



ENVIRONMENTAL POLICY

Version 2.0

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HQ Sustainability Development Office
Stella International Holdings Limited

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1. INTRODUCTION

Stella International Holdings Limited ("Stella Group" or "the Group") recognizes our environmental responsibility and is committed to taking decisive action to address global challenges while pursuing sustainable growth. Green and low-carbon manufacturing is our vision and a cornerstone of Stella's sustainability strategy, guiding us to operate to the highest standards and comply with all applicable environmental laws and regulations across all regions of our operations. This Environmental Policy outlines Stella Group's commitments to climate action, reducing our environmental footprint, and promoting sustainability across our value chain.

2. SCOPE OF POLICY

This Policy applies to all Stella Group employees and operations worldwide.

Our suppliers and business partners are required to comply with all applicable environmental regulations and to operate in accordance with the principles of this Policy.

3. AREAS OF COMMITMENT & SUPPLIER EXPECTATIONS

Stella Group is committed to addressing key environmental issues that reflect the impact of our operations and the expectations of our stakeholders. To reduce risks across our value chain, we focus on continuous improvement in areas most relevant to our business and material to our stakeholders. These commitments guide our actions to minimize environmental impact and contribute to broader sustainability goals.

3.1 Climate Change & Greenhouse Gas (GHG) Emissions

Climate change poses significant risks to both the global ecosystem and Stella Group's operations. As greenhouse gas (GHG) emissions are the primary driver of climate change, reducing them is central to our sustainability strategy and long-term resilience. We are committed to leading the transition to a low-carbon economy, through integrating climate considerations into decision-making, and collaborating with stakeholders across our value chain to achieve meaningful impact in line with global climate goals.

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Our Commitments

- Monitor and collect emissions data on a monthly basis to identify and act on reduction opportunities
- Conduct annual carbon inventories in accordance with ISO 14061¹ and the GHG Protocol²
- Publicly disclose annual GHG emissions and reduction progress
- Assess and manage climate risks and opportunities in line with the TCFD Recommendations³
- Drive supply chain decarbonization by engaging and supporting suppliers through capacity building, targeted training, resource sharing, and collaboration on emissions reduction strategies
- Ensure Stella does not fund climate denial or lobbying against climate regulations, and does not invest in fossil-fuel expansion

Science-Based Targets

To guide our initiatives and engagement actions, Stella Group has set reduction targets aligned with the 2015 Paris Agreement's 1.5°C scenario and received validation from the Science Based Targets initiative (SBTi).

From a 2023 base year, we commit to achieve the below targets by 2030:

- Reduce absolute Scope 1 and Scope 2 GHG emissions by 42.0%
- Reduce Scope 3 GHG emissions intensity by 51.6% per USD value added (million US dollars of our revenue), based on applicable categories⁴

¹ ISO 14064 Standards include ISO14064-1 and ISO14064-3

² GHG Protocol Standards include *GHG Protocol Corporate Accounting and Reporting Standard* and *GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard*

³ TCFD (Task Force on Climate-related Financial Disclosures) Recommendations provides a framework to help organizations disclose climate-related risks and opportunities to investors and other stakeholders

⁴ The Scope 3 categories covered under Stella International's Science-Based Target (SBT) commitment include: Purchased goods and services, Capital goods, Fuel- and energy-related activities (not included in Scope 1 or 2), Upstream transportation and distribution, Waste generated in operations, Business travel, Employee commuting, Downstream transportation and distribution, End-of-life treatment of sold products

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To reinforce our Scope 3 ambition and drive action beyond our own operations, we further commit to:

- Sourcing at least 30% of total goods and services from suppliers with validated Science-Based Targets by 2030

Supplier Expectations

- Quantify, monitor, and disclose GHG emissions annually
- Conduct carbon inventories aligned with international standards
- Establish emissions baseline and implement reduction measures
- Set validated Science-Based Targets (SBTs) by the end of 2030 (latest)

3.2 Energy & Renewable Energy

Energy use in manufacturing – from running production lines and machinery to powering lighting, heating, ventilation, and cooling systems – is one of the largest contributors to GHG emissions. Improving energy efficiency and transitioning to renewable energy (RE) are therefore critical to reducing Stella Group's carbon footprint.

