ESQUEL SUSTAINABILITY REPORT 2025

ESQUEL GROUP



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About the Report

Reporting Period and Reporting Scope

Esquel Group ("Esquel" or the "Group" or "we" or "our" or "us") proudly presents our Sustainability Report 2025 (the "Report"), which provides an overview of Esquel's sustainability strategy, impacts, and performance during 1st January to 31st December 2025 (the "Reporting Period").
The sustainability data and information presented herein focus on the key businesses within our vertically integrated supply chain. The reporting scope includes our offices and manufacturing sites in Hong Kong and Mainland China, where we have operational control.

Reporting Standards and Principles

This report is prepared with reference to the Global Reporting Initiative ("GRI") Standards to provide readers with information and data that are comparable across future sustainability reports. We welcome your valuable feedback on this Report in relation to our sustainability journey. For any related enquiries, please contact us at info@esquel.com.



Message from the Chairman

"

At Esquel, sustainability remains a fundamental driver of every decision we make and a core pillar of our competitive strategy. Recognizing that sustainability cannot be achieved in isolation, 2025 has been a year dedicated to building networks and strengthening connectivity—actively reflecting UNSDG 17: Partnership for the Goals.

We firmly believe that by deepening our expertise while forging partnerships with like-minded organizations, we can create a multiplier effect that amplifies our collective impact. By pooling diverse skills and resources, we aim to unlock innovative sustainability solutions and scale proven ones to drive meaningful progress.

Revolutionizing the Industry through Partnership

One of the most exciting developments in 2025 has been our partnership with an industrial park in Xinjiang to launch the world's first commercial production line for our waterless dye technology. This milestone—achieved after more than a decade of dedicated research and collaboration—marks a significant advancement in water stewardship within the textile industry.

This year, we also collaborated with HKUST to enhance our assessment of biodiversity, soil quality, and water quality performance. We partnered with Xinjiang University and Donghua University to advance intelligent manufacturing in spinning production. Additionally, we expanded our support for enterprises incubated at the Esquel Innovation and Incubation Village. These initiatives represent only a fraction of the partnerships we are cultivating as we pursue our vision of "Making a Difference.

Leading by Example with Integral

As we continue to strengthen our sustainability practices, we remain committed to setting a benchmark for what our industry can achieve. This year, Integral was recognized as one of China's first Zero Carbon Parks, demonstrating our dedication to achieving our Net Zero goal and our aspiration to serve as a lighthouse for others.

Looking ahead, we plan to apply the insights gained at Integral across all our sites and share best practices throughout the broader ecosystem. At the same time, we will continue pushing the boundaries of sustainability at Integral, constantly striving to raise the bar.

As we step into 2026, we are optimistic about what future collaborations will accomplish. Together, we can drive transformation and create a more sustainable world.

"

Marjorie Yang
Chairman, Esquel Group

About Esquel Group

Founded in 1978, Esquel is a leading global knowledge-based innovation company. Over the years, we have leveraged our professional knowledge accumulated from successfully operating a vertically-integrated supply chain to drive the digital transformation of traditional manufacturing industries. Esquel places responsible corporate operations at the core while actively embracing technological innovation. Through technological innovation as well as design and merchandising spanning our entire value chain, we consistently provide superior products and total solutions for our global customers, empowering them to respond rapidly to market changes.



Our Business

Our vertically-integrated supply chain offers a distinctive advantage in the industry, setting us apart as a global leader by delivering exceptional value. By overseeing every step of the process, from cottonseed research to product distribution, we strategically decide how and where to best deliver this value.

This integration allows us a thorough understanding of potential risks and their impacts, enabling us to identify, prioritize, and manage any consequences effectively across the supply chain. Consequently, we can allocate resources efficiently, establishing streamlined processes and productive work practices.

In our latest strategic development, we have embraced a new growth phase with an asset light business model, transitioning from purely an Original Equipment Manufacturer (OEM) to focusing on both ends of the “smiling curve.” This involves increased investment in upstream research and development (R&D) and downstream branding.

Our Vision: Making a Difference.

Our vision is our purpose. It informs our identity and how we move through the world.

Our Mission: Tackling Climate Change. Narrowing the Wealth Gap.

Our mission puts goals to our vision. It provides direction to build towards.

Our Sustainability Framework: 3P1C.

Our sustainability framework adds focus to our goals for strategic and operational alignment. Comprising of four pillars: Planet, People, Product, and Community, and fourteen focus areas, our 3P1C framework helps us to set out policies, establish targets and indicators for monitoring, and mobilize resources for action. It is also mapped closely against our ten priority UNSDGs to ensure alignment with the international framework.

Sustainability Highlights

Planet

- Energy & Emissions
- Water
- Waste
- Chemical



28%
reduction in GHG emissions since 2018

35mg/L
average COD of wastewater discharge

99%
of production waste diverted from landfill

People

- Labor Rights
- People Development
- Wellness
- Diversity & Inclusion



0.3
reportable incidents per 200,000 working hours

12
hours of training per employee

48%
of senior management and above positions filed by women

92
wellness activities organized

Product

- Raw Materials
- Processes
- Final Goods



10%

of materials procured considered "sustainable materials"

65

patents acquired

4,745

employee uniforms recycled

Community

- Education
- Well-being
- Partnerships



1,500

attendees of our educational tours and workshops at Integral site

5,871

beneficiaries from our Vision Screening Program partnership with Y.L.Yang Foundation

13

enterprises being incubated at our Esquel Innovation and Incubation Village

Sustainability Timeline



1978

Esquel Group was founded.

Esquel recruited management trainees for the first time in mainland China.

1993

2000

Esquel formulated the eCulture.

Esquel's first wastewater treatment facility in Gaoming, Foshan commenced operation.



2001

The first Sustainable Development Conference was hosted in Foshan.

2003

Esquel-Y.L. Yang Foundation was established.

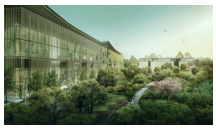
Esquel became the first company to pay Xinjiang cotton farmers by cash instead of IOU.

2004

Low-emission thermo-power plant in Gaoming, Foshan began operation.

2007

Esquel started to provide micro-financing to Xinjiang cotton farmers.



2012

Esquel announced plans for Integral.

2014

The inaugural Integral Conversation was held in Guilin.

2015



Guangdong Esquel Weaving took lead to use solar energy.

Esquel completed the world's first genome sequencing project for Sea Island cotton.

2020



Esquel launched the global donation of self-developed eco-friendly cotton masks to fight COVID-19. 53 million cotton masks were supplied throughout the pandemic, equivalent of replacing more than 1.5 billion disposable masks.

2021

Esquel announced the Net Zero Pledge.

Esquel Group's Waterless Dyeing Technology was recognized by Ministry of Science and Technology of the PRC.

2022

Integral was officially opened.

2023

Esquel Innovation & Incubation Village was established.

2025

Integral was certified as one of China's first "Zero Carbon Parks"

Key Awards and Recognitions



Gold Award in Employee Wellness and Employee Benefits

Hong Kong Institute of Human Resource Management (HKIHRM)



Joyful@Healthy Workplace Best Practices Award

Hong Kong Occupational Safety and Health Council



Deloitte's Best Managed Companies

Deloitte China



The 2025 Fortune China ESG Impact List

Fortune China



2025 Outstanding Enterprise ESG Cases in 2025

China Enterprise Reform and Development Research Association and Banyuetan Magazine



Global Fashion Industry Sustainability Pioneer Awards

GREENEXT

Global Sustainability Networks

Signatory

Member

ESCAP Sustainable Business Network

Corporate Governance

Governance Structure

A strong corporate governance structure is crucial for fostering trust and respect among stakeholders as well as ensuring effective operations. It establishes accountability and enhances decision-making, making it a definite priority at Esquel.

At the top of our governance structure is the Board of Directors (the "Board"), which critically evaluates, challenges, and approves the Group's strategy to ensure its alignment with our core values and long-term objectives. The Board is intentionally diverse and balanced to incorporate a wide range of perspectives and experiences.

It is supported by the Audit Committee, Remuneration Committee, and Sustainability Council (the "Committees"), which help streamline decision-making, provide detailed oversight on critical topics, and address specific issues with a higher degree of expertise and efficiency.

On a day-to-day basis, our ethos is upheld by existing policies and procedures which provide guidance for the conduct of all employees. They are further disseminated and made accessible through training and education initiatives.

Leadership

The Board currently consists of five members and is proudly women led. It includes a mix of Executive and Non-executive Directors, facilitating a rich exchange of insights that combine deep knowledge of our company's internal dynamics with independent perspectives.



Marjorie Yang
Chairman



Teresa Yang
Vice Chairman



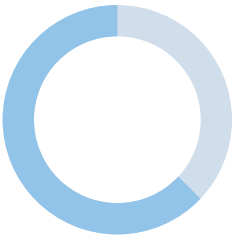
Norman Tien
Director



Geoff Yang
Director



David Wei
Director



60% Male

40% Female



60% Non-Executive

40% Executive

Leadership Changes in 2025

In April this year, Esquel Group welcomed David Wei as a new Non-executive Director of the Board and Chair of the Remuneration Committee. Mr. Wei is the Founding Partner and Chairman of Vision Knight Capital and previously served as CEO of Alibaba.com Limited. With nearly 20 years of experience in investment, management, and operations, Mr. Wei brings a wealth of knowledge and strategic insight to the Group, as well as a fresh and innovative perspective on our operations.

The Committees

Audit Committee

Chair:
Norman Tien, Taikoo Professor of Engineering and Chair Professor of Microsystems Technology at the University of Hong Kong

Meeting Frequency:
Quarterly

Purpose:
The Audit Committee ensures external auditor's independence, evaluates audit effectiveness, and assesses financial controls, risk management, and internal systems. It also protects the integrity of the Group's financial statements.

Remuneration Committee

Chair:
David Wei, Founding Partner and Chairman of Vision Knight Capital

Meeting Frequency:
Yearly

Purpose:
The Remuneration Committee reviews and approves compensation proposals and bonus payouts. It further recommends policies for directors and senior management in alignment with the Board's goals.

Sustainability Council*

Chair:
Hau Lee, Thoma Professor of Operations, Information and Technology Stanford University Graduate School of Business

Meeting Frequency:
Twice Yearly

Purpose:
The Sustainability Council advises on the development, implementation, and promotion of Esquel's sustainability strategy, ensuring its alignment with both our vision and business direction. Based on the overarching 3P1C framework, the Council also defines and monitors key sustainability measures.

**The Sustainability Council is not technically a board committee, as it is chaired by an external expert. However, it operates similarly by overseeing the implementation of the group's sustainability strategy and performance. It also includes two board members as regular participants.*

Business Ethics

Maintaining high ethical standards is a cornerstone of our operations. This is an expectation we have of all our employees, communicated through our Code of Conduct and other relevant policies. We believe that upholding these standards is fundamental to growing a culture of trust and respect amongst stakeholders and supporting an efficient business.

