

2023 SHP Group

SHP
WE SHAPE
BEAUTY

Environmental, Social and Governance Report



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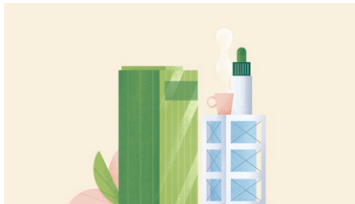
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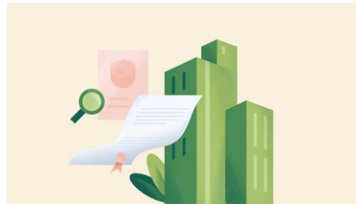
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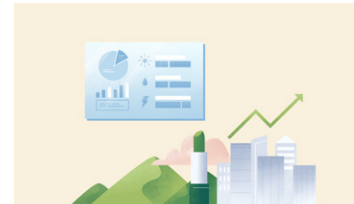
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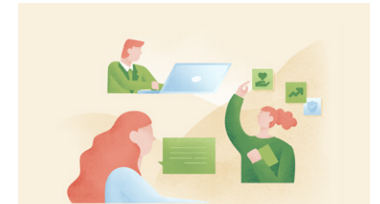
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About this report

This is the third 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.

■ Scope of organization

Unless particularly stated, the Report covers SHP Group and its principal subsidiaries, including ShyaHsin Packaging Industry China Co., Ltd. (including Kunshan and Cixi plants), SHYAHSIN PACKING MEXICO SA DE CV (Mexican plant), Copolymer & Cosmetics Technology (Kunshan) Co., Ltd., ShyaHsin Plastic Works Co., Ltd., and ShyaHsin Packaging Industry China Co., Ltd. Taizhou Branch¹.

■ Reporting period

The Report is an annual report. The reporting period is from January 1, 2023, to December 31, 2023 (hereinafter referred to as “the reporting period” or “this year”). Meanwhile, some information and data traced back to previous years or with perspective descriptions are included to provide better comparability and perspectiveness.

■ Reference guidelines

The Report was prepared with reference to the *Global Reporting Initiative Standards (GRI Standards)* released by the Global Sustainability Standards Board (GSSB), the United Nations Sustainable Development Goals (UN SDGs), and demands of SHP Group stakeholders.

■ Reliability assurance

The data and text information in the Report have been verified by the external third-party institution and the assurance report has been issued (see appendix for details). They have been reviewed and approved by the Board of Directors on August 17, 2024.

■ 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 (Taiwan)	for	ShyaHsin Plastic Works Co., Ltd.
SHP (Mexico)	for	SHYAHSIN PACKAGING MEXICO SA DE CV
SHP (Taizhou)	for	ShyaHsin Packaging Industry China Co., Ltd. Taizhou Branch

■ 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. There is no false record, misleading statement, or material omission.

■ Report access

The Report is released in the electronic edition, which is accessible on the Group’s official website <http://shpgroup.com/>. In the event of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail. If there are any suggestions or queries regarding the Report, please send an email to xucui@shyahsin.com.

1. The company became a shareholder of ShyaHsin Packaging Industry China Co., Ltd. Taizhou Branch at the end of 2023 and thus, the performance data of the Report does not include this entity.

Message from the CEO



CEO GUAN Ye

In 2023, global greenhouse gas emissions hit a new record, global temperatures have reached another high, and climate impacts are intensifying. As an important starting point for participating in global climate governance and doing a good job in green and sustainable development, the development of ESG field has attracted market attention. The construction of ESG is a long-term and systematic task. Accelerating the green transformation of development mode and the construction of ESG which is highly compatible with the concept of green development has become an issue that cannot be ignored in the field of reform and development of domestic and foreign enterprises.

The packaging industry is an important part of the global economy. There is growing concern about its sustainable development. This is related to the future development of the industry and has a profound influence on the global environment and society. As a leading makeup product packaging enterprise in the world, SHP Group looks for new opportunities in changing situation, sticks to integrity, innovation, and green transformation, and promotes the high-quality development of the enterprise with ESG as an important foothold. At the beginning of 2024, the emission reduction target of SHP (Kunshan) obtained approval from SBTi and got an A- in the CDP 2023 Climate Change and Water Questionnaires. It got the gold medal certification in EcoVadis rating, showing the Company's strength and industry-leading position in the field of environment management.

Create outstanding quality and lead packaging innovation

ESG itself is an innovation for SHP Group. Last year, we tried our best to develop the global market, adhered to the customer-demand-oriented principle, constantly promoted product innovation of the Company, and increased investment in R&D. The R&D expenditure was about 8.85 million USD throughout the year. By the end of December 2023, we had accumulated more than 288 patents. In terms of product quality, we always place quality first, consider it as the core of the enterprise, and carry out comprehensive quality management.

Stick to green development and promote industry transformation

Last year, we worked to minimize the potential effects of production and operating activities on the environment and stuck to the principles of resource-saving and circular economy. Additionally, we constantly made efforts to develop green products and focused on ground-breaking design and technical innovation of environment-friendly packages. By successfully developing multiple mono-material packaging products and refillable and lighter packaging products and applying the latest environment-friendly materials, we effectively improved the ability to recycle packaging products and decreased the environmental footprint. In 2023, PCR materials accounted for about 10% of our packaging products and revenue from sustainability products accounted for 14.18%.

Sustainability requires more work. We are given new responsibilities and missions by the times. SHP Group will unswervingly fulfill its missions. In the future, SHP will continue to make solid efforts to bring about a green environment and bright future with partners from all circles!

Build a sustainable supply chain together with partners

Last year, simultaneous with sustainable development, we constantly enhanced the management of sustainable development of suppliers and construction of capabilities and worked together with suppliers. We developed standard management procedures for supplier qualification and daily assessment, started from supplier qualification, strictly controlled the quality of suppliers, enhanced management of supplier assessment, regularized their behaviors, and made efforts to develop a clean, efficient, and sustainable supply chain. In 2023, the signing rate of ESG contracts with our Class 1 suppliers was 100% and the coverage rate of strategic supplier review was up to 58.82%.




Pay attention to the cultivation of talents and improve core competencies

Last year, we continued to promote the values of talents of SHP and cultivated the talent team of SHP comprehensively and systematically through SHP School of Management and the “Three Eagles” Program. The bonus incentive system of SHP was directly correlated with the value created by each team for the Company. I firmly believe that SHP staff will enjoy industry-leading income in the near future by virtue of the high profits we bring to enterprises. If SHP becomes successful, everyone in SHP will be successful.

ESG values

As a scientific method and tool unifying environment, society, and governance, ESG is quite consistent with the concept of high-quality development and carbon peaking and carbon neutrality advocated by China. As ESG changes continuously subvert the commercial environment, enterprises are facing many opportunities and challenges. By making clear, complete, scientific, systematic, prospective, and leading ESG strategies, and efficiently integrating them with the integrated strategy and business development strategy of the enterprise, enlightenment can be given to the innovation of business model, improvement of operation efficiency, and value growth of the enterprise.

For this purpose, SHP Group develops its own industrial values based on ESG values, namely, Sustainability, Harmony, and Promotion. Depending on the values paths, it works out a development route which is to benchmark and integrate UN SDGs, seek a win-result between business interests and environmental and social values, and lead the sustainable transformation and value creation of enterprises of packaging materials of cosmetics.

Industrial values of SHP Group	Values Paths	Issues of important concern	Corresponding chapter in the Report	Respond to UN SDGs
S ustainability	Pursue low-carbon innovations to create sustainable future	Energy management Waste management Green packaging and materials	Green production Green product	
H armony	People-based and create a better society together	Human rights labor interests Health and safety Employee training and cultivation	Employees' rights and interests Occupational health and safety Employees' cultivation	
P romotion	Driven by responsibilities to create high-quality brand	Product responsibilities Supply chain management Services for clients	Product quality control Supply chain management Services for clients	

SHP Group got a good performance in the EcoVadis rating in 2023. In the past 2 years, SHP (Kunshan) made a leap from silver medal to gold medal, and SHP (Mexico) further improved from bronze medal to silver medal. This not only recognized our commitment to sustainability and social development but also proved our excellent performance in the sustainable practice in the industry. In the future, the Group will continue to grow and learn in the areas of environment, labor and human rights, ethics and sustainable sourcing, with the goal of achieving the EcoVadis Platinum rating.



● SHP (Kunshan) won the Gold medal in 2023



● SHP (Mexico) won the Silver medal in 2023

SHP Group firmly believes that sustainability is a key factor to business success. In the future, we will continue to devote ourselves to:

Environmental protection



We will decrease our environmental footprint and promote environmental protection and resource saving through innovative and sustainable business practices.

Social responsibilities



We will focus on employee well-being, support the development of the community, participate in social welfare actively, and fulfill the social responsibility of the enterprise.

Management of ethical supply chain



We will improve transparency and moral rules of the supply chain together with partners and ensure that the whole supply chain is sustainable.

ESG goals and progress

SHP Group, committed to corporate sustainable development, defined its ESG goals in 2025. We regularly review the current conditions of development of the enterprise, make reasonable plans, follow up on progress in a timely manner, and integrate ESG into internal operating management and external business output as a management method and effective tool. Our ESG goals and current progress are as below:

■ Progress in achieving ESG goals

Issue category	ESG goals	Unit	2020 (Benchmark)	2021	2022	2023	2025 (Target)	Progress
Economic	Annual production value (PV) per person continuously increases by 15%	KUSD/person	49.62	62.04	69.11	83.38	57.06	✓
	The annual production value (PV) per unit area continues to rise by 10%	KUSD/m ²	1.02	1.52	1.89	1.95	1.12	✓
Environmental	GHG emissions per unit of production value (PV) continuously reduces by 25%	Ton/KUSD	0.43	0.36	0.24	0.21	0.32	✓
	Water consumption per unit of production value (PV) reduces by 10%	Ton/KUSD	2.15	2.10	1.83	1.44	1.94	✓
	The output of hazardous waste per unit of production value (PV) decreases by 25%	kg/KUSD	8.71	9.36	10.97	2.62 ¹	6.53	✓
	Total excessive material consumption reduces by 10%	%	0.88	0.61	0.64	0.57	0.79	✓
	Proportion of recyclable containers used	%	5.00	8.00	13.49	21.69	30.00	⊙
	Proportion of products used as a solution for PCR materials	%	8.33	25.00	50.00	75.00	100.00	⊙
	Proportion of products with a "3R" concept ²	%	10.00	20.00	40.00	80.00	100.00	⊙
Proportion of clean energy used	%	0	0	2.18	7.15	25.00	⊙	

✓ Completed ⊙ In progress

1. In 2022, hazardous waste was mainly produced by Qiandeng Aluminum Oxidation Workshop of Suzhou ShyaHsin Plastic Factory Co., Ltd.(SHP QD). SHP QD was closed in 2022 and thus, the amount of hazardous waste generated per unit of production value in 2023 is greatly reduced.





2. "3R" concept: reduce, reuse, recycle.

Issue category	ESG goals	Unit	2020 (Benchmark)	2021	2022	2023	2025 (Target)	Progress
Social	Rate of localized parts	%	64.15	65.03	72.87	73.06	80.00	⊙
	Contracting rate with ESG supplier ¹	%	0	10.00	45.00	100.00	100.00	✓
	Proportion of disadvantaged employees	%	3.34	4.26	6.30	7.22	5.00	✓
	Hours of volunteers providing services each year	Hour/year	0	5,817	19,989	10,243	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	Responded to the new ESG policy of the important customer	To keep consistent with the customer's ESG policy	⊙
Governance	Proportion of female management ²	%	40.00	26.32	26.08	33.33	39.00	⊙
	Coverage of compliance training	%	0	100.00 (management)	100.00 (management)	100.00 (Basic management level and above)	100.00 (management) 80 (base level)	⊙
	Gradually improve the ESG governance system	-	-	-	Made initial efforts to establish ESG Commission	Improved the governance system and developed rules of procedure of ESG Commission	To keep consistent with Blackstone investment policy	✓

✓ Completed ⊙ In progress

1. In 2023, the index is adjusted from "Supplier ESG Contract signing rate" to "Class I Supplier ESG Contract Signing rate".
2. Refers to the proportion of women in the total number of senior management.

ESG Certification and Rating

	SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)
 Environmental certifications					
ISO 14001	✓	✓ (Updated in 2024)	✓ (Updated in 2024)		✓
ISO 50001	✓				
ISO 14064	✓				
ISCC PLUS	✓ (Updated in 2024)				✓ (Updated in 2024)
Certificate of product green footprint evaluation	✓				
 Social certification					
ISO 9001	✓		✓		✓
ISO 45001	✓	✓ (Updated in 2024)	✓ (Updated in 2024)		✓
ISO 22716			✓		
SA 8000	✓		✓		
CNAS Certificate			✓ (Updated in 2024)		
 Governance certification					
ISO 27001	✓	✓ (Updated in 2024)			
ISO 37001	✓	✓ (Updated in 2024)			
CyberVadis	✓				
Intellectual property management system	✓				
 Third-party evaluations					
EcoVadis	Gold medal				Silver medal
CDP Climate Change Questionnaire	A-				
CDP Water Resource Safety Questionnaire	A-				

Material issues

SHP Group knows that the opinions of stakeholders have an important influence on our ESG work. We always respect and listen to their requests, have regular dialogues with internal and external stakeholders, have a profound understanding of the concerns of stakeholders, manage material issues in daily work, and respond to them in reports.

Material issues identification

SHP Group regularly identifies ESG material issues to effectively respond to stakeholders' expectations and requests and constantly raise the level of its ESG management.

This year, SHP Group used as a benchmark internationally leading ESG standards and rating frameworks and formed a potential material issue library combined with characteristics of the industry and actual operation conditions. In the form of the questionnaire survey, we collected nearly 100 responses from government and regulators, investors, senior executives, grassroots employees, customers, suppliers and partners, communities, the public, and other stakeholders, and summarized and identified 21 material issues.

01

Form the potential material issue library

We comprehensively reviewed the major issues of ESG work of SHP Group and determined the potential material issues of this year with reference to internationally leading ESG standards, rating frameworks, and ESG issues of excellent enterprises in the industry, combined with the concerns of the capital market and other related parties about the sustainable development of the group.

02

Make the questionnaire survey of stakeholders

We distributed the survey questionnaires of ESG material issues of SHP Group of this year to stakeholders and received different stakeholders' ranking of material issues and suggestions for improvement.

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Ranking of material issues

According to the concerns of internal and external stakeholders, we identified the degree of influence of different issues and ranked material issues.

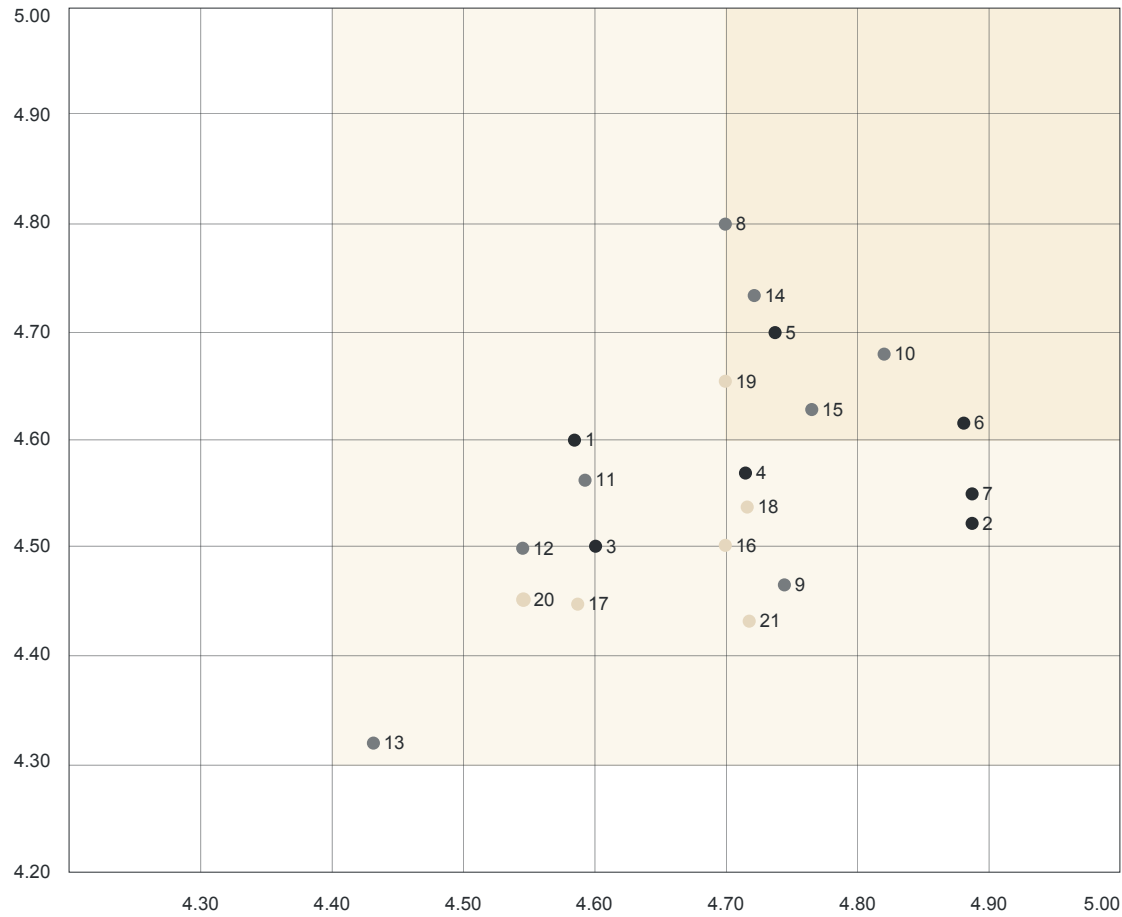
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Draw a matrix of material issues

Internal and external experts of SHP Group evaluated the ranking, submitted the evaluation to the Board of Directors for review, and confirmed the material issues matrix for this year.

- Workflow of ESG material issues identification of SHP Group in 2023

Matrix of ESG material issues of SHP Group in 2023



Environmental

- ① Actions against climate change
- ② Waste management
- ③ Water resource management
- ④ Energy management
- ⑤ Green packaging and materials
- ⑥ Management of poisonous and hazardous substances
- ⑦ Pollutants discharge management

Social








- ⑧ Human rights and labor interests
- ⑨ Employee training and cultivation
- ⑩ Health and safety
- ⑪ Diversity and inclusiveness
- ⑫ Supply chain management
- ⑬ Investments to communities
- ⑭ Services for clients
- ⑮ Product responsibilities

Corporate governance

- ⑯ Business ethics
- ⑰ Information security
- ⑱ Compliant operation
- ⑲ Technological innovation and intellectual property right management
- ⑳ Corporate governance
- ㉑ Risk management

Communication with stakeholders

By establishing the normalized and diversified communication mechanism, SHP Group discloses updates of policies, daily operations, development changes, special changes, and other related information to stakeholders in a timely manner to update the progress of our ESG work. The issues concerning stakeholders and communication channels of SHP Group are shown in the following table:

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 Employee training activities
			 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

01

About SHP Group

Material issues in this Chapter:

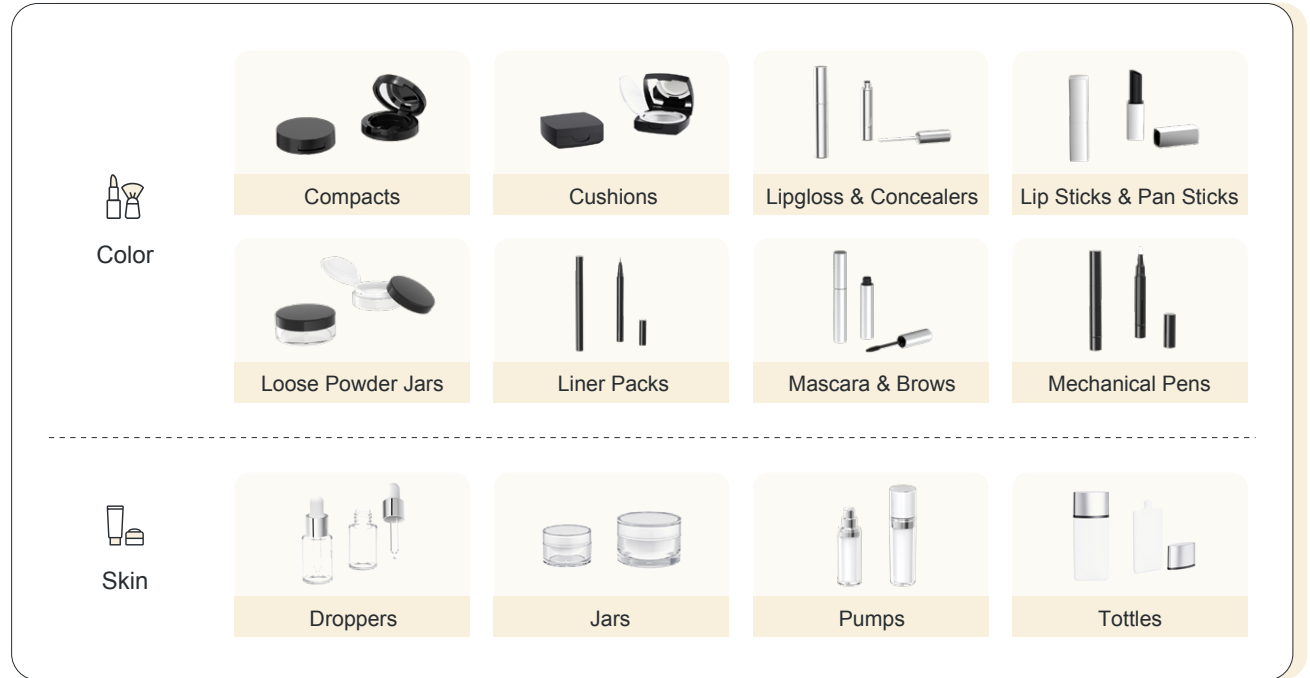
- Corporate governance

SDGs in this Chapter:



Company profile

SHP Group is a leading cosmetic packaging enterprise in the world. It has a history of more than 50 years in terms of the design and production of packaging containers of cosmetics and skincare products. SHP Group has always cooperated with many famous cosmetics brands and independent brands in the world and provided customers with integrated services from development and design to after-sales services. SHP sticks to fulfilling its commitment to sustainable development, constantly explores environment-friendly production methods to reduce our environmental footprint, and develops the green packaging brand. It is committed to implementing awareness of environmental protection in the whole supply chain and provides sustainable and innovative packaging solutions to customers. It is accepted and supported by major brands globally.



Strategic business layout

To meet the demands of global markets, SHP Group constantly expands its international business layout. It has built production bases, warehouses, sales offices, R&D and design centers, and other organizations in many countries and regions, including Europe, China, the east and west coasts of the United States of America (USA), and Mexico, to provide better services to customers from different places in the world.

Currently, SHP Group has 4 production bases. They are located in Kunshan, Cixi, Taizhou, China, and Mexico City, Mexico, respectively. The production bases of SHP Group all use the latest cutting-edge technologies and are all equipped with advanced equipment to meet the demands of product innovation and ensure that products have excellent quality. SHP (Mexico) Plant was successfully put into operation in 2022, which was an important milestone in our expansion of global footprint. Since then, SHP Group has further accelerated globalized production, launched Mexican Plant phase 2 in September 2023, and planned to launch the Portugal Plant project in Europe, laying a solid foundation for the manufacturing expansion of SHP Group globally in the future.

