

A man in a white polo shirt and a brown leather apron is working in a workshop. He is using a large, grey, C-shaped gauge with a circular dial to measure a piece of dark red leather. The background is a blurred workshop with wooden cabinets and a window showing a green landscape.

STELLA

INTERNATIONAL

2024 Environmental, Social & Governance Report



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Letter from CEO

As we unveil our third standalone ESG report for the fiscal year 2024, I am proud to reflect on the significant progress Stella Group has made in integrating sustainability into our business. While we recognise that we are still on our journey, we are committed to strengthening our governance, environmental management, and social responsibility efforts to become a more sustainable and forward-thinking company.

The challenges of operating in a resource-intensive and complex supply chain environment remain, but our approach has evolved. Sustainability is no longer just about meeting compliance requirements – it is a strategic imperative that drives innovation, resilience, and long-term value creation. Our efforts in recent years have been recognised externally as well, with Stella Group achieving an MSCI ESG rating upgrade to 'A' in July 2024 – a three-level jump from our previous rating of 'B.' This upgrade reflects the improvements we have made in communicating our ESG efforts, strengthening disclosure practices, and guiding sustainability management through the issuance of standalone ESG reports.

In 2024, we continue to use the four established sustainability pillars to guide our efforts. We successfully completed a group-wide Carbon Inventory across all 17 factories, covering Scope 1, 2, and 3 emissions, and achieved ISO 14064 certification. This milestone prepares us for setting science-based targets and ensures alignment with the market's evolving disclosure standards. In addition, we conducted a detailed climate risk assessment, identifying the physical and transitional risks relevant to our operations. This also included a climate scenario analysis, which lays the foundation for developing strategies to mitigate these risks and evaluating their financial implications.

Our green and low carbon transition continued with the expansion of our total installed on-site solar capacity to 25.34 MW, further reducing reliance on conventional energy sources. To enhance our ability to monitor and manage environmental performance, we launched an ESG Data Platform, enabling timely tracking and identification of resource use and inefficiencies across all factories. Meanwhile, we have also achieved a 100% adoption rate across our footwear factories now using the Higg Facility Environmental Module (Higg FEM).

At the heart of our business are the people who drive our success. While our primary focus in 2024 has been on environmental and governance improvements, we remain committed to fostering an inclusive workplace and upholding the highest standards of social responsibility. Our workforce continues to be diverse, with nearly 80% female representation, and we actively maintain engagement with brand partners and local organisations to support community initiatives. Ethical labour practices remain a priority, with 75% of our footwear factories participating in the Higg Facility Social and Labour Module (Higg FSLM).

Digital transformation remains integral to our sustainability strategy. Alongside the launch of our ESG Data Platform, we have further optimised production processes through data-driven decision-making, cloud-based monitoring, and other improvements to resource efficiency. These innovations enhance operational agility and reinforce our commitment to sustainability without compromising the quality and craftsmanship that define Stella Group.

While we celebrate these milestones, we recognise that the journey toward sustainability is ongoing. As regulatory requirements evolve and new challenges emerge, we remain steadfast in our commitment to driving meaningful change – not only within our company but across the industry. The road ahead presents new opportunities to innovate, collaborate, and lead in building a more sustainable future.

Thank you for being a part of this journey with us. I look forward to sharing our continued progress as we work toward a more responsible and resilient future.

Chi Lo-Jen

Chief Executive Officer

March 20, 2025

HIGHLIGHTS FOR 2024

FINANCIAL PERFORMANCE

REVENUE

\$1,545.1mn

YoY +3.5%

SHIPMENT VOLUME

53.0mn pairs

YoY +8.2%

NET PROFIT

\$170.1mn

YoY +21.2%

NET CASH

\$417.6mn

YoY +45.3%

OPERATING PROFIT

\$184.5mn

YoY +15.7%

OPERATING PROFIT MARGIN

11.9%

FULL-YEAR DIVIDEND

HK 171 centsincluding normal full-year dividend HK 115 cents
+ special dividend HK 56 cents

SUSTAINABILITY HIGHLIGHTS

25.34 MWtotal installed capacity
of rooftop solar system**20,230 MWh**renewable energy consumption,
equivalent to offsetting
over **9,800 MT CO₂e****Scope 1, 2, 3**Carbon Inventory completed
for all footwear factories**100 %**of footwear factories
adopted Higg FEM**75 %**of footwear factories
adopted Higg FSLM**-32 %**

YoY paper consumption

AWARDS & RECOGNITION

MSCI ESG Rating

MSCI
ESG RATINGS

CCC B BB BBB A AA AAA

Stella's MSCI ESG Rating
upgraded to 'A' in July 2024

ISO Certification

for group-wide
Scope 1, 2, and 3 carbon inventory

Award

for the outstanding commitment to
employee welfare of our Indonesia Factories*All financial figures are denominated in USD unless otherwise specified*

As part of our ongoing commitment to sustainability and environmental stewardship, we have set ambitious targets for 2025 across various key areas, including energy efficiency, carbon footprint reduction, climate change mitigation, water stewardship, and waste management.

STELLA 2025 ENVIRONMENTAL TARGET PROGRESS

| Aspect | 2025 Target (base year 2021) | 2024 Progress |
|--|--|---|
| Energy Efficiency & Carbon Footprint Reduction | Reduce electricity consumption intensity by 15% | Total electricity (grid + renewable) consumption intensity increased by 16.8% |
| | | Grid electricity consumption intensity increased by 4.4% |
| | Construct on-site renewable energy infrastructure up to 40MW | 25.34 MW |
| Climate Change Mitigation & Adaptation | Achieve zero growth in Scope 1 and 2 absolute GHG emissions | Achieved negative growth ¹ |
| | Reduce Scope 1 and 2 GHG emissions intensity by 15% | Achieved reduction by 23.7% ¹ |
| Water Stewardship | Reduce water consumption intensity by 15% | Achieved reduction by 28.6% |
| Waste Management | Reduce total waste generation intensity by 10% | Increased by 15.0% |

While improved data accuracy, increased production volumes, and more complex product designs have contributed to a rise in FY2024 resource consumption intensity, we also made notable progress in reducing GHG emissions. This reduction was driven by higher renewable energy usage, updated calculation methodologies along with emission factors, demonstrating our commitment to continuous improvement and alignment with our environmental targets.

Furthermore, we have begun evaluating and preparing for new, longer-term targets. To strengthen our commitment to existing areas, Stella plans to expand beyond our current environmental targets to cover more material topics across all aspects of ESG, aligning with stakeholder expectations and industry best practices. Details of the new targets will be disclosed in future reports.

¹ Emission data is subject to change upon completion of third-party data validation.

Sustainability Pillars

This report commemorates the Sustainability journey of Stella International Holdings Limited in 2024. Last year, Stella established four clear sustainability pillars that serve as our sustainability vision, target, and strategy. In line with the four pillars, we incorporated ESG principles into our operations with the development of smart interfaces to synchronise ESG concepts with our strategic development. Smart technology plays a pivotal role in facilitating operation efficiency, while sustainable energy adoption addresses growing concerns about climate risks. Adjustments in our people management approach aim to enhance our overall ESG performance.

Our sustainable development blueprint aligns with our values of "caring, cooperation, and innovation." This mindset keeps us focused on producing excellent products to meet our standards for quality in pursuit of perfection. With our strategic core and continuous deployment and better adoption of digital management tools, we expanded the scope for ESG management enhancement, to better address material issues in our supply chain and business practices.

Public expectations have evolved, necessitating companies to take decisive ESG actions. Stella, as a responsible corporate citizen, recognises the importance of such actions and has taken substantial measures to encourage sustainable and ethical business practices. This report is dedicated to four core pillars:



By disclosing under these pillars, we offer a comprehensive overview of our Sustainability Development efforts and achievements, providing stakeholders a valuable reference for evaluating our business practices.

ESG challenges span across people, the environment, operations, and business ethics. Proactive management across the value chain is vital to the sustainability development of Stella Group. Digital tools for optimal management have been developed to address challenges, bridging the information gap and improving Stella's decision-making efficacy.

Stella appreciates our unique position in the footwear industry and as steward of our communities, we will continue to analyse potential challenges and strive to create long-term value in our operations. This report gives us the opportunity to revisit our sustainability journey in 2024 and outlines our efforts to promote sustainable business practices moving forward.

2024 SUSTAINABILITY INITIATIVES

Stella's Sustainability Development Goals

1. CREATE A DIVERSIFIED COMMUNITY

With operations spanning five different countries, we recognise the richness of diversity inherent to our global community. People are at the heart of our operations. We are dedicated to fostering a workplace where diversity thrives and ensuring that our people are working in a safe and healthy environment with diversified learning and development opportunities.

2. GREEN AND LOW CARBON MANUFACTURING

We recognise the traditional nature of our industry and the potential environmental impact it carries. Our commitment to building green and low carbon factories signifies our dedication to playing an active part in the global fight against environmental challenges. Our low carbon transformation journey starts from advocating resource conservation and emission reduction and enhancing resource efficiency.

3. BUILD A RESILIENT SUPPLY CHAIN

We believe that a resilient supply chain requires not just efficiency but also good ESG practices to mitigate risks. We will continue to foster strong and collaborative relationships, as well as communicate and integrate ESG principles to ensure the sustainability and ethical integrity of our supply chain.

4. ACHIEVE SMART OPERATION

Leveraging digital solutions to enhance operational efficiency and effectiveness, while preserving the artistry of our craft. Through the integration of technology into our work processes and the establishment of a robust digital infrastructure, we empower ourselves to work smarter, more efficiently, and make precise decisions rooted in scientific insights and data.

New or Enhanced Initiatives

1. LEAD – High Potential Employee Development Programme
Please refer to Employee Development and Training section

1. Higg FEM adoption for all footwear factories
Please refer to Environmental Management section
2. Group-wide Scope 1, 2, and 3 carbon inventory with ISO 14064 certification
3. Renewable energy infrastructure expansion
Please refer to Energy Efficiency and Carbon Footprint section

1. First Supplier Conference in China
Please refer to Supply Chain Management section

1. Group ESG Data Platform
2. Internet of Equipment (IOE) System expansion
3. VR Technology for Product Sample Development
Please refer to Operation Optimisation section

Sustainability Governance

Board Statement

To enhance the Group's ESG management, we have implemented a robust sustainability governance structure, overseen by the Board and actively executed by all Stella employees. The Board plays a pivotal role in providing governance and strategic direction for ESG-related matters within the Group. It closely monitors the integration of ESG initiatives into our strategic development, risk management procedures, and business management processes. This includes regular assessments and monitoring of ESG-related targets, ensuring alignment with our overall business objectives. We are currently reviewing our targets in preparation of setting new targets that will encompass a broader range of material issues, reflecting our commitment to addressing emerging sustainability challenges that are material to us.

To align our new targets with emerging sustainability challenges, we have entrusted the Corporate Governance Committee with the oversight of our ESG practices to ensure that their evaluation is informed by updates from the cross-departmental ESG Working Committee. This committee formulates and executes relevant initiatives to address the concerns raised by the Corporate Governance Committee.

In FY24, we have made significant progress in advancing our sustainability agenda by conducting a comprehensive climate scenario analysis alongside an in-depth assessment of climate-related risks and opportunities. These efforts have enabled us to better understand the potential impacts of various climate scenarios on our operations, allowing us to identify both challenges and opportunities for growth.

Additionally, we have updated our Whistleblowing Management Procedure to enhance transparency and accountability. By embedding these principles into our business practices, we are laying a stronger foundation for long-term corporate resilience, environmental protection, and the creation of shared value for all stakeholders.

CORPORATE GOVERNANCE STRUCTURE AND ESG MANAGEMENT



| | |
|-----------------------------------|---|
| Board of Directors | <p>The Board is the governing body of the Group. It establishes the Group's mission, values and strategy, and provides oversight on ESG issues. It also ensures that the Group's culture is aligned with its values.</p> <p>The Board assumes collective responsibility for its leadership and control and promotes the Group's success making decisions objectively in the best interests of the Group.</p> |
| Corporate Governance Committee | <p>The CG committee is responsible for the monitoring and evaluation of the Group's Sustainability policies and procedures. The CG committee is also responsible for monitoring the progress of ESG-related targets. The Board will receive regular updates from the CG Committee to facilitate their decision-making process.</p> |
| ESG Working Committee | <p>The cross-departmental ESG Working Committee is tasked with aiding the implementation of sustainability initiatives and reporting ESG performance and associated concerns to the Corporate Governance Committee. The working group is also responsible for updating improvement activities, increasing relevant knowledge and capacity of representatives of departments, and promoting future projects initiated by the Sustainability Development Office.</p> |
| Sustainability Development Office | <p>The Sustainability Development Office is responsible for developing the Group's sustainability policies, procedures, and targets, while driving change management to support ESG integration in alignment with brand customer expectations.</p> <p>Additionally, the office proposes initiatives to advance sustainability goals, ensuring compliance with evolving regulatory and industry requirements. It also monitors ESG performance, fosters a deeper understanding of areas for improvement, and supports capacity building on ESG issues across the organisation.</p> |
| Factories & Division Offices | <p>The factories and other division offices will implement management's initiatives on ESG related matters, record and report the achievement and understand the implication of data collection. In addition, all factories and division offices operate in accordance with the Group's sustainability policies.</p> |

Sustainability Development Capacity

The establishment of a cross-departmental ESG Working Committee underscores our dedication to fostering collaboration and synergy within Stella, significantly enhancing our ESG capacity. Led by the Chief Executive Officer, the ESG Working Committee assembles representatives from various departments, leveraging their diverse expertise to ensure a comprehensive approach to ESG matters.

The active involvement of the Chief Executive Officer in leading this committee not only underscores the organisation's commitment but also sets a tone of responsibility from top management, emphasising our commitment to upholding ESG principles as integral components of our business strategy.

This committee regularly reviews and updates the materiality matrix, ensuring that Stella remains responsive to the evolving landscape of ESG trends, allowing us to proactively address emerging challenges and opportunities.

Through this commitment, the ESG Working Committee significantly bolsters Stella's capacity to implement ESG initiatives effectively. The collaborative synergy among its members, led by the Chief Executive Officer, exemplifies our united approach towards achieving our ESG goals. This collective effort not only strengthens our internal processes but also contributes to fostering positive outcomes for our organisation and the communities we serve.

Upholding Business Ethics

Stella is committed to maintaining a fair and equitable business environment, protecting the interests of the Group, reducing corporate operational risks, whilst maintaining the reputation of the Group and our brand customers. During the Reporting Period, there was no non-compliance case in relation to anti-corruption-related laws and regulations².

² The Group complies with applicable business ethics-related laws and regulations in its operating regions, including the Prevention of Bribery Ordinance (Cap. 201) of Hong Kong, Criminal Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, and Anti-money Laundering Law of the People's Republic of China.

COVERAGE OF STELLA'S CODE OF BUSINESS ETHICS



Incorruptible
Operations



Intellectual Property
Protection



Identity
Protection



No Illegitimate
Interests



Privacy
Protection



Information
Disclosure



Sales, PR,
Marketing and Other
Public Relations



Community
Participation

The Group adopts a zero-tolerance approach to anti-corruption and anti-bribery. Reinforced by our Code of Conduct, all employees across operations are expected to comply with relevant policies, uphold high ethical standards, and refrain from any form of misconduct. The Code of Conduct applies to all areas of our business, including interactions with authorities, commercial negotiations with clients, procurement activities, and project development. In the event of a violation, the case will be thoroughly investigated, and appropriate disciplinary action will be taken. This may include termination of employment where necessary.

In addition, we assess the clarity and appropriateness of the payment terms and commission provisions in each of the agreements with our factories, agencies and business partners to reduce the risk of fraud and money laundering. Our employees are obliged to be well-versed in policies related to anti-money laundering.

Anti-Corruption and Anti-Bribery Code of Conduct – Highlights³

Objective: The Anti-Corruption and Anti-Bribery Code of Conduct is formulated by the Group HR Department in order to promote anti-corruption and anti-bribery work in business activities, strengthen employee ethics, and have a correct understanding and handling of conflicts of interest.

Scope: All factories managed by the Group and customers, suppliers, service providers, and contractors that have business relationship with the Group shall follow the policy.

All business activities or external contacts of the group, including but not limited to activities such as contacts with government departments, business negotiations with customer business representatives, fair product procurement, and project implementation, shall follow the policy.

Summary: We aim to strengthen the internal control on ethics, provide guidance to Group's employees and related interest groups (customers, suppliers, etc.) to act in accordance with the law, establish an honest and trustworthy corporate image, and prevent unethical behaviours. Various measures are implemented, including:

- To prohibit unethical acts in commercial activities, such as giving cash or items to counterparties in the form of a bonus, giving money or anything of value to seek business opportunities, providing sponsorship that violate the principle of fair competition etc.;
- To address conflicts of interest, stakeholder relationships, family members and effects;
- To address issues associated with handling of gifts and entertainment;
- To address issues associated with competition and fair dealing; and
- setting up procedures in escalation, declaration or reporting bribery and corruption cases.

³ The Policy is extracted partially for disclosure purpose.

Promoting Fair Competition

We place a high value on our sense of honesty and integrity and monitor the compliance status to applicable laws, regulations and industry standards among factories on a regular basis. The Anti-Corruption and Anti-Bribery Code of Conduct applies to our suppliers as well. Each of our suppliers has to sign the Anti-Gifts Compliance Agreement.

We have also established guidelines for accepting and giving gifts to ensure issues with conflict of interest and business ethics are being handled with care. We renounce any type of bribery or receiving bribes in exchange for economic advantages, as well as coercion or threats to achieve benefits. For gifts exceeding a specific monetary value, employees must report and hand over to the direct supervisor or department head.

According to the Group's Code of Conduct, employees are obligated to put the Group's interests ahead of their own and social relationship should not compromise their professional judgement, decisions, or actions in the workplace. We organise training programmes and meetings on business ethics related topics such as anti-corruption and conflict of interest for our employees regularly. In the future, we will provide anti-corruption training to directors as needed.

Corporate Social Responsibility and Business Ethics training are incorporated into new employee orientation, all new joiners are required to complete the course. Post-training assessment are also designed to ensure that they have thorough understanding of the training materials.

Communication Channels

The Group has updated Whistleblowing Management Procedure to effectively prevent operation and management risks by encouraging our staff to report any malpractice and management loopholes through various reporting channels.

Our Whistleblowing Management Procedure has set a high standard for all of our employees and business partners to follow, The Procedure includes but is not limited to:

- Behaviours that violate the Group's system, regulatory policies and relevant laws and regulations in business operation;
- Behaviours that will cause economic and reputation loss to the Group;
- Black-box operations that violate the principles of openness and fairness in the recruitment of employees and promotions;
- Vulnerabilities and hidden dangers in security work, bribery, extortion, fraud and money laundering; and
- Misbehaviour that violates the Group's standards in accordance with the Code of Conduct and Employee Handbook.

WHISTLEBLOWING SYSTEM

| | |
|---|---|
| Corporate Responsibility (CR) Department | Review relevant regulations, develop internal reporting system for whistleblowing, and carry out case investigation |
| Internal Audit Office | Collaborate with Corporate Responsibility Department to conduct case investigation |
| Factories & Regional Offices | Regularly publicise and inform the employees about internal reporting system and procedures |
| All Employees | Report the suspected cases of misbehaviour |

Employees are encouraged to report the suspected cases of misbehaviour including discrimination, corruption, fraud, dishonesty or unlawful conduct via any channel they prefer including the official reporting email and/or reporting hotline. The Group takes these reports seriously and provides timely responses to them. Upon the receipt of reports, the Internal Audit Office will work with Corporate Responsibility (CR) Department to conduct independent investigations. If necessary, remedial measures will be taken against people with accountability. The Whistleblowing Management Procedure provides whistleblowers with protection from retaliation. We assure employees that whistleblowing cases received are treated in strict confidence, and no whistleblower would be victimised or be unfairly treated for making a complaint.

About This Report

Report Profile

Stella Group strives to fulfil its mission of providing outstanding workmanship, while also maintaining our corporate obligations and advocating for sustainability. This Environmental, Social and Governance Report (this "Report") aims to offer all our stakeholders a summary of our strategies, policies, and accomplishments in the areas of environmental, social and governance practices.

Reporting Standards

This Report has been prepared in accordance with the Appendix C2 of The Stock Exchange of Hong Kong Limited, Environmental, Social and Governance Reporting Code (the "ESG Reporting Code"), formerly named as the Environmental, Social and Governance Reporting Guide. This report also references to Sustainability Accounting Standards Boards Standards (the "SASB Standards"), Task Force on Climate-related Financial Disclosure Recommendations (the "TCFD Recommendations"), and the Part D: Climate-related Disclosures of the ESG Reporting Code which is developed based on IFRS S2 Climate-related Disclosures.

