beginning with an initial qualification and compliance review conducted by our SMC. Suppliers who successfully pass this initial assessment undergo detailed on-site audits performed by qualified internal auditors from our supply chain development, quality control, and operations departments. We ensure that all relevant requirements are clearly communicated to our suppliers through our *Supplier Code of Conduct* and *Supplier Corporate Social Responsibility Management Manual*, reinforcing our commitment to maintaining high quality and compliance standards throughout our supply chain.

During the year, we have assessed 22 new suppliers, 17 of whom met our criteria and were accepted by the Group.

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 provides them with our Supplier Code of Conduct through the SMC platform.
- Suppliers shall sign the Supplier Code of Conduct 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. Suppliers that receive a rating of 70% or above will enter the next stage of on-site inspection.

REINFORCING RESPONSIBLE VALUE CHAIN

Assessment — On-site inspection

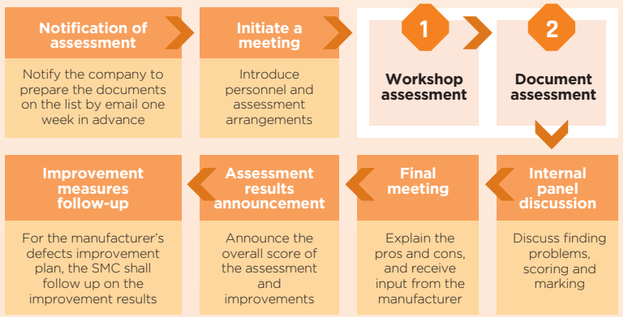
- The staff from the SMC will perform site visits to verify and evaluate the social responsibility and environmental management performance of potential suppliers, including review of relevant documentation and the implementation of relevant practices on-site.
- Any bottom-line violations will result in immediate termination of the admission process, they include:
  - Provision of false documents
  - Commercial bribery
  - Child labor
  - Forced labor
  - Life-threatening working and living conditions

On-site assessment dimensions

Social responsibility system assessment dimensions	
1	Child protection
2	Forced labor
3	Human resource management
4	Compliance and regular review
5	Production safety risk management
6	Fire safety
7	Chemical control
8	Living environment
9	Equality and democratic rights
10	Wages and social security
11	Working hours and right to rest
12	Processes and systems

Environmental system assessment dimensions (mainly for material suppliers)	
1	Waste gas, wastewater and waste residue management
2	Climate change, energy efficiency and emission reduction
3	Environmental system process and system

On-site assessment workflow



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. Suppliers with a composite score of 70 or above are accepted directly, while suppliers scoring 60-70 are conditionally accepted with a three-month correction period. 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 the practices of our suppliers align with the Group's values and standards, regular monitoring and annual assessment are conducted to evaluate their performance, promoting transparency and accountability throughout our supply chain.

Throughout the year, the core Xtep brand conducted audits of 100% of its tier 1 and tier 2 suppliers, evaluating their adherence to social responsibility and environmental standards, as well as their capabilities in research and development, production capacity, quality, and laboratory testing. While no zero-tolerance issues were identified during these audits, 131 suppliers were flagged for continuous improvement due to certain nonconformities.

For Saucony and Merrell, all tier 1 suppliers underwent third-party audits this year, focusing on their corporate social responsibilities. We prepare an annual assessment report, and any identified non-compliance will be communicated to the suppliers, with expected rectifications within a specified timeframe. A follow-up audit will be conducted to verify the effectiveness of these corrective measures. Suppliers unable to meet the Group's business requirements and standards may face termination. In 2024, all tier 1 suppliers from Saucony and Merrell successfully passed the evaluation.

The criteria for evaluating and applying the results of supplier social responsibility assessments are summarized as follows:

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

We actively communicate with our suppliers to help improve their sustainability performance. Through open dialog and collaborative initiatives, the Group engages with our suppliers to share best practices and collectively identify opportunities for enhancement. This partnership not only equips them with the knowledge and resources needed to elevate their ESG performance but also fosters a culture of sustainability that drives long-term positive impact across our supply chain.

"Sustainable Supply Chain" conference

IIn August 2024, the Group convened a conference on the "Sustainable Supply Chain" theme with our core brand's footwear and apparel suppliers. A total of 91 supplier representatives attended the conference. This collaborative dialog not only reinforced our commitment to sustainability but also served as a vital platform for enhancing our suppliers' ESG knowledge.

By sharing insights and best practices within the industry, we are laying a strong foundation for the future sustainable development of our supply chain, empowering our suppliers to adopt more responsible and impactful environmental and social practices.

Supplier social responsibility and environmental standards training sessions

In October 2024, the Group organized a comprehensive series of training sessions on Supplier Social Responsibility and Environmental Standards, with a dedicated session focusing on "Supply Chain Labor Rights". This session addressed critical issues such as the prohibition of child labor, forced labor, discrimination and harassment, as well as principles surrounding freedom of association. We were pleased to have 71 major suppliers participate, achieving 100% attendance and a 100% pass rate in the assessment. This initiative significantly enhanced our suppliers' ESG knowledge and capabilities, equipping them with the necessary tools to uphold high ethical standards and foster a more responsible supply 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

We have an ISO 9001-certified quality management system in place to ensure the consistent production of high-quality products and standardize the operation procedures across the value chain of the core Xtep brand.

Throughout the research and development phase, all materials and products undergo thorough evaluation, verification and testing by our standards team. These established standards provide a solid foundation for mass production, effectively minimizing risks associated with design and development quality.

Our dedicated quality management team is responsible for monitoring the quality and safety of raw materials and finished products, as well as overseeing the production process. Before finished products are delivered to customers, they undergo rigorous inspections, including detailed appearance assessments and physical and chemical testing, ensuring that they meet stringent quality standards. Additionally, raw materials, adhesives, finished footwear and apparel are routinely inspected on a quarterly basis and sent to national testing agencies to confirm compliance with national standards and quality safety regulations.

To enhance product quality, the Group has established a specialized quality control circle focused on specific items such as down jackets and shoes, fostering consistent improvements in these product categories. The team also conducts competitive product analyzes to optimize product standards and testing methodologies, while promoting overall product quality and comfort. Furthermore, the core Xtep brand also performs monthly sample testing for its Tier 1 and Tier 2 suppliers to ensure adherence to on-site standards, facilitate ongoing factory improvements, and maintain the stability of product quality.

The Group also enforces stringent quality control procedures for outsourced productions, and monthly quality review meetings are conducted to ensure proper quality management.

REINFORCING RESPONSIBLE VALUE CHAIN

The core Xtep brand initiatives to improve product quality in 2024:

Enhanced **26** copies of its **quality management procedure documents** to improve the quality management process system.

Updated **103** copies of **quality criteria documents** for the core Xtep brand shoe products on the SMC platform to facilitate unified management of quality document archiving, as well as the **standardization** and **implementation** across its suppliers.

Conducted **quality comparisons** with competing products to **optimize and enhance** product standards and testing methods, thereby improving overall product quality and comfort.

