

2022 SHP Group Environmental, Social and Governance Report



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About this report

This is the second annual Environmental, Social and Governance Report (hereinafter referred to as “the Report”) officially released by SHP Group. The report presents the Group’s system development and performances in environmental, social and governance (ESG) matters, and objectively discloses the management and achievements of its sustainable development, in response to the expectations of all stakeholders and the public.

Reporting period

The Report focuses on the ESG management and achievements in the period from January 1, 2022 to December 31, 2022 (hereinafter referred to as “the reporting period” or “this year”). Meanwhile, some information and data traced back to 2021 or earlier, or extended to 2023 are included to provide better comparability and perspectiveness.

Report boundary

The subjects of the Report are SHP Group and its principal subsidiaries, including ShyaHsin Packaging Industry China Co., Ltd (Kunshan and Cixi plants), SHYAH SIN PACKAGING MEXICO SA DE CV (Mexican plant), Copolymer & Cosmetics Technology (Kunshan) Co., Ltd., Qiandeng Aluminum Oxidation Workshop of Suzhou ShyaHsin Plastic Factory Co., Ltd¹., and ShyaHsin Plastic Works Co., Ltd. Any other scope that differs from this will be explained in the Report.

Reference guidelines

- The United Nations Sustainable Development Goals (UN SDGs) by 2030
- The Global Reporting Initiative Standards (GRI Standards) released by the Global Sustainability Standards Board (GSSB)
- Environmental, Social and Governance Reporting Guide, Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

Reliability assurance

All information and data disclosed herein have been reviewed and approved by the Board of Directors on August 20, 2023, and verified by the external third party institution. See the Annex for Assurance statement.

Designation

For ease of expression and comprehension, the designations in the Report refer to the following:

We, Company, Group	>>> for >>>	SHP Group
SHP (Kunshan)	>>> for >>>	ShyaHsin Packaging Industry China Co., Ltd.
SHP (Cixi)	>>> for >>>	ShyaHsin Packaging Industry China Co., Ltd. Cixi Branch
SHP CCT	>>> for >>>	Copolymer & Cosmetics Technology (Kunshan) Co., Ltd.
SHP QD	>>> for >>>	Qiandeng Aluminum Oxidation Workshop of Suzhou ShyaHsin Plastic Factory Co., Ltd.
SH (Taiwan)	>>> for >>>	ShyaHsin Plastic Works Co., Ltd.
SHP (Mexico)	>>> for >>>	SHYAH SIN PACKAGING MEXICO SA DE CV

Data resources

Information and data in the Report are sourced from the published governmental data, relevant internal statistical statements, administrative documents and reports in SHP Group, third-party evaluations, interviews and study reports. Some are traced back to previous years. The monetary type and amounts herein are all denoted in USD, unless otherwise specified. The Sino-US exchange rate is calculated as the yearly average exchange rate, which is 6.730:1 in 2022, 6.452:1 in 2021 and 6.900:1 in 2020. See details at the website of Internal Revenue Service, U.S.²

Report access

The Report is released in the electronic edition, which is accessible on the Group's official website: <http://shpgroup.com/>.

If there is any suggestions or queries regarding the report, please send an email to xucui@shyahsin.com.

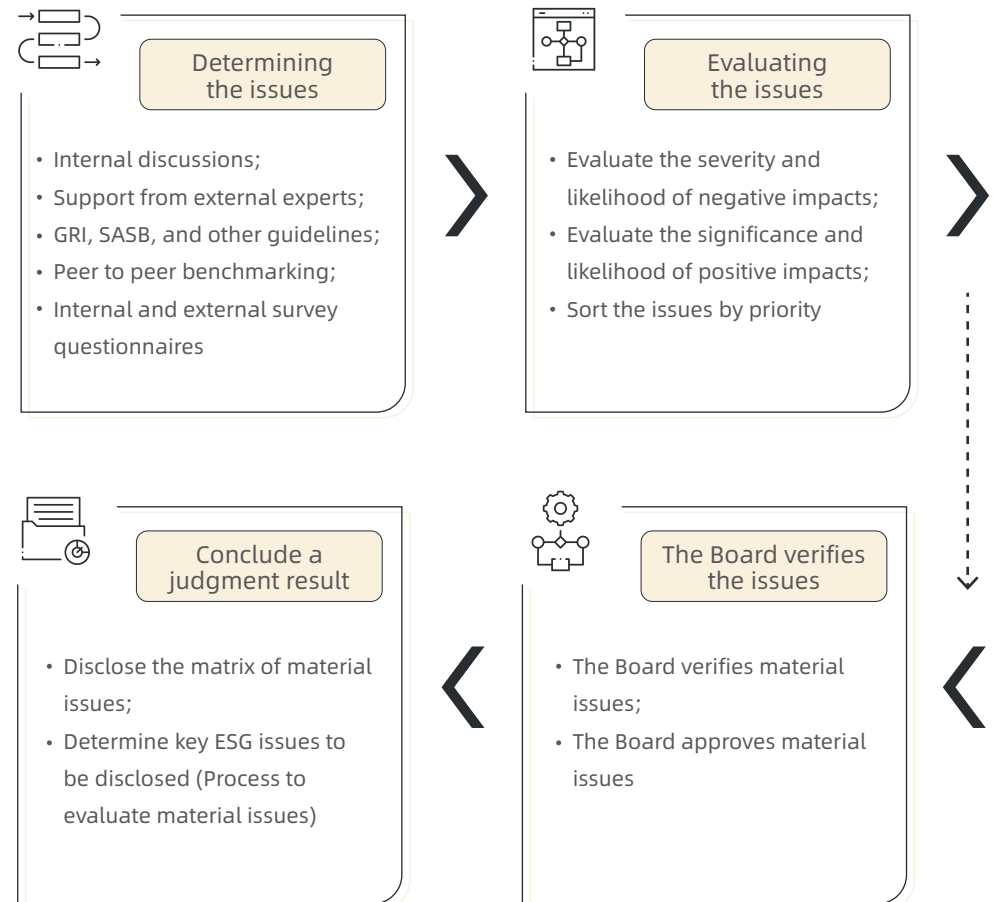
1. Based on strategic adjustment, SHP Group gradually closed the manufacturing area of SHP QD and temporarily suspended some production processes of SHP CCT in 2022.

2. Foreign exchange rate reference: <https://www.irs.gov/zh-hans/individuals/international-taxpayers/yearly-average-currency-exchange-rates>

Material issues

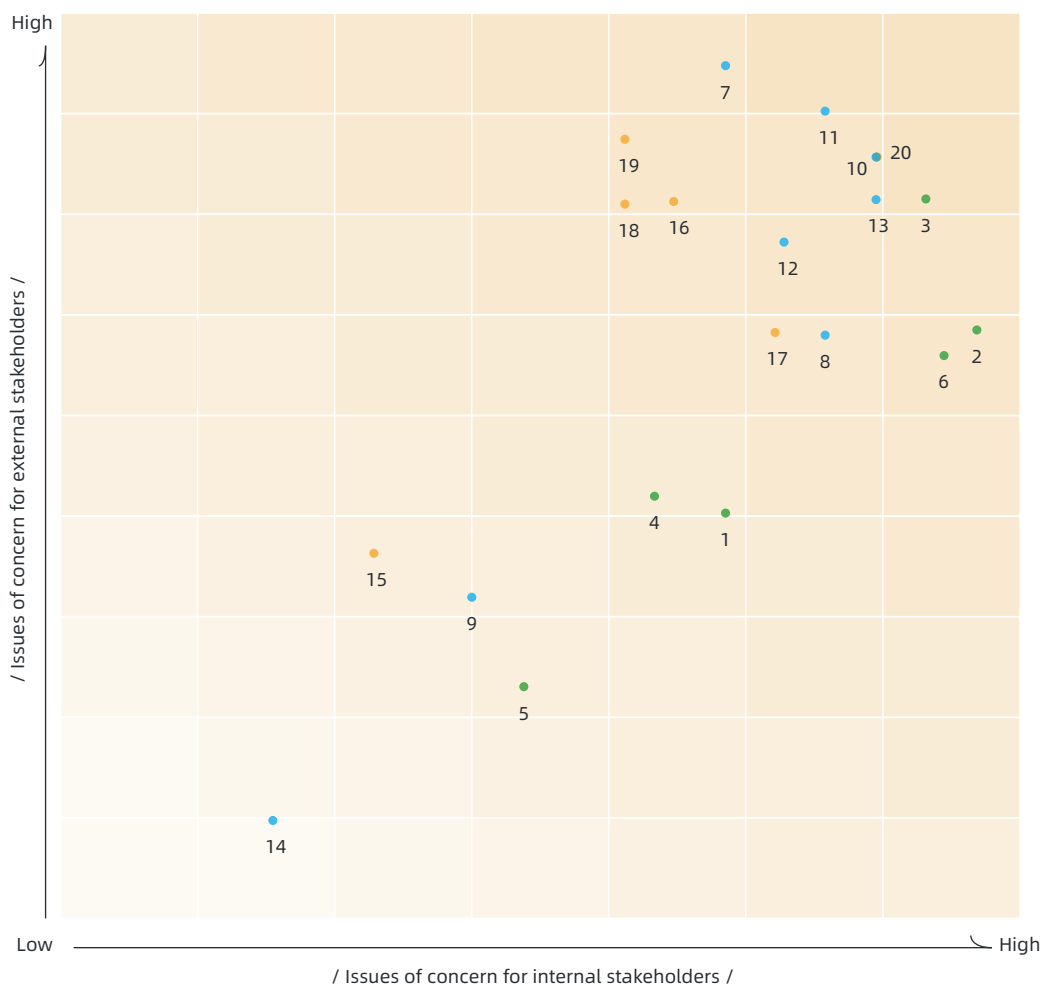


The Group has further improved material ESG issues after it understood focuses of stakeholders deeply as it paid attention to national strategies and international dynamics, and communicated with them via questionnaires, emails, interviews, exchange meetings, etc., used as a benchmark internationally leading ESG standards and rating frameworks (IFRS S2, GRI, TCFD, etc.), and sought support from external experts. The process to identify material issues was developed with a reference to Global Reporting Initiative Standards (GRI3: Material Issues 2021), specified as follows:



Process to evaluate material issues

SHP Group makes subtle adjustments to material issues according to the annual retrospect, and organizes the symposium and interview at least every three years, in endeavor to ensure that the issues in the interest of the Company's development are implemented on track. Despite no critical adjustment to the issues of the year, importance of some issues was tuned slightly according to questionnaires for 2021 ESG Report and interviews between external experts and internal managements. The matrix of adjusted issues is provided below:



▼ Material issues form

- Environmental**
 - 1-Water resource management
 - 2-Energy management
 - 3-Waste management
 - 4-Management of poisonous and hazardous substances
 - 5-Actions against climate change
 - 6-Green packaging and materials
- Social**
 - 7-Human rights and labor interests
 - 8-Employee training and cultivation
 - 9-Diversity and inclusiveness
 - 10-Health and safety
 - 11-Product responsibilities
 - 12-Supply chain management
 - 13-Services for clients
 - 14-Investments to communities
- Corporate governance**
 - 15-Corporate governance
 - 16-Business ethics
 - 17-Risk management
 - 18-Compliant operation
 - 19-Information security
 - 20-Technological innovation and intellectual property right management








*Issues of high importance are highlighted.

▼ Explanations to issue changes

Changed issues in 2022	Original issue in 2021	Adjustment	Rational
Environmental			
Energy management	Energy management	Upgraded importance from moderate to high	SHP Group put more emphasis on energy management by formulating targets relevant to energy consumption and practicing with a series of activities.
Management of poisonous and hazardous substances	Management of poisonous and hazardous substances	Degraded importance from high to moderate.	SHP Group adjusted the priority of poisonous and hazardous substances downward on a temporal basis because its compliant disposal can be maintained; the priority will be reconsidered when facing great opportunity in the future.
Actions against climate change	Climate change management Low-carbon technology	Incorporated into one	Climate opportunity is an issue pertaining to actions against climate change, thus incorporated into the latter.
Green packaging and materials	-	Newly added issue of importance	SHP Group set a goal to be achieved in green packaging and material development, and viewed it as a critical opportunity of development in the future. Thus, the issue of such importance was added.
Social			
Supply chain management	Supply chain management	Upgraded importance from moderate to high	Strategic customers raise higher requirements to SHP Group supply chain, especially EcoVadis who attaches greater importance to the issue. Accordingly, the importance of supply chain management was enhanced.
Investments to communities	Social welfare and charities	Changed the name of issue	To keep consistent with the international wording
Corporate governance			
Information security	Information security	Upgraded importance from moderate to high	Blackstone, the investor, attaches great importance to corporate information security and governance.

▼ Communication with stakeholders

The Group has enthusiastically communicated with stakeholders, by constantly improving the information transparency, supporting stakeholders to engage in the Company's ESG governance, to respond to expectations and requests of stakeholders to build a harmonious and stable long-term cooperation relationship.

Stakeholder	Expectations and requests	Communication channels	Stakeholder	Expectations and requests	Communication channels
 Government and supervision institutions	<ul style="list-style-type: none"> • Compliant operation • Paying taxes according to law • Energy management • Water resource management • Waste management • Pollutants discharge management • Actions against climate change 	<ul style="list-style-type: none"> • Information disclosure • Inspection and supervision • Conferences 	 Clients	<ul style="list-style-type: none"> • Privacy protection • Quality control • Product responsibilities and security • Green product 	<ul style="list-style-type: none"> • Client communication and complaint mechanism • Customer research • E-mail correspondence • Conferences
 Investors and the Board of Directors	<ul style="list-style-type: none"> • Corporate governance • Compliant operation • Business ethics • Information publication • Risk control • Energy management • Water resource management • Waste management • Pollutants discharge management • Actions against climate change 	<ul style="list-style-type: none"> • The Board of Directors • Investors communication meetings • On-site investigation • E-mail correspondence • Conferences 	 Suppliers	<ul style="list-style-type: none"> • Supply chain management • Compliant operation • Business ethics • Risk control 	<ul style="list-style-type: none"> • Factory visit • Teach-in • E-mail correspondence • Suppliers conference
 Third-party service institution	<ul style="list-style-type: none"> • ESG Rating • ESG System Certification 	<ul style="list-style-type: none"> • E-mail correspondence • On-site investigation • Conferences 	 Employees	<ul style="list-style-type: none"> • Guarantee of human rights and equal employment • Employees' health and safety • Remuneration and welfare • Promotion and capability development 	<ul style="list-style-type: none"> • Labor Union • Employee communication mechanism • Employee satisfaction survey
			 Community	<ul style="list-style-type: none"> • Social participation and investment • Welfare, charities, and volunteer • Environment for residents 	<ul style="list-style-type: none"> • Public welfare activities in community • Volunteer activities • Media communication • Community communication with residents

ESG progress tracking

SHP Group, committed to corporate sustainable development, defined its ESG goals in 2025, including the annual goal, and it took positive strategic measures to contribute its efforts in the achievement of national “carbon peaking and carbon neutralizing” goals (dual carbon goals). ESG goals are realized as follows:

Issue category	ESG goals	Unit	2020 (Benchmark)	2021	2022	Target (2025)	
Economic performance	Annual production value (PV) per person continuously increases by 15%	KUSD/person	49.62	62.04	69.11	57.06	●
	Annual production value (PV) per unit continuously increases by 10%	KUSD/m ²	1.02	1.52	1.89	1.12	●
Environmental	GHG emissions per unit of production value (PV) reduces by 25%	Ton/KUSD	0.43	0.36	0.24	0.32	●
	Water consumption per unit of production value (PV) reduces by 10%	Ton/KUSD	2.15	2.10	1.83	1.94	●
	The output of hazardous waste per unit of production value (PV) decreased by 25%	kg/KUSD	8.71	9.36	10.97	6.53	→
	Total excessive material consumption reduces by 10%	%	0.88	0.61	0.64	0.79	●
	Proportion of recyclable containers used	%	5.00	8.00	13.49	30.00	→
	Proportion of products used as a solution for PCR materials	%	8.33	25.00	50.00	100.00	→
	Proportion of products with a “3R” ¹ concept	%	10.00	20.00	40.00	100.00	→
Proportion of clean energy used	%	0	0	2.18	25.00	→	

● Completed → Ongoing

1. 3R concept: reduce, reuse, recycle

Issue category	ESG goals	Unit	2020(Benchmark)	2021	2022	Target (2025)	
Social	Rate of localized parts	%	64.15	65.03	72.87	80.00	→
	Contracting rate with ESG supplier	%	0	10.00	45.00	100.00	→
	Proportion of disadvantaged employees ¹	%	3.34	4.26 ¹	6.30	5.00	●
	Hours of volunteers providing services each year	Hour/year	0	5,817	19,989	10,800	●
	Reach consensus on ESG concept with stakeholders	-	-	Responded to the ESG policy of the important customer	Responded to the new ESG policy of the important customer	To keep consistent with the customer's ESG policy	●
Corporate governance	Proportion of female independent directors ²	%	16.67	18.18	18.18	30.00	→
	Proportion of female management ²	%	40.00	26.32	26.08	39.00	→
	Coverage of compliance training	%	0	100.00 (management)	100.00 (management)	100.00 (management), 80.00 (base level)	→
	Gradually improve the ESG governance system ³	-	-	-	Made initial efforts to establish Sustainable Development Commission	To keep consistent with Blackstone investment policy	●

● Completed → Ongoing

1. The percentage calculation for disadvantaged groups in 2021 was based on SHP (Kunshan), which has now been adjusted to SHP Group for data retracing in 2021.

2. The calibration of the percentage of female independent directors and female management in 2022 has been adjusted, and data retracing adjustments have been made for 2020 and 2021.

3. Minimal adjustment was made to "Gradually improved in-house review policy and system" in 2021 ESG Report, which is to perfect ESG governance system at a higher level.

▼ Certification and rating¹

Organizational entity	SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP QD	SH (Taiwan)	SHP (Mexico)
Environmental certification						
ISO 14001	●		●	●		●
ISO 50001	●					
ISCC PLUS	●		●			●
GHG verification certification	●					
Certificate of green product carbon footprint evaluations	●					
Social certification						
ISO 9001	●		●		●	●
ISO 45001	●		●			●
SA 8000	●		●			
CNAS Certificate			●			
Governance certification						
ISO 27001	●					
ISO 37001	●					
CyberVadis	●					
Intellectual property management system	●					
Third-party evaluations						
EcoVadis	Silver medal					Bronze medal
CDP climate change score	B					
CDP water resource safety score	B					

*Certification documents are detailed in Annex.

1. ● represents the certification applied and obtained by the Company in 2022 and 2023, not including the certification of re-review.

Message from the CEO

CEO GUAN Ye

In 2022, amidst a complex and challenging global landscape, with the global economy mired in a recessionary cycle and climate risks growing ever more pronounced, corporate development faced escalating uncertainties and challenges. This made sustainable development and the embrace of ESG principles an imperative choice in the current scenario. Despite facing increasing external pressures, SHP Group defied the odds and surged ahead, achieving rapid and impressive growth. The last year witnessed its annual output reaching 69.11 KUSD/person, rapid growth in North America, and smooth operation of Mexican plant phase 1 - a critical step it moved toward regionalization. It showed strong resilience in a world of changes. In early 2023, SHP (Kunshan) submitted SBTi Commitment Letter and set targets for scientific emission reduction on a gradual basis. In addition, we participated in CDP questionnaire survey and got an improvement from B to B - in climate change score; in EcoVadis rating, SHP (Kunshan) was granted a Silver medal, and a Bronze medal was given to the plant in Mexico.

Work toward robust operation, construct ESG governance system

SHP Group is governance-oriented. The Group plans to establish an ESG governance structure in 2023, which is expected to be a top-down system with the implementation expected to take place in the fourth quarter and we are aiming to continuously enhance the ESG governance system. Meanwhile, we attach great importance to information security protection and have obtained ISO 27001 certification, as well as passed the CyberVadis cybersecurity audit. In addition, we continually strengthen intellectual property protection and have obtained accreditation of intellectual property system.

Protect lucid water and lush mountains, build a beautiful home

In active response to the strategic “dual carbon” goals of our country, we spare no efforts to create a green industrial chain. To the end, we explore an R&D design of sustainability, build EcoBlue, a brand providing sustainable products, and try to use more green materials. We have made achievements in aspects: increasingly raised PCR product sales with a revenue of 8.23%; initial progress in energy saving and consumption lowered, large emission reduction per unit of output; photovoltaic power connected to the grid, green capital expenditure making up 7.7% of the total in 2021-2022. As we advocate green office, every employee plays a role in our sustainable development.

Collaborate with partners, create long-term interests

We are committed to a supply chain we are fully responsible for, managed in a closed loop manner in which suppliers are monitored from their access to exist. In 2022, the rate of ESG contracting between us and our suppliers was about 45%. With an effort in the digital and intelligent integration of the supply chain, we endeavor to provide a supply chain resilient to risks. Also, we timely responded to the need of customers, i.e. 3D printing machines. What we have done clearly reflects our willingness to co-create long-term interests with all suppliers, customers, and other partners.

Stick to be people-oriented, assume corporate responsibilities

SHP Group is a company that always puts first basic human rights and occupational health and security of its employees. Stick to compliant employment, it is active to create a working environment that is equal, inclusive, and diversified for employees. In the aspect of security, the Company constructs and improves a security management system, and holds various security practices and training so that employees can develop a firm awareness of security; identifies and removes potential security hazards on a regular basis to minimize risks. In addition, it focuses on the growth of employees, and ShyaHsin College was founded which works to provide a sound talent cultivation system; and multi-channel promotion, together with incentive mechanism in dimension, empowers employees to grow comprehensively. SHP Group also cares for children in areas suffering from poverty, making its contribution to a harmonious society of joint development.

Looking forward to the future, SHP Group practices ESG development concepts all the time and assumes its social responsibilities for green high-quality development, building itself into a cosmetic package provider with a growth mindset and international competitiveness.