Business layout of SHP Group



SALES OFFICE		MANUFACTURING SITE		GLOBAL FOOTPRINT PLAN		
USA	Los Angeles, New Jersey	China	Kunshan (Headquarters & CCT), Cixi, Taizhou	Step 1	Mexico	completed 2022
EUROPE	Paris			Step 2	Mexico Plant phase 2	launched 2023
China	Kunshan, Shanghai, Taiwan	Mexico	Mexico City	Step 3	Portugal Plant	projected 2024

Construction of values and capabilities

Core values

SHP Group sticks to its commitment to quality and innovation. It is committed to developing a reliable and respectable brand. To convey and advocate corporate culture, SHP Group developed 5 core values and included them into the annual performance assessment of employees to foster the customer-centered and result-oriented principle in each employee. They are conducive to improving teamwork, sticking to being realistic and pragmatic, continuously making improvements and innovations, and jointly promoting the long-term development of the Company.



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

● SHP Group's core values

Construction of capabilities

With the vision of “creating a Chinese-led globalized enterprise”, we constantly promote the construction of global manufacturing capability, global business expansion capability, new project enforcement capability, leading technology and strong organizational capability of the group to meet the growing global business demands.

• Vision

Creating a Chinese-led
globalized enterprise

• Target

Health

- Global manufacturing capability
perfect order service

Harmony

- Global business expansion capability
key account management product management

Richness

- New project enforcement capability
smooth mass production

• Capabilities

Leading technology

product design, plastic molding, decoration process, novel materials








Strong organizational capability

employees' skills, employees' mindset, employee governance

Honors and recognition

Honors

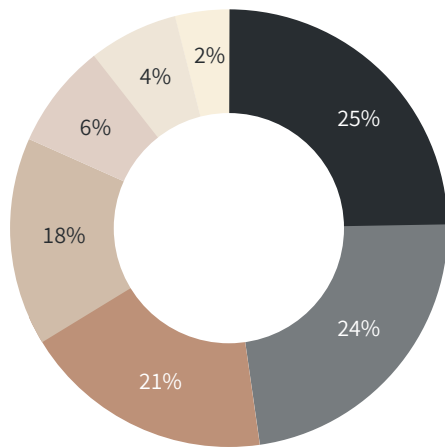
As a certified national “high-tech enterprise”, SHP (Kunshan) always gives full play to advantages of scientific and technological innovation, keeps promoting product innovation, accelerates global and regional layout, strives to explore paths of energy conservation and carbon emission reduction, and makes contributions to the high-quality development of regions in which it operates. In 2023, it obtained awards and certifications including “Green Factory of Jiangsu Province”, “Enterprises with Prominent Contributions to Industrial Production”, “Output Contribution Award of Enterprises”, and “Green Low-carbon Award”.

	Awarding unit	Award	Medal/Certificate/ Announcement	Year	Awarding unit	Award	Medal/Certificate/ Announcement
2023	Industry and Information Technology Department of Jiangsu	Green Factory of Jiangsu Province		2023	Safe Development and Environmental Protection Association in Kunshan Economic and Technological Development Zone	Commemorative Governing Unit of the Third Council of Safe Development and Environmental Protection Association in Kunshan Economic and Technological Development Zone	
2023	Human Resources and Social Security Bureau of Kunshan Development Zone	Advanced Unit of Cultivation of Skilled Talents in of Kunshan Development Zone 2022					
2023	CPC Working Committee in Kunshan Economic and Technological Development Zone Management Committee in Kunshan Economic and Technological Development Zone	Output Contribution Award of Enterprises in 2022		2023	Industry and Information Technology Bureau of Kunshan	Green Energy Conservation Transformation Award (Energy Conservation Transformation Project for Injection Molding, Lighting, and Air Compression System)	
2024	Management Committee in Kunshan Economic and Technological Development Zone	Green Low-carbon Award in 2023		2024	The CPC Kunshan Municipal Committee The Kunshan Municipal People's Government	Enterprises with Prominent Contributions to Industrial Production in Kunshan in 2023	

■ Government subsidies obtained by SHP Group in 2023

In 2023, SHP Group obtained government subsidies

3,613,888 RMB (510,242USD)



- Energy conservation transformation-related subsidies: 25%
- Human capital-related subsidies: 24%
- Foreign trade promotion-related subsidies: 21%
- Tax-related subsidies: 18%
- Intellectual property rights-related subsidies: 6%
- High-tech enterprise R&D-related subsidies: 4%
- Environmental responsibility-related subsidies: 2%

In 2023, SHP Group

No administrative penalties are involved

≡ Industry exchanges and recognition

SHP Group participated in international exhibitions for consecutive years, displayed its brand value, discussed the development trend of the industry with professionals from all circles, and promoted the sustainable and healthy development of the industry together. In 2023, SHP Group made fresh attendance at LUXEPACK NEW YORK, Make Up in Los Angeles, COSMOPROF ASIA in Hong Kong, China Beauty Expo, Shanghai International Makeup Fair, and other international exhibitions. During these exhibitions, we displayed all kinds of molds and innovative products at our booth and shared our product solutions actively. We received extensive attention and recognition. We also communicated with and learned from people from all circles to learn about the latest popular packaging methods and cutting-edge products, master the latest demands of customers, and develop more development and innovation opportunities.



● Site of LUXEPACK NEW YORK






● Site of Make Up in Los Angeles



● Site of COSMOPROF ASIA



● Site of China Beauty Expo

Year	Participating/awarding unit	Medal	Industrial Accreditation
2024	China Beauty Expo (CBE)/China Beauty Supply	The 28th Outstanding CBE Supplier	
2023	China Beauty Expo (CBE)/China Beauty Supply	2023 Beauty Oscar Meiyi Award	 美伊奖
2023	China Cosmetics Summit	Bluerose Award—2023 Packaging Influencer	

02

Governance

Material issues in this Chapter:

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

SDGs in this Chapter:



Corporate governance

Anti-corruption

SHP Group strictly follows laws and regulations in regions and countries where the Company is based, such as the *Criminal Law of the People's Republic of China*, *Anti-unfair Competition Law of the People's Republic of China*, and *Foreign Corrupt Practices Act (USA)*, and follows the highest standards such as SA8000:2014. We have formulated and implemented the in-house management system, including *Employee Manual* and *Business Behaviors and Ethics*. We ask employees to sign *Commitment Letter* to ensure that they follow the Code of Conduct of Business Ethics and develop an honest and credible corporate culture.

The regulations on anti-corruption in *Business Behaviors and Ethics* are 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 for improperly seeking or keeping business interests. Also, they cannot seek or accept improper payments.

In terms of the reporting mechanism, the Company stresses on the accessibility and confidentiality of reporting channels. Employees can report violations of rules and discipline via email, feedback hotline, or other channels. For possible violations of business ethics, employees can call the Feedback hotline at 0512-55122503 or email the Group Legal Department at 999@shy-shsin.com. Additionally, the whistleblower and the investigation process will be kept strictly confidential by the Company. It is explicitly prohibited to take revenge on whistleblowers who truthfully report suspected improper conduct. Violators will be subject to disciplinary punishment of the Company and can be even dismissed.

1. Internal company report, involving a very small amount of money, below the legal limit.

Indicators	Unit	SHP Group
Number of corruption litigation cases	Case	0
Number of business ethics violation cases reported via internal or external reporter procedures ¹	Case	1
Percentage of employees (Basic management level and above) that accepted anti-corruption (professional integrity) training	%	100
Percentage of employees that accepted business ethics training	%	100
Percentage of third-party due diligence	%	100

The Company has established a complete and effective anti-bribery management system to supervise, prevent, and manage and control bribery risks. The Company passed the ISO37001 anti-bribery management system certification since 2023.

- SHP(Kunshan) and SHP(Cixi) obtained ISO37001 anti-bribery management system certification

≡ 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*. According to the principles of free will, equality, fairness, and good faith, SHP Group encourages fair and legal competition with competitors and establishes fair and profitable business relations with customers and suppliers. The Company ensures that directors, supervisors, and employees abide by legal and moral standards in business transactions, avoiding unfair competition.

Trade secrets are very important for business development and the enhancement of the competitiveness of the Company. SHP Group has included key personnel in business, R&D, and production technology 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.

≡ Compliant operation

The Company considers compliant operation as the foundation of its stable development. We have established and improved the compliant operation mechanism of the group by taking measures such as developing the compliance system, setting the internal supervision mechanism, fostering a compliance culture, and preventing compliance risks. Within the Company, we have clearly defined code of conduct of compliance for employees in the *Employee Manual* to continuously raise their compliance awareness; outside the Company, we strictly abide by laws, regulations, and supervision requirements in the place where we operate, observe business ethics, and guarantee the health and sustainable development of the Company together with suppliers and partners.

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 General Manager and Chairman in writing the interest conflict that may be real, potential or considered by the external as existing. In 2023, SHP Group surveyed 252 employees who were involved in the conflict of interest and required them to sign a disclosure sheet.

In 2023, SHP Group surveyed 252 employees who were involved in the conflict of interest and required them to sign a disclosure sheet

252 employees

Management and control over information security risks

The Company pays much attention to information security and risk control, continuously constructs and implements the information security management system, and guarantees information security in an all-around way by developing the sound information security management system, providing regular publicity training, conducting risk assessment, and implementing audit and improvement. In 2023, the Company did not have any major information leakage or violation event in the areas of customer privacy and information security.

Information security management policy



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

Information security and privacy management target



Zero serious information security accident occurs every year



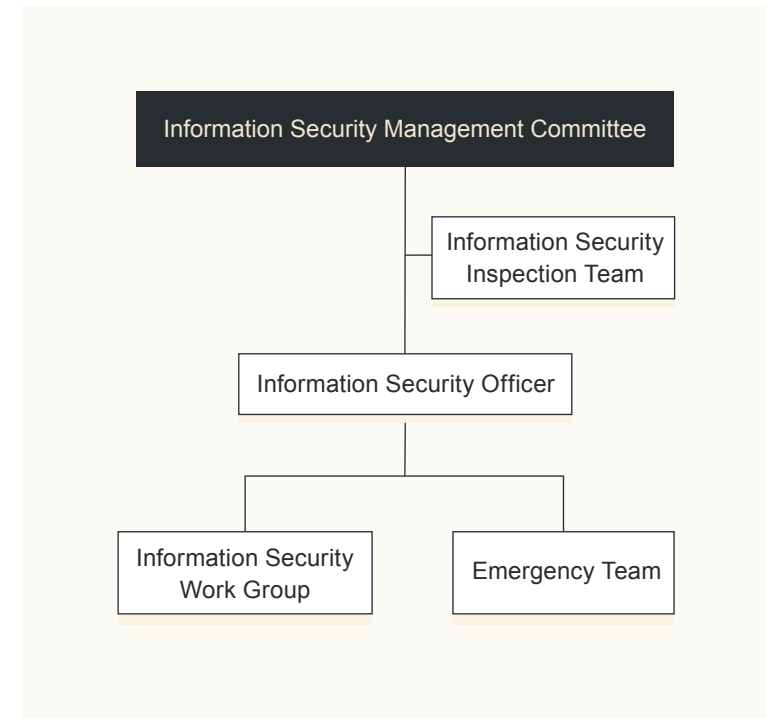
Important information system accessible rate is not less than 99% throughout the year



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


Information security management structure

SHP Group set up the Information Security Management Committee consisting of top managers, manager representatives and division leaders, which functions as a top leading body of information security management of the Company. The committee consists of Information Security Officer, as well as an Information Security Work Group, Emergency Team, and other organizations responsible for daily information security management work to ensure information and data security, business compliance with laws and rules, and safe operation.



 **Information Security Management Committee**

Make decisions on related matters of information security management system, hold meetings each year or when necessary to review related matters of information security management, and coordinate the resource allocation required to implement the information security management system.

 **Information Security Officer**


Give early warning for, monitor, and deal with information security accidents, give suggestions on improvement of information security management, and help to make self-inspection of information security.

 **Information Security Work Group**

Establish related regulations of information security management, promote related activities of information security, provide education and training of information security, establish the information security risk management system, work out emergency response and recovery measures for security incidents, and implement suggestions on audit improvement.

 **Emergency Team**

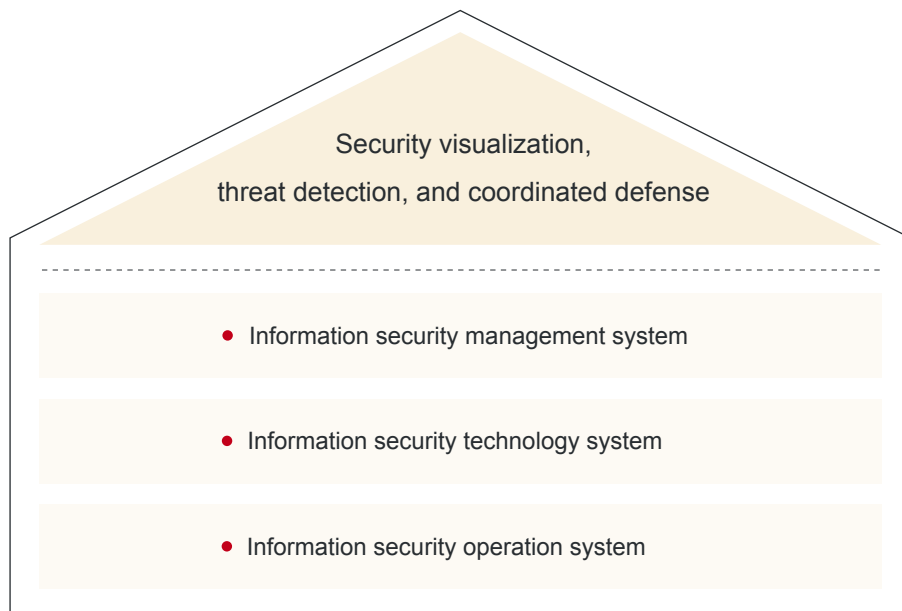
In the case of a major information security incident, coordinate and supervise heads of key business processes to make related operations, and coordinate the allocation and use of resources; in the case of a disaster, gather related personnel to develop, maintain, update, and implement procedures for disaster recovery, cooperate with the organization providing disaster relief to rescue personnel, materials, and equipment, and command on site; coordinate and command the cleaning of the disaster-stricken site, and make a plan for the recovery work of the original operation site; and gather related personnel for the test drill of the business assurance operation plan.

 **Information Security Audit Team**

Evaluate the implementation of the information security management system, make and implement the internal audit plan of information security, and track the progress of improvement and implementation of non-conformance.

Information Security Management System

SHP Group abides by *Cybersecurity Law*, the *Personal Information Protection Law*, the *Data Security Law*, and other laws and regulations, and enhances the construction and implementation of the information security management system according to requirements of ISO/IEC 27001:2022 information security management system accreditation. With the goal of “better security visualization, threat detection and coordinated defense”, it has established the information security system from aspects of management, technology, and operation, to ensure that the information security management of the Company is planned, operated, and controlled effectively.



● Information Security System of SHP Group

In terms of the construction of internal information security capacity, the Information Department of SHP Group organizes annual training with the theme of information security to ensure that employees know and comply with requirements and processes of information security, and raise the information security awareness of all the employees.

In 2023, SHP Group organized 10 information security trainings

10 trainings

45 information security trainings for new recruits

45 trainings

Information security risk assessment

SHP Group prepared procedure documents, such as *Information Risk Evaluation and Management Procedures*; developed assessment methods for risks in relation to business information security and requirements of rules and regulations; made corresponding risk response strategies and improvement measures by regularly identifying, evaluating, and managing information security risks according to results of risk assessment to ensure that risk management measures of the Company were effective.

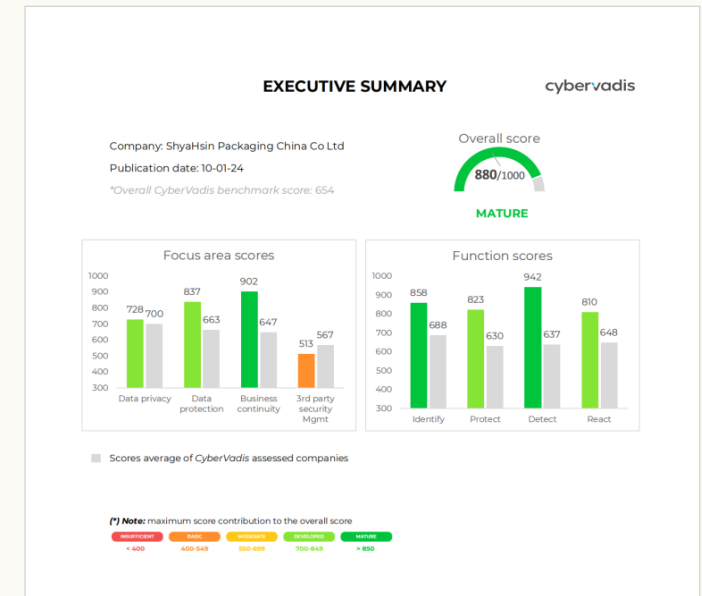
Target	Description	Cycle	Realized
Vulnerability scanning (global)	Vulnerability analysis and management: identify security bugs in the system with priority ranking and provide a guide to bug fixes	Once a month	Yes
Information security education and training	Arrange the training by division or position	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 report	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

● Realization of 2023 Information Security Targets

Case

SHP Group completed CyberVadis cybersecurity risk assessment

SHP Group cooperated with CyberVadis, a third-party professional information security company, for work of network and information security risk assessment. In January 2024, the Company passed the network security audit of CyberVadis. The score was up to 880 points, much higher than the average level of the industry.



General availability of hardware of the server

99%

General availability of hardware of the client

98%

ESG governance

ESG governance structure

To continuously raise the level of ESG governance, SHP Group has established the ESG governance structure with clear levels, rights, and responsibilities to ensure that ESG work is implemented in an all-around way. 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. CEO serves as the chairman of the committee, who should coordinate and implement ESG work of the group and report progress to the Board. COO serves as the Committee Secretariat. Heads of Team E, S, and G serve as members of the ESG Committee. The Company organized groups under the ESG Committee formed by key departments and units, working on ESG.

Level		Management responsibility
Board of Directors		Top regulatory body making the final decision on visions, targets and strategies
ESG Committee	ESG Committee Secretariat	Implement and coordinate related work of ESG, and coordinate communications between the Committee, the Board, and working group
	ESG Committee Secretariat and Members	Organize ESG work and commence meetings. Monitor and examine the formulation and implementation of relevant policies, and implementation of ESG measures and target, and report progress to the Board
ESG Working Group	Working group leader	Coordinate and arrange corresponding ESG work of different departments, monitor progress, and report results
	Working group members	Implement ESG work



Board of Directors

The Board of Directors is the supreme regulatory body, responsible for final decisions made with respect to management policies, targets, strategies, and action plans of ESG of the group. It provides suggestions and necessary support for achieving the ESG goals of the group.



ESG Committee

Consisting of CEO, COO, Director, and other executive members, it manages related matters of ESG. It is responsible for managing and supervising the development and implementation of goals and systems of ESG of the group, reviewing its annual ESG report, etc. It regularly reports ESG work progress to the Board.



ESG Working Group

The manager of each department serves as the leader and the section manager of each department serves as member. Led by the leader, the working group coordinates the work of each ESG module and supports the implementation of ESG goals and decisions. It is responsible for promoting the implementation, tracking progress, and reporting results of related work of ESG.

ESG management system

SHP Group has formulated *Rules of Procedure for the ESG Committee* to support the management and implementation of the ESG work of the group. According to the system, the ESG Committee should have a meeting each quarter to review ESG goals and track their implementation, discuss about key problems and make decisions, adjust related strategies at the right time, and ensure the orderly achievement of goals.

To further improve the motivation and sustainability of top management of ESG, the Board of Directors linked related indicator performance of ESG to the compensation assessment of the CEO. Some ESG indicators have been included in the scope of assessment of the bonus performance of the CEO. The weight of assessment indicators is 15%.

Besides, the Company is willing to disclose ESG information through environmental, social, and governance reports. It hires external expert organizations for the construction of capabilities of ESG for related departments, raising awareness of ESG of the Company's internal team and improving their capacities.

Empowering innovation

Product and technology innovation

SHP Group considers R&D innovation as its core competitiveness, accelerates R&D and technological innovation of products, efficiently promotes internal product and technology R&D projects by applying the project management mechanism. Focusing on core demands of the market, the Group explores directions of new products by deeply analyzing market dynamics and having insight into customers and consumers' preferences. In 2023, the R&D focus of the Company included mono-material, sustainable materials, product structure, and other sectors:



Mono-material

Test and development of PP/PET and other mono-material projects to solve difficult technical problems



Sustainable materials

Develop PCR and other sustainable materials. Decrease the use of ABS materials and develop alternative material solutions



Product structure

Continuously innovate in the structure and function of the product, decrease the amount of raw material used in the source design stage, and promote dematerialization of production

R&D Innovation Advantages of SHP Group

1. Strong mold manufacturing capability

In 2023, the productivity ratio of mold increased by 27.9% compared to that in 2022.

2. Capability of data analysis

By using the simulation analysis software, analyze structural forces of product and other aspects, evaluate whether the requirements of the customer are met in the product design stage, and ensure that product quality is up to the standard.

3. Complete internal management system

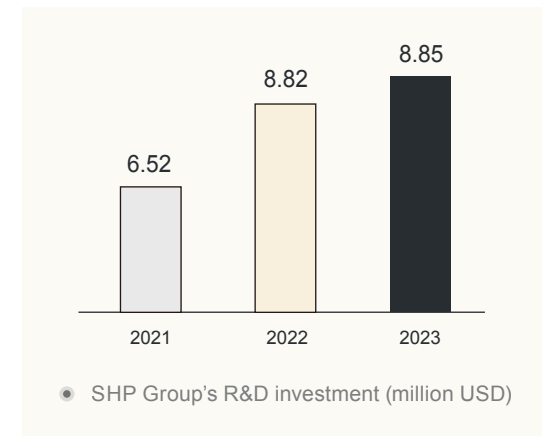
The Company established *Design Control Operation Method*, *Project Development Operation Process*, and other systems to standardize the R&D and design process of new products of the Company.

4. Top R&D talent team

The Company has a global R&D team consisting of more than 500 people. We newly recruited Material Engineers (new materials, biomaterials, and PCR materials) and other positions of professional technical personnel in 2023. We are committed to developing environment-friendly materials with high performance to make the product more sustainable and competitive in the market.



In 2023, SHP Group invested 8.85 million USD in R&D efforts in total, continuously increasing its investment in R&D.



Intellectual property protection

SHP Group has established a standardized and effective intellectual property management system according to *GB/T 29490-2013 Enterprise Intellectual Property Management*. It manages intellectual property through clear policies, goals, and management structure. On the basis of improvement of the level of creation, management, application, and protection of intellectual property, it improves the R&D capabilities, raises the overall innovation level of the enterprise, and enhances its core competitiveness.

Intellectual property policies

Quality first, customer first, enhancing innovations

Intellectual property goals

To establish and enhance intellectual property management system, rigorously improve the quality supervision and production system, and promote constant technical progress of the Company

SHP Group formulated *Intellectual Property Regulations* and other policies and published *Intellectual Property Statement*, *Control Procedure for Acquisition of Intellectual Property*, *Control Procedure for Maintenance of Intellectual Property*, *Control Procedure for Reward and Punishment of Intellectual Property*, and other supporting procedure documents, providing system guarantee for the intellectual property management of the Company. Besides, to encourage employees to participate in R&D innovation, the Company established a technology innovation incentive mechanism, developed the intellectual property incentive system, and defined the rewards and remuneration for the creation, protection, and use of intellectual property by employees.

