

SHP
WE SHAPE
BEAUTY

2024

Sustainability Report

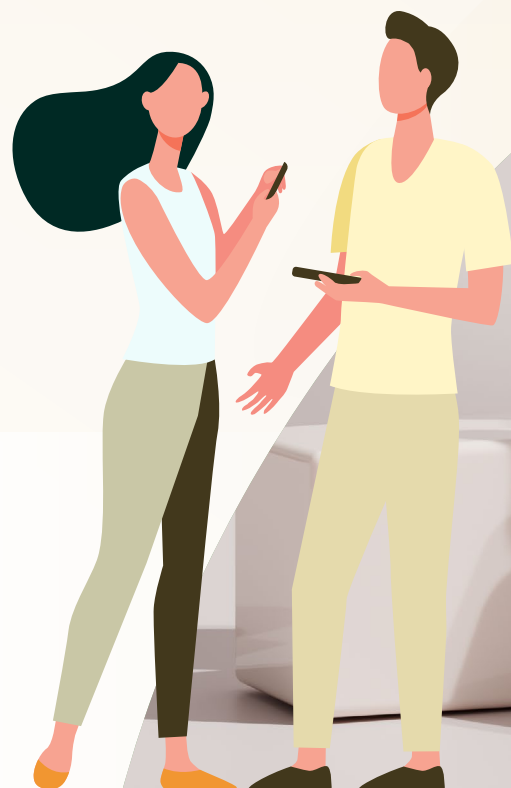


Table of Contents

About This Report	01	01 About SHP Group	04	04 Exemplary Governance: Building a Sustainable Enterprise		06 Lean Operations: Empowering a Prosperous Future	
CEO Message	03			4.1 Corporate Governance	23	6.1 Product Responsibility	57
		02 ESG Governance System		4.2 Compliance and Risk Management	24	6.2 Technological Innovation and Intellectual Property Management	60
		2.1 ESG Value Philosophy	12	4.3 Business Ethics	26	6.3 Customer Service	63
		2.2 ESG Management Structure	13			6.4 Information Security	67
		2.3 ESG Targets and Progress	14	05 Environmental Sustainability: Green and Low-Carbon Development		6.5 Supply Chain Management	72
ESG Data Sheet and Notes	99			5.1 Environmental Management System	30	07 Cohesion and Harmony: Creating a Beautiful Homeland Together	
GRI Index	110	03 Materiality Assessment		5.2 Responding to Climate Change	32	7.1 Human Rights and Labor Rights	79
Assurance Report	115	3.1 Stakeholder Communication	18	5.3 Energy Management	38	7.2 Diversity and Inclusion	83
		3.2 Materiality Analysis	19	5.4 Water Resource Management	42	7.3 Employee Training and Development	88
				5.5 Pollutant Emissions Management	45	7.4 Health and Safety	92
				5.6 Waste Management	47	7.5 Social Contribution	98
				5.7 Green Packaging and Materials	49		

CONTENTS

About This Report

This report is the fourth Sustainability Report issued by SHP Group, intended to disclose to all stakeholders the Company's philosophy, management systems, actions, and achievements regarding sustainable development issues in its operations.

📍 Report Scope

Organizational Scope: This report covers SHP Group and its principal subsidiaries.

Abbreviated Company Name	Full Company Name
The Company, We	SHP Group
SHP (Kunshan), Kunshan Factory	ShyaHsin Packaging Industry (China) Co., Ltd.
SHP (Cixi), Cixi Factory	ShyaHsin Packaging Industry (China) Co., Ltd. Cixi Branch
SHP (Taizhou)	ShyaHsin Packaging Industry (Taizhou) Co., Ltd.
CCT	Copolymer & Cosmetics Technology (Kunshan) Co., Ltd.
SHP (Taiwan), Taiwan Factory	ShyaHsin Plastic Works Co., Ltd.
SHP (Mexico), Mexico Factory	ShyaHsin Packaging S.A. de C.V.

Timeframe: The reporting period for this report is from January 1, 2024 to December 31, 2024. Unless otherwise specified, all data in this report pertains to this period.

📍 Basis of Preparation

This report has been prepared with reference to the Global Sustainability Standards Board (GSSB) 'GRI Standards' (2021), the International Sustainability Standards Board (ISSB) 'IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information,' the United Nations Sustainable Development Goals (UN SDGs), as well as the needs of SHP Group stakeholders.

📍 Data Description

The data sources for this report include publicly available government data, relevant internal statistical reports of SHP Group, administrative documents and reports, third-party evaluation interviews, and third-party research reports.

All financial data in this report are presented in RMB (Yuan) or USD (thousand USD). The relevant financial data have been audited and contain no false records, misleading statements, or material omissions.

📍 Report Preparation Principles

Materiality

The Company has identified material topics of concern to stakeholders related to its operations, which serve as the focus of this report. In reporting on material topics in this report, attention is also given to the characteristics of the industry and business operations in which the Company operates. For a detailed description of the materiality analysis process and results, please refer to the 'Materiality Assessment' section of this report.

Accuracy

This report endeavors to ensure the accuracy of information to the greatest extent possible. For quantitative information, the data scope, calculation basis, and assumptions have been specified to ensure that the margin of error does not mislead users of the information. For details regarding quantitative information and related notes, please refer to the 'ESG Data Sheet' section of this report.

Balance

The content of this report reflects objective and factual information. Both positive and negative information concerning the Company are disclosed impartially. No negative events that should have been disclosed during the reporting period were found to have been omitted.

Clarity

This report is published in both Simplified Chinese and English. In the event of any discrepancies between the two versions, the Chinese version shall prevail.

This report includes information such as tables and model diagrams, which serve as supplements to the textual content to facilitate stakeholders' understanding. To enable stakeholders to access information more efficiently, this report provides a table of contents and an ESG standards cross-reference index.

Quantitativeness

This report discloses key quantitative indicators and, where possible, provides historical data.

Comparability

This report maintains consistency in the statistical and disclosure methods for the same quantitative indicators across different reporting periods. If there are changes to data collection, measurement, or calculation methods, the relevant data shall be retrospectively adjusted, with the adjustments and their reasons explained in the report notes, to enable Stakeholders to conduct meaningful analysis and assess the Company's ESG data development trends.

Timeliness

This report is an annual report. The Company endeavors to publish the report as soon as possible after the end of the reporting year to provide timely information for Stakeholders' decision-making.

Verifiability

The cases and data in this report are derived from the Company's actual operational records or financial reports. All data disclosed by the Company, as well as the calculation processes, are traceable and may be used to support external assurance and verification.

External Assurance

The data and textual information in this report have been assured by an independent third-party organization, which has issued an Assurance Report (see Appendix). The report was reviewed and approved by the Board of Directors on XX Month, 2025.

Report Access

This report is published in electronic format and is available on the Company's official website (<http://shpgroup.com/>). If you have any questions or suggestions regarding the report, please email xucui@shyahsin.com.

CEO Message



CEO Jesse Guan

Dear Stakeholders,
Hello, everyone!

Welcome to the SHP Group 2024 Sustainability Report.

We are living in an era of profound transformation. Capital markets, leading clients, and increasingly stringent global regulations are reshaping the value benchmarks of the beauty packaging industry with unprecedented force. This is not only a challenge, but also a strategic opportunity for SHP to identify business opportunities and build differentiated competitiveness. We firmly believe that sustainable development is not a passive compliance cost, but an active process of value creation.

As an active promoter of sustainable development in the industry, SHP continues to deepen its global presence, and is increasing its strategic investment in Mexico and Portugal. We advance the global implementation of sustainable principles through two core competencies: first, the 'green product innovation capability' rooted in materials and mold technology; and second, the 'sustainable operational capability' embedded across our global manufacturing sites. Through this 'dual-engine' model, we are effectively transforming our green commitments into solutions trusted by our customers.

Reflecting on 2024, SHP Group achieved significant results across multiple dimensions. Early in the year, our Kunshan headquarters obtained Living Wage certification, followed by the mid-year approval of our carbon reduction targets by SBTi. The year culminated with both our Kunshan and Mexico plants earning the EcoVadis Gold Medal. More recently, our Kunshan facility was awarded double 'A' ratings for its 2024 CDP Climate Change and Water Security disclosures. These achievements provide strong evidence that our sustainability strategy is progressing steadily.

Sustainability, Harmony, Promotion—the concept of sustainable development has been deeply embedded in the underlying logic of SHP Group's development. We look forward to collaborating with all partners across the value chain, upholding pioneering Innovation and confidence, jointly transforming challenges into opportunities, and achieving the harmonious coexistence of business value and social value in the current era.

Joint Value Chain, Implementing Green Operations

SHP Group continues to advance the upgrade of its Environmental Management System, leveraging the construction of 'Green Factories' as a key initiative to systematically promote green transformation. We are replicating and promoting the successful experience accumulated in China on a global scale, introducing advanced processes such as high solid content at our factories in Mexico and Portugal, thereby effectively reducing the environmental impact of the spraying and metallization stages. To achieve green development objectives, in 2024 the Group allocated a dedicated environmental protection investment of USD 1,495 thousand and an energy-saving investment of USD 230 thousand. At the same time, we have established higher requirements for the supply chain, empowering suppliers in low-carbon development and promoting collaborative transformation across the value chain through expert training.

Technology-Driven, Embedding Green Principles

SHP Group is guided by sustainable design, advancing the adoption of single-material components and replaceable modules to enhance product recyclability. We actively promote the replacement of traditional plastics with PCR and bio-based materials, and leverage leading mold and injection molding technologies to achieve end-to-end application of innovative materials in our products. At the same time, we collaborate with upstream partners in joint research and development to explore sustainable solutions at the source of plastics. In 2024, the Group added 125 new authorized patents, continuously injecting innovative momentum into high-quality development.

Humanistic Care, Delivering Value with Warmth

SHP Group upholds the concept of 'Health, Harmony, Prosperity,' prioritizing occupational health and safety, and is committed to creating a fair, inclusive, and supportive working environment. To safeguard core employee rights, the Kunshan headquarters obtained third-party living wage certification in 2024. We advocate for gender equality through thematic interviews, conduct sign language training to facilitate barrier-free communication with hearing-impaired colleagues, and regularly conduct dormitory and cafeteria satisfaction surveys, putting care into practice. We use 'Unity and Harmony' as a bond to unite the team and jointly build the SHP community.

Exemplary Governance, Forging a Lasting Enterprise

Exemplary corporate governance is the solid foundation for SHP Group to achieve sustainable development. We continuously optimize our management systems, strengthen internal supervision, and enhance risk prevention and control mechanisms. As a global enterprise, we are highly committed to ensuring our overseas factories are built and developed in full compliance with regulations and achieve stable growth, proactively addressing the complex and evolving international trade environment and mitigating potential tariff and policy risks. In 2024, all employees of the Group completed Business Ethics Training, demonstrating the collective commitment of every SHP personnel to integrity in operations and responsible conduct.

01

About SHP Group



Company Profile

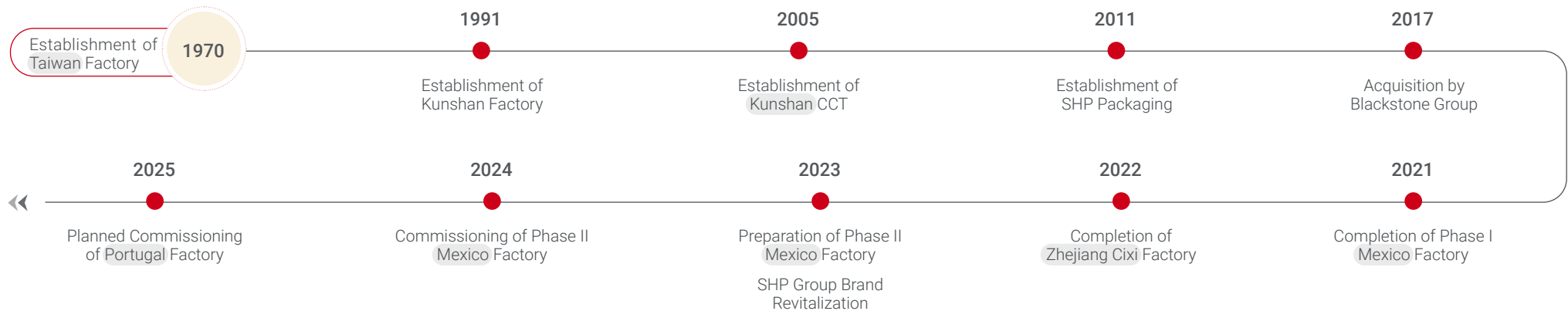
SHP Group is a global leader in cosmetic packaging, with over 50 years of experience in the design and production of packaging containers for color cosmetics and skincare products. The Company has consistently collaborated with numerous internationally renowned cosmetics brands and independent brands, providing clients with integrated services spanning development, design, and after-sales support. The Company remains steadfast in its commitment to sustainable development, continuously exploring environmentally friendly production methods to reduce its environmental footprint. Simultaneously, it has established a green packaging brand, dedicated to promoting environmental awareness throughout the entire supply chain and providing clients with sustainable and innovative packaging solutions, which have earned widespread recognition and support from leading global brands.

SHP Group Main Product Display

 Makeup Section	 Compacts	 Cushions	 Lipglosses & Concealers	 Lipsticks & Pansticks
	 Loose Powder Jars	 Eyeliners	 Mascaras	 Mechanical Pens

	 Skincare Section	 Droppers	 Jars	 Pumps

SHP Group Development History



Business Strategic Layout

To meet global market demand, SHP Group continuously advances its international business strategy, establishing production bases, warehouses, sales offices, and R&D and design centers in China, Europe, the East and West Coasts of the United States, Mexico, and other countries and regions, in order to better serve customers worldwide. Currently, the Company operates four production bases, located in Kunshan, Cixi, and Taizhou in China, as well as in Mexico City, Mexico. All of the Company's production bases employ cutting-edge technology and are equipped with advanced facilities to meet product innovation requirements and ensure superior product quality.

The successful commissioning of the SHP (Mexico) plant in 2022 marked a significant milestone in the Company's global expansion. Thereafter, the Company further accelerated its global production strategy, completing the second phase of the Mexico plant project in 2024. The European Portugal plant project is expected to commence operations in July 2025, laying a solid foundation for the future expansion of SHP Group's global manufacturing footprint.