Our Commitments

- Monitor and analyze energy consumption to identify efficiency opportunities
- Establish and reinforce energy efficiency standards for equipment
- Implement energy efficiency programs across operations
- Accelerate renewable energy (RE) adoption, prioritizing onsite infrastructure where feasible
- Explore RE procurement options and expand RE adoption, including but not limited to the procurement of Energy Attribute Certificates (EACs)
- Promote energy efficiency and RE adoption throughout the supply chain

Our Targets by 2030

- Achieve 50% of group electricity consumption to come from renewable sources
- Reduce group electricity consumption intensity (i.e. average kWh/unit of product) by 20% from 2024 base year

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Supplier Expectations

- Monitor and disclose energy consumption annually
- Proactively identify and act on opportunities to improve energy efficiency
- Achieve a 20% renewable energy adoption rate by 2030 (latest)
- Implement measures to reduce energy-related GHG emissions
- Phase out coal use in operations by 2030

3.3 Waste & Circularity

Stella's operations generate both hazardous and non-hazardous waste, which, if poorly managed or treated, can harm the environment and surrounding ecosystems. Beyond minimizing these impacts, waste also represents an opportunity: by applying circularity principles — such as recycling, reuse, and repurposing — we can recover resources, reduce waste disposal, and close material loops across our value chain.

Our Commitments

- Monitor waste generation, treatment, and disposal across operations
- Ensure all waste is handled by licensed and qualified contractors
- Promote the 3Rs of waste management (Reduce, Reuse, and Recycle) in our operations
- Provide waste management training, delivered as part of Stella Group's broader sustainability awareness and training programs
- Continues to enhance waste management to achieve 100% diversion from landfill and incineration

Our Targets by 2030

- Reduce waste generation intensity (i.e. average kg of waste/unit of product) by 15% from 2024 base year

Supplier Expectations

- Comply with all applicable waste handling laws and regulations
- Monitor waste generation, disposal, and treatment
- Implement waste segregation system and safe storage protocols
- Promote recycling, reuse, and circularity in operations

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3.4 Water & Wastewater

Access to clean water is a fundamental human right and essential for healthy ecosystems. While our operations are not highly water-intensive, we recognize that water scarcity and pollution can pose significant risks to the communities and supply chains where we operate. Through responsible water management and wastewater treatment, we aim to protect water quality today and help ensure its availability for future generations.

Our Commitments

- Monitor water consumption and wastewater discharge across our facilities to reduce water consumption as well as to control/reduce/eliminate water pollution
- Ensure wastewater discharge complies with local water regulations and aligns with ZDHC Wastewater Guidelines⁵
- Assess water-related risks, especially in water-stressed regions
- Implement measures and technologies to improve our water use efficiency
- Promote water stewardship, responsible water management, and collective actions across our value chain
- Promote alternative water sourcing to reduce the reliance on and withdrawal of freshwater⁶

Our Targets by 2030

- Reduce water consumption intensity (i.e. m³ water/unit of product) by 30% from 2024 base year

Supplier Expectations

- Comply with all applicable water and wastewater regulations
- Monitor and disclose water consumption and wastewater discharge
- Implement water conservation measures and technologies

⁵ ZDHC (Zero Discharge of Hazardous Chemicals) Wastewater Guideline is developed to minimizing water pollution and standardizing wastewater management globally

⁶ Freshwater withdrawal is the total amount of fresh water taken from rivers, lakes, or groundwater (aquifers) for human use, including agriculture (irrigation), industry (cooling, manufacturing), and domestic/municipal needs (drinking, sanitation). Sources of freshwater include municipal, groundwater, and surface water (rivers, lakes).