Anti-corruption

Our stance on bribery, fraud, and corruption is one of zero tolerance. Expectations of employee conduct are outlined in our Code of Conduct, the Employee Handbook, and a comprehensive set of business ethics and conduct policies covering topics such as conflict of interest and accepting and offering advantages. Any report of abuse or violation of our guidelines is seriously reviewed and results in disciplinary action, termination, or legal action where appropriate. This is reinforced and communicated through our business ethics online training, which is mandatory for all new office employees.

In 2025, there was 1 confirmed case of corruption in the Group. The incident, which pertained to collusion, was first brought to our attention in the second half of 2024 by an external party. Esquel promptly notified the police and supported their investigation which ultimately led to the arrest of two of our former employees and the termination of employment relations with an additional two in May 2025.

In view of this case, we revised our control procedures and upgraded our hardware with smart monitoring to prevent future such incidents from arising. Moving forwards, we will also be updating our existing policies and training to better communicate best practice expectations and strengthen a culture against corruption.

Whistleblowing

In order to allow our employees and other stakeholders to confidentially raise concerns, questions, or suggestions without fear of retaliation, we have developed a grievance mechanism in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs). This system is comprised of multiple communication channels including regularly scheduled meetings, direct communications with human resources (HR) or department heads, and online platforms which provide an option for anonymity.

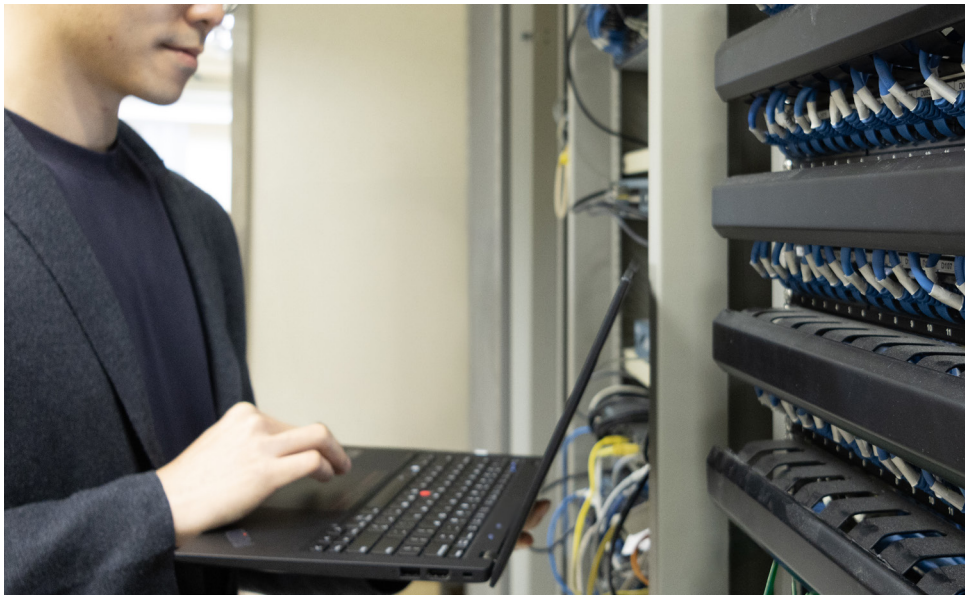
While designed with the consideration of protecting whistleblowers, the mechanism is predominantly used to address routine topics such as canteen complaints and career development questions. In 2025, there were 121 cases submitted to our grievance mechanism. None of the cases pertained to topics of corruption, fraud, or harassment, and all were addressed in a fair and timely manner.

Data Privacy and Security

Understanding the critical role of data security, we are committed to employing the most rigorous practices to safeguard the data and privacy of both our employees and customers. Our Information Security Policy, alongside policies on access control, data backup, restoration, and database security management, forms the basis of data protection and governance in the company.

Building on this, in 2025, we took steps to strengthen data security by improving our software and hardware systems. Along with Wi-Fi network security upgrades at our offices, we have also subscribed to a new external attack surface management (EASM) service to better monitor external asset vulnerabilities and identify risky ports. Concurrently, we have been working to increase the knowledge and awareness of our employees to encourage safer practices. Through a series of cyber security tips, shared via email to all users, we educate employees on topics like phishing, messaging security, and data safety using AI tools.

In 2025, no substantiated complaints were received regarding data privacy and security.



Stakeholder Engagement

Maintaining strong communication and partnership with both our internal and external stakeholders is critical for us to manage the company well and meet our sustainability commitments.

Stakeholders not only provide invaluable insight and perspective but are also key beneficiaries of our sustainability initiatives. As such, we ensure that a variety of communication channels are available to improve transparency with stakeholders and better involve them in the decision-making process.

Internal Stakeholders

Group 1: Corporate Governance

Stakeholder Type	Key Communication Channels
Shareholders and Board of Directors	• Formal annual reports • Board and board committee meetings • Pre-meeting email circulations and meeting minutes
C-Suite	• Leadership and operational meetings • Performance reports

Group 2: Staff

Stakeholder Type	Key Communication Channels
Staff	• Intranet • Internal publications • Performance review • Regular meetings • Training and workshops • Employee engagement activities • Social media

Group 3: Frontline Workers

Stakeholder Type	Key Communication Channels
Frontline Workers	• Trade union meetings • Pre-shift and other regular meetings • Social media • On-site posters and TV • Training and workshops

External Stakeholders

Group 4: Value Chain

Stakeholder Type	Key Communication Channels
Suppliers	• Supplier screening and assessments • Regular meetings
Customers	• Surveys and feedback channels • Publications

Group 5: Community

Stakeholder Type	Key Communication Channels
NGOs	• Community engagement projects
Industry Associations	• Conferences, exhibitions, and seminars • Working group meetings
Academic and Research Organizations	• Research collaborations • Sustainability tour and exchanges

Materiality Assessment

One of the key ways stakeholders influence our sustainability strategy is through our materiality assessment, which we conduct every two to three years. The assessment identifies the most relevant and pressing sustainability topics, based on stakeholder input. In 2025, we completed our second, group-wide assessment to refresh perspectives and strengthen alignment around priorities. The survey generated 328 responses across all five stakeholder groups.

Our Materiality Assessment Process



1. Identification
We reviewed our list of potentially material topics with reference to the latest global and industry sustainability trends, international frameworks, and best peer practices.

2. Prioritization
We collected key insights from each of our different stakeholder groups through an online questionnaire. Stakeholders ranked the importance of topics from both business and impact perspectives and provided additional comments and feedback to help us better prioritize the identified topics.

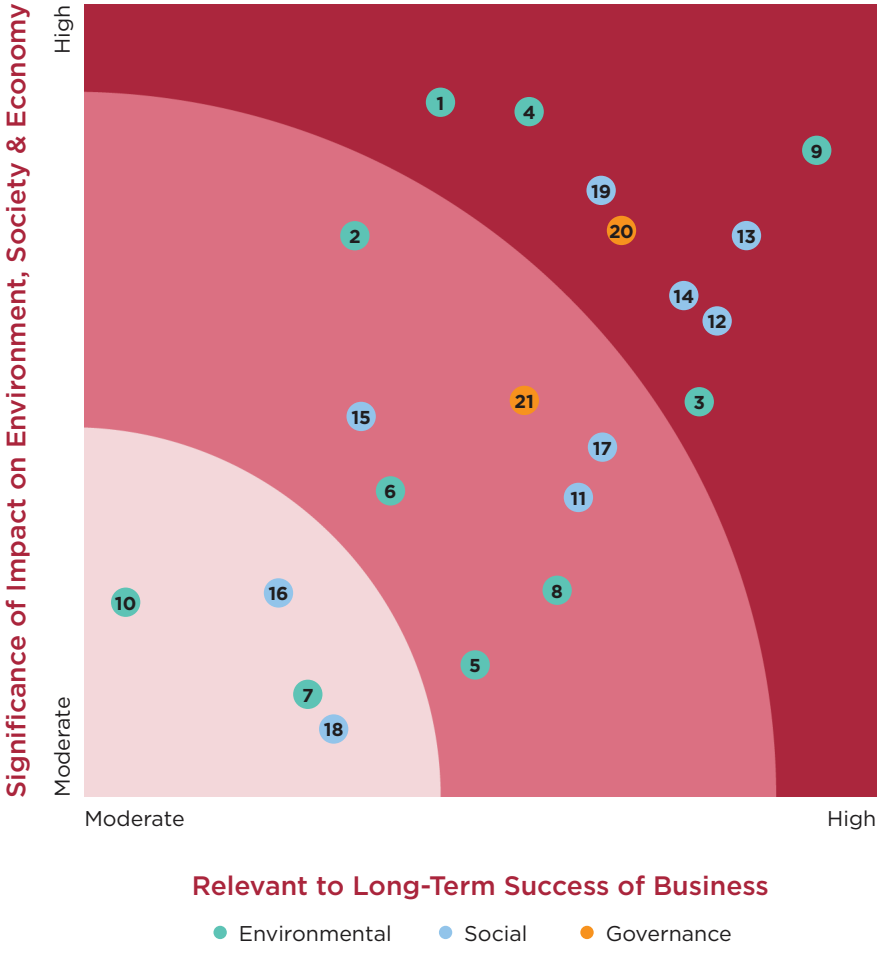
3. Analysis
We normalized data and analyzed insights from stakeholders, mapping against our sustainability framework to further flesh out our strategy.

Material Topics

This year, we identified 20 material topics across environmental, social, and governance categories. Our prioritization exercise shows that the highest-ranked topics have remained largely unchanged since the last assessment. Water Consumption, Occupational Health & Safety, Product Safety & Quality Assurance, and Energy Management—four of our top five priorities from 2023, continue to rank among our most material topics.

A key development is that Supply Chain Management has moved from moderate importance to our highest priority. We define Supply Chain Management as due diligence actions to prevent, mitigate, and address actual and potential negative environmental and social impacts within the supply chain. This shift reflects structural changes over the past year, including the sale of multiple manufacturing sites and a corresponding reduction in our direct control over production and supply-chain activities. As our operations become more decentralized, it is essential to apply more rigorous due diligence across value chain partners to ensure sustainability standards are upheld, while also strengthening our relationships to create broader opportunities for collaboration.

Esquel Materiality Matrix



Environmental

1. Energy Management
2. Emissions Management
3. Opportunities in Green Technology
4. Water Consumption Management
5. Effluents Management
6. Hazardous Substances Management
7. Solid Wastes Management
8. Material Sourcing
9. Supply Chain Management
10. Biodiversity

Social

11. Employment Approach
12. Labor/Management Relations
13. Occupational Health & Safety
14. Training & Education
15. Diversity, Equality & Non-discrimination
16. Engaging Local Communities
17. Forced & Compulsory Labor Prevention
18. Marketing & Labeling
19. Product Safety & Quality Assurance

Governance

20. Anti Corruption Measures
21. Privacy & Data Security

PLANET



Planet

Our first strategic pillar, Planet, reflects our foremost commitment to preserving the natural world and protecting our relationship with it. At Esquel, this means actively addressing the industry's most significant environmental challenges—specifically across energy and emissions, water, chemicals, and waste.