SHP Group Business Footprint



Sales Offices	Manufacturing Plants	International Footprint Strategy		
Americas: US East Coast, Us West Coast, São Paulo	China: Kunshan (Headquarters, CCT), Cixi, Taizhou	Phase One: Mexico Plant I	Completed	2022
EMEA: Paris, Milan	Mexico: Mexico City	Phase Two: Mexico Plant II	Completed	2024
Asia: Kunshan, Shanghai, Seoul		Phase Three: Portugal Plant	Planned for Operation	2025

Corporate Culture

Corporate Values

SHP Group remains steadfast in its commitment to quality and innovation, dedicated to building a trustworthy and respected brand. To more effectively communicate and promote corporate culture, the Company continuously cultivates and develops the SHP Group core values, integrating them into employees' annual performance evaluations. This ensures that every employee is customer-centric, results-oriented, enhances team collaboration, adheres to pragmatism, pursues continuous improvement, and consistently innovates, collectively advancing the Company's long-term development.

SHP Group Core Values



Customer-centric

We are customer-centric; internally, we focus on the production site.



Team Collaboration

Openness and inclusiveness, leveraging each other's strengths, humbly accepting feedback, taking responsibility, and working collaboratively as a team.



Pragmatism and Integrity

Honesty and integrity, adherence to principles, and a commitment to truth and facts.



Results-Oriented

Deliver on commitments; mission must be accomplished.

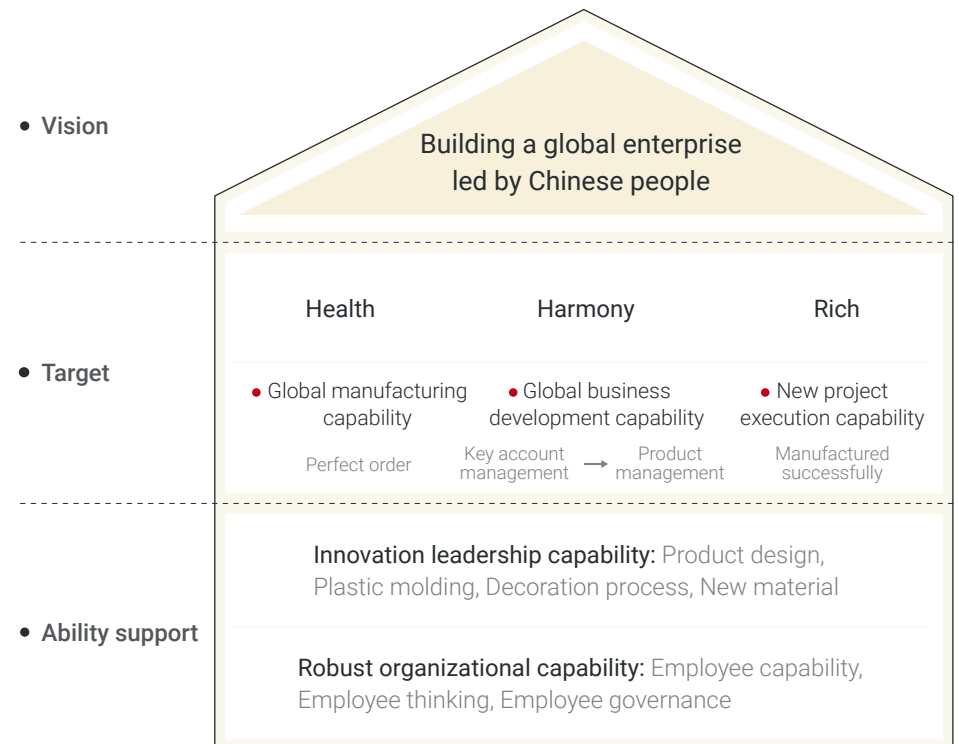


Continuous Improvement and Ongoing Innovation

Today's best performance is tomorrow's minimum requirement; courageously embrace new challenges and do not fear change.

Capability Development

With the vision of 'Building a global enterprise led by Chinese people,' the Company continuously advances capability development in five areas: global manufacturing capability, global business development capability, new project execution capability, innovation leadership capability, and robust organizational capability, thereby meeting the growing demands of global business.



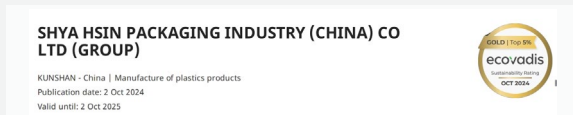
Honors and Recognition

SHP Group continuously advances sustainable product innovation, actively promotes the green transformation and upgrading of the packaging industry through concrete actions, injects strong momentum into the high-quality development of the regions in which it operates, and writes a remarkable chapter in green development and responsible commitment. In 2024, the Company received multiple recognitions from both domestic and international sources for its outstanding contributions to environmental and social practices.

Honors and Recognitions Received by SHP Group in 2024

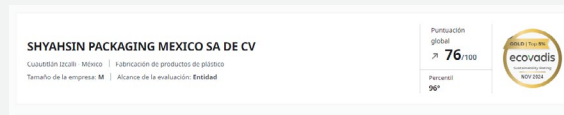
Award	Award Recipient	Awarding Organization
Second Batch of Provincial Star-Level Cloud Enterprises	SHP (Kunshan)	Jiangsu Provincial Department of Informatization
Suzhou City 3A Green Factory	CCT	Suzhou City Bureau of Industry and Information Technology
Suzhou City Industrial Design Center	SHP (Kunshan)	Suzhou City Bureau of Industry and Information Technology
Leading Enterprise in the Fourth Batch of Suzhou City Intellectual Property Strong Enterprise Cultivation Project	SHP (Kunshan)	Suzhou City Market Supervision Administration
Regional Headquarters and Functional Institutions of Multinational Companies	SHP (Kunshan)	Suzhou City Bureau of Commerce

Award	Award Recipient	Awarding Organization
Enterprise with Outstanding Contribution to R&D Investment	SHP (Kunshan)	CPC Kunshan Municipal Committee Kunshan Municipal People's Government
Enterprise with Outstanding Contribution to Industrial Investment	SHP (Kunshan)	CPC Kunshan Municipal Committee Kunshan Municipal People's Government
Enterprise with Outstanding Contribution to Tax Revenue	SHP (Kunshan)	CPC Kunshan Municipal Committee Kunshan Municipal People's Government
Enterprise with Outstanding Contribution to Import and Export	SHP (Kunshan)	CPC Kunshan Municipal Committee Kunshan Municipal People's Government



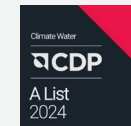
EcoVadis
SHP (Kunshan)

EcoVadis Gold Rating



EcoVadis
SHP (Mexico)

EcoVadis Gold Rating



CDP
SHP (Kunshan)

CDP Climate Change Questionnaire A, CDP Water Security Questionnaire A



Awarding Organization Suzhou City Bureau of Commerce

Award Recipient SHP (Kunshan)

Enterprise with Outstanding
Contribution to Industrial Output

Awarding Organization Kunshan Economic and Technological
Development Zone Administrative Committee

Award Recipient SHP (Kunshan)

Green and Low-Carbon
Award

Awarding Organization Association of Plastic Recyclers (APR)

Award Recipient SHP Group

APR Certification



Awarding Organization L'Oréal

Award Recipient SHP (Kunshan)

Top 10 Carbon Reduction
Pioneer Suppliers in
North Asia

Awarding Organization L'Oréal

Award Recipient SHP (Kunshan)

Green Vibes Award

Awarding Organization Carbonstop

Award Recipient SHP (Kunshan)

Outstanding Carbon
Disclosure Partner

Awarding Organization China Beauty Expo (CBE) /
Beauty Supply Chain Expo

Award Recipient SHP (Kunshan)

CBE Outstanding Supplier

Awarding Organization Yatsen Group

Award Recipient SHP (Kunshan)

Best Innovation Award

Government Subsidy

SHP Group has consistently remained aligned with local development, fully leveraging its strengths to provide robust support for local advancement in promoting new industrialization, energy conservation and carbon reduction, and stable employment. In 2024, the Company received a total of 8 government subsidies, amounting to RMB 3,309,862 (approximately 460.44 thousand USD) ^[1].

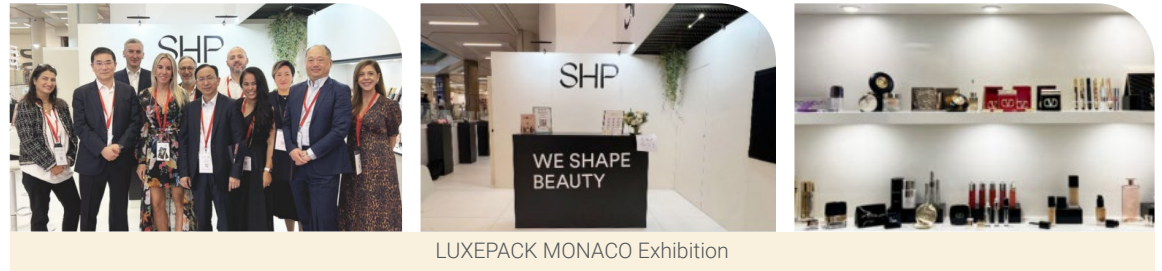
SHP Group 2024 Government Subsidy Overview

No.	Project	Category	Amount
1	New Industrialization: Output Value Growth and Related Indicators	Tax Related	RMB 798,000
2	Green Energy-Saving Technological Upgrades	Environmental Responsibility Related	RMB 700,000
3	Vocational Skills Enhancement	Human Capital Related	RMB 322,240
4	Effective Investment by Industrial Enterprises in Suzhou City	Investment Promotion Related	RMB 307,800
5	Provincial-Level Green Factory	Environmental Responsibility Related	RMB 294,000
6	Job Stabilization and Expansion	Human Capital Related	RMB 478,500
7	EHS-Related Projects	Environmental Responsibility Related	RMB 253,322
8	Suzhou City Industrial Design Center	Innovation Incentives	RMB 156,000

[1] Using the central parity rate of RMB in the interbank foreign exchange market on December 31, 2024, 1 USD = 7.1884 RMB for conversion.

Industry Exchange and Recognition

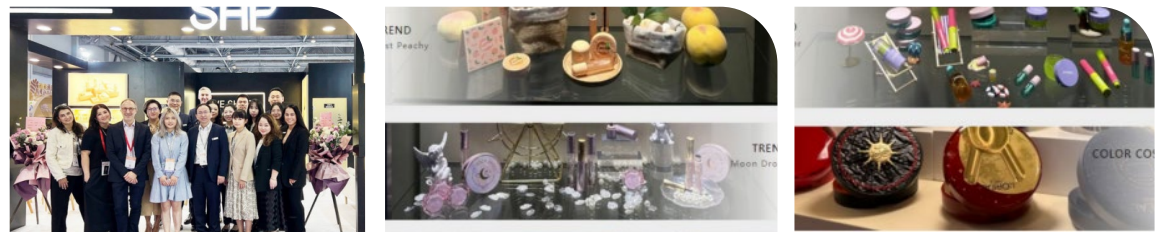
SHP Group has participated in major international exhibitions for consecutive years, showcasing its brand value while engaging with professionals from various sectors to discuss industry development trends and explore a sustainable future for the industry. In 2024, the Company participated in international exhibitions such as LUXEPACK MONACO, the luxury packaging exhibition in Monaco; Makeup in New York, the brand beauty and cosmetics exhibition in New York, USA; and COSMOPROF ASIA in Hong Kong, demonstrating the Company's proactive approach to market expansion and industry exchange, as well as its outstanding corporate image.



LUXEPACK MONACO Exhibition



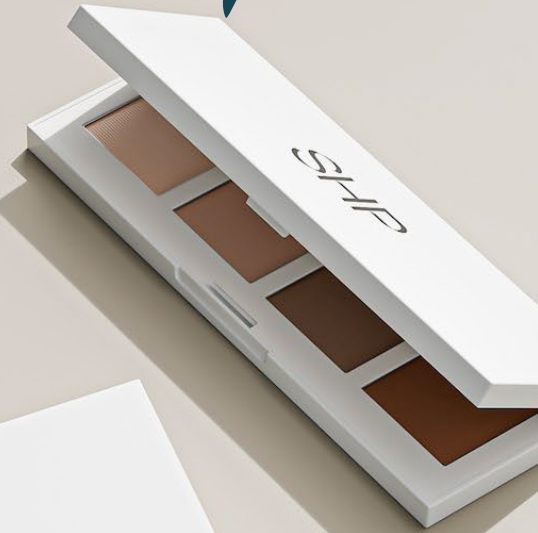
MakeUp in New York Exhibition



COSMOPROF ASIA Hong Kong Exhibition

02

ESG Governance System



2.1 ESG Value Philosophy

SHP Group adheres to the industrial value principles of Sustainability (green sustainable development), Harmony, and Promotion (communication and dissemination). Through value creation pathways, the Group benchmarks and integrates the United Nations Sustainable Development Goals (UN SDGs), striving for a win-win outcome between business value and environmental and social value, and leading the sustainable transformation and value creation of cosmetic packaging enterprises.

Industrial Value Principles	Value Creation Pathways	Key Focus Topics	Alignment with UN SDGs	
 Sustainability	Environmental Sustainability, Green and Low-Carbon Development	Addressing Climate Change Energy Management Water Resource Management	Pollutant Emissions Management Waste Management Green Packaging and Materials	   
 Harmony	United in Harmony, Creating a Beautiful Homeland Together	Human Rights and Labor Rights Diversity and Inclusion Employee Training and Development	Health and Safety Social Contribution	     
 Promotion	Exemplary Governance, Forging a Lasting Enterprise Lean Operations, Empowering a Prosperous Future	Corporate Governance Compliance and Risk Management Business Ethics Product Responsibility	Technological Innovation and Intellectual Property Management Customer Service Information Supply Chain Management	   

SHP Group firmly believes that sustainability is a key factor in business success. Looking ahead, the Company will remain committed to:

Environmental Protection

Reducing the Company's environmental footprint and advancing environmental protection and resource conservation through innovative and sustainable business practices.

Social Responsibility

Focusing on employee well-being, supporting community development, and actively engaging in social welfare initiatives to fulfill corporate social responsibility.

Supply Chain Management

Collaborating with partners to promote transparency and ethical standards throughout the Supply Chain, ensuring the sustainability of the entire Supply Chain.

2.2 ESG Management Structure

To continuously enhance ESG governance, SHP Group has established a hierarchical and clearly defined ESG governance structure to ensure comprehensive and effective implementation of ESG initiatives.

SHP Group ESG Governance Structure and Responsibilities



The Company has established the 'SHP Group ESG Committee Rules of Procedure' to support the management and implementation of the Company's ESG initiatives. The system requires the ESG Committee to convene quarterly meetings to review ESG Targets, monitor progress towards these targets, discuss and make decisions on key issues, and adjust relevant strategies as necessary to ensure the orderly advancement of objectives.

To further enhance the proactivity and sustainability of senior ESG management, the Company links ESG-related performance indicators to the CEO's compensation assessment, with a weighting of 15%. The ESG-related performance indicators included in the CEO's performance assessment are as follows:

In addition, the Company voluntarily discloses ESG information through its Sustainability Report and Environmental, Social and Governance Report, and engages external expert organizations to conduct ESG capacity building for relevant departments, thereby enhancing the ESG awareness and capabilities of the internal team.