As of the end of December 2023, over 288 patents have been obtained cumulatively. In addition, SHP Group passed the accreditation of the intellectual property system in 2023

288 patents



Some patents obtained by SHP Group in 2023

SHP Group obtained the intellectual property management system certification

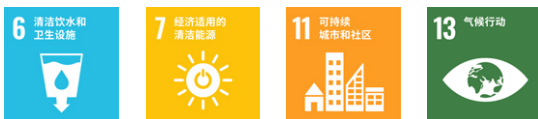
03

Environment

Material issues in this Chapter:

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

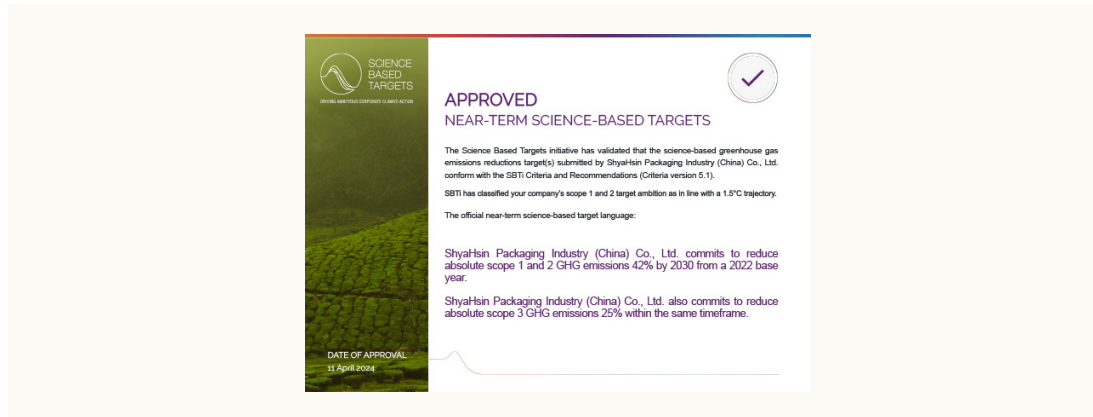
SDGs in this Chapter:



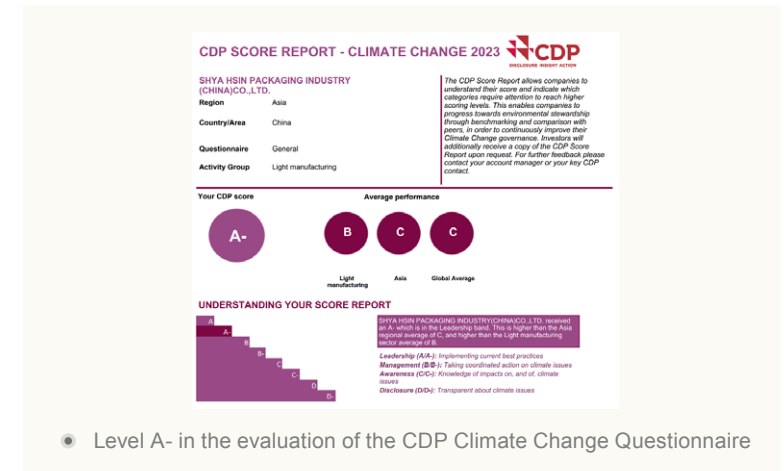
Actions against climate change

The issue of global climate change has a far-reaching influence. It has caused huge irreversible losses to the ecosystem we live in. Facing unprecedented difficulties in global environmental protection, we have agreed to actively take actions against climate change. SHP Group is fully aware that climate change has a significant influence and the net zero path consistent with the 1.5°C goal has become a blueprint for the action of a responsible enterprise to cope with the climate crisis. Joining the Science Based Targets Initiative (SBTi) has become a key step in the building of the sustainable competitiveness of the enterprise.

In the reporting period, SHP Group focused on green and low-carbon development, actively exercised the influence of the value chain, and submitted the SBTi commitment letter. Additionally, according to SBTi standards and suggestions, we set near-term science-based emission reduction targets, which were to reduce Scope 1 and Scope 2 GHG emissions by 42% from 2022 to 2030 and reduce Scope 3 GHG emissions by 25% by 2030. In 2023, Scope 1 and 2 greenhouse gas emissions have been reduced by 6.05% from the 2022 base year, keeping pace with the 2030 target.



To actively respond to the expectations of investors and customers, we have submitted the CDP Climate Change Questionnaire every year since 2018. In the latest evaluation in 2023, we were awarded Level A-, showing that we are leading in terms of climate change management. Compared with the global average score of C and the average score in Asia of C, our Level A- also shows our commitment and achievements in response to climate change.



In the future, we will continue to work on our path of carbon reduction action, make more efforts on measuring and tracking of carbon emissions, fully measure and reduce the effects of our operation on the environment, and systematically improve our environmental performance, by innovating green packaging production technology, promoting the use of renewable energy, improving the resource utilization efficiency, and decreasing GHG emissions.

1. When measuring SBT base year emissions, due to the change of spraying exhaust gas environmental protection facilities in October 2022, from raw water spray + activated carbon adsorption to RTO incineration, the actual natural gas consumption is only from October to December. In order to ensure reasonable data, the consumption from January to September is included in the scope 1 emissions, and the electricity generated after the change of environmental protection facilities is also calculated accordingly. The Scope I and II carbon emission data for 2022 of the Guiding Science Carbon Target are inconsistent with the Scope I and II carbon emission data for 2022 of this report.

Green product

With growing awareness in environmental protection, consumers pay more and more attention to the green features of products purchased by them and tend to choose environment-friendly products. As enterprises develop more green products through innovation to meet the demands of consumers, they cannot only develop differentiation advantages of products but also build a good green image and reputation.

As a provider of packaging solutions, SHP thoroughly practices the concept of sustainable development and focuses on ground-breaking design and technical improvement of environment-friendly packages. By successfully developing multiple mono-material packaging products and refillable and lighter packaging products and applying the latest environment-friendly materials, we effectively improved the ability to recycle packaging products and significantly reduced the environmental footprint.

Sustainable innovation mechanism

In pursuit of innovation-oriented sustainable development, SHP Group established and improved the sustainable innovation mechanism and continued green product R&D. We are driven by market orientation, sustainable design of material, and R&D optimization and improvement of internal projects. We focused on the development of innovation capability by means of its strong tool making capability. Through strong tool making capability, software and hardware data analysis capability, and excellent researchers at home and abroad, we continuously develop our innovation capability and obtained sources of inspiration for product design.

Besides, to arouse employees' innovation potential, encourage them to participate in innovation activities actively, and improve the Company's technological competitiveness, SHP Group formulated several R&D management and innovation incentive systems, including *R&D Management Regulations*, *R&D Investment Management System*, *Talent Introduction Management*, and *Measures for Technological Innovation Incentive*, vigorously promoting sustainable innovation of materials, product structures, processes, equipment, and tools and molds.

SHP Group has cumulatively obtained 13 innovative structure patents

13 patents



Innovation driving market development

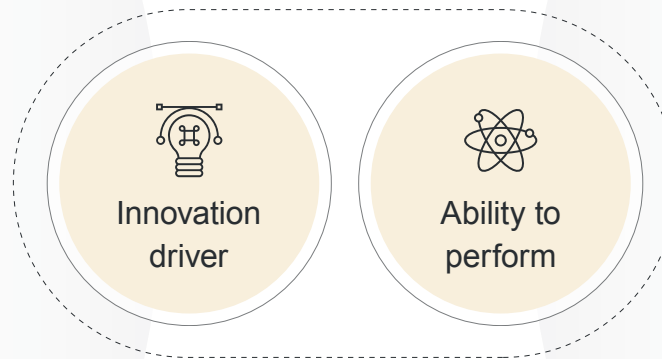
- Set up an internal team for product management to release new products regularly
- Develop market information acquisition and insight capabilities

Innovation driving sustainable development

- Explore and provide its own PCR solutions
- Use bio-based materials and other environmental-friendly materials
- The "3R" concept is available in all categories of new products

Innovation driving internal optimization

- Internal need for new material research and novel decoration techniques
- Internal need for shortened project cycle
- Realize modular and standard design



Creative design

- Market survey and trend analysis
- Mood board creation
- Visualization of dynamic thinking and hand-made drafts
- World-class CAD drawing
- Brand, logo and package design

Engineering manufacturing

- Latest internal 3D printing/SLA technologies
- Functional product molding
- Professional global design engineering team
- Prototype making capability

● SHP Group's Sustainable Innovation Mechanism

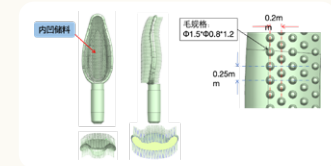
☰ Sustainable design

SHP Group's packaging product design concept incorporates the "3R" concept (reduce, reuse, recycle), and continuously focuses on the design and improvement of lightweight, replaceable products. The size and volume of the package are smaller in the design, which means that the use of resources is reduced. Weight reduction can achieve the goal of lighter packages through process upgrades, refills, or refillable packages.

⬇️ Lighter design

- Non-flocking lip brush head

Extremely fine hair is made with the injection molding process, replacing the secondary flocking process and eliminating the use of glue. The brush head product is lighter and more environment-friendly.



- SHP Mono PP Jar

Compared with the classic three-parts Jar, by using the design without pulling piece, the use of parts is eliminated to the greatest extent. This lightweight design can reduce more than 50% of plastic use. Besides, the product is totally made of highly recyclable PP material, promoting the circular economy and effectively reducing carbon emissions.



- SH172230/J

The product structure is optimized by integrating the inner cap and rod. The costs of the use and assembly of parts are reduced.



↻ Refillable design

- SHP Generation G3 cushion liner

For different compositions of internal materials, PP and PET liners of materials are designed respectively. They have good air tightness and stable functions.













☰ Sustainable materials

With the concept of sustainable development, SHP Group carefully selected materials, which is to reduce the carbon footprints of products in the life cycle at the source. We promoted PCR material, bio-based materials and other green ones and provided single-material solutions for products.

PCR material

The full name of PCR is Post-Consumer Recycled material. It usually refers to recycled PET, PP, HDPE, etc. After recycling with physical or chemical methods, PCR materials can be changed into valuable raw materials and used to manufacture new packaging products. As a kind of environment-friendly material, PCR materials effectively reduce resource consumption and environmental pollution.

				
<p>CLINIQUE TTDO CLEANSING BALM</p>	<p>CLINIQUE TTDO CLEANSING BALM</p>	<p>GIVENCHY FACIAL MASK</p>	<p>DIOR LA CREME</p>	<p>DIOR LA CREME</p>
				
<p>GUERLAIN YOUTH WATERY OIL</p>	<p>URBAN DECAY WATERPROOF FOUNDATION</p>	<p>BENEFIT EYEBROW PENCIL</p>	<p>MAYBELLINE SKYHIGH MASCARA</p>	<p>ESTEE LAUDER HOLIDAY BB20 - STOCK</p>

● Display of PCR products of SHP Group's customers of internationally famous cosmetic brands

Use of particles	2023	2022	2021
Annual use of PCR materials	1,153,315	1,320,515	771,640
Annual use of all particle materials	11,511,434	14,002,200	12,182,749
Proportion of PCR materials	10%	9%	6%

In 2023, sustainability product revenue of SHP Group accounted for 14.18% of the total

14.18%

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.

We are promoting the implementation of bio-based material packaging solutions of an internationally renowned brand, striving to reduce the impact of packaging on the eco-environment, and providing our customers with sustainable choices in line with the circular economy.

Mono-material

Recycling is an important part of the circular economy. The more complicated the material in packaging design is, the lower the probability of recycling is. The mono-material package can solve this problem. Mono-materials now used in SHP Group are: polyethylene, polypropylene, polyester plastics, etc.



Dropper totally made of PP material

By adjusting the hardness of PP material, NBR rubber head can be replaced. Dropper made of PP material is created, which is easy to recycle.



Lipstick cartridge totally made of PET material

The influence of thick wall made of PET material on the product is eliminated. The cartridge is made of single PET material, which is easy to recycle.



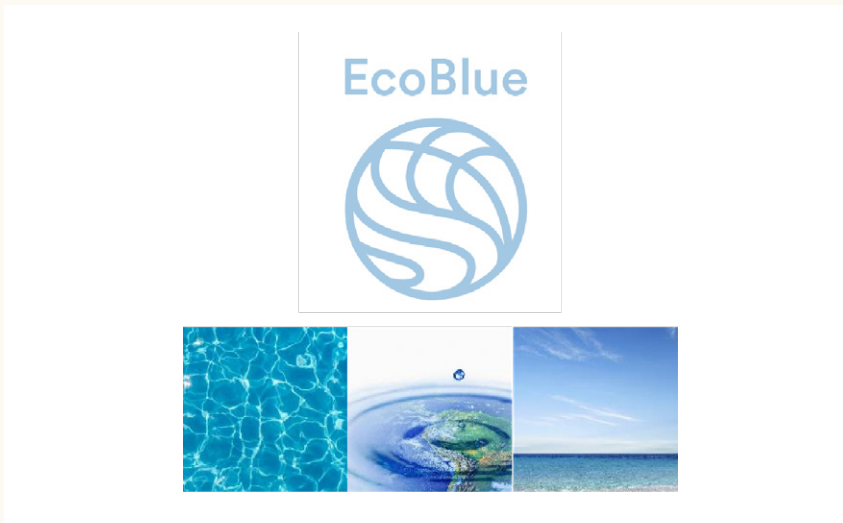
Cream jar totally made of PP material

The number of parts decreased from three to two. While excellent airtightness is maintained, internal material protection same to that of a traditional package is provided, making it more convenient to recycle the product. This structure can be extended and applied to wide mouth flasks with different diameters.

With these obvious advantages, our innovative cream jar packaging scheme was favored by a famous American brand and selected as the packaging solution for their product samples. This cooperation not only highly recognized the innovative design capabilities of SHP but also proved its competitiveness and influence in the global market.

Case Sustainable product brand of SHP Group—EcoBlue

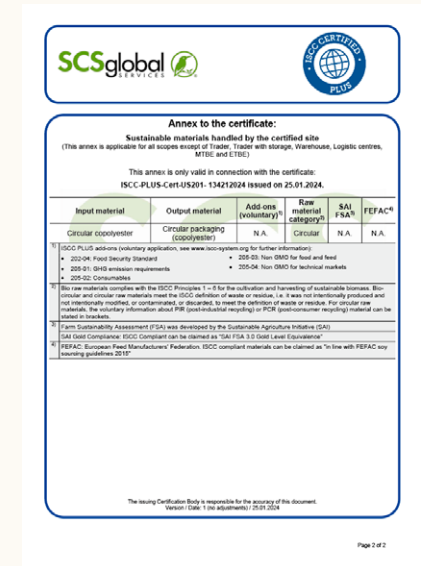
SHP Group designed sustainable product brand EcoBlue. Products meeting the requirement of sustainable development will be marked with the logo of EcoBlue. It is an action in active response to customers' need for sustainable products and also a guide for consumers to concern about the environmental impacts 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.



“Eco” in EcoBlue represents ecological and sustainable practices. “Blue” represents the harmonious integration of the sky and the ocean, peace, trust, loyalty, and wisdom.

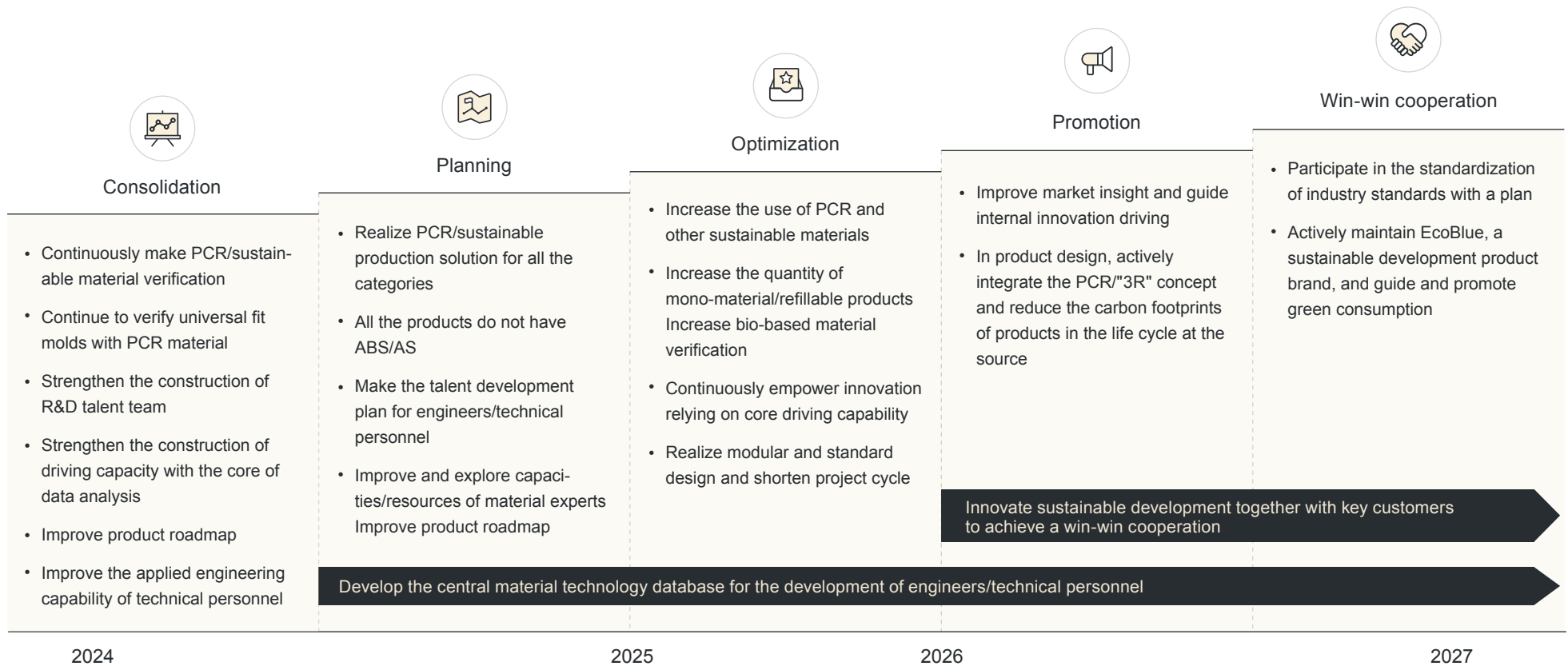
Case SHP (Mexico) got ISCC PLUS certification

In 2023, SHP (Mexico) got ISCC PLUS international sustainability and carbon certifications. ISCC PLUS is an international recognition and certification system that conforms to Renewable Energy Directive of the EU. It is a voluntary certification for an enterprise that reduces carbon emissions and increases its competitiveness and advantages. Circular copolymer, a sustainable material of SHP (Mexico), meets the requirements of ISCC's document about sustainable biomass production, traceability of place origin, and potential of GHG emission reduction. This certification powerfully proved the traceability of sustainable sources.



☰ Sustainable innovation planning

Currently, many customers have high requirements for sustainable products of SHP Group. For example, they asked SHP Group to select single PET and PP materials. We understand that the demands of customers determine elements of products and competitiveness of products and solutions and are the source of planning of products and solutions. Driven by their demands, we developed product solutions and overcame technical difficulties faster. We strive to become a leading provider of sustainable packaging products with traceable carbon footprint, which has self-dependent innovation ability, perfect central material technology database, and technical teams with advanced technologies by 2027. We also expect to innovate sustainable products with key customers, accumulate our own patents, and realize the value of patents.



● Strategic goals of sustainable innovation of SHP Group from 2024 to 2027

Green production

While actively pursuing the concept of green packaging and designing and promoting green packaging products, SHP Group pays attention to ecological environment protection in production and manufacturing, strictly complies with related laws and regulations of environmental protection, strengthens the construction of environmental policies and management system, integrates environment management into different aspects of daily operations, fully measures and reduces the effects of its own operation on the environment, and tries its best to coexist harmoniously with the natural environment.

Environmental management system

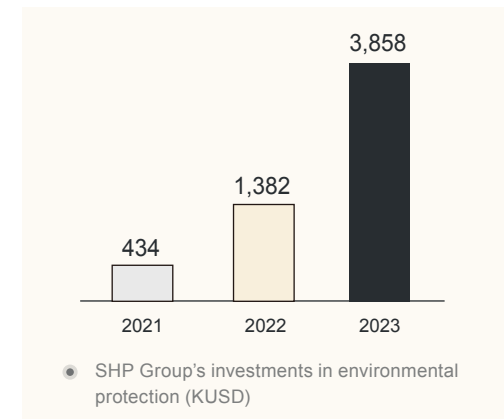
Environment policies

- Promise to include the environment work in the management performance of continuous improvement of operations.
- Abide by decrees related to the environment and meet related requirements at home and abroad.
- Prevent pollution, save energy, recycle resources, and reduce waste in the industry.
- Enhance education and training to raise employees' awareness of environmental protection responsibility and improve their ability to respond.
- Make automatic inspections and identify environmental risks through risk evaluation.
- Continuously implement the environmental management initiative and inspection of contractors.

SHP Group actively meets the state's requirement for sticking to the concept of green development and strictly abides by related laws and regulations greatly affecting us, such as *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*, *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, *Law of the People's Republic of China on Energy Conservation*, and *the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes*. As of the end of the reporting period, we have obtained the ISO 14001 environmental management system certification recognized in the world. There was no event significantly affecting the environment in the year.

Environmental Operation Control Procedure, Environmental Factors Identification and Evaluation Procedure, Management on Energy Conservation, Lower Consumption and Emissions Reduction, Waste Classification and Disposal Management, Hazardous Waste Management, Potential Risks Identification and Management, Emergency Preparedness and Response Control Procedures, Environmental Security Management Manual, and other internal systems and procedures are strictly put into effect in routine production and operation activities 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. In the reporting period, we revised the *Rules and Regulations on Self-monitoring Program* to raise the level of standard environmental monitoring and management.

Furthermore, SHP Group has continuously increased investment and begun to prepare for green projects faster since 2020 in the endeavor to transition to a green economy. In the reporting period, SHP Group invested 3,858 KUSD in environmental protection and SHP (Kunshan) invested 3,785 KUSD.



Case SHP Group was rated as Green Plant

Green plants refer to plants with intensive land use, harmless raw materials, clean production, wastes recycling, and low-carbon energy. According to the requirements of the green plant indicator, on the premise of ensuring product function, quality, and occupational health and safety of people in the process of manufacturing, the life cycle thinking should be introduced; green processes, technologies, and equipment should be selected first; and the comprehensive evaluation requirements of infrastructure, management system, energy and resource investment, products, environmental emissions, and performance should be met.



- SHP (Kunshan) was rated as Provincial Green Plant



- CCT was included in the first batch of AAA green plants in Suzhou

Energy management

Energy policies

- clean production, energy conservation and consumption reduction, integrated utilization, and continuous improvement

SHP Group established and continuously improved the energy management system. With such energy management systems as *Energy Management Post Accountability*, *Energy Counting Management*, *Energy Quota Management*, *Energy Statistics Management*, *Reasonable Energy Use Management*, and *Energy Management Manual in place, functions by post are defined clearly*, and energy use is regulated, in a comprehensive manner for higher use efficiency and management level. Additionally, we developed Measures for the *Administration of Rewards and Punishments of Energy Conservation* and set energy conservation targets and energy consumption quotas for each department according to the annual energy conservation goal of the Company, which applied to the assessment of the Company's energy conservation management and technical supervision of energy conservation.