At the core of our approach is an environmental management framework grounded in internationally recognized standards, including ISO 14001 for Environmental Management Systems and ISO 50001 for Energy Management Systems. Our systems are regularly audited to ensure compliance, and our performance is tracked to measure progress and drive improvement.

Together, these frameworks help us identify opportunities for continuous enhancement and develop, then further refine, the initiatives and strategy needed to deliver measurable environmental impact.

Energy and Emissions Management

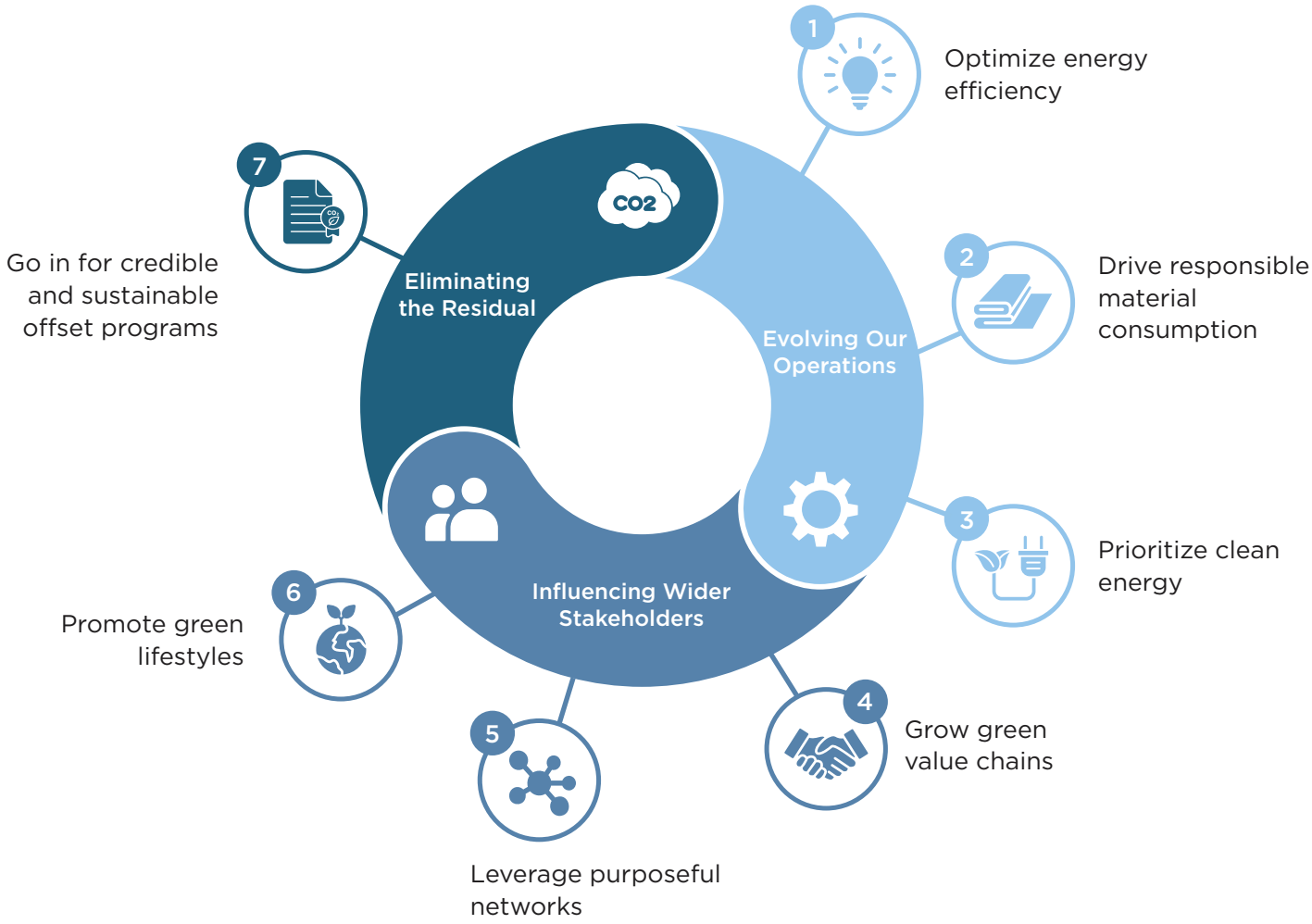
369,475 tCO_2e	Scope 1 Emissions
55,758 tCO_2e	Scope 2 Emissions
214,006 tCO_2e	Scope 3 Emissions
425,233 tCO_2e	Total GHG Emissions*
28%	GHG Emissions Reduction Compared to Baseline*
0.72 kg CO_2e/USD revenue	GHG Intensity*
1,012,088 MWh	Total Energy Consumption
1.71 kWh/USD revenue	Energy Intensity
4,992,875 kWh	Clean Energy Generation per Year
4.4 MW	Total Solar Panel Capacity
18%	Share of Renewable Electricity Among Total Energy Consumption
NO_x: 50.8 tonnes **SO_x: 8.3 tonnes** **PM: 5.6 tonnes**	Air Emissions

**Scope 1 and 2 only*

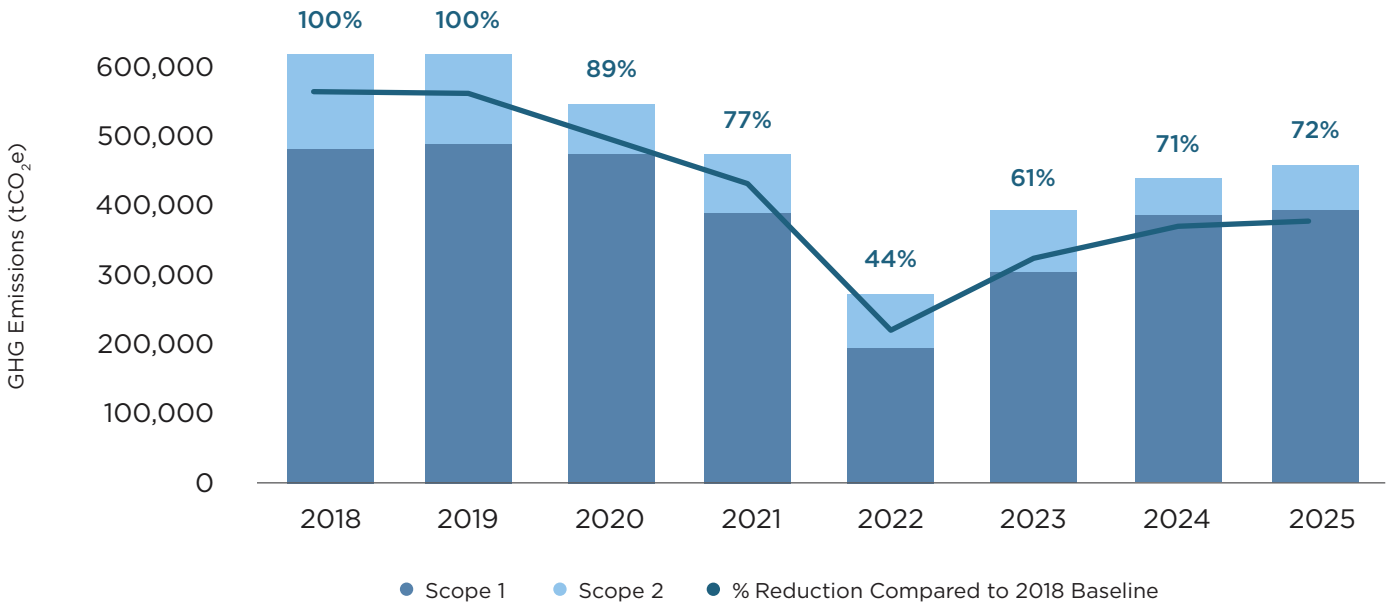
Responsible energy and emissions management is a crucial part of environmental stewardship. It is linked with several critical issues including climate change and air pollution. In recognition of this, we are committed to mitigating climate risks and building resilience for our business and stakeholders, while monitoring and controlling non-greenhouse gas emissions in-line with regional regulatory requirements.

Net Zero Progress

As part of our mission of tackling climate change, we are committed to achieving Net Zero by 2050, with an interim goal of halving emissions by 2035 compared to our 2018 baseline. To achieve this, our roadmap details three key focuses: Evolving Our Operations, Influencing Wider Stakeholders, and Eliminating the Residual, which are further broken into seven action areas.



Esquel GHG Trend



As of 2025, we have achieved a 28% reduction in emissions. While this means that we are still on track to achieving our mid-term target, it is clear that we have experienced an increase in absolute emissions over the past three years. This temporary rebound in emissions is an anticipated outcome of the recovering global economy and our own business growth, before we are able to resume steady progress towards our climate goals. It is also a consequence of the changes to our operational scope over the last year. Our current baseline has been adjusted to reflect the sales of multiple manufacturing sites, where we had implemented significant emissions reduction measures, impacting overall emissions trends.

With this in mind, we are optimistic about achieving our targets. Our confidence is supported by the reduction of our greenhouse gas intensity this year, from 0.76 kg CO2e per USD revenue in 2024 to 0.72 in 2025. While modest, it shows that our ongoing efforts are on the right track towards our goals.

Evolving Our Operations

The most crucial part of managing and driving down our scope 1 and 2 emissions is by transforming our internal systems and processes to reduce emissions at the source. Primarily focused on improving energy efficiency, optimizing material usage, and adopting cleaner energy, our goal is to create a leaner, green operation from the inside out.

To drive down energy consumption, our research and development (R&D) department works collaboratively with the production teams at each site to identify areas of our operations that can be made more energy efficient. In 2025, we identified and implemented 32 energy-reduction measures, estimated to save 3,030,780 kWh annually. Some of the more significant projects included the retrofitting and reorganizing of air handling units in our garment manufacturing sites and modifications to boilers in our powerplant. These improvements have allowed us to reduce energy intensity from 1.90 kWh per USD revenue in 2024, to 1.71 in 2025. Meanwhile, for the inevitable energy we do consume, we aim to increase the proportion coming from clean energy sources and decrease reliance on fossil fuels. As of 2025, renewable electricity makes up 18% of our total electricity consumption. This is comprised of both solar energy generated on-site and green electricity certificates (GEC).

Influencing Wider Stakeholders

In line with the growing recognition of scope 3 as a part of our emissions footprint, it is becoming increasingly clear that our value chain and our employees are also key enablers of our climate ambition. Achieving Net Zero will therefore depend on collaboration with parties beyond our direct control, through strategic partnerships and ongoing education.

With this in mind, we completed our first scope 3 inventory this year in accordance with the GHG protocol, with an aim to better understand which parts of our value chain require more attention and effort. In order to ensure that figures were comprehensive and accurate, we worked with a third-party on the calculation process,



through which they provided training and support for emission factor setting and inventory review.