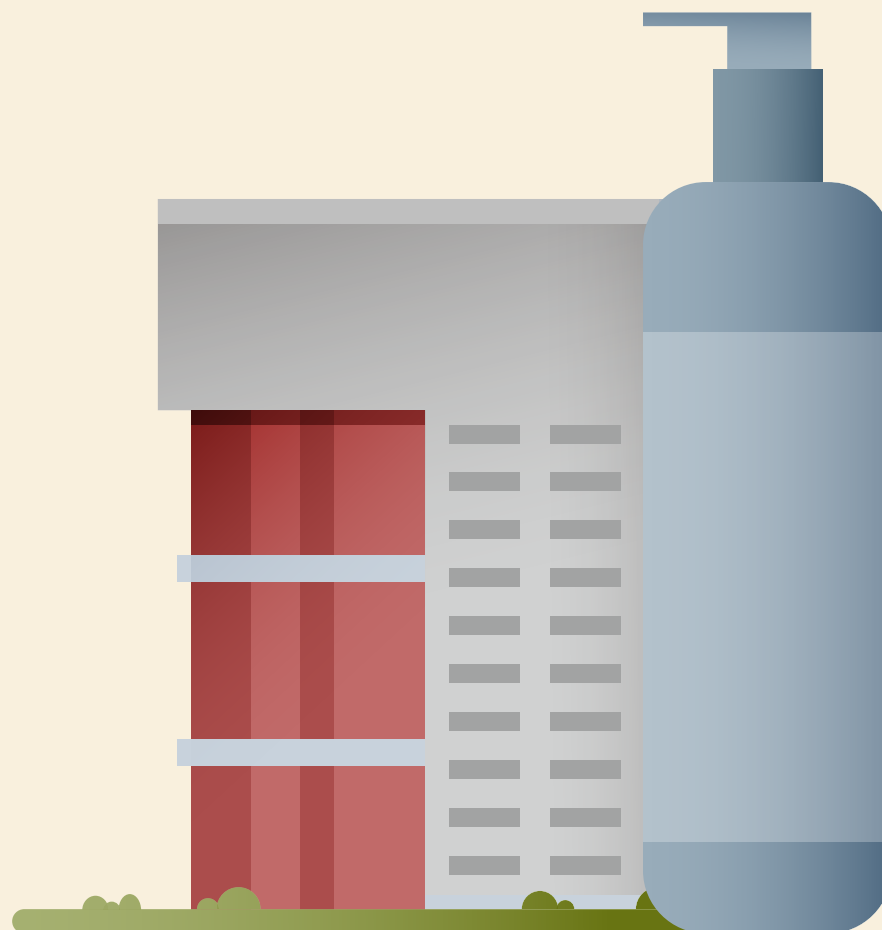
01 About SHP Group

SDGs in this Chapter



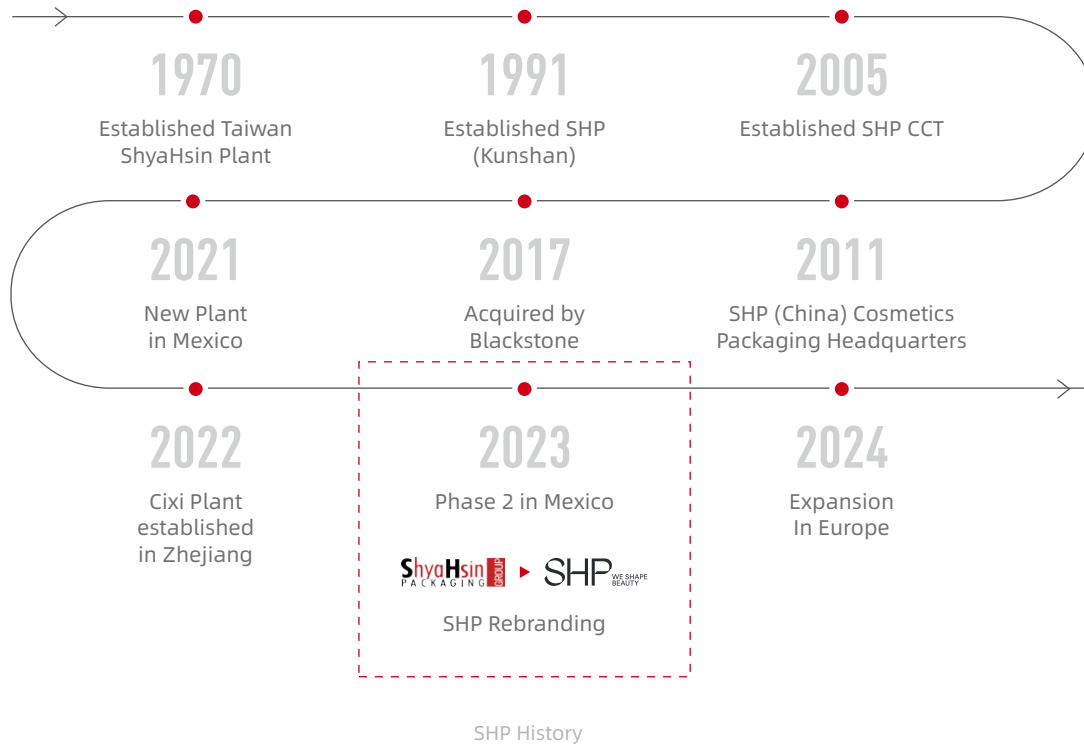
Material issues in this Chapter

- Market performances



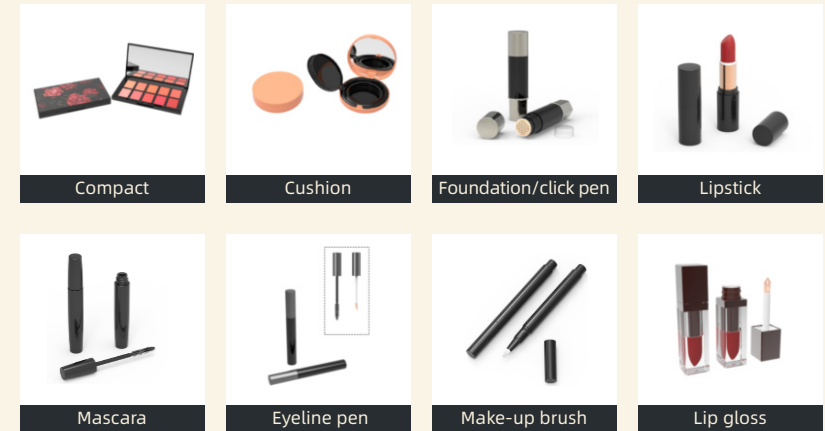
1.1 Company profile

SHP Group is a professional company focusing on technological innovation of cosmetic packaging containers, providing internationally known companies with full-process (integrated R&D, upgrade and manufacturing) solutions. As a provider of cosmetic and skincare packages, SHP Group puts emphasis on product innovation and research, not only on the appearance and function but packaging materials that are selected more as recyclable and reusable materials exerting less influence on the environment; and it builds a green packaging brand, empowering its customers to realize values, which is accepted and supported by customers in Europe, America, Japan, South Korea, etc.



▼ Product combination

Cosmetics



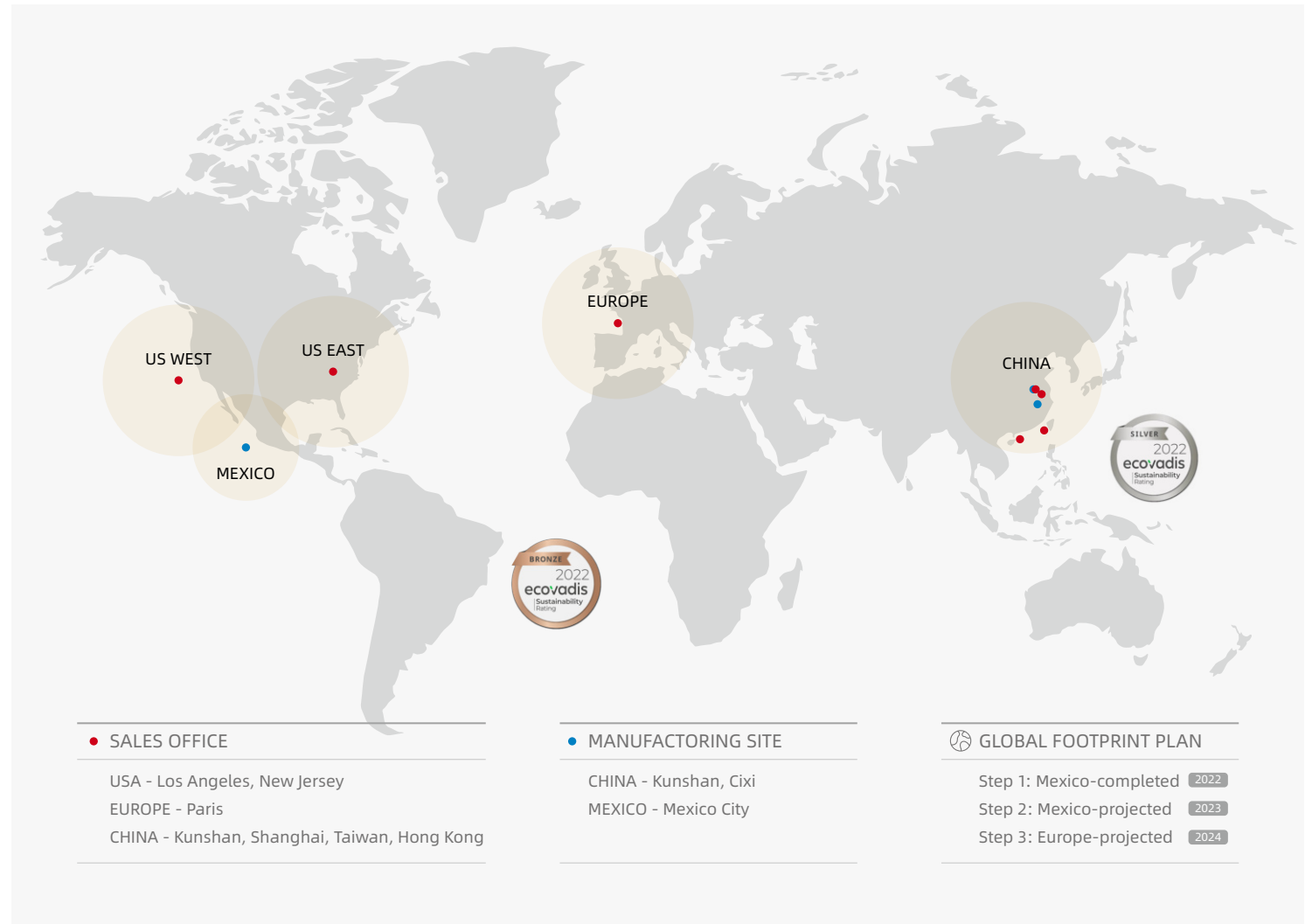
Skincare



1.2 Strategic business layout

Committed to building itself into a supplier serving customers all over the world, SHP Group continuously expands international businesses and builds a global chain of value. SHP Group is headquartered in Kunshan, Jiangsu, and as it tries to play a valuable role in other places worldwide, it constructs production bases, warehouses, sales offices, R&D and design centers in America, Mexico, France, etc. It aims to develop into a world-class cosmetic packaging company by improving its capabilities of research, production, marketing, and logistics with continuous efforts.

SHP (Mexico) Plant was successively put into force in 2022, really impressing its customers with amazing construction speed and modern management, which is a critical step for it to embrace globalization and regionalization. Given the rapid business growth in North America, the Board of Directors has decided to launch Mexican Plant phase 2 in 2023, which will further improve its position in the global cosmetic packaging industry.



1.3 ESG values

SHP Group develops its own industrial values based on its understanding of ESG values, namely, sustainability, harmony, and promotion, and depending on the values it works out a development route which is to benchmark and integrate UN SDGs, actively promote global sustainable development and seek a win-result between business interests and environmental and social values.

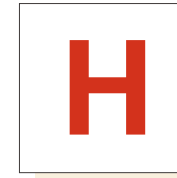
SHP (Kunshan) participated in EcoVadis sustainability rating again in 2022, and maintained the silver medal, ranking among the top 9% of global cosmetic packaging manufacturers with its total points. SHP (Kunshan) scores were increased after it optimized and corrected 2021 weak links, including an increase of 10 points in sustainable procurement comparative to 2021. This year is the first year SHP (Mexico) took part in the EcoVadis evaluation and was granted the bronze medal. The Group will continue to learn from its best peer and take it as an example, continues to improve its performances in sustainable procurement, environment, labor & human rights, and ethics, and respond to the expectations of its customers and investors with more excellent achievements.



EcoVadis Silver Medal for SHP (Kunshan)



EcoVadis Bronze Medal for SHP (Mexico)



Values Paths

Issues of important concern

Corresponding chapter

UN SDGs

Sustainability

- Pursue low-carbon development to start sustainable future
- Energy management
- Waste management
- Green packaging and materials
- Green production
- Green product

Harmony

- People-based and clarify corporate responsibilities
- Human rights labor interests
- Health and safety
- Employee training and cultivation
- Employees' rights and interests
- Employees' health and safety
- Employees' cultivation

Promotion

- Focus on values to create high-quality brand
- Product responsibilities
- Supply chain management
- Services for clients
- Product quality control
- Supply chain management
- Services for clients

1.4 Construction of values and capabilities

Core values are what talents grow with. After rounds of analyses and discussions, the Company released its new core values in February 2022. SHP Group hopes to spread its values and concepts, and include those in the annual performance assessment so that every employee can work with the original customer-centered and result-oriented intention, and stick to the spirit of pursuing innovation and truth. The Company enhances collaboration among employees and creates long-term interests in its employees.

As it expands its businesses, the Company must accelerate the building of capabilities in all aspects in order to meet market and expansion requirements. SHP Group depends on the current business system to enhance five capabilities in Global manufacturing capability, Global business expansion capability, New project enforcement capability, Leading technology and Strong organizational capability, and it is committed to leading the global cosmetic packaging industry in 2024.

- Customer first**

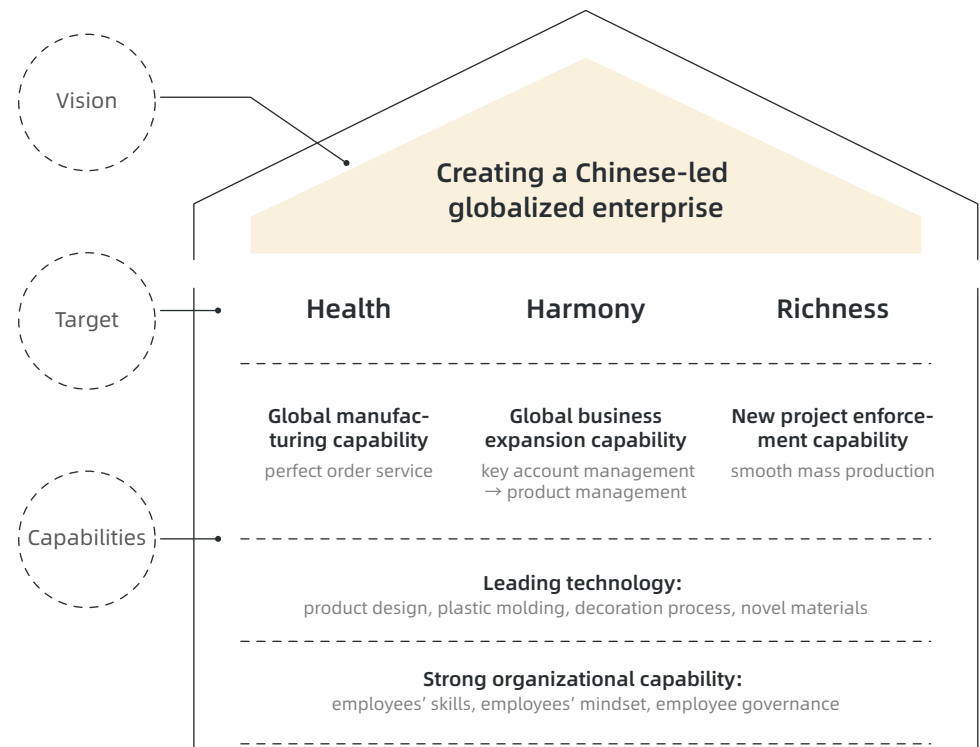
Externally focus on customer, internally focus on production shop floor
- Teamwork**

Open and inclusive, learn from other's strong points to offset one's weakness, humbly accept suggestions, bravely undertake responsibilities, work together
- Realistic and pragmatic**

Honest and righteous, stick to principles, be practical and realistic
- Results-oriented**

So said, so done, and mission must be reached
- Continue improvement and innovation**

Today's best performance is tomorrow's minimum requirement. Bravely challenge yourself to undertake new tasks. Unafraid of Changes

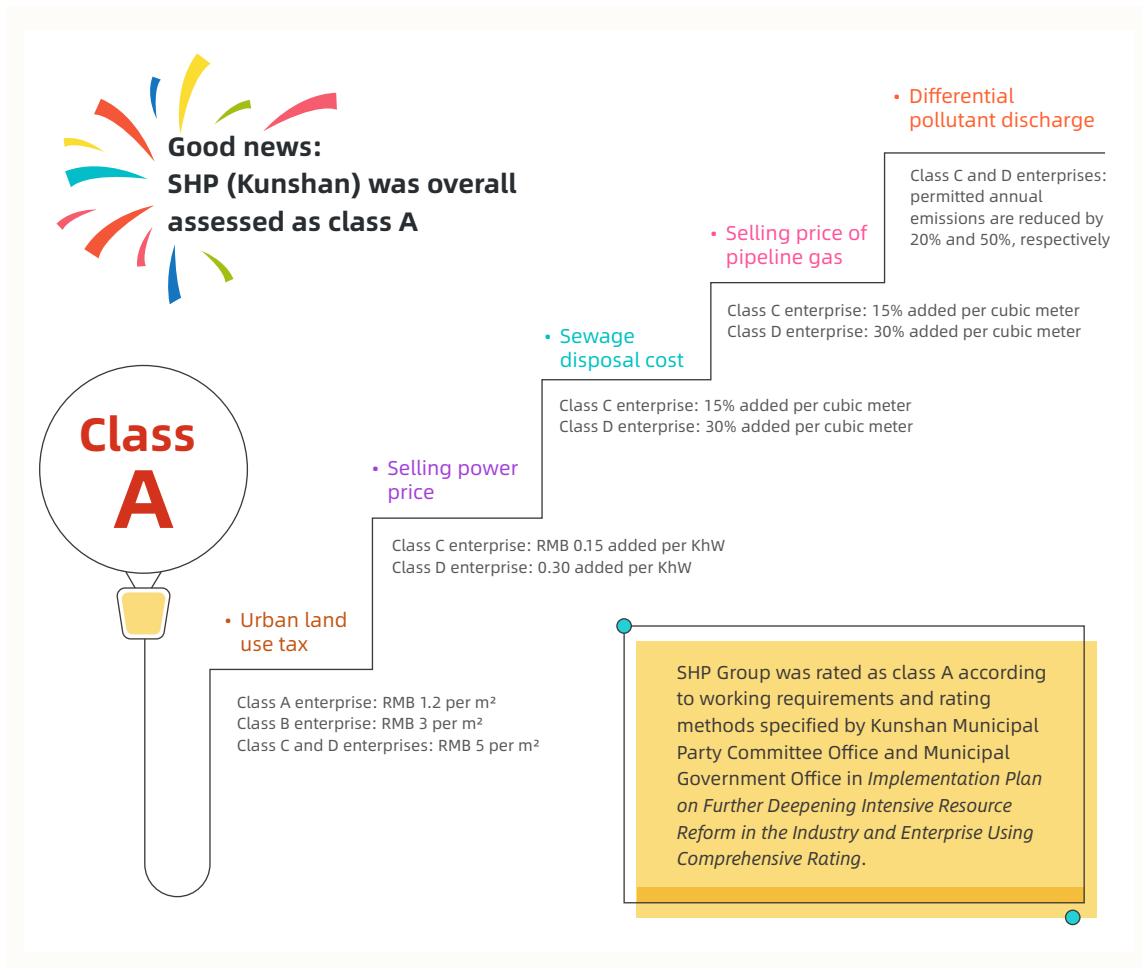


1.5 Honors and recognition

SHP (Kunshan) is an advanced automation manufacturer with a huge growth potential, especially supported by the government, and it was successively accredited as one of the “First New high-tech Enterprises” in 2022. SHP (Kunshan) maintains high investment in the development of core proprietary intellectual property and enjoys the preferential tax rate of 15% for high-tech enterprises' income tax and the policy of 100% additional deduction of R&D expenses, which provides a new impetus to its subsequent sustainable development.

Year	Participating/awarding unit	Award	Certificate
2023	<ul style="list-style-type: none"> CPC Working Committee in Kunshan Economic and Technological Development Zone Management Committee in Kunshan Economic and Technological Development Zone 	Output Contribution Award	
2022	<ul style="list-style-type: none"> Jiangsu Provincial Department of Science and Technology Department of Finance of Jiangsu Province Jiangsu Provincial Tax Service, State Taxation Administration 	Certificate of New High-tech Enterprise	
2022	<ul style="list-style-type: none"> Safe Development and Environmental Protection Association in Kunshan Economic and Technological Development Zone 	Governing Unit	

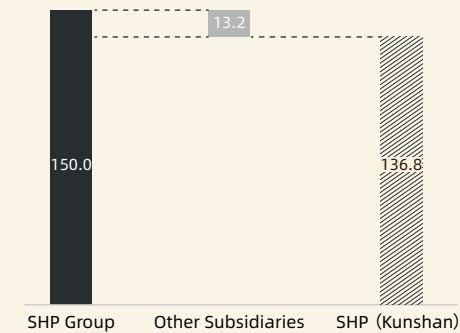
In addition, SHP (Kunshan) was rated as class A according to working requirements and rating methods specified by Kunshan Municipal Party Committee Office and Municipal Government Office in *Implementation Plan on Further Deepening Intensive Resource Reform in the Industry and Enterprise Using Comprehensive Rating*, and it is allowed to enjoy the best privilege in urban land using tax, electricity price, sewage disposal cost, pipeline gas selling price.



▼ Key performance

Government subsidies obtained by SHP Group in 2022

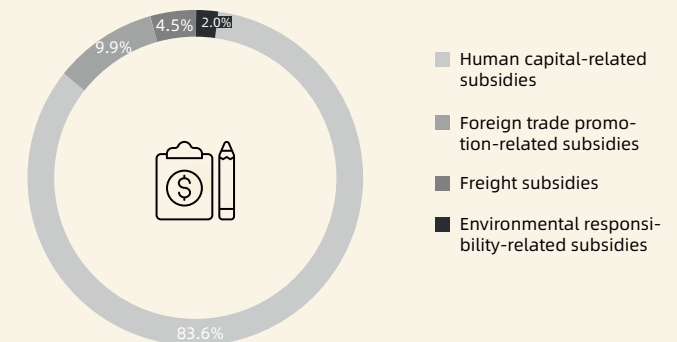
Unit: KUSD



In 2022, the administrative penalty amount involved by SHP Group is

0 USD

Unit: %



SHP Group places great importance in industrial experience exchange and sharing. We actively participate in international exhibitions to gain a deep insight into customer needs and the latest industrial trend, which also empowers us to provide optimal packaging solutions. We took part in LUXEPACK NEW YORK, Make Up in Los Angeles, China Beauty Expo (CBE), and Shanghai International Beauty and Cosmetic Expo, in which it presented its new products and innovation advantages, and discussed the cutting-edge technology with peers to learn and understand new design trend.



On-site exhibits of LUXEPACK NEW YORK, Make Up in Los Angeles, CBE

Year	Participating/awarding unit	Industrial Accreditation	Certificate
2023	China Beauty Expo (CBE)	Outstanding CBE Supplier	
2022	China Beauty iPDM Expo	China Top 100 Cosmetic Packaging Enterprises	
2022	China Cosmetics Summit	Bluerose Award - 2022 Packaging Influencer	
2022	Paris Packaging Week	PCD Innovation	

SHP Group Awards

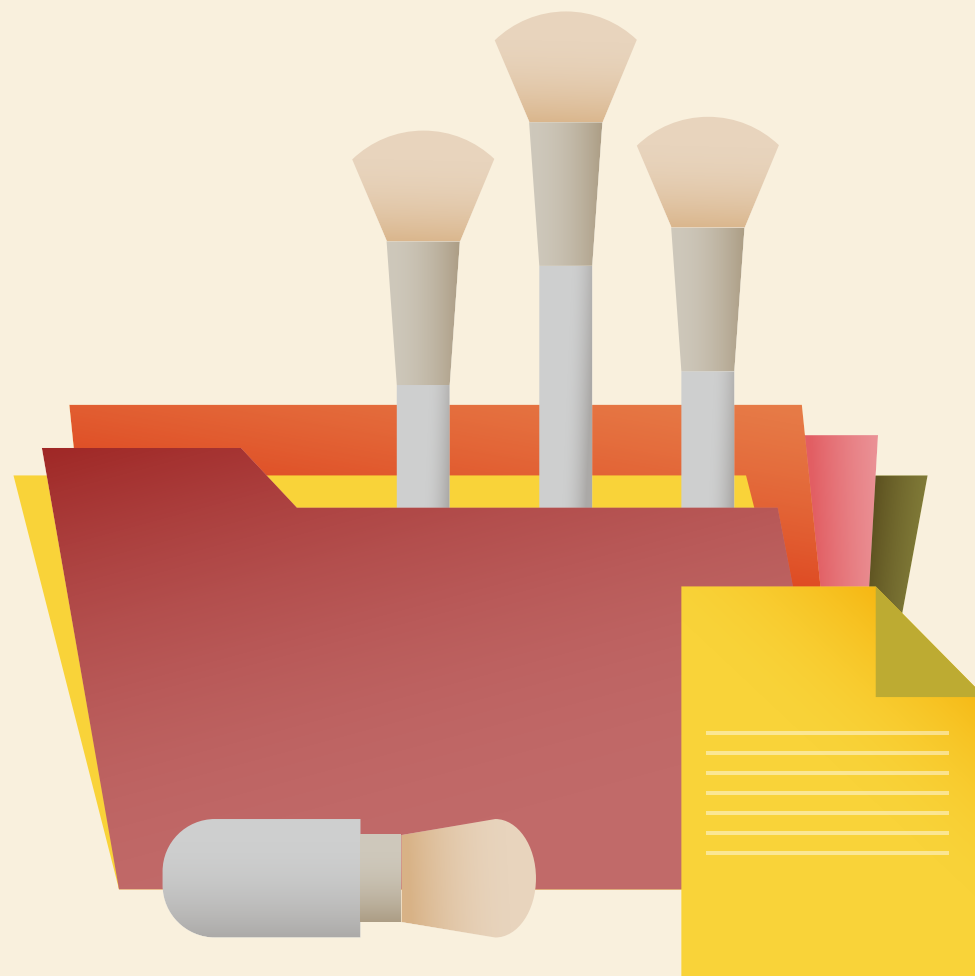
02 Governance

SDGs in this Chapter



Material issues in this Chapter

- Compliant operation
- Corporate governance
- Business ethics
- Information security
- Technological innovation and intellectual property management



2.1 Corporate governance

Anti-corruption

SHP Group, adhering to integrity and ethics, requires its employees in entirety to follow laws and regulations in places and countries (regions) where the Company is based in relative to anti-money laundering, anti-fraud, business secret protection, forbidden commercial bribes, etc. The basic anti-corruption policy is established as follows:

- Zero tolerance of any bribe, kickback, or other corruptions, directly or indirectly via a third party, including all behaviors forbidden by the in-house code and literally by laws;
- No employees are allowed to provide anyone with valuable items (including gifts, treating or entertaining) for improperly seeking or keeping business interests. Also, they can not seek or accept improper payments.

We have formulated in-house management system, including *Business Behaviors and Ethics*, *Employee Manual*, and *Commitment Letter*, and aligned ourselves with the highest business ethical standard, to regularize employees' behaviors following integrity and ethics. Anti-corruption work is directly managed by the Board of Directors and Department of Administration and Management. The work is daily monitored by the Regulatory Department, and the audit of monitoring records is carried out regularly. The compliance training against corruption is provided for staff at least once annually, all of which is designed to protect our good reputation and goodwill. See Annex Key ESG Performances for detailed training performances.

In addition, we have established a communication channel for business ethics issues and encourage employees to report relevant business ethics violations via email or the employee feedback hotline, which will be received and investigated by the top human resources supervisor or the Group's Legal Department. The whistleblower and the investigation process will be kept strictly confidential.