In the reporting period, we also carried out several energy conservation improvement projects. The investment was 250.26 KUSD and the expected energy conservation was 2,556,158 kWh/year.

Energy conservation improvement project	Energy conservation estimate (unit: kWh)
Replacement of water pump for cooling tower of the air compressor	117,216
Replacement of water pump for air conditioner and adding of a power assisting device	358,920
Replacement of lamps of workshop equipment	78,566
Energy conservation improvement of electric heating method of the injection molding machine	948,672
Reuse of return air for fan drying of the drying bucket of the injection molding machine	797,472
Intelligent phase control cabinet (D air compressor/C spraying/C spraying B electrical cabinet)	255,312



In 2023, SHP Group purchased electricity of

97,487,805.00 kWh



photovoltaic power generation/consumption was

7,512,436.80 kWh



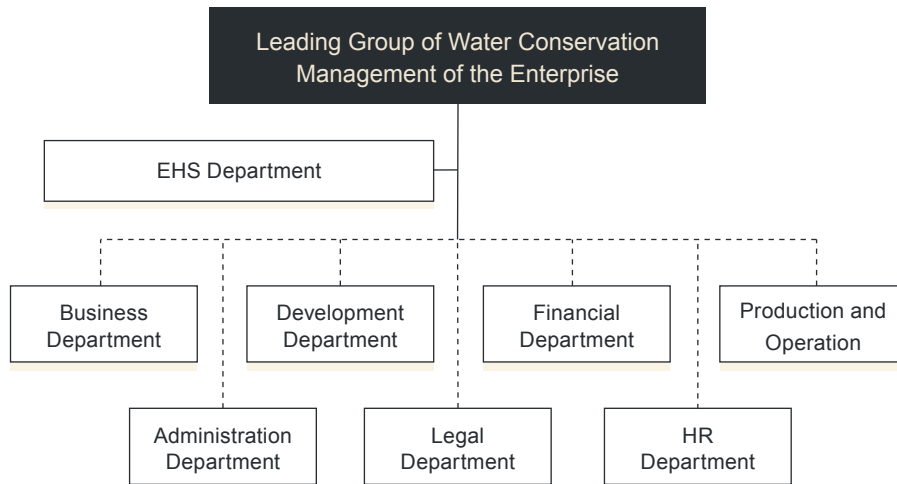
proportion of renewable energy was

7.15%

In the future, we will continue to actively pursue clean production, reduce energy consumption from the source, and promote the development of the circular economy; adjust the structure of energy consumption, make several kinds of energy complement each other, coordinate and optimize multiple systems, improve the comprehensive utilization efficiency of energy, and use energy reasonably; and vigorously promote the application of new technologies, processes, and materials of energy conservation and reduce energy consumption.

Water resource management

SHP Group pays attention to the conservation and comprehensive utilization of water resources. To reinforce the Company's water resource management, promote conservation of water resources, and improve the utilization efficiency and economic benefits of water resources of the Company, we established the Leading Group of Water Conservation Management. Manager of Administration and EHS Department serves as the head of the leading group, manages water resources of the entire company, and gathers departments to regularly check and analyze the use of water resources; and people chiefly in charge of departments of the Company serve as team members and are in charge of water conservation in their departments. Currently, the water resource management organization of the Company is the EHS Department, in which there are part-time water resource management personnel who measure, summarize and analyze water resource consumption in the Company.



● Network diagram of SHP Group's Leading Group of Water Conservation Management

Under the unified deployment of the Leading Group of Water Resource Management, SHP Group actively established water resources management system at different levels, and developed management systems of management and statistics of water resources measurement, responsibilities of water resources measurement personnel, publicity, education and training of water resources, technical reconstruction measures for water conservation, etc. The Leading Group of Water Conservation Management also actively built the energy management system. *Energy Counting Management* and *Energy Statistics Management* formulated according to GB/T 23331-2012 were introduced and put into operation one after another. They all include the management and control of purchasing, measurement, statistics, and consumption of water resources, effectively promoting orderly water conservation management work of the Company.

In the reporting period, the water resource we used was mainly municipal tap water. A lot of water resources were not taken from areas with pressure of water resources.

Case

SHP (Kunshan) made self-evaluation on the use of water resources

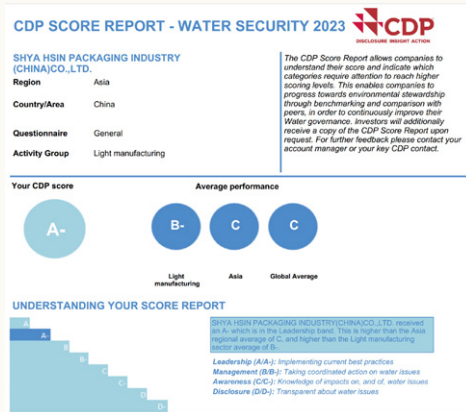
From May 5 to 12, 2023, SHP (Kunshan) made a self-evaluation on the production processes and equipment consuming energy involved in the process of design, development, production, and service of plastic products, as well as related supply of tap water, industrial water, and circulating water, related management activities, domestic water, etc. Conditions of water resource management, use of water resources, specific measurement and statistics of water resources, equipment consuming energy for water resources, products, appropriateness of technical improvement projects of water conservation, and other aspects were mainly reviewed.

Results of this self-evaluation indicated that the water resource management of the Company met the basic requirements of GB/T 7119-2006 *Evaluating Guide For Water Saving Enterprises* and requirements of indicators of basic assessment standards and technical assessment standards.

Case

SHP Group got Level A- in the evaluation of CDP Water Security Questionnaire

To actively respond to the expectations of investors and customers, we actively participated in the evaluation of the CDP Water Security Questionnaire. In the latest evaluation in 2023, we got Level A-. It shows our significant progress in terms of water resource management and leading position in the industry. Compared with the global average score of C and the average score in Asia of C, our Level A- also shows our commitment and achievements in water resource management.



We plan two-staged water conservation in the future: In the first stage, we will enhance clean production of the Company and fully mobilize employees in the whole plant to pool the wisdom and efforts of everyone, unite, and reach a consensus on water conservation on the current foundation; and reinforce water resource management and obtain water conservation benefits from management from management system, quota assessment, and other aspects. In the second stage, we will invest more in optimizing water-saving equipment. By adding and upgrading equipment, with a focus on water-conservation technology, we will raise the utilization efficiency and reach the advanced levels.

Waste management

SHP Group knows that the disposal and discharge of waste are related to the natural environment and life safety of people. It sticks to the principle of disposal of “reduction, recycling, and hazard-free handling” of solid waste and actively promotes the concept of circular economy. We developed several waste management systems, such as *Waste Classification and Disposal Management*, *Management Procedure of Hazards Identification and Risks Assessment*, and *Hazardous Waste Management*, to promote disposal and reuse of waste complying with rules in four dimensions—waste collection, storage, disposal and reuse.

- 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**

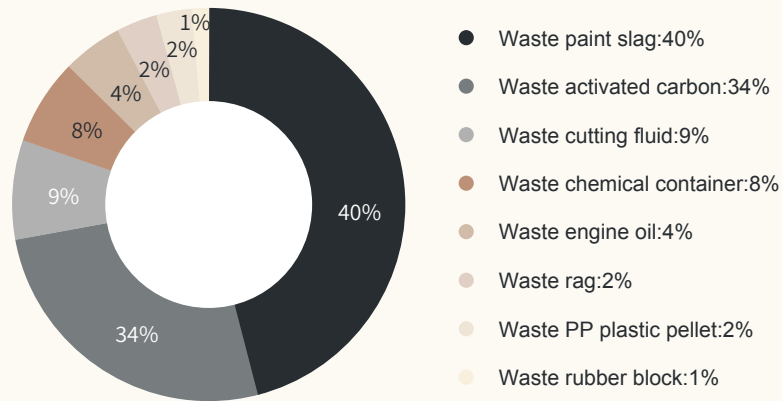
 - Arrange hold zones respectively for common waste, hazardous waste, and household waste;
 - Recyclable hazardous waste and hazardous waste are stored by classification in labeled zones for temporal storage and weighed by classification for registration;
- Waste disposal**

 - 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**

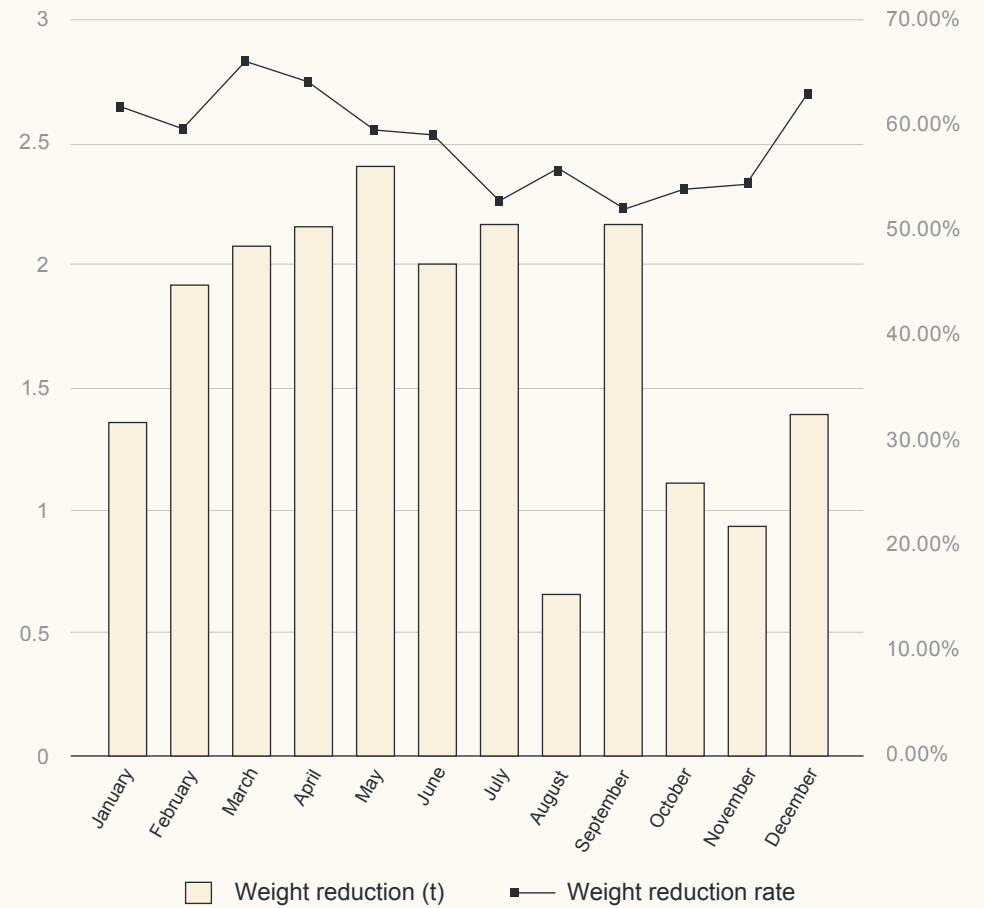
 - Establish a recycling mechanism to reuse waste packaging materials in the plant;
 - Determine the circulation number of packaging discs (PSP disc, PP disc, PET disc, etc.) in the plant and reuse if no contamination;
 - Reuse the off-cuts from the uncontaminated product after they are reprocessed, and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

In the reporting period, we further improved the work of disposal of hazardous waste. Through refined management and measures to reduce paint slag, the total amount of hazardous waste produced in 2023 was 15% less than that in 2022.

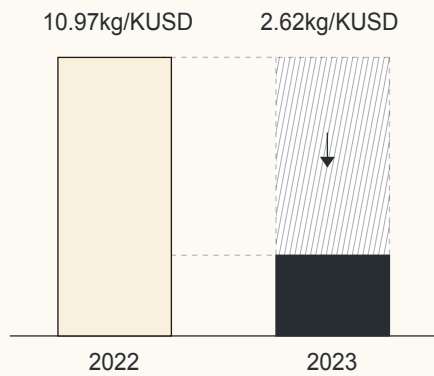
Summary of amount of hazardous waste produced in 2023



Reduced weight of paint slag in 2023



The output of hazardous waste per unit of production value (PV)¹

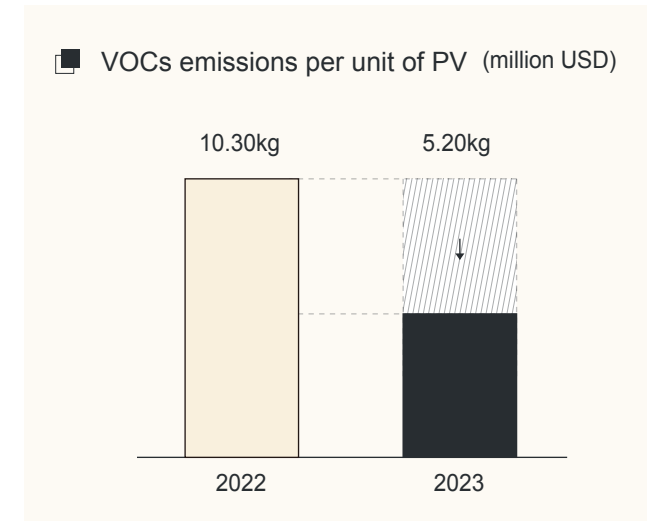


1. In addition to the effective implementation of hazardous waste reduction, the closure of SHP QD in 2022 is also the main reason for the significant reduction of hazardous waste of SHP Group in 2023.

☰ Pollutants discharge management

SHP Group always manages the pollutants discharged into the atmosphere, water, and soil in the process of production and operation responsibly. We have developed the standardized emission management system. In production and operation, we discharge pollutants and try our best to minimize the emission level. 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. In the reporting period, we obtained the pollutant discharge permit of the state.

Besides, 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: It can effectively reduce emissions of 80–90% of VOCs. It is possible to forego VOCs exhaust treatment to realize control over VOCs at the source. 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.



☰ Management of hidden trouble of chemical leakage

SHP Group pays much attention to the safety of hazardous chemicals and is aware that the production and operation activities of the Company may have the risk of emergency of leakage of UV coatings, coating additives, UV ink, ink solvents, ink hardeners, thinners, alcohol, liquefied petroleum gas, etc. Therefore, we should carefully identify potential dangers and respond to emergencies. According to provisions, in the case of the leakage of chemical raw material, personnel of the Emergency Response Team of the Company should try their best to cut off the leakage source, prevent it from entering confined spaces such as rainwater pipes and sewage pipe network, and respond in a timely manner and deal with it quickly according to disposal methods of the leakage of all kinds of chemicals.

To minimize and eliminate chemical leakage pollutants, we ask related personnel to collect the sewage after washing in the emergency pool when they clean up the leaked materials on site and dispose of it together after the accident; if the water area is polluted, we should contact the water conservancy department and ask them to suspend the discharge of water of related water gates in a timely manner to prevent the expansion of polluted water. We also encourage and consult with related experts to determine the safe and best method. When necessary, a qualified cleaning organization should be responsible for cleaning.

In the reporting period, we provided special training on chemical safety to spray painting, printing, and Class A warehouse personnel, raising their awareness of environmental safety responsibilities and red lines and improving their professional operating skills and safety protection ability. The training achieved the desired effect.

Green logistics

SHP Group strives to explore green logistics as it is committed to low-carbon transportation for environmental protection. It focuses on main logistics links including warehousing, packaging, transportation, and recycling.

☰ Material calling plan

Material calling means that the warehouse keeper asks staff in the warehouse to pick, prepare, or deliver the required materials in the warehouse to effectively coordinate the supply and demand of materials and ensure the normal production process. SHP Group reasonably calculates material required each day through the material calling plan and asks staff to directly deliver the required materials to the production workshop, thus reducing the number of days of material turnover and overstocked products.

In 2023, SHP (Kunshan) reduced 194 storage locations in the packaging material warehouse

194 storage locations

☰ Green packaging

SHP Group actively uses recyclable turnover baskets made of environment-friendly material, constantly improves the recycling mechanism of packaging waste, and focus on energy conservation and carbon reduction in logistics by taking practical actions. In the recycling management of turnover baskets, we ask related personnel to check whether turnover baskets are clean, damaged, or broken before using them. They should be used after excessive labels are removed. Besides, if oil stains or other problems are found on the revolving packaging materials returned by the workshop, we ask related personnel to mark “dirty” with a paint marker outside the packaging material. When the warehouse receives the goods and sees the packaging materials with this mark, it shall place them in the packaging material scrap warehouse after sorting out them. The Procurement Department arranges corresponding manufacturer to recycle and dispose of general solid waste according to the category of the material; and the EHS Department leads and arranges compliant disposal of hazardous waste.

In 2023, the Packaging Material Warehouse of SHP (Kunshan) disposed of

383,412 kg

general solid waste

724,182 kg

hazardous waste

353,387 kg

recycled materials

2,192,223 kg

waste materials sold to professional processors for disposal and recycling



● Environment-friendly turnover box

Besides, SHP Group is against excessive packaging and advocates to use the packaging solutions that are reasonably designed, material-saving, convenient to recycle, and affordable and develops the concept of moderate packaging. We start with methods and materials of packaging, link with suppliers and customers through the Development Department and Procurement Department, and check packaging methods together to reduce waste and environmental pollution arising from excessive packaging.



● Lightweight packaging

☰ Green transportation

Considering that packaging materials such as PSP disc, HIPS disc, and carton occupy a big area, which can waste inventory space easily, and goods should be picked up separately when each manufacturer delivers them, SHP Group implements the milk-run transportation model for inbound logistics, intensively collects packaging materials in urgent need on the same day, and unload them in the warehouse together, improving transportation efficiency, increasing the loading rate, and reducing the logistics costs. Besides, in the reporting period, we introduced electric tractors with a bigger carrying capacity and eliminated the hydraulic forklifts we used in the past, significantly improving transportation efficiency.

In 2023, the Packaging Material Warehouse of SHP (Kunshan) transported 69,194 pallets of materials by introducing two electric tractors. It transported 378 pallets per day at most.



● Electric tractor

It was equivalent to replacing 10 forklifts with the same transportation capacity

10 forklifts

saving the human input of

6 people

Green office

SHP Group knows that the green office model cannot be built in a day. It requires the accumulation of daily management of the enterprise and the perseverance of employees.

Resource conservation

SHP Group focuses on managing daily behaviors in the office. To be specific, employees are encouraged to save water and electricity. In addition, the Company established a reward and punishment mechanism for green behaviors to build green values. For example, according to *Employee Manual*, appropriate rewards will be given to employees “who save water, electricity, or other things and significantly reduce expenses of the Company” based on their contributions.

Green Office Measures of SHP Group

⊗ Less electricity consumption

- Reduce the use of lighting instruments, for example, turn off lights when leaving;
- Open the air conditioner less. One hour less in one day;
- The air conditioner temperature should be set reasonably to save electricity;

📄 Paper conservation

- A paperless office is promoted by drafting, modifying, and reading documents via electronic media;
- Print on both sides;

💧 Water conservation

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

🌾 Food conservation

- People who have a meal should save food and purchase a moderate amount of food without wasting it;

♻️ Recycling of waste

- Implement garbage sorting and set dustbins for hazardous and harmless waste;
- Recycle scraps, office paper, etc.



- Turning on reminder of air conditioner

☰ Digital office

Digital office is also promoted by continuously improving online office systems such as online transmission and approval process. In the reporting period, we promoted the application of digital office system in order. For example, we improved sampling making and output efficiency of samples by using the sample making management system; optimized purchasing collaboration and material calling plan by using XIEKEYUN SRM system; improved the standard and systematic management of product labels by using the product label system; and optimized the form approval process by using the OA system.

As of the end of the reporting period, online office has been realized for multiple work links and processes in SHP Group.

In 2023, SHP Group saved paper (A4 paper) by using the digital office system

100,000 pieces

Operation content	Operation system
Inquiry of organization and personnel of the department	Ding Talk_Address List
Instant message communication	Ding Talk_Instant Messaging
Management of work tasks and to-do list	Ding Talk_To Do List
Calendar management	Ding Talk_Schedule
Company announcement/Notice on promotion of policies	Ding Talk_Announcement
Video conference/Online conference	Ding Talk_Video Conference
Management of use of conference room	Ding Talk_Conference Room
Assignment of project tasks/Instant communication and discussion/Progress management/Collection of documents	Ding Talk_Project/Ding Talk_Group
Change paper-based approval to electronic form approval	Ding Talk_OA Approval/ Yunshu_OA Approval/ SHP Fangzhou_OA Approval
R&D/Project/Sales/Production plan/Purchasing/Manufacturing/Quality/Warehouse/Cost/Finance/Consolidation	ERP system/FCCS/SRM
Personnel/Attendance/Compensation/Training/Performance assessment	DONBOSOFT System/Cool College/SHP Fangzhou
Bonded management/Bonded cancelling after verification	ERP system/DUALSMART bonded system

Green culture

Besides daily management and supervision, SHP Group also increases employees' environmental protection knowledge, improves their environmental protection skills, gives them a good understanding of green office, and makes them recognize green values by carrying out all kinds of cultural activities.

SHP Group's Green Culture Campaigns



04

Product and service

Material issues in this Chapter:

- Product responsibilities
- Supply chain management
- Services for clients

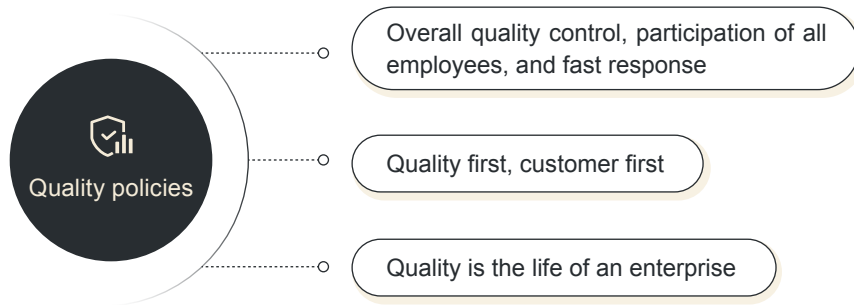
SDGs in this Chapter:



Product quality control

Quality control is a critical step to ensure that products or services comply with established quality standards and meet customer demands. As a company committed to providing packaging solutions with high quality, SHP Group pays attention to product quality control. By developing sound quality policies, objectives, procedures, specifications, and standards in product design, purchasing of raw materials, production and manufacturing, inspection and testing, sales services, and other links, it ensures that the Company continuously and stably provides products or services that meet customer demands and requirements of laws and rules.

Quality management system

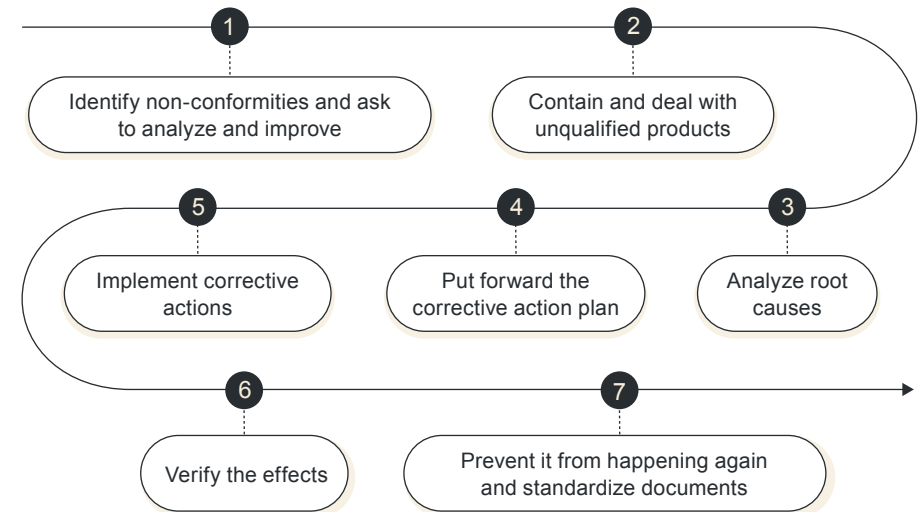


SHP Group strictly follows the *Law of the People’s Republic of China on Product Quality*, *Standardization Law of the People’s Republic of China*, and other related laws and regulations of quality management; implements standard and normalized production management strictly according to requirements of the ISO9001 quality management system; constantly optimizes its quality management system, and supervises plants in all subsidiaries to act with *Quality Manual*, *Sample Making Management Measures*, and other internal quality control systems; and incorporates customer complaint rate, rejection rate, etc., in the quality assessment in plants.