- Annual Output Value Per Capita
- Annual Output Value Per Unit Area
- Annual Material Over-Scrap Rate
- Greenhouse Gas Emissions Per Unit Output Value
- Proportion Of Clean Electricity Usage
- Water Consumption Per Unit Of Output Value
- Hazardous Waste Generation Per Unit Of Output Value
- ESG Contract Signing Rate For Category 1 Materials Suppliers
- Occupational Injury Rate Per 200,000 Working Hours
- Proportion Of Employment Of Vulnerable Groups
- Proportion Of Female Members In The Management
- Proportion Of Products Offering PCR Material Solutions
- Proportion Of Products Incorporating The '3R' Concept
- Average Annual Training Hours Per Employee
- Compliance Training Coverage Rate
- Annual Volunteer Service Hours

2.3 ESG Targets and Progress

SHP Group is committed to the sustainable development of the enterprise and has established ESG Targets for 2025. The Company regularly reviews its development status, plans appropriately, and promptly tracks progress towards its targets, integrating ESG as a management approach and effective tool into both internal operations and external business activities. The following outlines the ESG Targets set by the Company and the current progress:

SHP Group ESG Targets and 2024 Progress

Dimension	ESG Target	Unit	2020 (Baseline)	2021	2022	2023	2024	2025 (Target)	Completion Status
Reduction Of Operational Waste	Annual Output Value Per Capita Increased By 15%	Thousand USD/ Person	49.62	62.04	69.11	83.38	88.17	57.06	✓
	Annual Output Value Per Unit Area Increased By 10%	Thousand USD/ Square Meter	1.02	1.52	1.89	1.95	2.31	1.12	✓
	Annual Material Over-Scrap Rate Decreased By 10%	%	0.88	0.61	0.64	0.57	0.63	0.79	✓
Energy And Carbon Emissions	Greenhouse Gas Emissions Per Unit Output Value Decreased ^[1]	Ton CO ₂ Equivalent/ Thousand USD	0.43	0.36	0.24	0.21	0.18	0.32	✓
	Proportion Of Clean Electricity Usage ^[2]	%	0	0	2.18	7.15	8.38	7.00	✓
Environmental Footprint	Hazardous Waste Generation Per Unit Output Value Decreased By 25% ^[3]	Kilogram/ Thousand USD	8.71	9.36	10.97	2.62	2.42	6.53	✓
	Water Consumption Per Unit Output Value Reduced By 10%	Ton/Thousand USD	2.15	2.10	1.83	1.44	1.38	1.94	✓
Social Impact	Occupational Injury Rate Per 200,000 Working Hours ^[4]	/	/	/	0.13	0.12	0.13	0.12	⊙
	Proportion Of Employment Of Vulnerable Groups ^[5]	%	3.34	4.26	6.30	7.22	7.88	5.00	✓



Completed



In Progress

Dimension	ESG Target	Unit	2020 (Baseline)	2021	2022	2023	2024	2025 (Target)	Completion Status
Social Impact	Proportion Of Female Members In The Management ^[6]	%	40.00	26.32	26.08	33.33	36.28	39.00	⊙
	Average Annual Training Hours Per Employee	Hour/Year	/	/	14.30	10.64	13.62	16.00	⊙
	Annual Volunteer Service Hours	Hour/Year	0	5,817.00	19,989.00	10,243.00	9,713.00	10,800.00	⊙
Governance And Supply Chain	ESG Contract Signing Rate For Category I Materials Suppliers ^[7]	%	0	10.00	45.00	100.00	100.00	100.00	✓
	Compliance Training Coverage Rate	%	0	100.00 (Management Team)	100.00 (Management Team)	100.00 (Junior Management and Above)	100.00	100.00 (Management Team) 80.00 (Total)	✓
Innovation And Strategic Growth	Proportion Of Products Offering PCR Material Solutions	%	8.33	25.00	50.00	75.00	100.00	100.00	✓
	Proportion Of Products Incorporating The "3R" Concept ^[8]	%	10.00	20.00	40.00	80.00	100.00	100.00	✓

✓ Completed ⊙ In Progress

Note:

[1] Greenhouse Gas Emissions here refer to Scope 1 and Scope 2 greenhouse gas emission data.

[2] Proportion of Clean Electricity Usage = (Photovoltaic Power Generation + Purchased Green Electricity) / (Conventional Electricity Consumption + Photovoltaic Power Generation + Purchased Green Electricity) × 100.

[3] In 2022, hazardous waste was primarily generated by the SHP Qiandeng Plant. Following the closure of the SHP Qiandeng Plant in 2023, the amount of hazardous waste generated per unit of output value decreased significantly in both 2023 and 2024.

[4] The statistical scope for the occupational injury rate per 200,000 working hours includes SHP (Kunshan).

[5] The Company defines vulnerable employees as those with disabilities and those from ethnic minority groups.

[6] The Company defines management as employees with a job level of 4 or above. The proportion of female management is calculated as the number of female management employees divided by the total number of management employees.

[7] To further align the target with the Company's actual operations and enhance supplier management efficiency, in 2023 this indicator was adjusted from "Supplier ESG Contract Signing Rate" to "Category I Materials Supplier ESG Contract Signing Rate."

[8] The "3R" concept: reduce, reuse, recycle.

Summary of ESG Certification and Rating Achievements

Operating Sites	SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan)	SHP (Mexico)	SHP (Taizhou)
🏠 Environment Certifications						
ISO 14001	✓	✓	✓		✓	✓
ISO 50001	✓					
ISO 14064	✓					
ISCC PLUS	✓		✓ ^[1]		✓	
Product Green Footprint Evaluation Certificate	✓					
🌐 Social Certifications						
ISO 9001	✓		✓		✓	✓
ISO 45001	✓	✓	✓		✓	✓
ISO 22716			✓			
SA 8000	✓		✓			✓
CNAS Laboratory Accreditation Certificate			✓			
🔗 Governance Certifications						
ISO 27001	✓	✓				
ISO 22301	✓	✓				
ISO 37001	✓	✓				
CyberVadis	✓					
Intellectual Property Compliance Management System Certification	✓					
🏢 Third-Party Evaluation						
EcoVadis	Gold				Gold	
CDP Climate Change Questionnaire	A					
CDP Water Security Questionnaire	A					

[1] CCT ISCC PLUS certificate valid until 2024.7.14.

03

Materiality assessment



3.1 Stakeholder Communication

SHP Group has established regular and diversified communication mechanisms to promptly disclose policy updates, daily operations, development changes, and special events to all stakeholders, as well as to update the progress of the Company's ESG initiatives.

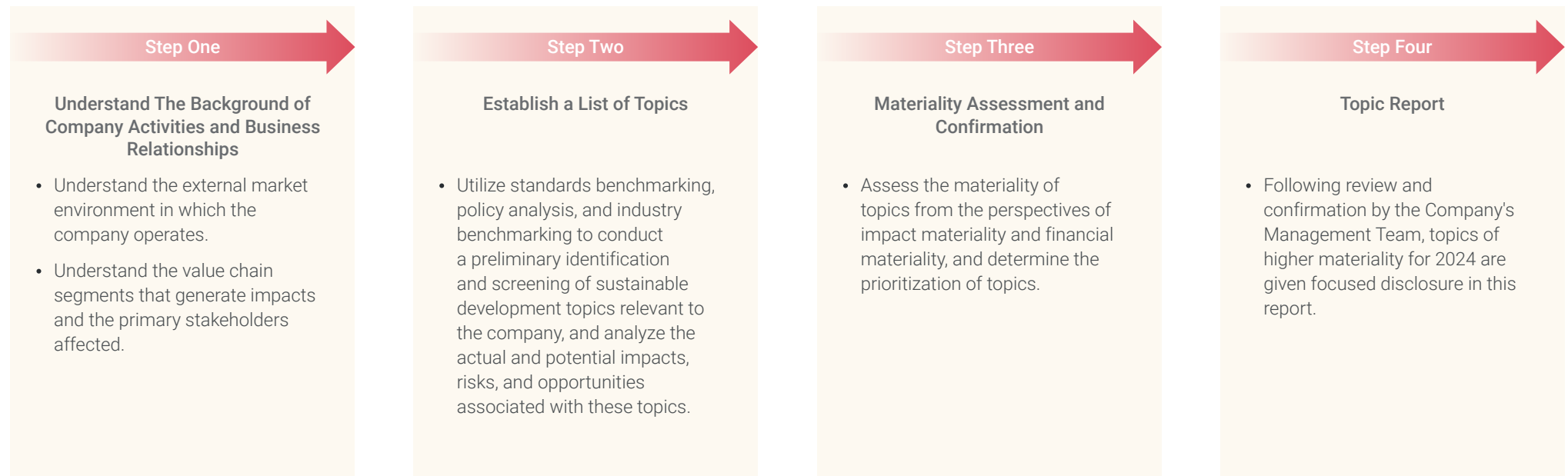
SHP Group Stakeholder and Topic Communication Table

						
Stakeholder	Government and Regulatory Authorities	Investors and Board of Directors	Customers	Supplier	Employee	Community
Expectations and Demands	<ul style="list-style-type: none"> • Compliance and Risk Management • Energy Management • Water Resource Management • Waste Management • Pollutant Emissions Management • Addressing Climate Change 	<ul style="list-style-type: none"> • Corporate Governance • Compliance and Risk Management • Business Ethics • Energy Management • Water Resource Management • Waste Management • Pollutant Emissions Management • Addressing Climate Change 	<ul style="list-style-type: none"> • Product Responsibility • Customer Service • Information Security • Technological Innovation and Intellectual Property Management • Green Packaging and Materials 	<ul style="list-style-type: none"> • Supply Chain Management • Compliance and Risk Management • Business Ethics • Addressing Climate Change 	<ul style="list-style-type: none"> • Human Rights and Labor Rights • Health and Safety • Employee Training and Development • Diversity and Inclusion 	<ul style="list-style-type: none"> • Social Contribution • Waste Management • Pollutant Emissions Management
Communication Channels	<ul style="list-style-type: none"> • Information Disclosure • Supervision and Inspection • Meetings and Exchanges 	<ul style="list-style-type: none"> • Board of Directors • On-site Research • Email Communication • Meetings and Exchanges • Investor Communication Meetings 	<ul style="list-style-type: none"> • On-site Visits • Customer Research • Email Communication • Meetings and Exchanges • Customer Communication and Complaint Mechanism 	<ul style="list-style-type: none"> • Presentation meeting • On-site Visits • Email Communication • Supplier Conference • Supplier Audit • Supplier Training Activities 	<ul style="list-style-type: none"> • Email Communication • Meetings and Exchanges • Employee Union • Employee Communication Mechanism • Employee Training Activities • Internal Newsletter • WeChat Official Account • Employee Satisfaction Survey 	<ul style="list-style-type: none"> • Media Communication • Volunteer Activities • Community Public Welfare Activities • Community Resident Engagement

3.2 Materiality Analysis

In 2024, SHP Group engaged experts to participate in the preliminary identification and screening of topics based on the context of company activities and business relationships, incorporating standards benchmarking, policy analysis, and industry benchmarking. The actual and potential impacts, risks, and opportunities associated with each topic were analyzed, and the materiality of each topic was assessed from the perspectives of financial materiality and impact materiality. Finally, the Company will review and approve the results of the materiality analysis, and will disclose the methodology, process, and outcomes of the materiality analysis in the 2024 ESG Report.

SHP Group 2024 Double Materiality Analysis Process



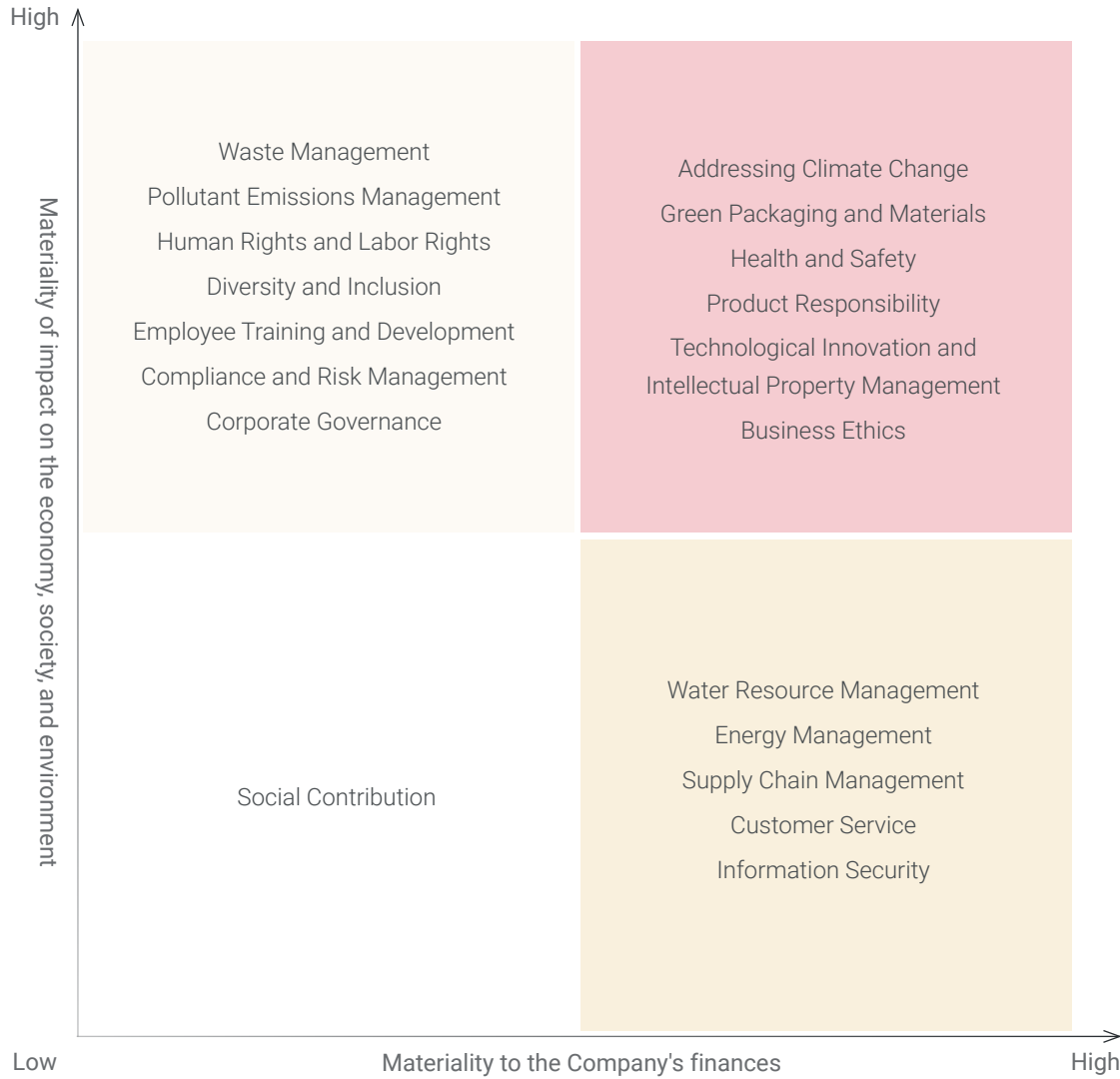
In 2024, the Company initially identified and screened 19 topics. Of these, there are 6 topics in the environmental dimension, 10 topics in the social dimension, and 3 topics in the governance dimension. Upon analysis, the Company identified 6 topics with double materiality, 5 topics with only financial materiality, 7 topics with only impact materiality, and 1 topic with neither financial materiality nor impact materiality. The results of the Company's double materiality analysis are presented in the table below:

Dimension	No.	Topic Name	Materiality Assessment
Environment	1	Addressing Climate Change	○●
	2	Waste Management	●
	3	Water Resource Management	○
	4	Energy Management	○
	5	Green Packaging and Materials	○●
	6	Pollutant Emissions Management	●
Society	7	Human Rights and Labor Rights	●
	8	Employee Training and Development	●
	9	Health and Safety	○●
	10	Diversity and Inclusion	●

Dimension	No.	Topic Name	Materiality Assessment
Society	11	Supply Chain Management	○
	12	Social Contribution	---
	13	Customer Service	○
	14	Product Responsibility	○●
	15	Technological Innovation and Intellectual Property Management	○●
	16	Information Security	○
Corporate Governance	17	Business Ethics	○●
	18	Compliance and Risk Management	●
	19	Corporate Governance	●

Note 1: "○" indicates financial materiality; "●" indicates impact materiality. "---" indicates neither financial materiality nor impact materiality.