Indicators	Unit	SHP (Kunshan)
Number of corruption litigation cases	Case	0
Number of business ethics violation cases reported via internal or external reporter procedures	Case	0
Percentage of employees accepted business ethics training	%	100
Percentage of third-party due diligence	%	100
Percentage of operating sites that accepted internal audit or risk appraisal regarding business ethics	%	100

Business Ethics Performance of SHP (Kunshan) in 2022

Anti-unfair competition

SHP Group strictly abides by domestic and foreign laws and regulations, such as the *Contract Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China*, and the *Anti-Unfair Competition Law of the People's Republic of China*. In 2022, the Company modified policy documents to include key personnel in business, R&D (developing, molding), and critical workers from Production Technology Department in the competitive management, which is to avoid improper competition and business loss if those workers leave the Company and use its business secrets, customer resources or other specific expertise and experience they acquired when they worked here to compete with SHP Group.

In order to build an honest and fair competition mechanism and stop improper competition, we encourage stakeholders to report any clue they find related to improper competition.

Conflicts of interest

In careful accordance with the *Company Law of the People's Republic of China*, SHP Group formulates a regulation on the possible interest conflict occurring among employees. The basis policy is provided below:

- Any employee must disclose to CEO and CHRO in writing the interest conflict that may be real, potential or considered by the external as existed



During the reporting period, SHP Group surveyed 171 employees who were involved in the conflict of interest and required them to sign a disclosure sheet.

171 employees

Compliant operation

SHP Group is disciplined and operates compliantly. It improves compliant competition and in-house control systems by formulating management regulations, developing a compliance culture and preventing compliance risks. The Company collaborates with suppliers to realize compliant management and tax legally as per laws and regulations and regulatory requirements in China and other operation bases.

In the development of compliance culture, we provide regular training to enhance employees' awareness and ability to comply; in the compliance system, we surveyed 171 employees at core and sensitive positions (including procurement, development, operation, etc.) and asked them to sign a disclosure sheet in 2022, to protect the Company's interests; as for the reporting channel, we open the Ding Talk hotline and complaint email, encouraging internal and external persons to monitor and report our non-compliant operation, and we protect the reporter. The Regulatory Department will make investigations after receiving a report.

SHP Group is a globalized company, and its Mexican base hires an external local lawyer who provides professional support for its healthy operation, which is to maintain the compliant operation in an overseas plant.

Information security

SHP Group built a sound and perfect network and information security protection system for the sake of its real businesses as it viewed the protection as an important part of its development strategies, which was consistent with national laws and regulations, policies and regulatory requirements, and referred to international standards and the best industrial practice.

▼ SHP Group information security management policy



Adhere to rules and laws / Be honest and professional / Satisfy the customers
Standardize management / Guarantee security / Improve continuously

▼ SHP Group information security and privacy management target

To ensure that all confidential data (including electronic documents and discs) are not leaked, and that secrets and confidential information are not disclosed to non-authorized personnel.

Zero serious information security accident occurs every year

0 case

Important information system accessible rate is not less than 99% throughout the year

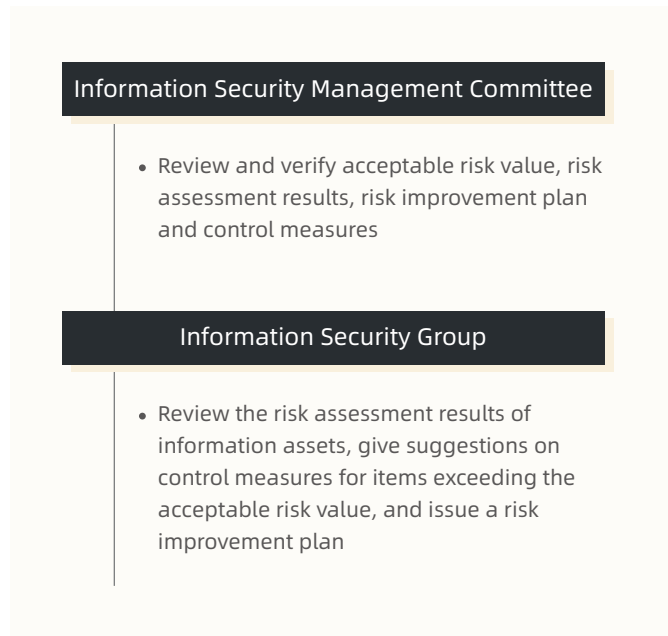
99%

Not less than 2 sessions of information security training for critical posts are provided throughout the year

2 sessions

Information security organization structure

SHP Group set up the Information Security Management Committee consisting of top managers, manager representatives and division leaders, which functions as a leading body making decisions on information security, responsible for the information security in the whole Company. The committee established a group accountable for review on information asset assessments and communication with the information asset unit in full charge, ensuring the information security work is conducted in order.



Organizational Structure for Information Security Management



Information Security Management Committee

- Be responsible for the general management and promote the enforcement
- Formulate information security policy and set the management target



Supreme managers

- Propose strategies for information security policy formulations
- Assign manager representatives and define their roles and rights
- Host the management evaluation
- Be responsible for information security in general



Manager representatives

- Assist top managers to build, practice, check and improve the information security management system
- Organize information security risk assessments and risk management
- Organize internal information security review and inspection
- Monitor information security accidents and ensure control measures are implemented



Information Department

- Survey and handle information security accidents
- Monitor the routine operation of the information security management system
- Account for the Company's network security management



Divisions

- Effectively practice information security policy, target, and strategies in the division, monitor and check
- Review and verify problems found in the internal assessment of information security management system, management evaluation, and other inspections, and take corrective and prevention measures
- Survey and coordinate information security accidents

Information security management system

With reference to the *Cybersecurity Law*, the *Personal Information Protection Law*, the *Data Security Law*, SHP Group, highly benchmarking requirements of ISO/IEC 27001:2022 information security management system accreditation, formulated policies and systems suitable for all employees, outsourcing service providers and visitors, including *Information Security Management Policy*, *Information Security Management Manual*, *Information Security Risk Management Regulations* and *Application System Management Regulations*. The Company established a full life-cycle information security management system, information security technology system, and information security operation system for better security visualization, threat detection and coordinated defense, to guarantee the Company's information security.

SHP Group provided *Instructions and Guide to Network Information Security Events*, which specifies prevention measures for working environments, office computers, account passwords, e-mails, internet use, USB use, etc. In order to avoid risks from human errors and intentional or natural hazards, the Company used systematic controls with respect to policy formulation, implementation, audit and review, organizational structure and software and hardware functions, and followed the PDCA model¹ to gradually do, reflect, optimize, rectify, and improve. It worked out an information security assessment mechanism during business expansion, research testing, and routine operation.

1. PDCA model: Plan, Do, Check and Act



SHP Group conducted information security training

Information security training was organized by the Information Department, with Business, Finance and Administration Divisions participating. In combination with such common scenarios as hacking and phishing, the training informed employees of forming security habits in daily life and explained regulations on violation punishments, designed to enhance the awareness of security and guarantee the Company's information system security.



Management and control over information security risks

For sound and orderly information security development, the Company prepared procedure documents, such as *Information Risk Evaluation and Management Procedures, Regulations on Business Continuity Management, and Information Security Accident Reporting and Risk Handling System*, completed a long-acting information security mechanism, organized regular pressure tests and drills, to effectively reduce information security risks.

The Company made real-time monitor and management of attacks and threats, bugs and weaknesses, and key security events, retrospected with weekly and monthly reports, and handled risks through a combination of prevention mechanisms, automatic warning and emergency response during the occurrence and risk tracking, identification and detecting. In addition, the Company encouraged employees to report identified suspected accidents in real time.

Target	Description	Cycle	Realized
 Vulnerability scanning (global)	Vulnerability analysis and management: identify security bugs in the system with priority ranking and provide a guide to bug fixes	Once a year	Yes
 Information security education and training	Arrange the training by division or position	Twice a year	Yes
 Intrusion and penetration testing	Sort out and analyze identified security bugs and provide a solution for each bug	Once a year	Yes
 Backup restoring test	Test the restoring of backups and ensure the availability of restored data	Once a week	Yes
 Disaster recovery test and drill	Simulate the recovery process and relevant emergency measures for disasters that occurred	Once a year	Yes
 Risk assessment and handling plan	Assessments on information asset risks and the corresponding plan to improve	Once a year	Yes
 Weekly network security operation and maintenance report	Weekly network security operation and maintenance analysis	Once a week	Yes
 Internal information security audit and review	Information security control, risk assessment and business continuity	Once a year	Yes
 External information security audit and review	Information security audit and review by external units outside of the Company	Once a year	Yes
 Management review meeting	Discussions on all processes covered in the information security management system	Once a year	Yes



SHP Group tested security of information system

SHP Group cooperated with third-party professional information security companies, such as Sangfor, Nanjing Sage Info Tech Co., Ltd., and CyberVadis, for enhanced security of information system, and accordingly, it improved the construction, management, and maintenance of its information platform and performed security evaluations. Through continuous efforts, the Company's network and information security were improved.

General availability of hardware of the server was

98%

General availability of hardware of the client was

95%

The Company passed CyberVadis's network security review in 2022, and scored 849, significantly higher than the average industrial level

849 points



First overall information security risk assessment in SHP Group

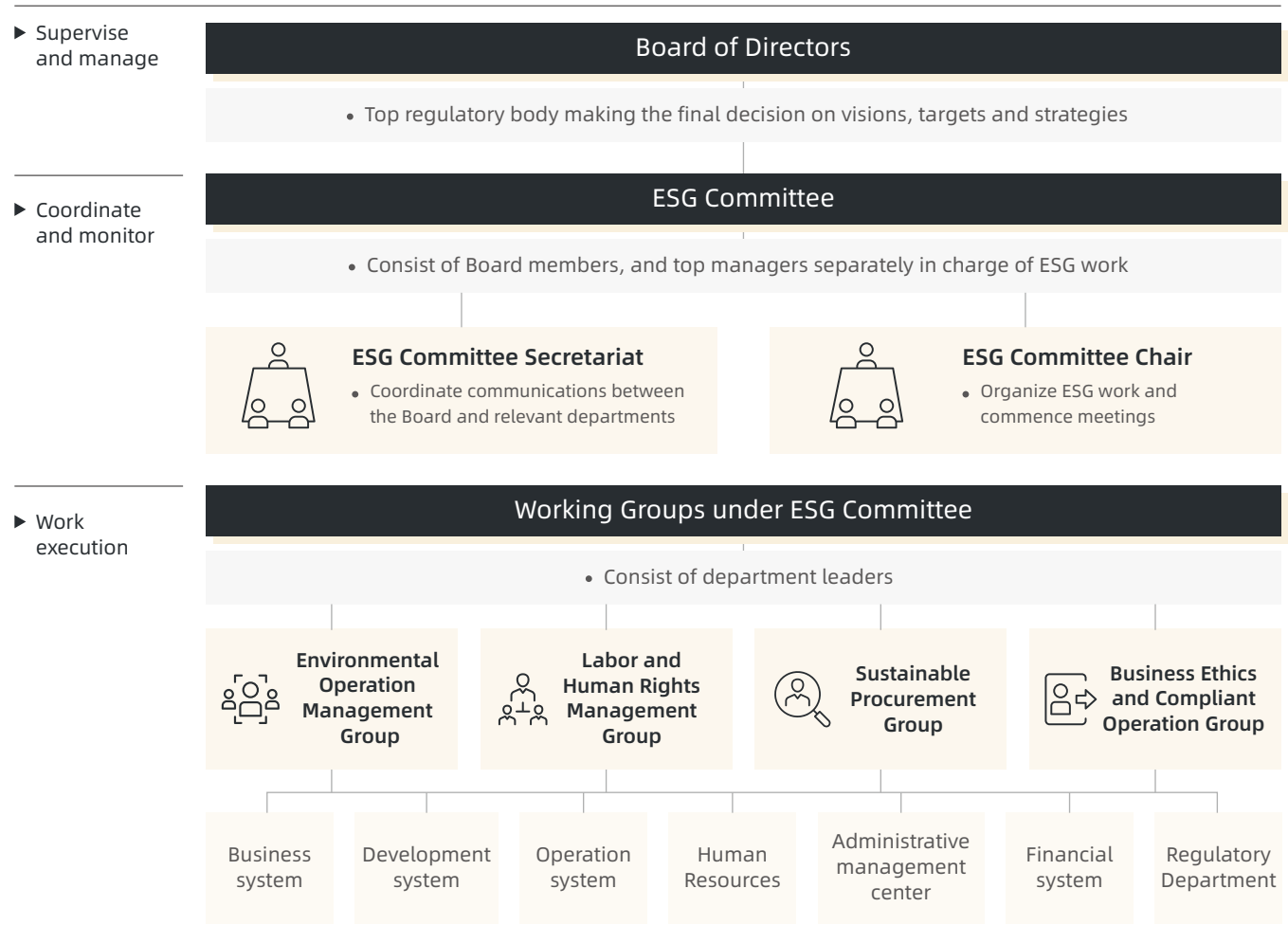
From 15 to 20 January 2023, the Information Security Risk Assessment Group headed by the Vice General President of the Company conducted an overall information security risk assessment for the first time in a combined qualitative and quantitative manner and then issued a *Report on Information Security Risk Assessment*. As shown in the result, a total of 62 Grade II and I risks were identified, all acceptable, and no serious risks were observed. In addition to corresponding controls over the identified risks, we also developed scientific assessment methods to make information security risks under control.

2.2 ESG governance

ESG governance structure

With reference to suggestions from domestic and foreign regulatory authorities and best practice examples in the industry, SHP Group determined *SHP Group's Articles of Association and By-Laws* and applicable regulatory regulations, intending to establish the top-down ESG governance structure. The structure construction and documents stating rights and liabilities are under review and discussion, which are expected to be approved by the Board of Directors and put in force in the fourth quarter of 2023.

The Board of Directors is the Company's supreme regulatory body for ESG work, responsible for final decisions made with respect to vision, targets, and strategies. The Board of Directors set up the ESG Committee as the core of the SHP Group ESG governance structure, which should practice and coordinate ESG work, monitor and examine the formulation and implementation of relevant policies, and report progress to the Board. Furthermore, the Company organized groups under the ESG Committee according to EcoVadis sustainability assessment requirements, respectively working on the four material issues: environmental protection, labor and human rights, sustainable procurement, and business ethics.



Proposed ESG Governance Structure and Functions in SHP Group

Rights and obligations of ESG Committee

Main roles



- Monitor the formation of environmental, social and governance visions, strategies and policies
- Examine the implementation (including target setting and effect evaluation, ESG performance improvement advice offering, etc.) of environmental, social and governance visions and strategies
- Review expenses on environmental, social and governance efforts
- Check the annual Environmental, Social and Governance Report and others

Main rights



- The right to delegate authority to ESG working groups and the Chair on ESG-related work
- Inspect or discuss events outside of their rights and obligations, as requested by the Board
- Obtain required training, internal and external resources and support of external experts



ESG performance indicators had been included in the CEO's salary assessment

Having been decided and approved by the Board, some ESG indicators are considered as part of CEO bonus and performance assessment, occupying 15%, mainly including:

- Annual production value (PV) per person
- Annual production value (PV) per unit
- GHG emission per unit of production value (PV)
- Water consumption per unit of production value (PV)
- Hazardous and waste substances produced per unit of production value (PV)
- Annual excessive material consumption
- Proportion of recyclable containers used
- Rate of localized parts
- Proportion of products used as a solution for PCR materials
- Proportion of products with a "3R" concept
- Proportion of disadvantaged employees
- Hours of volunteers providing services

Covering most indicators described in ESG Progress Tracking.

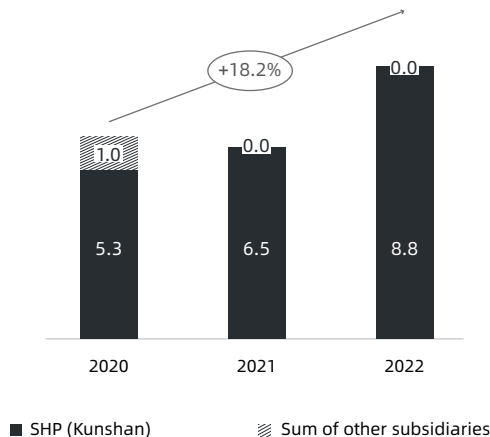
Rules of procedure and reporting process

SHP Group proposes *Rules of Procedure for the ESG Committee*, which are under review and amendment. The initial draft is as follows: a Committee meeting is required every half a year to discuss strategic ESG targets and the effect thereof; a panel meeting is necessary every two weeks for ESG Committee members, working groups, and experts so that progress can be tracked in time and adjustments are made accordingly.

2.3 Empowering innovation

Innovation in product and technology is indispensable for a company to lead the market. In 2021, SHP Group set up a Global Marketing Department and a Design Center in North America, which helped it with the product manager mechanism deeply understand the market trend and dynamics of each product, and receive consumer feedback on each product at any time that reflects needs of consumers and brands enabling the Company to dig out pain points of the product. As a result, the Company completed a close-loop product design management mechanism. In 2022, SHP Group invested \$8.8 million USD in R&D efforts in total, showing a great increase from 2021.

▼ SHP Group's R&D investment (million USD)




SHP Group R&D Investment in Innovation

With more efforts to cultivate an R&D team and foreign talent team, build a driving force based on data analysis and dependent on strong tool making capability, SHP Group is capable of product innovation, mechanism upgrading and new cooperation modes.


Strong Tool Making Capability

- > 1000 SETS OF MOLDS MADE EACH YEAR


MOLD MANUFACTURING WORKSHOP



IN-HOUSE HOT-RUNNER CAPABILITY




SAMPLE MAKING CENTER 42 FANUC IM STATIONS



Data Driven Analysis

- HARDWARE

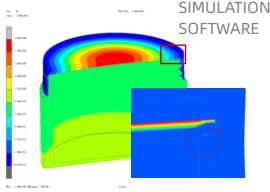
HIGH RESOLUTION MICROFOCUS 3D-CT SYSTEM




- SOFTWARE

- SIMULATION
- MOLDFLOW ANALYSIS
- DESIGN GUIDANCE

SIMULATION SOFTWARE






INNOVATION & DEVELOPMENT


Strong Team In China

- MORE THAN 300 ENGINEERS & TECHNICIANS FOR R&D IN CHINA



- >40 PACKAGING DESIGN ENGINEERS
- >50 MOLD DESIGN ENGINEERS
- >150 PRODUCTION TECHNOLOGY & SAMPLE MAKING TEAMS
- > 40 DQE & QC
- > 30 PROJECTD ENGINEERS
- 3 PATENT ENGINEERS

Growing Talents In France & US



- 2 INNOVATION EXPERTS IN PARIS
- GLOBAL DESIGN CENTER IN LA
- 3 REGIONAL ENGINEERING TEAMS (EU, US WEST, US EAST)

SHP Group Global R&D Capability

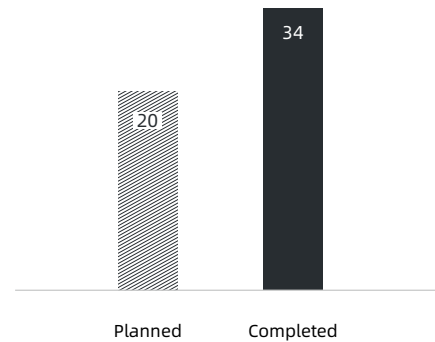
Attaching great importance to the claim and protection of intellectual property, SHP Group formulated *Intellectual Property Regulations* in accordance with laws and regulations including the *Trademark Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China*, and the *Patent Law of the People's Republic of China*, intending to encourage employees to innovate as an action to enhance the Company's core competitiveness and sustainable development. SHP Group followed *Intellectual Property Management* to highlight intellectual property at the strategic level and effectively regulate the resource management in R&D, production and operation. In June 2023, it passed the accreditation of the intellectual property system and granted the Certificate.



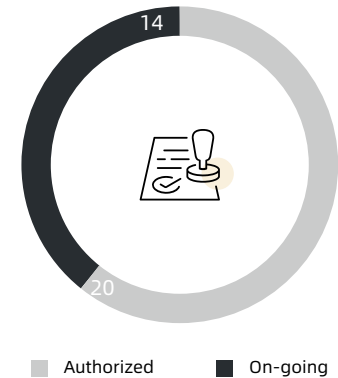
As of June, 2023, over 230 patents have been obtained cumulatively.

230 patents

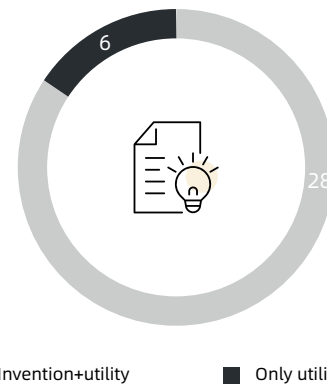
▼ Patent claim target and completion in 2022



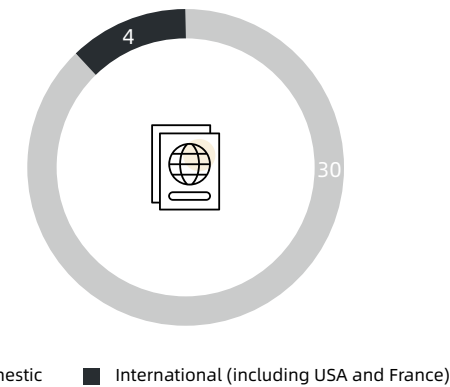
▼ Authorization in 2022



▼ Type of patent claimed in 2022



▼ Patent claimed countries in 2022



SHP Group Patent Claim in 2022

03 Environment

SDGs in this Chapter



Material issues in this Chapter

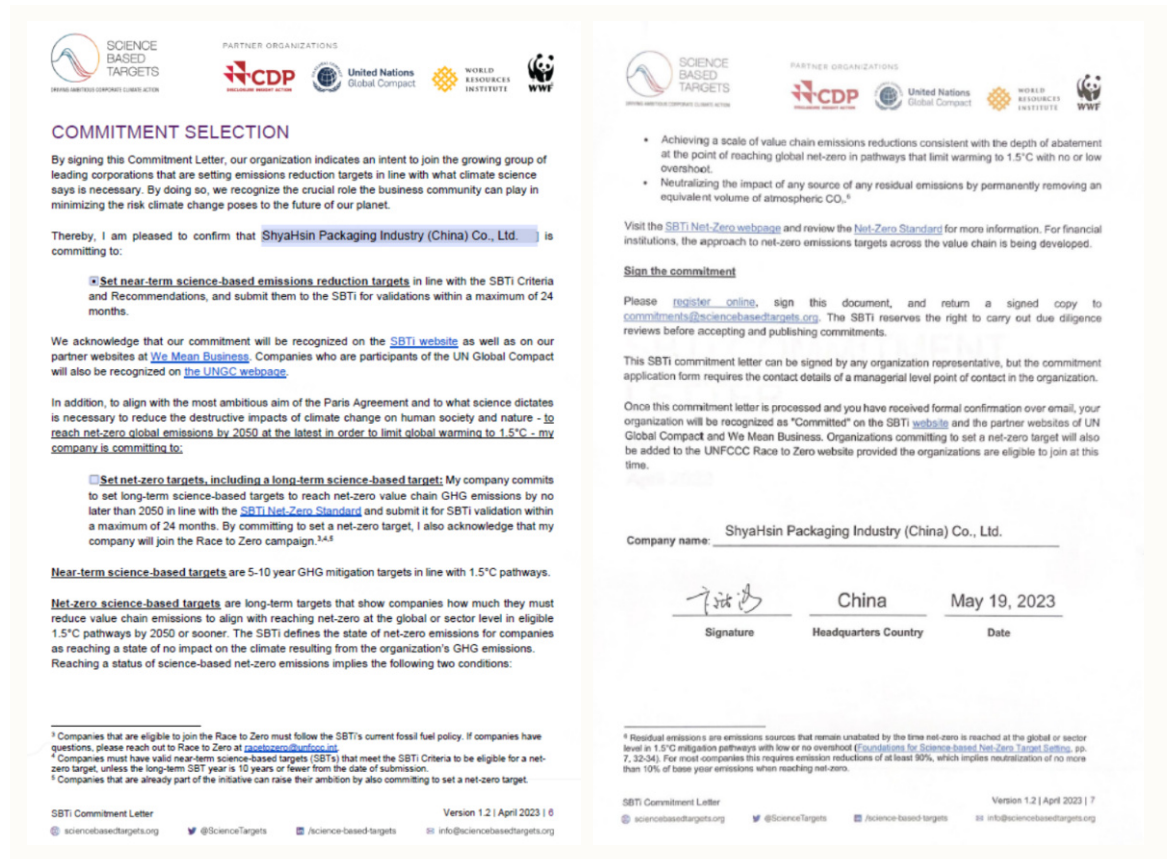
- Water management
- Energy management
- Waste management
- Management of poisonous and hazardous substances
- Actions against climate change
- Green packaging and materials



3.1 Actions against climate change

Influence from accelerated climate change is strengthened and results in irreversible consequences, which is considered by large scientific analyses as attributable to environmental deterioration and a vicious circle that together will lead to a critical point of the ecological system. Once beyond the point, de-carbonization achievements will be gone. According to *Global Risks Report 2022* by World Economic Forum, three risks to be the most serious ones in the next 10 years are “climate action failure”, “extreme weather” and “destroyed biodiversity”.