We manage our product quality with the PDCA (Plan-Do-Check-Act), integrate quality control in the development phase, implement Quick Response Quality Control (QRQC) and Outgoing Quality Control (OQC) procedures in production and sales, and strictly control each link from product development to delivery of finished products and ensure that product quality is stable and reliable.

Additionally, we developed *Control Procedures of Corrective and Preventive Action* to identify quality problems in a timely and active manner, improve non-conforming products, and prevent adverse events from occurring again. According to the requirements of the procedures, the Quality Control Department of the Company issues the corresponding *Corrective and Preventive Action Handling Form*, organizes the development of corresponding corrective and preventive actions, and tracks and verifies the implementation effects when there are major quality or product safety problems, deviation of critical control points from critical limit, or non-conformity of requirements in the prerequisite program. Each responsible organization analyzes the corresponding reasons for non-conformity and takes corrective and preventive actions. The Business Department conveys customer demands and handles results of customer complaints.

Control Procedures of Corrective and Preventive Actions



Case

Carry out the work of PACV (Process Assurance Capability Verification)

In 2023, SHP Group carried out the work of PACV (Process Assurance Capability Verification) in order to identify potential risks of important process equipment ahead of time and ensure that key processes in the process of production have sufficient assurance capability and the quality of the finished product meets expected requirements. Currently, we have carried out the work of PACV on 598 equipment, involving ultrasound, adhesive dispensing, oil application, bronzing, pressing, and printing processes. We have developed visual control with different colors for potential risks.

PACV (Process Assurance Capability Verification), whose purpose is to identify potential risks of important process equipment ahead of time, verify effectiveness of equipment by converting PACV index and quantifying, and manage and control the whole production process.

Capacity index

Capacity to produce products that meet quality requirements, which can be converted into quantitative index through CP, CPK, yield, appearance, and function.

Detection index

Ability to detect unqualified products. Necessity of improving detection capacity/ability to detect unqualified products.

Response index

Actual emergency response in non-normal operation.



● Target identification after PACV certification

In 2023, the cost of poor quality of SHP Group was 19,537.31 USD lower than that of the previous year

19,537.31 USD

Automation equipment and process

SHP Group is aware that automation reconstruction is always important in the development of the manufacturing industry. It is not only an inevitable trend of transformation to automation for a labor-intensive enterprises but also crucial to improving the quality of products and work efficiency while ensuring green development, reducing or eliminating occupational disease risks, and improving the safety of jobs.

In the reporting period, combined with the experience in the development of previous projects, in the automation reconstruction, we first carried out projects that were very feasible and could be reproduced and promoted quickly, and focused on projects of take-up of injection molding, assembly of lip glaze/mascara, and loading and unloading of vibrating disks. Our automation reconstruction scheme covers several categories of products, including lip glaze, caps, pumps, and lipsticks. The lip glaze projects have the most obvious effect, the implementation scope is the biggest, and there are several innovative projects.

Case Process automation improvement of lip glaze series of products

Currently, there are 23 automated development solutions for lip glaze series of SHP in total, involving molding, de-gate, assembly, and other processes. The traditional thinking was broken through, modular schemes were designed and gradually promoted, and resources were integrated and matched flexibly. It applies to different lip glaze products. Take the lip gloss series Vinyl Ink SH202278 as an example. Through automation, 10 people/day was saved for cotton head dotting labor, and production capacity increased by more than 60%; 6 people/day was saved for the labor of combination of cap and rod, and production capacity increased by more than 10%; and 20 people/day was saved for the bottle combination labor, and production capacity increased by more than 20%.

Project	Before improvement	After improvement	Effect
Cotton head dotting improvement	<p>Manual dotting</p>	<p>Automatic assembly</p>	10 people/day was saved and production capacity increased by 66.6%
Cap and rod improvement	<p>Semi-automatic assembly</p>	<p>Automatic assembly</p>	6 people/day was saved and production capacity increased by 10.6%
Bottle improvement	<p>Semi-automatic assembly</p>	<p>Automatic assembly</p>	20 people/day was saved and production capacity increased by 21.5%

In 2023, SHP Group's automation transformation saves

355 people

(with a target of 300 people)

The automation development of special processes has been implemented. 12 people/day of labor was saved and the efficiency was doubled

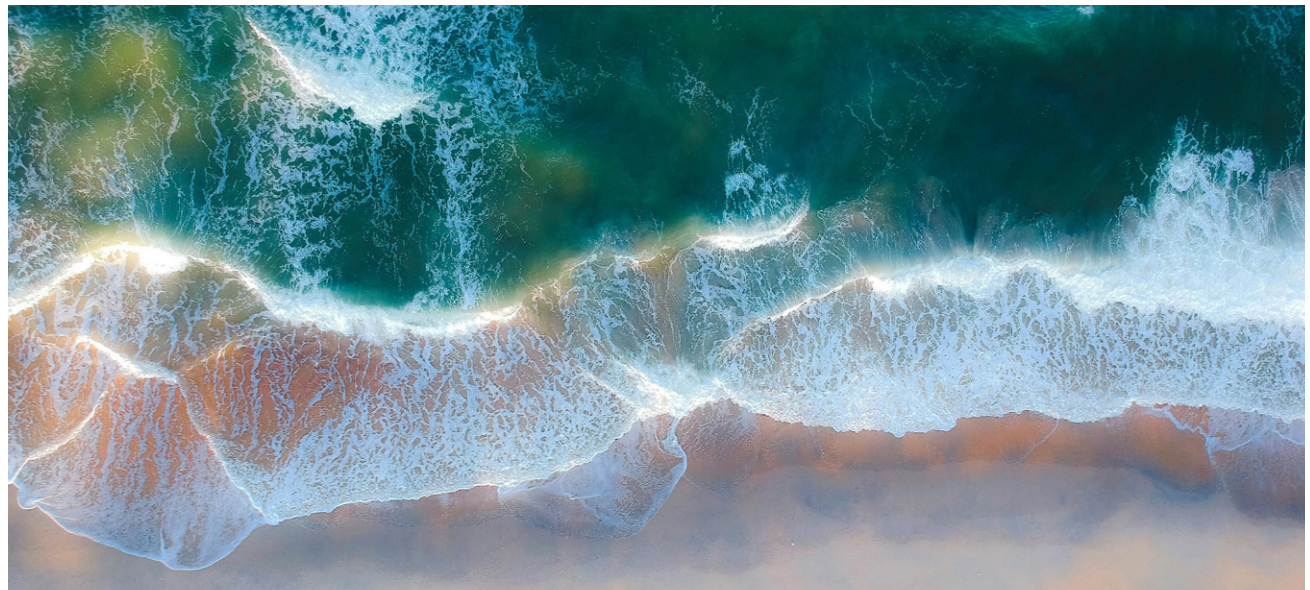
12 people/day

In the future, the Company will continuously promote the automation improvement of production equipment and processes, cooperate to promote the improvement of internal quality management, identify quality control points of automation equipment in processes such as adhesive dispensing, bronzing, ultrasound, and assembly of internal stopper, and ensure the quality of products leaving the plant. Additionally, we focus on ensuring the safety of the working environment of employees and try our best to realize automated operation in processes such as printing, spraying, and assembly.

☰ Reasonable production scheduling

SHP Group recognizes that it is very important to balance production cost control and product quality. Under the premise of considering capabilities and equipment, with a certain number of materials, we classify products in the plant by product family, reasonably define the sequence of each production task, and select good production equipment, thus reducing waiting time, balancing the production load of machines and workers, increasing production capacity, and improving production efficiency.

Combined with customer expectations and data of historical orders, we decompose the monthly demand with high predicted production by mold products and the number of days of production in the month, arrange the production plan ahead of time, and try to balance monthly and weekly production plans, thus saving time for change of product type and assembly line in production and improving production efficiency. For products with a lot of quality abnormalities and a big loss in the historical production process, we arrange merged production of bulk to decrease the waste of production resources arising from repeated changes of product type and assembly line during replenishment in the process. Besides, each operating plant holds regular meetings of production quality each day and regular meetings are held for cross-departmental projects each day to communicate about work progress in a timely manner and quickly respond to abnormal conditions.



Sustainable supply chain

SHP Group always believes that the healthy and stable development of the supply chain is crucial for us to help with the sustainable development of the whole industry chain. Therefore, while practicing sustainable development, we work with suppliers together to continuously reinforce sustainable development management of suppliers and help with their construction of capabilities. We also ask partners in the industrial chain to promote sustainable development and make greater contributions to social progress together.

Sustainable procurement

In SHP Group, our goal is to go beyond customer expectations by providing outstanding customer services and innovative products. Additionally, we make efforts to operate the Company in a way that complies with laws and business ethics and respects human rights. We also comply with health, safety, and environmental standards. Any individual directly or indirectly participating in related activities of SHP Group should act according to the principles implemented by us in the Company.

Sustainable Supplier Code of Conduct

For this purpose, we developed *Supplier Code of Conduct* to regulate our expectations for suppliers in terms of management practices and ethics, labor and human rights, health and safety, and environmental protection. We required all suppliers to sign *Supplier Code of Conduct* to prove that they complied with these standards or to promise to comply with these standards by communicating about their action plans with us in the future. Besides, we implemented the SA8000 social responsibility management system according to the requirements of users. We hope that all suppliers can implement no forced labor, no use of child labor, no harassment or abuse, no discrimination, reasonable salary and welfare, and freedom of association together. They can implement health and safety management, their environmental and business ethics comply with local regulations, and they can operate sustainably and continuously make improvements. We required suppliers to sign *Statement on Social Responsibility Management System* so that they could act according to requirements of these standards.

We carefully select suppliers and business partners and only keep business relations with those who share their commitments to comply with the highest ethical standards and ensure that the Company has sustainable purchasing capability. We act with ethics in good faith, try our best to become a reliable business partner, and protect our partners and their reputations. We hope that our partners can follow all laws, regulations, and best practices suitable for their business.

■ List of commitments of suppliers in social responsibility management

1. Child labor

Suppliers should not use child labor.

2. Forced labor

Suppliers should not use any forced or voluntary labor.

3. Human rights

Suppliers must respect their employees so that they do not have to tolerate any unequal treatment related to body, words, psychology, or gender.

4. Working hours

Suppliers must maintain working hours limited by local laws without forcing employees to work.

5. Compensation

Suppliers must pay the legal minimum wage or a higher salary to the employees.

6. Discrimination

Suppliers should not have any unfair or improper discrimination against employees about employment, compensation, promotion, etc.

7. Freedom of association

Suppliers must recognize that employees have freedom of association and select agents according to local laws and regulations.

8. Health and safety

Suppliers must ensure that the working environment of workers is clean, healthy, and safe.

9. Environment

The suppliers should promise to follow laws and regulations about the environment suitable for our business. In terms of environment, suppliers should systematically avoid, reduce, or remedy the adverse environmental effects of the behaviors, products, and services of the Company through active methods and responsible management. Suppliers should ensure that air emissions, noise, pollution, and surface water discharge comply with applicable laws and regulations. Suppliers should also develop safety procedures for the disposal and transportation of waste.

10. Business ethics

We hope that our partners can comply with all laws, regulations, and best practices suitable for their business, particularly in anti-corruption and money laundering, conflicts of interest, compliance with business practices and competition laws, and other areas.



Green purchasing

Besides, we try our best to promote environment-friendly purchasing. For example, in terms of purchasing quota of plastic pellets, we recommend customers to use environment-friendly and recyclable PCR materials. In the past 3 years, the use of PCR materials increased year by year (from 2021 to 2023, the proportion of use of PCR materials increased from 6% to 10%). Additionally, when we select suppliers, we will first consider suppliers passing “Green Plant”, “Environmental Management System”, “SA8000 System”, and other management certifications with the same cost. Besides, when we purchase electrical equipment, we also pay attention to whether they are environment-friendly and first select equipment with a high energy efficiency level to minimize energy consumption and pollutant discharge, protect the environment, and promote sustainable development.

In 2023, 156 suppliers of SHP Group passed ISO14001 system certification in total.

Supplier management

SHP Group developed standardized supplier qualification and daily assessment management procedures. 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. In the reporting period, we amended *Supplier Management Procedure* to further define the assignment of rights and liabilities among divisions and the full life-cycle management of the supply chain.

Supplier qualification

The Strategic Procurement Department of the Company builds relations with appropriate suppliers and asks them to fill in *Supplier Evaluation Survey Form*, *Sustainable Development Survey Form*, and *SA8000 Supplier Survey Form* to get further information and sign *Confidentiality Agreement*. For Class 1 material suppliers, according to characteristics and risk levels of materials in the category, we invite SQE and related departments to establish an evaluation team for on-site review of the supplier and fill in Rating Form of On-site Investigation of Suppliers. If the score of the rating form is below 60 points, the supplier is unqualified and will not be included in the supplier system of the Company in principle. Suppliers of Class 2, 3, and 4 materials will not be reviewed on site, but the Strategic Procurement Department should collect and fill out information of *Supplier Evaluation Survey Form*, and review business license, information of opening bank, etc. After the supplier submits the sample and approves, the Strategic Procurement Department will follow up and ask the supplier to sign *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*, *Supplementary Secure Trade Agreement*, and other documents.

In 2023, ESG contract signing rate of Class 1 suppliers of SHP Group was

100%

The review coverage rate of strategic suppliers of SHP Group was

58.82%

Supplier assessment and incentives

We assess qualified suppliers of Class 1 materials each month, including percent of pass of the batch, on-time delivery rate, feedback and handling of quality accidents, and deduction items of customer complaint. Besides, we make annual assessment of suppliers according to the requirements of ISO9001 quality management system standards, SA8000 social responsibility management system, and ISO14001 environmental management system. The assessment contents include quality, date of delivery, price competitiveness, ability to innovate, social responsibility, environmental impact assessment, business ethics, etc.

Case

SHP Group held the annual commendation conference of suppliers

In 2023, SHP Group held the annual commendation conference of suppliers to present awards to suppliers with excellent performance in the annual performance assessment. The awards included Best Supplier Award, Best Quality Award, Best Innovation Award, Best Service Award, Outstanding Supplier Award, etc. 28 outstanding suppliers won the awards in total.



Communication with suppliers

SHP Group focuses on communication with suppliers and the improvement of their capacities. For example, we regularly convey the requirements of the compliance management system of the Company to suppliers at the supplier conference. Besides, we have established the supplier quality working team, and regularly hold communication meetings to review quality problems together with suppliers, including foreign matters, color differences, scratches, and stains. We make an analysis on-site and make up for the deficiencies.



Resilient supply chain

In the whole process from looking for the source of material to logistics and final delivery of products and services, SHP Group tries its best to quickly respond to operation interruption, adjust the plan, and ensure that business is continuous through flexible contingency planning and predictions.

For the same type of products, those with a big quantity, packaging material trays with high requirements for on-time delivery (OTD), and conventional process, we look for two or more suppliers to cooperate to ensure that other suppliers can replace quickly in case of emergency. Besides, when suppliers have technical difficulties, our technical personnel will go to the site of the supplier to provide technical support and ensure that products are of good quality and are delivered on time.

Case

Emergency response to fire in the plant of a supplier

In 2023, after a fire in the plant of a supplier in Shanghai, SHP established a response team immediately. The response team went to the plant of the supplier to have a check first, confirmed the loss with the supplier, and made an inventory of all scrapped products and affected products; and then, it promptly transferred products to an alternative supplier and provided on-site technical support; after the on-site confirmation of QA personnel, production was arranged immediately so that the delivery date of the order of the customer would not be affected.

Customer services

Today, market competition is increasingly fierce. SHP Group always focuses on customer demands and constantly makes innovations and enhances its strength. Based on honesty, with quality as our life and providing service as our purpose, we are trusted and supported by customers. We can provide all-around support and help to both large cosmetics brands and newly-established firms.

Full-process service system

SHP Group has built a perfect pre-sales and after-sales service system to keep in close contact with customers and solve their problems and meet their demands in a timely manner. To regulate the activity processes in the Company's business system related to customers, we formulated *Control Procedures for Processes Related to Customers* to make procedures for contract and order management, customer property management, and customer satisfaction evaluation standard and systematic.

Contract and order management

Stage of contract review	Stage of order review	Stage of product pricing
<p>General purchase contract</p> <p>The framework of the first purchasing contract signed by each customer must be confirmed by the Legal Department. And then, sales personnel will archive the purchasing contract confirmed by the Legal Department and enter in the order system of the Company according to the process. Responsible customer service personnel will convert the purchase contract for subsequent reordering into the internal order of the Company and review it in the system.</p> <p>Quality agreement</p> <p>It is proposed by sales, reviewed by QA personnel, and co-signed by related departments. The review results will be recorded in the <i>Contract/Agreement Review Form</i>.</p>	<p>When the business system receives the order of the customer, the customer service personnel will enter and issue the <i>Notice on Manufacturing</i>.</p> <p>The Production Management Department will review the date of delivery according to the <i>Operation Method of Production Plan Control</i>.</p> <p>The customer service personnel will respond to customers and communicate with them to confirm the date of delivery of the order according to the date of delivery of production scheduling maintained by the Production Management Department in the TOP system.</p>	<p>If the price maintained by the project personnel of the business system is higher than or equal to that maintained by the price analysis team, the system will automatically review it. If the price maintained by project personnel is lower than that maintained by the price analysis team, the system can review it after signing and approval of the supervisor at the level of business system.</p> <p>An order must be placed for all the products after pricing. The system will control the pricing when an order is entered, reviewed, changed, or issued.</p>

Customer property management

Customer property includes molds customized for the customer, materials provided for the customer, etc. Products can only be used for the purposes specified by the customer. They shall not be used for other purposes or handled improperly without the consent of the customer. If materials provided by the customer are not used up after production, data of remaining materials should be provided to the customer and the disposal method should be determined.

Besides, if customer property is lost or damaged in the process of receiving, storage, or production, the warehouse should count customer properties lost or damaged and inform the production management personnel and customer service personnel of the business system. The customer service personnel of the business system should inform the customer and communicate with the customer to determine how to deal with it. If the materials can be put in storage, the warehouse will store them; if the material should be returned, the customer service personnel of the business system should deliver materials from the warehouse.



Customer satisfaction evaluation

SHP Group developed a scientific and effective customer satisfaction index system and prepared the *Survey List and Tracking Form of Customer Satisfaction*. The business system enters customer information in the customer catalog of the Company. Such customers will be investigated and tracked by our Company. The business system conducts a customer satisfaction survey every six months (July and January), prepares and approves the list of customers to be investigated before June 15 and December 15 each year, and sends the *Satisfaction Survey Form* to customers to be investigated by email. The customer service personnel of the business system track feedback of the customer within 15 working days and collect satisfaction survey forms. According to regulations, the collection rate should be higher than 80%.

We value the survey results, are concerned about customer appeals, summarize the opinions or suggestions of customers collected, and make the targeted improvement plan. We focus on the fundamental solutions of problems and try our best to improve customer satisfaction.

In 2023, the score of OTIF (On Time In Full) of SHP Group was

90 points and above (each month)

customer satisfaction was

94.5 points

Communication and complaint handling

SHP Group focuses on communication and cooperation with customers and develops standard procedures for customer communication and complaint handling. We regularly analyze customer complaints and find the causes of different types of product defects. Additionally, we make the customer quality improvement plan, set a complaint control goal, link it with the performances of the personnel involved, establish an on-job training mechanism, and take target measures such as improving on-site management tools, preventing human errors, and using automation technology to comprehensively raise the customer service level.

Customer complaint handling process

No.	Step
1	After receiving customer complaint, the sales personnel inform the CQE of the group or CQE directly receives the customer complaint.
2	After preliminary confirmation, CQE sends the customer complaint information to the corresponding plant.
3	The plant makes confirmation and provides further information to be confirmed. When necessary, it can ask to return defective samples.
4	CQE confirms specific information and time of sending of sample with the customer. When necessary, sales can provide support.
5	CQE determines measures for containment to be taken and gives feedback to the customer.
6	After receiving defective samples, the plant organizes related departments to make the root cause analysis, develop countermeasures, and complete the 5D report, which will be approved by director of the plant.
7	CQE communicates about the report with the customer and sends the report to sales (including overseas sales). When necessary, CQE can ask other related departments to communicate with the customer.
8	The related departments take the improvement measures and standardize them according to the action plan.
9	After the measures are taken, the plant continuously tracks products of 3 batches or continuously tracks for 3 months (whichever is shorter). If there is no re-occurrence of the non-conformity, it will close the report.

Note: Any special requirements for aforementioned matters of the customer shall be met.

In the reporting period, we received a total of 650 customer feedbacks. The root causes include problems of process management or personnel operation, supplier or its raw materials, process management or process parameters, development and design, etc. SHP Group paid much attention to the above customer feedback and actively made improvement plans:

- It set up the process improvement project around the process management;
- It made the workshop renovation plan for foreign matters and dust in the environment;
- It made the supplier management improvement plan and assigned different personnel to track all abnormality handling until the case was closed; built the internal meeting system of supplier quality and reported the improvement progress and matters with requests for assistance each week; and established the special improvement team for difficult customer complaints and tracked the improvement progress in real time.



Customer privacy protection

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*, and the *Personal Information Protection Law of the People's Republic of China*, and standard requirements of ISO27001, SHP Group formulated such regulations of information security management as *Compliance Management Procedure*, *Data Security Protection Management Procedure*, and *Information Security Management Manual*, specifying corporate and personal data security management in the principle of classified management, graded protection, and authorized use, assigned the responsibility of control of security and confidentiality of customer information to specific departments, and provided technical support for customer privacy protection in combination with a data leakage prevention system.

In the reporting period, with a rigorous and responsible attitude, we strictly controlled document sending, screen watermark, document backup, sensitive content identification, screenshot, document management, and other aspects of document management, fully protecting customer information security and avoiding privacy leakage risks.

In 2023, SHP Group's rejection rate in the first time of inspection of customer was

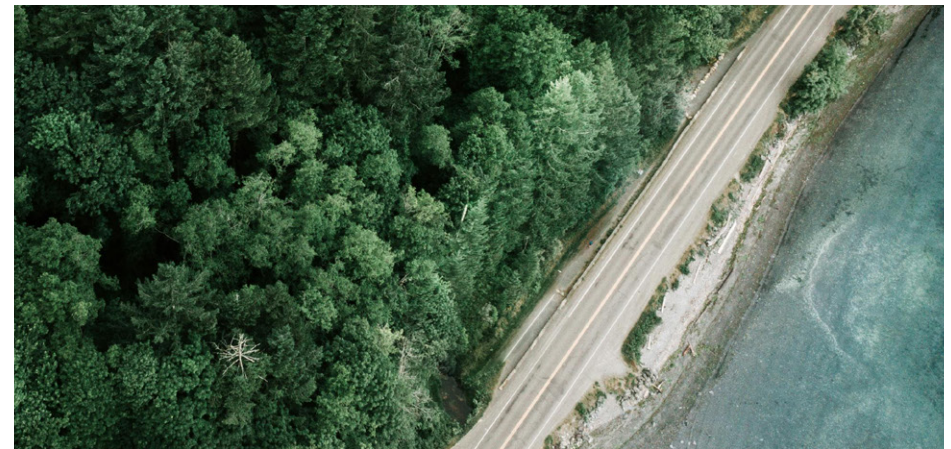
1.64 %

return rate of customers was


0.96 %

customer complaint rate was


0.51 %




Document sending control

 Through document sending control, we can stop common document sending behaviors, such as sending documents to people outside the company via email, chatting software, network disk, and other channels. The type, size, and other properties of the document can be customized.