Reporting Principles

Stella adheres to the four fundamental reporting principles outlined in the ESG Reporting Code. These principles enhance effective communication and guide our ESG-related decision-making. The following are the specifics:

- **Materiality:** Through stakeholder engagement and materiality assessment, ESG issues pertinent to our operations and stakeholders have been identified. This Report focuses primarily on the 19 significant ESG issues identified in 2024.
- **Quantitative:** Key Performance Indicators regarding environmental and social aspects are defined for data collection whenever feasible. Historical data will be quantified for illustration of the Group's performance in an objective way.
- **Balance:** All current practices and future plans regarding material ESG issues are reported in a transparent and balanced manner to provide an unbiased view on the Group's ESG performance.
- **Consistency:** For meaningful comparisons of the ESG performance across financial years, the methodology in this Report is consistent with the previous years. Any changes will be annotated for readers' reference.

Reporting Scope

This is the third annual standalone ESG report of Stella International Holdings Limited. The Report covered all manufacturing locations, in the People's Republic of China (PRC), Vietnam, Indonesia, Bangladesh, and Philippines, unless specified otherwise.

We report our sustainability practices and performance in accordance with ESG issues that are material to the Group for the period from 1 January 2024 to 31 December 2024 (the "Reporting Period", "Financial Year 2024").

Reporting Approval

The Board of Directors of the Group (the "Board") has overall responsibility for Stella's ESG strategy and reporting.

This report was reviewed and approved by the Board on 20 March 2025 to ensure there are no false record or misleading descriptions.

Accessibility of the Report and Feedback

An electronic copy of this report can be accessed on our website at <http://www.stella.com.hk/>. For any enquiries about the report or opinions regarding the Group's ESG performance, please feel free to put enquiries (i) in writing to the Company's registered office in Hong Kong (Flat C, 20/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong) for attention to the Company Secretary or (ii) by email at stella@stella.com.hk or (iii) (for shareholders of the Company only) by attending the Company's annual general meeting or extraordinary general meeting.

Material ESG Topics

We recognise that achieving a balance between internal and external perspectives is essential for identifying and addressing ESG problems that are important to our business and our stakeholders.

A materiality assessment offers a foundation to interact with stakeholders and investors, strengthen the corporate risk management framework, and enhance ESG-related disclosures.

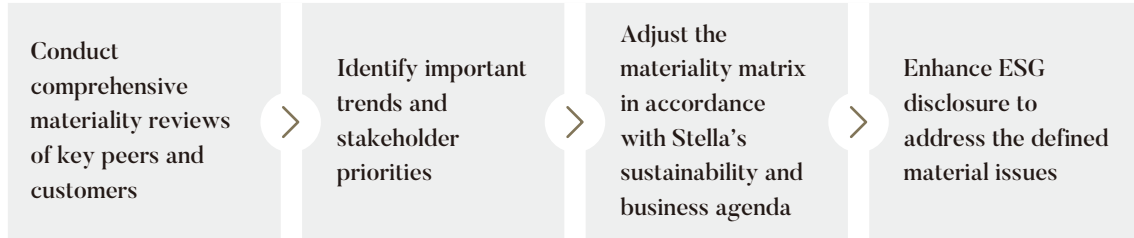
Materiality Assessment

The management and employees of various departments from the Group participated in the preparation of this Report, which included supports on the Group to examine its operation approach, identification of material ESG issues, and assessment of their significance to our business and our stakeholders.

Comprehensive stakeholder engagement and materiality assessment had been conducted in the previous year in partnership with an independent consultant. This involved online surveys and interviews with a diverse range of internal and external stakeholders, including members of the Board of Directors, employees across various departments, investors, suppliers, contractors, service providers, and customers.

This year, we continued our collaboration with an independent consultant to conduct in-depth research focused on key industry peers, major customers, and emerging megatrends. The primary objectives were to review these groups' strategic priorities and gain deeper insights into stakeholder perspectives on our ESG strategies. The findings were used to update our list of material topics, prioritise significant ESG issues, and revise our materiality matrix.

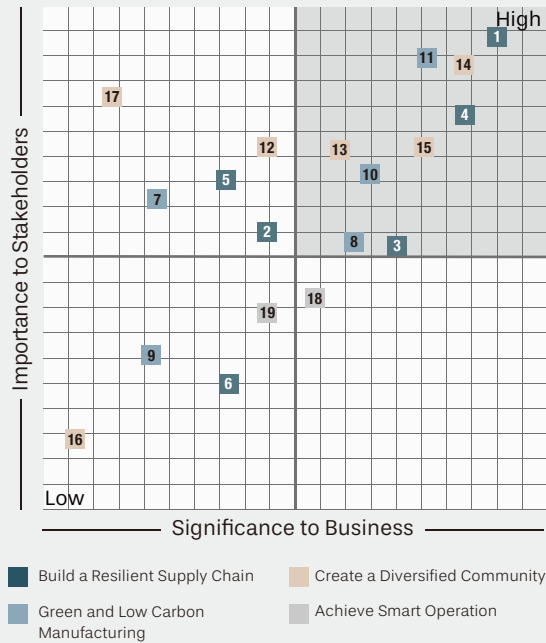
The assessment identified critical ESG risks and opportunities that are material to both internal and external stakeholders in their business decision-making. In response, Stella remains fully committed to implementing targeted improvements in the areas identified. This reflects our dedication to addressing stakeholder concerns while advancing sustainable and responsible business practices.



We categorised the priority areas identified via benchmarking and comparison exercise into four pillars. The table below highlights the ESG issues deemed relevant to the Group and the Report is formulated in accordance with the issues below.

Material Issues of Stella

Stella ESG Materiality Matrix 2024



The updated list of material issues was approved by the Board, the Corporate Governance Committee and the ESG Working Committee. The list was converted into a matrix according to the importance to stakeholders and significance to our business. The matrix is subject to our constant evaluation and update, to guarantee its continued applicability to our business and stakeholders.

| ESG Issues | Materiality |
|--|-------------|
| 1 Product Quality | ★★★ |
| 2 Customer Service and Complaint Handling | ★★ |
| 3 Supply Chain Management | ★★★ |
| 4 Economic Performance | ★★★ |
| 5 Corporate Governance, Compliance and Anti-corruption | ★★ |
| 6 Sustainable Sourcing and Alternative Materials | ★★ |
| 7 Energy Efficiency and Carbon Footprint | ★★ |
| 8 Climate Change Mitigation and Adaptation | ★★★ |
| 9 Water Stewardship | ★★ |
| 10 Chemical and Wastewater Management | ★★★ |
| 11 Resources and Waste Management | ★★★ |
| 12 Workplace Engagement and Well-being | ★★ |
| 13 Employee Development and Training | ★★★ |
| 14 Occupational Health and Safety | ★★★ |
| 15 Labour and Human Rights | ★★★ |
| 16 Community Investment | ★ |
| 17 Diversity, Equity, and Inclusion | ★★ |
| 18 Operation Optimisation | ★★ |
| 19 Customers' Product Data Privacy | ★★ |

Chapter 1

Create a Diversified Community



We are committed to fostering a workplace where diversity thrives, ensuring our employees benefit from a safe and healthy environment, as well as diverse learning and development opportunities.

FY24 Highlights

78.8%
Percentage of
female employees

50.2%
Leadership positions⁴
taken up by
female employees

75%
of Stella's
footwear factories
adopted Higg FSLM

⁴ Leadership positions include assistant manager and above.

Creating a diversified community is one of the key goals of our sustainability strategy. We strive to foster a long-term and collaborative relationship with our employees and have devoted resources towards their welfare and career progression. We work beyond compliance requirements in the countries we operate⁵ in, and established mechanism to review and improve employees' welfare. During the Reporting Period, there was no non-compliance case in relation to labour laws and regulations in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Labour and Human Rights

To guide our efforts in labour and human rights, Stella prepared the internal Social Responsibility Management Manual with reference to the SA8000 certification standards. SA8000 is based on the principles of international human rights norms as described in International Labour Organisation Conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights, including health and safety, freedom of association, working hours and wage standards, the prohibition of child labour and the protection of minors, the prohibition of forced labour, the prohibition of discrimination, the prohibition of unfair punishment, and so forth.

Prior to issuing labour contracts, candidates are required to provide valid identification documents for age verification. In 2024, no cases of child labour or forced labour were reported or brought to the Group's attention. Should such incidents arise, we are committed to responding promptly. In the case of child labour, the individual will be suspended and returned to their place of residence under guardian supervision, with the Group covering necessary transportation, accommodation, and wages for the period worked. For both child and forced labour cases, we will carry out timely investigations, engage with relevant parties, and take appropriate actions such as job reassignment, termination of employment, or accountability measures based on the findings.

Apart from implementing employee-friendly initiatives to demonstrate our empathy to our people, the Group upholds respect for employees' right to freedom of association and recognise the legal labour unions established by employees. For example, we have established formal procedures to support employees' freedom of association and collective agreement. Labour Unions established at factories according to local laws and regulations serve as one of the communication channels to bridge employees and the management. Employees are free to voice out their thoughts towards the company through labour unions. When consensus has been reached between the employer and employees, labour unions of those regions may sign Collective Bargaining Agreements (CBA) with local branches of the Group. The unions can also jointly hold relevant employee caring events and activities with the Group, enhancing the communications between the Group and employees. The purpose of the agreement is to define the terms and conditions of employment, including wages, working hours, benefits, and other relevant provisions, through mutual negotiation between the employer and the employees' representatives. The Group always takes the initiative to discuss with labour unions on issues regarding employees' welfare and rights.

⁵ The Group complies with applicable labour and human rights related laws and regulations in its operating regions, including the Labour Law of the People's Republic of China, Provisions on Prohibition of Using Child Labour of the People's Republic of China, Bangladesh EPZ Labour Act (2019), Bangladesh Labour Act (2006), Indonesia Labour Law-Act 13 (2003), and the Vietnam Labour Code (No. 45/2019/QH14).

In case of dismissal of employment related to operational changes, we prioritise communication with both the affected employees and labour union. On top of full compliance with the local labour laws and regulations, we also provide support during the dismissal process, including offering alternative positions within the group as well as compensation which commensurate with the employee's length of service in accordance with legal requirements. The Group strives to build a harmonious employer-employee relationship, and the minimum notice periods regarding operational changes are given according to local labour laws.

Over the last three Reporting Periods, there were no strikes nor lock-outs events happened due to employee dissatisfaction.

| STRIKES OR LOCK-OUT EVENTS | | |
|----------------------------|--------|--------|
| 2022 | 2023 | 2024 |
| 0 Case | 0 Case | 0 Case |

Recruitment

Stella upholds the principle of equality, objectiveness, and focuses on diverse talent development. The Group is an Equal Opportunity Employer in all our operational locations and is committed to comply with the principles outlined in conventions that protect women and employees, such as ILO Convention No. 190, No. 111, as well as the Committee on the Elimination of Discrimination against Women. During the recruitment process, we treat all our candidates in an open and fair manner, providing equal opportunities for everyone regardless of age, gender or gender reassignment, sex or sexual orientation, marital or family status, disability, race (including ethnic origin or nationality), and religious or political beliefs. To ensure full compliance with the relevant laws and regulations, the recruitment procedure is guided by the Group's Hiring Policy & Procedures which are regularly reviewed and updated in accordance with the latest industry practices and regulatory updates.

STELLA'S EMPLOYEE MANAGEMENT PRINCIPLES



The Group engages in open recruitment and adheres to market-based employment practices. To recruit talents, we utilise both online and offline channels like university graduate recruitment programmes, online talent acquisition platform, internal recruitment, and head-hunter referrals, etc. To attract qualified candidates, we continuously implemented a referral programme based on the importance and urgency of the positions, awarding employees with a referral incentive upon successful on-boarding.



Stella's booth at University Career Fair in China



Stella's booth at University Career Fair in Vietnam

We practise an inclusive hiring process for a diverse workforce by posting jobs with inclusive language and creating diverse interview panels. In 2024, women accounted for 78.8% of our global workforce and 50.2% of our leadership positions are taken up by our female employees.

To address the industry's challenge of talent retention and to bring fresh perspectives into our workforce, Stella continued and expanded the Beyond Star Management Associate Programme (MA Programme) with the introduction of the Business Associate Programme (BA Programme) to support business development. These programmes aim to attract young talent from outside the footwear manufacturing industry, injecting fresh ideas and fostering the sustainable growth of our company. In 2024, we further expanded our recruitment channels for both the MA and BA Programmes, leading to a significant increase in applications compared to the previous year. As a result, we successfully welcomed 13 new members into the Stella Group family.



MA Programme Information Session in Universities

Remuneration

The Group seeks to provide competitive remuneration packages and clear career paths for our employees. A compensation structure is established based on job duties, knowledge and experiences to efficiently mobilise the work force and advance the Group's strategic objectives.

As a business operating across multiple regions, our remuneration system is continually evaluated in accordance with the local government decree, industry and regional standards, as well as market circumstances. In addition to basic salary, Stella has established a performance-based incentive pay structure that covers all employees, with the primary goal of recognising employees' performance and commitment to the Group, and of retaining and motivating skilled and experienced employees to work towards the Group's prospective growth and expansion.

| EMPLOYEE TENURE STATISTICS | | | |
|-----------------------------------|-------------------|--------------------|-----------------------------|
| | 5-10 years | 10-20 years | 20 years & above |
| General employee | 24.1% | 19.9% | 2.1% |
| Middle-level management | 19.4% | 23.4% | 39.4% |
| Senior management | 4.5% | 18.2% | 68.2% |

Holidays, Welfare and Benefits

We cultivate a strong sense of belonging and engagement in our employees by providing a variety of benefits. Employees are entitled to paid annual leave, marriage leave, and maternity leave, as well as subsidies according to their ranks, positions and years of service. We also offer non-compensation benefits like pension and retirement benefits to preserve employees' interests. We participate in defined contribution retirement schemes organised by local government bodies in the PRC, Vietnam, Indonesia and other countries where we operate⁶. Through providing pension contributions and retirement benefits, we express our dedication to supporting our employees even after their tenure with us has concluded.

⁶ The Group complies with applicable retirement and pension related laws and regulations in its operating regions, including the Labour Code 2019 of Vietnam, Social Insurance Scheme of the People's Republic of China, and Pension Fund Law of Indonesia.

BPJS Ketenagakerjaan Award

In 2024, both of our factories in Indonesia received awards from BPJS Ketenagakerjaan, Indonesia's Public Social Security Agency. This recognition highlights our commitment to supporting employee registration in the national social insurance system during onboarding, as well as our active participation in related initiatives. For example, we established informational booths within our factories to educate employees and ensure easy access to their insurance accounts. These awards reflect our strong compliance with local labour regulations and our ongoing efforts to safeguard employee welfare through proactive social protection measures.



During the Reporting Period, Stella continued to implement a comprehensive benefits system to demonstrate our care to employees, reflecting the Group's philosophy of valuing our employees as key assets and fostering a positive and supportive workplace. Below are the various benefits programmes provided to our employees.

- Transport allowance
- Meal allowance
- Housing allowance
- Overtime compensation
- Health check-ups
- Subsidies for workers in need
- Birthday and holiday gifts
- Team building allowance
- Other regional employees care programmes

In addition to Group-wide benefits, each region may also initiate other special benefit or employee care programme. For example, our factories in Vietnam went above and beyond to demonstrate care and support for our employees. They provided financial support to employees with serious health conditions and built houses for employees in difficult financial circumstances. In collaboration with labour union, scholarships are also provided for employees' children, aiming to encourage children who have achieved outstanding academic or extracurricular accomplishments.



House building in Vietnam



Union Scholarships for Employees' Children

We believe that maintaining work-life balance is essential to fostering a healthy and supportive workplace for our employees. This commitment is communicated to all new hires during onboarding workshops, where the HR department provides training on relevant working hour policies. In cases where overtime work is required, we ensure that employees are compensated in accordance with applicable local labour regulations.

Occupational Health and Safety

Occupational Safety Measures

Stella strives to create a safe and healthy working environment for employees. Our global Occupational Health and Safety (OHS) management policy oversees the Group's procedures aimed at safeguarding the health and safety of our employees and complying with all legally mandated standards.

2024 HEALTH & SAFETY STATISTICS

| | |
|---|---------|
| Total Number of Work Injury Cases | 393 |
| Work Injury Rate ⁷ | 0.6% |
| Total Number of Work Fatal Cases | 0 |
| Work Related Fatality Rate ⁸ | 0% |
| Number of Lost Day Due to Work Injury | 5,006.8 |

During the Reporting Period, there was no non-compliance case in relation to laws and regulations⁹ in respect of providing a safe working environment and protecting employees from occupational hazards. All of our factories follow the standards of ISO 45001 Occupational Health and Safety Management System, ensuring the implementation of standardised health and safety practices across our operations. The products are also verified against stringent standards established by our brand customers, covering concerned topics including chemical safety and employees' health and safety.

Occupational Health & Safety Awards

The Group has received external recognition for our commitment to promote occupational health and safety. During the Reporting Period, our factory in the Philippines was recognised as both the Regional Champion and National Bronze Awardee in the 13th Gawad Kaligtasan at Kalusugan¹⁰ (GKK) for successfully implementing effective safety and health programmes.



Additionally, our China factory received the RoSPA Health and Safety Gold Award from the Royal Society for the Prevention of Accidents, further validating our dedication to creating a safe and healthy work environment.

⁷ The work injury rate is calculated based on the total number of employees.

⁸ The work-related fatality rate is calculated based on the total number of employees.

⁹ The Group complies with applicable occupational health and safety related laws and regulations in its operating regions, including the Work Safety Law of the People's Republic of China, Law on Occupational Safety and Health (Law No. 84/2015/QH13) of Vietnam, WORK SAFETY (Act No. 1 of 1970) of Indonesia, and the Occupational Safety and Health Standard of the Philippines.

¹⁰ The Gawad Kaligtasan at Kalusugan (GKK) is a prestigious national award in the Philippines, administered by the Department of Labor and Employment (DOLE) through the Occupational Safety and Health Center (OSHC), recognising outstanding achievements in implementing effective occupational safety and health programmes.

We make our best endeavours to enable all employees to work safely in accordance with the Occupation Health and Safety Procedure, with special focus placed on the below:

- **Chemicals:** Handling of chemicals should adhere to the guidelines outlined in the Material Safety Data Sheet (MSDS). For instance, chemicals should be stored in a space which is commensurate with their danger level within a limited period of time; Chemicals must be adequately managed and overseen by warehouse personnel to ensure security.
- **Fire:** Employees should be well aware of the Fire Management and Control Procedure and actively participate in fire safety education and training including regular fire drills. To guarantee the smooth flow of evacuation routes, safety exits, and the regular operation of fire extinguishing equipment, it is strictly prohibited to stack goods near fire hydrants, fire extinguishers, and manual alarms. Likewise, it is strictly prohibited to stack products on evacuation passageways.
- **Preventive measures:** Putting up labels and signage throughout our factories to reinforce awareness of workplace safety procedures; Installing protection devices (such as widened foot stand to avoid falling when moving goods, baffles to prevent hands from being engulfed, and protective covers and sensors to avoid clamping) on the machines.
- **Personal protection:** Enforced the use of Personal Protective Equipment (PPE) to minimise the risk of occupational disease; We require all of our staff to wear personal protective equipment when working in noise sensitive areas for ear protection.

To ensure effectiveness, our Occupational Health and Safety (OHS) policies and procedures are reviewed annually. Regular meetings are held to review and evaluate existing and potential workplace health and safety risks. These meetings involve a wide range of stakeholders, including labour union representatives, senior management, the Corporate Responsibility (CR) department, and operations managers.

Besides OHS policy and procedures, the Group also establishes risk identification protocols and conducts regular risk assessments to identify workplace hazards effectively. Remedial actions and risk control mechanisms will be triggered upon identification of hazards including but not limited to food safety, machinery safety, fire control, and hazardous chemical contamination. High-risk areas are also labelled and monitored to safeguard the health and safety of our employees.

Additionally, the CR department conducts on-site investigations and provides each factory with a detailed report outlining identified issues along with recommended improvements. This initiative includes proactive measures such as implementing training programmes, strengthening safety protocols, and fostering a culture of accountability among our workforces.

Occupational Health and Safety Training

To bolster our staff's awareness of workplace health and safety, we organised regular training sessions, workshops, and health talks to enhance our employees' understanding of the Group's procedures and standards. The mandatory training list covers the usage of personal protective equipment, chemical management and fire safety.

Furthermore, in 2024, factories also provided additional trainings covering the following key topics to ensure employees are aware of their rights, understand common health risks, and can work safely:

- Common OHS Diseases and Prevention
- Benefits and Importance of OHS Health Examinations
- Safe Operation of Machinery and Equipment



During the Reporting Period, we also offered occupational health examinations for our employees as part of our ongoing commitment to workplace health safety.