We found that across 13 categories, our scope 3 emissions amounted to 214,006 tonnes of CO2e. The most significant contributors were Category 3, fuel and energy related activities, and Category 1, purchased goods and services, which emitted over 80,000 tonnes of CO2e each. Moving forwards, we plan to take proactive steps in addressing our scope 3 emissions hotspots by improving communication and collaboration with the right partners.

In 2025, we also launched a number of initiatives to help encourage greener living among our employees. From educational activities run by our bottom-up movement, Green Committee, to our new policy allowing only electric vehicles to enter Integral site in Guilin, we aim to instill sustainable habits in the daily life of our stakeholders.

Eliminating the Residual

For the emissions we may not be able to avoid in the future, we are committed to credible and science-based offset programs. This ensures we take full responsibility for our impact while maintaining momentum on the path to Net Zero. While we generally consider offsetting to be an end-stage action in the Net Zero roadmap, such measures have played a role in achieving a significant milestone at Integral, our sustainable development garden and manufacturing site in Guilin.



Integral Certified as a Zero Carbon Park

Despite mixed progress at the group level, this year, Integral was recognized as one of China's first Zero Carbon Parks, showcasing our commitment to our Net Zero goal.

The certification was granted under the Technical Specification for Evaluation of Zero-Carbon Parks (T/CECA-G 0344—2025), a newly issued standard developed by the China Energy Conservation Association (CECA). The framework covers nine key dimensions, including compliance, management systems, industrial planning, circular economy practices, building and equipment operations, emissions monitoring, as well as reduction and offset measures. Following a rigorous review, Integral recorded greenhouse gas emissions of 226 tCO_2 between July 2024 and June 2025, achieving a 100% offset rate and balancing between emissions with absorption.

While significant challenges remain in achieving carbon neutrality across all sites, this certification is an encouraging first step.

Water Stewardship

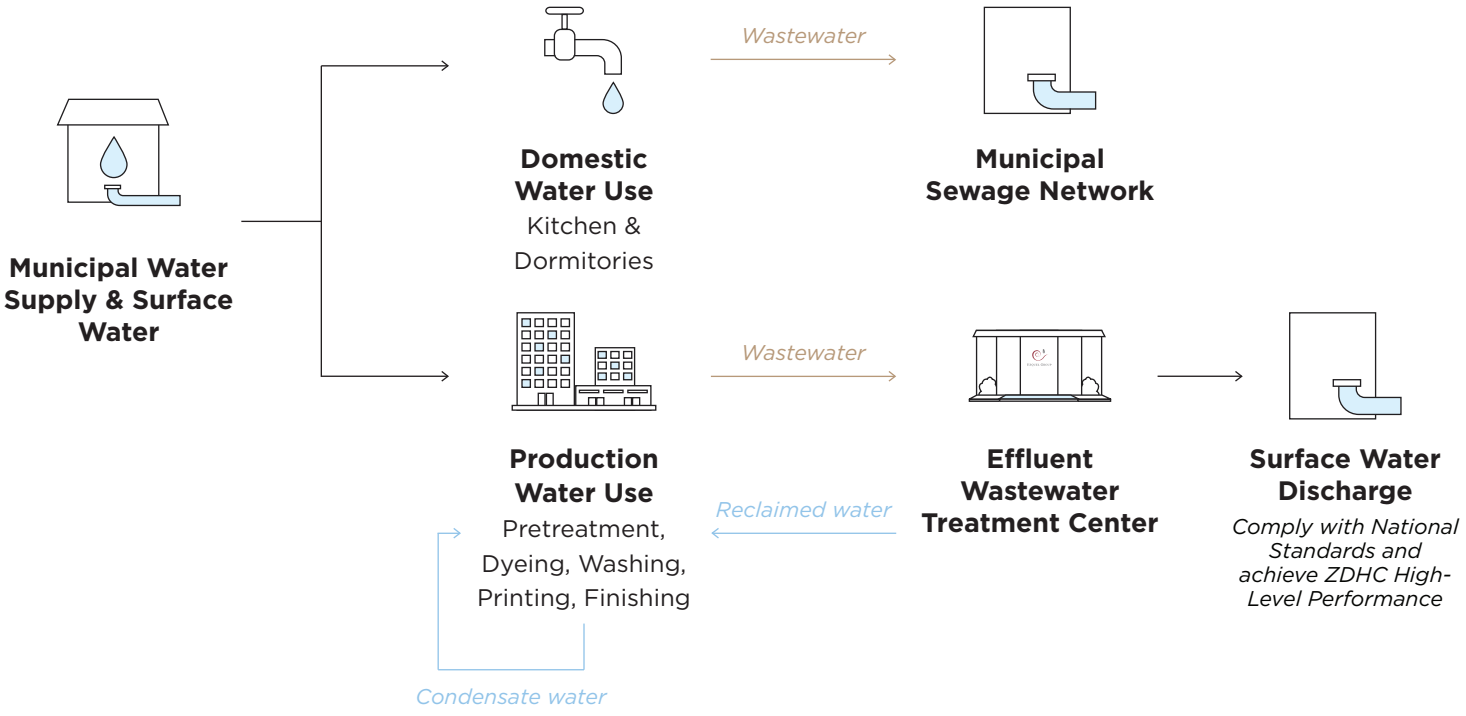
Water, aside from being vital to life, is a critical resource for industries. These competing priorities make it essential that we practice responsible water stewardship, both to ensure the survival of our business as well as the livability of the planet. Therefore, our water strategy is driven by the need to reduce reliance on water, as well as preserve water resources—culminating in a three-part approach of purify, reduce, and zero.

We purify our operations by ensuring that all wastewater discharge meets local and national requirements at a minimum, preventing pollution of land and resources. At our Gaoming manufacturing site, this is done in-house at our wastewater treatment facility, rather than by a third-party supplier, to achieve the highest environmental standards.

473,348 m^3	Total Water Consumption
0.80 L/USD revenue	Water Consumption Intensity
35 mg/L	Average COD at Wastewater Treatment Facility

In 2025, our effluent treatment center, capable of processing up to 25,000 tonnes of water daily, achieved an average chemical oxygen demand (COD) of 35 mg/L, significantly outperforming the regulatory threshold. We were further able to reuse and recycle a small proportion of this water after applying reverse osmosis as additional treatment—contributing to circular water practices and reducing our water withdrawal.

In line with this, we take proactive steps to reduce water consumption during the production process to minimize our impact and manage the risks of water scarcity. However, in 2025, we observed an increase in water intensity despite implementing four water-saving projects. This increase is attributed to changes in our water consumption calculation method, which have become more comprehensive to include water consumption for heat generation of boilers, in accordance with the Environment Impact Assessment (EIA) Method. As we move forward with a more holistic overview of our water use, we remain committed to driving down consumption through greater efficiency. The diagram below details the lifecycle of water in our operations at our flagship Gaoming site.



In addition, we continue to innovate and champion our zero water solutions, with a view to revolutionize the industry. Most notably, our waterless dyeing technology, which addresses the most water-intensive part of the textile manufacturing process, has made major headway over the past year.

Developed over nearly a decade and reaching commercial scale in 2021, this pioneering technology eliminates water use and discharge from the dyeing process. It further reduces alkali consumption by 85%, achieves zero salt content, and improves overall efficiency. While it initially applied only to cotton, its capabilities have since expanded to a range of natural and manmade cellulose fibers, including hemp, viscose, modal, and lyocell.

Despite these advances, however, waterless dye production remained constrained to the capacity of the original site. Until this year, Customers were not willing to invest in the development of new infrastructure to support broader adoption.



Waterless Dye Expansion into Xinjiang

In 2025, Esquel officially partnered with an industrial park in Xinjiang to launch the world's first commercial production line using our waterless dye technology. The bidding process concluded in April, while initial installations were completed by December. In 2026, official mass production will begin, with Esquel arranging for the deployment of production technicians and domain experts to support the park's day-to-day operations and to train local talent.

This milestone marks a significant step forward in our shared journey toward improved water stewardship in the textile industry. It also represents a breakthrough in addressing a long-standing bottleneck in the region's textile value chain-- water scarcity. Moving forward, we aim to use the experience gained in this first partnership for more future collaborations to spread change in the way companies produce.

Chemical Management

Responsible chemical management is essential for safeguarding ecosystems, protecting our employees, and ensuring community well-being.

In recognition of this, we are committed to developing proactive chemical management practices that address every stage of the chemical life cycle, from procurement to production and discharge management. Our chemical management framework, a comprehensive suite of policies, procedures, and guidelines, supports consistent implementation across operations, ensuring regulatory compliance while advancing our broader sustainability objectives.

Procurement	Our chemical management process begins with strict sourcing requirements. All chemicals procured must comply with our Chemical Procurement Policy and Procedure, which was last updated on Jan 1st 2025. The policy references both our internally developed Restricted Substance List (RSL) and external standards such as the Manufacturing Restricted Substance List (MRSL) under the Zero Discharge of Hazardous Chemicals (ZDHC) program. Adherence to such standards encourages the reduction of chemical use as well as a transition to safer chemical choices.
Production	To ensure the safe handling and use of chemicals, our Chemical Safety Management Process Policy provides clear guidelines covering every stage of the chemical lifecycle, from procurement to disposal. This framework mitigates risks to both the environment and our employees by outlining and reinforcing environmental, health, and safety (EHS) standards.
Wastewater discharge	We conduct regular monitoring of effluent quality to ensure compliance with ZDHC Wastewater Guidelines and relevant regulatory requirements. Combined with industry-leading wastewater management practices, our approach helps us minimize the environmental impact of hazardous chemicals and maintain a safe community.