Screen watermark

 The watermark text with the corresponding setting is all displayed on the desktop of the terminal computer.


Document backup

 Important documents are prevented from being deleted by mistake or tampered with. Documents are backed up before change or damage.


Sensitive content identification

 The sensitive content identification module can accurately identify and classify a great deal of documents of the enterprise and take more targeted protection measures for data with a high value by using the advanced content identification technology. Sensitive content identification supports multiple methods of definition of sensitive information, including keywords and regular expressions. Combined with tracking of leaked secrets, document sending control, and other modules, the transmission of sensitive information can be identified and intercepted.

Screenshot control

 Through screenshot control, we can restrict not only common Print Screen screenshots but also screenshot software that is commonly used and even professional such as QQ, WeChat, and PicPick, preventing data from being leaked through screenshot operation to the greatest extent. Additionally, through screenshot control, we can also record the content of the screen that the user tries to capture for your tracing.

Document management

 With the remote document management function of the terminal security management system, you can remotely operate documents on the user's computer. For example, you can browse, delete, open, or download them.

05

Our People

Material issues in this Chapter:

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

SDGs in this Chapter:



Employees' rights and interests

SHP Group is people-oriented. We protect the legal rights and interests of employees in human rights, employment and recruitment, career development, salary and welfare, health and safety, and other aspects; develop harmonious labor relations; respect, concern, and care for employees; and create a diversified, equal, harmonious, and friendly workplace atmosphere.

Guarantee of human rights

Guarantee of basic human rights

SHP Group strictly complies with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labor*, the *Law of the People's Republic of China on Protection of Minors*, and other related laws and regulations, related laws and regulations of overseas places of operation such as the United States and Mexico, principles of SA8000:2014 Standard and UN Global Compact, etc. We formulated policies like *Control Procedures for Forbidding Forced Labor* and *Control Procedures for Use of Child Labor, Underage Workers, and Female Workers* to prohibit any violations of human rights such as forced labor and use of child labor or underage workers in any stage in the process of work and labor. According to related regulations on labor intensity of the state, female workers are prohibited from performing work beyond the scope of labor to maintain their legal rights and interests. If any abnormality is found, we will deal with it properly in a timely manner according to the laws and regulations of the place of operation. In the reporting period, the Company did not have any violations related to forced labor and the use of child labor.

SHP Group's commitment to guarantee of human rights

1. Banning child labor. We never tolerate any child labor and forced labor, nor any supplier or subcontractors that may damage employees' health and safety.
2. Respecting employees' freedom, and forbidding any forms of forced labor.
3. Providing healthy and safe working and living conditions to ensure the safety and occupational health of employees.
4. Promoting labor-management cooperation, and respecting employees' freedom of association and their right to collective bargaining.
5. Affording the responsibility to bring equality and justice, and forbidding any forms of discrimination.
6. Respecting the basic human rights of employees and forbidding any form of insult.
7. Arranging production plans, and employees' working and rest hours and vacations reasonably.
8. Providing reasonable salary and welfare that at least meet the basic demands of employees.



Basic guarantee of life

The Company follows the principles of *ILO Convention* and *Universal Declaration of Human Rights*, and proactively responds to ESG related initiatives from strategic customers of the Company around the world to ensure the basic quality of life of employees. The Company ensures that it pays the reasonable and decent wage, providing basic guarantees in food, medical treatment, education, housing and other aspects.



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

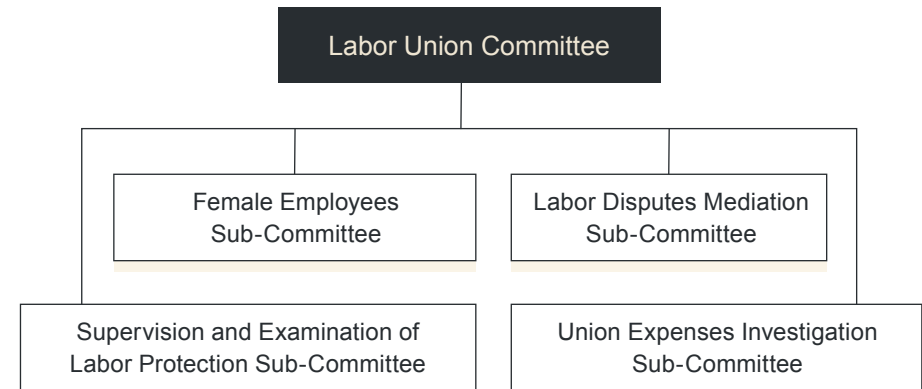
Employees could enjoy a decent domicile with a good environment

In 2023, the percentage of security personnel in SHP Group that received human rights training was

100%

Labor Union

The Company enhances democratic management. It set up Labor Union, which plays a vital role in maintaining employees' interests, protecting their legal rights and interests, fighting for their benefits, and raising their work and life levels. Labor Union Committee of SHP Group is in charge of the Female Employees Sub-Committee, Supervision and Examination of Labor Protection Sub-Committee, Labor Disputes Mediation Sub-Committee, and Union Expenses Investigation Sub-Committee, which are devoted to listening to employees, solving their questions, and satisfying their reasonable demands.



● Organizational Structure of Labor Union

Equality, inclusiveness and diversity

SHP Group firmly believes that an equal, inclusive, and diversified workplace environment is the foundation for the common development of employees and enterprises. According to SA8000:2014 Standard, the Company formulated related policies such as *Management Procedures for Prohibiting Discrimination and Disciplinary Practices* to prohibit discrimination in recruitment, compensation, training, promotion, dismissing, and other matters, ensure that job opportunities are fair and reasonable, and protect employees' rights and interests. Additionally, the Company advocates caring for and tolerating disadvantaged groups and gender equality, tries its best to provide equal job opportunities to employees, and creates an inclusive work process and diversified workplace environment.

Care for disadvantaged groups

In 2023, SHP Group 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, habits, and other factors. For example, we do not arrange the disabled to work in a high-pressure or high-temperature environment, arrange jobs suitable for their physical condition and skills for older employees, and do not arrange jobs with custom conflicts for employees of ethnic minorities. Besides, the Company arranges special persons in the daily management process to ensure that the disabled are communicated in a timely manner and cared for in the process of work. In the future, SHP Group will develop a development path for the disabled, provide them with diversified training, provide them help for mastering more techniques for more posts, ensure the life, health and safety of employees of disadvantaged groups, and give them a sense of achievement and gain in work.

SHP Group recruits people of disadvantaged groups through many channels and constantly increases the proportion of employees of disadvantaged groups in the Company. By establishing a cooperation relationship with several special education colleges and universities for a long term, encouraging older employees to be transferred and re-employed after retirement in the Company, considering recruiting people of ethnic minorities and veterans first if they have equal qualifications, and taking other measures, we help to solve the social problem of employment difficulties of disadvantaged groups. In the future, SHP Group will continue to expand cooperation with special education colleges and universities and provide more suitable positions to disadvantaged groups. In 2023, SHP Group's employment rate of employees of disadvantaged groups was up to 7.22%, exceeding the target of the employment rate of disadvantaged groups of 5% by 2025. By the end of 2023, SHP Group's plan for caring for disadvantaged groups has benefited 900 person-times.

In 2023, SHP Group's employment rate of employees of disadvantaged groups was up to

7.22%

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 to join the team fast

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

• Development plan and action orientation for disadvantaged groups of SHP Group

In daily work and life, we also carry out activities in many forms for employees of disadvantaged groups, such as collective birthday parties and free water, electricity, and gifts for excellent dormitories of disadvantaged groups, to give them warmth and care.



• Social responsibility/Birthday party for vulnerable groups

Female employees' cultivation

SHP Group fully recognizes women's value in the workplace, encourages and supports female talents to develop, and creates an equal and diversified workplace environment. By the end of 2023, the proportion of women in the middle and senior management of SHP Group was up to 43.95%¹ and the proportion of female employees was up to 49.18%.

The proportion of women in the middle and senior management of SHP Group was up to

43.95%

The proportion of female employees was up to

49.18%

1. referring to the proportion of women in the total number of people of the middle and senior management

Additionally, in terms of welfare guarantee for female employees, we provide them with a series of holidays including maternity leave, nursing leave, breastfeeding leave, and antenatal examination leave to help them balance work and life. Besides, the Company's Labor Union Committee specifically established the Female Employees Sub-Committee to protect their legal rights and interests, care for female employees, and take other measures.

Case Caring plan for single mothers in Mexico

In recent years, the group of single mothers has become bigger and bigger. They face the challenges of career development, child raising, and social prejudice, which has gradually become a topic of concern of all circles of society. To accurately empower single mothers in Mexico, SHP (Mexico) launched the caring plan for single mothers, set the target for the recruitment number of single mothers each fiscal year, and carefully prepared gifts for them to help them acquire strength and move ahead bravely, facilitating the development of themselves and their families.

In 2023, SHP (Mexico) hired 10 single mothers in total. It plans to reach the goal of hiring 30 single mothers in 2024 and try its best to create a workplace environment friendly to single mothers.



● Single mother employees of SHP (Mexico) got gifts of the Company

Case Women's Day celebration

To celebrate Women's Day in 2023, we prepared a lot of gifts for female employees and carried out the DIY Activity of Opening Clam to Get Gifts together with the community to help female employees alleviate the pressure of work and feel the community's care for women.



● Women's Day celebration

Listening to employees' opinions

Mechanisms for employee communication

To create a positive and harmonious working environment and communicate and interact with employees effectively in a timely manner, we implement *Employee Internal Appealing Regulation*, *Management Regulation for Reporter's Protection*, and other systems to ensure that communication channels are effective. Important systems and information of the Company are posted on the notice board to convey important information and corporate culture to employees. Employees' suggestions on daily work management, living facilities, and diet can be conveyed to the Company by feeding back to superiors, head of HR Department, Labor Union, or employee representatives, or via the "Listening Hotline", company website, WeChat official account, or complaint box of employee. After receiving related opinions, the leader of the Company will respond or propose improvement measures in a timely manner. Additionally, the Company has also opened service windows to help employees to solve each question in a timely manner.

Survey on employee satisfaction

To ensure employees' living quality, SHP Group surveys their satisfaction with the canteen each quarter and dormitories each year to learn about their demands in a timely manner, improve the service quality of employee canteen and dormitories, and increase the happiness index of work and life of employees. In the first three quarters of 2023, the satisfaction of dormitories was above 94.2/100 points. In the fourth quarter, the satisfaction of the canteen decreased because the employee canteen was decorated.



● "Listening Hotline" of SHP Group¹ ● Employee service window of SHP Group



● Satisfaction survey of employee canteen in 2023 ● Satisfaction survey of dormitories in 2023

1. The QR code can only be used by internal employees.

Employee care

SHP Group actively organizes various activities to help employees adjust their state in work and balance their work and life. Labor Union of SHP Group organizes employees to establish communities and organizes chess competitions, calligraphy activities, sports competitions, birthday parties, festival galas, and other different forms of activities; and encourages employees to participate in community activities, greatly enriching their leisure time. On every festival, besides related festival activities, we also carefully prepare gifts for employees, creating a warm workplace environment.



Case

Employee Activity Center in the Development Zone [SHP Sub-center] was established

On November 30, 2023, to provide a better leisure, entertainment, and social platform for employees, the Employee Activity Center in the Development Zone [SHP Sub-center] was established with the support of the Federation of Trade Unions of the Development Zone and SHP Group, enriching leisure time of employees, alleviating the pressure of work, making them closer, and creating a positive and harmonious corporate culture atmosphere.



- Opening ceremony of Employee Activity Center in the Development Zone [SHP Sub-center]

Employees' health and safety

SHP Group takes guaranteeing employees' occupational health and safety as the top priority of company operation; abides by the *Work Safety Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases*, *Law of the People's Republic of China on Fire Prevention and Control*, and other related laws and regulation related to employees' health and safety in the place of operation; and builds the Safety Management System, improves the safety management mechanism, and constantly improves the safety management ability and raises the safety production level of the Company.

Safety Management System

We established the Safety Management Committee, which was composed of the main leader of the Company and leaders of each department, EHS Department, Labor Union, and employee representatives. The Safety Management Committee mainly coordinates and decides strategic planning of employees' health and safety, develops and implements related policies of employees' health and safety, establishes the safety risk management mechanism, supervises matters of employees' health and safety, and organizes safety management meetings regularly to ensure the long-term safety production of the Company.

Safety and Environment Department is the management organization of safety, environmental protection, and fire control of the Company. It has 9 full-time safety officers and 5 part-time safety management personnel in each affiliated plant. Their work includes checking and dealing with potential risks in the daily work of the Company, managing occupational health, environmental protection, and sustainable development, providing EHS-related training, etc.

To ensure that the Safety Management System is implemented, all the employees of the Company sign the safety responsibility agreement and define the safety management responsibilities of personnel at different levels according to the structure of each functional organization. In 2023, SHP Group had no death related to work and the accident rate per 200,000 working hours decreased to 0.13.

As of the end of 2023, SHP (Kunshan), SHP (Mexico), and SHP CCT of SHP Group have smoothly passed the ISO45001 occupational health and safety management system certification.

The accident rate per 200,000 working hours decreased to

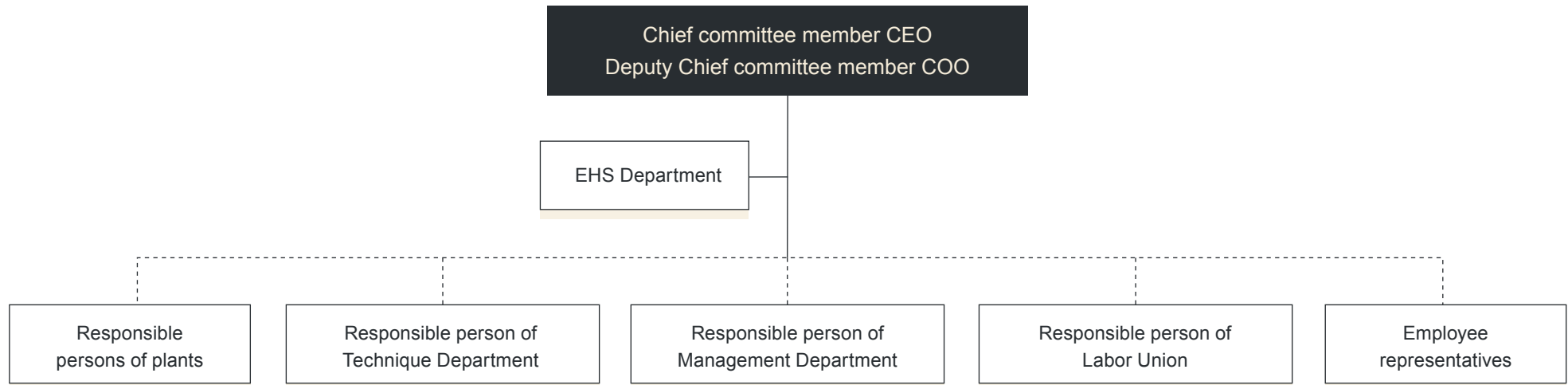
0.13



● ISO45001 Certificate of SHP (Kunshan)

● ISO45001 Certificate of SHP (Mexico)

● ISO45001 Certificate for SHP CCT



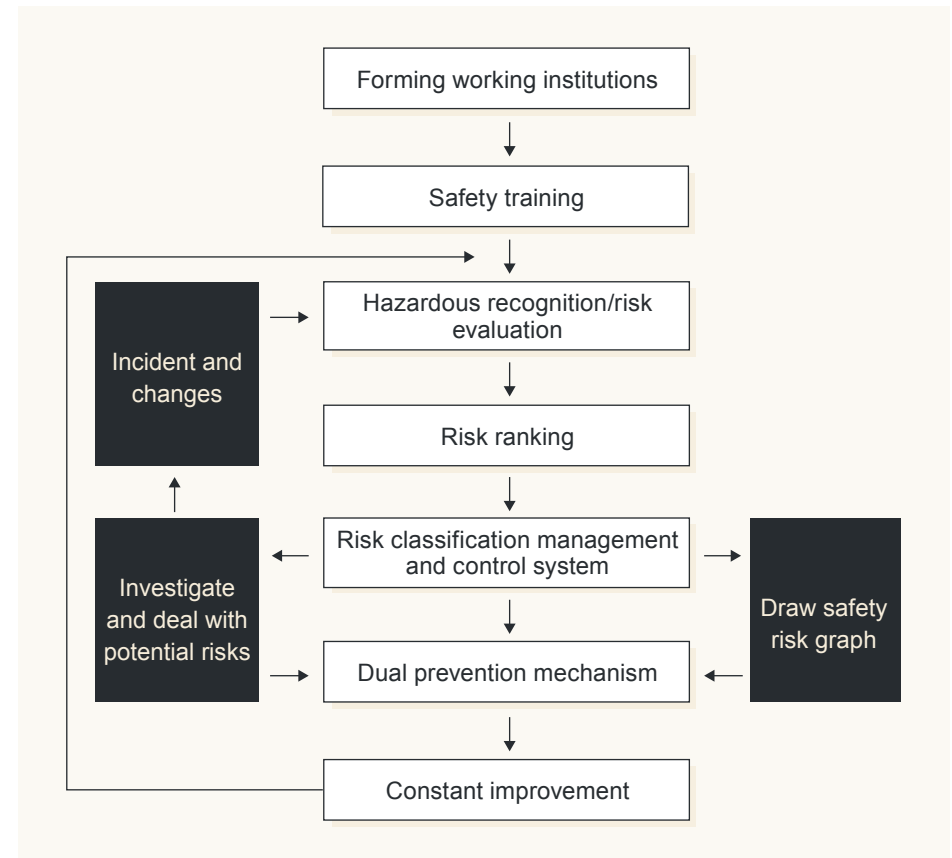
● Organization structure of Safety Management Committee

Rights and responsibilities of the Safety Management Committee

1. Inspect the occupational hazards and potential accidents at 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. Investigate major accidents, hold accountable those responsible, and oversee the resolution of these incidents;
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.



SHP Group has developed the all-around safety risk management mechanism according to features of its business, and prepared related system documents including *Management System for Dual Early Warning Mechanism of Safety Risk Classification Management and Control* and *Investigation and Dealing of Potential Risks*, *Management System for Identification and Evaluation of Source of Danger and Risk Control*, and *Management Procedure of Hazards Identification and Risks Assessment*. After identifying safety risks, related departments will evaluate and grade risks and develop the corresponding risk classification management and control mechanism and prevention mechanism to eliminate potential risks and reduce risks. Additionally, they constantly summarize the experience and define methods and form the all-around closed-loop system for identification and management and control of safety risks.



SHP Group also raises the level of safety production together with partners. In 2023, we developed *Procedures for Managing Subcontractors and Related Parties* to improve the management of occupational health and safety of contractors and personnel of related parties. When selecting contractors and related parties, we will review their compliance and identify EHS violations in history, screen out qualified contractors and related parties, and sign *Agreements on Safe Production and Environmental Protection Management* with them. In production and business activities, we have established a closed-loop management procedure covering all working processes to continuously prevent, monitor, evaluate, and correct behaviors that may have risks in the process of operation.

Safe production and operation

According to the safety production policies of “safety first, prevention first, and comprehensive governance”, SHP Group has formulated and improved related safety production standards, rules, and regulations, strictly implemented measures for safety management, and incorporated related provisions of safety production in *Employee Manual*. In daily management, the Company builds the awareness of responsibilities for safe production, develops employees’ awareness of security, asks them to follow the code of conduct, and continuously raises the safety production level of the Company. In 2023, SHP(Kunshan) passed Level-2 standardization certification of safety production, proving that safety production work in the Company was implemented effectively.

To respond to all kinds of emergencies accurately and quickly in the Company, we formulated *Production Safety Accident Response Plan, Emergency Preparedness and Response Control Procedures, Management Measures for Medical First Aid*, and other emergency management measures to help employees know how to respond to these specific emergencies and protect their lives, health, and safety to the greatest extent.

In 2023, SHP(Kunshan) passed Level-2 standardization certification of safety production

Safety production policies

Safety first, prevention first, comprehensive governance

Overall goal of work of safety production

Ensure there is no safety accident, no harm to the health of employees, and no damage to the ecological environment. Follow the principle of being people-oriented and safety first, establish and improve the safety production management system, manage and control safety risks in each link of production and operation activities in an all-around way, realize systematic safety management, standardized operational behaviors, safe facilities and machines, and operation and environmental tools at fixed places, and raise the safety production management level of the Company.

Performance of safety production in 2023

- No fatal accident
- No accident leading to serious injury
- No fire accident
- The accident rate per 200,000 working hours decreased to 0.13
- The pass rate of safety education and training is 100%
- The risk rectification rate is 100%
- The holding rate of special operation certificate is 100%
- The testing rate of special equipment is 100%
- The detection rate of occupational hazard is 100%
- The rate of safety investment for the purpose of safety is 100%

Prevent occupational disease

In terms of occupational health management, SHP Group formulated *Management Procedure for Prevention and Control of Occupational Diseases*, *Operation Specification for Requirements of Workshop Environment and Dressing of Employees*, and *Responsibility System of Prevention and Control of Hazards of Occupational Diseases*, and other related policies to strictly protect the occupational health of employees.

The Company regularly evaluates occupational health and tests occupational hazard factors, always concerning about the physical and mental health and safety of employees. The Company issues the *Occupational Hazard Notification Card* to new employees in advance so that they can know potential occupational hazards and protective measures. It regularly provides occupational health examinations to employees in positions with potential occupational hazards before they take up the post, when they are in the position, and before they quit their job. Employees are informed of the results of each physical examination in a timely manner, which will be signed by them for confirmation. Their personal files will be stored and maintained continuously. For employees who are found to have occupational contraindication in the occupational health examination before they take up the post, the Company will strictly prohibit arranging them in the positions they have occupational contraindication. Additionally, the Company adjusts the posts of employees who are found to have occupational contraindications in the occupational health examination when they are in the positions to ensure that they are safe and healthy. To raise employees' awareness of the prevention of occupational diseases, the Company provides regular occupational health knowledge training to employees. Through the years, SHP Group did not have any case of occupational disease or suspected case of occupational disease.

In 2023, SHP Group adjusted the posts of 208 employees that had occupational contraindications. The post-adjustment rate of people who had occupational contraindications was 100%.

In 2023, no employee had occupational disease.

In 2023, SHP Group adjusted the posts of 208 employees that had occupational contraindications

208 people

The post-adjustment rate of people who had occupational contraindications was

100%

Ensure safe working environment

SHP Group focuses on the safety risk control of the working environment, equipment, and facilities. It developed and modified *Potential Risks Identification and Management*, *Management Procedures for Chemical*, *Management Procedures for Safety Production of Equipment and Facilities*, and *Management Procedures for Safety Management of Mechanical Protection* to strictly control the safety management and use of production equipment and facilities, and ensure that employees are safe during operations.