In 2024, Xtep has received product quality recognition from below organization:

- "Excellent Quality Management Team" and "Excellent Promoter" of Fujian textile footwear and apparel industry

Enhancing product quality control with suppliers

We actively support our suppliers in strengthening their quality control and management capabilities to improve the overall product quality of the Group. Throughout the year, we have organized various training sessions; for instance, the core Xtep brand hosted a quality management and process training that engaged 986 participants.

Additionally, we assisted three suppliers for the core Xtep brand footwear products in establishing an ISO 9001 quality management system. Our on-the-job performance knowledge platform has also released eight standard training courseware presentations during the year, with 35 suppliers participating and accumulating a total of 11,650 minutes of learning time. The core Xtep brand apparel team also organizes quarterly market review and analysis meetings with their supplier to continuously promote quality improvement.

Customer relationship management and satisfaction

At Xtep, we embrace a consumer-first approach, fostering open communication with our customers to address their needs effectively. We systematically manage complaints by establishing resolution timelines, monitoring progress and striving for mutually beneficial solutions to enhance our customer satisfaction.

Our dedicated "400 Hotline" serves as the primary contact point for customer complaints. Complaints are meticulously recorded and verified, with responses typically provided within two business days. For more complex cases, we allocate specific resources to ensure thorough resolution. In 2024, we received a total of 18,232 complaints[6] (2023: 4,755).

[6] The increase in the number of complaints in 2024 compared to 2023 was mainly due to the integration of customer service consultations and complaints across all channels. This led to a higher number of complaints, which not only addressed product quality but also included consumer opinions and suggestions for our product innovation.

REINFORCING RESPONSIBLE VALUE CHAIN

To assess and enhance our client satisfaction, consumers who call the "400 Hotline" for consultations and complaints are invited to evaluate their experience. We have established a target to achieve client satisfaction of over 95% in 2024. During the year, there have been 4,246 evaluations submitted, providing valuable insights for continuous improvement in service quality, and we have achieved an actual satisfaction rate of 95.7%, demonstrating our commitment to meeting and exceeding client expectations. We have also implemented a further target to achieve 96% in FY2025, reflecting our dedication to the ongoing enhancement of our services and responsiveness to client feedback.

In 2024, the core Xtep brand has conducted a Net Promoter Score ("NPS") survey and achieved a notable 62.2 NPS, which ranked third in the industry.

Throughout the year, the Group has made continuous improvements to our customer service system by introducing various communication channels. This includes the launch of a public account for our member club and two new customer service portals on our official website specifically for the core Xtep brand. These initiatives are designed to better understand our clients' needs and opinions. Additionally, the core Xtep brand has established two clear standards for after-sales support and the handling of customer complaints. These efforts aim to enhance accessibility and ensure a consistent, high-quality customer experience for all our clients.

We have implemented robust protocols for handling product recalls and quality issues. In the event of a significant recall, our Quality Management Center conducts comprehensive investigations, reports findings to senior management, and implements corrective actions to prevent future occurrences. This proactive approach ensures we maintain strong customer relationships and uphold the highest standards of quality.

0

major product recall due to product quality issue

PRESERVING THE NATURAL ENVIRONMENT

We strive to imbed sustainability across various aspects of our operations, focusing on climate change, biodiversity and land use, air emissions, water management, chemical use, packaging materials and waste management. Certified under ISO 14001, our Environmental Management System monitors the environmental performance of our daily operations and ensures compliance with increasingly stringent environmental regulations. Please refer to the section — *2030 ESG Strategy Framework* in this Report for more information about our sustainable development initiatives.

TACKLING CLIMATE CHANGE

Climate-related risks and opportunities

As an integral part of its Group strategy, Xtep has made climate change a key topic, aligning with both the national "dual carbon" goals and the Paris Agreement's ambition to limit global warming to 1.5°C. The Group has integrated its approach with the International Financial Reporting Sustainability Disclosure Standard No.2 — Climate-related Disclosures ("IFRS S2") and the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). By embedding climate-related considerations into its governance framework, Xtep evaluates policy, industry, and market trends to identify and assess climate-related risks and opportunities. The Group places a strong emphasis on enhancing climate risk management, transitioning towards greener operation. We are committed to optimizing product design and production processes, gradually reducing reliance on non-renewable resources and hazardous chemicals. The Group also invests in technological innovation and R&D, and application of eco-friendly materials. These efforts aim to minimize resource consumption and greenhouse gas ("GHG") emissions across operations, thereby enhancing the Group's resilience to address climate change.

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.

Tier	Responsibilities Regarding Climate Governance	Frequency of Communication
Board of Directors	• 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.	• Quarterly board meetings to review progress on climate-related matters
Sustainability Committee	• Composed of four directors, including two executive directors and two independent non-executive directors • 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	• At least two meetings per year, with additional meetings scheduled when significant decisions require attention

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Tier	Responsibilities Regarding Climate Governance	Frequency of Communication
	• Collect expectations and requirements from stakeholders regarding climate issues • Approve annual climate-related financial expenditures	
Sustainability Working Group	• 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	• At least two meetings per year, with additional meetings scheduled when significant decisions require attention • Regular meetings with the Sustainable Development Committee to report on climate-related matters

The Group places great emphasis on building the knowledge and skills of board members, the Sustainability Committee, and the Sustainability Working Group in climate-related matters by offering diverse training activities both online and offline. In 2024, external climate experts were invited to provide annual climate training for all directors. Additionally, two climate-related trainings have been conducted for the Sustainability Committee and Sustainability Working Group. Furthermore, the Group has established a mechanism to link executive compensation to climate-related performance. This mechanism aims to motivate directors and executives to actively contribute to achieving climate change management objectives.

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Strategy

The Group fully acknowledges the intricate interdependencies between climate-related risks and opportunities, recognizing that these factors exist within a complex, interconnected system. For instance, while addressing the challenges posed by evolving policies in response to climate change, the Group also identifies and capitalizes on new opportunities arising from technological innovations and green transformations. To effectively navigate this dynamic landscape, Xtep adopts a rigorous, systematic approach to developing its climate change management strategies. By referencing diverse data models and establishing high- and low-emission scenarios, we evaluate the challenges and opportunities that may arise under different climate conditions. Furthermore, Xtep assesses the potential impacts of climate factors on its business operations and financial planning across short-, mid-, and long-term horizons. Based on these analysis, we set clear strategic directions and adaptive measures to address climate-related issues, ensuring our plans remain responsive to changing circumstances.

Identification of risk and opportunity

We have developed a climate risk assessment framework aligned with our corporate strategic objectives, operational activities, and the broader impacts on our value chain. This framework integrates external climate risk factors, the evolving policy directions, and internal strategic planning to systematically identify and evaluate the risks and opportunities posed by climate change across short-, mid-, and long-term horizons. The evaluation process is conducted at multiple levels, considering the severity of potential impacts and their distribution across the value chain. The systematic approach provides critical insights for developing evidence-based climate adaptation strategies, enabling informed decision-making to effectively address climate-related challenges.

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 (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.

