



# **Xtep Group Sustainable Raw Material Sourcing Policy**

2026 Edition

## 1. Preface

As a leading Chinese sporting goods enterprise, Xtep Group Co., Limited (“the Group”) fully recognizes the profound impacts of raw material sourcing and packaging activities on the environment, society and biodiversity. Formulated under the guidance of the Group’s 2030 ESG Strategy, this Xtep Group Sustainable Raw Material Sourcing Policy (“the Policy”) systematically regulates the Group’s practices governing raw material sourcing and packaging management. It drives the whole industrial chain toward low-carbon, circular and responsible transformation, helps deliver the Group’s sustainable development targets, and fulfills environmental commitments to stakeholders and the wider community.

This Policy applies to all of the Group’s operational activities; all business partners are required to abide by its provisions.

## 2. Commitments and Initiatives for Sustainable Raw Material Sourcing

### 2.1 Mitigate Full-Chain Negative Environmental and Social Impacts from Raw Materials

Aligned with the overall framework of Xtep’s 2030 ESG Strategy, the Group controls full-value-chain risks across ecological protection, labor rights and local community development to reduce adverse sustainability impacts arising from raw material sourcing and upstream production. The Group has established an environmental footprint assessment system for raw materials and conducts full-lifecycle evaluation of core raw materials with priority control over high-impact categories. Upholding responsible supply chain principles, the Group embeds human rights protection together with indigenous and local community interests into supplier access criteria and routine assessment protocols. The Group firmly prohibits supply chain violations including labor infringements, local environmental damage and hindrances to rural sustainable development, and reduces environmental and social risks via quantified performance reviews throughout sourcing processes.

### 2.2 Collaborate with External Stakeholders to Scale Industry Best Practices for Sustainable Raw Materials

The Group maintains active dialogue and cooperation with governmental regulators, industrial associations, international standard-setting bodies, research institutes and

non-governmental organizations to develop and roll out industry standards and proven practices for sustainable raw materials. By participating in cross-industry supply chain collaboration programs, the Group shares experience in sustainable sourcing. Together with upstream and downstream partners and third-party certification bodies, the Group builds a transparent and traceable supply chain ecosystem, fosters consensus on responsible raw material sourcing and lifts overall sustainability performance across the industrial chain.

### 2.3 Raise the Adoption Rate of Third-Party Certified Sustainable Raw Materials

The Group continuously expands the scope and volume of third-party certified sustainable raw materials in sourcing. It prioritizes sourcing materials accredited under globally recognized certification standards including but not limited to GOTS, OCS, RCS, GRS, BCI and FSC. A dedicated ledger system for certified raw materials is in place, with regular public disclosure of relevant consumption data to guarantee authentic and effective implementation of certification requirements.

### 2.4 Boost the Utilization of Recycled Raw Materials

As a core pillar of the Group's sustainability agenda and in pursuit of Xtep's 2030 ESG Strategy goals, the Group enforces phased implementation targets for recycled feedstock application:

- Prioritize post-consumer and post-industrial recycled polyester, nylon, rubber and other feedstocks to expand their application across footwear and apparel product lines;
- Deploy a standardized admission and evaluation system for recycled raw material suppliers to guarantee product quality, performance and sustainability compliance;
- Set annual growth targets for recycled material proportion, with periodic progress tracking and transparent reporting to relevant stakeholders.

### 2.5 Avoid Sourcing Raw Materials from Key Global or National Biodiversity Zones

Committed to global biodiversity conservation, the Group operates a rigorous risk screening mechanism covering raw material sourcing origins:

- Trace supply chains of high-risk raw materials to verify whether their production

sites fall within globally significant biodiversity regions, national key ecological function zones or environmentally sensitive protected areas;

- Ban the sourcing of raw materials linked to deforestation, wetland degradation or habitat destruction for endangered species;
- Require suppliers to formulate dedicated biodiversity conservation plans and commit to eliminating destructive production within critical biodiversity territories. Regular supply chain risk inspections and rectification actions are enforced.

## 2.6 Specialized Management for Key Material Categories

The Group has finalized clear standards for environmentally sustainable leather and cotton sourcing to deliver tangible green sourcing commitments.

- **Leather Sourcing:** All leather suppliers of the Group have obtained full Leather Working Group (LWG) certification, while end-to-end traceability systems are fully implemented across the leather supply chain. Regular compliance audits are carried out to continuously support partners in developing and sourcing sustainable leather, consolidating the development of an eco-friendly leather supply chain.
- **Cotton Sourcing:** The Group has formulated quantified roadmaps for cotton traceability and third-party certification aligned with internationally recognized independent environmental benchmarks to achieve targeted certified and traceable cotton volume by 2030. Working closely with core suppliers, the Group advances initiatives focused on optimized land management, water conservation and pesticide reduction to scale sustainable cotton sourcing solutions.