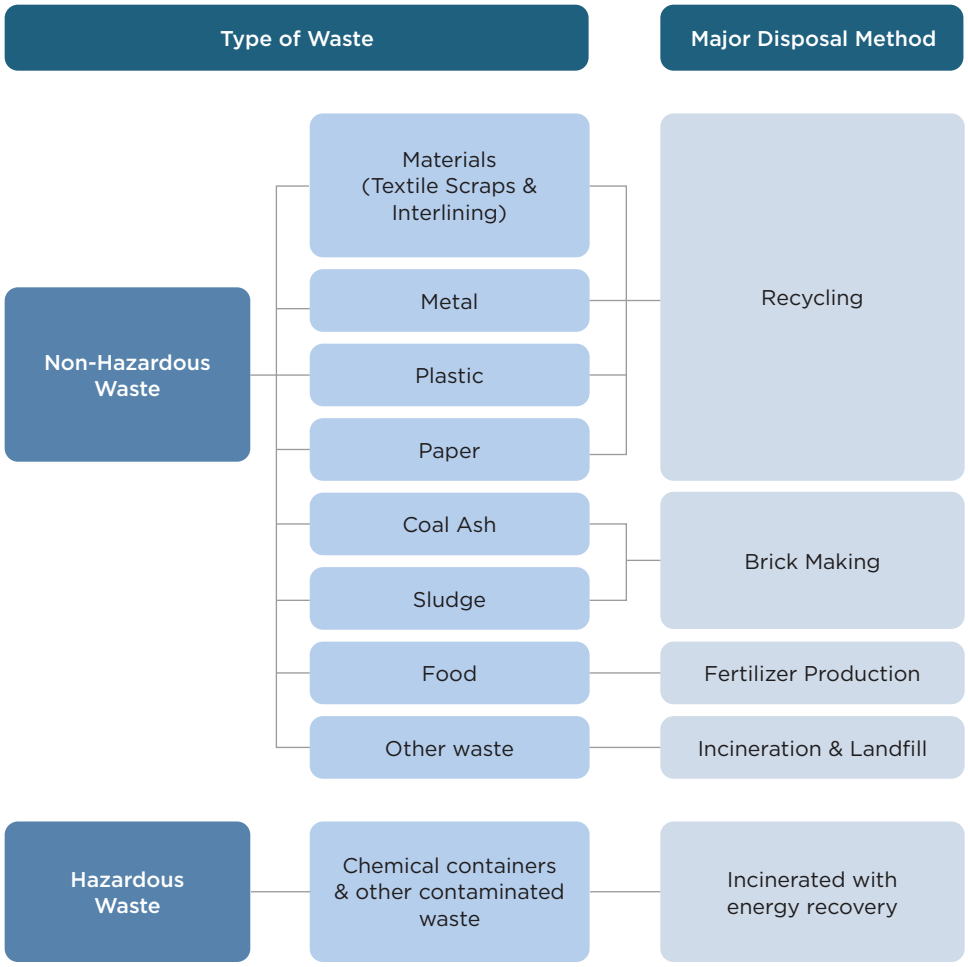
Waste Management

As the global waste issue continues to escalate, particularly with the fashion industry at the forefront, we remain committed to effectively managing all waste generated by our operations.

28,243 tonnes	Total Production Waste Generated
73 tonnes	Total Hazardous Waste Generated
27,576 tonnes	Total Production Waste Recycled or Reused
73 tonnes	Total Production Waste Directed to Disposal

Guided by our internal Waste Management Procedure, developed in accordance with applicable legal requirements, all of our sites follow a systematic approach to waste collection, transport, storage, and disposal. Our disposal practices include both diversion efforts and responsible end-of-life treatment, with a primary focus on former. In line with circularity principles, our foremost aim is to extend the life cycle of materials and resources by re-using, recycling, upcycling, and downcycling—prolonging the period before they really become "waste."

In 2025, we achieved a diversion rate of over 99% for production waste. The majority of waste that failed to be diverted was hazardous waste, due to health and safety concerns. The diagram below details our main disposal practiced for different types of waste.



Recognizing that plastic waste in particular is a key concern within the broader waste challenge, Esquel has taken targeted steps to address this issue.

As a symbol of our commitment, we've pledged to reduce our use of single-use plastic packaging under the Asia Business Advisory Council (ABAC) Bangkok Goals on Bio-Circular-Green (BCG) Economy. Our Plastic Pledge states that all packaging provided by the Esquel Group will be biodegradable or contain recycled content by 2035, and that at least 50% of our packaging will meet these criteria by 2030. The pledge is designed to tackle pollution while reducing reliance on petroleum-based materials.

As of 2025, we have confirmed that 72% of the packaging provided by the Esquel Group already meets the sustainability definition set out in our pledge. This means we are on track to achieve our mid-term target ahead of schedule.

Looking ahead, our immediate priority is to partner with one of our key packaging suppliers to transition away from conventional plastic packaging for non-garment goods.

Biodiversity

While global sustainability efforts have mainly been focused on climate action, it is becoming increasingly evident that climate and nature are two sides of the same coin. Recognizing that our materials and operations are dependent on land and the surrounding ecosystems, we are taking greater steps to not only reduce harm and mitigate risk, but to actively protect, restore, and regenerate natural ecosystems.

As a starting point, we assess the scope of our potential impact using the Biodiversity Impact Assessment Tool (BIA), developed by the Shan Shui Conservation Center and Peking University's Center for Nature and Society. The assessment helps us take stock of endangered species identified by the IUCN Red List, RCB categories, and China's protection laws, as well as nearby national reserves, parks, and global conservation areas, within 10 km and 50 km radii of our operations. By acknowledging our proximity to vulnerable species and conservation zones, we are better able to understand our risks and take steps towards addressing them through preemptive and early intervention.

	# of Vulnerable Species	# of Endangered Species	# of Critically Endangered Species	# of Conservation Zones
Within 10km radii	2	0	0	0
Within 50km radii	37	14	7	12

Notes: Vulnerable, endangered, and critically endangered are defined in accordance with the IUCN Red List; None of the identified conservation zones are IUCN protected



Beyond assessing risk, we are also exploring how to actively integrate ecosystem conservation and restoration in our operations. Beginning with Integral, we have launched a number of measures to improve biodiversity over the last few years, with the focus for 2025 set on harnessing the power of partnerships to do so. As Integral was built with the philosophy of harmony with nature in mind, it is the perfect testing and development grounds for such initiatives.



Fragrant Hill Garden joins the ICCBG

In the first quarter of the year, Integral's Fragrant Hill Garden officially became a part of the Initiative for Collective Conservation in Chinese Botanical Gardens (ICCBG). Supported by the Chinese Academy of Sciences and other leading institutions, the ICCBG is a collaborative platform that strengthens conservation work, promotes knowledge exchange, and drives ecological sustainability through innovation. Its goals include protecting China's native plant species and developing unified standards for botanical gardens nationwide.

Since 2019, the Fragrant Hill Garden has been a space for the active exploration of natural dyeing and its commercial viability, with the aim of tying together industry, cultural heritage, biodiversity conservation, and ecosystem protection. As China's first specialized botanical garden for natural dye plants and a pioneering research center for natural dyeing techniques, it has become an important platform for preserving and revitalizing traditional dyeing knowledge.

Moving forward as a part of the ICCBG, the Fragrant Hill Garden is expected to accelerate progress greatly through partnership with leading institutions and peer gardens, ultimately contributing to the nation's collective efforts in biodiversity and conservation.



Five-Year Longitudinal Study Partnership with HKUST

In the second quarter, Esquel Group officially partnered with Hong Kong University of Science and Technology (HKUST) to launch a five-year longitudinal study program at Integral site. The study, which offers students opportunities to conduct hands-on, field research, is focused on monitoring and assessing Integral's sustainability impact, particularly through the lens of biodiversity and ecosystem conservation.

The first year of study yielded interesting results. Some of the more positive findings include the presence of Guilin stream crab, a rare species in Southeast China, and mayfly larvae, a species sensitive to water temperature and pollution. Their inhabitance at our site indicates that the space is well-conserved and that the ecosystem overall is healthy, affirming the Group's belief that our efforts in restoring and maintaining the land have brought back richness in biodiversity.

The study also identified areas that may require further monitoring. In particular, moderate levels of nitrate and phosphate concentration in our lake, as well as fluctuation between poorly graded and well-graded sand, could be areas for improvement. As the longitudinal study progresses, initiatives will be put in place in accordance with student recommendations to enhance the ecological health of Integral.



PEOPLE

People

The second strategic pillar, People, reflects our belief that a company's employees are its most important asset. With this in mind, we prioritize building a culture of trust and respect, and creating an environment where people feel empowered to do their best work. At Esquel, this commitment comes to life through continuous efforts in four focus areas: labor rights, people development, wellness, and diversity and inclusion.

Our people management approach is supported by a comprehensive set of policies, including our Code of Conduct. We reinforce these standards through ongoing training and promote accountability through a clear grievance mechanism. This framework ensures that we have a strong foundation with our employees, enabling our sustainable growth.

Labor Rights

7,615 employees	Total Workforce
Proportion by Employee Category	
79%	Frontline Workers
21%	Office Staff*
1%	Senior Manager and Above
1,175 employees	Number of New Hires
15%	New Hire Rate
1.86%	Monthly Employee Turnover Rate
0	Fatalities due to Work-Related Injury
0.3 per 200,000 working hours	Reportable Incident Rate
3.88 per 200,000 working hours	Lost Working Days Rate
67,573 hours	Total Number of EHS Training Hours
5 hours	EHS Training Hours per Employee

**Includes Senior Manager and Above*

Protecting the labor and human rights of our employees is our minimum duty as an employer. As such, we ensure that our practices are aligned with the guidance of the International Labor Organization (ILO) and local regulations. Our sites are regularly audited and assessed against standards like Sedex's SMETA.

Labor and Management Relations

The cornerstone of protecting the rights and meeting the needs of our employees is maintaining transparency, rapport, and good communication. This is especially true in times of change and uncertainty.

In 2025, the group underwent major structural changes that led to a significant downsizing of our workforce. Recognizing the precarious and uncertain position this put many people in, we prioritized maintaining open communication with our employees and providing support through this transition. This included early consultation and notification of upcoming changes, as well as actions to protect employment, pay, and benefits for those who were transferred to a new legal employer during the sale of sites.

During this period, employees were also encouraged to raise concerns, ask questions, and provide suggestions through our grievance system developed in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Health and Safety

As emphasized by the International Labour Organization (ILO), a safe and healthy working environment is a fundamental principle and right at work. In prioritization of this, we have implemented a comprehensive occupational health and safety (OH&S) management system at the group level in alignment with ISO 45001. At the site level, tailored policies and procedures support adherence to both group requirements and applicable local regulations.

To ensure effective implementation, we have also established Environmental Health and Safety (EHS) management teams at the group, regional, and site levels. We rigorously monitor site-level EHS performance through monthly incident reporting, routine safety inspections, annual safety reviews, and independent internal audits conducted by our group EHS team. This approach enables continuous improvement and reinforces our commitment to maintaining a safe and healthy work environment.

In 2025, we strengthened our EHS performance by targeting safety risks related to both the physical environment and human behavior. For the physical environment, we integrated technology to support routine safety inspections and organize facility maintenance records, helping ensure that equipment and workplace conditions meet our safety requirements. To address risks related to human behavior, we launched a “No Phone Use While Walking” campaign, in lieu of the finding that “slip, trip, and fall” type injuries caused by phone-use led to some of the highest lost working days, at 31.8 days per incident. The campaign, which raised awareness through training, promotional activities, posters, video communications, and a signed employee commitment, helped contribute to more than 10% reduction in phone use while walking.

People Development

95,082* hours	Total Training Hours
12 hours	Average Training Hours per Employee
By Gender	
14 hours	Female
8 hours	Male
By Employment Category	
12 hours	Worker
13 hours	Staff
16 hours	Senior Manager and Above

**this does not include offline EHS training hours*

As an employer, we are uniquely positioned to support our employees in building both their professional and personal capabilities. With this in mind, we strive to empower our people to navigate both the workplace and life more effectively by offering a range of training opportunities and fostering a culture of growth.