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Evaluation of Physical Risks and Response Actions

Risk Category	Impacts on Business Models	Time Horizon	Impacts on Value Chain	Impacts on Financial	Response Actions
Extreme Heat	**Employee Health and Efficiency:** Extreme heat can lead to elevated temperatures in factory premises, posing a risk of heatstroke among workers and potentially reducing productivity. This could result in decreased production output and revenue. **Operational Disruptions:** High temperatures may create uncomfortable working conditions, leading to increased use of cooling systems and thereby raising operational costs. **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.	Short-term; Mid-term; Long-term	Operations	Increased operational cost; decreased revenue	**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. **Ensuring Employee Well-being:** Provide heat protection supplies, such as cold beverages and sun protection gears, and provide cash allowances during extreme heat weathers.
					Upgrading Temperature-Controlled Warehouses: Install temperature and humidity monitoring systems in warehouses to prevent material degradation.

Risk Category	Impacts on Business Models	Time Horizon	Impacts on Value Chain	Impacts on Financial	Response Actions
Extreme Precipitation	**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. **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. **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.	Short-term; Mid-term; Long-term	Operations	Increased production cost; increased operational cost; decreased revenue; increased expenditure	**Upgrading Drainage Systems:** Install underground drainage networks and pumping equipment in coastal factories to enhance flood resistance. **Usage of Waterproof Packaging:** Apply double-layer waterproof packaging to protect raw materials like leather and textiles from humidity. **Developing Alternative Transport Solutions:** Request railway transport during heavy rain to logistics service provider to minimize impacts from road or rain shipment.

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Risk Category	Impacts on Business Models	Time Horizon	Impacts on Value Chain	Impacts on Financial	Response Actions
Wind Intensification	**Loss of Asset:** Branches that are in coastal provinces may suffer structural damage or power outages due to typhoon, leading to production stoppages. **Transportation Obstacles:** During typhoon, roads, railways, and ocean transport might be disrupted, leading to longer delivery times and reduced income. **Personnel Safety:** Typhoon could impact employee safety during commuting, delivery and retail store operations.	Short-term; Mid-term; Long-term	Operations; downstream value chain	Increased production cost; increased operational cost; decreased revenue; increased capital expenditure	**Adopting Multi-sourcing:** Reduce dependency on a single supplier by sourcing materials across different regions. **Transferring Key Raw Materials:** Conduct comprehensive warehouse inspections prior to typhoons and transfer vulnerable materials to mitigate risks of damage from heavy rains. **Establishing Employee Safety Protocols:** Mandate work stoppage during typhoon red alerts and provide shuttle services to ensure employees are transported to safe locations.

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Risk Category	Impacts on Business Models	Time Horizon	Impacts on Value Chain	Impacts on Financial	Response Actions
Flooding	**Operational Disruptions:** Potential flooding of factories and warehouses may result in equipment damage, deterioration of raw materials and finished goods.. **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.	Short-term; Mid-term; Long-term	Operations	Increased operational cost; accelerated asset depreciation	**Emergency Mitigation:** Regular maintenance of drainage pipelines and pre-positioning of sandbags, as well as upgrading the power supply chain for drainage pump stations. **Emergency Management:** Establish a regional emergency storage network and activating backup suppliers to address raw material shortages. **Flood Prevention Task Force:** Proactively assembling emergency teams, developing defense plans, and pre-positioning flood prevention materials to ensure rapid response capabilities.
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.	Long-term	Upstream value chain; operations	Loss of Asset; increased production cost; increased operational cost	
Humidity Variation	**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 for rubber, leather, and other materials. **Asset Losses:** Fluctuations in humidity levels can decrease the availability of raw materials such as cotton, impacting product quality.	Long-term	Upstream value chain; Operations	Decreased revenue; increased product maintenance cost	**Adopting Multi-sourcing:** Reduce dependency on a single supplier by sourcing materials across different regions.

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Evaluation of Transition Risks and Response Actions

Risk Category	Risk	Impacts on Business Models	Time Horizon	Impacts on Value Chain	Impacts on Financial	Response Actions
Policy and Law	Stricter Regulatory Oversight	**Compliance Requirements:** Domestic and international regulatory bodies, including the Mainland China 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. **Compliance Requirements:** The "Green and Low-Carbon Development Action Plan for the Textile Industry" by National Development and Reform Commission mandates a 18% reduction in carbon emissions per unit of product by 2025.	Short-term; Mid-term; Long-term	Operations	Increased operational costs	Actively review emerging laws, regulations, and disclosure requirements. Benchmark against mainstream disclosure standards and requirements and ensure disclosure documents meet compliance. Starting from 2025, disclose Scope 3 carbon emissions data in ESG reports, driving value chain emission reductions. Establish a TCFD framework to enhance regulatory transparency.
	Increased Emission Costs	**Export Restrictions:** Once the EU Carbon Border Adjustment mechanism ("CBAM") covers textile categories, exports to Europe will face additional carbon costs.	Mid-term; Long-term	Upstream; operations	Increased operational cost	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). Drive value chain emission reductions starting from disclosing "Scope 3" carbon emissions data in 2025. Transition to a greener energy structure through procurement of green electricity and installation of photovoltaic systems.

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Risk Category	Risk	Impacts on Business Models	Time Horizon	Impacts on Value Chain	Impacts on Financial	Response Actions
Market Risks	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 and sales and higher 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	Downstream value chain	Decreased Revenue; increased production cost; increased research and development expenditure	Publish 2030 ESG goals, aiming for at least 50% of products to use sustainable materials (such as bio-based or recycled) by 2030. 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. Continue to evolve and implement the "Supplier Corporate Social Responsibility Management Handbook", 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. **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.
	Raw Material Supply	**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. **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.	Mid-term; Long-term	Upstream value chain; operations	Increased raw material cost	

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Risk Category	Risk	Impacts on Business Models	Time Horizon	Impacts on Value Chain	Impacts on Financial	Response Actions
Technical Risks	Innovations in Low-Carbon Technologies	**Innovations in Low-Carbon Technologies:** The application of new technologies may lead to equipment replacement or affect operational efficiency, thereby increasing operational costs. **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. **Market Competition:** Competitors' low-carbon technological advancement in in could lead to a loss of market share for Xtep.	Short-term; Mid-term; Long-term	Operations; downstream value chain	Increased research and development expenditure	Continuous investment in research and development for low-carbon products. A comprehensive reward system is established to encourage innovation. Active collaboration with other industry peers.
Reputational Risks	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	Operations	Decreased revenue	Establish a Sustainable Development Committee under the Board of Directors. Senior management manages and supervises the Group's climate change responses plan and stays informed about climate-related policy trends. Strengthen communication with investors and consumers.

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Evaluation of Opportunities and Response Actions

Opportunity Category	Opportunity	Impacts on Business Models	Time Horizon	Impacts on Value Chain	Impacts on Financial	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	Operations	Decreased operational 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	Operations	Decreased operational cost	Utilize Geographic Information Systems and logistics software to monitor real-time traffic conditions 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	Operations	Decreased operational cost	Xtep has revised the "Supplier Corporate Social Responsibility Management 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	Impacts on Value Chain	Impacts on Financial	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	Operations	Increased market share, increased revenue; decreased operational cost	The Group has engaged in extensive cross-industry and institutional collaborations, participating in the drafting of industry standards such as the "Environmental, Social, and Governance Disclosure Guidelines for Textile Industry" and the "Technical Specifications for the Development and Evaluation of Carbon-Neutral Factories in the Textile Industry". Establishing a lifecycle carbon footprint calculation and labeling system for products, quantitatively assessing the carbon footprints of key low-carbon products. Launching various clothing products made from organic cotton certified by the Global Organic Textile Standard (GOTS).
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	Downstream value chain	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	Upstream value chain; operations	Decreased operational 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.