SHP Group Materiality Matrix



Legend:

- Topic has double materiality
- Topic has only financial materiality
- Topic has only impact materiality
- Topic has neither financial materiality nor impact materiality

Explanation of changes in material topics for SHP Group in 2024

2024 Topics	2023 Topics	Reason for Change
Pollutant Emissions Management	Hazardous and Toxic Substances Management Pollutant Emissions Management	Topics merged based on the Company's actual management practices and industry benchmarking results.
Social Contribution	Community Investment	Topic description revised in accordance with domestic and international standards.

04

Exemplary Governance, Forging a Lasting Enterprise



The United Nations Sustainable Development Goals (SDGs) addressed in this chapter:



4.1 Corporate Governance

SHP Group regards sound corporate governance as a critical cornerstone for survival and development, and continuously improves its management systems, strengthens internal supervision, and enhances risk prevention mechanisms to ensure the Company's sustainable and healthy development.

Each year, the Company formulates annual performance budget targets based on a comprehensive consideration of investor expectations and the Group's strategic planning, and further breaks down these targets for each department. A Financial & Non-Financial KPIs Dashboard is established to clearly present the specific financial indicators that each department is required to achieve.

The Company convenes regular Steering Committee Meetings on a monthly basis and Board of Directors Meetings on a quarterly basis to monitor the Company's financial performance, business development, cost reduction and efficiency enhancement, innovation, and other strategic initiatives. In response to industry trends and changes in the market environment, other strategic initiatives are adjusted and optimized in a timely manner to ensure that the Company consistently maintains keen market insight and robust strategic execution capabilities.

In daily management, the Company tracks and regularly evaluates the achievement of relevant indicators during weekly and monthly management meetings. Should any indicator trigger a red alert (i.e., a deviation from the established target exceeding 5%), an in-depth analysis is immediately conducted to identify the root cause, and a targeted action plan is promptly formulated to ensure the smooth progress of all indicators and the successful realization of the Company's overall strategic objectives.

In communication and collaboration with investors, the Company strictly adheres to established procedures, submitting key information such as financial data and headcount to

investors on a quarterly basis to ensure that investors have timely and accurate access to the Company's operational status.

Additionally, the Company convenes meetings with the investor team on an as-needed basis according to actual business requirements, jointly reviewing the Company's KPI Dashboard (Key Performance Indicator Dashboard) and performance forecasts. Through in-depth communication and collaboration, the Company drives continuous and stable development.



Blackstone Group Convenes China Operations and Energy Summit

From May 21 to 22, 2024, SHP Group's investor, Blackstone Group (Blackstone), convened the 2024 China Operations and Energy Summit. Several manufacturing enterprises, including SHP Group, participated to jointly discuss operational and energy development strategies for China and the broader Asia region.

The successful convening of this summit provided participating companies with valuable opportunities for exchange and learning, and injected new vitality and momentum into the development of operations and energy in Asia.

4.2 Compliance and Risk Management

Compliance Operations

SHP Group consistently adheres to compliance operations, continuously enhances its compliance management and internal control systems, strictly complies with the Company Law of the People's Republic of China, the Enterprise Income Tax Law of the People's Republic of China, and other relevant laws and regulations, and has established internal policies such as the SHP Group Conflict of Interest Management Policy and the SHP Group Travel and Entertainment Policy to ensure effective conflict of interest management, tax compliance, the cultivation of a compliance culture, and the prevention of compliance risks.

SHP Group 2024 Key Compliance Management Initiatives

Conflict of Interest Management

- The Company requires all employees to disclose in writing to the General Manager or Chairman any actual, potential, or perceived personal conflicts of interest.
- In 2024, SHP Group conducted an investigation of employees involved in conflicts of interest and required them to sign a Conflict of Interest Disclosure Form, involving a total of 290 individuals.

Tax Compliance

- The Company requires the tax team to compile and summarize, on a monthly basis, the tax compliance matters and filing requirements of the Group's companies in different countries, forming a checklist to ensure timely tax filing.
- The Company continuously monitors the Group's overall tax burden ratio to ensure it remains within a reasonable range.

Compliance Training

- The Company regularly conducts compliance training to continuously enhance compliance awareness and capabilities among employees at all levels.
- All new employee onboarding training includes business ethics and SA8000 compliance content.
- In November 2024, the investor Blackstone Group invited Kirkland & Ellis to conduct a training session for the Company's management team on anti-corruption and international risk compliance.

Furthermore, as a global enterprise, SHP Group consistently prioritizes compliance operations at its overseas facilities. During construction, the Group places significant emphasis on environmental compliance, pressure equipment (RACs) compliance, chimney compliance, and waste management compliance, and engages external legal counsel at each location to provide professional support for standardized operations.

SHP Group 2024 Overseas Compliance Measures

Environmental Compliance

- Conduct environmental impact assessments (EIA) and environmental due diligence to identify and evaluate the environmental impacts of project development, including qualitative descriptions of the anticipated positive and negative impacts during the construction, operation, and decommissioning phases.
- Specify the nature, extent, scope, and significance of the impacts, and determine project measures proposed to minimize anticipated negative impacts during the construction, operation, and decommissioning phases to the greatest extent possible.

Pressure Equipment (RACs) Compliance

- Ensure that containers (RACs) used for compressed air, oxygen, or inert gases comply with the technical rules for installation and operation approved by Order No. 2957/2022.

Chimney Compliance

- Chimney height calculations comply with Order No. 190-A/2018, and the chimney structure and function conform to NP 2167:2007 and EN 15259 standards.

Waste Management Compliance

- Factory waste is managed in accordance with relevant regulations, including classification of waste based on lists such as those in Annex III of Directive 2008/98/EC.

Risk Management

SHP Group is committed to robust development and has established a comprehensive risk management system covering the entire business chain and all process stages. The system provides real-time monitoring and in-depth analysis of key risk areas, including market fluctuations, supply chain security, compliance operations, and financial health. Tiered and categorized response strategies are formulated to continuously enhance the agility and resilience of risk management, ensuring stable operations and sustainable development in a complex and volatile market environment.



4.3 Business Ethics

Governance

SHP Group places a high priority on business ethics management. The Board of Directors and the Administration Department are directly responsible for overseeing business ethics, while the Legal Department conducts daily supervision and inspection of business ethics practices among the Company and its employees, and regularly carries out business ethics audits. This ensures the effective implementation of Group regulations and establishes a long-term mechanism for integrity risk prevention and control.

In anti-corruption management, the Company strictly complies with the Criminal Law of the People's Republic of China, the Foreign Corrupt Practices Act, and other relevant laws and regulations in its jurisdictions of operation. Benchmarking against the highest standards, such as SA8000:2014, the Company has formulated and implemented internal management systems including the Employee Handbook and the Code of Business Conduct and Ethics, requiring employees to adhere to business ethics codes of conduct and fostering a culture of integrity within the enterprise.

SHP Group Code of Business Conduct and Ethics: Anti-Corruption Provisions

- The Company maintains zero tolerance for any form of bribery, kickbacks, or corrupt practices, whether conducted directly or through third parties, and regardless of whether such conduct is expressly prohibited by this Code or by law.
- Employees of the Company shall not, for the purpose of improperly obtaining or retaining business advantages, give or offer anything of value to any person; likewise, employees shall not solicit or accept any improper payments.

The Company has established a comprehensive and effective anti-bribery management system. In 2024, SHP (Kunshan) and SHP (Cixi) achieved ISO 37001:2016 Anti-Bribery Management System certification.



Anti-Bribery Management System certification

In the area of anti-unfair competition, the Company strictly complies with the Contract Law of the People's Republic of China, the Anti-Monopoly Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and other relevant laws, regulations, and standards. The Company upholds the principles of voluntariness, equality, fairness, and integrity, encourages legitimate and lawful competition with competitors, and establishes fair and mutually beneficial business relationships with customers and suppliers. The Company ensures that directors, supervisors, and employees comply with legal and ethical standards when conducting business transactions, and prevents the occurrence of unfair competition practices.

Strategy

Sound business ethics are not only integral to corporate image, but are also closely associated with product quality, customer trust, and talent development. Strengthening business ethics management fosters an honest and trustworthy corporate culture, promotes a healthier and fairer industry environment, and creates a favorable environment for technological innovation.

Analysis of Risks and Opportunities Related to Business Ethics

Risk:

- The Company faces risks of fraud in the procurement process, such as transfer of benefits, false quotations, and the supply of substandard goods, which may result in product quality issues and increased operating costs;
- The Company faces risks of fraud in the recruitment process, such as accepting bribes and non-compliant hiring, which may lead to the loss of outstanding talent and consequently undermine the Company's business competitiveness.

Opportunity:

- Sound business ethics contribute to establishing a positive corporate image, enhancing customer trust, strengthening investor confidence, and creating additional market and financing opportunities for the Company.

Risk Management

The Company requires all employees to sign the Business Conduct and Ethics Code Commitment, implements measures to protect trade secrets, conducts Business Ethics Training, ensures the accessibility and confidentiality of Whistleblowing Channels, and continuously builds a robust integrity defense line through full employee participation and collective maintenance.

Key Initiatives in SHP Group Business Ethics Management

Signing the Commitment

- The Company appends the Business Conduct and Ethics Code to the Employee Handbook, requiring all new employees to familiarize themselves with the relevant content and sign the Commitment. Each employee must strictly adhere to the commitment, consciously resist corrupt practices, and work together to foster a positive working environment.

Protection of Trade Secrets

- The Company has established the 'Trade Secret Management Operating Guidelines' and includes key personnel involved in business, research and development, and production technology within the scope of non-compete management. This measure is intended to prevent employees from engaging in unfair competition by utilizing trade secrets, customer resources, and professional knowledge and experience acquired during their tenure after leaving the Company, thereby mitigating potential commercial losses.

Conducting Business Ethics Training

- The Company conducts at least one anti-corruption compliance training session for all employees each year. The training covers the Group's anti-corruption policies and systems, and a knowledge assessment is administered upon completion to evaluate the effectiveness of the training.
- In 2024, the Company's anti-corruption and Business Ethics Training coverage rate for employees reached 100%, with a 100% pass rate for employee training assessments.

Unobstructed Whistleblowing Channels

- The Company places great emphasis on the accessibility of Whistleblowing Channels. Stakeholders, including suppliers and employees, may report violations or potential breaches of Business Ethics via email or feedback hotlines. The Legal Department's email address is 999@shyahsin.com, and the feedback hotline is 0512-55122503.

Establishment of a Whistleblower Protection System

- The Company requires strict confidentiality regarding the identity of whistleblowers and the investigation process, and explicitly prohibits retaliation against individuals who truthfully report suspected misconduct. Any violations will result in disciplinary action by the Company.

Indicators and Targets

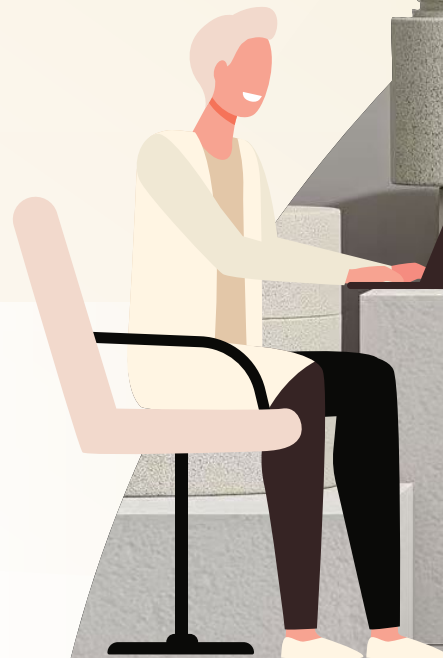
The Company consistently upholds a strong sense of social responsibility and mission, regarding the enhancement of overall business ethics as one of the core topics of corporate sustainable development, and promotes the creation of a clean, fair, and just business environment. To this end, the Company has established a business ethics indicator system and a regular monitoring mechanism, conducting in-depth analysis and evaluation of the progress of each indicator to ensure the steady advancement and effectiveness of business ethics initiatives.