In 2025, we introduced new courses spanning topics from technical upskilling and leadership soft skills, to health, nutrition, and wellness. A key emphasis was placed on cross-regional knowledge sharing within the company to leverage internal expertise while developing shared approaches tailored to the Esquel context. However, that did not preclude us from partnership with reputable local experts, including law firms and academic institutions, to gain deeper domain-specific insights on select topics and ensure that training remained grounded in local realities.

At the same time, we have continued to build on some of our key existing programs, including long-standing initiatives like our operations and management trainee programs which have been helping to nurture fresh graduates into future leaders since 1993. We have also been expanding newer initiatives, such as AI Community and the Vocational Skills Recognition Program, designed to respond to the changing landscape of work and align with broader national direction.

Program Updates



AI Community

Established in 2024, our AI Community is an employee-run group dedicated to expanding AI knowledge and integrating it into everyday life and work. Guided by the slogan "Embrace AI, Build the Future Together," the community promotes AI accessibility arranging different educational and experiential activities, as well as maintaining an open collaboration platform—cultivating a culture of innovation and shared learning.

In 2025, the AI Community engaged more than 2,700 employees across 15 activities. Participation was largely concentrated around the "AI for Everyone" campaign, held from May to September, which included courses and workshops such as "AI-Assisted Data Analysis," "AI-Assisted Coding," and "AI Data Cleaning and Modelling." AI experience days which invited frontline workers and office staff alike to interact with different forms of AI also gained significant attention. Collectively, these programs delivered over 2,673 hours of technology-focused training, supporting our goal of strengthening AI and technology literacy across the organization.

As a result of these initiatives, we have seen steady progress in workplace AI adoption. Employees across different departments are increasingly able to identify AI use-cases relevant to their roles, enabling practical outcomes such as the Hong Kong HR ChatHub. This solution helps field HR policy-related questions, reducing department workload while improving knowledge accessibility for employees.



Vocational Skills Recognition Program

Aligning with China's national vocational education reforms launched in 2019, we have supported the cultivation of high-quality workers and technical talent through the development of our own Vocational Skills Recognition program.

As one of the first enterprises in Foshan certified to conduct assessments for skills recognition under the reforms, we have been focused on helping workers strengthen their skills, broaden their development opportunities, and enhance long-term economic stability. This not only positively impacts the lives of our employees, but also the overall productivity of our company and the national economy.

In 2025, 690 workers were certified across multiple occupations through our program, bringing the total to over 10,000 certifications since the initiative began in 2021. Moving forward, we plan to further expand both the scope and depth of the program by continuing to collaborate with government agencies, schools, and industry associations across Gaoming, Changzhou, Ningbo, and Guilin.

At Esquel, we believe that empowerment is driven not only by enhancing skills-based capabilities, but a strong sense of purpose and clear, shared values as well. That is why a key aspect of our people development strategy is nurturing our eCulture. Comprised of five principles—ethics, excellence, environment, education, and exploration, our eCulture helps to build identity and guide the conduct of our employees. We emphasize these principles across all aspects of our operations and encourage innovation in line with them through our annual C2000 competition, which asks our employees to address operational challenges with solutions based on our eCulture. This year, 37 teams participated to show how our shared principles and values drive growth at Esquel.

eCulture Principles

Ethics	The strength and character of the Esquel organization come form the fact that each individual is expected to maintain impeccable ethical behavior under all circumstances. We want to be a company that is honest, reliable and trustworthy. We shall follow our own conscience, respect other people's properties, especially regarding intellectual capital, and always obey the law.
Environment	As individuals and as an organization, we have a responsibility towards the environment. Through sustainable practices, we make efforts to contribute to the improvement of the overall health of the planet that we have inherited.
Exploration	Esquel is committed to continually add value and seek solutions to problems by investing in research and development, technology, innovative processes and people. Discovering new ways of doing things and questioning the status quo are practices that are encouraged. We want to deliver compelling value to our customers by constantly exploring possibilities in making a difference in their business.
Excellence	We strive for always delivering the very best. At Esquel, excellence is a continuous quest in every sphere of our activities. We are always striving to learn internally as well as from others and making every effort to become more efficient and effective in the work we do.
Education	We put a strong emphasis on education and discovery through knowledge management, sharing and dissemination. We want to excel through the opportunities the information economy provides and the training and development activities that Esquel supports. We also want to help those in our communities who are less fortunate to get an education.

Wellness

We believe that encouraging our employees to live rich, fulfilling lives outside of their jobs is part of what builds resilience in the workspace, which is why we focus on supporting our employees in four key facets of wellness: physical, emotional, social, and financial. By actively investing in all dimensions of their well-being, we aim to help employees feel valued and motivated—driving stronger performance, greater job satisfaction, and ultimately, even better service for our customers.

In line with this belief, we organized 92 wellness-related activities in 2025, including 11 that were rolled out under our key wellness program for the year: "Sleep Well, Live Well." We also continued strengthening our long-term initiatives, such as Dining 2.0 and the Health Challenge, with sites like Integral taking creative and inclusive steps to do so.



Sleep Well, Live Well Program

Knowing that quality sleep is essential for regulating both physical and emotional health, our wellness theme for 2025 was Better Sleep. The goal was not only to increase employees' knowledge and awareness of effective sleep management, but also to encourage consistent implementation and practice— supporting long-term maintenance and sustainability.

Key activities within the program included a Tension and Trauma Releasing Exercises (TRE) workshop, a session exploring the connection between sleep and nutrition, and 1-to-1 consultations with a sleep coach to provide personalized, tailored guidance. Since the program concluded, we have continued to support employees through ongoing workshops and organized community check-ins, creating opportunities for individuals to share experiences and learn from one another.

Through this work, we aim to improve employees' mood and stress management, help them to sustain energy, motivation, and focus throughout the workday, and ultimately strengthen resilience.



Integral Wellness Program Updates

This year at Integral, we explored how existing wellness programs could be strengthened by introducing a seasonality dimension. Under the theme "Herbal Remedies and Seasonal Wellness," we refreshed our Dining 2.0 and Health Challenge programs to promote harmony between the body and nature.

Within Dining 2.0, this included a greater incorporation of fresh, seasonal, and local produce in the menu—some of which were sourced from our own botanical garden. We also applied lighter cooking techniques to highlight the natural flavor and quality of ingredients. This approach reinforced key Dining 2.0 concepts such as traceability and sustainable food production, while aligning with our strategy to improve employees' dietary health by offering canteen options that use less oil, salt, and sugar.

Meanwhile, this year's Health Challenge featured DIY herbal tea workshops integrated with seasonal elements, alongside step-count and exercise-related goals. As in previous years, employees were invited to participate in two free health checks—a baseline and a final assessment—covering indicators such as uric acid, blood glucose, BMI, and waist circumference. This helped participants better understand how involvement in the initiative supports measurable health outcomes. Notably, this year we achieved an 82% participation rate, representing the largest scope of health screening conducted to date.

As a result of our health and wellness initiatives in Guilin, we found that by the end of this year's Health Challenge, 27% of employees reached the normal range across all indicators. This included 41 employees whose baseline results had previously been abnormal.

Diversity and Inclusion

Fostering a culture of trust and respect in the workplace requires effective measures to safeguard equal opportunity and promote inclusivity. Accordingly, our policies prohibit discrimination or harassment on the basis of gender, age, marital or family status, pregnancy, breastfeeding, sexual orientation, disability, race, nationality, religion, political opinion, social group, or ethnic origin. This minimum standard is reinforced through regular training and clear internal communications, ensuring that all employees understand both their responsibilities and their right to a safe and equitable working environment. As a result, there were no confirmed cases of discrimination or harassment in 2025.

Going a step further, we proactively address key dimensions of diversity and inclusion, including gender equality. This helps ensure that our approach not only mitigates potential adverse impacts but also contributes to the growth and inclusion of individuals and groups with differentiated needs.

Gender Ratio

75%	Female
25%	Male
1.01	Female to Male Remuneration Ratio
48%	Senior Manager & Above Positions Filled by Women

Age Ratio

44%	Under 30
54%	30-50
2%	50 and Above
99%	Senior Manager & Above Hired Locally

Promoting Gender Equality

We are committed to advancing gender equality and women's empowerment, as demonstrated by our signatory of the United Nations Global Compact Women's Empowerment Principles (WEPs). In line with this commitment, we ensure that the workplace is equipped with facilities and resources that support the needs of our female employees, including free menstrual hygiene products and dedicated breastfeeding rooms. We also actively encourage women to participate in skills-building and training programs to strengthen their capabilities. As seen in the People Development section of this report, women significantly outperformed men in average learning hours this year.

As part of the United Nations Global Compact (UNGC) Forward Faster Initiative, we have also pledged to achieve equal pay for work of equal value by 2030. Based on our group-level female-to-male remuneration ratio for this year, we appear to have met our target, with a ratio of 1.01. However, this result must be interpreted in the context of our reporting methodology. In particular, by aggregating data for the group-level, variation in outcomes at specific position levels are lost. For example, this year, women at higher position levels typically had salaries that matched or exceeded those of their male counterparts. By contrast, at position levels below manager grade, men generally earned more than their female counterparts.

Going forward, we will continue refining our reporting metrics, while continuing to investigate and address gaps that remain within position levels.



PRODUCT

Product

Our third strategic pillar, Product, reflects our commitment to innovating and bringing to market products that meet our standards for quality and sustainability. At Esquel, this means being intentional across the entire value chain, from selecting raw materials and engineering production processes, to designing and developing finished goods with their full lifecycle in mind. We apply these expectations not only within our vertically integrated supply chain, but also in collaboration with supply chain partners.

Our approach to quality is grounded in our pursuit of excellence. At a minimum, we ensure compliance with applicable legal requirements related to product safety, labelling, and environmental standards. However, our goal is to go well beyond baseline compliance. As demonstrated by the fact that, in 2025, 7 of our manufacturing sites achieved ISO 9001 Quality Management System Certification, we are committed to consistently exceeding both customer and regulatory expectations while striving for continuous improvement.

Meanwhile, our approach to sustainability is guided by our other three strategic pillars, namely: Planet, People, and Community. Ultimately, the Product pillar explores how our priorities in environmental and social responsibility can be embedded at every stage of the product life cycle, driving meaningful impact from input sourcing through end use.

Raw Materials

8%	Materials Procured That Include Recycled Content
10%	Materials Procured That are Considered Sustainable Materials*

**Sustainable Materials refers to materials included in Textile Exchange's "Preferred Fibers and Materials" list or those certified by other recognized standards that ensure responsible cultivation or production of raw materials.*

A key challenge the manufacturing industry faces today is limited resources amidst rising demand. As a result, companies must develop sustainable raw material solutions that ease pressure on already scarce inputs, without compromising quality or supply stability.