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3.5 Chemicals

Chemicals are used during production processes and in supporting activities such as cleaning and maintenance. When poorly managed, they can pose significant risks to human health, safety, and the environment. Safe handling, storage, and disposal are therefore essential to preventing contamination, reducing hazards, and ensuring compliance with regulations and customer requirements. In addition, this Policy requires the establishment and adherence to:

- **Restricted Substances List (RSL):** limits on chemicals that may be present in finished products, to protect consumers and meet brand and customer requirements.
- **Manufacturing Restricted Substances List (MRSL):** restrictions on chemicals used in the manufacturing process, to safeguard workers, communities, and the environment.

Our Commitments

- Maintain an up-to date chemical inventory covering both production and non-production uses, with Material Safety Data Sheets (MSDS) available in English and local language
- Ensure safe chemical storage in compliance with all applicable regulations
- Regularly review and update Stella Groups' RSL and MRSL to reflect evolving regulations and brand customer standards
- Identify hazardous substances and establish progressive phase-out plans
- Monitor chemical usage across production and supporting processes to minimize health, safety, and environmental risks
- Explore and adopt lower-impact chemical alternatives where feasible
- Provide specialized chemical safety training, in coordination with Stella Group's broader sustainability awareness and training programs

Supplier Expectations

- Comply with all applicable chemical-related laws and regulations
- Adhere to Stella Group's RSL, MRSL, and relevant brand customer requirements
- Maintain accurate and up-to-date chemical inventory records

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- Establish safe chemical storage areas and clear emergency response plans

3.6 Air Emissions & Air Quality

Manufacturing processes, material production, finishing operations, and chemical use may generate air emissions that can impact human health, local communities, ecosystems, and the climate. Air pollutants like volatile organic compounds (VOCs), particulate matters (PM₁₀ and PM_{2.5}), nitrogen oxides (NO_x), sulfur oxides (SO_x), and other compounds with hazardous air pollutants may contribute to reduced air quality, respiratory or cardiovascular health risks, and smog or ground-level ozone formation. Stella Group believes responsible air emissions management supports sustainable manufacturing and aligns with global standards, regulatory requirements, customer expectations, and industry best practices.

Our Commitments

- Comply with all applicable air emissions laws, regulations, permits, and customer requirements
- Monitor key pollutants including VOCs, PM, NO_x, SO_x, and other applicable pollutants with established data inventory and management systems
- Increase adoption of water-based, bio-based, and low-VOC alternatives
- Install and maintain appropriate pollution-control equipment, including but not limited to filtration, dust collectors, or equivalent technologies where required

Supplier Expectations

- Comply with all applicable air-emission-related laws and regulations
- Monitor and maintain records of relevant air emissions
- Transition toward water-based, low-VOC, or solvent-free chemicals and production processes whenever technically feasible
- Install, operate, and maintain effective air pollution control equipment where necessary

3.7 Sustainable and Low Impact Materials

Material selection directly influences both the quality and environmental footprint of our products. As part of this Environmental Policy, Stella Group focuses on the environmental aspects of materials, aiming to reduce impact and enhance transparency through responsible selection.

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Our Commitments

- Prioritize the use of certified sustainable materials where feasible
- Minimize non-recyclable inputs and expand recyclable, biodegradable, and renewable options
- Pursue material-specific improvements:
 - **Leather, Fabric, Sole and other fitting parts:** prioritize sourcing from suppliers with environmental certifications such as LWG⁷, RCS⁸, and GRS⁹
 - **Adhesives & Chemicals:** transition to water-based and low-VOC (Volatile Organic Compounds) alternatives
 - **Packaging:** Work towards 100% recyclable packaging and phase out single-use plastics

Our Targets

- By 2028, source 100% of Leather from suppliers with LWG certification
- By 2030, procure at least 50% of eligible materials (e.g. polyester, nylon, rubber, packaging) from suppliers with Global Recycled Standard (GRS) or Recycled Claim Standard (RCS) certification

Supplier Expectations

- Comply with and strive to obtain relevant environmental certification standards (e.g., LWG, GRS, and RCS)
- Maintain valid and up-to-date certifications, with records made available upon request

⁷ LWG (Leather Working Group) is an environmental certification for leather tanneries, focusing on areas like water and energy usage, waste management, and chemical handling