To jointly deal with climate change risks and raise the expectations of investors and clients, SHP (Kunshan) submitted the SBTi Commitment Letter in April 2023, and it plans to set near-term science-based emissions reduction targets in the next 24 months in line with SBTi Criteria and Recommendations and submit them to SBTi for validations. In addition, SHP Group is committed to a lower GHG emission per unit of production value, expected to decrease by 25% in 2025 (with 2020 as a benchmark year). See ESG Progress Tracking for target and progress tracking, and Key ESG Performances for GHG emissions performance of the subsidiary.



SBTi Commitment Letter of SHP (Kunshan)

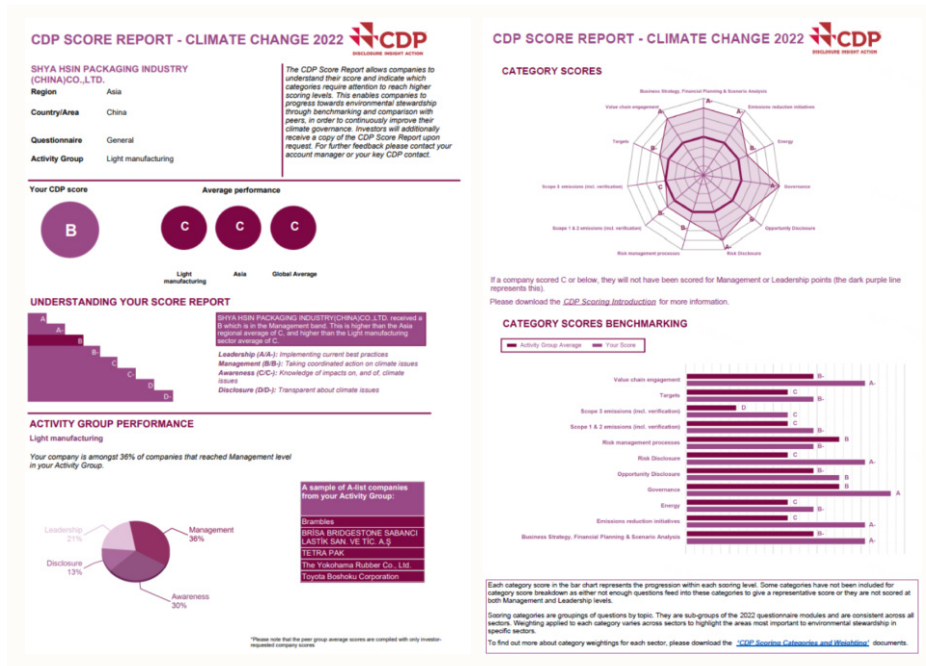
As it pays attention to the impact of production on the environment, the SHP Group actively responded to CDP climate change and water resource safety questionnaires. For climate change, the SHP (Kunshan) made significant improvements in value chain participation, corporate strategies, financial schemes and scenario analysis, emissions reduction initiative, climate change risk disclosure, etc., with its rating improved from B- to B.

SHP Group identified and managed climate risks as per TCFD recommendations and IFRS S2 climate disclosure standards released by International Sustainability Standards Board (ISSB), detailed in [CDP Questionnaire Response](#).



SHP Group suffered business continuity loss due to electricity and production limits from extremely high temperature

In July and August 2022, as the power load surged in Kunshan influenced by extremely high temperatures, the SHP Group was asked to reduce its electricity consumption through production reduction, and as a result, it lost some production capability and outputs. As internally calculated, the lost output as a result of the power limit was 0.38% of the total, with the risk under control generally. In the future, SHP Group will continue to concern with the identification and management of climate risks and weaken the impact to avoid large-scale business interruption.



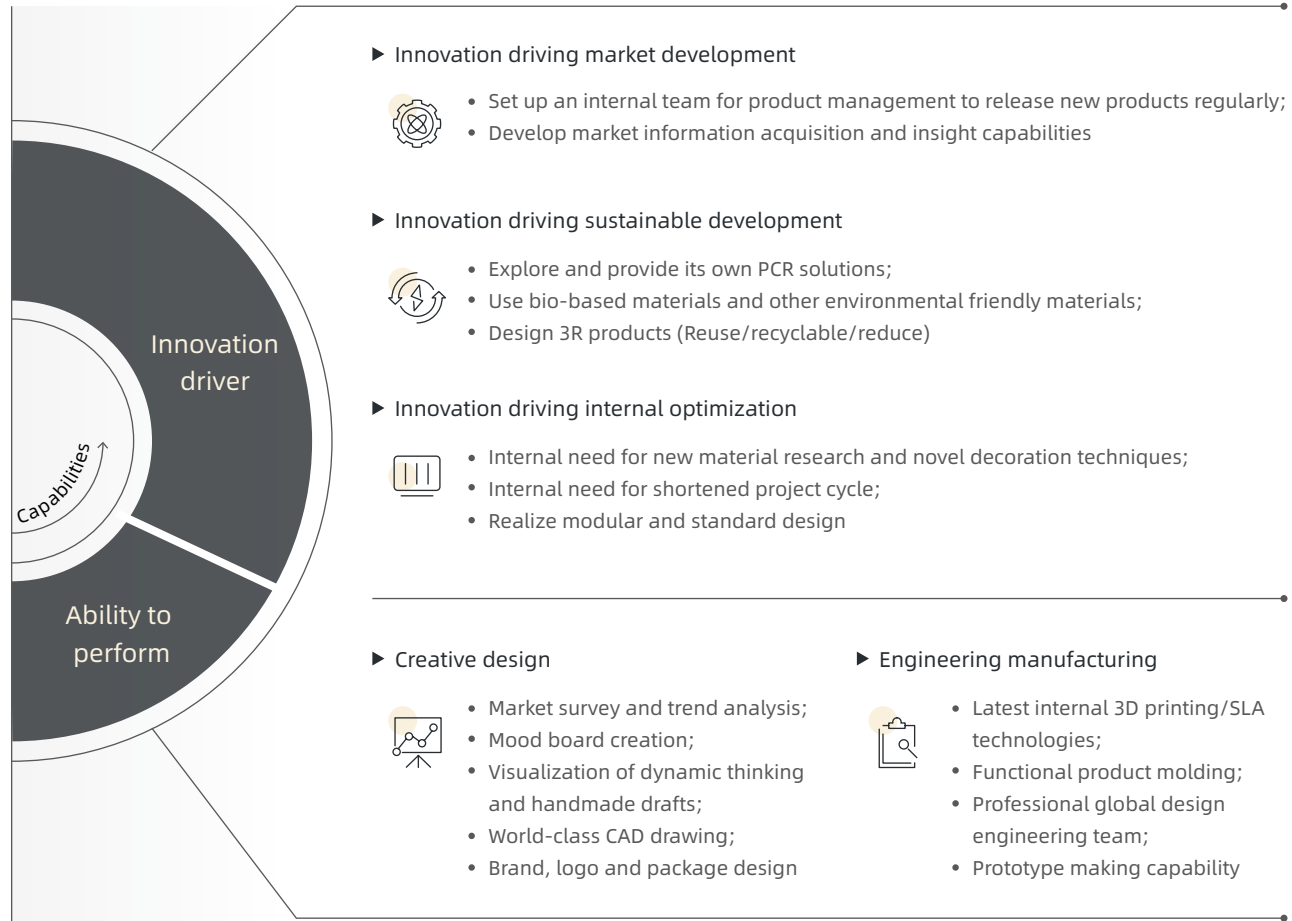
CDP Climate Change Score of SHP (Kunshan)

3.2 Green product

SHP Group sticks to the concept of environmental protection in every link of production. Starting with the product design in which the R&D innovation for sustainability is continued, the Company explores how to promote and use more green materials, and tries to reduce carbon emissions in transportation by actively advancing green logistics. In general, it practiced a circular economy and contributed to the realization of carbon emissions targets.

Sustainable innovation mechanism


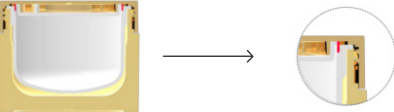








Innovation is the original force driving corporate sustainable development, also a base on which the core competitiveness is formed. Rooted in the concept of innovation, SHP Group keeps to the optimization of sustainable innovation mechanisms. In 2022, it improved and implemented incentive mechanisms, such as *R&D Management Regulations*, *R&D Investment Management System*, and *Talent Introduction Management*, and in pursuit of innovation-oriented sustainable development, it continued green product R&D to drive its sustainable development. Additionally, SHP Group focused on the development of innovation capability by means of its strong tool making capability, software and hardware data analysis capability, and excellent researchers at home and abroad, which is expected to provide a source of inspiration for product design.



Sustainable Innovation Mechanism

Sustainable design

Following the *Circular Economy Promotion Law of the People's Republic of China* and the *Law of the People's Republic of China on Promoting Clean Production*, SHP Group was active to practice with 3R (Reusing, Reducing, Recycling) principle, and continuously optimized the product design by taking into full consideration the influence of varying products on human health and environment in life cycle. In the year, the Company enriched its sustainable product choices for customers with replaceable compacts, eyebrow pencils, etc. For example, the bottle without a stopper can minimize the use of plastics compared to the traditional counterpart, with about a 50% decrease.

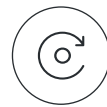
Product category	Sustainable-innovation products	Functions & Features	Sustainable design presentation	
 Skincare	Recyclable: Inner-free pots & jars	<ul style="list-style-type: none"> Liners are not used any more, and instead a plug together with an inner cap can meet the requirement of air tightness; Reducing the use of different materials is beneficial to recycling 	Profile 	 Airtight with a plug working with an inner cap
	Refillable: pen, cushion	<ul style="list-style-type: none"> Reduce refillable parts to be more environmental friendly 	Refillable pen 	Refillable PP cushion 
 Cosmetics	Recyclable: mono-material pens, sticks	<ul style="list-style-type: none"> Aluminum parts are not used any more and replaced by full-plastics, beneficial recycling; All parts are made from PP/PE materials 	Mono PP mascara 	Mono PP stick 
	Parts decreased: two-parts cushion	<ul style="list-style-type: none"> A bowknot-like structure can reduce parts 	Part I 	Part II 

Sustainable materials

With the concept of sustainable development, we carefully selected materials, which is to reduce the carbon footprints of products in the life cycle at the source. The Company promoted PCR material, bio-based materials and other green ones and provided a single-material solution. In 2022, we made certain progress in the promotion of products made from PCR material (see ESG Progress Tracking for historical data), in the following:



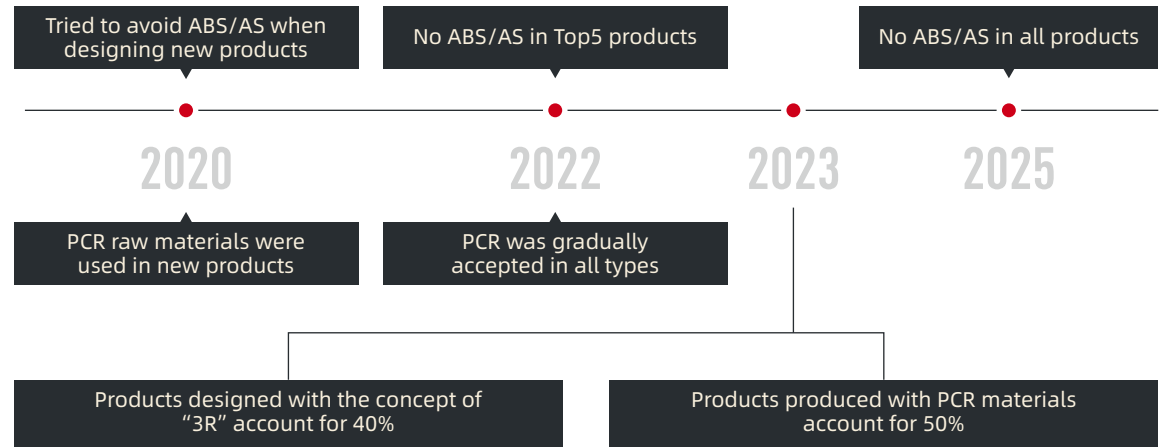
Prohibited raw materials



Recyclable raw materials



Current development



SHP Group Sustainable Materials

▼ PCR material



- Advantages
 - Sulfur dioxide is reduced by 67%; Oxynitride is reduced by 50%;
 - Water consumption in production was reduced by 90%;
 - 1.8 tons oils are saved with the use of 1 ton PCR material on year-on-year basis;
- Recycling modes
 - Chemical: monomers are produced through chemolysis;
 - Physical: collection, classification; washing; smashing; re-granulation

▼ Bio-based material



- Polymers made from farm products including castor oil and paper pulp greatly lower the dependence of production on fossil materials, thus beneficial to reduced wastes and pollution;
- Bio-based materials now used in SHP Group are: bio-based thermoplastic polyurethane elastomer, bio-based polyester, etc.

▼ Mono material

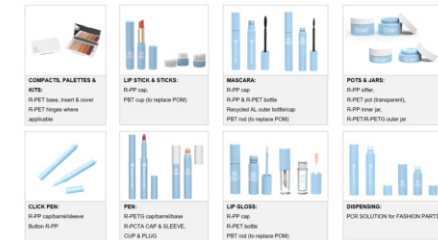


- Only one material is used in one product, and its overall recyclability can be evaluated by LCA, helping recycling of plastic waste;
- Mono materials now used in SHP Group include polyethylene, polypropylene, polyester plastics, etc.



EcoBlue, SHP Group sustainable product brand, leads green consumption

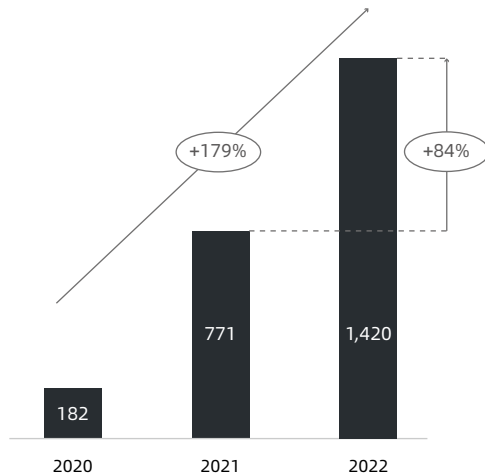
SHP Group designed sustainable product brand EcoBlue. Products meeting the requirement of sustainable development will be marked with the logo of EcoBlue. It is an action in active response to customers' need for sustainable products and also a guide for consumers to concern about the environmental impacts and sustainable nature of products when they make a choice, which promotes green consumption. At present, EcoBlue covers products made from a single material, such as PET lipstick, PP lipstick, PP deodorant cream, PP pots or jars, PP mascara, etc.



▼ Key Performance

Since PCR material was promoted as a substitute for ABS in 2020, PCR has been used increasingly more with every year passing, now the main growth point as a green material of SHP Group.

■ PCR usage (ton)



In 2022, the amount of PCR used reached

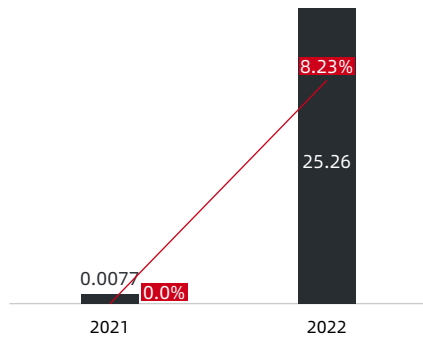
1,420 tons

increasing by 179% of the compound annual rate and 84% year-on-year, which accounted for 10.10% of plastic granules

179% 84% 10.10%

■ PCR revenue (million USD)

— Ratio of PCR revenue in total (%)



In 2022, the sales of PCR products were up to 25.26 million USD, 8.23% of the total

25.26 million USD 8.23%

In the future, SHP Group will continue to expand the types and sales of sustainable products.



3.3 Green production

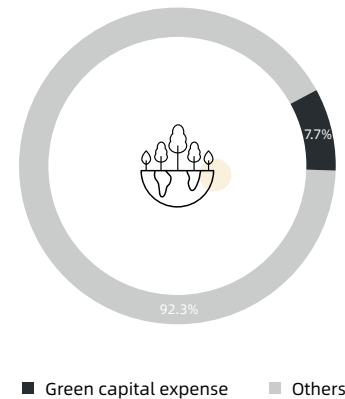
Abiding by the Environmental Protection Law of the People’s Republic of China and ISO14001: Laws and Regulations and Criteria 2015, SHP Group keeps to the improvement of the environmental management system. Environmental Operation Control Procedure, Environmental Factors Identification and Evaluation Procedure, Potential Risks Identification and Management, Environmental Emergency Response Plan, and other policies are put into effect in routine production management so that direct or indirect influence on the environment may be found and corresponding measures are taken with the assessment of influence to control environmental risks and achieve better environmental performances.

Furthermore, SHP Group has begun to prepare for green projects since 2020 in the endeavor to transition to a green economy. In 2021-2022, the Company spent 1,352 KUSD in green investments in total¹, accounting for 7.7% of the total expenses during 2021 and 2022. In the future, it will continue to invest more in the sector and contribute to national “dual carbon” goals. The Company’s investments in environmental protection over the past three years are provided as follows, where SHP Group invested 1,382 KUSD and SHP (Kunshan) invested 823.2 KUSD².

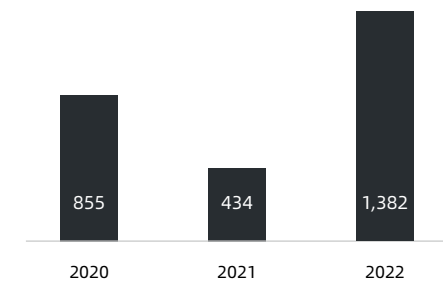
To be compliant with environmental protection, SHP Group prepared its environmental protection filing in 2022 as follows:

- CT machine (X-ray computed tomography) was permitted with a radiation license and environmental impact evaluation was responded
- Environmental emergency plan was re-filed
- SHP (Kunshan) resubmitted the filing of Pollutant Discharge Permit
- Potential soil contamination identification was filed

▼ SHP Group ratio of capital expenses during 2021-2022



▼ SHP Group’s investments in environmental protection in the past three years (KUSD)



1. Expenses on energy conservation transformation, photovoltaic equipment, green products, etc., to help the company achieve the green transition

2. SHP Group subsidiaries investments in environmental protection cannot be split in 2020 and 2021, so only the data of SHP (Kunshan) is provided here

Energy management

→ Energy saving and emissions reduction

For “efficiency increased, quality guaranteed, costs controlled, energy saved and revenues raised, better logistics service after production”, SHP Group established and upgraded management systems. With such systems as Energy Management Post Accountability, Energy Counting Management, Energy Quota Management, Energy Statistics Management, and Reasonable Energy Use Management in place and improved, functions by post are defined clearly, and energy use is regulated, in a comprehensive manner for higher use efficiency and management level. Energy targets and progress tracking of SHP Group are presented in ESG Progress Tracking and the energy consumption performance of the subsidiaries in Key ESG Performances.

SHP Group has determined the energy quota management system linked with the performance and bonus assessment.

- Energy is assigned by division with quota indicators
- According to the energy use evaluation performed at the end of a year, the department using excessive energy is punished with its basic bonus deducted, and those saving energy are rewarded with more bonuses (more rewards but fewer punishments)



System and procedure documents

- Management on Energy Conservation, Lower Consumption and Emissions Reduction
- Energy and Resource Management Procedure
- Energy Management Post Accountability
- Energy Measurement Management System
- Energy Quota Management System
- Energy Statistics Management System
- Reasonable Energy Use Management



Actions

Company

- Set up a energy saving group
- Set target of energy consumption ratio in three years
- Promote the application for “green plant”
- Accelerate the improvement of energy saving equipment
- “Delixi” monitoring system

Employees

- Energy saving promotion week
- Energy saving month/annual summary meeting
- Energy saving and emissions reduction training
- Awarded energy saving activity



Energy conservation management and improvement projects

- CarbonLens energy management system
- Compressed gas system improvement
- Air conditioning system optimization
- Photovoltaic project
- Injection molding machine upgrading
- Spraying improved to save energy
- Cooling tower added water temperature induction control



Achievements of emission reduction

- --
- 224 tons standard coals per year
- 165 tons standard coals per year
- 222 tons standard coals per year
- 299 tons standard coals per year
- 274 tons standard coals per year
- 82 tons standard coals per year



SHP Group used CarbonLens digital energy management platform to comprehensively optimize data collection and management

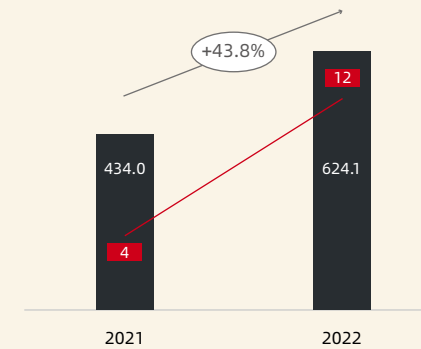
CarbonLens digital energy management platform was introduced in 2022, which functioned to comprehensively increase data collection efficiency with multiple and flexible ways like automatic collection, bulk import, and connection with API data that avoid disadvantages of human collection - low efficiency, poor accuracy, etc. On the platform, SHP Group calculated and analyzed carbon data to timely grip realities of energy consumption and carbon emissions, according to which it can plan a reasonable carbon neutralizing pathway for the smooth realization of energy saving emissions reduction targets.



CarbonLens Digital Energy Management Platform used in SHP Group

▼ Key performance

- Benefit of energy saving (KUSD)
- Number of energy saving projects



Since 2021, SHP Group has completed 11 energy saving projects

11 projects

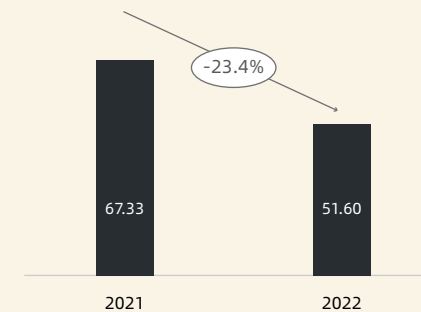
saving a total of

12.80 million kWh

equivalent to the standard coal of

1,500 tons per year

- Ratio of energy consumption and production value (tons of standard coal/ million USD)



→ Clean energy

In response to the *Implementation Plan for Promoting High Quality New Energy Development in the New Era* released by the government, SHP Group actively developed photovoltaic power to gradually replace traditional energy in the principle of “developing according to local situations, using clean and efficient energy, scattered distribution and utilizing resources in proximity”, with green and low-carbon production as a general target. SHP Group hopes to reduce carbon emissions in the Company and in per unit of output largely through the use of clean energy.

Visions are:

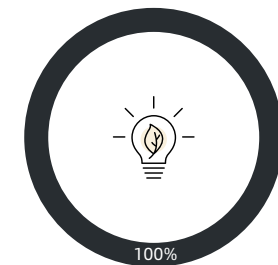
- Clean energy used cumulatively in 2022 to 2025 will reach 25,000 MWh
- By 2025, the ratio of clean energy used will be up to 25%



In August 2022, SHP Group photovoltaic power project was put into practice in Kunshan, totaling 7.63MW, which mainly supports the electricity use in plants of SHP (Kunshan). However, the project is deeply limited by the effective seasonal lighting time, resulting in the fact that the effective power generation in July and August is about 2 times as much as that in November and December. The maximum daily power generation is 30,000 kWh, 10% of SHP (Kunshan) consumption in one day.

In October 2022, another photovoltaic power project was launched in SHP (Cixi) and operated in April 2023. The sum of SHP (Cixi) power consumption from April to June was 97,713 kWh (all photovoltaic), which was calculated based on its actual power generated in the period, consumption in the plant and power used for the network, achieving 100% utilization and integration of photovoltaic power from April to June, with surplus photovoltaic power being sold to the grid. A revenue was achieved with green electricity. It was the first time that SHP Group succeed in satisfying the electricity used by the plant in a single region with 100% green power, a milestone in its transformation to a low-carbon economy.