Occupational health and safety examination in Indonesia and China

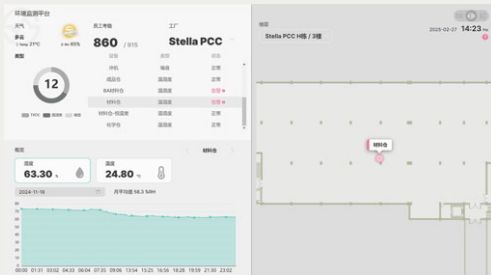
TVOC Monitoring System

In 2024, Stella installed additional 15 sensors for Total Volatile Organic Compounds (TVOC) in our factories, expanding the system coverage to 8 factories. The data collected from the system will form the basis for developing strategies to enhance indoor air quality, ensure compliance with local emission regulations and our environmental commitments.

Equipped with an alert function, the system will display real-time notifications on the dashboard when TVOC concentrations exceed safe limits. This enables prompt action to address potential hazards and helps reduce the risk of adverse health effects for workers.



On-site TVOC Sensor



Alert on System Dashboard

This year, we further enhanced the Safety Management Platform piloting in one of our factories. By integrating real-time monitoring, data analytics, and comprehensive reporting features, this platform can effectively track OHS-related KPIs. Other supporting functions include documentation management, OHS compliance check, and fire safety equipment inventory with alerts.

We prioritise open communication, encouraging employees to report workplace concerns and discuss personal health issues with supervisors. The Group remains committed to enhancing our management system, equipment, and safety procedures to minimise occupational injuries.

Emergency Plans and Safety Measures

Emergency evacuation plans are developed at all factories, with emergency exits and evacuation routes clearly marked in every plant. Buildings are equipped with fire alarms and fire extinguishing tools, which are regularly inspected and tested to provide protection against fire risks. We conducted emergency drills, such as fire drills, on a regular basis to ensure employee safety in the event of an emergency or accident. We continuously renew and establish signage for equipment instructions and fire safety awareness regularly.



Fire Safety Check



Fire Safety Drill

To enhance our employees' emergency response capabilities, we organised training sessions on emergency response and First Aid. These sessions, led by certified First Aid specialists, covered critical techniques such as trauma First Aid, Cardiopulmonary Resuscitation (CPR), and the use of an Automated External Defibrillator (AED).



CPR Trainings

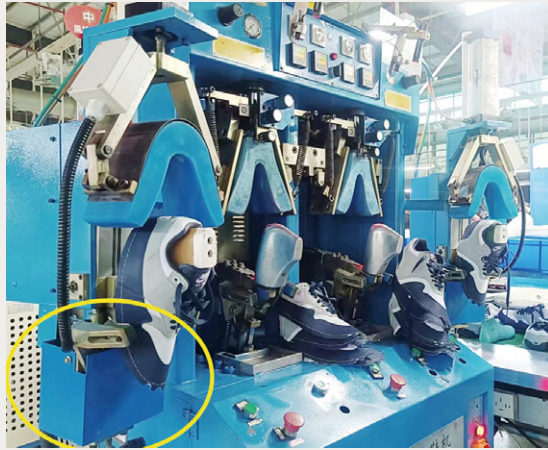


First Aider Training

Throughout this year, our factories in China launched a Machine Safety Programme. Preventive measures are applied to machines identified with high injury risks. A total of 1,089 machines were upgraded with protective devices to enhance worker safety on the production floor.

Machine Safety Programme – Counter Moulding Machine

As part of our machine safety programme, the counter moulding machine was identified as posing a high risk of hand injuries due to potential improper use. To address this, a rear cover plate has been installed to prevent accidental contact, and protective sleeves have been added to all hydraulic rods to minimise exposure to high-pressure components. These modifications reflect our ongoing commitment to improving machine safety and ensuring a secure working environment for our employees.



Diversity, Equity, and Inclusion

Anti-Discrimination

Stella has zero tolerance on discrimination and is committed to treat all employees equally, irrespective of their gender, age, race, ethnicity, nationality, political status, creed, marital status, maternity status, sexual orientation, disability or any other factors that are irrelevant to their work competence. As our society grapples with racial and gender injustice, we take it upon ourselves to address such issues within the Group and our communities. An Anti-Discrimination Policy has been implemented within the Group to prevent any kind of discrimination.

Gender Equality

Stella is dedicated to contributing to gender equality and strictly prohibits any forms of sexual discrimination. In 2024, we introduced a new Anti-GBVH Procedure to prevent gender-based violence and harassment (GBVH) in the workplace. Our staff can report discriminatory behaviour to the management through different channels covered in the "Workplace Engagement and Well-being" section of this report. During the Reporting Period, we did not receive any claims of harassment or discrimination relating to pregnancy and maternity rights or gender discrimination. We respect women's value in the workplace and strive for a harmonious relationship between employees.

To equip employees with the necessary skills to recognise, respond to, and report harassment situations, we organised workplace sexual harassment awareness workshop in Vietnam for over 800 employees. This course was designed to create a safe and respectful work environment for our employees, and received positive feedback from participants.



Workplace sexual harassment awareness workshop

In 2024, alongside our efforts in Vietnam, we conducted training sessions in our China factory to promote gender equality and address anti-discrimination, anti-harassment, and forced labour prevention.



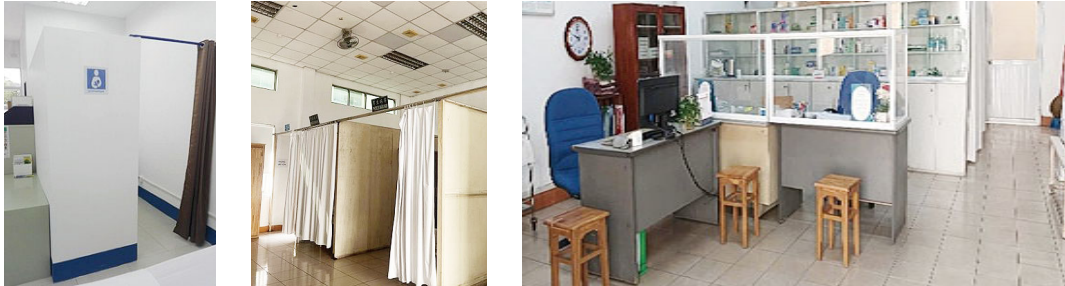
Gender Equality & Anti-Discrimination in Workplace Training



Representatives from our Philippine factory participated in government-provided gender sensitivity training and the local Pride Parade to promote awareness and understanding of gender issues within the workplace and the wider community.



The Group strives to cater to our employees' different needs and value their physical and mental well-being. As part of this commitment, we provide nursery rooms in our factories to create a mother-friendly working environment. We also ensure that pregnant staff are not assigned tasks that could be harmful to their health, as well as exempting expectant mothers who are over seven months into pregnancy from night shifts or overtime.



Nursery Rooms in the Factories

Recognising that the majority of our workforce is female, Stella is committed to supporting women's health and wellbeing. We organised information sessions to raise awareness about female-related cancers, provide guidance on accessing government-sponsored health screenings, and teach simple self-examination techniques. Through these efforts, we aim to promote early detection, improve health outcomes, and demonstrate our ongoing commitment to social responsibility and employee care.



Information Session for Female Health

During the Reporting Period, we also provided training for pregnant employees to ensure they were well-informed about their maternity benefits and relevant policies. The training encompasses guidance on filing for maternity benefits, understanding modified break time rules for additional rest, and the option to adjust uniform sizes for comfort.



Benefits of Pregnant Women in the Workplace and Breastfeeding Awareness

Workplace Engagement and Well-Being

Sense of Belonging

Stella cares about the well-being of our employees. We organised various recreational activities with the aim of fostering a sense of belonging and strengthening team spirit. In FY2024, we reinforced this commitment by expanding the expense reimbursement scope for team-building activities, encouraging broader participation.



Team building dinners



Sportsfest 2024



Employee Field Trips

Our factories are equipped with staff cafeterias that provide employees with a selection of nutritious and delectable meals. In addition, staff quarters are built with amenities such as playgrounds, billiard parlours, gyms and other amenities, providing our employees with a pleasant place to stay. We also provide nurseries and playrooms to cater for the needs of our working mothers. By offering these facilities, the Group not only provides our employees with comfortable living environment but also offers a feeling of community and camaraderie among them.



Wellness playground



Billiard parlour



Basketball court

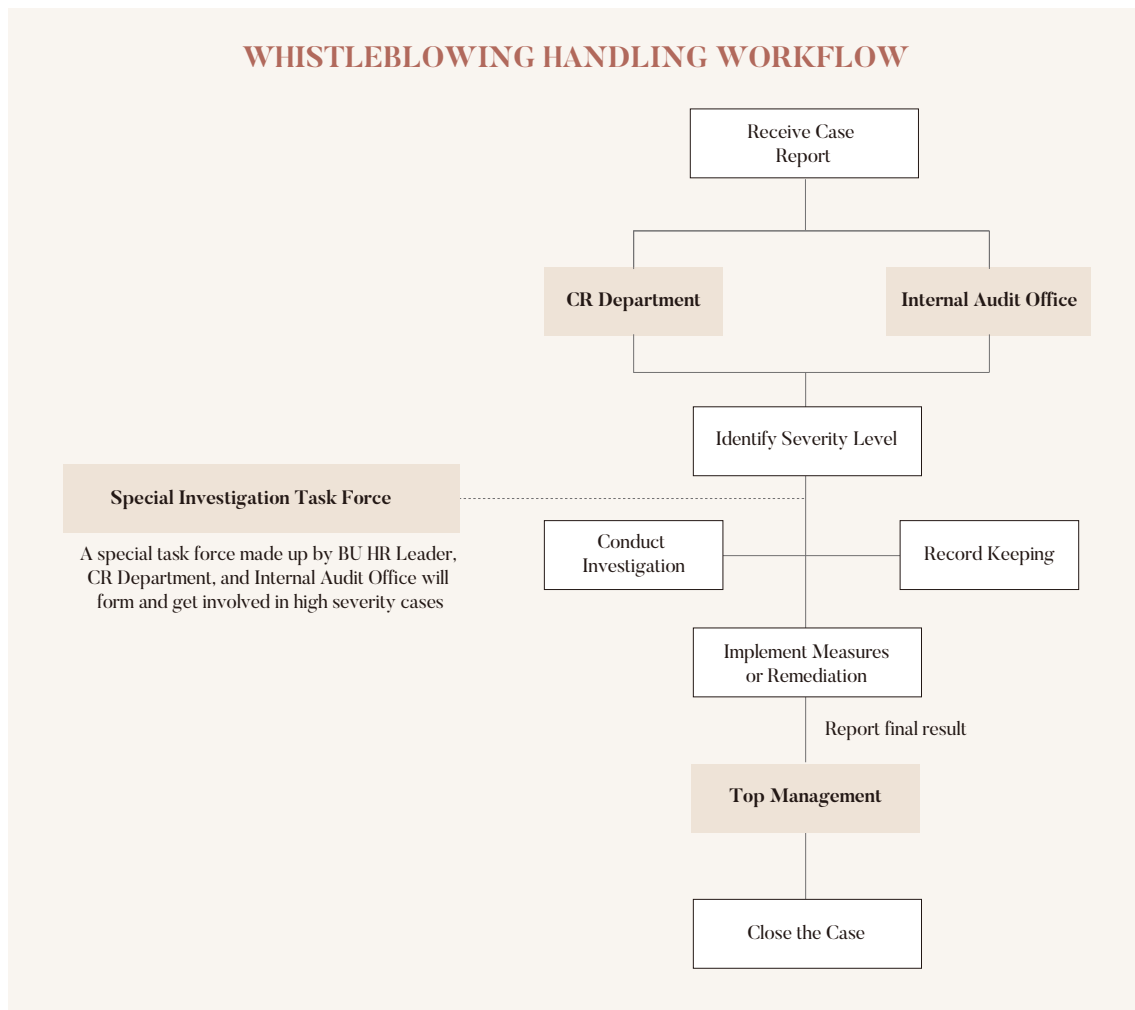


Staff cafeteria

Communication and Grievance Mechanisms

At Stella, we strive to cultivate a speak-up culture where all employees feel included, heard, and respected. We want our people to feel confident in voicing concerns, reporting unfair treatment, or raising workplace issues through accessible and supportive communication channels. To facilitate this, we have established a dedicated Employee Hotline, allowing employees to share their concerns confidentially. Informational posters are also displayed across our factories to ensure employees are aware of the Hotline and how to use it.

Employees are also encouraged to interact with us through social media, suggestion boxes, and emails. This year, we also updated the whistleblowing mechanism. For detailed information, please refer to "Communication Channels" section of this Report.



Employee Satisfaction

Employees are actively engaged from time to time through interviews and surveys. We leverage on the constructive suggestions provided by our employees to improve their workplace experience and enhance our employee management standards.

Respect For Culture Diversity

We respect and celebrate the multicultural and diverse backgrounds of our employees and are committed to fostering an inclusive work environment. We strive to accommodate different cultural and religious needs while promoting mutual understanding and appreciation. Various activities are organised throughout the year to celebrate cultural occasions and strengthen employee engagement. For example, dedicated prayer areas have been set up in our factories in Indonesia to support the needs of local employees.

Celebrating cultural events with employees



International Women Day Celebration



Indonesia Independence Day Celebration



Eid Al-Fitr Parcel Giving



Lunar New Year Visit and Gift Giving



Factory Fiesta



Valentine's Day 2024

These initiatives not only promote inclusivity but also encourage a healthy, active lifestyle and create opportunities for employees from different departments to connect and build stronger relationships. We also distribute festive gifts to employees during key celebrations such as the Dragon Boat Festival, Mid-Autumn Festival, Christmas, and International Women's Day – embracing diverse traditions and sharing joyful moments across cultures.

Employee Development and Training

Employee Development

Our robust employee performance review and promotion system is firmly rooted in our Rewards Management Measures, which determine compensation through a careful evaluation of work ethics, attendance, improvement, we have instituted a comprehensive performance improvement plan. Supervisors play a key role in this plan, evaluating and identifying areas where employees can enhance their skills, setting clear performance goals, and establishing expected outcomes with specific timelines. Through this structured approach, Stella not only fosters professional development but also ensures that promotions are awarded to those employees who demonstrate exceptional work ethic, professional growth, and superior performance, thereby showing our appreciation for their dedication and hard work.

Alongside the Promotion Management Procedure, Stella provided relevant training and assessment based on the role and function of the candidate prior to the promotion. For example, candidates considered for a supervisor role must complete training in areas such as LEAN Production, Performance Management, and Production Process Management. They must also develop and propose a PDCA¹¹ cycle for management purposes. This initiative was designed to ensure employees are eligible and fully prepared to take on their new roles effectively. During the Reporting Period, more than 300 promoted employees took part in the programme.

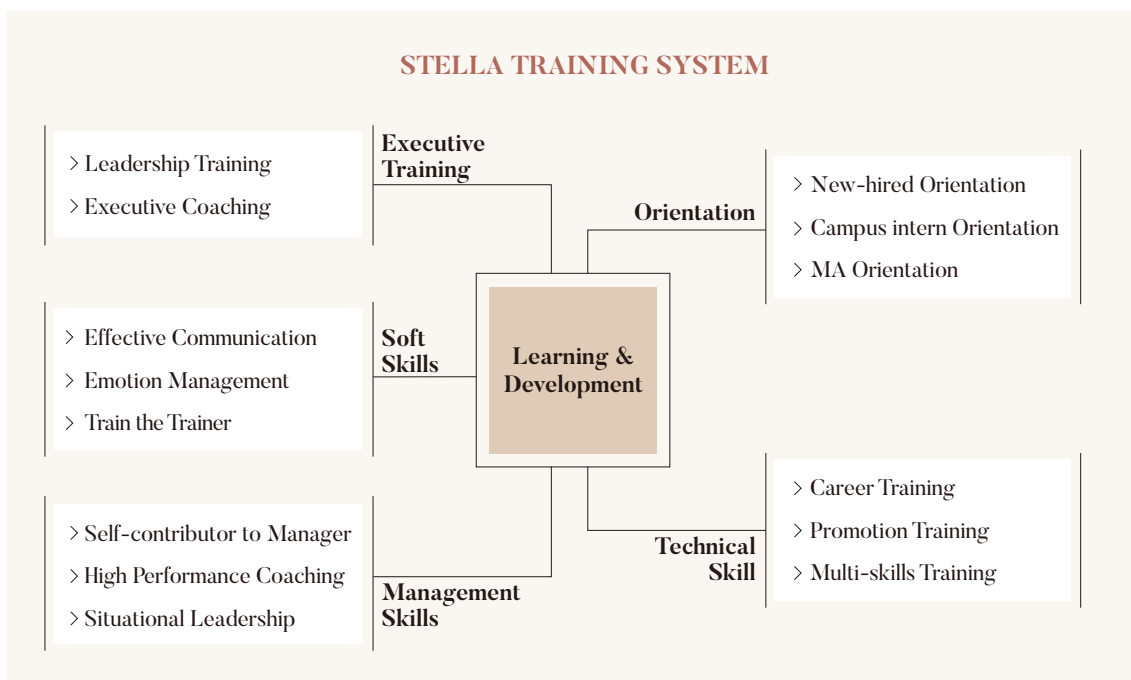
Training System and Structure

Stella continues to drive employee development to empower our people to become purpose-driven, transformational leaders with the mind and skill sets to distinguish themselves in the marketplace and assist in delivering long-term value to our clients. We establish Annual Training Plan for our employees that incorporates the Group's missions, vision, management strategy and goals.

Our training plans are tailored to each factory based on our business strategy, client requirements, and the specific needs of employees. Factories assess the outcomes of their training programmes, and data is collected to further evaluate and enhance the overall training approach.

Stella's training system covers the following areas: orientation, technical skills, soft skills, management skills and executives training. Through this structured framework, we offer a comprehensive range of courses that support employees in developing both technical and soft skills – ranging from financial literacy and health and safety, to time management and career development. During the Reporting Period, 77.6% of our employees are trained, equivalent to 12.0 hours of average training per person.

¹¹ PDCA, or Plan-Do-Check-Act, is a cyclical, iterative methodology used for continuous improvement in business, aiming to optimise processes and products by systematically planning, implementing, evaluating, and acting upon changes.



As part of the onboarding process, all new hires need to complete orientation trainings that introduce Stella's Code of Conduct and corporate social responsibility commitments. The training is designed to help new employees adapt to our work environment and culture. All employees are required to study the Employee Handbook during orientation, which includes critical information such as policies and information on anti-bribery and anti-corruption. 100% of our new hires attended the orientation course during the Reporting Period.

Focusing on situational leadership, we also provided training in alignment with Stella's Leadership Standards, empowering both leaders and employees to deliver constructive feedback and support teams according to their competencies, ultimately enhancing overall team performance. Other areas of training focused on technical skills, workplace safety, and corporate ethical standards.

We are currently developing a digital Learning Management System (LMS) and relevant training materials, aimed to enhance the accessibility of training content for all employees, providing them with flexibility to learn at their own pace.

Talent Cultivation

As part of our commitment to developing high-potential employees, Stella's LEAD training programme was introduced during the Reporting Period. A total of 30 female and 34 male employees were identified to join the programme to accelerate their leadership skills development. The personalised training plans, delivered by external lecturers, resulted in significant improvements in participants' management capabilities, workplace soft skills, and language proficiency, thereby establishing a strong foundation for future career growth.



High Potential Employee Development Programme – LEAD

Our MA and BA Programme provide young talent with rotational opportunities across various functions within the Group, allowing them to gain diverse industry experience and engage directly with different aspects of the business. These experiences are further enhanced through continuous mentorship and coaching, equipping participants with the skills and knowledge needed for the footwear industry. Through these structured talent initiatives, we remain committed to attracting and nurturing promising individuals across all our operating regions.



MA Programme

Stella's Train the Trainer Programme is designed to empower qualified staff to become trainers, enabling them to design training courses and unlock our employee's full potential. In 2024, a total of 125 employees became qualified internal trainers. A communication skills session designed by internal trainer in the Philippines helped team leaders enhance their ability to communicate effectively and strengthen team collaboration.



Train the Trainer



Communication Skills Session

In collaboration with a brand customer, our factory in Vietnam conducted RISE training for departmental representatives on financial management. Employee were equipped with essential skills to manage their personal finances and improve financial literacy.



RISE Training

Community Investment

Community Activities

Stella recognises our responsibility as a member of the global community. Our operations rely on local resources, infrastructure, and markets – and in return, we are committed to giving back and contributing to the well-being of the communities where we operate. Over the years, we have consistently demonstrated this commitment by supporting and engaging with the communities surrounding our operation sites.