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Scenario analysis

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 2024, 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 CO2 emissions around 2050.	Assuming that countries enhance their commitments to development goals, reduce inequalities both between and 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 CO2 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.			

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The analysis indicates that Xtep's transition risks across various climate scenarios are generally manageable, with the overall Climate Value-at-risk ("CVaR")[7] 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.

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.

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.

The Group adopts a four-step closed-loop management approach for climate-related risks:

Identification	Assessment	Mitigation	Reporting and Monitoring
• Identify potential and/or significant impacts of climate risks from aspects of the Group's strategy, operations, and financial.	• Evaluate the likelihood and materiality of climate risks using management-defined risk assessment criteria.	• 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.	• 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.

[7] 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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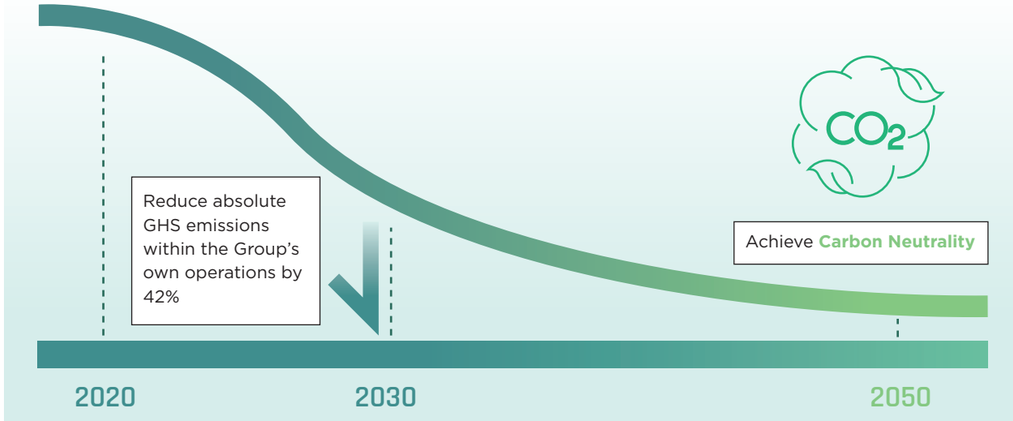
Metrics and targets

Climate-related target

In 2024, Xtep officially launched its "2030 ESG Strategy Framework" and Carbon Neutrality Goals, marking a significant step forward in addressing global climate change and other environmental challenges. The Group has committed to reducing absolute GHG emissions within its own operations by 42% by 2030 and 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.

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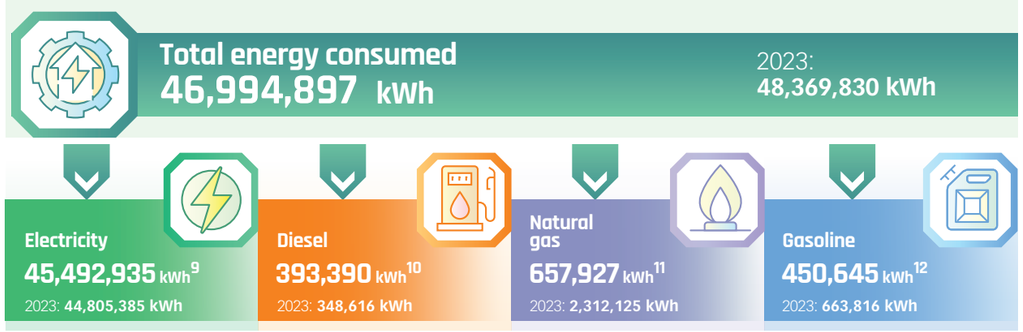
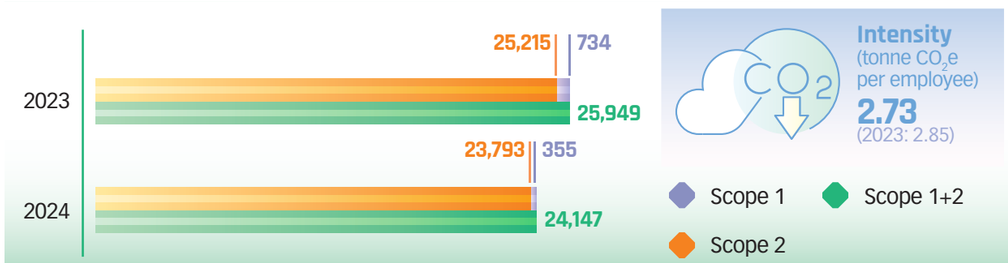
Energy consumption in 2024[8] (kWh)



Carbon emissions in 2024[13] (tonne CO_2e)



As part of our ongoing commitment to transparency and sustainability, we are proud to announce that this year marks our first disclosure of Scope 3 emissions in accordance with the GHG Protocol. Scope 3 emissions encompass the indirect emissions occurring in our value chain, excluding those directly owned or controlled by our company.

We recognize that Scope 3 emissions represent a complex and evolving area of ESG reporting. As such, we are committed to continuously enhancing our methodologies and expanding our reporting to include additional categories in the coming years. Our goal is to provide increasingly comprehensive and accurate data to support our sustainability initiatives and contribute to global efforts in combating climate change. This step forward in our ESG reporting underscores our dedication to environmental stewardship and our commitment to driving meaningful progress toward a sustainable future.

8 Energy conversion factors are referenced from the The China Energy Statistical Yearbook 2023 and the United Kingdom Department for Energy Security and Net Zero, Department for Environment, Food & Rural Affairs conversion factors ("DEFRA") 2024.

9 The total amount of electricity consumption decreased compared to that of 2023. This was due to the closure increase in production volume and extended working hours at our Fujian Shishi factory and Anhui factory and rectification of stores of the Xtep Running Clubs.

10 The total amount of diesel consumption increased compared to that of 2023. This was due to the opening of the new Xtep Innovation Center located in Xiamen in September 2024, where shuttle buses were operated twice a day between Xiamen and Quanzhou, as well as providing shuttle services every half hour during the day.

11 The total consumption amount of natural gas consumption decreased significantly compared to that of 2023. This was due to the reduction in the number of restaurants in the Quanzhou factory from five to three in 2024, thereby reducing the use of natural gas for cooking.

12 The total amount of gasoline consumption decreased compared to that of 2023. This was due to the reduction of the number of available vehicles and stricter dispatch requirements atinat the Quanzhou factory, as well as adjustments to local travel arrangement at the Anhui factory. These changes led to reduced vehicle dispatches, consequently lowering the gasoline consumption in 2024 a decrease in vehicle dispatches at the Anhui Factory due to the use of taxis for local travel.

13 The calculation of Scope 1 and Scope 2 greenhouse gas emissions follows methods in the *GHG Protocol: Corporate Accounting and Reporting Standard* and other applicable standards. 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 2024. 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 2022 announced by the Ministry of Ecology and Environment of the People's Republic of China.