At Esquel, we address this challenge by prioritizing high-quality, durable materials with reduced environmental and social impact. This includes natural and bio-based fibers, as well as organic, recycled, reclaimed, and regenerated materials. As an additional assurance of low impact and alignment with our sustainability values, our sites comply with globally recognized third-party certifications that verify material sourcing, operational practices, and product quality, including:

- Organic Content Standard (OCS)
- Global Recycled Standard (GRS)
- OEKO-TEX® Standard 100
- OEKO-TEX Sustainable Textile and Leather Production

We also place strong emphasis on research and development in cotton, our primary material, covering the full journey from seed to cultivation. Guided by our belief that quality and sustainability come first, we leverage our expertise as a vertically integrated supply chain with over 40 years of experience to develop new varieties of local, high-quality cottonseed. Our dedicated research team also focuses on harvest efficiency, cultivation methods, and the integration of agricultural machinery and agronomic practices, with the ultimate goal to improve yields while balancing environmental and social considerations.

Process

Aside from raw materials, another key element of product quality and sustainability is the set of processes involved in producing the final good. Notably, the textile industry relies on some highly resource-intensive and polluting processes, such as conventional dyeing and finishing. At the same time, as a traditional industry, it has significant room to evolve and upgrade in line with changing expectations and capabilities.

As such, Esquel focuses on innovating to push the boundaries of how products can be made in more sustainable, efficient, and consistent ways. This is supported through continued investment in internal research and development, alongside partnership and collaboration with value-aligned institutions that add further expertise and resources. In 2025, our efforts led to the acquisition of 65 patents, demonstrating our commitment for continuous improvement.

2%	Turnover spent on Research and Development
65	Patents Acquired in 2025
10	Active Research Partnerships with Academic and Technology Institutions



New Patent for Natural Dyeing Breakthrough

Recognizing that the synthetic dyes used for commercial textiles can be hazardous and polluting, posing risks to both environmental and human health, we have long championed biodegradable, natural dyes as a more sustainable alternative. However, industrial adoption has been limited by technical challenges, particularly the difficulty of achieving consistent, scalable, and color-stable dyeing results. To address this, we have invested many years in the development and commercialization of natural dye technologies, with the goal of enabling transformation across the textile value chain.

In 2025, we were awarded a patent for a breakthrough technology that tackles a key barrier to natural dyeing at the fabric level: surface uniformity. Currently, natural dye is applied mostly at the yarn and garment stages, while fabric-level dyeing continues to face challenges in delivering reliable, even results at scale. By improving surface uniformity for fabric dyeing, our technology expands the practical applicability of natural dyes and supports consistent, high-quality outcomes—helping drive wider adoption. In addition, the technology reduces the resource intensity of manufacturing by cutting water consumption by 65–75% compared with traditional dyeing approaches. This helps address one of the industry's most significant sustainability challenges, water intensity.

Moving forward, we aim to strengthen relationships with brand partners to help bring our natural dye innovations from the lab to market.



Intelligent Spinning Partnership with Xinjiang University and Donghua University

As new technology emerges, opportunities for the industry to become more efficient and sustainable follow suit. With that in mind, we continuously look for new applications of technology to make better products, and partner with leading academic and research institutions to do so.

One area we have been exploring is how intelligent manufacturing can enhance efficiency and precision in the spinning process. In collaboration with Xinjiang University and Donghua University, we have launched a project that uses digitization and automation to target critical bottlenecks in spinning, a core stage in textile production where raw fibers are processed into yarn. The aim is to optimize resource utilization, reduce energy consumption, lower material waste, and improve product quality.

This project, which is considered a key project under the Xinjiang Department of Science and Technology's "Department-Region Collaboration" initiative, brings together the private sector and academia in a dynamic partnership. Esquel contributes its operational expertise and testing environment, while Xinjiang and Donghua University provide cutting-edge research and innovation capabilities. This integrated approach accelerates the translation of research into scalable industrial solutions, advancing sustainable production.

Finished Goods

While we value examining a product's inputs, such as raw materials and processes, we believe it is equally essential to take a macro view that considers the product within its full lifecycle and the broader context. Accordingly, we prioritize agility in product development to create value-driven goods that respond to evolving market demands and external challenges.

This approach has enabled us to expand our range of products and services, as well as to develop key initiatives that help us define what comprehensive product sustainability looks like, such as our uniform recycling program.



Recycled Polo Program Update

Our Esquel Recycled Polo Program was launched in 2022 in response to the reality that while customers express interest in textile-to-textile recycled products, real-world demand has remained limited. Recognizing this gap, we have been focused first on building readiness internally and creating real-world momentum through our own uniform cycle. By collecting worn uniforms from our employees and shredding them into fiber used in the production of new uniforms, we aim to drive change by starting from within.

The program, which engages employees in the preparation and collection process, is intentionally hands-on and transparent to educate and empower participants. Each recycled polo includes an NFC tag that shares the garment's journey—making the impact visible, personal, and easy to understand.

As the program carries over year on year, we reduce reliance on virgin cotton. This supports our efforts to lower the water, land, and energy demands linked to cotton cultivation, while minimizing textile waste and strengthening movement toward a closed-loop system. In 2025, we recycled 4,745 uniforms across our sites, bringing the total to 47,645 since the program began.

Responsible Supply Chain Management

Understanding that product sustainability is determined by all the stakeholders involved in production, we emphasize maintaining standards that extend beyond the operations directly within our control. Especially in light of our recent structural changes and our increased focus on collaboration and partnership, we prioritize effective supply chain management.

To do so, we maintain a robust supply chain management system that upholds strict requirements for compliance, integrity, and sustainability. At the pre-engagement stage, all new key suppliers are required to sign a supplier commitment that sets baseline expectations for labor rights and business ethics, in alignment with our Code of Conduct. As partnerships develop, we conduct regular reviews, including annual compliance screenings, to determine whether suppliers need support to improve performance or whether a relationship should be ended if expectations are not met. In 2025, no suppliers were identified as having actual or potential negative impacts. Likewise, existing key suppliers are assessed annually and are expected to share relevant environmental and social certifications and performance data. Where appropriate, select suppliers are subject to on-site audits and verification.

Since 2024, we have also been working to help our suppliers better understand and address their climate impact. As an initial step, we developed a GHG calculation tool and supporting guidelines to assist key suppliers with their emissions calculations. We are currently collecting supplier data and determining the next steps to accelerate progress.

COMMUNITY



Community

Our final strategic pillar, Community, reflects our belief that sustainability can only be achieved through collective action and when no one is left behind. As such, we place great emphasis on helping our stakeholders build capacities through education, well-being, and partnerships.

Our aim is to empower community members to pursue new opportunities that bring personal benefit as well contribute to the shared goals we work towards together—ultimately creating a win-win situation. This effort echoes our view that thriving communities are the foundation of our success.

Education

Education is a powerful lever for change, enabling people to build resilience and creativity, regardless of their age and circumstance. At Esquel, we emphasize education with two primary goals in mind—the first is to equip underprivileged community youths with the tools needed to break cycles of poverty and access brighter futures. The second is to build the foundation and be a catalyst for the innovation and collective effort needed to achieve shared goals, including sustainability.

In accordance, we partner with NGOs such as the Y.L. Yang foundation to advance learning in underprivileged regions across China and developing nations, while also making use of our own resources and capabilities, like our Integral site and networks with academia, to build knowledge and inspire change for a better world.





Education Partnerships with Y.L. Yang Foundation

In 2025, we supported a series of community-based sustainability education programs led by the Y.L. Yang Foundation—an NGO we have partnered with since its establishment in 2003. Guided by its mission to "Encourage the Spirit of Learning," the Foundation works alongside local partners, social organizations, and educational institutions to expand access to experiential learning and strengthen environmental awareness in rural communities.

A key highlight was the "Design the Future" Learning Camp, which was hosted at Su Cun Jin Li Art District in Gaoming and extended to rural campuses in Chongbu, Qingtai, and Guanshan from January to August. Through thematic workshops in ecological art, textile upcycling, and botanical dyeing, the program engaged 1,083 children in hands-on learning activities. Participants developed creativity and problem-solving skills, while deepening their understanding of circularity and sustainable use of resources. Beyond financial support, we also participated in the program through employee volunteering. Colleagues nationwide contributed their time and expertise to facilitate programs and community activities, as well as mentor students. In addition, we opened selected facilities including Esquel's Effluent Water Treatment Center to beneficiaries, offering practical exposure to water stewardship and industrial sustainability. This effort reflects our commitment to supporting communities through continuous education.

Another highlight was the "Eco Discovery Lab" collaboration, an on-going program aimed at providing rural primary school students and children of migrant workers with meaningful, hands-on learning experiences beyond the classroom. Making use of the resources available at Integral's Fragrant Hill Botanical Garden, we invited 150 underserved children to take part in a series of specially designed ecological workshops that connect them with nature and sustainability. Beyond education, these workshops foster a sense of belonging and access to positive role models. They are opportunities to help rebuild a supportive ecosystem around children, putting into practice the belief that raising and nurturing the next generation is a shared responsibility.



Sustainability Education with The Knowledge Hub Integral

Aside from our collaborations with the Y.L. Yang Foundation, Integral site has served as a learning platform for an even wider audience. In 2025, The Knowledge Hub Integral, our education service in Guilin, hosted 53 sustainable development-themed events at Integral, garnering over 1,500 participants representing government, academia, industry, and more.

The events included educational tours, training camps and workshops, as well as corporate team building events, focused on various sustainability concepts from new energy and materials to environmental technology and the circular economy. These programs are targeted at key decision makers and members of senior management across different sectors, aiming to equip them with the requisite knowledge to become sustainability leaders while facilitating cross-sector cooperation.

Our belief is that learning never stops, no matter your age or position level—especially for topics like sustainability that are ever-changing and evolving. As such, The Knowledge Hub Integral invites leaders to continue exploring the topic and discovering avenues of application. Our goal is to cultivate a culture of innovation and inject momentum in the sustainable transformation of industries.



Innovation Competition in Gaoming

Since 2013, Esquel Group has organized the “Innovation Competition” in Gaoming, creating a platform where students can exchange ideas, explore creative approaches, and strengthen the spirit of learning. The competition invites university students to propose practical solutions to real-world challenges, with cash prizes awarded to winners, including a top prize of 8,000 yuan. Over the past 12 years, the initiative has engaged more than 33,000 participants and received over 14,000 submissions, evolving into a long-term collaboration that connects universities and supports youth development.

In 2025, the competition centered on four themes: smart manufacturing, product innovation, low-carbon sustainability, and brand marketing. Nearly 2,200 students from seven universities participated, and 15 teams advanced to the national finals. The top prize was awarded to a project for a portable sign-language translation and real-time communication device.

More than a platform for sharing ideas and peer interaction, the Innovation Competition inspires young people to develop innovative solutions to existing challenges, while encouraging learning through experience and collaboration across diverse disciplines.

Well-being

Ensuring the well-being of community members is essential to helping a community thrive. Aside from directly impacting one's quality of life, good health is also the foundation for sustaining education and employment, which enable financial stability, upward mobility, and growth.

In rural areas, illnesses and other deficiencies in well-being can often cost children learning opportunities and lead to low school attendance rates, jeopardizing their futures. With this in mind, we collaborate with NGOs and academic institutions to provide healthcare services that improve their quality of life and allow them to further their academic journeys.