During the Reporting Period, the Group invested over USD 77,000 and contributed 355.5 volunteer hours to charitable, cultural, and environmental initiatives – turning our commitment to community welfare into action. Our efforts focused on supporting youth, people with disabilities, local cultural preservation, women's empowerment, and environmental protection.

Stella is dedicated to empowering youth through targeted programmes. Since 2023, our factories in Indonesia have continued to provide donations that support free health services for children from disadvantaged backgrounds. During this Reporting Period, our factory in the Philippines partnered with a local health clinic to offer similar services to children as well. Through these donations and partnerships, we ensure that the services are delivered safely and hygienically, further strengthening our commitment to health access and fostering strong community ties.

Beyond healthcare, we are dedicated to fostering the overall development of children. During the Youth Week Celebration, we distributed school supplies and hygiene kits to children in need, providing them with essential tools for education and personal growth.



Support Health Services



Youth Week Celebration

In 2024, Stella marked International Disability Day by sponsoring events for children with special needs, including a series of contests and performances, offering a valuable platform to showcase their creative expression. Additionally, we organised an outreach programme that distributed grocery packs to people with disabilities in our local community, further enhanced their access to essential supplies and reinforced our commitment to inclusive support and community care.



Outreach to Individuals with Disabilities



International Disability Day Events

Stella actively supports the preservation of local culture and community traditions. Our factory in Indonesia contributed to the Ruwah Desa, an annual Javanese event that honours ancestors and seeks blessings. Deeply rooted in local customs, the ceremony brings the community together to celebrate and safeguard their cultural heritage. The event also includes enjoyable games and activities, fostering unity and a sense of joy among community members.



Ruwah Desa in Indonesia

Social Impact

This year, our factory in the Philippines initiated a programme to empower local mothers by providing them with candy-making starter kits. These kits were distributed at a local daycare centre, where our team conducted hands-on tutorials for candy-making. The goal of this initiative is to equip women with the skills and resources needed to start their own small businesses, thereby creating opportunities for sustainable income. By fostering entrepreneurship and self-sufficiency, we aim to support the economic development of the women's community and contribute to their overall well-being.



Candy Making Programme

In collaboration with multiple stakeholders, we supported local schools in the Philippines by providing nutritious meals and beverages. These efforts reflect our commitment to social responsibility and to nurturing healthier, more resilient communities. As part of our Brand Partner's Art of Kindness initiative, we prepared lunch for children through our feeding programme, aiming to combat hunger while fostering a culture of compassion and unity within the company.



Feeding Programme in Daycare Centre

For the second consecutive year, we have reinforced our commitment to nature conservation and preservation. Our factories planted an additional 200 fruit trees in the protected Mt. Arayat area in the Philippines, working alongside the local farmers' association. In Vietnam, our factory contributed over 100 trees to Cuc Phuong National Park, further advancing our reforestation efforts. These activities help maintain diversity and prevent species extinctions in the local ecosystem.



Fruit tree planting in Mt. Arayat



Tree donation to Cuc Phuong National Park

In response to our brand customers' Plastic Free July initiative, our Philippine factory joined a coastal cleanup event, collecting a total of 800kg of waste. The recovered plastic was donated to local communities for resale, supporting their economic activities while promoting recycling.



In support of sea turtle conservation, our factory donated and participated in activities organised by a local conservation centre. During these activities, participants learned about the impact of plastic waste on sea turtle habitats and the importance of ensuring their safe release into the ocean.



Sea Turtle Conservation

Chapter 2

Green and Low Carbon Manufacturing



Recognising the complexities of climate change, we are committed to integrating sustainability and circularity into our operations – reducing carbon footprint, minimising pollution, and optimising resource efficiency.

FY24 Highlight

25.34 MW
total installed capacity
of rooftop solar system

100 %
of Stella's footwear
factories adopted
Higg FEM

ISO 14064
certification for Scope 1, 2,
and 3 carbon inventory

Environmental Management

Our journey begins with a strong focus on resource conservation, emission reduction, and enhanced resource efficiency. We continuously seek opportunities to optimise energy use and minimise waste. By integrating sustainability and circularity principles into our processes, we aim to reduce our carbon footprint while improving operational efficiency.

The Environmental Protection and Management Policy reflects our commitment to minimising environmental impacts. We are currently revising the policy to ensure all parties within the value chain adhere to our environmental protection principles.

Environmental Protection and Management Policy – Highlights¹²

Objective: The Environmental Protection and Management Policy is formulated by the Corporate Responsibility Department that emphasises prevention and the combination of control measures. We are committed to protecting the environment, adhering to relevant laws and regulations, implementing continual improvements, preventing pollution, and minimising the adverse impact on the environment.

Scope: All factories managed by the Group shall follow the provisions of these procedures (in case of conflict with local laws, factories shall comply with all applicable laws and regulation in areas where they operate).

Summary: We aim to build a business environment with low pollution and resources circulation. Various action plans have been developed to reduce environmental impacts, which include:

- providing sufficient operational resources for environmental management;
- regularly reviewing and updating policies to comply with international conventions, national regulations, industry standards and client requirements;
- identifying and evaluating environmental risks for factory equipment, work procedures, projects, and incorporate requirements from external stakeholders to monitor the identified risks;
- communicating environmental targets, standards, and performances with relevant parties, including the management and employees;
- prioritizing the use of eco-friendly materials and renewable energy, and avoiding pollution during manufacturing activities;
- utilizing resources reasonably and minimise waste generation through recycling;
- monitoring wastewater, air pollutants and noise pollution through regular facilities checking and maintenance;
- implementing energy-saving measures;
- encouraging suppliers and contractors to minimise environmental pollution;
- enhancing environmental related education and training to raise employees' environmental awareness; and
- establishing an environmental management team to oversee the implementation of these practices.

¹² The Policy is extracted partially for disclosure purpose.

To reinforce environmental accountability, we utilise tools such as the Higg Facility Environmental Module (Higg FEM) to assess and monitor our environmental performance. During the Reporting Period, we have expanded the adoption of Higg FEM from 86% in FY2023 to 100% across all of our footwear factories. We also utilised the tool as an internal scorecard for assessing facilities' environmental management performance and encouraged its adoption among core suppliers to strengthen sustainability practices across our value chain.

Higg Facility Environmental Module (Higg FEM) Key Impact Areas



- **Environmental Management System (EMS)** – Evaluates policies, procedures, and systems in place to manage environmental impacts, including goal setting, monitoring, and continuous improvement.



- **Energy & Greenhouse Gas (GHG) Emissions** – Measures energy consumption, efficiency, and carbon footprint, helping facilities track and reduce GHG emissions.



- **Water Use** – Assesses water sourcing, consumption, efficiency, and conservation efforts to minimise freshwater use and risks.



- **Wastewater** – Examines how facilities treat and discharge wastewater, ensuring compliance with regulations and minimising pollution.



- **Air Emissions** – Tracks emissions of pollutants like volatile organic compounds (VOCs) and other hazardous substances to promote cleaner air quality.



- **Waste** – Evaluates waste reduction strategies, recycling programmes, and disposal methods to improve circularity and minimise landfill contributions.



- **Chemical Management** – Reviews the handling, storage, and disposal of chemicals to ensure safe and responsible chemical usage, reducing environmental and health risks.

Additionally, we ensure compliance with all applicable environmental laws, regulations, and brand customer requirements, integrating environmental responsibility into every aspect of our operations. In FY2024, there were no non-compliance cases in relation to environmental laws and regulations¹³ in all operating regions of our business.

¹³ The Group complies with applicable environmental protection related laws and regulations in its operating regions, including the Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Water Pollution of the People's Republic of China, the Law on the Prevention and Control of Air Pollution of the People's Republic of China, and the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China.

Energy Efficiency and Carbon Footprint

Carbon Footprint Across the Value Chain

Our Energy Consumption Management Procedure and Greenhouse Gases Management Policy prioritise the use of environmentally friendly and low-pollution materials, renewable energy, aiming to prevent pollution generated from production activities. To promote best practices, we also evaluate the environmental performance of suppliers when establishing relationships with them. In 2024, we achieved a 23.5% reduction in absolute Scope 1 and 2 Greenhouse Gas (GHG) emissions compared to our baseline year. In addition, we reduced GHG emissions intensity (Scope 1 and 2) by 23.7%, surpassing our target of a 15% reduction. These achievements were driven by our increased adoption of renewable energy and the application of updated calculation methodologies and emission factors.


STELLA 2025 GHG TARGETS PROGRESS

| Aspect | 2025 Target (base year 2021) | 2024 Progress |
|--|--|--|
| Greenhouse Gas Emissions (Scope 1 and 2) | To achieve zero growth in absolute GHG emissions by 2025 | Achieved negative growth in absolute GHG emissions ¹⁴ |
| | To reduce GHG emissions intensity by 15% by 2025 | Achieved GHG emission intensity reduction by 23.7% ¹⁴ |

In 2024, Stella expanded its GHG inventory to include relevant Scope 3 emissions in alignment with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Based on our full 2023 data, we conducted a comprehensive Group-wide carbon inventory covering Scope 1, 2, and 3 emissions and achieved ISO 14064 certification. This assessment has provided us with deeper insights into our key emission sources, confirming that Scope 3 emissions account for over 90% of our total GHG footprint. Moving forward, we will continue refining our data collection through our enhanced system to support more precise mid- to long-term target setting.

¹⁴ Emission data is subject to change upon completion of third-party data validation.

2024 TOTAL GHG EMISSION¹⁵



| | MT CO ₂ e | % |
|---------|----------------------|--------|
| Scope 1 | 13,992.41 | 1.09% |
| Scope 2 | 74,855.00 | 5.84% |
| Scope 3 | 1,193,230.46 | 93.07% |

RELEVANT SCOPE 3 CATEGORIES¹⁵

| | |
|---|--------|
| Category 1 – Purchased Goods and Services | 86.25% |
| Category 7 – Employee Commuting | 4.70% |
| Category 12 – End-of-Life Treatment of Sold Products | 3.48% |
| Category 4 – Upstream Transportation and Distribution | 2.03% |
| Category 3 – Fuel and Energy related Activities | 1.73% |
| Category 9 – Downstream Transportation and Distribution | 1.01% |
| Category 2 – Capital Goods | 0.37% |
| Category 6 – Business Travel | 0.26% |
| Category 5 – Waste Generated in Operations | 0.17% |

For the detailed information of GHG emissions, please refer to "Appendix I – Environmental Performance."

As a significant source of our Scope 3 emissions, our supply chain plays a critical role in our decarbonisation efforts. The Group's Suppliers Management Procedure requires all new suppliers to undergo an Environmental and Social evaluation, ensuring alignment with our sustainability principles and objectives. This procedure standardises our approach to supplier selection, auditing, and evaluation, reinforcing responsible sourcing practices.

In addition, our Supply Chain team continues to promote supply chain localisation, helping to reduce the carbon footprint associated with transportation and logistics. For detailed information, please refer to "Supply Chain Management" section of this Report.

We also maintain close collaboration with suppliers to monitor their environmental performance and encourage the adoption of international standards and self-assessment tools, such as the Higg Index, to enhance sustainability across our value chain.

¹⁵ Emission data is subject to change upon completion of third-party data validation.

Energy Use at Factories

GHG emissions generated by footwear manufacturing industry mainly come from the use of electricity. Stella has established goals to promote energy conservation and emission reduction within our manufacturing plants and upstream suppliers. By advocating for green operations, we firmly believe that we can play a pivotal role in combating climate change and fulfilling carbon reduction pledges.

STELLA 2025 ENERGY TARGETS PROGRESS

| Aspect | 2025 Target (base year 2021) | 2024 Progress |
|-------------------------|---|---|
| Electricity Consumption | To reduce electricity consumption intensity by 15 % by 2025 | Total electricity (grid + renewable) consumption intensity increased by 16.8% Grid electricity consumption intensity increased by 4.4% |
| Renewable Energy | To construct on-site renewable energy infrastructure up to 40MW scale by 2025, which is forecast to supply 15% of energy across all of our operations | Reached 25.34MW total installed capacity, supplying around 8.2% of the Group's annual electricity consumption |

Since 2021, Stella has been installing solar panels on the rooftops of our factories. By the end of 2024, systems have been installed in 8 factories, achieving a Group total installed capacity to 25.34 MW. During the Reporting Period, the existing photovoltaic (PV) systems supplied 15,553 MWh renewable energy, offsetting over 7,100 metric tonnes of CO₂e.



Solar panels installed at manufacturing plants

In addition to on-site solar systems, we also assessed both international and local Renewable Energy/Electricity Certificate (REC) markets to enhance our renewable energy sourcing. In 2024, we purchased 4,677 Green Energy Certificates (GECs) in China, equivalent to 4,677 MWh of renewable energy, equivalent to offsetting around 2,600 metric tonnes of CO₂e. This initiative further supports our commitment to decarbonisation, strengthens our renewable energy portfolio, and contributes to our Scope 2 emissions reduction efforts. We have summarised our use of renewable energy during the Reporting Period below.

| | Solar Energy | | | | Wind Power | |
|--------------|--------------------|----------------------|----------|----------------------|------------|----------------------|
| | DPPA ¹⁶ | | GEC | | GEC | |
| | MWh | MT CO ₂ e | MWh | MT CO ₂ e | MWh | MT CO ₂ e |
| China | 9,091 | 5,174.16 | 3,000 | 1,710.90 | 1,677 | 956.39 |
| Vietnam | 6,462 | 1,990.44 | – | – | – | – |
| Total | 15,553 | 7,164.60 | – | 1,710.90 | – | 956.39 |

To further enhance energy efficiency, we upgraded our lighting systems by replacing traditional T5 lamps with LED alternatives. During the Reporting Period, 13 out of 17 manufacturing facilities (75%) have completed the replacement. Additionally, solar streetlights were installed in three factories, reducing annual electricity consumption by over 23,000 kWh.

In addition to group-wide initiatives, our factories implemented equipment upgrades to enhance energy efficiency. These efforts led to annual energy savings of over 2,700,000 kWh, equivalent to more than 1,300 metric tonnes of CO₂e, and helped local sites lower their operational costs through reduced electricity consumption during the Reporting Period.

¹⁶ DPPA refers to Direct Power Purchase Agreement under which renewable electricity generated from the Group's rooftop solar systems is supplied directly for on-site consumption.

Energy Efficiency Programmes at the Factory

Equipment Enhancement – Air Compressor

Air compressors are one of the most energy-intensive systems in our manufacturing facilities. By optimising our air compressor system with energy-efficient compressors, upgraded air supply systems, and a heat recovery system, we have achieved significant improvements in energy savings and operational reliability, resulting in annual electricity consumption reduction of over 668,000 kWh.



Equipment Enhancement – Drying Oven

Based on the identified issues, we upgraded the drying ovens with a smart temperature controller, improved cooling, and optimised heating components. These enhancements improved heating efficiency and stabilised temperature control. As a result, annual electricity consumption reduced around 282,000 kWh.



Additionally, we continue to review and upgrade our Heating, Ventilation, and Air Conditioning (HVAC) system with sensors to further optimise energy use. These efforts collectively enhance efficiency, reduce energy waste, and lower operational cost.

The Group will continue to explore opportunities to expedite renewable energy adoption, as well as innovative programmes to drive emission reduction towards achieving our long-term climate goals.

Management and Control

Effectively monitoring and controlling GHG emissions are critical to achieving our environmental targets. To accurately measure and evaluate our energy usage and emissions output, we track these metrics on a monthly basis through our ESG Data platform. Utilising the data platform enhances our transparency, accountability, data quality, and management efficiency.

In 2024, we strengthened our internal GHG assessment and reporting procedures in alignment with ISO 14064 standards. As part of this effort, we conducted training sessions for personnel involved in the Scope 1, 2, and 3 carbon inventory workstream. Each factory now has two certified internal GHG auditors to support regular emissions monitoring and reporting.

With more accurate and comprehensive GHG emissions data, we can refine our target setting and develop more effective reduction strategies. This data is systematically collected and calculated to produce the annual GHG Report, guiding the Group in implementing stronger measures to achieve its environmental goals.

UPDATED GHG ASSESSMENT AND REPORTING PROCEDURE

| Step | Process Description |
|----------------------------|---|
| Define Boundary & Scope | <ul style="list-style-type: none">• Define organisational and operational boundaries• Determine the scope for reporting,• Identify facilities, units and assets to include in the inventory |
| ∨ | |
| Collect Data | <ul style="list-style-type: none">• Scope 1 & 2: monthly collection• Scope 3: annual collection |
| ∨ | |
| Internal Data Verification | Perform internal review to check consistency, accuracy and completeness |
| ∨ | |
| Update GHG Inventory | Apply appropriate emission factors to calculate GHG emissions and update inventory |
| * External Verification | Data verification by qualified third-party may be considered |
| ∨ | |
| Report & Disclose | Consolidate annual GHG report and disclose in compliance with relevant requirements |

Climate Change Mitigation and Adaptation

Risk Governance

The Group's sustainability governance has been structured to incorporate climate change considerations at every level of our operations. The Board ensures that the Group's decisions align with Stella's sustainability development goals. To enhance decision-making in this regard, all Board members are encouraged to attend climate risk-related training to expand their knowledge in the Reporting Period.

At the management level, the Corporate Governance (CG) Committee actively monitors and evaluates climate-related policies, risk management and progress toward relevant targets, providing annual updates to the Board. The CG Committee effectively communicates key climate concerns to the Headquarter Sustainability Development Office (HQ SD) to design responsive initiatives for climate mitigation and adaptation. To encourage effective management on climate-related issues, we are exploring the opportunities to link the performance of climate metrics to the remunerations of our relevant management.

Group policies and procedures, such as our Greenhouse Gases Management Policy and Energy Consumption Management Procedure, are also in place to integrate climate considerations and ensure continuous monitoring of our climate change contribution within our practices. Our Global Responsible Sourcing and Procurement Policy also prioritises supplier carbon footprint and compliance with climate-related regulations when selecting supply chain partners.

Climate Strategy

Climate change remains a significant issue with the potential to impact Stella's overall value creation and financial planning. The increasing financial and regulatory costs associated with energy-related matters have become crucial considerations in managing the Group's production processes. Additionally, physical risks such as extreme weather events and temperature changes pose substantial threats to our operations and supply chain. Currently, we are in the process of developing a robust climate strategy that addresses areas of operation within our control, minimising potential losses to external climate-related risks, and capturing opportunities associated with climate change. Ultimately, our goal is to develop a comprehensive transition plan to shift towards a low-carbon economy, while assessing and mitigating both energy-related and physical climate risks to ensure the resilience and sustainability of our business.

Last year, with the guidance of external consultants, the Group conducted a climate risk assessment to identify potential climate risks and opportunities that are material to our operations. Through the review of Stella's multinational operations, regional and global regulatory development, and market practice, Stella has developed a preliminary list of acute and chronic physical and transition risks and opportunities. The table below shows the results of risk identification.