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This year, we have focused our reporting on the following key categories, selected based on their materiality to our operations and supply chain:

Emissions Sources	Emissions (tCO_2e)	Scope of Reported Emissions	Calculation Methodology	% of vs. Total Scope 3
Category 1 — purchase goods and services	1,061,269.97	Emissions associated with: 1. Tier 1 supplies for apparel, shoes, and accessories. 2. Office supplies.	1. Spend amount was converted to 2022 CNY value (since the factor set draws from 2022 production) using appropriate GDP Deflator. 2. The deflated spend amount was converted from CNY to EURO, aligning with the Exiobase emission factors. 3. Each item type was mapped to an Exiobase emission category and emission factors ($kgCO_2e$ per Euro) were assigned based on this category. 4. Emission factors were multiplied with inflation adjusted spend data to obtain final estimated emissions for each item, expressed in tCO_2e. 5. Exiobase was used for spend-based emission factors because it has geographic coverage of China, is regularly updated, and is used widely in industry for Category 1 emissions calculation.	86.46%
Category 2 — Capital goods		This category is not assessed in FY2024.		
Category 3 — Fuel and Energy related activities	7,259.89	Emissions associated with the extraction, production, and transportation of fuels and energy purchased and reported in Xtep's Scope 1 footprint.	The calculation is divided into three sections: 1. For upstream emission of purchased fuel, the fuel consumption data is multiplied with the WTT factor for respective fuel. Emission factor has been sourced from DEFRA. 2. For upstream emissions from electricity consumption, IEA WTT factor for electricity has been sourced which is then multiplied with the total electricity consumption. 3. For T&D losses from electricity consumption, IEA WTT factor for T&D loss has been sourced which is then multiplied with the total annual purchased electricity consumption.	0.59%
Category 4 — Upstream Transportation and Distribution	2,974.62	Emissions associated with transportation of Tier 1 material supplies.	1. Spend amount was converted to 2022 RMB value (since the factor set draws from 2022 production) using appropriate GDP deflator. 2. The deflated spend amount was converted from RMB to EURO, aligning with the Exiobase emission factors. 3. Emission factors were sourced from Exiobase and were multiplied with inflation adjusted spend data to obtain final estimated emissions for each item, expressed in tCO_2e.	0.24%

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Emissions Sources	Emissions (tCO_2e)	Scope of Reported Emissions	Calculation Methodology	% of vs. Total Scope 3
Category 5 — Waste generated in operations	46.80	Emissions relative to the fate of the waste generated in our own operations including offices and factories.	Emission factors were provided by DEFRA.	<0.01%
Category 6 — Business Travel	2,989.39	Emissions associated with all employees' business travel through modes of air, rail, road and hotels.	1. For air, rail, and road travel: Emission factors were provided by DEFRA. 2. For hotel: Emission factors were provided by the GreenView Hotel Footprinting Tool.	0.24%
Category 7 — Employee commute	1,510.42	Emissions associated with all employees' daily commute between their home and office, and shuttles provided by the company to commute between office buildings.	1. The company provides weekly intra-factory travel using company shuttle to support employees' commute between factory and office. And daily intra-office travel using company shuttle for all employees' commute between offices when needed. Emission factors were provided by DEFRA. 2. The daily commute between office and home for all employees take 4 different method: bus, subway, self-driving, and walking. Emission factors were provided by DEFRA.	0.12%
Category 8 — Upstream Leased Assets	8,163.87	Emissions associated with all upstream leased assets including office and factories.	1. The electricity use per unit floor area is multiplied by the floor area to determine the total electricity consumption. 2. Emission factors were provided by DEFRA.	0.67%
Category 9 — Downstream T&D	This category is not assessed in FY2024.			
Category 10 — Processing of sold products	This category is not relevant to Xtep.			
Category 11 — Use of Sold Products	29,365.65	Emissions associated with all apparel products including pants/trousers and jackets sold by Xtep.	1. Each item was assumed to be washed and dried 52 times a year. 2. Average voltage and ampere reading of top 3 brands of washing machine in China was determined at per load and per piece level. 3. Emission factors were provided by DEFRA.	11.18%

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Emissions Sources	Emissions (tCO_2e)	Scope of Reported Emissions	Calculation Methodology	% of vs. Total Scope 3
Category 12 — End-of-Life Treatment of Sold Products	4,745.17	Emissions associated with all apparel products including pants/trousers and jackets sold by Xtep.	1. It is assumed that all the products sold are ending up as waste. 2. All waste is assumed to have landfill treatment type.	0.39%
Category 13 — Downstream leased assets	1,282.84	Emissions associated with all downstream leased assets including office and factories.	1. Electricity use per unit of floor area has been obtained. 2. The electricity use per unit floor area is multiplied by the floor area to determine the total electricity consumption. 3. Emission factors were provided by DEFRA.	0.10%
Category 14 — Franchise	This category is not assessed in FY2024.			
Category 15 — Investment	This category is not assessed in FY2024.			

PRESERVING THE NATURAL ENVIRONMENT

Energy efficiency and carbon reduction

The Group is committed to enhancing energy management and facilitating green transition. To minimize our carbon emissions, we are actively working on several initiatives to enhance energy efficiency across our operations, including factories, retail stores, logistic operations. We ensure that all employees take responsibility and contribute to sustainability through their actions. To guide and encourage daily energy-saving practices, we have displayed energy-saving guidance and internal communication materials, such as posters, at our branded stores, factories, and headquarters.

Carbon reduction in factory production

Xtep has been advocating energy efficiency and invested in upgrading our existing facilities across our production facilities. We have undertaken significant efforts to adopt cleaner energy solutions.

In our Hunan and Shishi factory, we have utilized solar photovoltaic systems to decrease reliance on purchased electricity from the grid. In addition, with Hunan and Shishi factory being initial testing locations, we are in progress on replacing all traditional lights with a voice-controlled lighting system for our factories.

In our Anhui factory, we replaced lighting fixtures with LED alternatives. The dormitory water heating system was upgraded to a smart energy hot water device that utilizes heat pump technology powered by electricity for greater energy efficiency. All boilers across our production sites are powered by natural gas, enhancing energy efficiency and reducing air pollution and greenhouse gas emissions. Regular maintenance is conducted on the boilers to minimize any potential wastage of resources from aging equipment or failures.

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In our Saucony clothing manufacturing facility, we continuously invest in optimizing our machinery to improve energy efficiency, which has led to a reduction of approximately 30% in both wastewater and electricity usage when compared to conventional machines. Additionally, electricity consumption across all operations is closely monitored to promptly identify any abnormalities in energy usage.

Our 5G-powered factory

In 2024, our Xtep Anhui factory was selected into the "2024 5G Factory Directory" by the Ministry of Industry and Information Technology in China. Leveraging digital transformation and cutting-edge "5G+ Industrial Internet" technology, we have established an advanced automated production line. We collaborated with SAP to develop a business system which integrates data. Partnered with Alibaba Cloud, we built an industrial business center that has improved supply chain responsiveness by 15%.