SHP Group 2024 Business Ethics Management Overview

Indicator	Unit	2024 Progress
Number Of Corruption Litigation Cases	Case	0
Number Of Business Ethics Violation Cases Reported Through Internal Or External Whistleblower Procedures	Case	0
Proportion Of Employees Participating In Business Ethics Training	%	100
Proportion Of Third-Party Anti-Corruption Due Diligence	%	100

05

Environmental Sustainability, Green and Low-Carbon Development



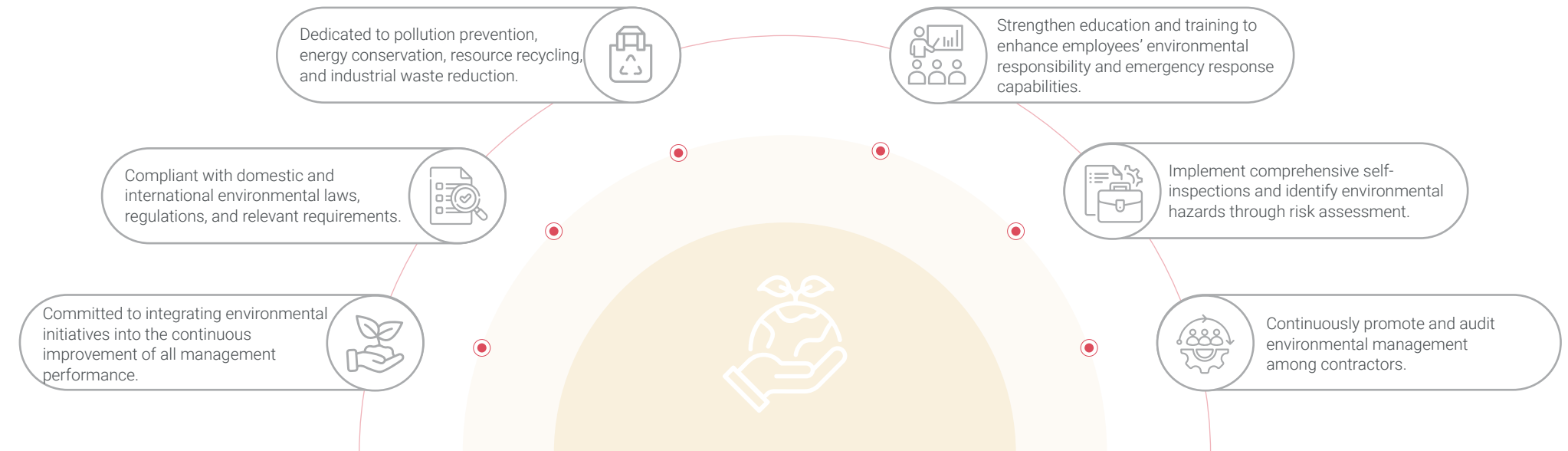
The United Nations Sustainable Development Goals (SDGs) addressed in this chapter:



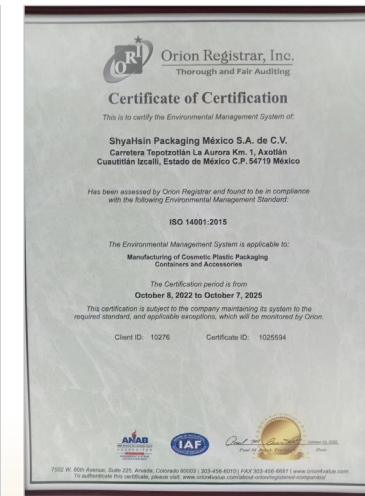
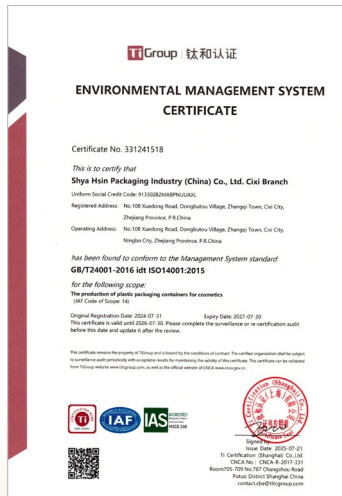
5.1 Environmental Management System

SHP Group actively responds to the national call to uphold the green development philosophy, strictly complies with the Environmental Protection Law of the People’s Republic of China, the Energy Conservation Law of the People’s Republic of China, the Air Pollution Prevention and Control Law of the People’s Republic of China, the Water Pollution Prevention and Control Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, as well as other relevant laws and regulations. While advancing the implementation of green design concepts and innovating a low-carbon packaging product portfolio, the Group deeply embeds environmental governance throughout the entire production and manufacturing value chain.

SHP Group Environmental Policy

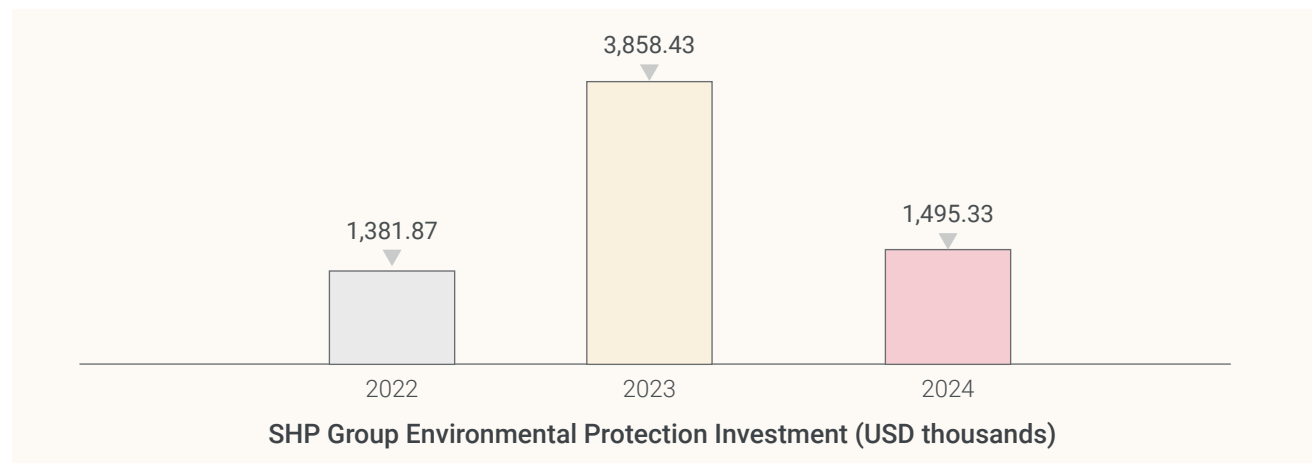


In daily production and business activities, Company strictly implements multiple internal procedures, including the 'Environmental Operation Control Procedure,' 'Environmental Aspect Identification and Evaluation Procedure,' and 'Self-Monitoring Plan Regulations,' to identify direct or indirect environmental impacts that may arise during production. Based on the results of impact assessments, corresponding measures are taken to control environmental risks and continuously improve the Company's environmental performance. As of the end of 2024, SHP (Kunshan), SHP (Cixi), SHP (Taizhou), CCT, and SHP (Mexico) have obtained ISO 14001 Environmental Management System certification. In 2024, the Company did not experience any incidents with significant environmental impact.



Environmental Management System Certification

Since 2020, when SHP Group initiated green project investments, we have continuously increased capital investment and accelerated the green transition. In 2024, SHP Group's environmental protection investment amounted to 1,495.33 thousand USD, of which SHP (Kunshan) invested 1,356.21 thousand USD in environmental protection.



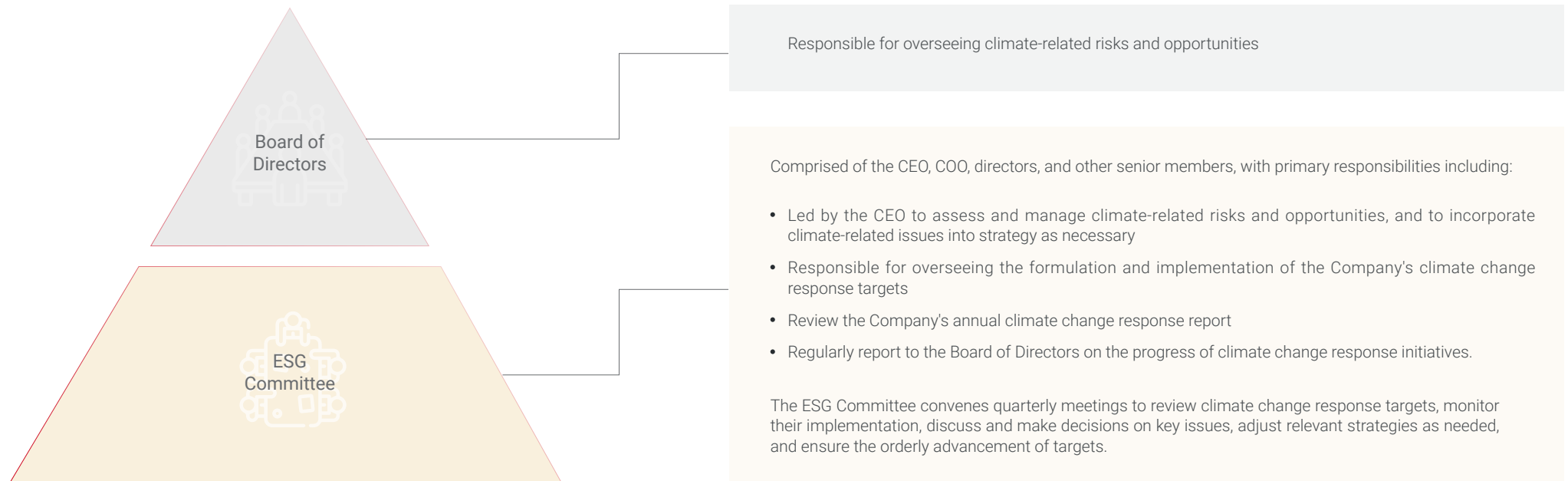
5.2 Responding to Climate Change

SHP Group fully recognizes the strategic importance of climate change and, in accordance with the Paris Agreement's goal of limiting the global temperature increase to 1.5°C, adheres to a net-zero pathway aligned with this temperature control target. This pathway serves not only as a scientific guide for the Company to fulfill its environmental responsibilities, but also as a critical step in building sustainable competitiveness in the era of a low-carbon economy.

Governance

To address the risks and opportunities arising from intensified climate change, and to enhance management efficiency and professionalism, the Company has strengthened its top-level climate governance and established a climate change management framework.

SHP Group Climate Change Management Framework



In the future, the Company plans to establish a climate-related committee, responsible for coordinating climate risk assessment, strategic planning, and dynamic monitoring.

Strategy

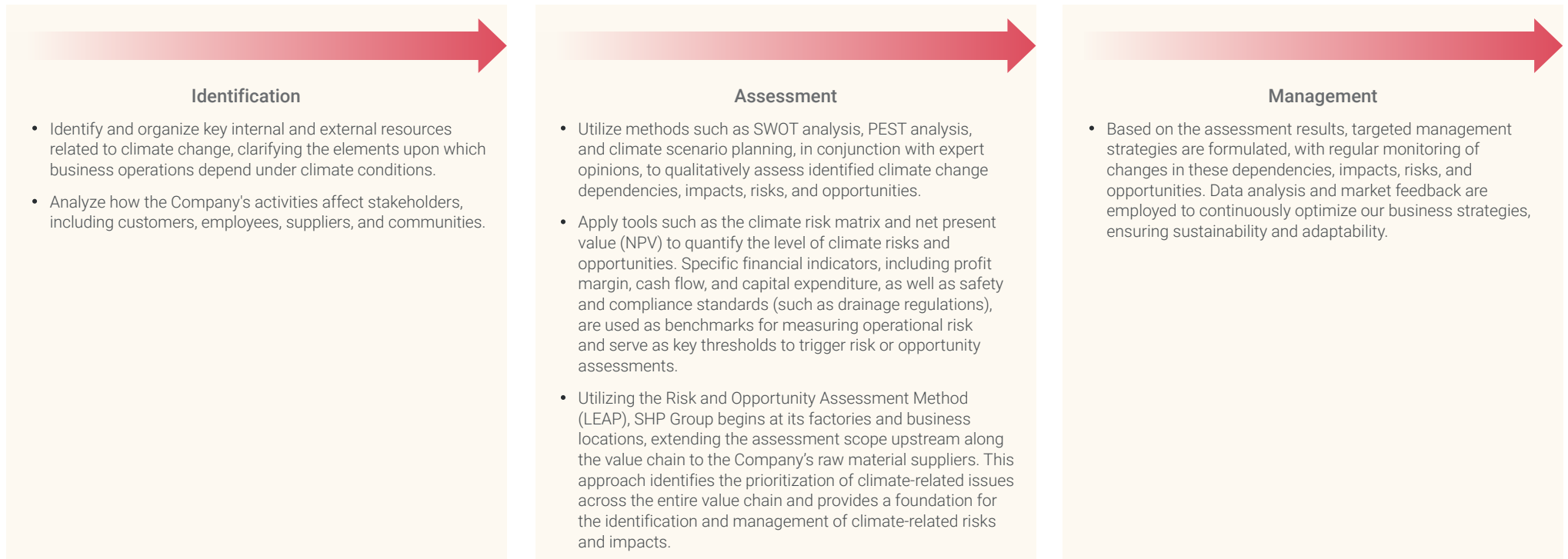
The Company aligns with China's '3060' carbon peaking and carbon neutrality strategic goals, the 14th Five-Year Plan of China, and other national strategies, to ensure that its climate change response strategy is precisely aligned with national policies.

The Company has explicitly designated systematic strategic planning prior to 2030 as a medium-term objective, and has defined the period from 2030 to 2060 as the long-term strategic phase. To this end, the Company has established a dynamic tracking mechanism to continuously monitor policy developments and industry technology trends, thereby providing a solid foundation for refining the long-term strategic pathway. In the future, the Company will also establish a regular strategic review mechanism to periodically assess the progress of climate change-related goal attainment and to dynamically optimize the implementation

pathway based on actual circumstances.

The scientific identification, assessment, and effective management of environmental and climate change-related dependencies, impacts, risks, and opportunities are critical for the Company to achieve sustainable development. Analyzing extreme scenarios of climate change-related supply risks enables the Company to proactively address major future challenges. Through extreme scenario analysis, the Company can systematically identify existing system vulnerabilities, formulate contingency plans and long-term strategies, increase forward-looking investment in technological transformation and infrastructure, and optimize global supply chain and business operation models.