We are committed to keeping the production and working environment safe for employees in a scientific, systematic, and standardized manner.

Automated operations



In processes with potential occupational hazards such as printing, spraying, and assembly, automated operations are used to the greatest extent to reduce employee's exposure to the source of hazards.

Keep well-ventilated



The workshops are mainly mechanically ventilated to ensure that they are well-ventilated. In positions with potential occupational hazards, local ventilation, smoke exhaust, dust absorption, and other facilities are set.

Measures to prevent noise



In the workshops, the layout is reasonable. The vibration absorption solution is used, noise sources are arranged reasonably, and equipment is maintained and repaired regularly.

Reduction of hazard of chemicals



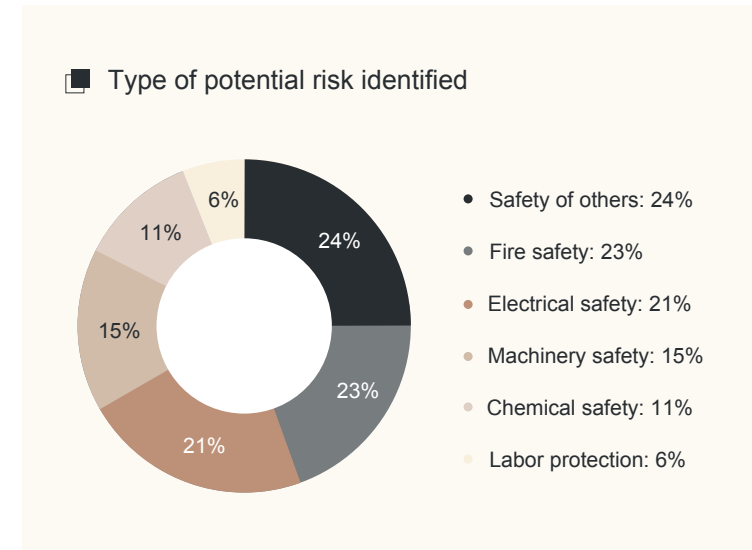
The disinfection and sterilization process of cotton pads and ethylene oxide are not used, preventing the hazard of chemicals from the source.

Enhance personal protection



Overall measures to enhance employees' wearing of personal protective equipment, etc.

In 2023, the Company increased the intensity and frequency of potential risks identification, carried out the annual potential risks identification implementation plan, found a total of 5,536 potential risks of accidents, and eliminated all of them. The elimination rate of potential risks was 100%. In this potential risks identification and management work, potential safety risks in the process of production were identified comprehensively. The categories of potential risks included potential safety hazards of fire control, electrical equipment, and personnel operation. The safety production level in the Company was raised comprehensively.



● Summary of results of potential risks identification in 2023

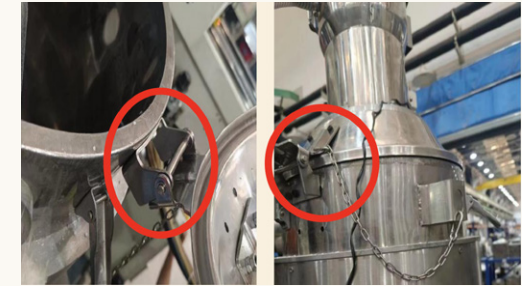
Case Elimination of potential safety risks of equipment

In 2023, in the daily inspection and potential risks identification and management work of the Safety and Environment Department, it was found that the upper part of the feeding bucket of the injection molding machine was installed with a movable buckle, which could not be fastened because it had been used for a long time and sometimes fell down. To prevent such a situation, all the material buckets purely connected with buckles were connected with hinges in the whole plant, a short chain was added on the part connected with a hinge for secondary protection, and a short chain was added on the cover of the material bucket for safety protection.

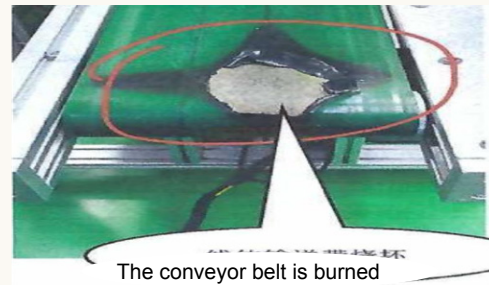
In the assembly workshop, when an operator left the station, he only turned off the conveyor belt and forgot to turn off the heat gun, so that the temperature at a single point on the conveyor belt was too high, finally leading to smoke of the conveyor belt. This indicated a fire risk. The Company adjusted the equipment in a timely manner so that the heat gun and the conveyor belt used the same electric box. In this way, personnel could not only turn off a single piece of equipment. Additionally, the heating equipment and assembly line were under interconnected control after the change. The conveyor belt stopped running after the heat gun stopped for 90 seconds, ensuring that the assembly line stopped after the effective cooling time of the heating device, avoiding fire and other safety accidents arising from it, and ensuring that personnel were safe in the assembly workshop.



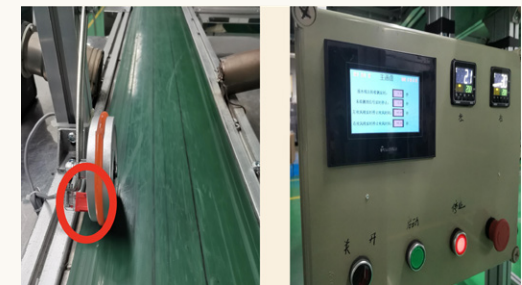
● Before the improvement of the feeding bucket



● After improvement of the feeding bucket



● Before the improvement of the assembly line



● After the improvement of the assembly line

Cultivation of safety awareness and skills

SHP Group cultivates awareness and skills of safety & prevention of employees through many channels and emphasizes that safety production is important by providing a series of training and carrying out safety-related theme activities of simulation drilling. In the reporting period, the Company organized several fire drills, hazardous goods leakage drills, emergency drills of chemical leakage, emergency drills of accidents of special equipment, emergency drills of confined space accidents, and other activities to improve employees' ability to deal with emergency.

The Company has posted safety signs related to the safety of facilities and equipment, occupational health and safety, fire safety, environmental protection, and others in the workshop, office space, and other areas. It has posted major safety specifications, safety systems, safe operation rules, and others on the wall. Safety accident cases, law and regulation publicity, and other programs are regularly played on TV in the canteen, continuously strengthening the publicity of safety culture.

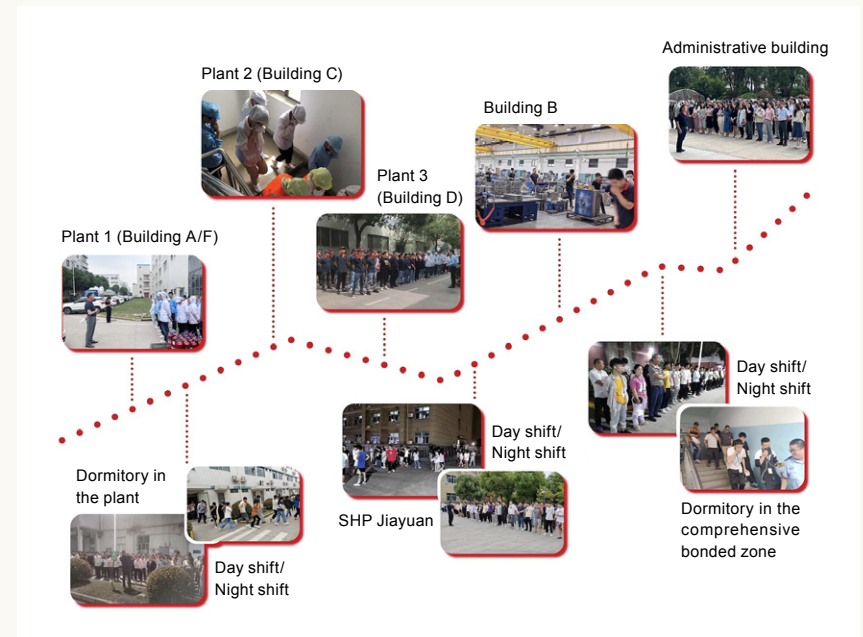
In 2023, the Company continued to carry out the annual safety education and training plan and provide corresponding safety production training to employees in different positions to cultivate their safety awareness, regulate their behaviors, and reduce human risks. The training content included safety education and laws and regulations, system of responsibility in safe production, identification and control of safety risks, machinery safety, chemical safety, knowledge of occupational health, fire safety, electrical safety, construction safety, etc.



● Occupational health and safety training

Case Safety Production Month Campaign

June 2023 is the 22nd “Safety Production Month” in China. To actively respond to the theme of “everyone pays attention to safety and knows how to respond to emergencies”, collection of safety slogans, safety knowledge and skills competition, fire safety skills competition, and other activities were carried out in the Company to increase employees’ safety knowledge and improve their skills. From May 26 to June 1, 2023, a comprehensive fire drill was organized in the Company and regional fire drills were organized in each plant and dormitory area. The safety officer also provided practical operation training to all the personnel on site, explaining and showing the method of use of all kinds of fire-fighting equipment, strengthening their safety protection awareness, and improving their ability to avoid risk in emergency, rescue themselves, and respond to emergency.



● “Nip in the Bud” Fire Drill in the first half of 2023

Employees' cultivation

SHP Group fully supports personal growth and career development of employees from their construction of capabilities, promotion channels, value incentives, maximizing personal value and company value.

Capability building

We provide employees with abundant training resources and a customized training system, and empower them to play a valuable role, grow, and make progress together with the Company.

In 2023, SHP Group reviewed employees based on the business system, identified talents of the second echelon, identified, cultivated, and built the talent pool of SHP Group, and provided talents in different directions with customized cultivation plans.

The Company customized different annual educational training plans for employees in different positions. In 2023 educational training plan, the departments completed 94 courses in total. The course completion rate was up to 100%. The types of courses included safety, techniques, six-sigma-related aspects, general education, quality, etc. It helped employees improve their abilities in an all-around way.

ShyaHsin College

HR Training Center of SHP Group constantly enriches the content of ShyaHsin College to provide employees at different positions with a comprehensive course training system and teaching resources. According to the core technical requirements of different positions, we help new employees, personnel in core positions, managers, technical staff on the assembly line, and other employees meet the job demands quickly, improve their competence, and meet the operation demands of the Company by combining theories with actual operation.

Additionally, ShyaHsin College constantly improves teacher resources, provides training to internal trainers, develops training materials and methods, builds the training information platform, and purchases hardware facilities. It is committed to building a comprehensive training system integrating teacher resources, teaching materials, and venues.

ShyaHsin College	
College's Mission	Positioning of the college
We aim to build a comprehensive, systematic, and professional Company College that roots in design, development, and manufacturing of cosmetics packages. It will become an incubation base for talents, technological innovation and management innovation.	Cultural publicity and cultivation
	Post competence training
	Special training in supporting the Company's operation
	Research and study base
	Teacher resources

Learning platform of Cool College

Through the learning platform of Cool College, we effectively integrate the resources of the Company, providing more flexible and convenient learning methods to employees. The main function modules of Cool College are as follows: knowledge base, training, development of talents, and teacher resources. Their purpose is to meet demands for daily training, learning, examination, and other activities of the Company in daily work.

By the end of 2023, SHP Group had started 944 courses and carried out 1,049 training programs (including 648 examinations and 401 trainings) in total and cumulatively provided online training to 2,067 students. The digital knowledge system has begun to take shape.

By the end of 2023, SHP Group had carried out 1,049 training programs

1,049

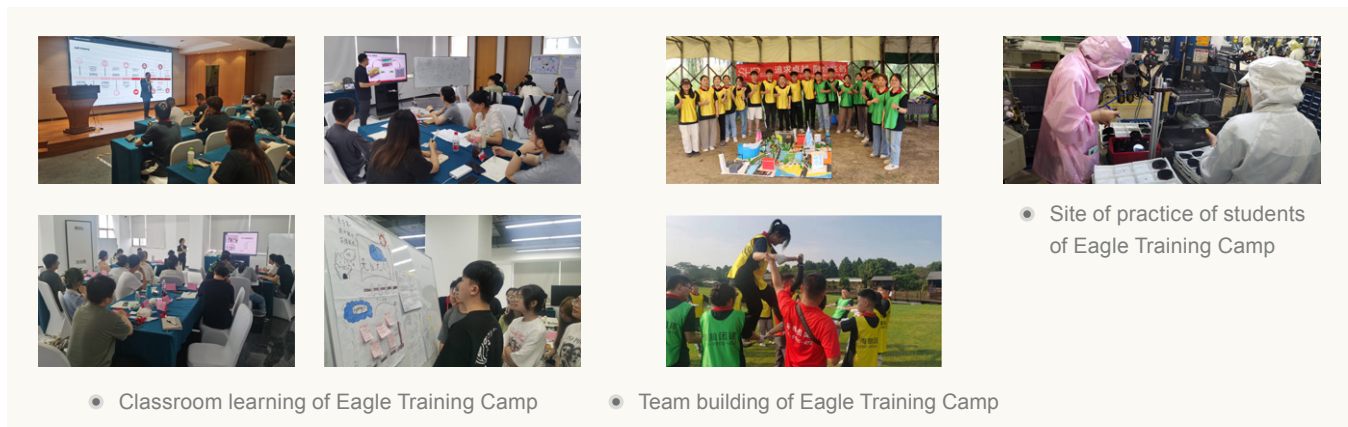
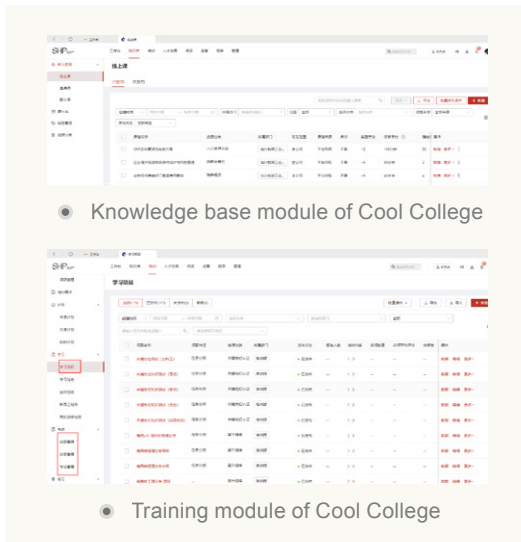
Cumulatively provided online training to

2,067
students

Eagle Training Camp

The Eagle Training Camp is a training program that helps newly hired college and university graduates to know the values of the Company, quickly get familiar with job contents, and improve their core competencies. The training content includes the vision, mission, values, organization, core competencies, products, customers, and other value output and culture communication of the Company. There are also post competence training such as learning of management system and flow process, learning and practice of the production site, and learning of six sigma knowledge and practical operation. It is committed to helping with new employees' cultivation comprehensively. Through 18 days of training, 23 days of on-spot internships, 1 day of team building, and 5 days of reporting and summarizing, students of the training camp had an in-depth understanding of corporate culture and working environment, learned new skills, and cultivated working competence, which would help them to integrate into SHP Group and grow with the Company in the future.

The Eagle Training Camp in 2023 came to a successful close on August 31. 100% of courses and internships were accomplished, 29 lecturers participated, they taught for 98 hours in total, and 95.2% of interns were retained.



● Classroom learning of Eagle Training Camp

● Team building of Eagle Training Camp

● Site of practice of students of Eagle Training Camp

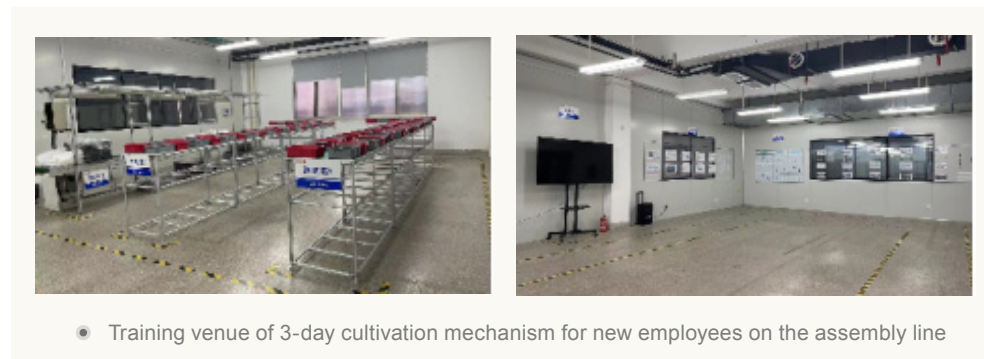
Micro-lecture program

In 2023, we developed the micro-lecture program so that new employees could receive onboarding training online. The micro-lecture program could help new employees learn about culture, rules, and regulations of the Company, get familiar with the departments of the Company, and learn professional skills and knowledge. 15 micro-lectures have been completed.



3-day cultivation mechanism

The Company developed the cultivation mechanism of operation improvement for new employees on the assembly line in the first 3 days after they joined the Company to effectively improve their work efficiency in the positions and reduce the teaching burden of shift leaders. A systematic training method is used for this cultivation mechanism. Employees' skills, quality, and attitude are uniformly assessed after the training. The 3-day cultivation mechanism has been implemented in all the assembly processes and an effective operation mechanism has been developed.



Six sigma yellow belts certification program

To help staff in the Quality Department and Production Technology Department master knowledge of six-sigma tool, have a clear understanding of the method of use of basic management tools, and constantly improve management skills, SHP Group carried out the six sigma yellow belts certification program. The courses of the program include course learning of management tools, application of management tools in the program, and guidance and course completion summary of the tutors, and others, to help students combine theory and practice and improve their management skills. In the program lasting for 4 months in 2023, a total of 16 students passed the six sigma yellow belts certification and had a good mastery of the use of management tools. In the future, SHP Group will continuously improve its six sigma belts talent cultivation system and improve the teacher resources of the program.

The tracking, transformation, and implementation after the training program are critical to getting the highest training value. After the training, the Company will continue to follow up the performance of people in the program who have passed the certification. After the reviewers review and 2 program reports have passed the certification, the yellow belts certificate will be issued. Those who have passed the certification for two consecutive years do not have to be evaluated again. Those who do not pass the certification should complete at least 1 project report in daily work. After review by the reviewer, the yellow belts certification will be issued.



Skill improvement program of reserve group leader

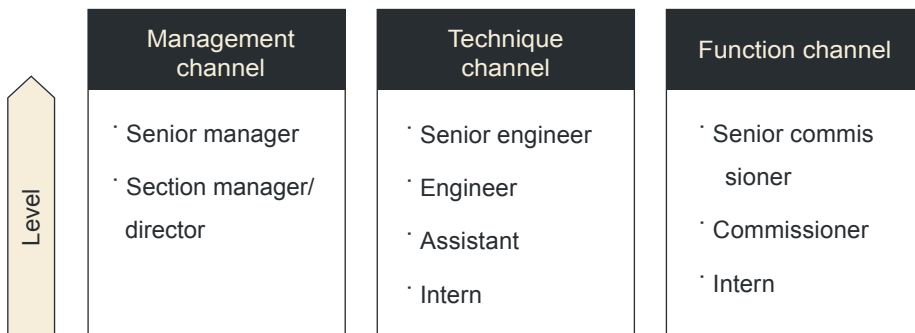
To continuously enhance talent reserve of grassroots group leaders for the Company, the excellent employees in the Company received the skill improvement program of reserve group leaders. This 3-month program helped participants be competent for group leaders in the future and ensured that daily management and production can be carried out smoothly. The training program included theoretical knowledge learning of 2 months and internship of 1 month. There are course learning and tests of tools, management, common sense, and skills. A total of 21 reserve group leaders were certified in the skill improvement program of reserve group leaders of SHP Group in 2023.

☰ Promotion channels

SHP Group has developed clear occupational development channels for employees to encourage them to constantly study and make progress, improve production process ability, raise the product quality level, establish the technical talent echelon, and support the long-term development and growth of the Company.

HR Department develops the rules and procedures of position level assessment, plans and arranges review team and related matters, and implements the review results. The review team develops the technical position level review standards, reviews data in the process of position level review, and supervises results. Employees are evaluated every 12 months in the Company. Combined with their qualifications, professional skill level, career achievements and contributions, and other comprehensive levels, their internal vocational and technical level is evaluated through the points system.

In 2023, career channels were mainly developed for technical personnel in the Company. New management measures for position level were prepared for mold processing personnel, technical personnel of production and operation, product design engineers for development systems and, mold design engineers for development systems, and technicians of Sample Making Center of the Production Technology Department. In the future, the Company's promotion planning will include more career paths.



● Career channels of SHP Group

☰ Employee incentive

Through material and spiritual value incentives, SHP Group encourages employees to implement the operation principle of the Company, which is “honesty and integrity, customer first, promise keeping, continuous improvement, and teamwork” in daily work. Production and Operation Center publishes and updates incentive policies for employees' monthly performance, specifies the appraisal indicators, and ensures that excellent employees and teams are rewarded every year under the principle of justice and fairness. Appraisal indicators include performance indicators achievement rate, quality control rate, OTD rewards, and accident deduction.

In recognition of teams and individuals with excellent achievements and contributions in different business modules (safety management, quality control, cost reduction, efficiency improvement, on-site management, cultivation of talents, technical breakthroughs, management innovation, business improvement, etc.) in 2023, the excellence selection activity lasting for 2.5 months was carried out in the Company. Finally, 148 awards were selected, including a management innovation award, a technique innovation award, excellent group award, advanced individual award, an optimized proposal award, and a special award from the president. Material incentives were given to them.

148 awards were selected

148



Community contributions

SHP Group leads employees to proactively engage themselves in public welfare and charity in society to perform its social responsibility by practicing ESG development concept, organizing a series of activities. Oriented towards sustainable development, we contribute to building a greener, more environment-friendly, and more harmonized society.

Case

Fluorescence Campaign of “Earth Hour”

On March 25, 2023, SHP Group launched the “Earth Hour” online and offline campaigns. It asked colleagues to actively forward the text and poster of Earth Hour in WeChat Moments online and extended publicity by collecting likes, affecting tens of thousands of people; and SHP Group employees carried out “Fluorescence Campaign” offline in the community, asking residents to turn off the lights for 1 hour from 20:30 to 21:30 and participate in the Fluorescence Campaign. Several engaging activities, such as tug-of-war, shuttlecock kicking, and environmental protection knowledge Q&A, were conducted on-site, forming a lively atmosphere. More people had the joy of environmental protection. In recent years, SHP Group has implemented the concept of environmental protection and energy conservation with care. It expects to help the world save energy and reduce GHG emissions by taking practical actions.



Offline Fluorescence Campaign of Earth Hour—publicity



Offline Fluorescence Campaign of Earth Hour—shuttlecock kicking



SHP Group, protect the earth for more than one hour with fluorescence



Online forwarding and likes collection campaign of Earth Hour



Offline Fluorescence Campaign of Earth Hour—Q&A of environmental protection



Offline Fluorescence Campaign of Earth Hour—tug of war

● SHP Group’s Fluorescence Campaign of “Earth Hour”

Case Garbage sorting publicity campaign

On June 22, 2023, the Dragon Boat Festival, we carried out garbage sorting publicity campaign with the community. 5 volunteers of SHP Group popularized knowledge of garbage sorting and told people that garbage sorting was important, so that more people would develop the habit of garbage sorting and protect our environment.



● Site of garbage sorting campaign

Case SHP Group took part in the charity activities

SHP Group actively contributes to the society and promotes the development of public welfare. In September 2023, SHP (Kunshan) donated RMB 100,000 to the Kunshan Charity Federation and Kunshan Charity Foundation to help with the development of charity, welfare, and public utilities, and make the society harmonious and beautiful.