IDENTIFIED PHYSICAL RISKS – acute and chronic

| Risk Type | | Description of imposed potential threats |
|------------------|---|--|
| Acute | Flooding (include coastal, fluvial, pluvial, and groundwater flooding) | <ul style="list-style-type: none"> • Damage to existing manufacturing facilities, equipment, and inventory • Production schedules delays • Substantial financial losses • Supply chain disruptions |
| | Typhoon | <ul style="list-style-type: none"> • Damage to existing infrastructure • Production schedules delays • Supply chain disruptions and logistical challenges |
| | Heavy Precipitation | <ul style="list-style-type: none"> • Employee occupational health and safety • Damage to goods in transit • Heavy rainfall may contribute to flooding, impacting transportation and causing delays in the supply chain |
| | Heat Wave | <ul style="list-style-type: none"> • Impacts on employee health • Disruptions to manufacturing processes • Increased energy costs associated with cooling measures |
| | Drought | <ul style="list-style-type: none"> • Impacts on employee health • Increased infrastructure expenditure on water-saving technologies • Disrupting manufacturing processes, particularly in regions where water resources are limited |
| | Landslide | <ul style="list-style-type: none"> • Economic losses when production activities are disrupted • Property damage • Transportation disruptions • Fatalities and injuries |
| Chronic | Sea Level Rise | <ul style="list-style-type: none"> • Threat to coastal facilities • Requirement for long-term damage mitigation and operational plans (e.g., relocation) |

IDENTIFIED TRANSITION RISKS & OPPORTUNITIES

| Type | Description |
|----------------|--|
| Policy & Legal | <ul style="list-style-type: none"> Dynamic landscape of climate-related policy and legal actions in regions where Stella operates. The impact on operations and finances depends on the nature and timing of policies, such as carbon pricing mechanisms, low-emission energy transitions, and the adoption of energy efficiency solutions Staying compliant and up-to-date with climate-related policies, legal actions, and disclosure requirements can significantly enhance capital ratings and investor confidence, while reducing litigation cases due to ineffective climate change mitigation or inadequate disclosure of key financial risks. |
| Technology | <ul style="list-style-type: none"> The industry's growing demand for clean and low-carbon technologies, along with embracing climate-related technological advancements, provides Stella with higher operational efficiency and maintains competitiveness in the evolving market Introducing new technologies in the manufacturing process enhances operational efficiency, maintains market competitiveness, and improves responses to climate change, while requiring additional investments to adopt clean and low-carbon technologies. |
| Market | <ul style="list-style-type: none"> Consumers' preferences are shifting towards environmentally sustainable products and ethical manufacturing practices. Actively addressing climate-related market risks enables Stella to remain resilient in the evolving market and gain a competitive edge. Emphasising sustainability in product development and manufacturing processes helps maintain industry competitiveness and prevents market share and sales declines due to not keeping up with consumers' changing preferences for sustainable products and practices. |
| Reputation | <ul style="list-style-type: none"> Reputational risk emerges if Stella is perceived as not adequately addressing climate change concerns or being slow to adopt sustainable practices. Negative publicity, environmental controversies, or accusations of greenwashing can damage the company's image and erode consumer trust. Adopting sustainable and climate-friendly initiatives presents an opportunity to enhance Stella's reputation as an environmentally conscious brand. Implementing these measures also boosts its positive image as an environmentally conscious brand. |

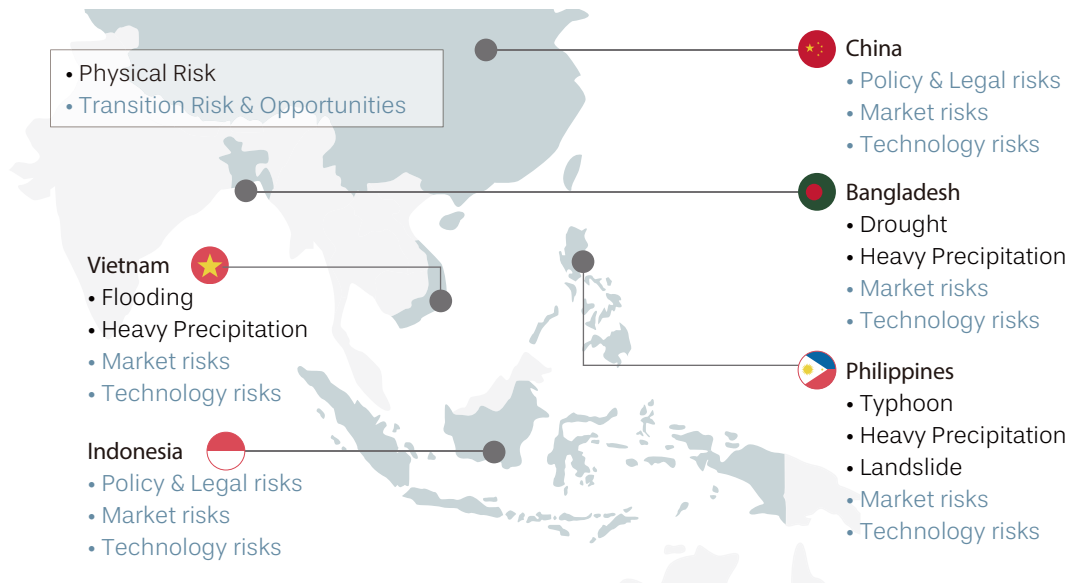
During the Reporting Period, the Group has further conducted an in-depth climate scenario analysis in both qualitative and quantitative approach for all 17 factories in our reporting scope, across sites in Vietnam, Bangladesh, Philippines, China and Indonesia. The analysis assessed both physical risks (acute and chronic) and transition risks at asset level, considering each selected climate hazard's severity, likelihood of occurrence, and Stella's vulnerability to the impacts. Two different climate scenarios, the United Nations Intergovernmental Panel on Climate Change (IPCC) and Network for Greening the Financial System (NGFS), were considered to assess physical risks and transition risks respectively. Details of the analysis are compiled in the following table.

CLIMATE SCENARIO ANALYSIS – Timeframe: Mid of the century (2050)

| Temperature Alignment | IPCC Scenario | NGFS | Scenario Assumption |
|------------------------------|----------------------|---------------------------|---|
| 3°C world scenario | SSP5-8.5 | Current Policies Scenario | The world attempts to keep the current policy and business practices and reduce GHG emission with slow progress. |
| Well below 2°C scenario | SSP1-2.6 | Net Zero 2050 | The world limits global warming to well below 2°C through stringent climate policies and innovation, achieving net-zero GHG emission before the end of the century. |

Data Source:
Earth System Grid Federation (ESGF); Global Biosphere Management Model (GLOBIOM); Integrated Assessment Model REMIND (REgional Model of Investment and Development)

After considering the severity, likelihood, exposure and vulnerability under RCP 8.5 – SSP5-8.5 in our long-term time horizon 2050, the factories and regions identified with significant climate risks (i.e., with a "high" or "very high" combined risk level) are summarised in the below illustration. Our external consultant also assessed and concluded that heat wave, sea level rise, and coastal flooding are insignificant to Stella's operations.



To address climate risks that may significantly impact our operations, Stella is developing mitigation strategies under four key pillars: infrastructure improvement, operational optimisation, emergency preparedness, and supply chain resilience. We strive to continue enhancing our strategic planning and targeted actions, capitalise on opportunities, and strengthen the long-term sustainability of our operations to help us transition to a low-carbon economy. Mitigation strategies have been proposed and are under review by top management. We will disclose our detailed strategic plans and actions in due course, reinforcing our commitment to reducing our carbon footprint and enhancing climate resilience.

| Significant Climate Risks | Proposed Mitigation Strategies |
|---|---|
| Physical Risks | |
| Drought | Invest in alternative water sources with water recycling systems (e.g., wastewater treatment) |
| Flooding | Implement flood resilience infrastructure (e.g., redirect floodwater with levees, flood walls, or berms) |
| Heavy Precipitation | Enhance and redesign the drainage and stormwater system |
| Landslide | Conduct regular slope and drainage maintenance |
| Typhoon | Reinforce exterior walls and doors as well as secure heavy machinery equipment to the ground or walls |
| Transition Risks & Opportunities | |
| Market | Engage regularly with stakeholders via reporting and relevant communication |
| Policy & Legal | Explore the feasibility of adopting Internal Carbon Price and integrate the impacts of carbon emissions into decision-making processes |
| Technology | Exploring the opportunities of green bonds, government sustainability grants, and sustainability-linked loans to support low-carbon R&D |

Climate Risk Management

Effective risk management is a fundamental aspect of our governance approach. Our Board oversees and maintains robust risk management and internal control systems to address material risks related to Environmental, Social, and Governance (ESG) factors, including climate-related risks.

To further strengthen our management of climate-related risks, we are incorporating the results of the climate risk assessment into our overall risk management framework and processes to enhance our resilience and proactively address the impacts of climate change on our operations, supply chain, and business continuity. This process supports the identification, prioritisation, monitoring and systematic update of all relevant risks, allowing the Group to proactively address emerging challenges and maintain governance standards.

Metrics and Targets

Stella strives to optimise a mechanism to measure, manage, and report GHG emissions and other target tracking metrics. Throughout this Reporting Period, we have diligently worked towards achieving our 2025 environmental targets. Please refer to the section "Energy Efficiency and Carbon Footprint" and "Appendix I – Environmental Performance" for the details of our efforts in FY2024.

As we approach the deadline for our 2025 environmental targets set in 2021, we are actively preparing to establish new and more comprehensive mid- and long-term ESG targets. These forthcoming targets will build on our progress, further advancing our sustainability development and reinforcing our commitment to continuous environmental and social responsibility.

In addition, we are actively working on quantifying the impacts of identified climate risks and opportunities. We are assessing how these factors will affect our financial performance and determining the capital allocation for mitigation measures. The financial implications of our climate-related risk mitigation measures will be thoroughly evaluated upon finalisation.

Chemical and Wastewater Management

The Group recognises the importance of addressing pollution at every stage of Stella's operation, from the processing of raw materials to the assembly of finished goods. Improper handling of pollutants, including chemicals, waste, effluent, and noise, may result in significant harm to the environment and human health. Therefore, the Group is committed to monitoring, avoiding, reducing, and transforming pollutants to minimise their impact on the environment and society.

Chemical Usage

We are committed to minimising the environmental and social impact of our production process by looking into the chemicals and substances that we are using. In line with the four processes of REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) initiated by the European Union, we have formulated the Restricted Substances List (RSL) and documented forbidden substances in the Material Safety Data Sheet (MSDS) to regulate the use of hazardous substances. This approach is designed to prevent potential risks related to reproductive health, contact dermatitis, employee health and safety, and environmental impact. For example, chemicals and substances such as Polyvinyl Chloride (PVC) and Dimethyl fumarate (DMFu) are identified for strict control, while Asbestos and Tributyltin (TBT) compounds are banned from using in our production process to safeguard the health and safety of our employees and the communities in which we operate.

Additionally, we understand that our brand customers rely heavily on the quality and safety of our products, and we take this responsibility seriously. By sharing our knowledge and expertise on restricted substances and chemicals, we aim to empower our clients to make informed decisions that prioritise the health and safety of their customers, employees, and the environment.

The table below provides an example of how we monitor the use of chemicals and substances along our production line and demonstrates our comprehensive approach in restricting the use of potentially harmful chemicals and substances.

STELLA'S RESTRICTED SUBSTANCES LIST (RSL)

| Scope of restriction | Chemicals and substances | Reason for inclusion in RSL | Potential usage |
|----------------------|---|---|--|
| Restricted usage | Polyvinyl Chloride (PVC) | Potentially promotes carcinogenesis and contributes to environmental degradation | Plastic material used as a synthetic leather substitute |
| Restricted usage | Dimethyl fumarate (DMFu) | Potentially causes allergic reactions | Potential application as a biocide in shoes to prevent growths of mildew |
| Banned from usage | Asbestos | Potentially leads to various dangerous lung disease | Potential use in the production of fabrics and garments |
| Banned from usage | Tributyltin (TBT) compounds | Potentially toxic for reproduction and marine ecosystem | Potential use as an antifouling agent during printing process |
| Banned from usage | Per/Poly fluoro alkyl substances (PFAS) | Potentially disrupt biological functions, impact development and increase cancer risk | Potential application as water repellent barrier on outer fabric |

Our commitment to responsible chemical management and sustainable production practices goes beyond regulatory compliance. We consistently review and modify our RSL and MSDS inventory to ensure that all materials used in our production comply with regulatory requirements and meet the standards of our brand customers. Simultaneously, we communicate these changes to our suppliers, ensuring ongoing compliance and safety across the supply chain.

We also regularly review the pre-treatment methods for Chromium VI and Chlorinated Paraffins, as well as revised test methods and limits for substances like Polycyclic aromatic hydrocarbons (PAHs) and Organotin compounds. Additionally, we enforced a ban on the use of PFAS to align with brand customers and US regulation. The procurement of chemicals listed in the RSL is strictly regulated. Before partnering with suppliers, we require them to confirm their understanding of our RSL, providing valid certificates and licenses. Any material not used previously in our production must undergo sample testing by an accredited third-party laboratory before storage and usage.

Our Bangladesh factory continues to participate in the CHEM-IQ programme in collaboration with our brand customer. Throughout the Reporting Period, they tracked the inventory of chemical usage and conducted laboratory testing.

Safe Handling and Disposal Practices

To ensure compliance with our chemical management system and local regulations, our Chemical Management Policy mandates that factory staff undergo internal chemical safety training. Additionally, employees are encouraged to participate in training sessions offered by our brand customers. These sessions serve as a platform for sharing insights on chemical safety management and addressing major environmental challenges in the industry.



Chemical Safety Training and Leakage Drill

We are undergoing revision of our Chemical Management Policy to improve our chemical safety, ensure compliance with updated chemical-related regulations, and enhance the transparency of our chemical use and hazardous waste management practices.

Chemical Management Policy – Highlights¹⁷

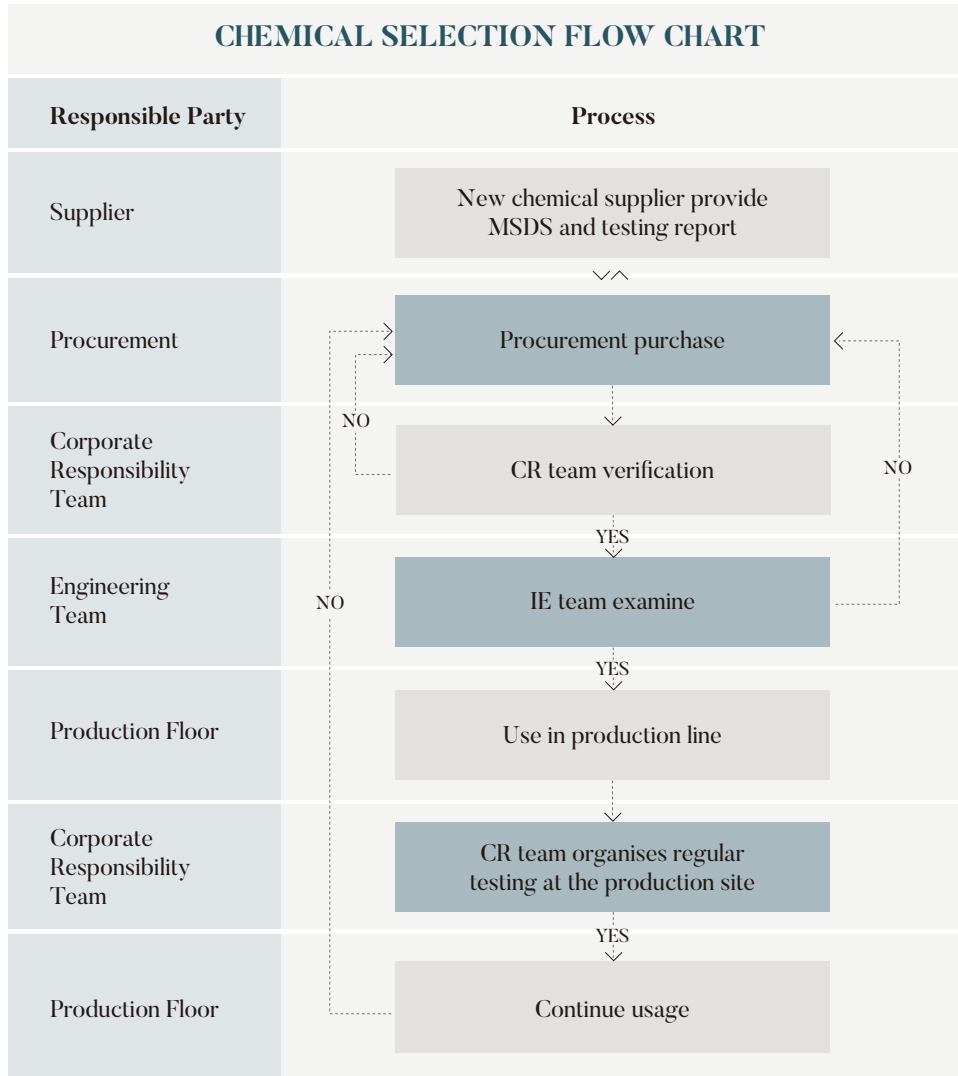
Objective: The Chemical Management Policy is formulated by the Safety Management Department to implement the general knowledge system of hazardous chemicals, in order to enhance the awareness of relevant personnel and engineering contractors in factory operation on the potential danger, preventive measures, and emergency response protocols of hazardous chemicals. In addition, the policy ensures the exclusion of chemicals prohibited by international standards, to ensure the health and safety of our consumers.

Scope: All factories managed by the Group shall follow the provisions of these procedures (in case of conflict with local laws, factories shall comply with all applicable laws and regulation in areas where they operate).

Summary: We aim to mitigate negative impact on our employees, the community we operate at, and the environment. Various practices are implemented to ensure the effective management of hazardous chemicals, which cover areas of:

- Introduction of new chemical procurement
- Receiving chemicals
- Chemical data and labelling management
- Use of chemicals
- Storage of chemicals
- Transportation of chemicals
- Disposal of chemicals
- Emergency handling of chemicals
- Occupational health and industrial hygiene control of chemicals
- Chemical Safety Training
- Specific chemical requirements

¹⁷ The Policy is extracted partially for disclosure purpose.



At Stella, we place strong emphasis on the health and safety of our employees. Together with our brand customers, we pursue continuous improvement in chemical management and its safe handling, which helps minimise the release of potentially hazards and pollutants near our operations.

Water-based Glue Replacement

In response to our brand customer's request, the Product Development department initiated the replacement of solvent-based glue with a water-based alternative containing lower Volatile Organic Compounds (VOCs) across our samples. This initiative achieved 12% coverage of samples developed in 2023, and significantly increased to 51% in 2024, demonstrating our commitment to reducing hazardous air pollutant and ensuring a safer working environment for our employees.

Wastewater Management

End Consumers, investors, governments, and nongovernmental organisations (NGOs) now expect that brands and manufacturers adhere to stricter wastewater regulations¹⁸, such as the Zero Discharge of Hazardous Chemicals (ZDHC) Wastewater Guidelines. Stella is committed to minimising water pollution throughout its production process.

We regularly monitor and report effluent quality and volumes. We also ensure wastewater treatment and handling facilities are functioning properly. Appropriate equipment and infrastructure have been installed in our factories to ensure proper handling, segregation, and diversion of wastewaters. Measures such as installing filters were carried out to mitigate environmental impact of sewage. Role-based training for sewage handling employees was arranged to raise their awareness of water pollution minimisation.

As most wastewater is generated from the employee living quarters, we strictly abide by government regulations and client standards to manage our sewage. We have formulated the Wastewater Treatment Management Procedures to govern our approach to properly handle industrial sewage and domestic wastewater. We also engaged third-party professionals to conduct sample analysis on the effluent before final discharge to the municipal wastewater network. Additionally, we also report on the volume of wastewater recycled or reused, reflecting our efforts on wastewater management. There was no non-compliance case regarding wastewater discharge observed in FY2024.

¹⁸ The Group complies with applicable wastewater related laws and regulations in its operating regions, including the Law on the Prevention and Control of Water Pollution of the People's Republic of China, and the Law on Environmental Protection of Vietnam.

Resources and Waste Management

In alignment with the circular economy concept, Stella is committed to innovating our product lifecycle. We are dedicated to minimising both hazardous and non-hazardous waste generated from production through process improvements and maximising the value derived from each material. The total waste generated in FY2024 has increased by 6.7% as compared to the previous year, owing to the increase in more complex shoe models.

STELLA 2025 WASTE TARGET PROGRESS

| Aspect | 2025 Target (base year 2021) | 2024 Progress |
|------------------|---|---|
| Waste Generation | To reduce total waste generation intensity by 10% by 2025 | Waste generation intensity increased by 15.0% |

Waste Generation and Composition

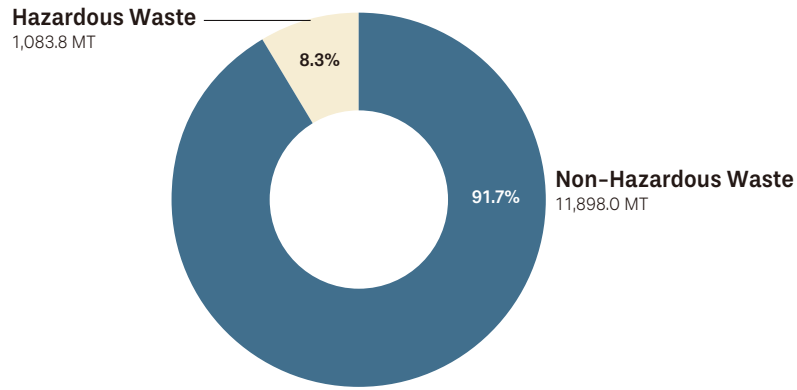
Minimising waste generation and promoting sustainable waste practices are integral to Stella's commitment to environmental responsibility. Through systematic data collection, we have gained valuable insights into the types and quantities of waste generated across our operations. Accurate waste categorisation forms the foundation for strategic waste management focused on reduction, reuse, and recycling. By identifying waste composition, Stella can implement targeted initiatives to reduce environmental impact in alignment with circular economy principles.

Our waste management efforts begin on the production floor, where waste is identified and sorted at the source. On-site segregation and categorisation ensure that different waste streams, such as recyclables, general waste, and hazardous waste, are properly directed to their respective designated waste warehouses. For hazardous materials, such as liquid chemical waste and empty chemical containers, proper labelling and secure containment are mandatory prior to transfer to the hazardous waste warehouse. All hazardous waste is then collected and handled by licensed contractors authorised by the relevant authorities to ensure safe disposal, storage, or discharge.