SHP Group Climate Change Risk Management Process



SHP Group Climate Change-Related Risk and Opportunity Analysis

Type of Risk/Opportunity		Detailed Description	Potential Financial Impact	Scope of Impact
Physical Risk	Acute Physical Risk	Extreme weather events such as typhoons and heavy rainfall may cause damage to factory facilities and disrupt production.	Operating costs ↑ Operating revenue ↓	Short, medium, and long term
	Chronic Physical Risk	Climate change results in abnormal temperatures and precipitation, affecting the quality and stability of raw material supply.	Operating costs ↑ Operating revenue ↓	
Transition Risk	Policy Risk	With the tightening of national climate and environmental protection policies, the Company will face penalties such as fines if it fails to meet the latest policy requirements and relevant standards. China's carbon emissions trading implements a carbon pricing mechanism, and the Company may be included in the carbon quota management list.	Operating costs ↑	
	Market Risk	With increasing consumer environmental awareness and growing market demand for certified sustainable materials, if the Company fails to adopt such materials in a timely manner, its market share may decline.	Operating revenue ↓	
	Reputational Risk	As public concern regarding potentially health-hazardous chemicals in products and the Company's environmental performance increases, negative public opinion may arise, thereby damaging the brand image.	Operating revenue ↓	
	Technological Risk	During the transition to low-emission technologies and products, or the shift to water-intensive low-carbon energy, if the transformation technologies are immature, production efficiency may decline. If investments in new technologies are unsuccessful, the invested funds cannot be converted into productivity, resulting in challenges to the company's capital chain and market competitiveness.	Operating revenue ↓	
	Liability risk	Failure to comply with environmental regulations or the presence of safety hazards in packaging products may result in litigation risks, affecting the company's normal operations.	Operating costs ↑ Operating revenue ↓	
Opportunity	Resource efficiency	By recycling and utilizing plastic sheet materials to process products as substitutes for traditional products, raw material consumption is reduced, operating costs are lowered, and economic benefits are realized.	Operating costs ↓ Operating revenue ↑	Medium term
	Product and service opportunities	In response to customers' carbon reduction requirements, energy-saving upgrades and leveraging low-carbon advantages to expand services can attract new customers, strengthen partnerships, and increase revenue.	Operating revenue ↑	Short-term
	Market Opportunity	In response to customers incorporating low-carbon management into their procurement assessments, the Company, leveraging its strong reputation in low-carbon management, is better positioned to acquire new customers or expand into new markets.	Operating costs ↑ Operating revenue ↑	Medium term

Note: The short-term impact range is 0–2 years, the medium-term impact range is 3–9 years, and the long-term impact range is over 10 years.

Risk Management

In the face of the global challenges posed by climate change, the Company actively responds through systematic actions, advancing its own carbon reduction through technological and management innovation, and actively engaging upstream and downstream enterprises to promote carbon reduction across the Value Chain, committed to achieving low-carbon transformation and enhanced resilience throughout the entire chain.

SHP Group Carbon Emission Reduction Management Measures

Internal Carbon Emission Reduction

- **Target Certification:** By integrating internal and external resources and leveraging a data-driven management model, the Company has precisely defined carbon emission reduction targets for Scope 1, 2, and 3, and incorporated Energy Management into the overall carbon management strategy to promote both energy consumption optimization and dual control of carbon emissions, thereby supporting the achievement of the Company's long-term carbon reduction objectives. The Company's carbon reduction targets were certified by the Science Based Targets initiative (SBTi) in April 2024.
- **Intelligent Transformation:** Deployment of smart water and electricity meters and a data-driven energy and carbon management platform at all production sites. The closed-loop management process of this framework offers a systematic solution, encompassing hotspot identification, anomaly investigation, investment accounting, implementation advancement, review and optimization, and transparent disclosure, thereby facilitating application across diverse scenarios.
- **Green Transportation:** Within the Company's facilities, tractors have replaced forklifts for shipping and receiving, reducing time wastage during transportation, decreasing the frequency of electric forklift charging, lowering logistics energy consumption by over 70%, and reducing annual carbon emissions by approximately 8,400 kilograms of carbon dioxide equivalent.
- **Assessment Participation:** To proactively address investor and customer expectations, the Company has participated annually in the CDP Climate Change Questionnaire assessment since 2018. In the latest 2024 assessment, SHP (Kunshan) received an A rating, signifying that the Company has achieved a leadership level in climate change management.

Value Chain Carbon Reduction

- **Benefit Extension:** The Company collaborates with the procurement team to share energy conservation and carbon reduction expertise with core suppliers, supporting the low-carbon transformation of the supply chain through training and guidance. The Company provides customers with technical support and guidance on energy conservation and carbon reduction, thereby expanding its influence, strengthening customer relationships, and advancing the green development philosophy on a broader scale.
- **External Assessment:** SHP (Kunshan) was awarded an A rating in the 2024 CDP (Carbon Disclosure Project) Supplier Engagement Assessment (SEA) disclosure cycle for its systematic initiatives and exemplary practices in driving supply chain decarbonization.



Certified by the Science Based Targets initiative (SBTi)



2024 SHP (Kunshan) CDP Score

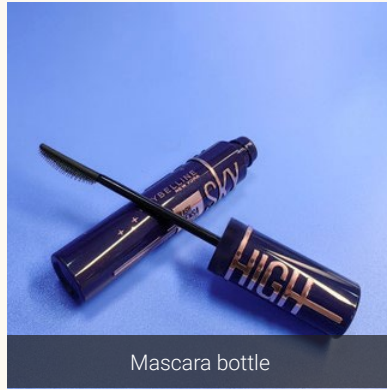


2024 SHP (Kunshan) CDP Supply Chain Engagement (SEA) Rating Score

Note: CDP's annual Supplier Engagement Assessment (SEA): Assesses the level of corporate supply chain engagement on climate issues.



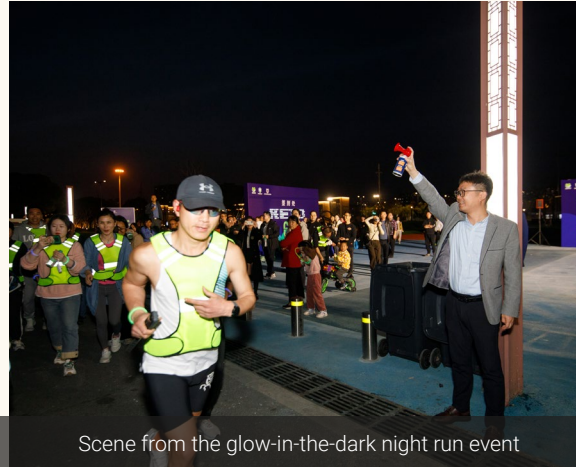
Lip gloss bottle



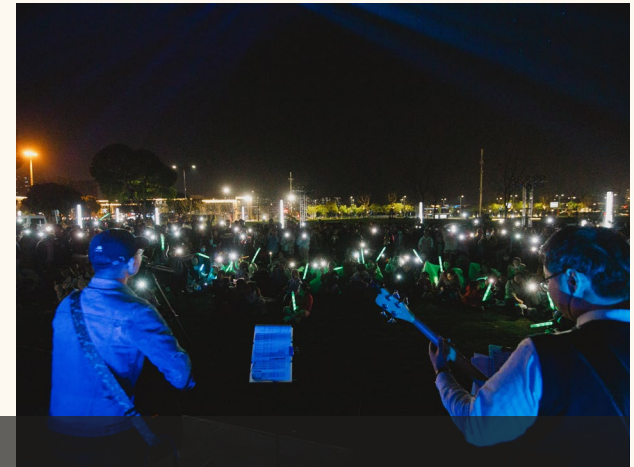
Mascara bottle

Product Life Cycle Carbon Footprint Tracking

To meet the high standards for sustainable packaging set by international brand clients, the Company conducted product carbon footprint assessments for a brand's lip gloss bottles and mascara bottles. The Company, in collaboration with third-party professional institutions, conducted quantitative carbon emission analysis at each stage—including raw materials, energy resources, production waste treatment, product transportation, product use, and product disposal—in accordance with the ISO 14067 standard. This project not only enhanced the green competitiveness of the products, but also provided customers with data support in line with international ESG disclosure requirements, thereby facilitating low-carbon collaborative development across the Supply Chain.



Scene from the glow-in-the-dark night run event



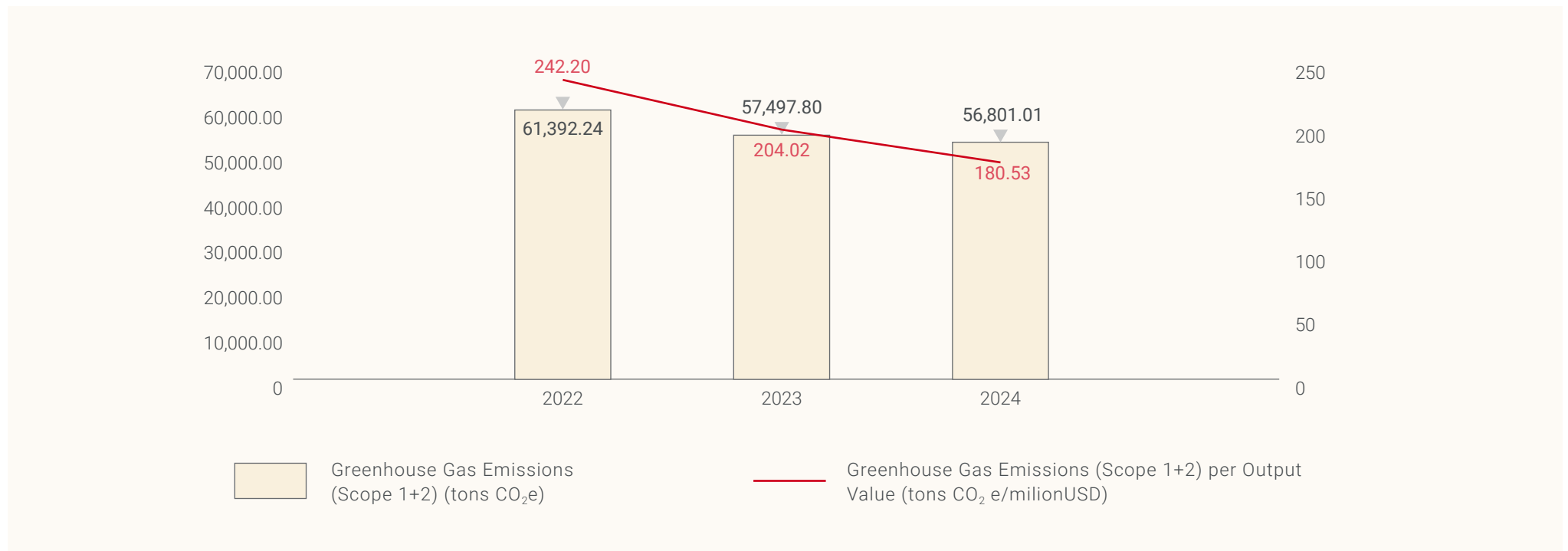
Jointly organized the 'Earth Hour' Glow Night Run event

In March 2024, the Company participated in the 'Earth Hour' Glow Night Run event, jointly organized by the Kunshan Ecology and Environment Bureau and the Kunshan Development Zone Safety and Environmental Protection Bureau. Representatives from each enterprise donned night running vests and glow-in-the-dark wristbands. Through this night run activity, participants gained a deeper understanding of the importance of environmental protection, thereby fostering greater attention to energy conservation and emission reduction in daily life.

Indicators and Targets

The Company has established 'Greenhouse Gas Emissions (Scope 1+2)' and 'Greenhouse Gas Emissions (Scope 1+2)/Output Value' as monitoring indicators to dynamically track progress. In April 2024, the Company passed the Science Based Targets initiative (SBTi) review and committed to reducing Scope 1+2 emissions by 42% and Scope 3 emissions by 25% by 2030, based on 2022 emission levels. To actively achieve the SBTi targets, the Company continued to advance emission reduction initiatives in 2024 and achieved tangible results:

SHP Group Greenhouse Gas Emissions



The Company firmly believes that enhancing corporate environmental performance is fundamentally a redefinition of the value of harmonious coexistence between humanity and nature. The Company will further deepen climate governance practices with greater strategic resolve and continuously enhance carbon measurement and tracking mechanisms. At the operational level, the Group will focus on green packaging technological innovation, promote the use of renewable energy, optimize resource utilization efficiency to reduce greenhouse gas emissions, and achieve a profound integration of environmental benefits and business value.

5.3 Energy Management

SHP Group in the course of its operations primarily uses energy in the form of electricity, steam, natural gas, diesel, and gasoline. The Company strictly complies with the Energy Conservation Law of the People's Republic of China and other relevant laws and regulations, actively implements energy-saving and emission reduction measures, continuously optimizes energy management, and ensures the efficient use of energy and sustainable development in its production and business activities.

Governance



Management Policy: Clean production, energy conservation and consumption reduction, comprehensive utilization, and continuous improvement.

The Company has established a well-structured and highly efficient Energy Management framework, encompassing organizational management, system monitoring, target assessment, technical projects, and compliance benchmarking, to ensure the institutionalization, digitization, and closed-loop operation of the Energy Management System.

SHP Group Energy Management Framework

Organization/Position	Specific Functions
CEO	The Company's highest management is the primary person responsible for energy management, committed to supporting the Energy Management System and to the continuous improvement of its performance.
Management Representative	The representative of top management is responsible for establishing, operating, implementing, and maintaining the Company's Energy Management System, and for the continuous improvement of its performance.
Administrative Management Center	Coordinate the planning of the Company's energy management strategy and objectives.
Facilities Management Department.	Lead the implementation of specific energy-saving initiatives, including the execution of energy-saving projects and the identification and improvement of energy waste, with the Facilities Manager assuming full responsibility throughout the process.

The Company's investor energy expert team provides professional guidance and forward-looking recommendations for the management structure. Additionally, the Company promotes the extension of energy management to the operational level by establishing a 'section-level energy consumption budget' mechanism, assigning energy consumption targets to each section, with section heads responsible for achieving these targets, which are incorporated into the performance and incentive system. Section-level teams that achieve their targets may receive corresponding rewards, thereby fully motivating participation in energy-saving initiatives.

The Company has established a range of energy management systems, including the Energy Management Position Responsibility System, Energy Measurement Management System, Energy Quota Management System, Energy Statistics Management System, Rational Energy Use Management System, Energy Management Manual, and Energy Conservation Incentive and Penalty Management Measures. These systems clearly define the responsibilities of each position, strengthen the Company's energy use standards, and comprehensively enhance the overall energy utilization efficiency and management level of the Company.



Energy Management System Certification

SHP Packaging (Kunshan) has obtained ISO 50001 Energy Management System certification, which remains valid.

Strategy

The Company's utilization of energy in the production process not only reduces the environmental impact of greenhouse gas emissions, but also reflects the social value of advancing green transformation. The Company implements energy management projects, which can provide a replicable model for society and promote greater awareness of sustainable development.

Analysis of risks and opportunities related to energy management

Risk:

- If the Company encounters physical risks from long-term climate change that affect the stability of energy supply, it will be required to invest additional costs to ensure energy supply, which may result in reduced production efficiency and decreased operating revenue;
- If the Company faces transition risks such as policy and regulatory risks or technological risks, it will be subject to pressure to purchase environmentally friendly and energy-saving equipment, thereby increasing operating costs.

Opportunity:

- The Company has received industry recognition for its robust energy management, such as achieving high scores in relevant ratings, which enables business expansion and increased operating revenue.

Risk Management

The Company actively fulfills its responsibilities in the development of a low-carbon economy by optimizing its energy structure, implementing energy-saving projects, introducing digital energy management systems, and strengthening capacity building.

SHP Group Energy Management Measures

Optimization of Energy Structure

The Company actively promotes clean production to reduce energy consumption at the source.