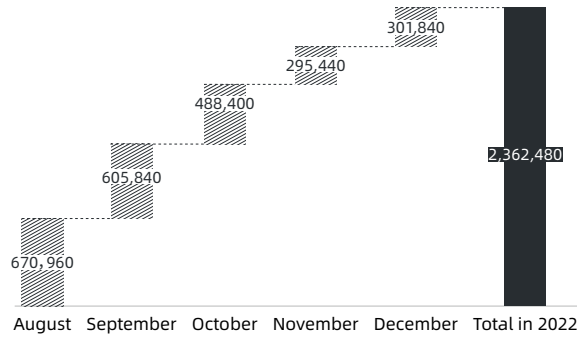
▼ Use of green power in SHP (Cixi)



■ Ratio of used green power Note: April to June, 2023

▼ Key Performance

SHP Group photovoltaic power in 2022



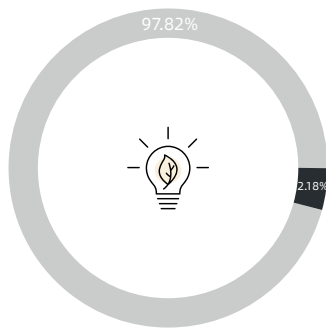
Since the photovoltaic power supported the network in 2022, 2,362,480 kWh power was generated

2,362,480 kWh

making up 2.18% of SHP (Kunshan) consumption

2.18%

Use of green power in SHP (Kunshan) in 2022



■ Ratio of green power used ■ Non-green power

In the future, photovoltaic equipment in Kunshan will operate for the whole year and meet nearly 7% of the power used in the region annually

7%

expected to lower 5,400 tons of GHG emissions

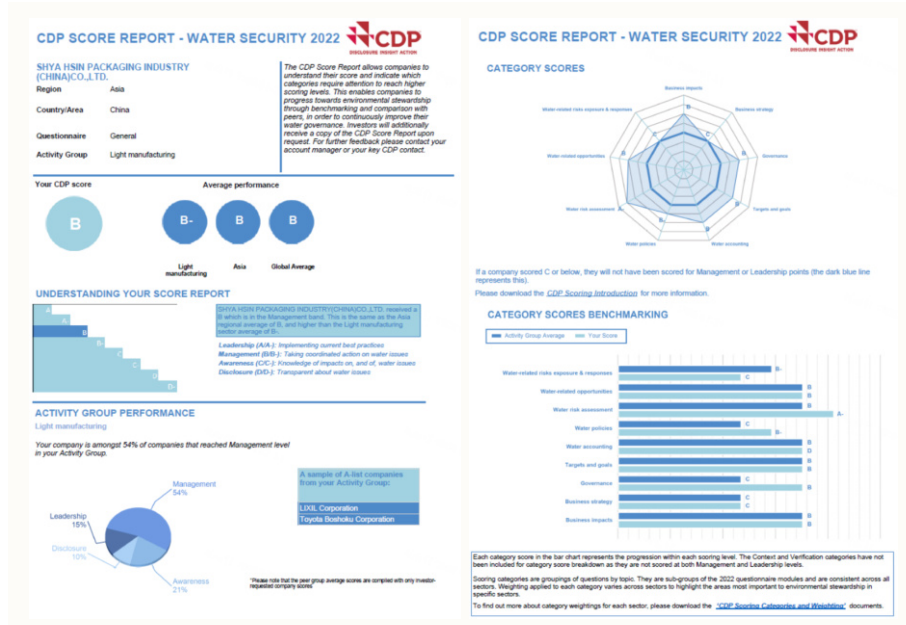
5,400 tons



Water resource management

Putting emphasis on the sensible planning and use of natural resources, the Company modified *Measures for Energy Conservation, Emission Reduction, and Consumption Reduction Management*, and *Energy and Other Resources Management Procedure* by referring to the *Law of the People's Republic of China on Energy Conservation*, and sped up the realization of energy conservation and lower consumption by enhancing its management over raw materials, water resource, power energy.

Water resource management is a material issue of concern in the interest of SHP Group and its stakeholder. The Company set a water consumption target per unit of production value, reported to the Board quarterly, tracked the progress in real time (detailed in ESG Progress Tracking), and assessed water risks periodically. Moreover, the Group also participated in the CDP water resource safety survey and improved its management capability according to the result. Pleaser refer to [CDP Questionnaire Response](#) for detail.



CDP Water Safety Score of SHP (Kunshan)



First self-assessment of water use in SHP (Kunshan) to guide its future management

In June 2023, SHP (Kunshan) made the first self-assessment of its water use as per the *Law of the People's Republic of China on Water Conservation*, *Law of the People's Republic of China on Promoting Clean Production*, *Circular Economy Promotion Law of the People's Republic of China*, *Regulations of Jiangsu Province on Water Conservation*, *General Rules for Corporate Water Approval Technology (GB/T 17166-1997)*, *Guide to Water-conserving Enterprise Assessment (GB/T 7119-2006)*. SHP (Kunshan) made a comprehensive evaluation of the water system, water management and water use, and sought improvement opportunities. As discovered in the evaluation, management here met the basic requirement of the *Guide to Water-conserving Enterprise Assessment (GB/T 7119-2006)*, but more efforts were needed in water counting.

Based on the self-assessment, SHP Group plans staged water conservation in the future, as follows:

- Reach a consensus on water conservation by starting with management system upgrading and quota assessment
- Gradually invest more in optimizing water-saving equipment to lower consumption and raise the utilization efficiency

The waste water generated during the spraying process is treated internally by the Group and is recycled for internal use after it meets certain standards, without being discharged externally. SHP Group upgraded the spray coating wastewater treatment facilities to decrease the content of COD, suspended matters, etc. in used water. After the disposal, COD was reduced from 200,000 to 10,000 mg/L and suspended matters from 5,000 to 300 mg/L, combined with other indicators reduced at different levels.



SHP (Kunshan) entrusted an external third party to test the company's sewage and rain to learn the company's water treatment condition

In April of 2023, SHP (Kunshan) entrusted an external third party to conduct the regular sample and test of the company's sewage and rain, which included tests for pH value, COD, suspended matters, ammonia nitrogen, total phosphorus, animal and vegetable oils, etc. And the test result shows that all said aspects meets standards for sewage.

检测报告

污水检测组

检测项目	生活污水南 C2023041415-W001	生活污水北 C2023041415-W002	标准限值	执行标准
pH值 (无量纲)	7.1 (水温 19.2°C)	7.0 (水温 19.1°C)	>6.9	
化学需氧量 (mg/L)	138	101	<500	
悬浮物 (mg/L)	7	7	<400	
氨氮 (mg/L)	12.2	38.2	<45	污水厂接管标准
总磷 (mg/L)	4.21	2.90	<8	
总氮 (mg/L)	13.6	40.1	<70	
动植物油类 (mg/L)	0.78	0.88	/	
样品描述	瓶装、异味、微浊	瓶装、异味、微浊	/	/
备注	/	/	/	/

检测项目	厂外综合雨水排出口 C2023041415-W003	标准限值	执行标准
pH值 (无量纲)	7.0 (水温 19.3°C)	>6.9	
化学需氧量 (mg/L)	110	<500	
悬浮物 (mg/L)	5	<400	污水厂接管标准
氨氮 (mg/L)	0.306	<45	
总磷 (mg/L)	0.06	<8	
样品描述	无色、无味、微浊	/	/
备注	/	/	/

检测报告

雨水检测组

检测项目	南车棚雨水排出口 C2023041415-W004	甲台西侧雨水排出口 C2023041415-W005	厂外综合雨水排出口 C2023041415-W006	标准限值	执行标准
pH值 (无量纲)	6.9 (水温 18.5°C)	6.8 (水温 19.2°C)	6.9 (水温 19.4°C)	6.9	
化学需氧量 (mg/L)	9	11	21	<50	
五日生化需氧量 (BOD ₅) (mg/L)	2.1	2.6	5.0	<6	GB 3838-2002 (地表水环境质量标准) 表 IV 类标准
氨氮 (mg/L)	0.438	0.370	1.38	<1.5	
总磷 (mg/L)	0.27	0.05	0.28	<0.3	
悬浮物 (mg/L)	6	6	6	<60	
样品描述	无色、无味、微浊	无色、无味、微浊	无色、无味、微浊	/	/
备注	/	/	/	/	/

检测项目	原数据		平行样		加标回收		空白样	
	检测值	测得值	数量	相对偏差(%)	数量	回收率(%)	数量	数量
pH值 (无量纲)	7.036005	7.36	/	/	/	/	/	/
化学需氧量	(27.8±2.3) mg/L	29.0mg/L	2	0.0-1.1	/	/	/	3
氨氮	(92.9±5.0) mg/L	93.3mg/L	2	0.8-1.0	1	99.0	2	
总磷	/	/	2	1.7-3.7	1	102	2	
总氮	/	/	2	0.4-1.2	1	97.0	2	

Sewage Test Report of SHP (Kunshan)

Rain Test Report of SHP (Kunshan)

Waste management

As per laws and regulations, including the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes*, *Manual of Jiangsu Province on Standardized Management of Hazardous Wastes*, SHP Group regulated its waste management in four dimensions - waste collection, storage, disposal and reuse with its policies such as *Waste Classification and Disposal Management*, *Management Procedure of Hazards Identification and Risks Assessment*, and *Hazardous Waste Management*, which promoted “reduction, recycling and hazard-free handling” of solid wastes. Output targets and progress are detailed in ESG Progress Tracking.



Waste collection

- Collect and manage wastes in a classified manner, i.e. common recyclable waste, common unrecyclable waste, recyclable hazardous waste, unrecyclable hazardous waste;
- Formulate the *Waste Storage Time before Withdraw* according to waste classification, and manage classified wastes strictly as required



Waste storage

- Arrange hold zones respectively for common waste, hazardous waste, and household waste;
- Recyclable hazardous waste and hazardous waste are stored by classification in labeled zones for temporal storage and weighed by classification for registration



Waste disposal

- Recyclable general waste is entrusted to qualified organizations for recycling and processing
- Non-recyclable general waste (household garbage) is entrusted to the local environmental sanitation authorities for disposal, with regular daily morning collection
- Kitchen waste is collected and removed by a qualified unit who should contract with us, which is filed in the municipal environmental sanitation authority



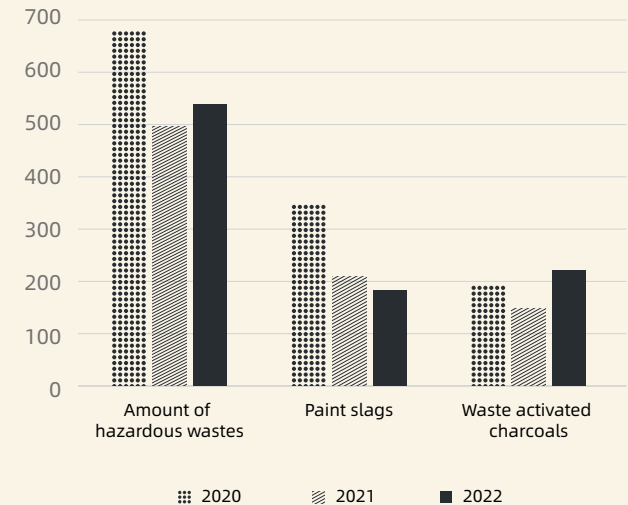
Waste reuse

- Establish a recycling mechanism to reuse waste packaging materials in the plant;
- Determine the circulation number of packaging discs (PSP disc, PP disc, PET disc, etc.) in the plant and reuse if no contamination;
- Reduce and reuse self made product waste, and reuse the off-cuts from the uncontaminated product after they are reprocessed

▼ Key performance

SHP (Kunshan) paid attention to the management of water, gas and solid wastes (three wastes), the related performance in the past three years is presented in the following

Amount of hazardous wastes produced in the recent three years (tons)



Paint slags produced in 2022 were reduced by about 47% from 2020 through routine check and rectification, slag drying, etc.

47%


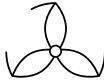

More frequent replacement of activated charcoals in the paint-spraying line contributed to an increase of hazardous wastes by about 70 tons in 2022 from 2021.

70 tons

Pollutants discharge management

As required by the *Environmental Protection Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, SHP Group disposes pollutants compliantly. To be specific, it monitors pollutants in real time by cooperating with the third-party specialty environmental management enterprise, and tests noises, waste water, waste gas, and soils externally, in order to know the pollutant generation in the Company timely and take action against their effect on the environment.

SHP (Kunshan) was actively responding to pollutants discharge requirements. In June 2023, the Scheme of Self Pollutants Monitoring it formulated regulates how to monitor on its own and observe waste gas in time, and it tried to minimize the impacts of pollutants on the environment with the most effective approaches made for newly generated waste gas.

Category of emissions	Types of pollutants	Disposal
 Waste water	COD (Chemical Oxygen Demand), suspended solids, etc.	Recycled first and then disposed of as hazardous waste instead of discharge
 Hazardous waste	Waste activated carbon, waste engine oil, sludge, waste paint residue, etc.	Disposed by a qualified third party
 Waste gas	Xylene, particulate matter, non-methane volatile organic compounds, nitrogen oxides, sulfur dioxide, ethyl acetate, butyl acetate, etc.	Discharged via 15M exhaust funnel when meeting the standard after absorbed by activated charcoals and treated with RTO equipment



SHP Group rectified its waste gas disposal facility to improve efficiency

In 2022, the Company rectified the facility handling spraying waste gas. The original equipment of “watering + absorption with activated charcoals” was replaced by a new one in which spraying waste gas can be directly burnt in RTO and the emission level is achieved below 40 mg/m³ in the end disposal, less than 60 mg/m³ for NMHC (non-methane hydrocarbon) emission that is required in *Overall Emission Standard of Jiangsu Province for Atmospheric Pollutants*. In addition, the Company changed the original collection mode to partial point-to-point collection for a higher VOCs collection and disposal efficiency in the sample making workshop, and added Grade II activated charcoals at the end that help treated wastes satisfy the standard.



Spraying Waste Gas Disposing Facility



Waste Gas Disposing Facility in the Sample Making Workshop



SHP Group studied and proved the accessibility of aqueous coating for VOCs discharge control at the source

To further reduce pollutants discharge in the process, SHP Group focused on studying more environmentally friendly spraying process, i.e. aqueous coating that is more advantageous than traditional solvent coating:

- Not inflammable, explosive, or hazarously transported, so occupational health can be guaranteed for personnel
- Reduce 80-90% of VOCs to realize control over VOCs at the source
- Possible to forego VOCs exhaust treatment, thereby saving a portion of the treatment costs
- Each kilogram of aqueous coating can lower an average of 1.5 kg GHG emission in the full life cycle

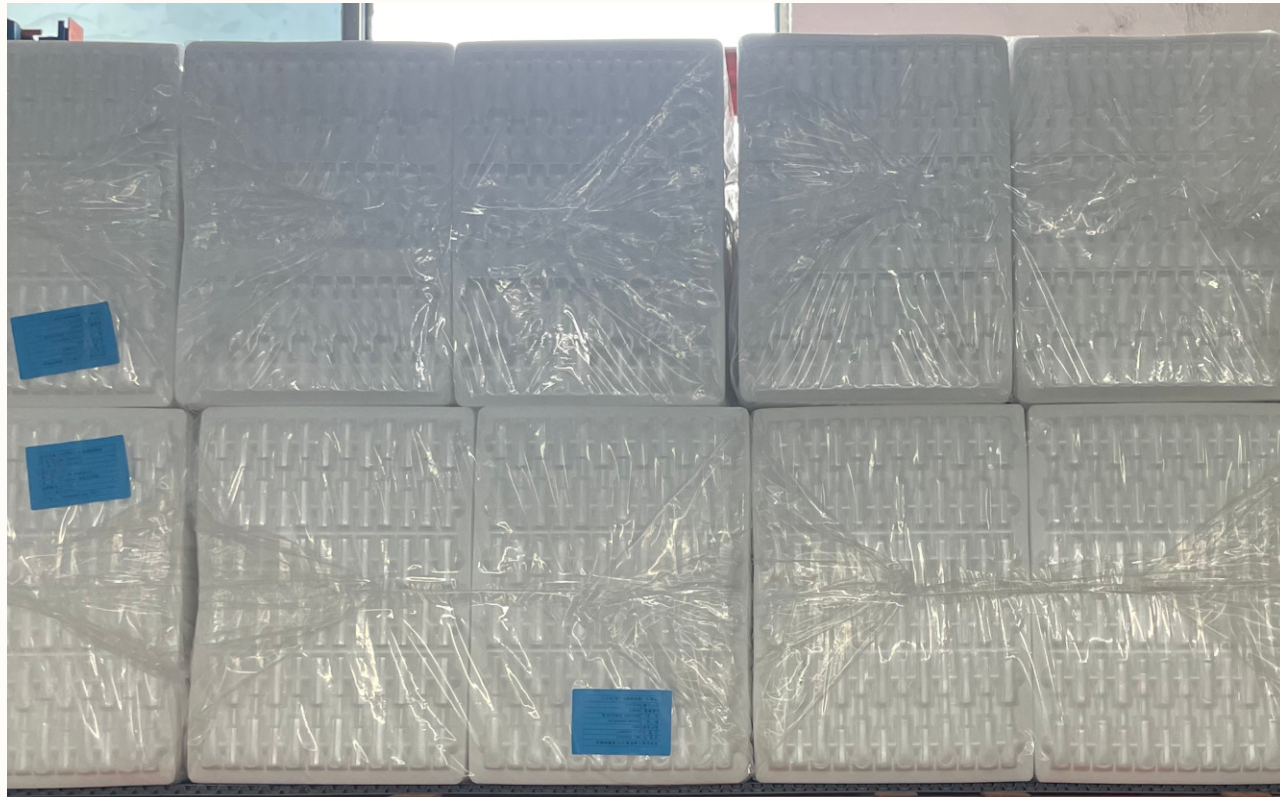
The aqueous coating can be used for parts of make-up products (tube-like parts, pen), skincare containers (bottle, jar), etc. Now the project is under early argument and exploration, and SHP Group will track the accessibility in the future and tries to invest in the launching as soon as possible.

3.4 Green logistics

SHP Group strives to develop green logistics as it is committed to low-carbon transportation for environmental protection. Firstly, we reduce waste and environmental pollution due to over packaging by figuring out how to package and what materials are used, through the internal and external linkage between Development, Procurement departments, suppliers, and customers. Furthermore, we use more environmentally friendly turnover boxes, recycle packaging waste, and continuously optimize the recycling and reuse mechanism, which are practical actions to assist in energy conservation and carbon emissions reduction in the logistics.



Recycle Box



In-house Produced Reusable Corrugated Board

3.5 Green office

SHP Group advocates a green office and practices the concept of environmental protection in all links. To be specific, employees are encouraged to save water and electricity from the start so as to avoid waste; when selecting office equipment, we prioritize environmentally friendly and energy-saving types. Furthermore, a paperless office is promoted by continuously improving online office systems such as paperless transmission and approval process. In addition, the Company established a reward and punishment mechanism for green behaviors, as a method to increasingly enhance employees' awareness of green office. In general, we practically act to contribute to energy conservation and carbon emissions reduction.



Less electricity consumption

- Reduce the use of lighting instruments, for example, turn off lights when leaving



Water conservation

- Not leave the tap running when unused;
- Timely report leakage, soak, etc., and repair the reported equipment



Less waste

- Use less ballpoint pens, and disposal markers for which only cartridge not shell is replaced



Advocate to open the air conditioner less

- One hour less in one day;
- Stop the use when temperature is below 28°C in summer and above 12°C in winter

Temperature setting

- Not too low in summer (not lower than 26°C);
- Not too high in winter (not higher than 20°C)



Advocate the paper-free office

- Document drafting, modifying and reading via electronic media;
- Print on both sides

Advocate digital office

- Ding Talk;
- AliMail;
- Xiekeyun - online supply chain management

04 Product and Service

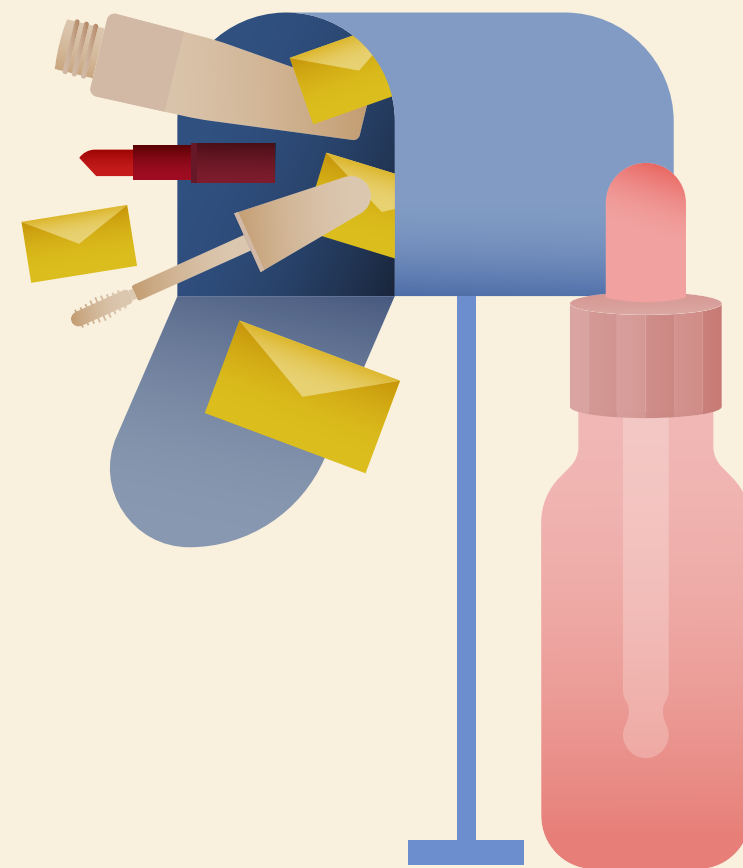
SHP Group develops and upholds a core concept of “quality first, all for customers”, which guides it to continuously strengthen product quality control and supply chain management and carry out digital supply chain integration through continuous optimization of quality management procedures. It acts to raise product quality management capabilities and supply chain management efficiency on a fundamental basis. Take customer opinions and suggestions as a guide to optimize and upgrade our products, we insist on better customer privacy protection policies and customer complaint mechanisms as we try to seek long-term development jointly with customers to whom high-quality services are always provided and create long-term value with excellent quality.

SDGs in this Chapter



Material issues in this Chapter

- Product responsibilities
- Supply chain management
- Services for customer



4.1 Product quality control

Product quality is the lifeline of SHP Group. Strictly abiding by the *Law of the People's Republic of China on Product Quality*, the Company continuously optimizes its quality management system, and supervises plants in all subsidiaries to act with *Quality Manual* and *Sample Making Management Measures*, all for strict product quality control.

Quality management

SHP Group manages its product quality with the PDCA principle and "three NOs", which is to incorporate customer complaint rate, rejection rate, etc., in the quality assessment in plants. At the same time, OQC and QRQC procedures are initiated to achieve synchronous improvement of product quality and management level.



Reject unqualified products

- Products must be tested for their quality before processing and unqualified products processing will be stopped and will be analyzed to find out the cause for correction



Produce no unqualified products

- Produce in strict accordance with SOP to ensure the processing quality of products



Un-market unqualified products

- Any defective products, once produced, must be recalled and production is stopped

Principle of "three NOs"

The Company attaches great importance to product quality and reputation. In 2022, it optimized the quality control process with a series of measures and integrated the process into the whole process from product development to sales. See details below:

	Development	Production	Sales	
	Quality control integrated in the development phase	Quick Response Quality Control (QRQC)	Outgoing Quality Control (OQC)	
▶ High-lighted work in 2022	<ul style="list-style-type: none"> • That quality control was integrated in the development phase can deal with some risks in advance 	<ul style="list-style-type: none"> • QRQC application was promoted to quickly respond to and handle abnormalities in production and manufacturing, saving energy 	<ul style="list-style-type: none"> • OQC was introduced in October, allowing an open-box inspection for customers 	
▶ Key performances		<ul style="list-style-type: none"> • As of June 2023, 96.2% problems have been solved, increased by 2% from 2022 	<ul style="list-style-type: none"> • In 2022, the ratio of "customer complaint +feedback" was decreased to 0.66% 	
▶ Quality control capability construction	<ul style="list-style-type: none"> • PLA audit • QRQC 	<ul style="list-style-type: none"> • 150 key products audit • GP-12 	<ul style="list-style-type: none"> • Quality board • OQC team 	<ul style="list-style-type: none"> • Workshop Quality Manual • Process optimization team



SHP Group analyzed customer complaints to find out the root and improved product quality at the source

In 2022, SHP Group analyzed and tracked where customer complaints of quality came from and found that 93% of complaints were from poor process management, and 63% from improper operation, which was the main cause. Now the Group has made improvements through the following measures:

- Set a complaint control goal and link it with the performances of the personnel involved
- Establish an effective on-job training mechanism to train as per SOP and corresponding education
- Improve on-site management tools, such as LPA, 5S, quality warnings and board, etc.
- Apply the fool-proofing measure to prevent human errors
- Use automation technology in steps like injection molding, assembling and hot stamping

SHP Group’s active efforts to construct a quality culture are rooted in the awareness of “quality first”, and the resolution to control quality “all for customer”. In a series of activities including Quality Month and promotion and training for *Production Quality Management Manual*, we held to spread quality culture, quality management was regulated, and the importance of product quality was kept in mind by employees during the routine work.



SHP Group promoted *Production Quality Management Manual* and provided training thereof to raise management level of ordinary employees

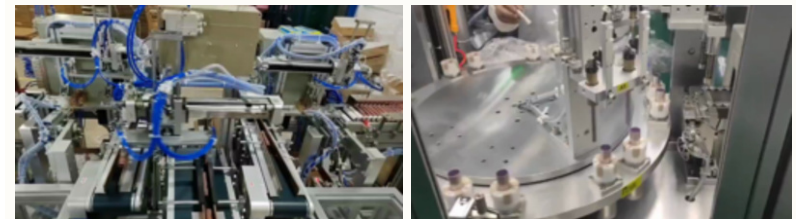
From October to November 2022, training on *Production Quality Management Manual* was provided by SHP Group Quality Control Department and Production Operations Planning Department, targeting grassroots employees. Their understanding was checked in a comprehensive way including exams, on-site practice, and implementation, which was intended to strengthen their quality awareness and act with “three NOs” at each stage of production.