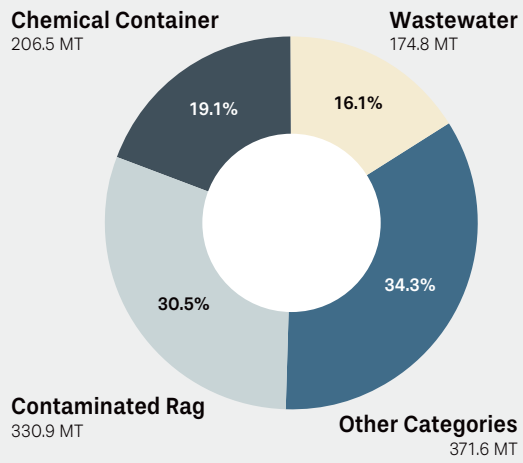


Waste categorisation bins

2024 WASTE BY CATEGORIES



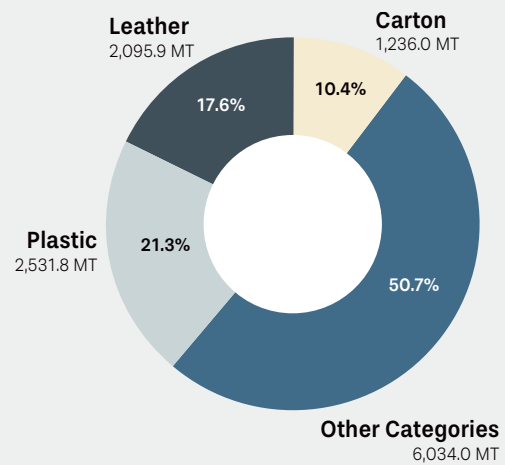
Hazardous Waste Breakdown



Other Categories include:

- Sludge
- Waste Chemicals
- Activated Carbon
- Waste Oil
- Light Bulbs and Tubes
- Electronic Waste
- Ink Cartridge
- Batteries
- Medical Waste

Non-Hazardous Waste Breakdown



Other Categories include:

- Rubber
- Textile Scraps
- Food Waste
- Paper
- Wood
- Metal
- Glass

Waste Reduction Strategies

By implementing comprehensive group-wide waste management policies and conducting employee training on waste segregation methods, we ensure the proper handling and responsible disposal of waste generated from our factories. Role-specific training for staff ensures their understanding of obligations in adhering to our waste treatment standards and procedures, aiming to divert materials from landfills at the end of their product lifecycle.

We continue to upgrade our tools and techniques to optimise manufacturing processes and reduce waste generation. In 2024, we reduced more than 73,000 kg of industrial waste through optimised pattern layouts, reduced material defects, and streamlined cutting workflows.

During the Reporting Period, Stella's new paper reduction initiative led to a 32% year-on-year decrease in paper usage. By setting printers to default double-sided printing, reusing single-sided paper, and adopting e-signatures, we encourage employees to think twice before printing. We will continue to closely monitor paper reduction performance across regional offices to ensure steady progress toward our target.

Resources Management and Circularity

Across our value chain, we actively implement a range of initiatives aimed at increasing recycling rates and maximising material recovery. Embracing the principles of circular economy, we explore innovative approaches to minimise waste and extend the lifespan of materials. We have been collaborating with suppliers to replace disposable packaging boxes with recyclable containers. During the Reporting Period, through recycling plastic chemical containers, we further reduced over 12,000kg of hazardous waste. Our commitment to waste minimisation is evident as we strategically reuse scraps generated from production and employ reusable packaging.

In alignment with Stella's digitalisation strategy, we are also preparing to deploy a Waste Management System (WMS) designed to standardise waste management practices across our facilities, aiming to enhance efficiency and consistency. We are also exploring recycling and upcycling methods to further minimise waste generation and optimise material use. This multifaceted approach aligns with our dedication to sustainable practices and environmental stewardship throughout our operations.

Water Stewardship

Stella acknowledges the responsibility to manage water resource with utmost care and mitigate our own water footprint. Our Water Stewardship initiatives reflect a comprehensive approach, integrating sustainable practices and innovative solutions to ensure the responsible use and conservation of water resources.

STELLA 2025 WATER TARGET PROGRESS

| Aspect | 2025 Target (base year 2021) | 2024 Progress |
|-------------------|---|---|
| Water Consumption | To reduce water consumption intensity by 15 % by 2025 | Achieved water consumption intensity reduction by 28.6% |

Water Usage Trends

In evaluating water consumption patterns, Stella identified that the primary contributors to water usage were canteens, restrooms, and living quarters. The finding prompted regular monitoring of water usage, enabling the implementation of targeted water conservation initiatives. By focusing on these areas, Stella aims to enhance its water management practices and minimise its overall water footprint.

Water Conservation Measures

The Group is committed to reducing the amount of water usage and improving water use efficiency. By engaging with our employees and strengthening their awareness on water conservation with a top-down communication approach, our factories will be able to better manage the usage of water in the long run. Water efficient fixtures such as low-flow and sensor faucets have been installed in facilities. Water consumption data are also collected monthly to support the identification of potential leakage and other anomalies. If the consumption exceeds the range specified, it will be investigated, and timely remedial actions will be taken.

We conduct regular checks and maintenance of water ductwork to reduce leakage risks. For the difficult-to-reach locations, we also use the ultrasonic leakage detector to help identify leaks. The tool allows us to quickly pinpoint leaks and repair them before they cause further damage. We can therefore improve the efficiency of our water management system and durability of our water pipelines.

Chapter 3

Build a Resilient Supply Chain



We believe true supply chain resilience extends beyond operational efficiency, fostering strong collaboration and integrating ESG principles to uphold sustainability and ethical integrity.

FY24 Highlights

100 %
of suppliers
have been
evaluated¹⁹

24 %
Supply Chain
Localisation rate
in Indonesia

**1st Supplier
Conference**
in China

¹⁹ For details of the evaluation criteria, please refer to Supply Chain Management section.

A resilient supply chain is the cornerstone of business success and sustainability. By integrating ESG principles into our supply chain management, we proactively mitigate risks related to environmental challenges, social inequalities, and governance gaps. At Stella, we are committed to fostering strong, collaborative relationships with all stakeholders, ensuring transparency, ethical integrity, and long-term resilience.

Product Quality

Stella is widely recognised for the quality of our work, and we uphold this reputation through rigorous compliance with product quality laws and regulations across our operations.²⁰ Our commitment goes beyond meeting legal requirements – we proactively champion responsible product management practices that set industry benchmarks. During the Reporting Period, we recorded no instances of non-compliance related to product quality or operational practices, reaffirming our dedication to excellence, accountability, and continuous improvement.

Compliance with Material Restrictions

We are dedicated to protecting the health and safety of our clients. All footwear products must undergo health and safety hazard assessments to be scheduled for formal production.

During mass production, we strictly adhere to the Zero Discharge of Hazardous Chemicals (ZDHC) guidelines. All new raw materials must go through sampling tests before warehousing to prevent inappropriate materials from being used in production and ensure compliance with material restrictions and relevant laws and regulations. During the Reporting Period, no sold or delivered product was recalled for safety and health reasons.

In anticipation of the upcoming PFAS regulations by the United States Environmental Protection Agency (U.S. EPA), effective January 1, 2025, we have proactively taken steps to ensure compliance and supplier readiness. During our last Reporting Period, we integrated PFAS-FREE requirements into our Restricted Substances List (RSL) as part of our early preparation. In 2024, we distributed a supplier awareness survey to assess their understanding of these regulatory changes. We also engaged in continuous communication with those unfamiliar with the new requirements, emphasising the risks of non-compliance, including potential termination of business partnerships. Additionally, we updated our Restricted Substances Compliance Statement to explicitly include our PFAS-FREE commitment and compliance acknowledgment, requiring all new suppliers to formally sign this statement.

²⁰ The Group complies with applicable product quality related laws and regulations in its operating regions, including the Product Quality Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China.

Quality Control for Products

To ensure the delivered products are of the highest calibre and to meet customers' expectations, the safety and quality of our products are strictly regulated and inspected. Products are inspected at every stage of production, undergoing thorough checks by experienced specialists and X-ray scanning to ensure no remaining metal scraps or sharp objects. Once approved, the finished products are carefully packed under supervision, securely sealed to prevent tampering, and transported to the warehouse.

During the Reporting Period, the Quality Control (QC) team and Quality Assurance (QA) supervisors in our Bangladesh and Indonesia factories participated in training sessions on quality assurance, quality control calibration exercises, failure recaps, and defect inspection. Learning outcomes were assessed through post-training evaluations.



Customer Complaint Sharing & Reflection



Factory QA Training

These training enhanced employees' understanding of our audit checklist, enabling QC inspectors to effectively conduct on-site audits, identify issues, and communicate findings to line leaders for corrective actions. Progress is regularly reported to top management to ensure accountability and continuous improvement.



Quality Integration Programme Meeting

The quality and safety of our products are closely linked to the raw materials we use. To safeguard these standards, we source raw materials exclusively from qualified suppliers who hold valid business licenses and relevant certifications, demonstrate strong technical capabilities, maintain a credible track record, and follow national and industry-specific production standards in their quality control processes. This rigorous approach ensures that the materials we procure uphold the excellence of our final products.

Assurance measures including investigations, product recalls, and the submission of a corrective action plan have been put in place and will be taken if performance standards are not met. We have proactively worked with suppliers to resolve any issues related to product quality. We set clear quality objectives for our suppliers to achieve, which include the swift and effective handling of customer inquiries.

Stella is committed to using high-quality raw materials and pursuing zero-defect products, acknowledging that any modifications and rework may affect quality. Suppliers with a defect rate exceeding 10% will be targeted for quality improvement meetings. These sessions empower suppliers to identify the main causes of defects, providing suppliers with specialised tools and improvement plans for effective cause analysis and rectification. Based on the feedback provided, these implemented plans ensure continuous improvement in materials quality.



Quality Improvement Session with Material Supplier

A Cloud Inspection System (CIS) is also utilised to enhance defect rate control, collect data for inspection database establishment, and monitor quality dynamics in real time. Defect cases are systematically recorded for analysis and solution development to prevent future occurrences. Furthermore, defect images are captured and archived as valuable reference materials for quality assurance training, equipping production line supervisors with practical insights for continuous improvement.

Supply Chain Management

Stella's supply chain management strategies are closely aligned with our sustainability development goals. We recognise that collaboration across our value chain, from upstream suppliers to downstream partners, is essential to minimising environmental and social impacts.

We actively engage with our suppliers and continuously improve our operational practices to mitigate risks across the supply chain. During the Reporting Period, we conducted surveys and on-site assessments to better understand the greenhouse gas (GHG) emission profiles of our suppliers, including Scope 3 emissions. These efforts support our ISO 14064 certification and lay the groundwork for setting science-based targets. The Group has also partnered with an external consultant in setting new supply chain targets. The new targets are currently under review and will be disclosed upon finalisation.

A Group-level Supply Chain Management Procedure is in place to ensure fair and equitable partnerships with our suppliers, and to promote a shared commitment to building an ethical and sustainable supply chain. We are currently reviewing this Procedure to further strengthen our oversight and management of supply chain practices.

Supply Chain Management Procedure – Highlights²¹

Objective: The Supply Chain Management Procedure is formulated to ensure all suppliers meet our requirement on procurement standard, product quality, social responsibility and financial status with gradual improvement to achieve mutual development and fulfil the criteria of the Code of Consumer Conduct (COC).

Scope: Our supply chain spans across various geographical regions, including Mainland China, Hong Kong, Italy, Korea, Vietnam and other Asian, European and American regions. All supply chain management of the factories managed by the Group shall follow the provisions of these procedures (in case of conflict with local laws, factories shall comply with all applicable laws and regulation in areas where they operate).

Summary: We aim to form a sustainable supply chain through the selection, monitoring and reviewing process of our suppliers. Various procedures are implemented, which include:

- selecting suppliers based on their social responsibility performance and eliminating those with unsatisfactory performance;
 - conducting operations, certification, and social responsibility audit on new suppliers prior to establishing business relationship;
 - requiring suppliers to consent to our Code of Conduct prior to receiving the supplier contract;
 - understanding the business relationships of suppliers, to prevent serious violations of business conduct such as illegitimate interests and unfair competition;
 - cooperating with brand customers to establish the supplier audit plan and conducting an on-site audit regularly to evaluate the social responsibility performance of major suppliers;
 - promptly following up with the improvement plan and providing technical support in case of non-compliance found during on-site supplier audit; and
 - actively managing suppliers by filing information of suppliers', and recording the supplier evaluation results after every audit, and follow through the improvement measures as appropriate.
-

²¹ The Policy is extracted partially for disclosure purpose.

During this Reporting Period, we hosted our first Supplier Conference in Guangdong Province, China, bringing together 50 core suppliers in the China region. The event provided a platform to communicate the Group's supply chain strategy, key evaluation criteria, and our commitment to sustainability. We emphasised the integration of sustainable practices to enhance efficiency and environmental responsibility while also reinforcing critical safety measures to ensure safe working environments. The event strengthened partnerships and aligned suppliers with our commitment to sustainability and workplace safety.



Responsible Supply Chain

We are committed to engage with suppliers to minimise any potential negative impacts. Our dedication in creating a responsible supply chain begins at the stage of supplier selection to supplier engagement and evaluation.

We connect with reputable suppliers through referrals from brand customers or our broader industry network. Shortly after initial contact, we conduct on-site audits to assess the supplier's operational, environmental, and social performance, ensuring alignment with Stella's standards. Only if the audit results are satisfactory will we proceed to negotiate trading terms and establish a partnership based on mutual agreement.

Once a partnership is confirmed, the new supplier is required to submit key documents, including a Restricted Substance Compliance Statement, an Anti-Gift Compliance Agreement, and a Supplier Social Responsibility Commitment, among others. Through strong collaboration, Stella and its suppliers work together to drive sustainability and shared business growth.

Our existing suppliers are categorised by product categories of Luxury, Fashion, Sport, and Casual. The supplier evaluation system includes 7 performance criteria: product quality, mass production coordination, unit cost, sample delivery time, sample quality, R&D capacity, and ESG-related performance. Following the evaluation, suppliers will be assigned a letter grade (A, B, C and D) based on their respective core competencies. Our brand customers can then select suppliers that are ranked competitively in the corresponding criteria based on their product requirements.

We have placed orders with a total of 1,331 suppliers for packaging, secondary processing, moulds and materials, such as leather, fabrics, and PU plastics during the Reporting Period. As a result of growing stringent supplier selection criteria, the number of suppliers spanning across different geographical regions may change. The below table summarises our supplier distribution in 2024.

2024 SUPPLIER DISTRIBUTION

| | |
|----------------|-----|
| Mainland China | 700 |
| Vietnam | 233 |
| Italy | 99 |
| Hong Kong | 67 |
| Taiwan | 55 |
| Indonesia | 50 |
| Korea | 29 |
| Other Regions | 98 |

To enhance communication on expectations, requirements, and sustainability initiatives, we facilitate gatherings between our suppliers and brand customers. Additionally, a B2B platform is utilised to share important information, such as updates on material sourcing and RSL archives with our suppliers.



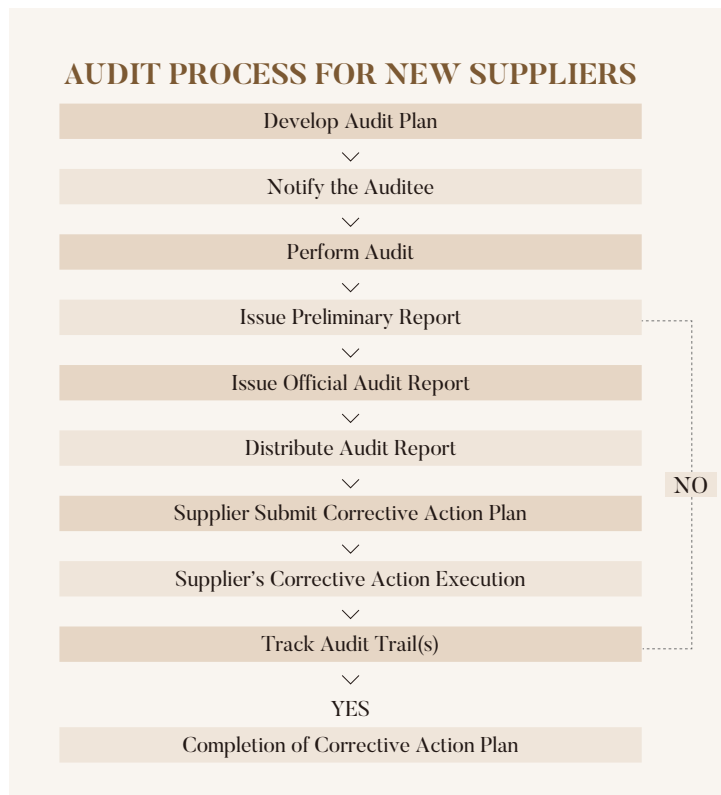
Brand Supplier Gathering

We adhere to our Code of Conduct in all supplier engagements. Both Stella employees and suppliers are expected to prevent and refrain from all forms of corruption, extortion, and bribery, and are encouraged to report any suspected misconduct through available reporting channels. During the procurement process, suppliers are required to uphold principles of fair competition and avoid any conflicts of interest. Any violation of our Anti-Gift Compliance Agreement may result in the termination of the supplier contract. There were no recorded instances of non-compliance with anti-corruption laws or regulations within our supply chain in 2024.

Supply Chain Risk Management

Most of our suppliers are nominated by our brand customers and have already been evaluated and screened by the respective brand's rigorous ESG KPIs. We continue to evaluate our suppliers' performances regularly with the established Supplier Evaluation System to ensure their compliance with the Group's standards. During the Reporting Period, we have evaluated 100% of the suppliers we placed orders with.

All new suppliers should undergo an on-site audit to assess their environmental and social performance prior to onboarding. In cases where major gaps are identified, the audit report will outline the required corrective actions along with a specific completion timeframe. A follow-up audit will then be conducted to verify that the issues have been effectively addressed. We will also share the audit results with our brand customers and recommend other eligible suppliers if needed. Suppliers who fail to meet the standards will have their engagement process postponed.



The suppliers are regularly evaluated on their performance based on the Supplier Evaluation System to ensure continuous improvement and alignment with the Group's standards. During the Reporting Period, no suppliers were removed from our core suppliers list owing to unsatisfactory evaluation results.

As indicated in the "Energy Efficiency and Carbon Footprint" section, the Group advocates localising suppliers to achieve production efficiency, mitigate potential supply chain disruptions, as well as to reduce carbon emissions during transportation, logistics and distribution. Progress of supply chain localisation is summarised below.

2024 SUPPLY CHAIN LOCALISATION RATE²²

| | |
|-------------|-------|
| Vietnam | 41.0% |
| Indonesia | 24.0% |
| Bangladesh | 14.7% |
| Philippines | 5.4% |

In addition to monitoring the environment impact of business activities, the Group is conscious of the social impact in the value chain which has a substantial influence on the prosperity of the community. There are considerable social challenges to tackle such as ensuring a safe working environment, business ethics, diversity in the workplace, the prevention of child labour, responsible use of local resources, and the maintenance of high corporate and professional standards. Proactive management throughout the value chain is essential. We require our suppliers to consent to the Supplier Social Responsibility Commitment, where they agree to comply with ESG-related national and local laws and regulations and to align their operation practices with Stella's standards.

²² The localisation rate is calculated by dividing the number of local suppliers used by the total number of suppliers.

Sustainable Sourcing and Alternative Materials

Responsible Material Choices

In a world where material choices profoundly impact the environment, Stella is committed to responsible material selection. Our dedication goes beyond compliance; it is a proactive effort to identify and prioritise alternative materials that exhibit a lower environmental impact compared to traditional counterparts.

This commitment aligns with our vision for a more sustainable future, where each material decision is a step towards reducing our ecological impact. By leveraging research, innovation, and industry collaborations, we aim to integrate materials that align with our sustainability goals. Our material selection is also determined by brand assignments, with some brands specifically requesting materials with lower environmental impact.

Global Responsible Sourcing and Procurement Policy – Highlights²³

Objective: The Global Responsible Sourcing and Procurement Policy outlines Stella's standards for suppliers in relation to environmental and social impacts and serves as a workplace guideline for the Group's sourcing and procurement practices.

Scope: The Policy is designed to support all suppliers and our business partners across the global, to ensure our sourcing and procurement practices contribute to the development of a more sustainable global community.

Summary: We aim to provide guidance to all our suppliers to act in an ethical, responsible and sustainable manner through reference to this Policy. We will prioritise suppliers that demonstrate a strong commitment to social responsibility and terminate our cooperation with those who do not. Our efforts are focused on the most salient issues identified, which will be reviewed regularly. At raw material sourcing and procurement level we prioritise our efforts on:

- Labour and community;
- Use of natural resources;
- Product traceability;
- Land conservations and biodiversity;
- Carbon footprint and climate change;
- Business ethics; and
- Credit ratings and records.