- In 2024, SHP Group purchased 97,616,923 kWh of electricity.
- Photovoltaic power generation reached 7,175,041.6 kWh, purchased green electricity totaled 1,756,000 kWh, and the proportion of clean electricity usage was 8.38%.

Implementation of Energy-Saving Projects

The Company has established an energy-saving project portfolio, encompassing initiatives such as the replacement of air conditioning circulation pumps, improvement of heating systems, optimization of air compressors, and application of variable frequency technology, continuously identifying energy-saving opportunities.

- In 2024, the Company implemented 13 energy-saving projects, with a total investment of USD 230,000, resulting in electricity savings of approximately 3 million kWh, accounting for 3.5% of the Company's total electricity consumption.

Introduction of Digital Energy Management System

- The Company has introduced a digital energy management platform, enabling real-time collection, trend analysis, anomaly alerts, and data traceability for energy sources such as electricity and gas, thereby significantly enhancing data transparency and decision-making efficiency. The system supports the automatic generation of monthly and quarterly energy consumption reports, providing a reliable basis for energy efficiency analysis, project development, and assessment of target achievement.

Enhancing Capacity Building

- Regularly organize energy-saving awareness and skills training for section chiefs and relevant personnel to strengthen execution capabilities at the grassroots level.

Implementing Green Office Initiatives

- Reduce electricity consumption from lighting equipment by ensuring lights are turned off when not in use.
- Reduce air conditioning usage by operating it one hour less each day.
- Set air conditioning temperatures appropriately to conserve electricity.

SHP Group Energy Conservation Projects and Benefits (Partial List)

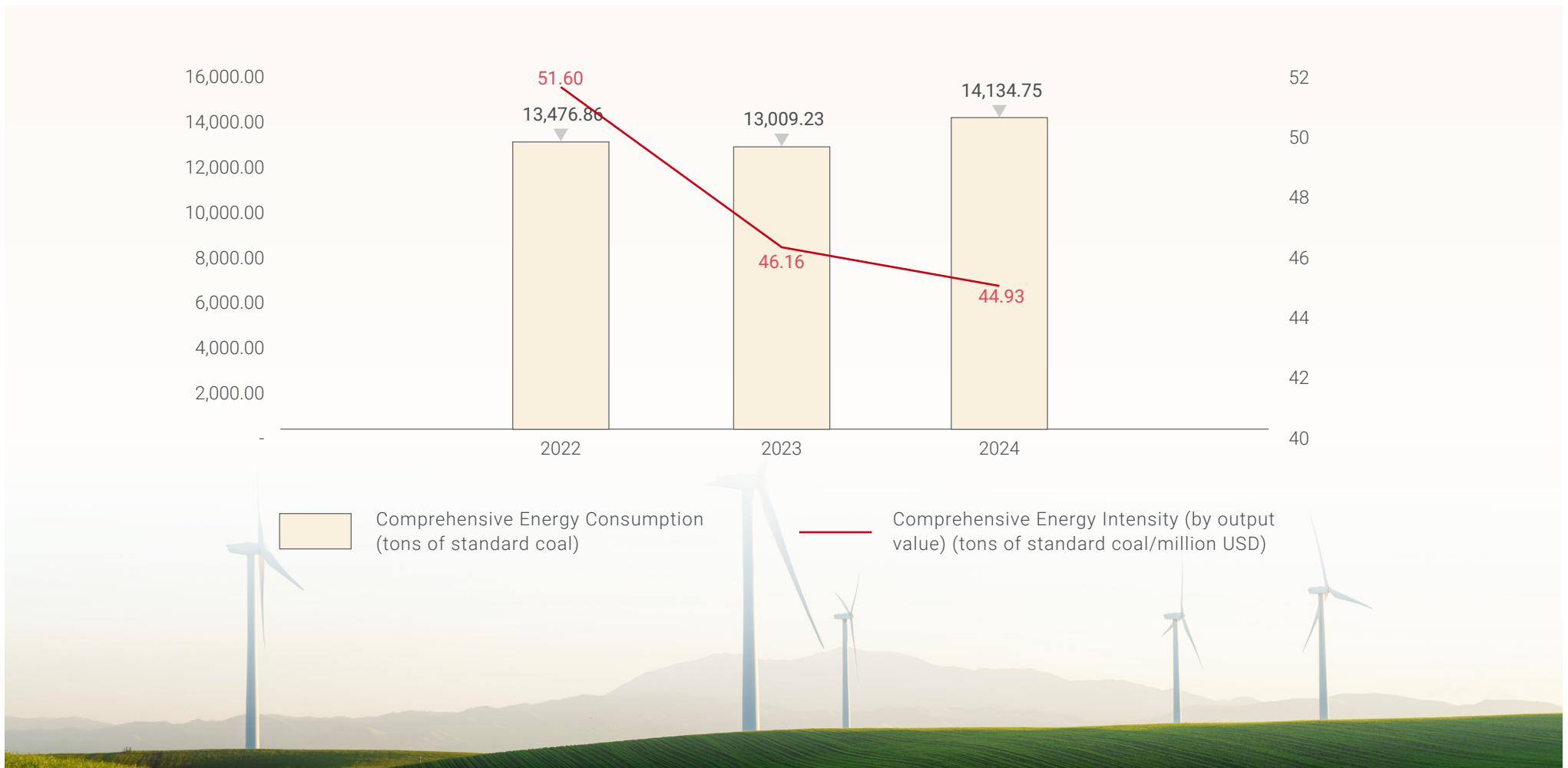
Project Name	Project Implementation Overview (Post-Modification)	Energy Conservation Benefits
Replacement of Office Building Air Conditioning Circulating Water Pumps	<ul style="list-style-type: none"> Replaced high-efficiency, energy-saving pumps to improve operational efficiency; after replacement, the maximum efficiency point of the pumps is 5–8% higher than that of standard pumps with the same parameters. An independently developed energy-saving booster device was installed on the pipeline. 	Annual energy savings of 102,627 kWh, equivalent to 12.61 tons of standard coal.
Thermal insulation cotton was added to the heating bands of injection molding machines and pelletizers.	<ul style="list-style-type: none"> The surface temperature of the barrel heating band is 35 degrees, resulting in minimal heat dissipation, reduced energy waste, and an improved workshop environment. 	Annual energy savings of 291,727.98 kWh, equivalent to 35.85 tons of standard coal.
Air compressor integration and replacement.	<ul style="list-style-type: none"> Replaced one air-cooled 160 kW two-stage compression variable frequency air compressor, reducing unit gas energy consumption from 0.2371 kW/m³ to 0.0990 kW/m³. 	Annual energy savings of 863,800 kWh, equivalent to 106.16 tons of standard coal.

Note: The method for converting energy to standard coal is based on GB/T 2589-2020 General Principles for Calculation of Comprehensive Energy Consumption.

Indicators and Targets

The Company has established indicators such as 'Comprehensive Energy Consumption Conversion' and 'Comprehensive Energy Consumption Intensity (by output value)' as monitoring metrics, dynamically tracking progress to ensure the effective implementation of all energy management measures. This supports the Company in enhancing its energy management capabilities and market competitiveness, and steadily advancing its sustainable development objectives.

SHP Group Energy Management Overview



5.4 Water Resource Management

The Company's water resources are primarily sourced from municipal tap water. The Company's manufacturing base in Jiangsu is located in a region with severe water scarcity and extremely high water stress. The Company strictly complies with the Water Law of the People's Republic of China and other relevant laws and regulations, continuously improves its water management system and monitoring framework, and actively fulfills its water resource management responsibilities.

Governance

To strengthen water resource management, and to improve water use efficiency and economic benefits, the Company has established a water resource management system.

SHP Group Water Resource Management Organizational Structure

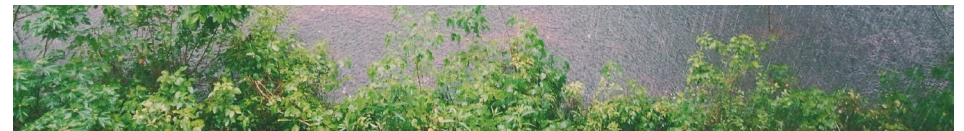
Organization	Responsibilities
ESG Committee	Composed of the CEO, COO, directors, and other senior members; Plays a key management role in ESG-related matters (including water resource management topics).
Water Conservation Management Leadership Team	The Team Leader is the Director of the Administrative Management Center, responsible for the Company's water resource management, and convenes all departments to regularly inspect water usage; The Executive Team Leader is the Manager of the Facilities Department, who holds a Water Conservation Specialist Certificate issued by Kunshan ; Team members are the principal persons in charge of each department of the Company, each specifically responsible for water conservation within their respective departments.

The Company formulates the 'Energy Measurement Management System' and 'Energy Statistics Management System' in accordance with GB/T 23331-2012, both of which cover the procurement, measurement, statistics, and consumption control of water resources, thereby effectively promoting the orderly implementation of the Company's various water conservation management initiatives.

Strategy

With the increase in extreme precipitation events, the seasonality and spatial distribution of precipitation will become more uneven, intensifying issues such as summer rainstorms and winter droughts. This will impact water resource allocation in the Yangtze River Delta, where the Company operates. However, disruptive technologies (such as low-cost water-saving technologies) may alter the availability of water resources and management practices. The Company conducts water supply risk analysis under extreme scenarios (such as RCP8.5 and SSP3) to support the identification of potential risks, including water supply security, water quality deterioration, and regulatory compliance, and to develop corresponding response strategies.

According to scenario analysis, by 2100, the average temperature in the Yangtze River Delta region is expected to rise by more than 3 degrees Celsius. The increase in extreme precipitation events will alter precipitation patterns and exacerbate urban flood risk. The seasonality and spatial distribution of precipitation will become increasingly uneven, with pronounced issues of summer rainstorms and winter droughts. This will affect water resource allocation in the Yangtze River Delta, particularly for agricultural irrigation and industrial water use. In the context of socio-economic development, although regional competition and technological progress may remain slow, certain countries or regions may still adjust policies, strengthen climate action, enhance international cooperation, or develop low-cost water-saving technologies. These factors will alter water resource availability and management practices, requiring enterprises to proactively plan response strategies.



Analysis of Risks and Opportunities Related to Water Resource Management

Risk:

- As water is essential for processes such as injection molding and painting, if the Company encounters extreme weather leading to water shortages, there may be water use restrictions, supply interruptions, and increased water prices.
- If water quality in the Yangtze River Basin deteriorates, it will increase the pressure on urban water treatment facilities, reduce the reliability of water supply, impact normal production operations, and result in decreased output and operating revenue.

Opportunity:

- The introduction of supportive environmental policies and incentive measures by the government can facilitate sustainable water resource management and reduce water usage costs.

Risk Management

Based on the results of the water supply risk analysis, the Company has reduced its dependence on water resources through pipeline network optimization and leak prevention and control, intelligent metering upgrades, water resource recycling, enhanced water conservation awareness, and strengthened supplier management. These measures help mitigate potential impacts on Company operations and the supply chain, and enhance the Company's resilience to water resource-related risks.

SHP Group Water Resource Management Initiatives

Pipeline Network Optimization and Leak Prevention and Control

- To address issues with certain existing concealed pipelines, such as difficulty in inspection and frequent occurrences of dripping, leaking, running, and seeping, the Company implemented a 'concealed-to-exposed pipeline' renovation project. This significantly improved pipeline maintainability and effectively curbed water resource wastage at the source.

Intelligent Metering Upgrade

- Ten smart water meters were installed to enable precise measurement and dynamic monitoring of key water usage points, providing data support for refined management and analysis of water-saving potential.

Enhancing Water Conservation Awareness

- Water-saving slogans are posted in prominent areas to raise awareness of the importance of water resources.

Water Resource Recycling

- Reclaimed water reuse technology has been actively promoted, with purified reclaimed water applied to drip irrigation of greenery within the plant area. This not only conserves valuable tap water resources but also demonstrates the company's environmental responsibility.

Strengthening Supplier Management

- Suppliers are required to ensure compliance with laws and regulations related to surface water discharge and to establish safe procedures for managing water-related pollutants.
- Suppliers with advanced water-saving technologies (such as water reuse systems) are the Company's preferred long-term partners.

SHP (Kunshan) CDP Water Security Questionnaire Assessment Awarded A Rating

To proactively respond to investor and customer expectations, SHP (Kunshan) actively participates in the CDP Water Security Questionnaire Assessment. In the latest assessment for 2024, SHP (Kunshan) was awarded an A rating, signifying that we have made significant progress in water resource management and demonstrated our leading position in the industry.

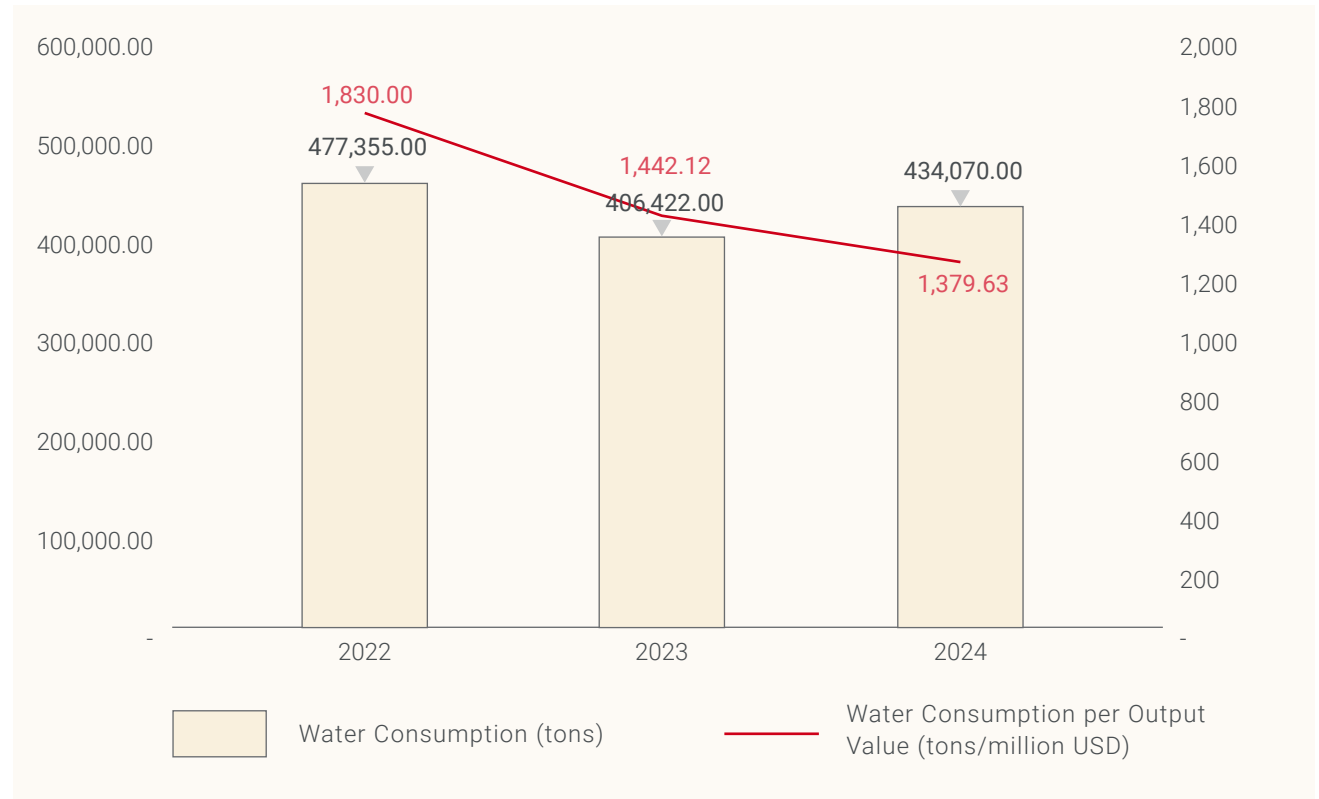


2024 SHP (Kunshan) CDP Score

Indicators and Targets

The Company sets indicators such as “water consumption” and “water consumption per output value” as monitoring metrics, dynamically tracking progress to ensure the effective implementation of all water resource management measures.