At the core of SHP Group’s pursuit remain high quality products. In order to continuously improve product quality and enhance core competitiveness, the Company made an improvement plan for 2023-2024 as follows:

- A new design quality engineers (DQE) team
- Quality in-a-box
- Improved product color
- SMART/Quick measurement system
- Key in-process quality criteria
- Uniform specifications in all plants (including Mexico and EU)

Automation equipment

SHP Group, with continued efforts in production automation, was committed to higher production efficiency and better products. In 2022, automation was developed in injection molding, assembling and other processes, leading to higher work efficiency and thus saving the labor of 179 people in total. Accordingly, automation is expected to cover the process of hot stamping in 2023 and automation solutions for key products are underway.



Automation Injection Molding and Assembling Equipment

4.2 Supplier management

Supply chain management plays a crucial role in the sustainable development of an enterprise. SHP Group continuously improves its systems - *Supplier Code of Conduct*, *Supplier Management Procedure*, and *Supplier Evaluation Management Procedure*, with reference to laws and regulations of China, the European Union, the United States, Australia, Japan, Mexico and other countries. Supplier quality control is started from the supplier qualification process; with routine supplier management enhanced, supplier behaviors are constrained and regulated. All those measures are to build an incorruptible, efficient, and sustainable supply chain.

Sustainable Procurement

SHP Group advocates transparent procurement. Seeking to cooperate with reliable business partners in the principle of the highest ethics and integrity, it required all suppliers to sign *Supplier Code of Conduct* and *Statement on Social Responsibility Management System*. In the Code, it is clearly stipulated that suppliers shall not engage in bribery, corruption, embezzlement, extortion, etc., to SHP Group staff for any reason and that a zero tolerance policy for such behaviors is applied. In addition, the Group ensured the transparency of supplier prices through online bidding.

The Group encouraged anonymous reports from suppliers employees and internal employees to prevent unfair competition and corruption and to ensure its sustainable procurement capabilities.



Supplier Code of Conduct



SHP (Kunshan) organized training for sustainable supply chain to promote sustainable procurement awareness

In 2023, SHP (Kunshan) organized two sustainable supply chain trainings for a total of 20 employees in Procurement Department, in which one was themed “Influence of SA8000 Standard to The Supply Chain” and the other was themed “Green Supply Chain, Caring About Environment.” The trainings allow employees to understand the necessity and importance of adhering to sustainable procurement and jointly build a green supply chain.



Sustainable Supply Chain Training by SHP (Kunshan)

Supplier management

→ Access evaluations

SHP Group amended *Supplier Management Procedure* in 2023 to further define the assignment of rights and liabilities among divisions and the full life-cycle management of the supply chain.

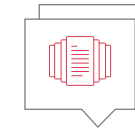


- Due diligence on suppliers' operations and ESG performances

- Inspect suppliers' operations, including serving time in the field, successes, administrative punishments (safety, environmental protection, occupational health), lawsuits, labor disputes, etc.
- Review suppliers' ESG performances in an all-round manner, with a one-vote veto for SA8000 evaluation, environmental impact assessment and business ethics to exclude those unsatisfying from the supplier system: suppliers qualified for sustainable procurement need AEO accreditation to ensure safe and compliant trades
- Suppliers scoring less than 60 points are unqualified to enter SHP Group supplier system

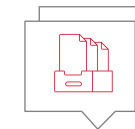


- Suppliers qualified after due diligence procedures sign agreements on site, i.e. *General Procurement Terms for Products and Services*, *G-SA-2019-09-B Supplier Material Safety Commitment (including RPP 900H and other requirements)*, *Product Quality Agreement*, *Supplier Code of Conduct*, *SA8000 Supplier Survey Form*, *Supplier Evaluation Survey Form*, *Sustainable Development Survey Form*, and *Supplementary Secure Trade Agreement*, which is to make suppliers' subsequent ESG performances under control.



In 2022, 100% of suppliers underwent due diligence.

100%



In 2022, the contracting rate with suppliers on ESG was 45%, exceeding the goal of 30% in 2022; as of June 2023, the rate reached 67%.

67%

→ Routine management



- Grade suppliers (four grades) according to their scale and procurement frequency, and manage by grade; monthly and annual assessments are performed for suppliers at the same grade



- Monthly assessments

- Dimensions: acceptance rate of incoming materials, quality accident handling mechanism, timely delivery rate, and customer complaint rate, four dimensions evaluated overall
- Score the acceptance rate of incoming materials at five levels; for products of poor quality, initiate the quality accident feedback mechanism for timely correction and improvement



- Annual assessments

- Dimensions: evaluated overall for quality, delivery date, price competitiveness, innovation capability, and one-vote veto for ESG related issues (social responsibilities, environmental impact assessment, business ethics), yielding a final score as a basis for graded management



- Assess suppliers' performances and analyze their quality periodically

- Focus on supplies with a high rejection rate
- Analyze the cause of high rejection
- Give feedback and help suppliers rectify



SHP Group summarized the quality of suppliers and implemented improvement plans for suppliers with high rejection rate

In 2022, SHP Group conducted an annual analysis of the supplier's product rejection rate, and the results showed that the rejection rate of outsourced suppliers was slightly higher than that of purchased parts suppliers, thereby increasing the overall rejection rate of suppliers' products (increasing the overall product rejection rate by about 3.5%). In the next step, the Group will take the optimization of outsourcing organization and supplier management improvement as one of the internal KPI goals in 2023, and continuously standardize the behavior of outsourcing suppliers.

→ Supplier review

SHP Group carries out daily management evaluation and annual performance appraisal of suppliers, and cancels the qualifications of suppliers who do not meet the standards.



- Combined with daily management evaluation and annual performance appraisal, if the following fails to meet expectations, then the qualification is revoked

- According to *Supplier Annual Performance Evaluation Form*, the supplier is assessed as grade D
- There are significant deficiencies in ESG performance and no improvement plan is proposed within the time limit
- The products delivered for three consecutive months did not meet the quality requirements of SHP Group



In 2022, SHP Group integrated supplier resources and decided to disqualify 2 unsatisfying suppliers.

2 suppliers

Indicators	Unit	2021	2022
Percentage of signed <i>Supplier Code of Conduct</i>	%	91.94	100.00
Percentage of suppliers signed environmental, labor and human rights requirement clause contracts	%	91.94	100.00
Percentage of suppliers evaluated by CSR survey	%	80.06	100.00
Percentage of CSR on-site audit suppliers	%	12.60	90.70
Percentage of all purchasers trained in sustainable procurement	%	100.00	100.00
Percentage of suppliers involved in improvement actions or capacity development	%	100.00	100.00

Resilient supply chain

SHP Group has developed supply chain emergency responses to various unexpected events in order to ensure business continuity. The Group seeks cooperation with at least two or more suppliers serving the same type of product, which is helpful in emergencies as other suppliers can quickly act substitutes. In case that suppliers encounter technical difficulties, SHP Group also dispatches technical personnel to provide technical support on site to ensure quality and delivery.



SHP Group initiated the emergency response for supplier in time to deal with the delivery in the epidemic

In Apr, 2022, Kunshan supplier was about to suspend production due to the epidemic, and SHP Group initiated the emergency response, i.e. arranging another supplier serving the same type of product to produce, who succeeded in rapid delivery. The difficulty was overcome.

In order to improve the overall management efficiency and time-sensitive response of the supply chain, SHP Group carried out digital and intelligent integration of the supply chain in 2022, and developed and used SRM system to track order progress and delivery in real-time. Meanwhile, the Company extended its ERP system to the bidding process, for which online bidding was accessible, characterized with rapid response and price confirmation. Additionally, it also built a digital plant connected to SRM system, which optimized work processes including negotiation, procurement, delivery, and reconciliation, efficiently controlled corresponding management costs, effectively avoided risks, and promoted the establishment of a favorable and efficient supplier management system.





4.3 Customers services

The sustainable development of an enterprise is based on high-quality customer services, and thus SHP Group always prioritizes the need of customers. Strictly abiding by laws and regulations including the *Law of the People's Republic of China on Consumers' Rights and Interests Protection*, it always contributes to better customer services involving customer privacy protection, communication channels, and higher satisfaction, with a commitment to building stable partnerships with high-quality services and growing together with customers.

Protect customer privacy

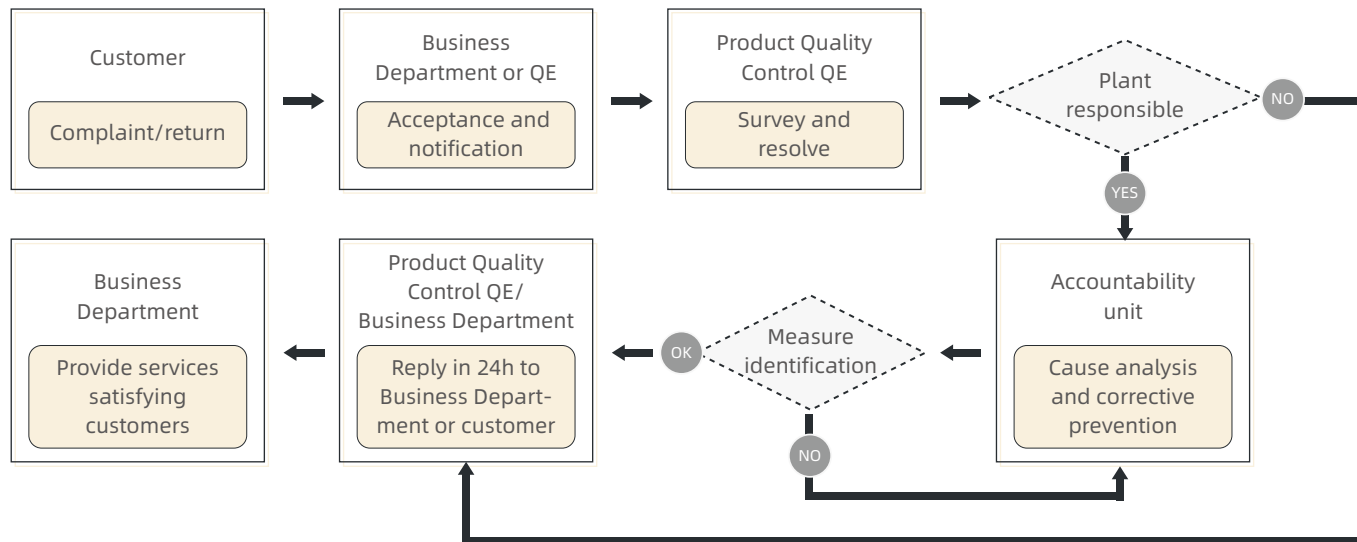
Customer privacy protection is fundamental to winning customer trust and maintaining stable partnerships in the long run. Referring to legal requirements such as the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, and standard requirements of ISO27001, SHP Group formulated such regulations as *Compliance Management Procedure*, *Data Security Protection Management Procedure*, specifying corporate and personal data security management in the principle of classified management, graded protection, and authorized use, and provided technical support for customer privacy protection in combination with a data leakage prevention system.

In 2023, SHP Group formulated *Information Security Management Manual* in which the importance of customer information security protection is clarified for employees and responsibilities for customer information security protection and management assigned to specific departments to further strengthen the protection of customer information.

 <p>Document security</p> <ul style="list-style-type: none"> • Management of document dispensing externally; • Leakage tracking; • Analysis of sensitive data; • Watermark handling 	 <p>Behavior auditing</p> <ul style="list-style-type: none"> • Document actions; • E-mails; • Instant messaging; • Desktop & Screen; • Printing 	 <p>Document</p> <ul style="list-style-type: none"> • Anti-screenshot; • Safe external document dispensing 	 <p>Mobile storage security</p> <ul style="list-style-type: none"> • Mobile storage device security management; • Mobile storage device encryption; • External device management
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Customer communications and complaints

Customer feedback and complaints can be used as a guide for SHP Group to improve customer services. With more efforts to optimize *Customer Complaint and Return Handling Measures* and *Continuous Improvement*, SHP Group further defined rights and responsibilities of relevant responsible persons, and continued to improve the product quality feedback mechanism and customer complaint and return handling process. On a regular basis, customer complaints were analyzed to trace categories and causes of product defects. Also, it developed a "Customer Quality Improvement Plan", developed complaint control objectives and linked it with individual performances, formulated on-the-job training mechanism, applied targeted strategies including strengthening on-site management tools, preventing and controlling human errors, introducing automation technology, etc., to comprehensively improve customer services.



Customer Complaint and Return Handling Process

SHP Group actively responded to customer feedback and recalled unqualified product

In 2022, as long as it received feedback from customers on powder leakage, the Group immediately proposed improvement measures: correct and replace the product structure and materials, and retain samples of products that had already been shipped to determine. If determined defective, the product would be returned and destroyed.

Improve customer satisfaction

SHP Group regards customer satisfaction improvement as an important development goal. It conducted survey among customers whose opinions or suggestions are summarized, and accordingly developed targeted improvement plans that focus on fundamental solutions to problems, so that customer satisfaction can be raised.

The rejection rate in on-site customer inspection, customer complaint rate, and return rate are viewed by the Group as core indicators of customer satisfaction management. The targets of relevant indicators are:

- Rejection rate in on-site customer inspection lower than 2.83%
- Customer complaint rate lower than 0.40%
- Return rate lower than 0.33%

The customer complaint rate in 2022 was 0.55%, decreased by 0.15% from 2021. To improve customer satisfaction, SHP Group made a focus analysis and took improvement measures detailed in Section 4.1 Product Quality Control.



SHP Group introduced new 3D equipment in active response to customer need

The Group invested largely in the latest 3D printing equipment that can make the product close to finished product accessible to customers in the first place, greatly reducing time of response to customer demand and improving customer satisfaction.



3D Printer

05 Our People

From the bottom of our hearts, we recognize our employees as an important and critical force for driving the Company's sustainable development. Following the core value of teamwork, we patiently listen to employees' opinions, proactively protect their rights and interests, ensure their health and safety, and support their personal development via various channels, and we attach great value to the Company's social responsibility.

SDGs in this Chapter



Material issues in this Chapter

- Human rights and labor interests
- Employee training and cultivation
- Diversity and inclusiveness
- Health and safety
- Investments to communities



5.1 Employees' rights and interests

The Company values the protection of employees' rights and interests. To this end, we have been constantly optimizing company policies and abiding by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and other related laws and regulations in China, as well as the laws and regulations in overseas operation places, such as the USA and Mexico. We have been sticking to people-rooted strategy and listen carefully to employees' requests.

Guarantee of human rights

→ Guarantee of basic human rights

The Company follows the rules of employment compliance. In this regard, we comply with the *Law of the People's Republic of China on Protection of Minors*, the *Labor Law of the People's Republic of China*, the *Regulations Banning Child Labor*, and *SA8000:2014 Standard*, and we formulated policies like *Control Procedures for Forbidding Forced Labor*. Meanwhile, the Company also specified the work scope and intensity of female employees to guarantee their rights and interests. Following related laws and regulations, SHP Group specified vacation arrangement and leave regulations, including annual leave, sick leave, maternity leave, paternity leave, and a 10-day parental leave each year for employees with children under three years old, to guarantee employees' basic rights and interests.

The Company's policies of basic human rights are listed as follows:

- Banning Child Labor: We never tolerate any child labor, forced labor, nor any supplier or subcontractors that may damage employees' health and safety
- Respecting employees' freedom of association, and forbidding any forms of forced labor
- Providing healthy and safe working and living conditions to ensure the safety and occupational health of employees
- Promoting labor-management cooperation, and respecting employees' freedom of association and their right to collective negotiation
- Affording the responsibility to bring equality and justice to work and social activities, and forbidding any forms of discrimination;
- Respecting the basic human rights of employees and forbidding any form of insult
- Arranging production plans, and employees' working and rest hours reasonably

The Company follows the *Universal Declaration of Human Rights*, the *Guiding Principles on Business and Human Rights*, and *Human Rights Policy for Employees*, and proactively responds to ESG related initiatives from strategic customers. Following the principle of high standards, the Company ensures that the wage being paid could sufficiently support employees and their families with a basic and decent living style in the working place and a basic guarantee of their social and cultural life. The major content is listed as follows.



Food

Employees could afford three meals a day that are diversified and nutritional



Medical treatment

Employees could enjoy basic medical treatment easily, and medical services in emergency



Education

Employees not only have the opportunity to invest in their children's education, but also have the opportunity to accept occupational training to challenge themselves for a higher position.



House

Employees could enjoy a decent domicile with a good environment

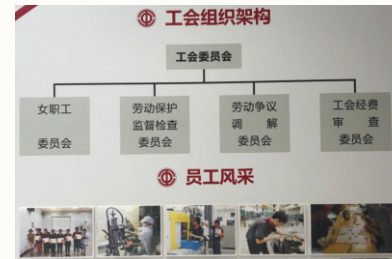
▼ Key performance

In 2022, the percentage of security personnels in SHP Group that received human rights training was

100%

👉 Labor Union

The Company set up Labor Union, which plays a vital role in representing employees' interests, maintaining employees' rights and interests, and enriching employees' leisure time. We also set up Labor Union Committee, in charge of the Female Employees Sub-Committee, Supervision and Examination of Labor Protection Sub-Committee, Labor Disputes Mediation Sub-Committee, Union Expenses Investigation Sub-Committee, which are devoted to solving employees' questions, fighting for the welfare for employees, and improving working qualities.



▼ Key performance

In 2022, the Company Labor Union provided 5 times of help to employees with difficulties,

5 times

with USD 3,937.6 successfully applied in total.

3,937.6 USD

Equality, inclusiveness and diversity

Endeavoring to create an equal, inclusive, and diversified working environment, the Company says no to discrimination and tries its best to guarantee the rights and interests of disadvantaged employees. Valuing human care in the Company, we formulated plans for caring for disadvantaged groups. Meanwhile, the Company responds to L'Oréal Solidarity Sourcing Program actively, to try to improve the society's inclusiveness to disadvantaged groups. By November 2022, the Company has provided 636 equal working opportunities to disadvantaged groups.

Our goal is to make disadvantaged groups account for 5% of our total employees by 2025. For more details of performance, please refer to ESG Progress Tracking. For more information on the diversity of employees, please refer to Key ESG Performances.



Formulating plans for caring for disadvantaged groups, and helping the development of each employee

In 2022, the Company continued to implement our plans for caring for disadvantaged groups like the disabled, the elderly, veterans, and people from ethnic minorities. We arranged them to appropriate posts after fully considering their body situations, capabilities, customs, and habits. For example, we do not arrange the disabled to work in a high-pressure or high-temperature environment. The Company has established a cooperation relationship with two special education colleges and universities and accepts the employee referral of the disabled. In the coming days, we will continue to expand our cooperation with special education colleges and universities by arranging special persons for on-site connection and daily management, to plan the career path for the disabled people.

Occupational development and personal growth

- Providing diversified training (pre-occupational training, basic technique training, and personal capability training)
- Providing help for mastering more techniques for more posts

Providing humanistic caring

- In work, treating with no difference, and in life, providing help
- Organizing seminars, group construction activities, and return visit activities regularly

Helping join the team fastly

- Establishing correct opinions on employment, and cultivating a sense of responsibility
- Establishing special lines and appointing special management persons



Listening to employees' opinions

➤ Mechanisms for employee communication

The Company is devoted to providing a good and harmonious working environment for employees, for which, we implement *Employee Internal Appealing Regulations* and *Management Regulations for Reporter's Protection*. The employees could appeal via various ways, such as in oral, by paper, by making phone calls, and by sending emails, and they may also appeal to the President of the Labor Union, COO of the Production and Operation Center, Chief Human Resources Officer of Human Resource Department, and VP of Administrative Management Center. The Company has also opened service windows to better listen to the employees' opinions, trying to solve each question swiftly and satisfactorily.



Listening Hotline of the Company

Employee Service Windows of the Company

➤ Survey on employee satisfaction

The Company surveys employees' satisfaction in each quarter, including their satisfaction with the canteen and dormitories. The surveys mainly focus on employees' living quality, aiming to improve the quality and transparency of the Company's operation.



Surveys on Employee Satisfaction with Canteen and Dormitories

Employee care

To help employees balance work and life, the Company constantly enriches employees' welfare. The Union supports employees to establish communities and organize chess competitions, ball competitions, birthday parties, and other different forms of activities. The Company cares for employees' physical and mental health.



Activities Organized by the Union

5.2 Employees' Health and Safety

Devoted to creating safe and healthy working environments for employees, the Company abides by the *Work Safety Law of the People's Republic of China* and takes guaranteeing employees' safety and health as the top priority of company operation. We recognize, manage, and control risks in production operation procedures via establishing ISO 45001 System, and we regulate management standards and employees' operations by formulating regulations for health and safety management for each procedure. In doing so, we ensure persons, machines, materials, work environments, and management are in safe condition, and we keep improving to better guarantee the employee's safety and health. For occupational safety data related to employees, please refer to Key ESG Performances.

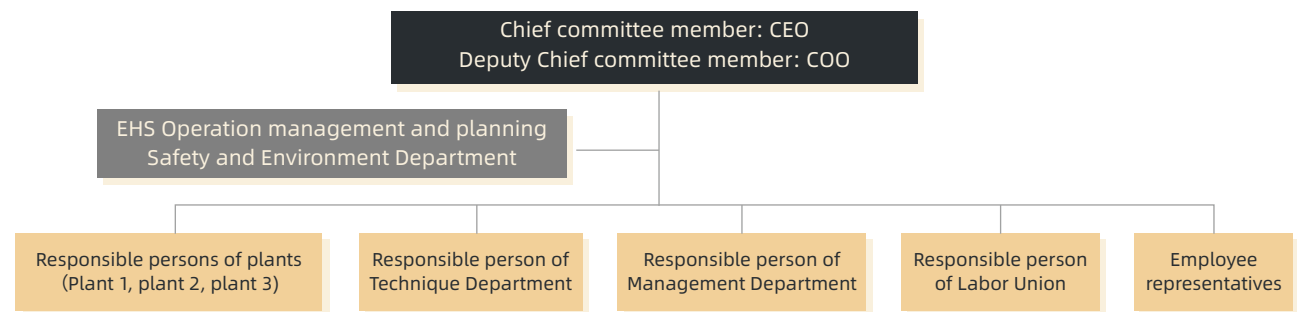
Our vision is

- to build the Company to be a modernized factory with systematic safety management, standardized operational behaviors, safe facilities and machines, and operation and environmental tools at fixed places, and to achieve zero-accident goal.

Safety Management System

In 2022, the Company formulated and revised *Regulation Procedure for Machinery Protection, Construction Management Procedure, Regulation Procedure for Safety Responsibility, Flow Sheet of Accident Time Management, Safety Education and Training Management System*, and continued to self-check problems in the Company to formulate improvement plans. The Company checks employees' body conditions regularly and evaluates whether the employee is suitable for his/her current post based on the body check results. If not, the Company will adjust his/her post to ensure his/her health.

▼ Framework of EHS Committee of SHP Group



▼ Rights and Responsibilities of Health and Safety Committee

1. Inspect the occupational damages and potential accidents in work
2. Supervise the implementation of plans related to health and safety of employees
3. Provide suggestions related to employees' health and safety to the General Manager
4. Question the happening and accountability of major accidents, and supervise and urge the solving of major accidents
5. Systematically organize employee training related to safety and health
6. Formulate the Committee's annual work plans (i.e. Annual Plan Sheets for Safe Production)
7. Hold safe production meetings every month and Health and Safety Committee leaders' group meetings in each quarter.

The Company highly values the management of occupational safety, so it has been constantly improving the system for occupational health and safe production and the Company has included regulations related to safe production in *Employee Manual*. Meanwhile, the Company has formed a clear and specific induction training procedure on safe production to make new employees aware of the importance of safe production. In 2023, the Company realized the informatization of safety management with the help of government emergency platform, on which the management system is divided into terms of weeks, months, and quarters at levels of sections, departments, and factories, to realize swift and effective risk management and control.



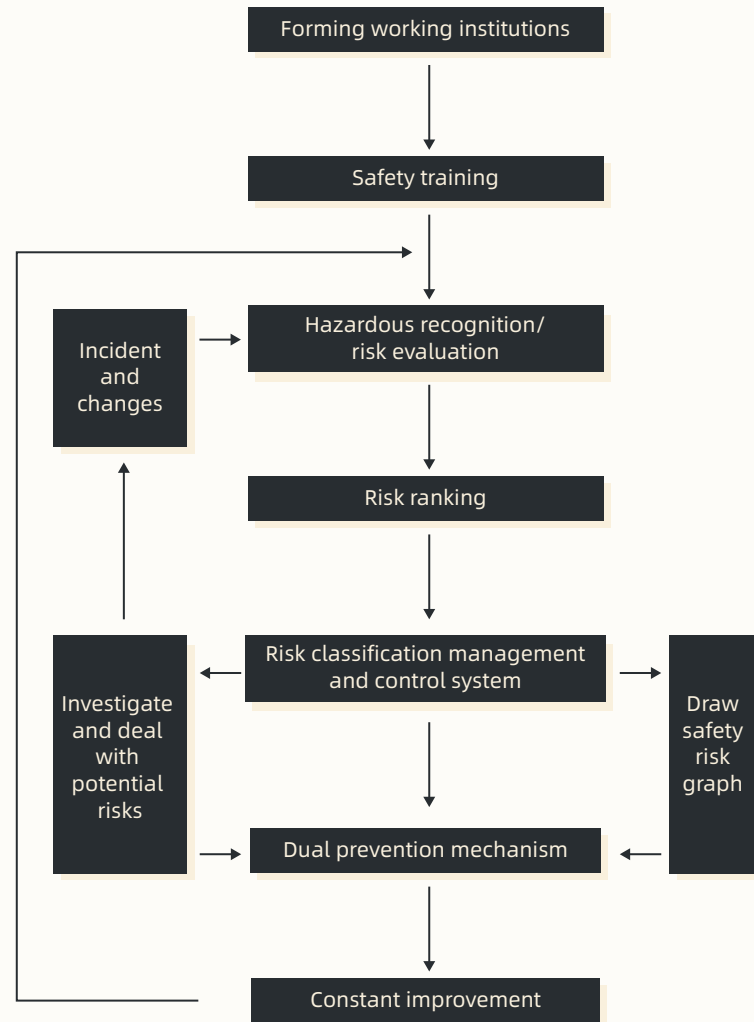
The Company arranges health check for employees annually, and would adjust the posts of employees that have occupational contraindications.