Our full-process intelligent manufacturing solution "Boundless" enables a 100% digitalization of all apparel manufacturing processes. This innovation ensures rapid responsiveness and precise customization to meet customer demands efficiently. By integrating cutting-edge technologies such as wireless access points, automated guided vehicles, portable data terminals, smart robots, and intelligent robotic arms, we enhance operational efficiency while minimizing waste caused by production defects, thereby improving overall product quality. Additionally, real-time data transmission and continuous production monitoring allow us to track performance and assess our environmental impact. This data-driven approach enables us to identify key areas for carbon reduction, reinforcing our commitment to sustainable and green manufacturing.

1,153,226kWh

solar electricity generated at our Hunan factory and Shishi factory

Increased 95% compared to 2023

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Carbon reduction in retail stores

In retail operations, we implement energy-saving measures to monitor and optimize energy consumption across stores. By analyzing real-time data, we adjust air conditioning settings based on demand, thereby improving efficiency and reducing overall energy usage. Our low-carbon store, Xtep Running Club in Shanghai, is incorporated with sustainable architectural design to minimize energy consumption. We utilize innovative roofing materials capable of achieving a 100% reduction in carbon emissions and integrate high-performance polyurethane insulation to enhance thermal efficiency. These materials provide insulation with low thermal conductivity, significantly reducing the energy required for heating and cooling.

Carbon reduction in logistics operations

Logistics plays an important role in Xtep's operation we are committed to continuously reducing its emissions through a comprehensive set of initiatives. The Company prioritizes third-party carriers utilizing clean energy to minimize its carbon footprint. Additionally, we optimize our logistics strategy by maximizing vehicle load capacity and fully utilizing cargo space, thereby reducing the number of required trips. This approach enhances operational efficiency while minimizing fuel consumption and emissions. Furthermore, we continue to improve transportation route planning within our facilities to eliminate unnecessary mileage, which helps reduce congestion, shorten delivery times, and further reduce emissions. The Company has also integrated intelligent warehousing solutions to enhance inventory management, reduce energy wastage, and optimize space utilization.

Carbon reduction in products

Analyzes on product lifecycle

During FY24, we started to conduct lifecycle analyzes to assess the environmental impacts of our products throughout their entire lifecycle, from raw material extraction to production, distribution, use, and disposal. By calculating the carbon footprint, which measures the total greenhouse gas emissions associated with each product, we could gain insights into the key areas contributing to its carbon emissions. This data enables us to focus our emission reduction efforts on the areas with the highest carbon footprints, ensuring that resources are allocated efficiently to achieve the greatest impact. For instance, if the manufacturing process is identified as a major source of emissions, we could invest in cleaner technologies or more sustainable production methods to mitigate this impact.

In addition, Xtep's "Earth Day" products are supported by comprehensive datasets that provide detailed information about their environmental impact. These datasets allow for a thorough evaluation of the products' lifecycle, enabling us to monitor and track sustainability performance effectively. The availability of this detailed information not only enhances transparency but also supports continuous improvement in sustainability practices. By understanding the environmental impact of each stage of the product's lifecycle, we can make informed decisions to optimize processes and reduce emissions.

Green marathon

As part of our commitment to sustainability, Xtep actively support marathon events that promote a healthier lifestyle while reducing our carbon footprint. In pursuit of a circular economy, we actively engage in pre-consumer recycling initiatives. For the 2024 Xiamen Marathon and 2024 Wuhan Marathon, we collaborated with third-party partners to recycle fabric scraps, transforming them into yarn that was used to produce environmentally friendly uniforms for participants. This initiative not only reduce textile waste but also underscores our dedication to sustainable sportswear. To learn more about our marathon sponsorship efforts, please refer to the "Running event sponsorship" section.

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BIODIVERSITY AND LAND USE

We believe that biodiversity is one of the major components in the ecological system and we have established a biodiversity policy to minimize the negative impacts of our operations on biodiversity and ecosystems.

Besides our biodiversity policy, we have collaborated with the Xiamen Marathon to organize the "Parent-Child Beach Cleaning Activity" to promote biodiversity protection by collecting beach waste.

AIR EMISSION

In our production process, the combustion of fuels for equipment such as boilers leads to certain air emissions. To reduce these emissions and improve thermal efficiency, we have transitioned to using cleaner natural gas instead of diesel for boiler operations. In addition, we utilize activated carbon filters to treat exhaust gases before they are released into the atmosphere. These filters are replaced annually by certified vendors and can remove and decompose pollutants safely and effectively. Furthermore, we have been developing an energy data reporting system that standardizes emissions data collection and calculation processes, thereby enhancing data accuracy and establishing a more robust air emission management framework.

WATER MANAGEMENT

Water usage

The production process and our dormitories account for most of our water usage. To minimize water consumption, the Group has introduced process improvements, including regular inspection and maintenance of our plumbing systems to ensure their reliable operation, as well as preventing water resource wastage caused by equipment failures. Moreover, we have upgraded our water management systems by introducing automated controls for water flow in our living quarters. This has optimized the flushing frequency in washrooms across our factories and dormitories, thereby reducing overall water usage.

Apart from process and infrastructure improvements, the Group is actively promoting practices that can lower daily water consumption and highlight the importance of water resources through educational and awareness campaigns.

Total Water Consumed in 2024[14]

458,500m³

(2023: 487,863 m³)

[14] The reduction in overall water consumption was due to the implementation of water-saving measures and upgrades to the water usage system the reduced use of water in our logistic centers.

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Wastewater discharge

Our wastewater discharge is not subject to specific governmental requirements as it is domestic effluent with insignificant chemicals. We ensure that such sewage is discharged into the municipal wastewater network in compliance with local regulations across our operations.

USE OF CHEMICALS

Xtep values chemical safety and the reduction of hazardous chemical use, while complying with applicable national regulations regarding chemical usage in our production.

Chemical safety management

Acknowledging the risks associated with the use of hazardous chemicals, we have implemented measures for the management and utilization of such substances within our supply chain. Our products in the domestic market comply with China's national testing standards for restricted substances and we have joined ZDHC and implemented the ZDHC MRSL to regulate our chemical usage. Information about occupational health protection measures and potential hazards in the workplace is displayed and communicated to employees in our manufacturing factories.

We have established strict requirements for the limits of different chemicals used across various product categories. These standards ensure that all chemicals remain within the restricted levels set to produce each product. As part of our commitment to product safety and quality, we conduct chemical testing on our apparel and footwear products. To enhance transparency and build consumer trust, we disclose these testing reports upon request, allowing customers to make informed decisions about the chemical composition of our products. This initiative empowers consumers with the knowledge they need to better understand the materials and chemicals used in our products, reinforcing our dedication in responsible manufacturing sustainable practices.

The Group has launched the "ESG Knowledge Hub" in our official public account to enhance customer awareness and understanding towards the sustainable use of chemicals. This platform is designed to educate customers about the information of chemical ingredients and their effects on human health and the environment. For instance, we have published articles that discuss the functions, characteristics, potential risks, and preventive measures associated with perfluorinated compounds and chlorophenols.