⁸ RCS (Recycled Claim Standard) is an international standard that verifies the presence and amount of recycled material in a product and tracks it through the entire supply chain using a chain of custody model, ensuring transparent and accurate communication to consumers and businesses

⁹ GRS (Global Recycled Standard) is an international standard that verifies the recycled content of products and ensures responsible practices throughout the production process

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- Increase the use of recycled, certified, and lower-impact materials in line with Stella's commitments
- Work towards sustainable packaging practices, including eliminating single-use plastics and maximizing recyclability

4. ENVIRONMENTAL MANAGEMENT

Robust environmental management system and clear governance are essential to driving performance and ensuring continuance improvement.

4.1 Governance Structure

- **Board of Directors:** provides oversight of Stella Group's sustainability strategy and holds accountability for environmental and climate matters, based on regular updates.
- **Corporate Governance (CG) Committee:** monitors key environmental performance metrics, oversees the implementation of initiatives, and ensures that sustainability is embedded within the Group's governance framework.
- **ESG Working Committee:** facilitates cross-functional participation and supports the implementation of initiatives proposed by the Sustainability Development (SD) Office.
- **Sustainability Development (SD) Office:** Develops sustainability development strategies and policies, sets ESG targets, and ensures compliance with this Policy. The SD office also drives change management, monitors performance, and supports capacity building across the organization in line with evolving regulations, industry standards, and brand customer expectations.

4.2 System & Processes

Stella Group monitors the environmental performance of all its factories through monthly data collection on a centralized ESG data platform, which enables the identification of inefficiencies, anomalies, and trends. Performance is also analyzed against our targets and the requirements of our brand partners.

To align with industry standards and strengthen accountability, we also utilize tools such as the Higg FEM¹⁰ to assess the environmental performance of our factories and encourage

¹⁰ Higg FEM (Facility Environmental Module) is a standardized self-assessment tool that enables facilities to measure and evaluate environmental performance

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suppliers to adopt the same tools to strengthen sustainability practices across our value chain. We further commit to continuous improvement through regular benchmarking against industry best practices and standards, and collaboration with industry partners and solution providers

5. COMPLIANCE AND REPORTING

Any actual or suspected non-compliance with this Policy or applicable environmental regulations must be reported to the SD office. Reports will be reviewed promptly and confidentially, and corrective actions will be implemented as needed. Non-compliance may result in disciplinary action, including suspension pending corrective action or termination of contractual relationships.

Contact: Stella Group Sustainability Development (SD) Office at sd.office@stella.com.hk

6. AWARENESS AND TRAINING

Effective environmental management depends on the awareness and capability of the people who implement it. We believe that fostering knowledge, accountability, and engagement among employees and partners is essential to achieving our commitments.

Stella Group commits to continuously improving stakeholder engagement and capacity building on environmental issues. We provide sustainability training to employees at all levels, and share guidance and resources with suppliers to strengthen collective understanding of environmental responsibilities and best practices. Training covers general environmental sustainability awareness as well as specialized areas such as chemical management, waste handling, and emergency response.

7. TRANSPARENCY AND REPORTING

Stella Group is committed to transparent disclosure of our environmental performance and progress against commitments. We publish this information annually in our ESG Report, in line with the Hong Kong Stock Exchange (HKEX) Environmental, Social and Governance Reporting Code and other recognized international reporting frameworks.

8. POLICY REVIEW & UPDATE

This Environmental Policy is reviewed annually by the Sustainability Development Office and updated as needed to ensure its continued relevance, effectiveness, and alignment with regulatory requirements, stakeholder expectations, industry best practices, emerging risks, and operational changes.

Any material changes to this Policy require review and approval by the Stella Group Leadership team before implementation.

9. APPROVAL & SIGN-OFF

This Environmental Policy has been reviewed and approved by Stella Group's Chief Executive Officer. It reflects the Group's commitment to environmental stewardship, compliance, and continuous improvement, and is effective as of the date below.

Approved by



Chi Lo-Jen

Chief Executive Officer

Stella International Holdings Limited

Date of Approval: September 15, 2026

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