In 2022, posts of 85 employees were adjusted to ensure their physical and mental health.

85 employees

In 2022, the number of employees with occupational illnesses was 0.

0 employee

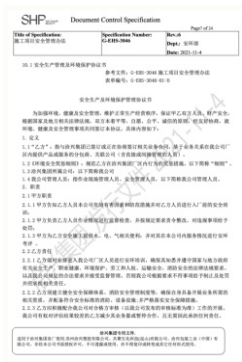


- Maintain safety organization chart
- Hire external experts
- Regular safety training
- Daily safety meetings in classes and groups
- Approaches to recognize hazardous
- Approaches to evaluate risks
- Use LEC evaluation method (Graham evaluation method) to rank risks
- Formulate risk level classification matrix
- List risks at different levels
- Manage the management system at different levels
 - Operation effectiveness evaluation and improve
 - closed-loop management system
- Investigate and deal with potential risks
- Evaluate dual prevention mechanism and improve
- Regularly update and optimize risk control system
- Appraise responsible entities and persons



SHP Group formulated *Procedures for Managing Subcontractors and Related Parties* to improve the management of personal health and safety

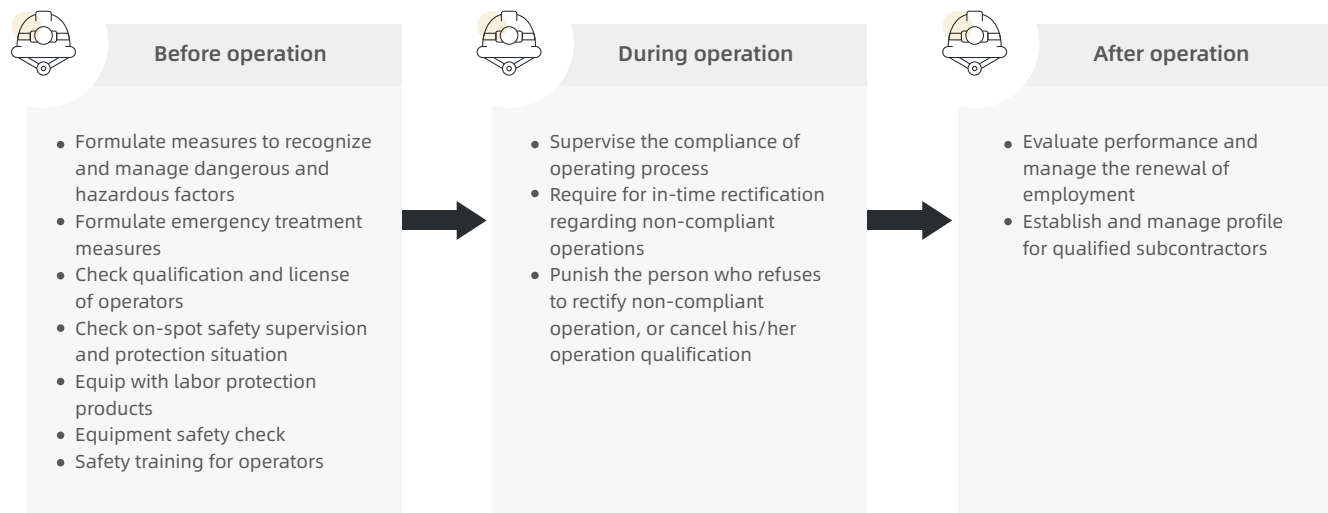
In 2023, SHP Group formulated *Procedures for Managing Subcontractors and Related Parties*, which specified the obligation and responsibility of Procurement Department and other departments that deal with projects. Meanwhile, the Group pre-evaluated the qualification of subcontractors and other related parties, and signed *Agreements on Safe Production and Environmental Protection Management* with qualified subcontractors and other related parties. The Group also established a supervision and management procedure covering all working processes to ensure the health and safety of subcontractors and other related parties.



SHP Group Agreement on Safety Production and Environmental Protection Management



SHP Group Contractor and Related Parties Pre-qualification and Selection Recruitment Process



Closed-loop Management Process of Contractors and Related Parties of SHP Group

Safety practice

Equipment safety

The Company attaches great importance to risk control of equipment safety, for which we formulated *SHP Group Machinery Safety Protection Guide* and *Machinery Safety Protection Procedures* to strictly control the design and acceptance check of equipment. In 2022, the Company analyzed potential machinery safety hazards and found that machinery safety hazards and fire and explosion risks accounted for over 50% of all risks. To this, the Company carried out a special inspection and evaluation on machinery safety, resulting in *Machinery Safety Evaluation Report* and optimizing 16 pieces of equipment.



In 2022, our Safety and Environment Department found 152 items of potential accidental risks in total, in which 144 items were rectified, with the risk rectification rate of 95%.

95%



By the end of 2022, essentially safe equipment in the affiliated companies of the Company has reached over 90%, a huge improvement compared with 2021.

90%



Optimizing equipment safety to ensure employees' safety

The Company highly values equipment safety. In 2022, the Company found the absence of safety protection cover around gilding presses, which may cause a risk for the operator to be drawn into the rotary equipment. After optimization, safety sensation grating is used as the switch for turning on and off the equipment. When lights are covered, the equipment will stop compressing to ensure employees' safety. Besides, the Company upgraded the safety of the logistics forklift by setting up a speed-limitation system in the forklift to prevent employees from over-speeding. Meanwhile, the hit-prevention system for forklifts is now under design.



Equipment Improvement

→ **Safety training and drill**

The Company values employees' safety and production safety. In this regard, we insist on organizing safety training, focusing on continuous optimization of machinery safety and various kinds of emergency drills, including employee evacuation drills, employee electric shock drills, volunteer firefighters drills, and chemical leaking drills. Health and Safety Committee will play a better role in achieving safe production by making managers lead to attend safety classes and organizing 45-minute professional training every two months to improve team strength. In the future, the Company plans to connect the responsibility of safe production to employees' promotion, appointment, and rewards, to ensure that responsibilities for safe production are actually afforded.



In 2022, safety education trainings in each quarter were accomplished online as planned, with 100% training completion rate.

100%

Besides, we carried out our emergency drill regularly to improve employees' capability of dealing with emergencies. Safety and Environment Department also conducted special program for safe production, i.e. Job safety analysis (JSA) and risk assessment program. The department also revised *Safe Production Risk Recognition and Control List*, and organized related training three times for managers at and above group-level, to optimize the work safety standard and avoid accidents.



People-trapped-in-elevator emergency drill to improve the capability of recognizing safety hazards

In November 2022, implementing the 2022 emergency drill plan for safe production, SHP (Kunshan) conducted an emergency drill for people trapped in the elevator, to make sure employees could take effective measures in relevant accidents to protect their safety. In this emergency drill, persons in charge and members of all groups responded swiftly, and comprehensively checked elevators after the drill. SHP (Kunshan) concluded strengths and weaknesses after the drill, and as a conclusion, in the next emergency drill, more employees should be involved and third-party institutions should be duly contacted to achieve a more effective safety practice.



People-trapped-in-elevator Emergency Drill

5.3 Employees' cultivation

The Company has been providing rich learning opportunities and occupational plans for employees, and adopted many measures to support employees' development, to achieve the common development of individuals and the Company. For detailed data related to employees' training, please refer to Key ESG Performances.

Capability construction

The Company stipulated standardized training procedures and appraisal requirements covering new employees to in-service employees. For new employees, the Company formulated training procedures for direct employees, direct-aid employees, and indirect employees. In addition, some training programs may also help new employees to master skills in a short time and adapt to work requirements.

New requirements for employees' capability from globalization: professional skills, comprehensive quality, teaching skills, languages, and international visions

2021-2025 Plan

- Establish talent assessment and analysis mechanism
- Establish talent cultivation mechanism
- Establish a multi-channel development mechanism for talents
- Establish multi-dimensional encouraging mechanism

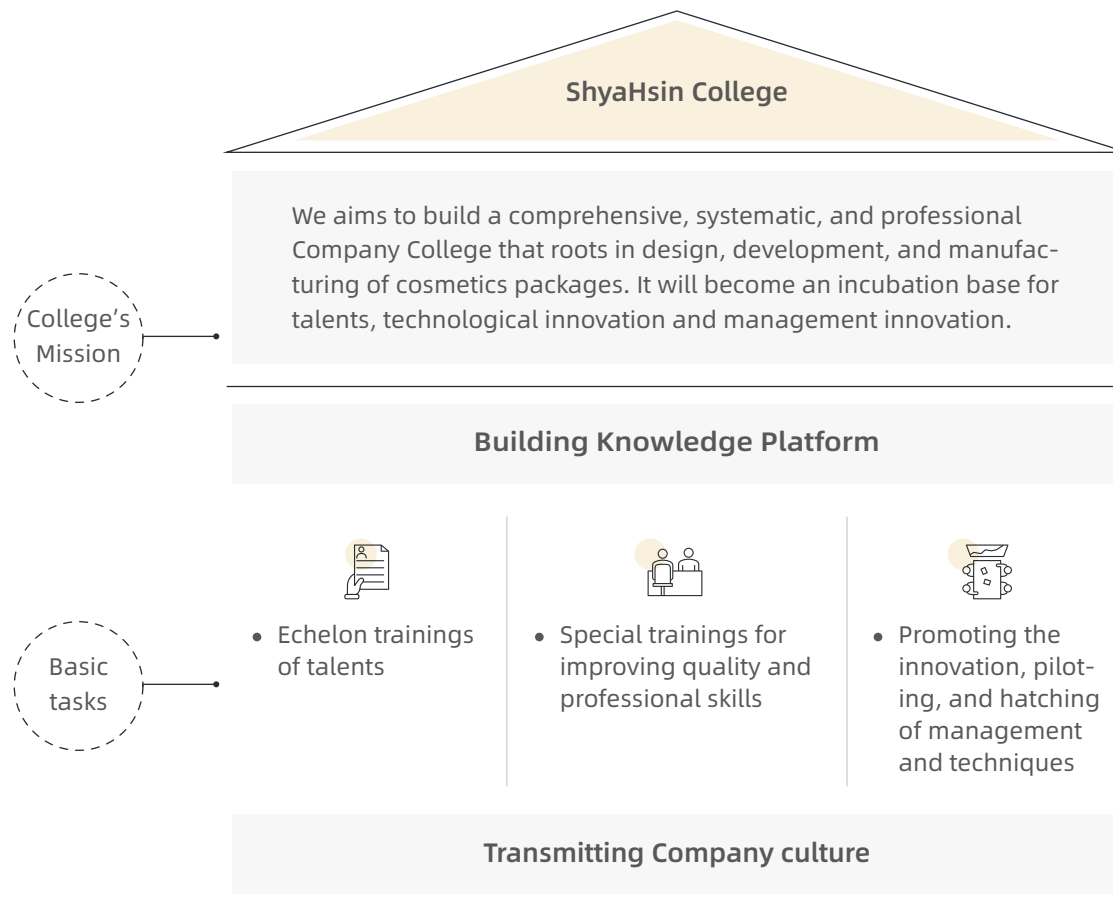
Accomplished items so far

- Conducted talents assessment and analysis in consecutive three years from 2021 to 2023
- Carried out echelon trainings for development system and business system in 2022
- Eagle training for fresh graduates
- Carried out special training focusing on major problems
- Development of ShyaHsin College
- Introduced performance encouragement mechanism to partial posts
- Carried out phase I of Six Sigma Yellow Belt training

Next steps

- Confirm ShyaHsin College's plan, construct platforms to integrate online and offline activities
- Land ShyaHsin College's projects
- Build talent echelon

From the operation of phase 1 employee training place in July 2021 to the opening of a special program for capability improvement in May 2023, our Human Resource Training Center has been constantly optimizing ShyaHsin College, by introducing programs for different posts and different employees, such as Eagle training camp, and special program for improving press gilding capability, etc. By combining theoretical practice and the Company's development strategy, ShyaHsin College cultivates talents for the Company to achieve innovation in technology and management.



By the end of 2022, ShyaHsin College has had a total of 50 internal trainers and tutors and 38 people with six sigma yellow belts, and it has developed 10 kinds of courses covering 60 subjects. With annual educational training plans for in-service employees, which specify different training directions and courses for different positions, the Company encouraged the development of employees through employee training effectively. The 2023 educational training plan included a total of 94 subjects covering general education, quality, techniques, and six-sigma-related aspects.





Eagle training camp in ShyaHsin College helps the development of interns

For newly hired college and university graduates, ShyaHsin College plans Eagle training camp, which includes 18 days of training, 32 days of on-spot internships, and 1 day of group construction to train work skills, to help such new employees to better adapt to working environments. With courses combined with on-spot internships, interns could attend each procedure of product manufacturing. After two and half months of training, the camp arranges activities for concluding, communicating, sharing, and reporting the learning outcomes. In the Eagle training camp that started in July 2022, 100% of courses and internships were accomplished and 92.6% of interns were retained. All attendants learned skills in the camp and made progress with the Company for future development.



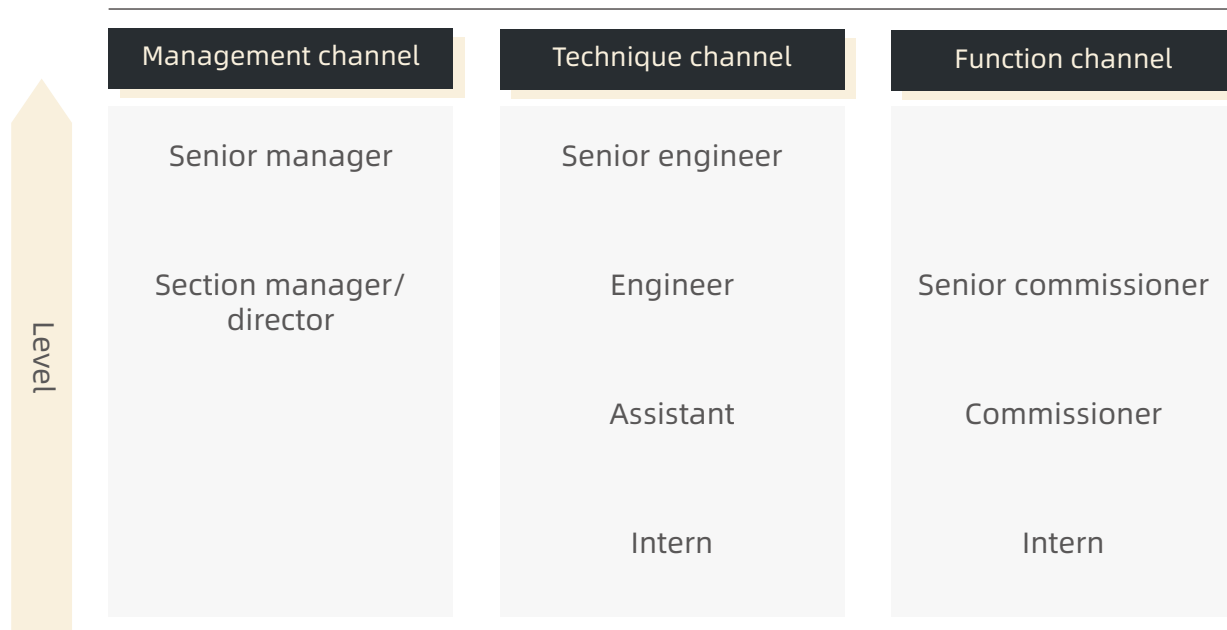
On-spot Internship of Eagle Training Camp

In 2023, the Company will reviewed employees based on the business system to provide customized improvement direction for different kinds of talents.

Category	Subjects	Numbers	Training direction	Improvement direction
 Development system (research and development)	<ul style="list-style-type: none"> Management personnel (Section Chief, Vice Manager, Manager) Indirect personnel, technicians 	493 people	<ul style="list-style-type: none"> Management Tools Language 	<ul style="list-style-type: none"> Leadership Effective communication Team management Project management Execution force
 Production system (manufacture)	<ul style="list-style-type: none"> Management personnel (Section Chief, Vice Manager, Manager) Indirect personnel, technicians 	221 people	<ul style="list-style-type: none"> Tools Management 	<ul style="list-style-type: none"> Effective communication Leadership Time management Technical capacity
 Business system (sales)	<ul style="list-style-type: none"> Personnel under directors 	59 people	<ul style="list-style-type: none"> Management Tools Language 	<ul style="list-style-type: none"> Language capability Effective communication Objective and consequence management Pressure and emotion management

Promotion channels

In 2023, the Company established a multi-channel promotion mechanism to guarantee all employees have clear occupational development channels that could enable them to upgrade or downgrade. The Company will evaluate employees every 12 months based on their accumulated points, and the employees whose scores meet standards will be promoted.



Incentive mechanism

As a company focusing on cosmetic packaging, we connect production performance with employee incentive. Production and Operation Center published and updated incentive policies for employees' monthly performance and specified the Company's mechanisms and appraisal indicators including performance indicators achievement rate, quality control rate, OTD rewards, and accident deduction. Such indicators will encourage employees to accomplish their monthly performance at a high standard and in avoiding accidents.

The Company pays attention to employee development by rewarding excellent employees every year under the principle of justice, fairness, and openness. In 2022, the annual excellent awards included an excellent group award, a management innovation award, a technique innovation award, an optimized proposal award, an advanced individual award, and a special award for the president, which aimed to reward groups and individuals that have made great achievements and contributions in different business modules and to encourage employees to give full play to their potentials for the development of the Company and themselves.

5.4 Investments to communities

The Company proactively involve itself in public welfare and charity to perform its social responsibility by organizing a series of activities. Oriented towards sustainable development, we contribute to building a greener, more harmonized, and more equal society.



Taking actions to create a green Earth in the week themed environmental protection

The "Earth Hour" activity is to help people think and focus on environmental problems through collective actions. The Company proactively responded to the proposal of Earth Hour and encouraged employees to join in environmental protection activities. The Company intends to strengthen the public's awareness of saving energy and protecting environment through such promotion activity. Besides, the Company also organized environmental protection themed group building youth activities contributing their power.



The Company donated to give back to society

Together with many companies in Kunshan, the Company made charitable donations themed Care for Yushu, Care for Juela in August, 2022, donating 1,482.2 USD. Devoted to giving back to society, caring for vulnerable groups, and proactively promoting public welfare, the Company intends to make its contributions to helping areas with difficulties through such projects.



Key ESG Performances¹

Environmental performance - Environment-related performance

Indicators	Unit	Financial Year 2022						Financial Year 2021			
		SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP QD	SH (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total		
Direct energy ²	Natural gas ³	Standard cubic meter	92,414.00	0	0	0	0	0	92,414.00	0	
	Diesel oil	Liter	47,701.63	0	0	0	0	0	47,701.63	47,362.39	
	Gasoline	Liter	31,630.18	0	0	0	0	0	31,630.18	20,680.57	
	Liquefied petroleum gas	Kg	8,850.00	0	0	0	0	0	8,850.00	10,190.00	
Indirect energy	Purchased electricity	kWh	98,071,203.00	359,414.00	4,427,736.40	2,444,310.00	877,200.00	36,514.00	106,216,377.40	115,304,952.88	
	Purchased steam ⁴	Ton	0	0	0	1,492.70	0	0	1,492.70	8,661.87	
Comprehensive energy-consuming	Absolute value	Comprehensive energy consumption ⁵	Tons of standard coal	12,283.86	44.17	544.17	492.37	107.81	4.49	13,476.86	15,209.02
	Intensity value	Intensity of comprehensive energy consumption (based on revenue)	Tons of standard coal/million USD	47.08	66.51	37.81	60.41	10.27	14.80	45.70	-
		Intensity of comprehensive energy consumption (based on production value)	Tons of standard coal/million USD	55.28	2.87	51.83	68.40	18.33	-	51.60	67.33
Greenhouse gas emission	Absolute value	Scope 1 ⁶	tCO ₂ e	441.84	0	0	0	0	0	441.84	203.35
		CO ₂	tCO ₂ e	425.86	0	0	0	0	0	425.86	203.35
		CH ₄	tCO ₂ e	0.32	0	0	0	0	0	0.32	-
		N ₂ O	tCO ₂ e	15.66	0	0	0	0	0	15.66	-
	Scope 2 ⁷	tCO ₂ e	55,930.01	204.97	2,525.14	1,840.19	434.21	15.88	60,950.40	69,607.24	
	Scope 1+ Scope 2	tCO ₂ e	56,371.84	204.97	2,525.14	1,840.19	434.21	15.88	61,392.24	69,810.59	

1. “-” represents that the effective data is unavailable.

2. Diesel oil and gasoline are mainly used for the Company's cars, liquefied petroleum gas is mainly used for production procedures, natural gas is mainly used for Regenerative Thermal Oxidizer (RTO), an efficient organic waste gas management equipment. For direct energy emission factor, please refer to *Environmental Key Performance Indicators Reporting Guide* from Hong Kong Exchanges

3. In 2022, SHP (Kunshan) invested in Regenerative Thermal Oxidizer (RTO), an efficient organic waste gas management equipment, which could process exhaust gas generated by spraying by using natural gas.

4. Steam pressure: used medium pressure steam with an average value of 2.6 Mpa and a temperature of 226.03 °C

5. The equivalence was calculated following the *General Regulations of Comprehensive Energy Consumption Calculating* (GB/T 2589-2020).

6. Scope 1 contains CO₂, CH₄, and N₂O, but greenhouse gases like HFCs, PFCs, SF₆, and NF₃ are not covered. Thus, data of SHP (Kunshan) in Scope 1 may be slightly different from Greenhouse Gass Checking Report. Please check SHP (Kunshan)'s checking report for accurate data.