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Minimizing hazardous chemicals used

With the aim to minimize the environmental impacts associated with hazardous chemicals, we are decreasing the reliance on such substances. In Saucony and Merrell, the use of water-based adhesive accounts for 60%. Merrell has cooperated with Bluesign dyeing auxiliaries' manufacturers for 80% of its garment production and aims to exceed the high percentage by 2025. In our manufacturing process, we utilize water-based adhesives in our factories, with an external supplier coverage rate of 48% for these adhesives.

Focusing on advancing technological innovation in fluorine-free products, we have invented and patented our fluorine-free foaming materials, silicone-free wear-resistant designs, and ultra-light formulas. In 2023, Saucony increased its adoption of fluorine-free water-repellent garments to 10%, with its target of 40% by 2050. Also, we are collaborating closely with our upstream suppliers to phase out the use of industrial chlorophenol.

Our aspiration to emerge as a leader in sustainable development drives our commitment to environmental stewardship within supply chain management. Under our "2030 ESG Strategy Framework", we aim to implement standardized chemical management practices. By the year 2030, our goal is to ensure that 80% of our Tier 1 and Tier 2 suppliers comply with the ZDHC MRSL, while also making the transition to safer alternatives for 10 restricted chemicals.

PACKAGING MATERIAL AND WASTE MANAGEMENT

Packaging materials contribute to certain amount of waste and Xtep has been taking initiatives to introduce more sustainable packaging options to reduce the associated environmental impacts.

Utilizing green packaging in our products

For core Xtep brand's apparel and accessory products, we have been reducing the use of plastic packaging. We print tags on both sides to reduce excessive packaging materials and replace tags and quality certificates with more environmentally friendly materials. Our shoe boxes are printed with recycling methods to encourage the reuse of materials and appropriately sized according to shoe sizes to reduce material wastage. We offer shoe boxes with handles to minimize the use of plastic bags and leverage their natural wood-color to reduce the use of ink in printing.

All inner boxes for Saucony and Merrell products are made of green materials with FSC certification.

PRESERVING THE NATURAL ENVIRONMENT

The Group is dedicated to responsible waste management and disposal practices. In accordance with local policies and regulations, hazardous waste generated from our production processes, such as activated carbon and contaminated containers, is collected and handled by qualified vendors. Although our on-site employee dormitories produce a significant volume of general waste, we are committed to achieving zero waste in our offices and living spaces. The Group adheres to the principles of reducing, reusing, and recycling throughout its various operations, including both residential and manufacturing facilities. Recyclable waste is sorted and recycled centrally, while appointed external contractors are responsible for the proper collection and disposal of non-recyclable general waste.

Packaging materials in 2024

[15] The increased consumption of paper cartons and shoe boxes was due to the increased in sales orders, which increased led to an increase in the packaging materials for our production output. In 2024, the usage of plastic tape and plastic strips decreased because of the upgrade of our packing process.

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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, prioritize 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.	• Our sustainability governance structure • Risk management and internal control	
Reporting Principles — Materiality	(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.	• 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).	• 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.	• 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.	• Reporting boundary	

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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 and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	• Promoting green product innovation • Tackling climate change • Biodiversity and land use • Air emission • Water management • Use of chemicals • Packaging material and waste management	
KPI A1.1	The types of emissions and respective emissions data.	• Tackling climate change • Air emission	Given the nature of the Group's business, we do not have significant air emissions from our production processes.
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	—	Currently hazardous and non-hazardous wastes are not considered material to the Group and we have yet to collect and consolidate relevant information. We will continue to review and disclose further information as appropriate in the future.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	—	
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	• 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.	• Our sustainability framework and initiatives • Packaging material and waste management	
Aspect A2: Use of resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	• Tackling climate change • Water management • Packaging material and waste management	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	• Tackling climate change	
KPI A2.2	Water consumption in total and intensity.	• Water management	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	• 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.	• 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.	• Packaging material and waste management	

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	• Our sustainability framework and initiatives • Promoting green product innovation • Preserving the natural environment	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	• Our sustainability framework and initiatives • Promoting green product innovation • Preserving the natural environment	
B. Social			
Aspect B1: Employment			
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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	• Supporting the growth and well-being of our people	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	• Supporting the growth and well-being of our people	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	• Supporting the growth and well-being of our people	

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.	• 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.	• Supporting the growth and well-being of our people	
KPI B2.2	Lost days due to work injury.	• 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.	• 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.	• Supporting the growth and well-being of our people	
KPI B3.1	The percentage of employees trained by gender and employee category.	• Supporting the growth and well-being of our people	
KPI B3.2	The average training hours completed per employee by gender and employee category.	• Supporting the growth and well-being of our people	

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Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
Aspect B4: Labor 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 labor.	• Supporting the growth and well-being of our people	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	• Supporting the growth and well-being of our people	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	• 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.	• Supplier assessment and management	
KPI B5.1	Number of suppliers by geographical region.	• Supplier assessment and management	
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.	• 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.	• 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.	• Supplier assessment and management	

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, labeling and privacy matters relating to products and services provided and methods of redress.	• 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.	• Strengthening product quality and safety	
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	• Strengthening product quality and safety	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	• Business ethics	
KPI B6.4	Description of quality assurance process and recall procedures.	• Strengthening product quality and safety	
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	• 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.	• 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.	• Business ethics	
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	• Business ethics	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	• Business ethics	

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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.	• Contributing a positive impact to our society	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	• Contributing a positive impact to our society	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	• 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; (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: (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.	• Tackling climate change	
(II) Strategy			
Climate-related risks and opportunities			
Paragraph 20	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: (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;	• Tackling climate change	

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	(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			
Paragraph 21	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: (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).	• Tackling climate change	
Strategy and decision-making			
Paragraph 22	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: (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: (i) current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities;	• Tackling climate change	

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
	(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).	• Tackling climate change	
Financial position, financial performance and cash flows			
Current financial effect			
Paragraph 24	An issuer shall disclose qualitative and quantitative information about: (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.	• 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: (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: (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.	• 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: (a) the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of: (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;	• Tackling climate change	

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	(b) how and when the climate-related scenario analysis was carried out, including: (i) information about the inputs used, including: (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	An issuer shall disclose information about: (a) the processes and related policies it uses to identify, assess, prioritize and monitor climate-related risks, including information about: (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 prioritizes 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, prioritize 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, prioritizing and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	• Tackling climate change	

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 CO2 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.
Climate-related opportunities			
Paragraph 32	An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	• 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.
Capital deployment			
Paragraph 33	An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	• 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
Internal carbon prices			
Paragraph 34	An issuer shall disclose: (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.		Not applicable. We are not applying internal carbon prices.
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).	• 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 characterize 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.		Not applicable

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
Climate-related targets			
Paragraph 37	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: (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.	• Our approach to sustainability • Tackling climate change	
Paragraph 38	An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including: (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.	• Our approach to sustainability • Tackling climate change	

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
Paragraph 39	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.	• Our approach to sustainability • Tackling climate change	
Paragraph 40	For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose: (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 decarbonization approach; and	• Our approach to sustainability • Tackling climate change	
	(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: (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).		

GRI CONTENT INDEX

Statement of use	Xtep has reported the information cited in this GRI content index for the period 1 January 2024 to 31 December 2024 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 organization and its reporting practices	**GRI 2: General Disclosures 2021**	2-1	Organizational details	• Our brand and distribution network
		2-2	Entities included in the organization'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	There has been no external assurance.
Activities and workers		2-6	Activities, value chain and other business relationships	• 2024 Annual Report • Our brand 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 2024 ESG report.