²³ The Policy is extracted partially for disclosure purpose.

Sustainable Leather Sourcing

Stella is dedicated to ensuring that leather is sourced in the most responsible and sustainable manner possible. We actively work with suppliers to enhance traceability and transparency of our products. By engaging with suppliers, we aim to mitigate the potential environmental and social risks linked to leather production.

Stella is aware that improving supply chain traceability is challenging, thus we are engaging with our suppliers to make progress in this area. Stella acknowledges our responsibility to help suppliers reach the high standards of responsible raw material procurement established by Stella and our brand partners.

Stella prioritises collaboration with suppliers who earned certification against the most stringent criteria such as the Leather Working Group (LWG). We also encourage our suppliers for sole, fabrics, metal, and other fitting parts to obtain certification issued by Global Recycle Standard (GRS). The below table shows the certification status of our core suppliers in some of the most important material categories.

CERTIFICATION STATUS OF CORE SUPPLIERS

| Type | Certification | 2023 | 2024 |
|----------------------|---------------|------|------|
| Leather | LWG | 100% | 100% |
| Fabric | GRS | 88% | 90% |
| Polyurethane Leather | GRS | 90% | 90% |
| Sole | LWG/GRS | 57% | 62% |

In 2024, Stella began to require suppliers to provide a Certificate of Origin (COO) for materials containing cotton. If a supplier cannot provide the COO, our Supply Chain Management team will communicate with brand customers to determine whether an alternative certification, such as a Transaction Certificate (TC), is acceptable. Alternatively, suppliers that can provide the proper COO will be suggested to the brand customers.

Customer Service and Complaint Handling

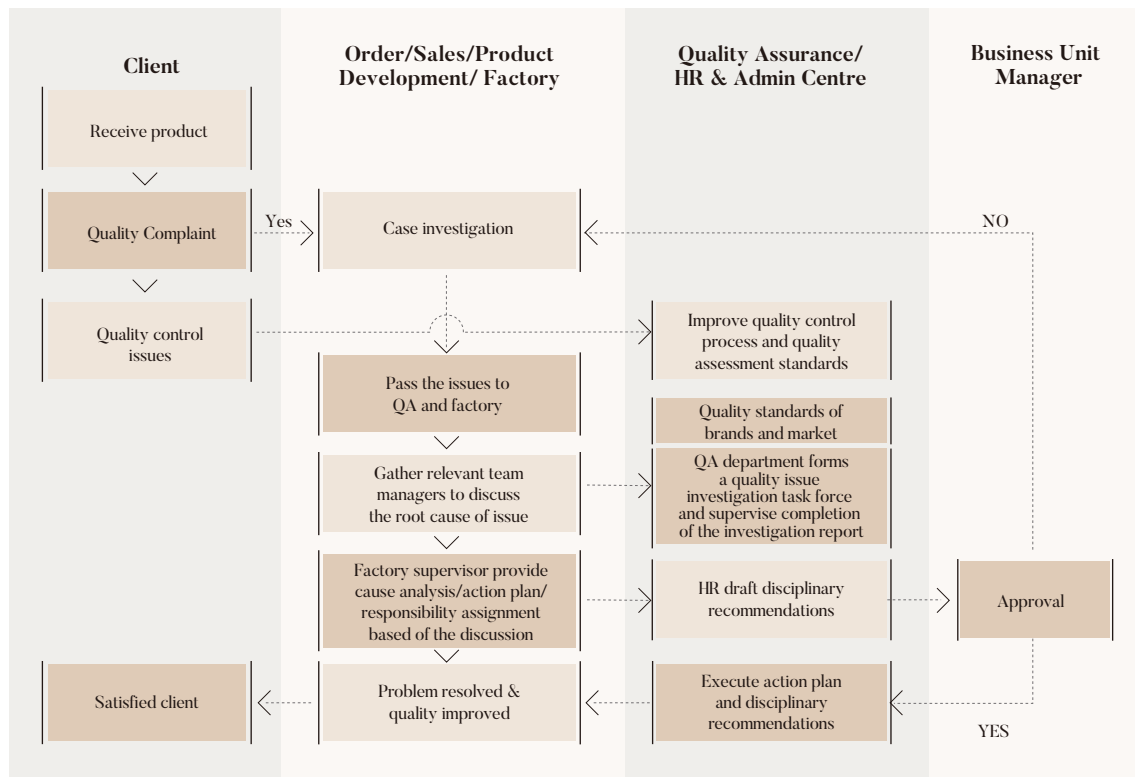
Customers Feedback Channels

We pride ourselves with the high-quality products and excellent services that we provide to our brand customers. Brand customers conduct product advertising in line with their operational strategies and relevant regulations, we strive to be their most trusted partner through empathy, responsiveness, and dependability, guaranteeing advertised product quality is fulfilled.

As the products we manufacture are not sold directly to end consumers, we focus on the requirements of our brand customers. An efficient customer handling procedure has been established to effectively address and manage any customer complaints. During the Reporting Period, we did not receive any significant complaints relating to products and services, nor did any product recall relating to health and safety issues take place.

Upon receiving quality-related complaints or recall requests from our brand customers, we promptly launch an internal investigation to identify the root cause of the issue. Subsequently, our Quality Assurance team will develop an action plan to address each aspect of our production process. Prior to approving or resuming production, relevant teams are required to conduct a thorough review to ensure the identified problem has been resolved and production quality can meet brand customer's expectations.

CUSTOMER COMPLAINT HANDLING WORKFLOW



Customer Satisfaction Measurement and Continuous Improvement

The Group recognises the importance of engaging our brand customers to allow continuous improvement in our products and services. Many of our brand customers have established their own rating systems, and we are proactive in familiarising ourselves with their rating criteria and standards. By engaging with them to promptly address end consumers' concerns, we not only demonstrate our commitment to customer satisfaction but also gain valuable insights that contribute to the improvement of our production and overall customer experience.

In the event of underperformance, we are dedicated to establishing special task force to address any identified issues and work towards improving our performance in accordance with our brand customers' standards. This collaborative approach ensures that we continuously strive to meet and exceed the expectations of our brand customers, thereby fostering stronger and more mutually beneficial partnerships.

Chapter 4

Achieve
Smart
Operation



Through the integration of technology into our work processes and the establishment of a robust digital infrastructure, we empower ourselves to work smarter, more efficiently, and make precise decisions rooted in scientific insights and data.

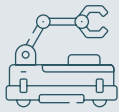
FY24 Highlights



ESG
Data Platform



VR
Technology



Automated Guided
Vehicles (AGVs)

Change Management

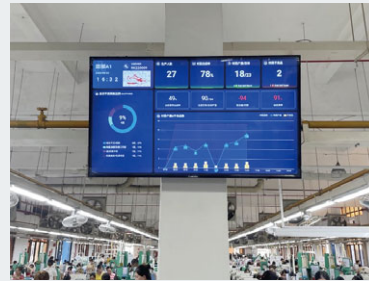
At the heart of our change management approach is the belief in continuous learning, which we regard as an essential component of our strategy. We believe that ongoing education empowers our workforce to confidently navigate and excel in an emerging digital world. This not only reinforces our dedication to sustainable progress but also positions us to adapt to the evolving industry landscape.

Digital Infrastructure

Our data-centric mindset propels us to optimise operations and improve work efficiency through real-time analytics. Focusing on digital integration, our roadmap includes leveraging technologies like artificial intelligence and IoT to enhance process automation and drive cohesive, innovative growth across the Group.

Operational Intelligence Dashboard

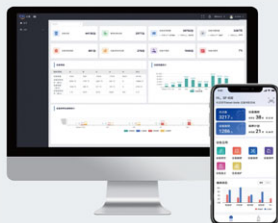
The Operational Intelligence Control (OIC) smart programme was first introduced in 2022, aimed at enhancing operational efficiency through data visualisation. The OIC dashboards, placed at the end of production lines, deliver performance metrics instantaneously to line leaders and management. Rolling display of data on production speed, downtime, and output quality enables quick issue resolution and faster decision-making. As of the end of 2024, the OIC system has been deployed across all our operational regions with over 400 dashboards.



OIC dashboards in factory

Internet of Equipment System

The Group leverages an Internet of Equipment (IOE) system to manage high-value assets and equipment inventory across our operations. Integrated with electronic tags and a mobile app, the system enables real-time, on-site maintenance planning and allows teams to log maintenance records instantly. As of 2024, Stella has connected over 7,500 high-value equipment items to the IOE system across all our footwear factories.



This IOE system replaces traditional, paper-based and passive maintenance planning processes. By establishing digital profiles for each piece of equipment, we can better assess asset value, utilisation rates, and performance over time based on recorded activity and maintenance logs. The system also issues monthly notifications for equipment requiring attention, supporting proactive maintenance and reducing unplanned downtime. In addition,

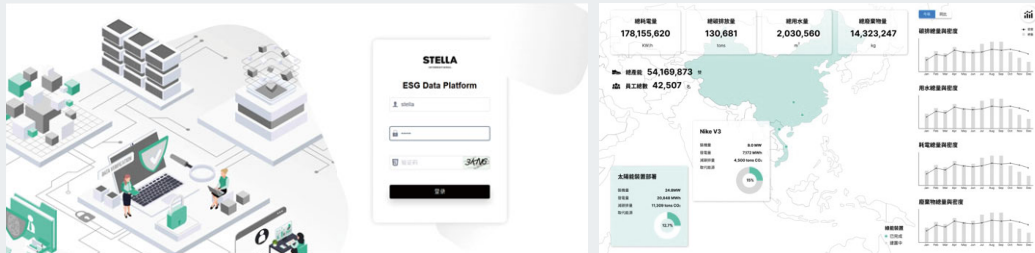
digital asset management enhances traceability, strengthens compliance with audit and safety standards, and enables more accurate budgeting and lifecycle planning.

ESG Data Platform

Launched in 2024, the ESG Data Platform aims to serve as a centralised system for managing sustainability-related data across all regions and factories. By standardising data collection processes and establishing consistent data standards, the platform enhances overall data quality, transparency, and traceability.

The platform streamlines data input and validation, ensuring timely and reliable reporting through review and internal validation mechanisms. Data visualisation on the platform further supports anomaly detection and performance monitoring, enabling management to identify trends and address potential risks.

Looking ahead, we plan to gradually expand automated data collection capabilities and optimise dashboards for insights. These enhancements will strengthen data quality and improve operational efficiency, supporting the Group's commitment to data-driven decision making and long-term sustainable development.



Continuous Innovation

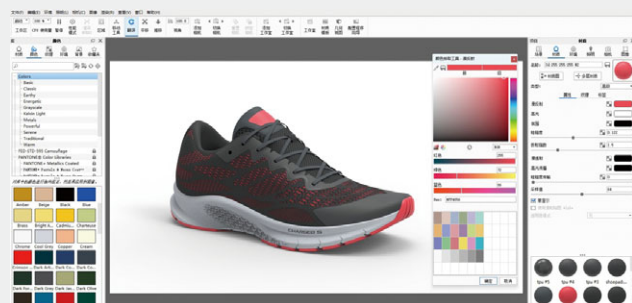
In a rapidly evolving market, continuous innovation is essential to staying competitive and building a more sustainable future. By embracing smart technologies and reimagining the way we design and manufacture our products, we drive production efficiency, optimise resource use, and reduce environmental impact – paving the way for sustainable growth and operational excellence.

For Stella, sustainability is a strategic priority, guiding every decision to build a strong and lasting business model. Through investing in research and development, cross-functional collaboration, and smart manufacturing, we aim to maintain high standards for product quality, drive waste reduction and create long-term value for our stakeholders. By encouraging innovative mindsets across the Group, we utilise smart solutions to meet the evolving needs of our customers. Our dedication to innovation ensures we remain agile and at the forefront of the footwear manufacturing industry.

Leveraging VR Technology

Stella has been proactively promoting the use of Virtual Reality (VR) technology for sample design. Traditionally, design approval requires the creation and review of physical samples, a process that is both resource-intensive and time-consuming. Through the adoption of VR, brand customers can approve designs digitally, expediting the sample development process and minimising material waste.

Stella is gradually expanding its VR design team and upskilling employees to maximise the technology's potential and ensure we can seamlessly support the growing adoption of VR by our brand partners.



Customers' Product Data Privacy

Data Privacy Policies and Practices

The Group is committed to safeguarding the privacy and information of all individuals and business entities we engage with, including suppliers, customers, and employees. We comply with relevant laws and regulations²⁴ in the regions where we operate when collecting, storing, processing, transmitting, and sharing information. Additionally, we ensure our customers are informed on data privacy rights, the purposes of data collection and how their data will be used and protected.

We have developed a comprehensive system for managing intellectual properties to prevent any violations or infringements of third-party intellectual property, patents, and related rights. There were no reported cases of intellectual property rights violations in 2024.

²⁴ The Group complies with applicable information security related laws and regulations in its operating regions, including the Law on the Protection of Consumer Rights and Interests of the People's Republic of China, the Cyber Information Security Law of Vietnam, and the Personal Data Protection Act of Taiwan.

Under the leadership of the Group's Information Security Committee, an information security management system is established with reference to the Information Security Policy in accordance with the ISO 27001:2013 standard, encompassing all aspects of information management.

Data Security Measures

We have implemented a range of measures to uphold strong information security protection, encompassing data privacy management, fraud prevention, network usage security controls, and safeguarding remote connections. We do not sell manufactured products to end consumers directly; thus, we have no access to consumer data. Stella only collects necessary data and information by lawful and ethical means. Our emphasis lies on preventing data leak or unauthorised use through secure data storage practices, stringent protection of our data centre, and meticulous control over access rights to personal data.

In 2024, the Group established a department dedicated to building a comprehensive security management system, focusing on physical, information, and process security. We have developed a mobile photo app to enhance product data security. The app requires user login, automatically uploads photos with watermarks to a secure server, and tracks all activities. Only authorised personnel can access the photos, ensuring strict control over product image distribution. These initiatives demonstrate our commitment to strengthening security measures and safeguarding sensitive information.

To protect critical data and our business operations, we implemented advanced security solutions to detect and investigate suspicious activities, security incidents, and threats. These measures effectively prevent and mitigate ransomware attacks while ensuring robust cybersecurity. We conduct annual third-party assessments to identify and address vulnerabilities, prioritising high-risk threats for remediation.

Cybersecurity Awareness Initiative

Our IT department conducted a social engineering drill targeting departments with frequent external correspondence. By sending phishing emails, we discovered that approximately 35% of recipients either opened the attachment or responded. These employees were required to attend mandatory cybersecurity training, focusing on phishing attempt identification and preventing email scams. We continue to implement proactive measures and provide cybersecurity awareness training.

Operation Optimisation

LEAN Production

LEAN production promotes resource optimisation, reduces environmental impacts, and fosters a culture of continuous improvement. Our dedication to manufacturing excellence also drives our adoption of advanced technologies and optimise production processes. This strategic integration enhances precision, elevates the shoemaking crafts while upholding the premium quality that meet our customers' expectations.

In 2024, we continued to expand the scope of LEAN training, reaching over 2,300 employees and accumulating more than 172,000 training hours across all our operational regions. The training encompassed topics such as Total Productive Maintenance (TPM) and Communication Methods. We aimed to empower on-site production leaders to integrate LEAN principles into their daily operations, enhancing efficiency and fostering continuous improvement.



LEAN Training

The training programme covered essential LEAN methodologies and tools. Furthermore, on-site case studies are also incorporated in the training to strengthen practical application. Through continuous learning and real-world application, we strive to embed LEAN principles into our operations.

During training, participants learned how to apply PDCA principles to implement improvement projects. By analysing data, observing on-site procedure, and communicating with line supervisors, trainees were able to identify the root cause of production-related issues. The participants then developed action plans to address issues and monitor the outcomes.



In 2024, we began integrating Robotic Process Automation (RPA) into our daily administrative operations to streamline repetitive and time-consuming tasks. One key use case is the automation of data extraction and input for product testing workflows, where test results and corresponding standards previously had to be manually transferred into pre-set forms. By automating this process, RPA has improved accuracy, reduced processing time, and freed up personnel resources. Similarly, RPA has been applied to the quotation process, eliminating manual data entry to ensure consistency, minimise errors, and accelerate response times. These efforts form part of our broader digital transformation journey, allowing teams to focus on more strategic and value-added work.

Automated Guided Vehicles (AGVs) Solution



To enhance operational efficiency and workplace safety, we are piloting the use of Automated Guided Vehicles (AGVs) and Autonomous Mobile Robots (AMRs) at select sites. These robotic vehicles follow programmed routes to transport materials, reducing the need for manual handling and significantly increasing the volume that can be moved at one time compared to human labour.

By incorporating robots into our daily operations, we aim to streamline workflows while minimising physical strain on employees. This initiative allows our employees to focus on higher-value tasks in a safer and more efficient environment, reinforcing our commitment to employee well-being.

Appendix I — Performance Table

Environmental Performance

| | Units | 2023 Performance | 2024 Performance |
|--|---------------------------|---------------------|---------------------|
| Greenhouse gas (GHG) emissions^{25 26 27} | | | |
| Total GHG emissions (Scope 1&2) | | | |
| Location-based ²⁸ | tonnes CO ₂ e | 76,972 | 91,520 |
| Market-based ²⁹ | tonnes CO ₂ e | 76,972 | 88,853 |
| Direct GHG emissions (Scope 1) | tonnes CO ₂ e | 7,066 | 13,998 |
| Indirect GHG emissions (Scope 2) | | | |
| Location-based | tonnes CO ₂ e | 69,906 | 77,522 |
| Market-based | tonnes CO ₂ e | 69,906 | 74,855 |
| GHG emission intensity (Scope 1&2) | | | |
| Location-based | kg CO ₂ e/pair | 1.490 | 1.671 |
| Market-based | kg CO ₂ e/pair | 1.490 | 1.622 |

²⁵ Carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs) and Perfluorocarbons (PFCs) are included in greenhouse gas (GHG) calculations.

²⁶ GHG emissions are calculated from methodology of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories with reference to databases and emission factors from the General rules for calculation of the comprehensive energy consumption (GB/T 2589-2020), the China Products Carbon Footprint Factors Database (2022), the ecoinvent3.10, the COUNTRY SPECIFIC ELECTRICITY GRID GREENHOUSE GAS EMISSION FACTORS-2023, the UK Government GHG Conversion Factors for Company Reporting, and the EPA Simplified GHG Emissions Calculator. After selecting the emission factors, the calculated values are converted the respective carbon dioxide equivalent (CO₂e) based on the Global Warming Potential (GWP) of various greenhouse gases. The GWP data used in the calculation is sourced from the IPCC 2022 AR6 report.

²⁷ Our direct and indirect GHG emissions data in 2023 were verified by an independent third-party agency. The data of Scope 1 and Scope 2 in 2023 is hereby restated according to the verification results. 2024 GHG emission data is subject to change upon completion of third-party data validation. For the detailed information on the third-party validation for 2023 data, please refer to the "Appendix IV — Greenhouse Gases Verification Opinion Certificate" section.

²⁸ Location-based method for indirect carbon emissions (as defined by GHG Protocol Scope 2 Guidance) refers to a method to quantify Scope 2 emissions based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries.

²⁹ Market-based method for indirect carbon emissions (as defined by GHG Protocol Scope 2 Guidance) refers to a method to quantify Scope 2 emissions based on contractual instruments, supplier-specific emission factors, or energy attribute certificates, reflecting our voluntary energy procurement choices.

STELLA INTERNATIONAL
Appendix I — Performance Table

| | | 2023 | 2024 |
|---|--------------------------|-------------|-------------|
| | Units | Performance | Performance |
| Other Indirect GHG emissions (Scope 3) ³⁰ | tonnes CO ₂ e | 782,533 | 1,193,230 |
| Category 1 — Purchased goods and services | tonnes CO ₂ e | 675,119 | 1,029,161 |
| Category 2 — Capital goods | tonnes CO ₂ e | 2,889 | 4,415 |
| Category 3 — Fuel- and energy-related activities | tonnes CO ₂ e | 13,551 | 20,643 |
| Category 4 — Upstream transportation and distribution | tonnes CO ₂ e | 15,874 | 24,223 |
| Category 5 — Waste generated in operations | tonnes CO ₂ e | 1,339 | 2,028 |
| Category 6 — Business travel | tonnes CO ₂ e | 2,015 | 3,102 |
| Category 7 — Employee commuting | tonnes CO ₂ e | 36,691 | 56,082 |
| Category 9 — Downstream transportation & distribution | tonnes CO ₂ e | 7,890 | 12,052 |
| Category 12 — End of life treatment of sold treatment | tonnes CO ₂ e | 27,166 | 41,524 |

³⁰ Our direct and indirect GHG emissions data in 2023 were verified by an independent third-party agency. The Scope 3 emission inventory has been developed for 2023 where data also verified. For the detailed information on the third-party validation for 2023 data, please refer to the "Appendix IV – Greenhouse Gases Verification Opinion Certificate" section.