Vision Screening Partnership with Y.L. Yang Foundation

The vision screening program was first launched in 2012 in Xinjiang as a key initiative under the Y.L. Yang Foundation. Its goal is to bring professional eye care to rural communities, helping children see better in school. In collaboration with Esquel, the program has since expanded to Guilin and Guangdong, the communities where we operate.

The program engages the Hong Kong Polytechnic University School of Optometry and Xinjiang Third People's Hospital. Certified optometrists conduct comprehensive vision screenings for students and provide free prescription glasses for those with visual impairments. Students with more serious conditions are referred for further medical assessment and treatment, ensuring timely and appropriate care. In addition, eye-health education helps students, parents, and schools build proper eye-care habits and adopt myopia-prevention practices, supporting long-term and sustainable vision care.

In 2025, 5,871 community members benefited from the program, bringing the cumulative total to more than 45,000 since its inception. Through this work, we help safeguard children's wellbeing and unlock brighter learning futures in communities where support is most needed.

Partnership

Meaningful change requires collaboration. To achieve our shared goals for sustainability and respond to evolving community needs, it's essential that we work together. By pooling expertise and mobilizing resources, we can accelerate impact more effectively.

Esquel is therefore committed to building platforms for partnership that facilitate collaboration among a wide range of stakeholders, including governments, NGOs, academic and research institutions, and startups. By bringing together like-minded partners, we aim to develop sustainable solutions and create lasting progress.



Integral Conversation

A key platform for partnership is Integral Conversation, the annual sustainability conference hosted at our Integral site. Organized by Integral Institute, a non-profit organization co-founded by Esquel to brings together experts and stakeholders across all disciplines in exploration of sustainability, Integral Conversation invites representatives from government, business, academia, research, and culture for a three-day experience to exchange insights and build networks for sustainable development.

In 2025, Integral Conversation took place from October 30 to November 1 under the theme "Universe, Earth & Humanity in Harmony." With around 300 attendees, the conference examined how nature and industry can not only coexist but actively collaborate toward shared goals. Through panels and workshops, participants explored innovative approaches to restore ecological balance and advance sustainable practices.

This year's dialogue was structured around four thematic forums: Agriculture, Technology, Industry, and Education; each offering perspectives on the future of sustainability and highlighting the importance of cross-sector collaboration. Participants explored the concepts of regenerative farming, circular business models, human-centred innovation, and the integration of well-being in education, while forging new partnerships with each other and opportunities for future collaboration.



Esquel Innovation and Incubation Village

Another key platform for partnership is our Esquel Innovation and Incubation Village in Xinjiang, which is focused on accelerating start-ups and facilitating innovation to bring growth and prosperity to the region. Currently housing 13 enterprises, the Incubation Village aims to foster development in three key industries: agricultural technology, textile and garment, and new energy. Moving beyond traditional incubation, our platform helps enterprises connect with customers, upgrade their products, apply for honors and qualifications, and amplify their voices through media exposure. The benefits are felt by not only the enterprises being incubated, but the larger community as well. In supporting their work to advance technology in the region, we are able to also improve the quality of living of members within the community. Some meaningful impacts created by the start-ups we house include the increase in accessibility to drones as a teaching tool and resource in primary schools and cost-savings for farmers through the introduction of digital tools for agriculture.

In 2025, as a means of facilitating exchange and insight, The Incubation Village also organized 32 key events, attracting over 1500 participants. A major emphasis was placed on youth development and the cultivation of a new generation of talent in Xinjiang, as exemplified by a series of activities where CEOs from the Science and Technology field were invited to local universities to share on cutting-edge innovation and entrepreneurial concepts. Our aim is not only to nurture good ideas and help them flourish, but to create an environment which encourages new ideas to form and develop peoples' capacity to innovate.

GRI Content Index

Esquel Group has reported the information cited in this GRI content index for the period 1 January to 31 December 2025 with reference to the GRI Standards. GRI 1: Foundation 2021 has been used when compiling this report.

Disclosure	Section or remarks
GRI 2: General Disclosures 2021	
2-1 Organization details	About Esquel Group – Our Business; About Esquel Group –Our Vision
2-2 Entities included in the organization's sustainability reporting	About the Report – Reporting Period and Reporting Scope
2-3 Reporting period, frequency and contact point	About the Report – Reporting Period and Reporting Scope; About the Report –Reporting Standards and Principles
2-4 Restatements of information	None.
2-5 External assurance	This report is not externally assured.
2-6 Activities, value chain and other business relationships	About Esquel Group – Our Business; Product – Responsible Supply Chain Management
2-7 Employees	People – Labor Rights; People – People Development; People – Wellness; People – Diversity and Inclusion
2-8 Workers who are not employees	None. All our workers are our employees.
2-9 Governance structure and composition	Corporate Governance – Governance Structure
2-10 Nomination and selection of the highest governance body	N/A. We are a private company.
2-11 Chair of the highest governance body	N/A. We are a private company.
2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance – Governance Structure
2-13 Delegation of responsibility for managing impacts	Corporate Governance – Governance Structure
2-14 Role of the highest governance body in sustainability reporting	Delegated by the Board, the Sustainability Council is responsible for reviewing and approving the sustainability related information.
2-15 Conflicts of interest	N/A. We are a private company.
2-16 Communication of critical concerns	No critical concerns were reported during the Reporting Period.
2-17 Collective knowledge of the highest governance body	Sustainability is one of our core business values and is regularly communicated to the Board of Directors through the Sustainability Council.
2-18 Evaluation of the performance of the highest governance body	N/A. We are a private company.

Disclosure	Section or remarks
2-19 Remuneration policies	N/A. We are a private company.
2-20 Process to determine remuneration	N/A. We are a private company.
2-21 Annual total compensation ratio	N/A. We are a private company.
2-22 Statement on sustainable development strategy	Message from Chairman
2-23 Policy commitments	Corporate Governance – Business Ethics; Planet; People
2-24 Embedding policy commitments	Corporate Governance – Business Ethics; Planet; People
2-25 Processes to remediate negative impacts	Corporate Governance – Business Ethics – Whistleblowing; People – Labor Rights – Labor and Management Relations
2-26 Mechanisms for seeking advice and raising concerns	Stakeholder Engagement; Corporate Governance – Business Ethics; People – Labor Rights
2-27 Compliance with laws and regulations	There were no significant fines or non-monetary sanctions for non-compliance with laws and/or regulations within the Reporting Period.
2-28 Membership associations	About Esquel Group – Key Awards and Recognitions
2-29 Approach to stakeholder engagement	Stakeholder Engagement
2-30 Collective bargaining agreements	There was no collective bargaining within the reporting period.
GRI 3: Material Topics 2021	
3-1 Process to determine material topics	Stakeholder Engagement – Materiality Assessment
3-2 List of material topics	Stakeholder Engagement – Materiality Assessment
3–3 Management of material topics	Stakeholder Engagement – Materiality Assessment; Planet; People; Product; Community
GRI 205: Anti-corruption 2016	
205-1 Operations assessed for risks related to corruption	Corporate Governance – Business Ethics
205-2 Communication and training about anti-corruption policies and procedures	Corporate Governance – Business Ethics
205-3 Confirmed incidents of corruption and actions taken	Corporate Governance – Business Ethics
GRI 302: Energy 2016	
302-1 Energy consumption within the organization	Planet – Energy and Emissions Management
302-3 Energy intensity	Planet – Energy and Emissions Management
GRI 303: Water and Effluents 2018	
303-1 Interactions with water as a shared resource	Planet – Water Stewardship
303-2 Management of water discharge-related impacts	Planet – Water Stewardship
303-3 Water withdrawal	Planet – Water Stewardship
303-5 Water consumption	Planet – Water Stewardship

Disclosure	Section or remarks
GRI 305: Emissions 2016	
305-1 Direct (Scope 1) GHG emissions	Planet – Energy and Emissions Management
305-2 Energy indirect (Scope 2) GHG emissions	Planet – Energy and Emissions Management
305-3 Other indirect (Scope 3) GHG emissions	Planet – Energy and Emissions Management – Net Zero Progress
305-4 GHG emissions intensity	Planet – Energy and Emissions Management
305-5 Reduction of GHG emissions	Planet – Energy and Emissions Management – Net Zero Progress
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Planet – Energy and Emissions Management
GRI 306: Waste 2020	
306-1 Waste generation and significant waste-related impacts	Planet – Waste Management
306-2 Management of significant waste-related impacts	Planet – Waste Management
306-3 Waste generated	Planet – Waste Management
306-4 Waste diverted from disposal	Planet – Waste Management
306-5 Waste directed to disposal	Planet – Waste Management
GRI 308: Supplier Environmental Assessment 2016	
308-1 New suppliers that were screened using environmental criteria	Product – Responsible Supply Chain Management
308-2 Negative environmental impacts in the supply chain and actions taken	Product – Responsible Supply Chain Management
GRI 401: Employment 2016	
401-1 New employee hires and employee turnover	People – Labor Rights
GRI 403: Occupational Health and Safety 2018	
403-1 Occupational health and safety management system	People – Labor Rights – Health & Safety
403-2 Hazard identification, risk assessment, and incident investigation	People – Labor Rights – Health & Safety
403-3 Occupational health services	People – Labor Rights – Health & Safety; People – Wellness
403-4 Worker participation, consultation, and communication on occupational health and safety	People – Labor Rights – Health & Safety; People – Labor Rights – Labor and Management Relations
403-5 Worker training on occupational health and safety	People – Labor Rights – Health & Safety; People – Labor Rights
403-6 Promotion of worker health	People – Labor Rights – Health & Safety; People – Wellness
403-9 Work-related injuries	People – Labor Rights – Health & Safety

Disclosure	Section or remarks
GRI 404: Training and Education 2016	
404-1 Average hours of training per year per employee	People – People Development
404-2 Programs for upgrading employee skills and transition assistance programs	People – Labor Rights – Labor and Management Relations; People – People Development
GRI 405: Diversity and Equal Opportunity 2016	
405-1 Diversity of governance bodies and employees	People – Diversity and Inclusion
405-2 Ratio of basic salary and remuneration of women to men	People – Diversity and Inclusion
GRI 406: Non-discrimination 2016	
406-1 Incidents of discrimination and corrective actions taken	People – Diversity and Inclusion
GRI 407: Freedom of Association and Collective Bargaining 2016	
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	People – Labor Rights
GRI 408: Child Labor 2016	
408-1 Operations and suppliers at significant risk for incidents of child labor	People – Labor Rights; Product – Responsible Supply Chain Management
GRI 409: Forced or Compulsory Labor 2016	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	People – Labor Rights; Product – Responsible Supply Chain Management
GRI 414: Supplier Social Assessment 2016	
414-1 New suppliers that were screened using social criteria	Product – Responsible Supply Chain Management
GRI 416: Customer Health and Safety 2016	
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	There were no such incidents during the Reporting Period.
GRI 418: Customer Privacy 2016	
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Corporate Governance – Business Ethics – Data Privacy and Security



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