Key performance form

Environment

Indicators		Unit	Financial Year 2023					Financial Year 2022		
			SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total ¹	SHP Group in total	
Direct energy ³	Natural gas	Standard cubic meter	685,819.00	0	0	0	- ²	685,819.00	92,414.00	
	Diesel fuel	L	52,322.85	0	0	0	-	52,322.85	47,701.63	
	Gasoline	L	32,679.90	0	0	0	-	32,679.90	31,630.18	
	Liquefied petroleum gas	kg	8,850.00	0	0	0	-	8,850.00	8,850.00	
Indirect energy	Purchased electricity	kWh	93,494,716.00	615,267.00	1,949,536.00	14,290.00	1,413,996.00	97,487,805.00	106,216,377.40	
	Purchased steam	t	0	0	0	0	-	-	1,492.70	
Comprehensive energy consumption	Absolute value	Comprehensive energy consumption ⁴	Tons of standard coal	12,518.48	75.62	239.60	1.76	173.78	13,009.23	13,476.86
	Intensity value	Intensity of comprehensive energy consumption (based on revenue) ⁵	Tons of standard coal/million USD ⁶	44.26	44.09	49.02	1.29	54.29	44.25	45.70
		Intensity of comprehensive energy consumption (based on production value)	Tons of standard coal/million USD	51.68	2.39	51.17	3.40	64.28	46.16	51.60

1. The statistical boundaries of energy consumption data in this table do not include off-site dormitories.

2. "-" indicates that the data cannot be effectively collected.

3. 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.

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

5. The revenue in this performance statement covers both main business income and other business income.

6. In this performance statement, the exchange rate of USD/RMB 7.0827CNY/USD is used for calculation.

Indicators		Unit	Financial Year 2023					Financial Year 2022		
			SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Green-house gas emissions	Absolute value	Scope 1	tCO ₂ e	2,091.82	0	0	0	-	2,091.82	441.84
		CO ₂	tCO ₂ e	2,091.82	0	0	0	-	2,091.82	425.86
		CH ₄	tCO ₂ e	0	0	0	0	-	-	0.32
		N ₂ O	tCO ₂ e	0	0	0	0	-	-	15.66
		Scope 2 ¹	tCO ₂ e	53,320.04	350.89	1,111.82	8.15	615.09	55,405.98	60,950.40
	Scope 1+Scope 2	tCO ₂ e	55,411.86	350.89	1,111.82	8.15	615.09	57,497.80	61,392.24	
	Intensity value	Scope 1/Revenue	tCO ₂ e/million USD	7.40	-	-	-	-	7.11	1.50
		Scope 2/Revenue	tCO ₂ e/million USD	188.52	204.58	227.48	5.99	192.15	188.45	206.66
		(Scope 1+Scope 2)/Revenue	tCO ₂ e/million USD	195.91	204.58	227.48	5.99	192.15	195.57	208.16
		Scope 1/Production value	tCO ₂ e/million USD	8.64	-	-	-	-	7.42	1.69
		Scope 2/Production value	tCO ₂ e/million USD	220.14	11.07	237.44	15.74	227.52	196.60	240.51
(Scope 1+Scope 2)/Production value		tCO ₂ e/million USD	228.77	11.07	237.44	15.74	227.52	204.02	242.20	
Pollutant emissions	Absolute value- fixed sources	Particulate matter emissions ²	kg	1.07	-	-	-	-	1.07	1,345.24
		SO _x emissions ³	kg	307.26	-	-	-	-	307.26	0
		NO _x emissions	kg	1,904.72	-	-	-	-	1,904.72	0

1. 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.

2. In 2023, the spray exhaust gas treatment facility was improved from water spray and activated carbon adsorption to RTO, and the exhaust gas treatment capacity has been improved, so the emission of particulate matter was reduced.

3. The raw material of RTO thermal combustion is natural gas, and the combustion of natural gas emits SO_x and NO_x.

			Financial Year 2023					Financial Year 2022		
Indicators	Unit		SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Pollutant emissions	Absolute value-mobile sources ¹	Particulate matter emissions	kg	0.72	-	-	-	-	0.72	-
		SO _x emissions	kg	1.32	-	-	-	-	1.32	1.23
		NO _x emissions	kg	9.98	-	-	-	-	9.98	-
	Total Intensity value	Particulate matter emissions/Revenue	kg/million USD	0.004	-	-	-	-	0.004	4.56
		SO _x emissions/Revenue	kg/million USD	1.09	-	-	-	-	1.05	0
		NO _x emissions/Revenue	kg/million USD	6.73	-	-	-	-	6.48	0
		Particulate matter emissions/Production value	kg/million USD	0.004	-	-	-	-	0.004	5.15
		SO _x emissions/Production value	kg/million USD	1.27	-	-	-	-	1.09	0
NO _x emissions/Production value	kg/million USD	7.86	-	-	-	-	6.76	0		
Hazard emission	Absolute value	Hazardous waste discharge	t	724.18	-	13.01	-	0.50	737.69	2,797.06
		Volatile Organic Compounds (VOCs)	kg	1,466.15	-	-	-	-	1,466.15	2,690.09
	Intensity value	Hazardous waste discharge/Revenue	t/million USD	2.56	-	2.66	-	0.16	2.51	9.48
		Volatile Organic Compounds (VOCs)/Revenue	kg/million USD	5.18	-	-	-	-	4.99	9.12
		Hazardous waste discharge/Production value	t/million USD	2.99	-	2.78	-	0.18	2.62	10.97
		Volatile organic compounds (VOCs)/Production value	kg/million USD	6.05	-	-	-	-	5.20	10.30

1. Pollutant emissions from mobile sources are calculated in accordance with the *Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines for Land Transport Enterprises (Trial)* and Appendix II: Reporting Guidelines on Environmental Key Performance Indicators in the *Environmental, Social and Governance Reporting Guidelines* of HKEX.

Indicators		Unit	Financial Year 2023					Financial Year 2022		
			SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Water consumption	Absolute value	Water consumption	t	361,901.00	2,838.00	40,025.00	-	1,658.00	406,422.00	477,355.00
	Intensity value	Water consumption/Revenue	t/million USD	1,279.52	1,654.67	8,189.32	-	517.94	1,382.36	1,618.54
		Water consumption/Production value	t/million USD	1,494.14	89.51	8,547.63	-	613.29	1,442.12	1,830.00
Wastewater discharge amount ¹		External discharge of industrial wastewater	t	0	-	-	-	-	-	0
		The amount of industrial wastewater reused	t	73,279.30	-	-	-	-	73,279.30	0
		Chemical oxygen demand (COD) for treatment	t	0	-	-	-	-	-	0
Waste generated/ recycled		Recyclable waste ²	t	2,253.69	-	-	-	-	2,253.69	-
		Non-recyclable waste ³	t	1,053.94	-	-	-	-	1,053.94	-
		Amount of paper used	Piece	1,275,200	-	98,000	-	-	1,373,200	1,648,900
Green product-related performance		Photovoltaic power generation	kWh	6,428,840.00	-	1,083,596.80	-	-	7,512,436.80	2,362,480
		Photovoltaic power consumption ⁴	kWh	6,428,840.00	-	1,083,596.80	-	-	7,512,436.80	2,362,480
		Proportion of photovoltaic power consumption	%	6.43	-	35.73	-	-	7.15	2.18
		Amount of investment in environmental protection	Thousand USD	3,785.00	0	73.80	-	-	3,858.43	1,381.87
		Proportion of sustainable product revenue	%	14.30	0	25.21	-	-	14.18	8.23

1. Spray waste water is all reused in waste gas treatment after wastewater treatment equipment (spray room water curtain interception paint fog).

2. Recyclable waste includes blister coil scraps, PSP wave boards, plastic turnover baskets, plastic pallets, plastic turnover trays, waste wood pallets, defective products, waste aluminum, waste iron, waste cardboard boxes, waste copper, waste pearl paper.

3. Non-recyclable waste includes waste sponge, industrial solid waste, waste activated carbon, waste oil, sludge, waste paint slag, waste PP plastic balls, waste rubber blocks, waste rags, waste chemical containers, waste emulsion, waste cutting fluid.

4. In 2023, photovoltaic power was used and consumed by SHP (Kunshan) and SHP CCT.

Society

			Financial Year 2023					Financial Year 2022		
Indicators	Unit		SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Number of employees			Person	3,285	167	62	43	160	3,717	4,139
Classified based on levels	Absolute value	Senior management	Person	26	1	1	1	1	30	23
		Female senior management	Person	8	1	1	0	0	10	6
		Middle management	Person	102	1	3	6	15	127	119
		Female middle management	Person	36	1	1	6	15	59	-
		General employees	Person	3,157	165	58	36	144	3,560	3,997
	Proportion	Senior management	%	0.79	0.60	1.61	2.33	0.63	0.81	0.56
		Female senior management	%	0.24	0.60	1.61	0	0	0.27	0.14
		Middle management	%	3.11	0.60	4.84	13.95	9.38	3.42	2.88
		Female middle management	%	1.10	0.60	1.61	13.95	9.38	1.59	-
		General employees	%	96.10	98.80	93.55	83.72	90.00	95.78	96.57
Classified based on gender	Absolute value	Male employees	Person	1,684	60	27	25	93	1,889	2,082
		Female employees	Person	1,601	107	35	18	67	1,828	2,057
	Proportion	Male employees	%	51.26	35.93	43.55	58.14	58.13	50.82	50.30
		Female employees	%	48.74	64.07	56.45	41.86	41.88	49.18	49.70

			Financial Year 2023					Financial Year 2022		
Indicators	Unit		SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Classified based on disadvantaged groups	Absolute value	Minority employees	Person	226	16	0	0	0	242	130
		Employees with disabilities	Person	83	0	0	0	0	83	92
	Proportion	Minority employees	%	6.88	9.58	0	0	0	6.51	3.14
		Employees with disabilities	%	2.53	0	0	0	0	2.23	2.22
Classified based on kinds of employment	Absolute value	Regular employees	Person	2,586	139	52	43	160	2,980	3,138
		Dispatch employees	Person	699	28	10	0	0	737	1,001
	Proportion	Regular employees	%	78.72	83.23	83.87	100.00	100.00	80.17	75.82
		Dispatch employees	%	21.28	16.77	16.13	0	0	19.83	24.18
Classified based on age	Absolute value	< 30 years old (excluding 30 years old)	Person	767	53	15	9	48	892	1,505
		30-50 years old	Person	2,326	111	41	31	103	2,612	2,537
		> 50 years old (excluding 50 years old)	Person	192	3	6	3	9	213	97
	Proportion	< 30 years old (excluding 30 years old)	%	23.35	31.74	24.19	20.93	30.00	24.00	36.36
		30-50 years old	%	70.81	66.47	66.13	72.09	64.38	70.27	61.29
		> 50 years old (excluding 50 years old)	%	5.84	1.80	9.68	6.98	5.63	5.73	2.34

Indicators		Financial Year 2023							Financial Year 2022	
		Unit	SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Classified based on function	Absolute value	Production personnels	Person	2,358	167	57	22	99	2,703	3,074
		Sales personnels	Person	73	0	0	9	0	82	82
		Technical personnels	Person	691	0	0	4	27	722	754
		Financial personnels	Person	26	0	0	3	4	33	32
		Administrative personnels	Person	137	0	5	5	30	177	197
	Proportion	Production personnels	%	71.78	100.00	91.94	51.16	61.88	72.72	74.27
		Sales personnels	%	2.22	0	0	20.93	0	2.21	1.98
		Technical personnels	%	21.04	0	0	9.30	16.88	19.42	18.22
		Financial personnels	%	0.79	0	0	6.98	2.50	0.89	0.77
		Administrative personnels	%	4.17	0	8.06	11.63	18.75	4.76	4.76
Classified based on educational background	Absolute value	PhD	Person	0	0	0	0	0	0	0
		Master	Person	17	0	1	7	6	31	33
		Bachelor	Person	182	2	2	10	42	238	438
		College diploma	Person	770	14	23	19	73	899	930
		Technical secondary school and below	Person	2,316	151	36	7	39	2,549	2,738
	Proportion	PhD	%	0	0	0	0	0	0	0
		Master	%	0.52	0	1.61	16.28	3.75	0.83	0.80
		Bachelor	%	5.54	1.20	3.23	23.26	26.25	6.40	10.58
		College diploma	%	23.44	8.38	37.10	44.19	45.63	24.19	22.47
		Technical secondary school and below	%	70.50	90.42	58.06	16.28	24.38	68.58	66.15

		Financial Year 2023					Financial Year 2022		
Indicators	Unit	SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Total turnover rate	%	26.15	26.95	24.19	30.23	6.25	25.34	-	
Classified based on gender	Male employees	%	22.62	43.33	11.11	32.00	6.45	22.45	-
	Female employees	%	29.86	17.76	34.29	27.78	5.97	28.34	-
Average training hours per person	Hour/person	12.28	1.19	0.35	0.33	1.83	10.64	14.3	
Classified based on gender	Male employees	Hour/person	12.34	1.13	0.34	0.36	1.84	11.34	18.8
	Female employees	Hour/person	12.22	1.26	0.36	0.31	1.80	10.12	9.7
Classified based on function	Production personnels	Hour/person	14.8	1.16	0.34	0.32	1.78	12.54	9.9
	Sales personnels	Hour/person	0.73	-	-	0.37	-	0.69	41.7
	Technical personnels	Hour/person	7.32	-	-	0.33	1.95	7.07	17.4
	Financial personnels	Hour/person	0.37	-	-	0.31	0.30	0.33	53.7
	Administrative personnels	Hour/person	1.10	0	0.32	0.34	1.30	1.05	37.0
Employee's work injury	Work injury accident rate per 200,000 working hours ¹	-	0.13	0	0	0	0	0.13	-
	Number of work-injury-related accidents	Case	8	0	0	0	0	8	12
	Number of fatalities from work-related injuries	Person	0	0	0	0	0	0	0
	Lost workdays due to work-related injuries ²	Day	231.75	0	0	0	0	231.75	772.5
	Lost hours due to work-related injuries	Hour	1,854.00	0	0	0	0	1,854.00	6,180

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

2. The number of working days and hours of industrial injury loss in 2022 is calculated according to the theoretical value of relevant government regulations, and the calculation is based on the actual situation in 2023.

			Financial Year 2023					Financial Year 2022		
Indicators		Unit	SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total	
Security precautions and training	/	Times of fire drills	Time	6	1	1	0	0	8	10
		Number of participants in fire drills	Person times	3,500	100	100	0	0	3,700	4,857
		Number of hazardous chemical leakage drills	Time	1	0	0	0	0	1	3
		Number of participants in the hazardous chemicals leakage drill	Person times	23	0	0	0	0	23	48
	Absolute value	Total number of people who received safety training	Person	3,897	91	7	0	0	3,995	4,800
		Number of hours of safety training the employee received	Hour	43,962	2,184	120	0	0	46,266	66,532
Intensity value	Average hours of safety training per person	Hour/person	11.28	24.00	17.14	0	0	11.58	13.9	
The rejection rate of the customer's first inspection		%						1.64	5.51	
Customer complaint rate		%						0.51	0.55	
Customer return rate		%						0.96	0.68	
Total number of suppliers		Company						488	468	
Number of strategic suppliers		Company						61	-	
Classified based on regions	Domestic suppliers	Company						456	422	
	Overseas suppliers	Company						32	46	
Excellent suppliers	Certified under ISO 14001 system	Company						156	65	
	Proportion of excellent suppliers	%						6	10	
	Sunshine Agreement signing rate	%						100	-	
	ESG contract signing rate of class 1 suppliers ¹	%						100	45	









1. In 2023, the index is adjusted from "Supplier ESG Contract signing rate" to "Class I Supplier ESG Contract Signing rate".



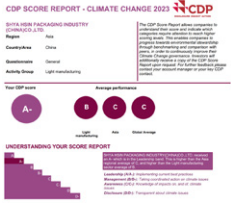
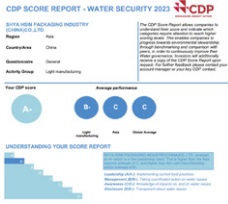






			Financial Year 2023					Financial Year 2022	
Indicators		Unit	SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total
Supplier elimination	Number of suppliers that were dismissed	Company						302	2
	Percentage of dismissed suppliers	%						38	0.4
Community investment	Total financial investment in community activities	USD						31,673.91	1,485.90
	Total attendants in community activities	Person times						198	154
Volunteer activity	Number of participants in volunteer activities	Person times						2,486	3,640
	Total volunteer hours	Hour						10,243	19,989

Governance

			Financial Year 2023					Financial Year 2022	
Indicators		Unit	SHP (Kunshan)	SHP (Cixi)	SHP CCT	SHP (Taiwan)	SHP (Mexico)	SHP Group in total	SHP Group in total
Number of corruption lawsuits		Case	0	0	0	0	0	0	0
Number of anti-corruption (integrity) trainings (Basic management level and above)		Time	1	1	1	1	1	5	2
Number of participants in anti-corruption (integrity) training		Person	1,968	21	22	4	18	2,033	5,480

System certification documents

Certification	Certificate documents	Certification	Certificate documents
ISO14001		ISO50001	
ISCC PLUS		ISO9001	
ISO45001		SA8000	
ISO37001		ISO27001	

Certification	Certificate documents	Certification	Certificate documents
ISO22716		CNAS Laboratory	
2023 CDP Score of Climate Change		2023 CDP Score of Water	
EcoVadis		ISO14064 GHG Verification	
Evaluation Certificate for Product Green Carbon Footprint		SBTi Commitment Letter	
Intellectual Property Management System Certification		CyberVadis	

GRI content index

Use instruction	The information cited in this GRI Content Index is reported by SHP Group in reference to GRI standards between January 1, 2023 and December 31, 2023.
GRI1 used	GRI 1: Basic 2021

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, ESG governance structure	

Topic standard	Disclosed items	Corresponding chapters	Brief explanation
GRI 2 General Disclosures	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	ESG management system	
	2-19 Remuneration policies	ESG management system	
	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	
	2-23 Policy commitments	Corporate governance, Empowering innovation, Green production, Product quality control, Supplier management, Guarantee of human rights, Safety management system	
	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, Communication and complaint handling	
	2-26 Mechanisms for seeking advice and raising concerns	Compliant operation, Listen to employees' opinions, Communication and complaint handling	
	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		

Topic standard	Disclosed items	Corresponding chapters	Brief explanation
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 Performance	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 design, Sustainable materials	
	301-2 Recycled input materials used	Sustainable design, 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, Energy management	
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	


Topic standard	Disclosed items	Corresponding chapters	Brief explanation
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	-	
	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	Key ESG performance	
	305-2 Energy indirect (Scope 2) GHG emissions	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	Key ESG performance	
	305-5 Reduction of GHG emissions	Energy management	
	305-6 Emissions of ozone-depleting substances (ODS)	-	Not related
	305-6 Emissions of ozone-depleting substances (ODS)	Pollutant discharge management, Key ESG performance	
	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	

Topic standard	Disclosed items	Corresponding chapters	Brief explanation
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	Safety management system, Safe production and operation	
	403-3 Occupational health services	Safe production and operation	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Safety management system, Safe production and operation	
	403-5 Worker training on occupational health and safety	Safe production and operation	
	403-6 Promotion of worker health	Safe production and operation	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safe production and operation	
	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	Safe production and operation, Key ESG performance	
GRI 404 Training and Education	404-1 Average hours of training per year per employee	Key ESG performance	
	404-2 Programs for upgrading employee 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


Topic standard	Disclosed items	Corresponding chapters	Brief explanation
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	Guarantee of human rights	
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
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

Bureau Veritas Certification



INDEPENDENT ASSURANCE STATEMENT



Objectives of Work

Bureau Veritas Certification (Beijing) Co., LTD ("BUREAU VERITAS") has been engaged by SHP Group (hereafter referred to as "SHP") to conduct an independent Assurance of its 2023 ESG Report (the "Report"). This Assurance Statement applies to the related information included within the scope of work described below.

This information and its presentation in the report are the sole responsibility of the management of SHP. Our sole responsibility was to provide independent assurance on the accuracy and reliability of information included, and on the underlying systems and processes used to collect, analyse and review it.

Scope of work

SHP requested Bureau Veritas to verify the accuracy and reliability of the following:

- Data and information included in the Report for the 2023.1.1-2023.12.31.

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined assurance period;
- Positional statements (expressions of opinion, belief, aim or future intention by SHP) and statements of future commitment;
- Financial data and information that has been audited by a third party.

Level of assurance: reasonable assurance level

Assurance standard


- International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)"), developed by the International Auditing and Assurance Standards Board;
- GRI Sustainability Reporting Standards, published by the Global Reporting Initiative

Methodology

As part of its independent assurance, Bureau Veritas undertook the following activities:

- Interviews with relevant personnel of SHP;
- Review of documentary evidence produced by SHP;
- Evaluation of information against Global Reporting Initiative (GRI) principles of Materiality, Accuracy, Completeness, Balance, Clarity and Comparability;
- Audit of performance data, tracing and checking the sample data according to the sampling principle;
- Review of SHP data and information systems for collection, aggregation and analysis;

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Our work was conducted against Bureau Veritas' standard procedures and guidelines for external Assurance of Non-financial Reports, based on current best practice in independent assurance. The work was planned, carried out and concluded based on reasonable, rather than absolute assurance, as determined by Bureau Veritas.

Assurance Conclusion

On the basis of our methodology and the activities described above, it is our opinion that:

- The Information and data included in the scope of our assurance are accurate, reliable and free from material mistake or misstatement;
- The information is presented in a clear, understandable and accessible manner;
- The information of the Report provides a fair and balanced representation of related ESG management activities during the period from 2023.1.1-2023.12.31;
- SHP has established appropriate systems for the collection, aggregation and analysis of relevant information. The performance data for 2023 has been disclosed and be with Comparability.

Accuracy

The information and data disclosed in the report are objective and reliable. SHP has established appropriate systems for the collection and disposal of quantitative data on organizational governance, environment and social management. Through on-site assurance, the evidence provided by SHP is relatively reliable and the report is of objectivity.

Materiality

SHP identified and disclosed material ESG issues and related information in accordance with the GRI Sustainability Reporting Standard.

Completeness


The report of SHP focuses on the aspects of "Governance", "Environment", "Product and Services" and "Our People". The report discloses data and information related to product responsibility, social responsibility, environmental responsibility, and employee responsibility, which are of concern to the stakeholders of SHP. The disclosed is of relative Completeness.

Based on the work conducted, we recommend SHP to consider the following:

- It is suggested that the client improve the mechanism for collecting and retaining data on the KPIs to increase the traceability;
- It is suggested that the client add the organisation's climate change risk in the future, and analyse the method of quantifying the organisation's product's GHG emissions, control targets, emission reduction paths and regular performance;
- It is suggested that the client disclose the data of Scope 3 carbon emissions in the next year.

Statement of independence, impartiality and competence



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Bureau Veritas is an independent professional services company that specialises in Quality, Environmental and Occupational Health and Safety, Social Responsibility with more than 190 years history in providing independent assurance services. Members of the assurance team have no interests or conflicts of relationship with SHP. We have conducted this Assurance independently and impartially. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day to day business activities.

Fanny Zou (E-signature)	Wendy Zhao
Director of Greater China Region	Assurance Team Leader
Bureau Veritas Certification (Beijing) Co., LTD	Bureau Veritas Certification (Beijing) Co., LTD
2024-08-16	2024-08-16

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