STELLA INTERNATIONAL
Appendix I — Performance Table

| | Units | 2023 Performance | 2024 Performance |
|--|----------------------|---------------------|--------------------------|
| Energy consumption³¹ | | | |
| Total energy consumption | GJ | 631,506 | 719,968 |
| Electricity | kWh | 151,846,399 | 170,345,088 |
| Renewable energy | | | |
| DPPA | kWh | 9,613,258 | 15,552,509 ³² |
| REC/GEC | kWh | — | 4,677,000 ³³ |
| Natural gas ³⁴ | m ³ | 28,399 | 24,062 |
| Diesel | litres | 938,027 | 949,734 |
| Petrol (Unleaded) | litres | 289,948 | 365,408 |
| LPG | litres | 102,162 | 169,654 |
| Energy consumption intensity | GJ/pair | 0.012 | 0.013 |
| Water consumption | | | |
| Total water consumption | m ³ | 1,799,216 | 1,435,660 |
| Water intensity | m ³ /pair | 0.032 | 0.026 |
| Waste handling | | | |
| Non-hazardous waste | tonnes | 11,400 | 11,898 |
| Hazardous waste | tonnes | 769 | 1,084 |
| Total waste production | tonnes | 12,169 | 12,982 |
| Waste intensity | kg/pair | 0.236 | 0.237 |
| Use of packaging material | | | |
| Use of packaging materials ³⁵ | tonnes | 23,422 | 23,223 |
| Usage intensity | kg/pair | 0.453 | 0.424 |

³¹ The energy category covers the main energy types that the Group consumed during our operations and excluded the energy consumption that the Group cannot directly control.

³² The increase in renewable energy directly correlates to the expansion of rooftop solar system.

³³ We started assessing both international and local Renewable Energy/Electricity Certificate (REC) markets to enhance our renewable energy sourcing in 2024.

³⁴ The scope of the data included canteen usage.

³⁵ During the Reporting Period, the packaging materials used by the Group were mainly paper in the form of shoe boxes, packing papers, carton boxes and shoe stretchers.

STELLA INTERNATIONAL
Appendix I — Performance Table

Employment Statistics³⁶

| | Units | 2023 Performance | 2024 Performance |
|--|------------------|---------------------|---------------------|
| Total workforce | number of people | 39,850 | 63,200 |
| Total workforce by employment contract³⁷ | | | |
| Direct ³⁸ | number of people | 39,850 | 42,600 |
| Indirect ³⁹ | number of people | — | 20,600 |
| Total workforce by gender | | | |
| Male | number of people | 8,165 | 13,372 |
| Female | number of people | 31,685 | 49,828 |
| Total workforce by age group | | | |
| 18-30 | number of people | 11,569 | 15,117 |
| 31-50 | number of people | 25,478 | 42,176 |
| 51 or above | number of people | 2,803 | 5,907 |
| Total workforce by employment category | | | |
| Senior management | number of people | 12 | 22 |
| Middle management | number of people | 558 | 1,052 |
| General staff | number of people | 39,280 | 62,126 |
| Total workforce by geographical region | | | |
| China ⁴⁰ | number of people | 9,747 | 16,911 |
| Asia (excluding China) ⁴¹ | number of people | 30,103 | 46,289 |

³⁶ In 2024, we updated the employment data collection scope to include both direct and indirect workers, resulting in the significant increase of total workforce number.

³⁷ The Group changed the categories of employment contract from permanent and contract workers in last Reporting Period, to direct and indirect workers in the current Reporting Period to more accurately reflect the impact of Stella's employment management.

³⁸ Direct workers refer to workers directly employed by the Group.

³⁹ Indirect workers refer to workers that are not directly employed but are managed by the Group, such as workers employed by local venture partners and/or business contractors.

⁴⁰ Includes Mainland China, Taiwan, Hong Kong and Macau.

⁴¹ Includes Vietnam, Indonesia, Bangladesh, the Philippines, and others.

STELLA INTERNATIONAL
Appendix I — Performance Table

| | Units | 2023 Performance | 2024 Performance |
|--|-------|---------------------|---------------------|
| Employee turnover rate | | | |
| Total workforce | % | 21.8% | 30.0% |
| Employee turnover rate by gender | | | |
| Male | % | 5.9% | 32.8% |
| Female | % | 16.0% | 28.9% |
| Employee turnover rate by age group | | | |
| 18-30 | % | 9.9% | 51.9% |
| 31-50 | % | 10.1% | 23.4% |
| 51 or above | % | 1.8% | 17.8% |
| Employee turnover rate by geographical region | | | |
| China | % | 7.4% | 29.9% |
| Asia (excluding China) | % | 14.4% | 29.6% |

Development and Training Statistics⁴²

| | Units | 2023 Performance | 2024 Performance |
|---|-------|---------------------|---------------------|
| Percentage of employees trained by gender | | | |
| Male | % | 97.1% | 78.9% |
| Female | % | 98.2% | 77.2% |
| Percentage of employees trained by employee category | | | |
| Senior management | % | 100.0% | 22.7% |
| Middle management | % | 78.1% | 61.8% |
| General staff | % | 97.9% | 77.8% |
| Average training hours by gender | | | |
| Male | hours | 18.9 | 15.0 |
| Female | hours | 19.3 | 11.2 |
| Average training hours by employee category | | | |
| Senior management | hours | 32.3 | 3.9 |
| Middle management | hours | 20.4 | 14.5 |
| General staff | hours | 19.2 | 12.0 |

Occupational Health and Safety

| | Units | 2022 Performance | 2023 Performance | 2024 Performance |
|---|-----------------|---------------------|---------------------|---------------------|
| Occupational Health and Safety | | | | |
| Case of work-related fatalities | Number of cases | 0 | 1 | 0 |
| Rate of work-related fatalities | % | 0% | 0.0025% | 0% |
| Lost days due to industrial injuries | number of days | 2,305 | 2,533 | 5,007 ⁴³ |
| Strikes or lock-out events over the past 3 years | | | | |
| Number of strikes or lock-outs events | cases | 0 | 0 | 0 |

⁴² The overall decrease in training statistics this year is primarily due to the development of our new internal digital training platform. As part of this transition, the scheduling of certain training courses has been temporarily delayed to allow for content migration and system setup.

⁴³ In 2024, we updated the employment data collection scope to include both direct and indirect workers, resulting in the significant increase of lost days due to industrial injuries.

Supply Chain Management Statistics

| | Units | 2023 Performance | 2024 Performance |
|---|-------|---------------------|---------------------|
| Number of suppliers by geographical region | | | |
| Mainland China | | 669 | 700 |
| Hong Kong | | 73 | 67 |
| Vietnam | | 189 | 233 |
| Italy | | 97 | 99 |
| Korea | | 32 | 29 |
| Indonesia | | 38 | 50 |
| Taiwan | | 48 | 55 |
| Other Regions | | 83 | 98 |
| Performance review conducted to suppliers | | | |
| Percentage of suppliers evaluated | | 100% | 100% |
| Percentage of total products sold or shipped subject to recalls for safety and health reasons | | | |
| Percentage of products recalled | | 0 | 0 |
| Number of concluded legal cases regarding corrupt practices brought against the Group or our employees | | | |
| Total number of legal cases regarding corrupt practices | | 0 | 0 |

Appendix II — HKEX ESG Reporting Code Content Index

| Subject Areas, Aspects, General Disclosure and KPIs | | Sections/Remarks |
|---|---|--|
| A. Environmental | | |
| Aspect A1: Emissions | | |
| General Disclosure | Information on: | Energy Efficiency and Carbon Footprint |
| | (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. | |
| A1.1 | The types of emissions and respective emissions data. | The Group will improve the data calculation process and consider including relevant data in future sustainability report |
| A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility). | Appendix I — Performance Table |
| A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility). | Appendix I — Performance Table |
| A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility). | Appendix I — Performance Table |
| A1.5 | Description of emission target(s) set and steps taken to achieve them. | Energy Efficiency and Carbon Footprint Climate Change Mitigation and Adaptation |
| 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. | Resources and Waste Management |

| Subject Areas, Aspects, General Disclosure and KPIs | | Sections/Remarks |
|---|---|---|
| Aspect A2: Use of Resources | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Energy Efficiency and Carbon Footprint Chemical and Wastewater Management Water Stewardship |
| A2.1 | Direct and/or indirect consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility). | Appendix I — Performance Table |
| A2.2 | Water consumption in total and intensity (e.g., per unit of production volume, per facility). | Appendix I — Performance Table |
| A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Energy Efficiency and Carbon Footprint |
| 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. | Water Stewardship |
| A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Appendix I — Performance Table |
| Aspect A3: The Environment and Natural Resources | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | Energy Efficiency and Carbon Footprint Climate Change Mitigation and Adaptation Chemical and Wastewater Management Resources and Waste Management Water Stewardship |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Energy Efficiency and Carbon Footprint |

| Subject Areas, Aspects, General Disclosure and KPIs | | Sections/Remarks |
|---|---|---|
| Aspect A4: Climate Change | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Climate Change Mitigation and Adaptation |
| A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Energy Efficiency and Carbon Footprint Climate Change Mitigation and Adaptation Chemical and Wastewater Management Resources and Waste Management Water Stewardship |
| B. Social | | |
| Aspect B1: Employment | | |
| General Disclosure | Information on: <ul style="list-style-type: none"> (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, antidiscrimination, and other benefits and welfare. | Labour and Human Rights |
| B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | Appendix I — Performance Table |
| B1.2 | Employee turnover rate by gender, age group and geographical region. | Appendix I — Performance Table |

| Subject Areas, Aspects, General Disclosure and KPIs | | Sections/Remarks |
|---|---|--|
| Aspect B2: Health and Safety | | |
| General Disclosure | Information on: | Occupational Health and Safety |
| | (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. | |
| B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Occupational Health and Safety Appendix I — Performance Table |
| B2.2 | Lost days due to work injury. | Occupational Health and Safety Appendix I — Performance Table |
| B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | Occupational Health and Safety |
| Aspect B3: Development and Training | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Employee Development and Training |
| B3.1 | The percentage of employees trained by gender and employee category (e.g., senior management, middle management). | Appendix I — Performance Table |
| B3.2 | The average training hours completed per employee by gender and employee category. | Appendix I — Performance Table |

| Subject Areas, Aspects, General Disclosure and KPIs | | Sections/Remarks |
|---|---|---|
| Aspect B4: Labour Standards | | |
| General Disclosure | Information on: | Labour and Human Rights |
| | (a) the policies; and | |
| | (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | |
| B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Labour and Human Rights |
| B4.2 | Description of steps taken to eliminate such practices when discovered. | Labour and Human Rights |
| Aspect B5: Supply Chain Management | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| B5.1 | Number of suppliers by geographical region. | Appendix I — Performance Table |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Supply Chain Management Sustainable Sourcing and Alternative Materials |
| B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management Sustainable Sourcing and Alternative Materials |
| B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management Sustainable Sourcing and Alternative Materials |

| Subject Areas, Aspects, General Disclosure and KPIs | | Sections/Remarks |
|---|---|--|
| Aspect B6: Product Responsibility | | |
| General Disclosure | Information on: | Not applicable to the core business of Stella as we do not sell product to end consumers, yet we ensure that applicable regulations are complied |
| | (a) the policies; and | |
| | (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Appendix I — Performance Table |
| B6.2 | Number of products and service-related complaints received and how they are dealt with. | Customer Service and Complaint Handling |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Customers' Product Data Privacy |
| B6.4 | Description of quality assurance process and recall procedures. | Product Quality |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Customers' Product Data Privacy |
| Aspect B7: Anti-corruption | | |
| General Disclosure | Information on: | Sustainability Governance |
| | (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. | |
| 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. | Appendix I — Performance Table |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Sustainability Governance |
| B7.3 | Description of anti-corruption training provided to directors and staff. | Sustainability Governance |

| Subject Areas, Aspects, General Disclosure and KPIs | | Sections/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. | Community Investment |
| B8.1 | Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport). | Community Investment |
| B8.2 | Resources contributed (e.g., money or time) to the focus area. | Community Investment |

Appendix III — SASB Content Index

Industry Standard for Apparel, Accessories & Footwear

| Sustainability Disclosure Topics & Metrics | | Sections/Remarks |
|--|---|---|
| Management of Chemicals in Products | | |
| CG-AA-250a.1 | Discussion of processes to maintain compliance with restricted substances regulations | Chemical and Wastewater Management |
| CG-AA-250a.2 | Discussion of processes to assess and manage risks or hazards associated with chemicals in products | Chemical and Wastewater Management |
| Environmental Impacts in the Supply Chain | | |
| CG-AA-430a.1 | Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits or contractual agreements | Chemical and Wastewater Management |
| CG-AA-430a.2 | Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment | Environmental Management Supply Chain Management |
| Labour Conditions in the Supply Chain | | |
| CG-AA-430b.1 | Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct, (3) percentage of total audits conducted by a third-party auditor | Supply Chain Management |
| CG-AA-430b.2 | (1) Priority non-conformance rate and (2) associated corrective action rate for suppliers' labour code of conduct audits | Supply Chain Management |
| CG-AA-430b.3 | Description of the greatest (1) labour and (2) environmental, health and safety risks in the supply chain | Supply Chain Risk Management |
| Raw Materials Sourcing | | |
| CG-AA-440a.3 | (1) List of priority raw materials; for each priority raw material: (2) environmental or social factor(s) most likely to threaten sourcing, (3) discussion on business risks or opportunities associated with environmental or social factors and (4) management strategy for addressing business risks and opportunities | Sustainable Sourcing and Alternative Materials |
| CG-AA-440a.4 | (1) Amount of priority raw materials purchased, by material, and (2) amount of each priority raw material that is certified to a third-party environmental or social standard, by standard | Sustainable Sourcing and Alternative Materials |
| Activity Metrics | | |
| CG-AA-000.A | Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1 | Supply Chain Management |

Appendix IV — Greenhouse Gases Verification Opinion Certification



Bureau Veritas Certification

Greenhouse Gases Verification Opinion

is awarded to

STELLA INTERNATIONAL HOLDINGS LIMITED

Bureau Veritas Certification (Beijing) Co., Ltd. was engaged to conduct an independent verification of the greenhouse gases (GHG) emissions reported by STELLA INTERNATIONAL HOLDINGS LIMITED for the period stated below. This verification opinion applies to the related information included within the scope of work described below.

Boundaries covered by the verification:

- Verification site name: 17 facilities under operation control approach of STELLA INTERNATIONAL HOLDINGS LIMITED
- Verification site address: Footwear and leather goods manufacturing factories, along with R&D centers, were sampled across China, Vietnam, the Philippines and Indonesia
- Reporting period covered: 2023-01-01 to 2023-12-31

Organizational boundaries: Activities and facilities of the 17 facilities under the operation control approach of STELLA INTERNATIONAL HOLDINGS LIMITED

Reporting boundaries: Greenhouse gases (GHG) emissions generated from the manufacturing and transportation of men's and women's footwear, sports shoes, and leather goods, along with related management activities within the organizational boundaries of the 17 facilities under the operation control approach of STELLA INTERNATIONAL HOLDINGS LIMITED, as well as significant indirect greenhouse gases emissions

Emissions data verified under reporting boundaries:

- Category 1: Direct GHG emissions: 7,066.06 tCO₂e
- Category 2: Indirect GHG emissions from imported energy (location-based): 69,905.99 tCO₂e
Indirect GHG emissions from imported energy (market-based): 69,905.99 tCO₂e
- Category 3: Indirect GHG emissions from transportation: 62,469.52 tCO₂e
- Category 4: Indirect GHG emissions from products used by organization: 692,897.93 tCO₂e
- Category 5: Indirect GHG emissions associated with the use of products from the organization:
27,165.50 tCO₂e
- Category 6: Indirect GHG emissions from other sources:
Non-significant indirect emissions are not quantified
Total quantified emissions: 859,504.99 tCO₂e

Limitations and exclusions: Excluding other non-significant indirect GHG emissions

GHG verification protocol used to conduct the verification:

- ISO 14064-1:2018 Greenhouse gases - Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals
- ISO 14064-3:2019 Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements
- Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
- Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Certification body address: Room 02, 9 / F, West Office Building 1, Oriental Economic and Trade City, Oriental Plaza, No.1 East Chang'an Street, Dongcheng District, Beijing, China. 100738

Further clarifications regarding the verification scope of this opinion may be obtained by consulting the organization.

To check this opinion validity please call: +86 10 59683663 or +86 20 83073800

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Bureau Veritas Certification

Level of assurance:

- Category 1 & Category 2: Reasonable assurance
- Category 3 to Category 6: Limited assurance

GHG verification methodology:

- Interview for relevant personnel;
- Review of the documentary evidence;
- Evaluation of the methodology and information systems for data collection, aggregation, analysis and review;
- Audit of sampled sites and data to verify source.

Verification conclusion:

Based on the verification process and findings, the GHG emission data in the GHG inventory report from STELLA INTERNATIONAL HOLDINGS LIMITED is in compliance with ISO 14064-1:2018 Greenhouse gases - Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.

Statement of independence, impartiality and competence:

Bureau Veritas Group is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 190 years' history in providing independent assurance services.

No member of the verification team has a business relationship with STELLA INTERNATIONAL HOLDINGS LIMITED and its directors or managers beyond that required by this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest.

Bureau Veritas Group has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

Lead verifier: Rey Li

No.: EMI22896106GZ

Version No.: No.01

Verification date: 2024-08-16

Issue date: 30/09/2024

Signed on behalf of
Bureau Veritas Certification (Beijing) Co., Ltd.

Certification body address: Room 02, 9 / F, West Office Building 1, Oriental Economic and Trade City, Oriental Plaza, No.1 East Chang'an Street, Dongcheng District, Beijing, China. 100738
Further clarifications regarding the verification scope of this opinion may be obtained by consulting the organization.
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BUREAU
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Appendix for Greenhouse Gases Verification Opinion

STELLA INTERNATIONAL HOLDINGS LIMITED has commissioned Bureau Veritas Certification (Beijing) Co., Ltd. to conduct a third-party verification on the GHG emissions within its reporting boundary. Key information is listed below:

- GWP source: IPCC AR6
- Types of GHG: CO₂, CH₄, N₂O, HFCs, PFCs
- Database: China Products Carbon Footprint Factors Database, Chinese Life Cycle Database CLCD, Ecoinvent

| Comprehensive GHG Emissions Data Sheet | |
|---|-------------------------------|
| Scope & Category | Quantity (tCO ₂ e) |
| Total quantified emissions^[1] | 858,419.79 |
| Scope 1 Direct GHG emissions | 7,066.06 |
| Scope 2 Indirect GHG emissions from imported energy | 69,905.99 |
| Scope 3-1 Purchased goods and services ^[2] | 675,119.22 |
| Scope 3-2 Capital goods | 2,889.00 |
| Scope 3-3 Fuel- and energy-related activities | 13,550.93 |
| Scope 3-4 Upstream transportation and distribution ^[3] | 15,873.51 |
| Scope 3-5 Waste generated in operations | 1,338.78 |
| Scope 3-6 Business travel | 2,014.61 |
| Scope 3-7 Employee commuting | 36,691.20 |
| Scope 3-8 Upstream leased assets | -- |
| Scope 3-9 Downstream transportation & distribution | 7,890.20 |
| Scope 3-10 Processing of sold products | -- |
| Scope 3-11 Use of sold products | -- |
| Scope 3-12 End of life treatment of sold products | 27,165.50 |
| Scope 3-13 Downstream leased assets | -- |
| Scope 3-14 Franchises | -- |
| Scope 3-15 Investments | -- |

Notes:

^[1] Scope Minor categories within Scope 3 are estimated using data models based on expenditure, personnel numbers, and surveys.

^[2] Emissions from purchased goods and services in Scope 3-1 are calculated based on the financial expenditure method. These goods mainly include raw materials, accessories, and packaging materials.

^[3] Major part of Scope 3-4 upstream transportation and distribution emissions are calculated using operation data.

Certification body address: Room 02, 9 / F, West Office Building 1, Oriental Economic and Trade City, Oriental Plaza, No.1 East Chang'an Street, Dongcheng District, Beijing, China. 100738

Further clarifications regarding the verification scope of this opinion may be obtained by consulting the organization.

To check this opinion validity please call: +86 10 59683663 or +86 20 83073800

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Stella International Holdings Limited
九興控股有限公司*

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司

** for identification purpose only*