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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	• 2024 Annual Report
		2-11	Chair of the highest governance body	• 2024 Annual Report • Our sustainability governance structure
		2-12	Role of the highest governance body in overseeing the management of impacts	• 2024 Annual Report • Our sustainability governance structure
		2-13	Delegation of responsibility for managing impacts	• 2024 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	• 2024 Annual Report
		2-19	Remuneration policies	• 2024 Annual Report
		2-20	Process to determine remuneration	• 2024 Annual Report
		2-21	Annual total compensation ratio	• Please refer to our Emolument Policy in the 2024 Annual Report.
Strategy, policies and practices		2-22	Statement on sustainable development strategy	• Chairman's message • Our sustainability framework and initiatives
		2-23	Policy commitments	• Business ethics
		2-24	Embedding policy commitments	• 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	• Advocating business ethics and value integrity
		2-26	Mechanisms for seeking advice and raising concerns	• Advocating business ethics and value integrity
		2-27	Compliance with laws and regulations	• 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	• Sustainable rating and recognition
Stakeholder engagement		2-29	Approach to stakeholder engagement	• Stakeholder engagement and materiality assessment
		2-30	Collective bargaining agreement	• 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	• Stakeholder engagement and materiality assessment
		3-2	List of material topics	• Stakeholder engagement and materiality assessment
Topic-specific disclosures				
Biodiversity and Land Use	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• Our sustainability framework and initiatives • Stakeholder engagement and materiality assessment • Biodiversity and land use
	GRI 101: Biodiversity 2024	101-1	Policies to halt and reverse biodiversity loss	• Biodiversity and land use
		101-2	Management of biodiversity impacts	• Biodiversity and land use
Procurement Practices	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• 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	• Supplier assessment and management
Anti-Corruption	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• Our sustainability framework and initiatives • Stakeholder engagement and materiality assessment • Business ethics
	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 Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	• Business ethics
Materials	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• Our sustainability framework and initiatives • Stakeholder engagement and materiality assessment • Packaging material and waste management
	GRI 301: Materials 2016	301-1	Materials used by weight or volume	• Packaging material 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	• Our sustainability framework and initiatives • Stakeholder engagement and materiality assessment • Tackling climate change
	GRI 302: Energy 2016	302-1	Energy consumption within the organization	• Tackling climate change
		302-2	Energy consumption outside of the organization	• Tackling climate change
		302-3	Energy intensity	• Tackling climate change
		302-4	Reduction of energy consumption	• Tackling climate change • Our sustainability framework and initiatives
Water and effluents	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• 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	• 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

Topic Disclosed	GRI Standard	GRI Indicator	Description	Relevant Section(s) or Remark
Emissions	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• 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	• Tackling climate change
		305-2	Energy indirect (Scope 2) GHG emissions	• Tackling climate change
		305-3	Other indirect (Scope 3) GHG emissions	• Tackling climate change
		305-4	GHG emissions intensity	• Tackling climate change
		305-5	Reduction of GHG emissions	• Our sustainability framework and initiatives • Tackling climate change
Waste	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• Our sustainability framework and initiatives • Stakeholder management and materiality assessment • Packaging material and waste management
	GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	• Packaging material and waste management
		306-2	Management of significant waste-related impacts	• Packaging material and waste management

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	• 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	• Supplier assessment and management
		308-2	Negative environmental impacts in the supply chain and actions taken	• Supplier assessment and management
Employment	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• 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	• Supporting the growth and well- being of our people-talent retention
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	• Supporting the growth and well- being of our people-talent retention

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	• 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	• Supporting the growth and well-being of our people-labor health and safety
		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

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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	• 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	• Supporting the growth and well-being of our people- training and development
		404-2	Programs for upgrading employee skills and transition assistance programs	• Supporting the growth and well-being of our people- training and development
		404-3	Percentage of employees receiving regular performance and career development reviews	• 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	• Our sustainability framework and initiatives • Stakeholder engagement and materiality assessment • Supporting the growth and well-being of our people- diversity, equity and inclusion
	GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	• Our sustainability governance structure • Supporting the growth and well-being of our people- diversity, equity and inclusion • 2024 Annual Report
Child Labor	**GRI 408: Child Labor 2016**	408-1	Operations and suppliers at significant risk for incidents of child labor	• Supporting the growth and well-being of our people
Forced or Compulsory Labor	**GRI 409: Forced or Compulsory Labor 2016**	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	• Supporting the growth and well-being of our people
Local Communities	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• 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 programs	• 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	• 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	• Supplier assessment and management
		414-2	Negative social impacts in the supply chain and actions taken	• 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	• 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	• Strengthening product quality and safety
		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	• Strengthening product quality and safety
Marketing and Labeling	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• Stakeholder engagement and materiality assessment • Business ethics
	GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	• Business ethics
		417-2	Incidents of non-compliance concerning product and service information and labeling	• Business ethics
		417-3	Incidents of non-compliance concerning marketing communications	• Business ethics
Customer Privacy	**GRI 3: Material Topics 2021**	3-3	Management of material topics	• Stakeholder engagement and materiality assessment • Business ethics
	GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	• Business ethics

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GLOSSARY

AI	Artificial Intelligence
Board	The Board of Directors of Xtep International Holdings Limited
Committee	The Board-level Sustainability Committee
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 Guide
FISU	International University Sports Federation
FSC	Forest Stewardship Council
GOTS	Global Organic Textile Standard
GRI	Global Reporting Initiative
Group, Company or Xtep	Xtep International Holdings Limited and its subsidiaries
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange or Stock Exchange or HKEX	The Stock Exchange of Hong Kong Limited
IFRS S2	International Financial Reporting Sustainability Disclosure Standard No.2 — Climate-related Disclosures
IPCC	Intergovernmental Panel on Climate Change
ISO 14001	International Environmental Management System Standard issued by International Organization for Standardization
ISO 45001	International Occupational Health and Safety Standard issued by The British Standards Institution
ISO 9001	International Quality Management System Standard issued by International Organization for Standardization
KPI(s)	Key Performance Indicators

APPENDIX

Listing Rules	Appendix C2 of the Rules Governing the Listing of Securities
LTI(s)	Lost Time Injuries
LWG	Leather Working Group
Materiality Assessment	Procedures to identify the material issues that are most relevant to the company's daily operations and to our stakeholders
MRSL	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
OHSMS	Occupational Health and Safety Management System
PRC or Mainland China	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	2024 Environmental, Social, and Governance Report of the Group
RMB	Renminbi, the lawful currency of the PRC
SASB	Sustainability Accounting Standards Board
SDGs	United Nations Sustainable Development Goals
SMC	Supplier Management Center
S&P CSA	S&P (Standard & Poor's) Global Corporate Sustainability Assessment
SSP	Shared Socioeconomic Pathways
TCFD	Task Force on Climate-related Financial Disclosures
The Reporting Period	The financial year ended 31 December 2024
WTA	Women's Tennis Association
ZDHC	Zero Discharge of Hazardous Chemicals

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