## 3. Special Commitments and Actions for Green Packaging

To systematically lower the environmental footprint of packaging, the Group sets out its 2030 green packaging roadmap centered on full-lifecycle sustainable transformation as detailed below:

### 3.1 2030 Strategic Targets

By 2030, the Group commits to deliver the following green packaging outcomes:

- Advance full-chain transformation toward recyclable, reusable and biodegradable packaging solutions;
- Increase the share of reusable, recyclable and recycled-content packaging materials;
- Establish a complete closed-loop packaging recycling system to realize resource recovery from packaging waste.

### 3.2 Rollout of Reusable Packaging Solutions

The Group scales up reusable packaging across logistics, retail stores and the broader supply chain to cut single-use packaging waste:

- Deploy reusable logistics containers and recyclable courier bags to substitute disposable cartons and plastic bags;
- Build closed-loop systems covering collection, cleaning, disinfection and reutilization of reusable packaging;
- Cooperate with core logistics service providers and distributors to broaden the adoption scope and reduce the proportion of disposable logistics packaging.

### 3.3 Uptake of Recyclable Packaging Materials

The Group consistently lifts the usage ratio of recyclable packaging via design optimization for enhanced recyclability:

- Prefer mono-material, easily recyclable packaging and restrict composite materials and inseparable coating layers;
- Optimize existing product packaging through recyclability assessment and remove non-essential inks and adhesives that impede recycling;
- Set yearly uplift targets for recyclable packaging penetration to upgrade overall recyclability of primary packaging by 2030.

### 3.4 Expanded Use of Recycled Content in Packaging

The Group accelerates the integration of recycled feedstock into packaging to advance circularity:

- Gradually raise the share of recycled plastics, paper and fiber in packaging with priority given to post-consumer recycled materials;
- Establish quality control and traceability protocols for recycled packaging feedstock to ensure safety and regulatory compliance;
- Roll out phased proportion targets for recycled packaging content to achieve substantial growth by 2030.

### 3.5 Mechanisms to Ensure Effective Recycling of Recyclable Packaging

To eliminate the gap between nominal recyclability and practical recyclability, the Group establishes a full-value-chain recycling safeguard framework:

- Mark packaging clearly with recycling logos, material composition and sorting guidance to raise consumer recycling awareness;
- Partner with recyclers and renewable resource operators to build multi-channel recycling networks covering offline retail drop-off and courier packaging take-back;
- Develop closed-loop collaboration linking packaging collection and material regeneration to ensure compliant processing and resource utilization of recovered packaging, alongside regular disclosure of recycling volumes and resource conversion rates.

### 3.6 R&D Resource Allocation for Sustainable Packaging

The Group scales up sustained R&D investment for innovative sustainable packaging alternatives to drive technical decarbonization:

- Allocate dedicated R&D funding and form cross-functional teams to develop biodegradable, low-impact, lightweight and next-generation circular packaging technologies;
- Collaborate with research institutions and material suppliers to conduct performance testing and commercial trials of eco-friendly packaging solutions and

accelerate industrialization;

- Evaluate R&D outcomes periodically and roll out mature sustainable packaging alternatives across all product lines to deliver low-carbon transformation via technological innovation.

## 4. Policy Governance and Implementation Assurance

### 4.1 Governance Structure

The Policy is overseen by the Group's Sustainability Committee and executed jointly by the ESG Task Force and relevant business departments. The Board of Directors receives regular implementation progress updates to align the Policy with the Group's overarching sustainable development strategy.

### 4.2 Supplier Responsibility Deployment

The Group delivers routine training and compliance audits for suppliers, supporting partners to build their own sustainable raw material and packaging management systems and elevate collective supply chain sustainability.

### 4.3 Monitoring, Evaluation and Disclosure

A real-time performance tracking system is deployed to monitor delivery against raw material and green packaging targets, supported by annual internal reviews and independent third-party verification. All implementation progress and results are published in the Group's annual sustainability report for full transparency to investors, clients, consumers and the general public under stakeholder oversight.

## 5. Continuous Improvement

The Policy is subject to periodic review and revision in response to updated international sustainability standards, evolving industry best practices, stakeholder feedback and emerging operational challenges. Ongoing refinements maintain its relevance and leading standards and steadily improve sustainability governance across raw material sourcing and packaging operations in support of Xtep's long-term ESG objectives.