7. The emission factor of purchased electricity in China adopts the *Notice on the Management of Greenhouse Gas Emission Reports of Enterprises in the Power Generation Industry from 2023 to 2025* issued by the Ministry of Ecology and Environment, and the average emission factor of the national power grid in 2022 is 0.5703t CO₂/MWh; Mexico's electricity emission factor adopts 0.435t CO₂/MWh from the 2022 National Electricity System Emission Factor announcement issued by the Ministry of Environment and Natural Resources; the electricity emission factor in Taiwan region adopts 0.495t CO₂/MWh announced in the 2022 Annual Power Emission Factor by the Energy Bureau of the Ministry of Economic Affairs

Indicators			Unit	Financial Year 2022					Financial Year 2021		
				SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP QD	SH (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total
Greenhouse gas emission	Intensity value	Scope 1/revenue	tCO ₂ e/million USD	1.69	0.00	0.00	0.00	0.00	0.00	1.50	-
		Scope 2/revenue	tCO ₂ e/million USD	214.36	308.61	175.43	225.79	41.36	52.40	206.66	-
		(Scope 1+ Scope 2)/revenue	tCO ₂ e/million USD	216.05	308.61	175.43	225.79	41.36	52.40	208.16	-
	Scope 1/production value	tCO ₂ e/million USD	1.99	0.00	0.00	0.00	0.00	-	1.69	0.90	
	Scope 2/production value	tCO ₂ e/million USD	251.70	13.31	240.49	255.66	73.85	-	240.51	308.17	
	(Scope 1+ Scope 2)/production value ¹	tCO ₂ e/million USD	253.69	13.31	240.49	255.66	73.85	-	242.20	309.07	
Waste emission	Absolute value-fixed source	Particulate matter emission	Kg	1,345.24	0	0	0	-	-	1,345.24	2,546.45
		SOx emission ²	Kg	0	0	0	0	-	-	0	172.00
		NOx emission	Kg	0	0	0	0	-	-	0	441.00
	Absolute value-mobile source	Particulate matter emission ³	Kg	-	-	-	-	-	-	-	-
		SOx emission	Kg	1.23	0	0	0	-	-	1.23	1.07
		NOx emission	Kg	-	-	-	-	-	-	-	-
	Total intensity value	Particulate matter emission/revenue	Kg/million USD	5.16	0	0	0	-	-	4.56	-
		SOx emission/revenue	Kg/million USD	0	0	0	0	0	0	0	-
		NOx emission/revenue	Kg/million USD	0	0	0	0	-	-	0	-
		Particulate matter emission/production value	Kg/million USD	6.05	0	0	0	-	-	5.15	11.27
		SOx emission/production value	Kg/million USD	0	0	0	0	0	-	0	0.77
		NOx emission/production value	Kg/million USD	0	0	0	0	-	-	0	1.95

1. Photovoltaic energy consumption reduced some emissions, and the overall output value of SHP Group has significantly increased

2. In 2021, the main source of SOx and NOx emissions was from SHP QD. In 2022, the SHP QD factory was closed, so there were no related emissions

3. Mileage of motor vehicles cannot be calculated.

Indicators		Unit	Financial Year 2022						Financial Year 2021		
			SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP QD	SH (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Hazard emission	Absolute value	Hazardous waste discharge	Ton	565.60	0	119.68	2,111.78	-	-	2,797.06	2,111.00
		Volatile Organic Compounds (VOCs)	Kg	2,362.09	0	313.00	15.00	-	-	2,690.09	2,860.00
	Intensity value	Hazardous waste discharge /revenue	Ton/ million USD	2.17	0	8.32	259.11	-	-	9.48	-
		Volatile Organic Compounds (VOCs)/revenue	Kg / million USD	9.05	0	21.75	1.84	-	-	9.12	-
		Hazardous waste discharge/production value	Ton/ million USD	2.55	0	11.40	293.39	-	-	10.97	9.35
		Volatile Organic Compounds (VOCs)/ production value	Kg / million USD	10.63	0	29.81	2.08	-	-	10.30	12.66
Water consumption	Absolute value	Water consumption	Ton	422,750.00	929.00	37,834.00	15,241.00	-	601.00	477,355.00	474,002.00
	Intensity value	Water consumption/ revenue	Ton/ million USD	1,620.22	1,398.70	2,628.50	1,870.04	-	1,982.71	1,618.54	-
		Water consumption/ production value	Ton /million USD	1,902.47	60.31	3,603.24	2,117.44	-	-	1,830.00	2,098.51
Wastewater discharge amount		External discharge of industrial wastewater ¹	Ton	0	0	0	0	0	-	0	35,287
		Industrial wastewater reuse amount	Ton	0	0	0	0	0	-	0	0
		Chemical oxygen demand (COD) for treatment	Ton	0	0	0	0	0	-	0	1

1. In 2021, Industrial wastewater and COD was mainly generated by SHP QD factory. In 2022, the SHP QD factory was closed, so there were no related discharge

Indicators	Unit	Financial Year 2022						Financial Year 2021	
		SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP QD	SH (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total
Recycle of waste									
Amount of waste fluorescent tubes generated	Piece	0	0	0	0	-	-	0	0
Amount of waste fluorescent tubes recycled	Piece	0	0	0	0	-	-	0	0
Amount of used batteries generated	Piece	2,560	0	215	0	-	-	2,775	3,304
Amount of used batteries recycled	Piece	2,560	0	215	0	-	-	2,775	3,304
Generation of waste toner cartridges and ink cartridges	Piece	1,320	0	120	0	-	-	1,440	1,551
Recycling amount of waste toner cartridges and ink cartridges	Piece	1,320	0	120	0	-	-	1,440	1,551
Amount of used paper	Piece	1,452,700	1,000	112,000	8,200	75,000	-	1,648,900	1,588,000

Environmental performance - Green product performance

Indicators	Unit	Financial Year	
		2022	2021
Photovoltaic power generation	kWh	2,362,480	0
Photovoltaic power consumption ¹	kWh	2,362,480	0
Proportion of photovoltaic power consumption to total electricity consumption of SHP Group ²	%	2.18	0
Environmental protection investment amount	Thousand USD	1,381.87	433.97
Proportion of PCR product revenue	%	8.23	0.0

1. In 2022, all photovoltaic power was consumed by SHP (Kunshan). In October 2022, SHP (Cixi) started the photovoltaic power project, and starting from April 2023, all power of Cixi factory has been photovoltaic power.

2. The factory started to use photovoltaic power since August 2022, and the actual period of photovoltaic power generation is 5 month.

○ Social performance - Employee diversity performance

Indicators	Unit	Financial Year 2022						Financial Year 2021			
		SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP QD	SH (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total		
Employee number	Person	3,329	160	193	276	95	86	4,139	4,380		
Classified based on levels ¹	Absolute value	Senior management	Person	21	0	1	0	1	0	23	19
		Female senior management	Person	5	0	1	0	0	0	6	5
		Middle management	Person	97	2	3	1	8	8	119	136
		Common employees	Person	3,211	158	189	275	86	78	3,997	4,225
	Proportion	Senior management	%	0.63	0	0.52	0	1.05	0	0.56	0.43
		Female senior management	%	0.15	0	0.52	0	0	0	0.14	0.11
		Middle management	%	2.91	1.25	1.55	0.36	8.42	9.30	2.88	3.11
		Common employees	%	96.46	98.75	97.93	99.64	90.53	90.70	96.57	96.46
Classified based on gender	Absolute value	Male employees	Person	1,696	58	93	140	49	46	2,082	2,158
		Female employees	Person	1,633	102	100	136	46	40	2,057	2,222
	Proportion	Male employees	%	50.95	36.25	48.19	50.72	51.58	53.49	50.30	49.27
		Female employees	%	49.05	63.75	51.81	49.28	48.42	46.51	49.70	50.73
Classified based on disadvantaged groups	Absolute value	Minority employees	Person	84	24	2	20	0	0	130	70
		Disabled employees	Person	76	0	16	0	0	0	92	76
	Proportion	Minority employees	%	2.52	15.00	1.04	7.25	0	0	3.14	1.60
		Disabled employees	%	2.28	0	0	0	0	0	2.22	1.74
Classified based on kinds of employment	Absolute value	Regular employees	Person	2,466	116	173	202	95	86	3,138	2,496
		Dispatched employees	Person	863	44	20	74	0	0	1,001	1,884
	Proportion	Regular employees	%	74.08	72.50	89.64	73.19	100.00	100.00	75.82	56.99
		Dispatched employees	%	25.92	27.50	10.36	26.81	0	0	24.18	43.01
Classified based on age	Absolute value	<30 years old (not including 30)	Person	1,255	73	79	48	27	23	1,505	1,606
		30-50 years old	Person	2,004	85	100	227	63	58	2,537	2,698
		>50 years old (not including 50)	Person	70	2	14	1	5	5	97	76
	Proportion	<30 years old (not including 30)	%	37.70	45.63	40.93	17.39	28.42	26.74	36.36	36.67
		30-50 years old	%	60.20	53.13	51.81	82.25	66.32	67.44	61.29	61.60
		>50 years old (not including 50)	%	2.10	1.25	7.25	0.36	5.26	5.81	2.34	1.74

1. In 2022, SHP Group adjusted the level division, and has now adjusted the data retrospectively for 2021

🔗 Social performance - Employee diversity performance

			Financial Year 2022						Financial Year 2021		
Indicators		Unit	SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP QD	SH (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Classified based on function	Absolute value	Production personnels	Person	2,457	160	107	250	51	49	3,074	3,365
		Sales personnels	Person	69	0	0	0	13	0	82	63
		Technical personnels	Person	631	0	71	22	20	10	754	775
		Financial personnels	Person	25	0	0	0	4	3	32	23
		Administrative personnels	Person	147	0	15	4	7	24	197	154
	Proportion	Production personnels	%	73.81	100.00	55.44	90.58	53.68	56.98	74.27	76.83
		Sales personnels	%	2.07	0	0	0	13.68	0	1.98	1.44
		Technical personnels	%	18.95	0	36.79	7.97	21.05	11.63	18.22	17.69
		Financial personnels	%	0.75	0	0	0	4.21	3.49	0.77	0.53
		Administrative personnels	%	4.42	0	7.77	1.45	7.37	27.91	4.76	3.52
Classified based on educational background	Absolute value	PhD	Person	0	0	0	0	0	0	0	0
		Master	Person	17	0	1	0	10	5	33	13
		Bachelor	Person	382	2	5	0	29	20	438	118
		College diploma	Person	707	17	107	24	35	40	930	852
		Technical secondary school and below	Person	2,223	141	80	252	21	21	2,738	3,397
	Proportion	PhD	%	0	0	0	0	0	0	0	0
		Master	%	0.51	0	0.52	0	10.53	5.81	0.80	0.30
		Bachelor	%	11.47	1.25	2.59	0	30.53	23.26	10.58	2.69
		College diploma	%	21.24	10.63	55.44	8.70	36.84	46.51	22.47	19.45
		Technical secondary school and below	%	66.78	88.13	41.45	91.30	22.11	24.42	66.15	77.56

○ Social performance - Turnover rate performance

Indicators	Unit	Financial Year 2022						Financial Year 2021	
		SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP QD	SH (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total
Total turnover rate	%	30.96	39.85	33.70	62.03	0	0	-	-
Classified based on gender ¹	Male employees	30.87	46.30	38.80	70.70	0	0	-	-
	Female employees	31.05	35.44	28.42	53.46	0	0	-	-

○ Social performance - Employee training performance

Indicators	Unit	Financial Year 2022						Financial Year 2021	
		SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP QD	SH (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total
Average training hours per person	Hour/person	15.4	-	10.8	10	3.5	5.4	14.3	9.6
Classified based on gender	Male employees	20.9	-	9.4	10	1.5	4.6	18.8	10.2
	Female employees	9.7	-	12.1	10	5.6	6.4	9.7	9.1
Classified based on function	Production personnels	11.1	-	7.3	10	5.3	7.4	9.9	9.9
	Sales personnels	49.6	-	-	-	0	-	41.7	10
	Technical personnels	18.5	-	18.1	10	1.7	7.6	17.4	9.5
	Financial personnels	68.4	-	-	-	1.0	1.3	53.7	6.3
	Administrative personnels	49.0	-	2.4	1	3.3	1.0	37.0	5.7

1. Based on strategic adjustment, SHP Group gradually closed SHP QD, and SHP CCT suspended some sections, and transferred the 106 employees from SHP QD and the 105 employees from SHP CCT to SHP (Kunshan) with labor contracts re-signed. Thus, they are not included in the number of employee turnover.

○ Social performance - Occupational health and safety performance

Indicators	Unit	Financial Year 2022						Financial Year 2021		
		SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP QD	SH (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Employee's work injury	Work injury accident rate per 200,000 working hours ¹	-	0.17	0	0	0.42	0	0	-	0.27
	Number of work-injury-related accidents	Case	11	0	0	1	0	0	12	17
	Number of fatalities from work-related injuries	Person	0	0	0	0	0	0	0	0
	Lost workdays due to work-related injuries	Day	742.5	0	0	30	0	0	772.5	26
	Lost hours due to work-related injuries	Hour	5,940	0	0	240	0	0	6,180	208
Security precautions and training	Coverage rate of essentially safe equipment	%	90	98	95	100	-	90	-	82
	Times of fire drills	Time	2	1	2	2	2	1	10	5
	Number of participants in fire drills	Person	4,417	128	67	123	60	62	4,857	3,435
	Times of hazardous chemical leakage drills	Time	1	0	1	1	-	0	3	4
	Number of participants of hazardous chemical leakage drills	Person	20	0	15	13	-	0	48	280
Absolute value	Total number of people receiving safety training	Person	4,417	128	67	123	3	62	4,800	3,418
	Total hours of safety training received by employees	Hour	60,792	3,072	156	984	40	1,488	66,532	76,700
Intensity value	Average hours of safety training per person	Hour/person	13.8	24.0	2.3	8.0	13.3	24.0	13.9	22.4

1. Calculated based on the *Classification for Casualty Accidents of Enterprise Staff and Workers*

🔍 Social performance - Client management performance

Indicators	Unit	Financial Year	2022	2021
			SHP Group	SHP Group
Customer on-site inspection rejection rate	%		5.51	2.14
Customer complaint rate	%		0.55	0.70
Customer return rate	%		0.68	0.37

🔍 Social performance - Supplier performance

Indicators	Unit	Financial Year	2022	2021
			SHP Group	SHP Group
Total number of suppliers	Company		468	470
Classified based on regions	Domestic suppliers	Company	422	424
	Foreign suppliers	Company	46	46
Excellent suppliers	Certified under the ISO 14001 system	Company	65	62
	Proportion of excellent suppliers	%	10	6
	ESG contract signing rate of suppliers	%	45	10
Supplier elimination	Number of eliminated suppliers	Company	2	-
	Proportion of eliminated suppliers	%	0.4	-

🔗 Social performance - Performance of Investments to communities









Indicators	Unit	Financial Year	2022	2021
			SHP Group	SHP Group
Community investment	Total financial investment in community activities	USD	1,485.9	-
	Total attendants in community activities	Person	154	-
Volunteer activity	Number of participants in volunteer activities	Person	3,640	2,641
	Total volunteer service hours	Hour	19,989	5,817

🔗 Corporate governance performance - Business ethics performance

Indicators	Unit	Financial Year	2022	2021
			SHP Group	SHP Group
Number of corruption litigation cases	Case		0	0
Number of anti-corruption (integrity) training	Time		2	2
Number of participants in anti-corruption (integrity) training	Person		5,480 ¹	150

1. In 2022, business ethics trainings were conducted online through DingTalk, resulting in a significant increase in personnel coverage compared to 2021.

System certification documents

Certification	Certificate documents	Certification	Certificate documents
ISO 14001		ISO 45001	
ISO 50001		SA8000	
ISCC PLUS		ISO 37001	
ISO 9001		ISO 27001	

Certification	Certificate documents	Certification	Certificate documents
CNAS Laboratory		Evaluation Certificate for product green carbon foot print	
CDP score of climate change		SBTi Commitment letter	
CDP score of water		Intellectual Property Management System Certification	
EcoVadis		CyberVadis	
GHG Verification Opinion Certificate			

GRI content index

Use instruction	SHP Group refers to GRI Standard to compile the report from January 1, 2022 to December 31, 2022.
GRI1 used	Basic
GRI industry standards used	Currently unavailable

Topic standard	Disclosed items	Corresponding chapters	Brief explanation
GRI 2: General Disclosures	2-1 Organizational details	About this report, Company profile	
	2-2 Entities included in the organization’s sustainability reporting	About this report	
	2-3 Reporting period, frequency, and contact point	About this report	
	2-4 Restatements of information	About this report, Material issues	
	2-5 External assurance	Verification reports	
	2-6 Activities, value chain and other business relationships	Company profile, Strategic business layout, ESG values, Supply chain management	
	2-7 Employees	Key ESG performance	
	2-8 Workers who are not employees	Supply chain management, Key ESG performance	
	2-9 Governance structure and composition	ESG governance structure	
	2-10 Nomination and selection of the highest governance body	ESG governance structure	
	2-11 Chair of the highest governance body	ESG governance structure	
	2-12 Role of the highest governance body in overseeing the management of impacts	ESG governance	
	2-13 Delegation of responsibility for managing impacts	ESG governance	
	2-14 Role of the highest governance body in sustainability reporting	Material issues, Rights and obligations of ESG Committee	
	2-15 Conflicts of interest	Conflicts of interest	
	2-16 Communication of critical concerns	Material issues	
	2-17 Collective knowledge of the highest governance body	ESG governance structure	
	2-18 Evaluation of the performance of the highest governance body	Rights and obligations of ESG Committee	
	2-19 Remuneration policies	Rights and obligations of ESG Committee	
	2-20 Process to determine remuneration	-	Trade secrets
	2-21 Annual total compensation ratio	-	Trade secrets
	2-22 Statement on sustainable development strategy	Message from the CEO	

Topic standard	Disclosed items	Corresponding chapters	Brief explanation
GRI 2: General Disclosures	2-23 Policy commitments	Corporate governance, Empowering innovation, Green production, Product quality control, Supplier management, Guarantee of human rights	
	2-24 Embedding policy commitments	Corporate governance, Actions against climate change, Green production, Product quality control, Supplier management, employees' rights and interests, Employees' health and safety	
	2-25 Processes to remediate negative impacts	Anti-corruption, Listen to employees' opinions	
	2-26 Mechanisms for seeking advice and raising concerns	Compliant operation, Listen to employees' opinions	
	2-27 Compliance with laws and regulations	Corporate governance, Green production, Product quality control, Protect client privacy, Employees' rights and interests	
	2-28 Membership associations	Honors and recognition	
	2-29 Approach to stakeholder engagement	Material issues, Customer communications and complaints, Listen to employees' opinions	
	2-30 Collective bargaining agreements	Guarantee of human rights	
GRI 3: Material Topics	3-1 Process to determine material topics	Material issues	
	3-2 List of material topics	Material issues	
	3-3 Management of material topics	Material issues	
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	Key ESG performance	
	201-2 Financial implications and other risks and opportunities due to climate change	Actions against climate change	
	201-3 Defined benefit plan obligations and other retirement plans	Guarantee of human rights	
	201-4 Financial assistance received from government	Honors and recognition	
GRI 202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	-	Trade secrets
	202-2 Proportion of senior management hired from the local community	-	Not applicable
GRI 203: Indirect Economic Impacts	203-1 Infrastructure investments and services supported	Investments to communities	
	203-2 Significant indirect economic impacts	Investments to communities	
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	ESG progress tracking	
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	Anti-corruption	
	205-2 Communication and training about anti-corruption policies and procedures	Anti-corruption	
	205-3 Confirmed incidents of corruption and actions taken	Anti-corruption	
GRI 206: Anti-competitive Behavior	206-1 Legal actions for anti-competitive behavior anti-trust, and monopoly practices	Anti-unfair competition	

Topic standard	Disclosed items	Corresponding chapters	Brief explanation
GRI 207: Tax	207-1 Approach to tax	Compliant operation	
	207-2 Tax governance, control, and risk management	-	Trade secrets
	207-3 Stakeholder engagement and management of concerns related to tax	-	Trade secrets
	207-4 Country-by-country reporting	About this report	
GRI 301: Materials	301-1 Materials used by weight or volume	Sustainable materials	
	301-2 Recycled input materials used	Sustainable materials	
	301-3 Reclaimed products and their packaging materials	Sustainable materials, Green logistics	
GRI 302: Energy	302-1 Energy consumption within the organization	Key ESG performance	
	302-2 Energy consumption outside of the organization	-	GHG in scope 3 cannot be calculated for the time being.
	302-3 Energy intensity	Key ESG performance	
	302-4 Reduction of energy consumption	Energy management	
	302-5 Reductions in energy requirements of products and services	Empowering innovation	
GRI 303: Water and Effluents	303-1 Interactions with water as a shared resource	Water resource management	
	303-2 Management of water discharge-related impacts	Water resource management	
	303-3 Water withdrawal	Key performance	
	303-4 Water discharge	Water resource management, Key ESG performance	
	303-5 Water consumption	Water resource management, Key ESG performance	
GRI 304: Biodiversity	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	Not related
	304-2 Significant impacts of activities, products, and services on biodiversity	-	It cannot be evaluated for the time being.
	304-3 Habitats protected or restored	-	Not related
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	Not related
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	Pollutants discharge management, Key ESG performance	
	305-2 Energy indirect (Scope 2) GHG emissions	Pollutants discharge management, Key ESG performance	
	305-3 Other indirect (Scope 3) GHG emissions	-	GHG in scope 3 cannot be calculated for the time being.
	305-4 GHG emissions intensity	Pollutants discharge management, Key ESG performance	
	305-5 Reduction of GHG emissions	Energy management	
	305-6 Emissions of ozone-depleting substances (ODS)	-	Not related

Topic standard	Disclosed items	Corresponding chapters	Brief explanation
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Pollutants discharge management, Key ESG performance	
GRI 306: Effluents and Waste	306-1 Waste generation and significant waste-related impacts	Waste management	
	306-2 Management of significant waste-related impact	Waste management	
	306-3 Waste generated	Waste management, Key ESG performance	
	306-4 Waste diverted from disposal	Waste management	
	306-5 Waste directed to disposal	Waste management, Key ESG performance	
GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	Supplier management	
	308-2 Negative environment impacts in the supply chain and actions taken	Supplier management	
GRI 401: Employment	401-1 New employee hires and employee turnover	Key ESG performance	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Guarantee of human rights	
	401-3 Parental leave	Guarantee of human rights	
GRI 402: Labor/ Management Relations	402-1 Minimum notice periods regarding operational changes	-	Not related
GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system	Safety management system	
	403-2 Hazard identification, risk assessment, and incident investigation	Employees' health and safety	
	403-3 Occupational health services	Safety management system	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Employees' health and safety	
	403-5 Worker training on occupational health and safety	Safe practice	
	403-6 Promotion of worker health	Employees' health and safety	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Employees' health and safety	
	403-8 Workers covered by an occupational health and safety management system	Safety management system	
	403-9 Work-related injuries	Key ESG performance	
	403-10 Work related ill health	Employees' health and safety, Key ESG performance	

Topic standard	Disclosed items	Corresponding chapters	Brief explanation
GRI 404: Training and Education	404-1 Average hours of training per year per employee	Key ESG performance	
	404-2 Programs for upgrading employe skills and transition assistance programs	Capability construction	
	404-3 Percentage of employees receiving regular performance and career development reviews	Employees' development	
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Equality, inclusiveness and diversity, Key ESG performance	
	405-2 Ratio of basic salary and remuneration of woman to men	-	Trade secrets
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	Equality, inclusiveness and diversity	
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Guarantee of human rights	
GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	Guarantee of human rights	
GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Guarantee of human rights	
GRI 410: Security Practices	410-1 Security personnel trained in human rights policies or procedures	-	Not related
GRI 411: Rights of Indigenous Peoples	411-1 Incidents of violations involving rights of indigenous peoples	-	Not related
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	-	Not related
	413-2 Operations with significant actual and potential negative impacts on local communities	-	Not related
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	Supplier management	
	414-2 Negative social impacts in the supply chain and actions taken	Supplier management	
GRI 415: Public Policy	415-1 Political contributions	-	Not related
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	Green product	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	-	No violation

Topic standard	Disclosed items	Corresponding chapters	Brief explanation
GRI 417: Marketing and Labeling	417-1 Requirements for product and service information and labeling	Empowering innovation	
	417-2 Incidents of non-compliance concerning product and service information and labeling	-	No violation
	417-3 Incidents of non-compliance concerning marketing communication	-	No violation
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Information security	

Assurance statement



INDEPENDENT ASSURANCE OPINION STATEMENT

Statement No: SRA-795912

**SHP Group
2022 Sustainability Report**

The British Standards Institution is independent of SHP Group, and its subsidiaries (hereafter referred to as "SHP Group" collectively in this statement), and has no financial interest in the operation of SHP Group other than for the assessment and assurance of SHP Group's 2022 Sustainability Report (the "Report").

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of 2022 Sustainability Report presented by SHP Group. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and adequate.

Scope

The scope of engagement agreed upon with "SHP Group" includes the following:

1. The assurance scope is consistent with the description of SHP Group 2022 sustainability report. The Report is prepared in accordance with the GRI standards.
2. Type 1 Moderate Level of Assurance in accordance with the AA1000 Assurance Standard v3 ("AA1000AS v3") evaluates the nature and extent of SHP Group adherence to four reporting principles: Inclusivity, Materiality, Responsiveness and Impact. Therefore the reliability of specified sustainability performance information/data disclosed in the Report has not been evaluated.

Opinion Statement

We conclude that the Report provides a fair view of SHP Group sustainability plan and performance in the reporting year. We believe that the environmental and social general disclosures and key performance indicators are fairly represented in the Report, in which SHP Group efforts to pursue sustainable development are widely recognized by its stakeholders. Our work was carried out by a team of sustainability report assurers in accordance with the AA1000AS v3. We planned and performed this part of our work to obtain the necessary information and explanations. We considered SHP Group has provided sufficient evidence that SHP Group self-declaration of compliance with the GRI standards were fairly stated.

For and behalf of BSI:

Michael Lam - Managing Director Assurance, APAC

Issue Date: 2023-08-22

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Statement No: SRA-795912

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- A top level review of issues raised by external parties that could be relevant to SHP Group policies to provide a check on the appropriateness of statements made in the Report.
- Discussion with senior executives on SHP Group approach to stakeholder engagement. We had no direct contact with external stakeholders.
- Interview with staff involved in sustainability management, report preparation and provision of report information.
- Review of key organizational developments.
- Review of supporting evidence for claims made in the Report, and.
- An assessment of the SHP Group reporting and management processes concerning reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000 Accountability Principles 2018 Standard ("AA1000AP (2018)").

Conclusions

A review against the AA1000AS v3 principles of Inclusivity, Materiality, Responsiveness and Impact is set out below:

As a result of the verification, we determined that the social responsibility and sustainability related indicators in the report are disclosed in accordance with the AA1000 Accountability Principles (2018) and the GRI standards. In our professional opinion, the Report covers SHP Group social responsibility and sustainability issues. Areas for enhancement of the Report were communicated to SHP Group before the issue of this opinion statement

Assurance Level

The Type 1 Moderate Level of Assurance provided in our review is defined by the scope and methodology described in this statement.

Responsibilities

It is the responsibility of SHP Group senior management to ensure that the information being presented in the Report is accurate. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Ability and Independence

The assurance team was composed of Lead Assurer and Assurer, who are experienced in the industrial sector, and trained in a range of sustainability, environmental and social standards including GRI Series Standards, AA1000, ISO14064, ISO 14001, ISO50001, ISO45001, ISO 9001, etc. British Standards Institution is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

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