SHP Group Water Resource Management



5.5 Pollutant Emissions Management

Reduction of Wastewater and Air Emissions

The Company primarily generates wastewater in the areas of spraying, cleaning, cooling, and living quarters. This wastewater may contain organic pollutants, inorganic chemical pollutants, thermal pollution, microplastics, as well as high levels of Chemical Oxygen Demand (COD) and Biological Oxygen Demand (BOD). In addition, the Company primarily generates air emissions during spraying, printing, and injection molding. These exhaust gases contain non-methane total hydrocarbons, xylene, benzene series compounds, acetate esters, nitrogen oxides, sulfur dioxide, particulate matter, and styrene.

The Company strictly complies with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, and other relevant laws, regulations, and rules, consistently upholding a high level of responsibility in managing pollutants discharged into the atmosphere, water, and soil during production and operations.

The Company has established standardized emission management systems to ensure compliant discharge of pollutants during production and operations, while striving to minimize emission levels. In 2024, the Company continued to hold the national pollutant discharge permit.

SHP Group Pollutant Emission Management Initiatives

Standardized Procedures and Monitoring

- The Company implements stringent wastewater management protocols and treatment processes. All measures comply with local regulatory requirements, with classifications and threshold levels established in accordance with these regulations. Monitoring frequency is determined by the permits and authorizations defined within the regulatory framework, and sampling methods comply with national and international standards.

Outsourced Testing

- The Company collaborates with external third-party professional environmental firms to conduct real-time monitoring of the Company's pollutant emissions, and annually outsources testing of noise, exhaust gas, wastewater, and soil, in order to promptly assess the Company's pollutant generation and implement corresponding control measures to mitigate environmental impact.

Research on Water-Based Coating Processes

- To further reduce pollutant emissions during production processes, the Company is committed to researching more environmentally friendly coating technologies, specifically water-based coating. Compared to traditional solvent-based coatings, water-based coatings can effectively reduce volatile organic compounds (VOCs) emissions by 80%-90%, and may eliminate the need for exhaust gas treatment, thereby enabling source control of VOCs emissions. In the future, water-based coating may be applied to product components such as color cosmetics (tubular components, pen-type products) and skincare (bottle components, jar components). Currently, this project is in the preliminary demonstration and exploration stage. Looking ahead, SHP Group will continue to monitor the feasibility of proposed plans and strive to implement project investments at the earliest opportunity.

Prevention of Chemical Leaks

SHP Group attaches great importance to hazardous chemical safety, recognizing that the Company's production and operational activities may present risks of sudden leakage incidents involving UV coatings, coating additives, UV inks, ink solvents, ink hardeners, thinners, alcohol, liquefied petroleum gas, and other substances. The Group has established management systems such as the 'SOP for Hazardous Materials Receipt and Dispatch Validity Control,' 'Hazardous Chemicals Validity Management Specification,' and 'Hazardous Chemicals Warehouse Operation Procedures,' and conducts thorough risk identification and rectification, as well as emergency response to incidents. In accordance with regulations, in the event of a chemical raw material leakage incident, the Company's emergency response team shall, to the greatest extent possible, cut off the source of the leak and prevent entry into stormwater pipelines, sewage networks, and other confined spaces. The team shall also respond promptly and manage the incident swiftly in accordance with the relevant chemical leakage response procedures.

To minimize and eliminate chemical leakage pollutants, the Company requires that, during on-site cleanup of leaked materials, relevant personnel collect rinsing wastewater into the emergency pool for centralized treatment after the incident has been resolved. If a water body is contaminated, the relevant water authorities shall be contacted promptly to suspend the release of water from the affected sluice gates, thereby preventing the further spread and expansion of the contaminated area. The Company also encourages consulting relevant experts to determine safe and optimal methods before proceeding, and, where necessary, engaging qualified cleaning institutions to perform the cleaning. No chemical spills occurred throughout the year, and wastewater testing indicated that total organic carbon (TOC) and volatile organic compounds (VOC) levels complied with relevant regulations and standards, which is regarded as effective management.

In 2024, the Company conducted specialized chemical safety training for personnel in spraying, printing, and warehouse operations, strengthening the environmental safety responsibility and red line awareness of relevant personnel, and enhancing employees' professional operational skills and safety prevention capabilities. The training activities achieved the expected results.



5.6 Waste Management

The primary waste generated by SHP Group includes paint sludge, sludge, and waste chemical containers from the coating process; cutting fluid and machine oil from the mold manufacturing process; and waste activated carbon and waste filters from the exhaust gas treatment process.

The Company adheres to the principles of solid waste reduction, resource utilization, and harmless treatment, and actively promotes the concept of a circular economy. The Company has established multiple waste management systems, including the Waste Classification and Disposal Management Measures, Hazard Identification and Risk Assessment Management Procedures, and Hazardous Waste Management Measures, to promote compliant disposal and reuse of waste across four dimensions: collection, storage, treatment, and reuse.

SHP Group Waste Management Measures

Waste Collection

- Waste is collected and managed by category, divided into recyclable general waste, non-recyclable general waste, recyclable hazardous waste, and non-recyclable hazardous waste.
- In accordance with waste classification, the 'Waste Return Inventory Storage Cycle' is established, and waste is managed by category in strict compliance with the specified return timelines.

Waste Storage

- Designated areas are established for general waste, hazardous waste, and domestic waste.
- Recyclable general waste and hazardous waste are classified and stored in the designated areas of the temporary storage zone as required, with waste weight registered and recorded by category.

Waste Management

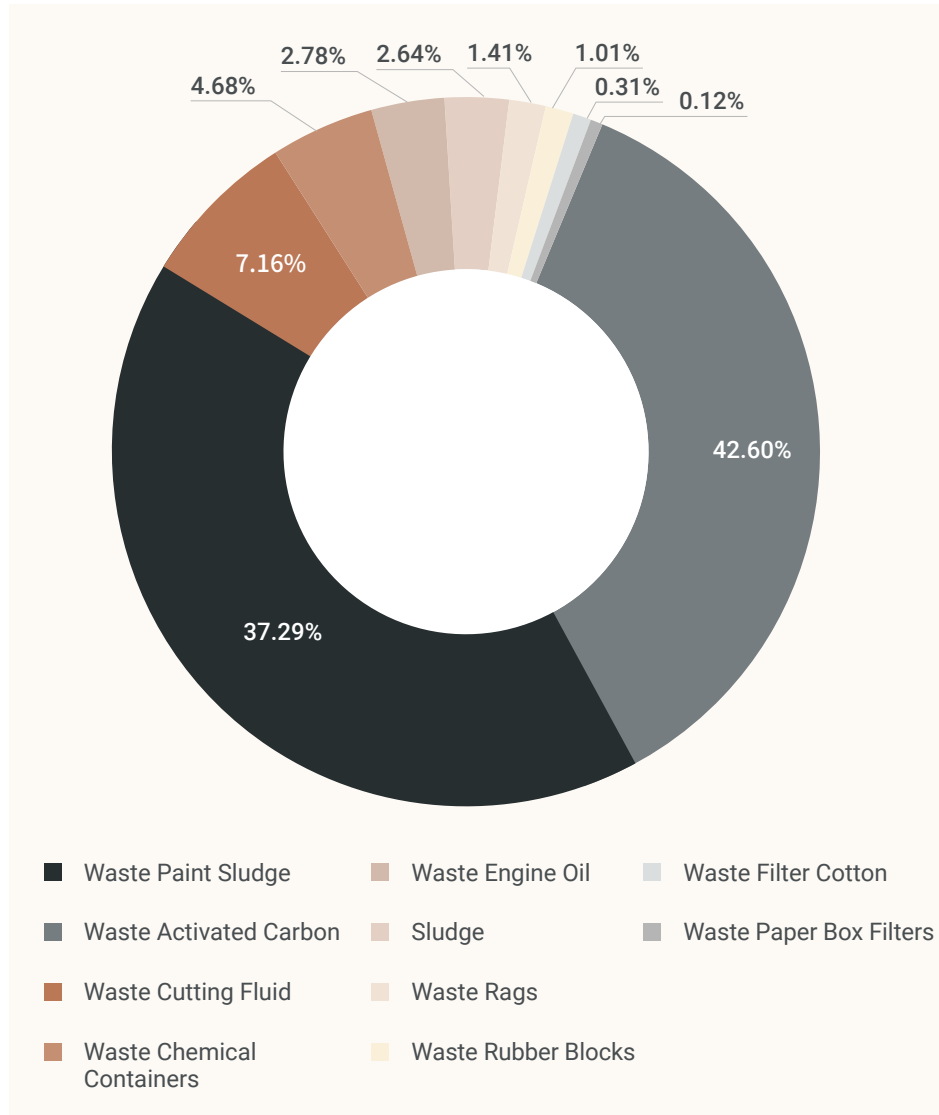
- Recyclable general waste is entrusted to qualified entities for recycling and disposal.
- Non-recyclable general waste (domestic waste) is entrusted to local sanitation units for disposal, with regular collection every morning.
- Kitchen waste is collected and transported by qualified entities under a signed agreement, and is filed with the municipal environmental sanitation authority.

Waste Reuse

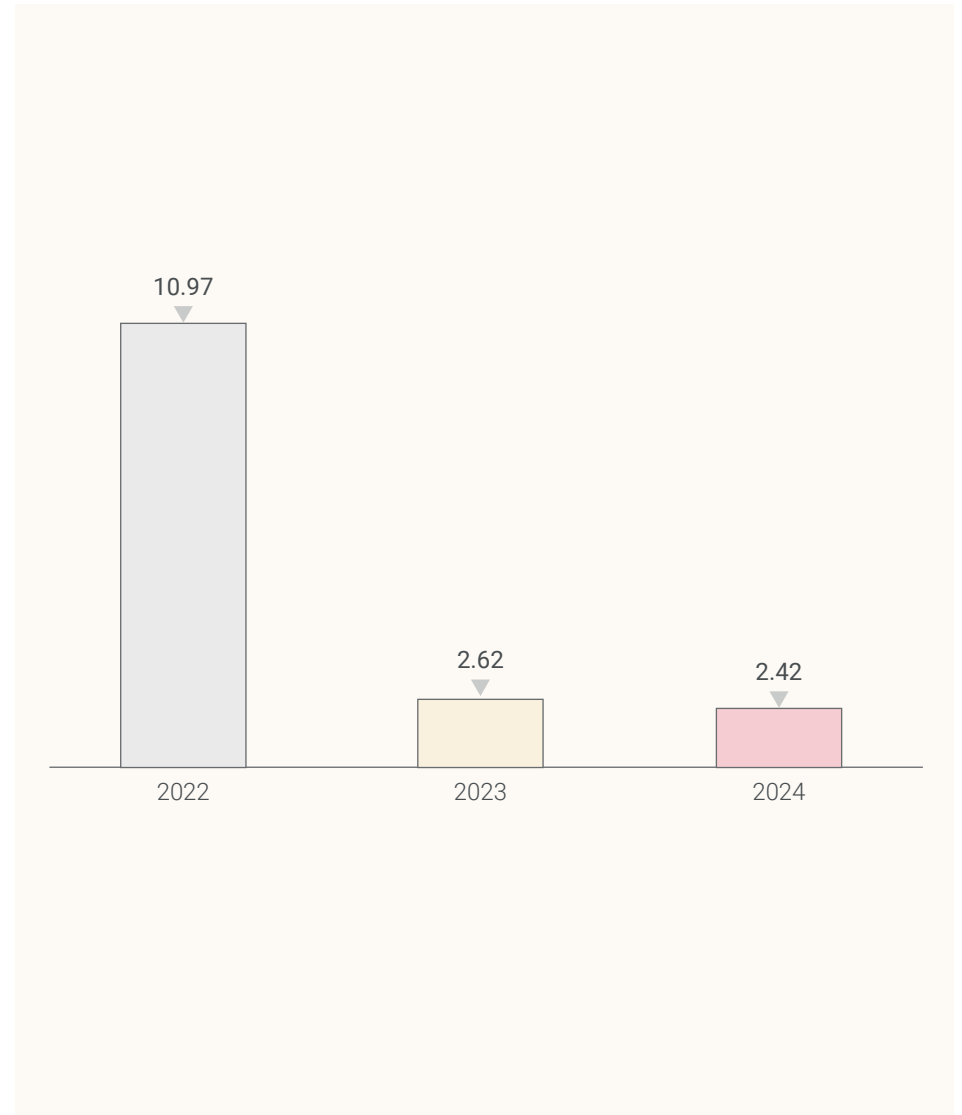
- A recycling and reuse mechanism has been established to facilitate the reuse of packaging waste generated within the plant.
- Turnover limits are set for in-plant product packaging trays (such as PSP trays, PP trays, PET trays, etc.), which must be reused if uncontaminated.
- Uncontaminated offcuts from products require secondary processing for reuse, in order to minimize and reutilize self-generated product waste to the greatest extent possible.

In 2024, the Company achieved a reduction in the total amount of hazardous waste generated compared to 2023 through refined management and paint sludge reduction measures.

2024 Annual Waste Generation Summary



Hazardous Waste Generation per Unit Output Value(Kilogram/thousand USD)



5.7 Green Packaging and Materials

Governance

To ensure the effective advancement and long-term management of work related to this topic, the Company has formulated the 'Design Management and Production Operations Measures,' established a relevant management structure, and promoted the implementation and deepening of these efforts through a clear division of responsibilities and collaborative mechanisms.

SHP Packaging Design Control Organizational Structure

Business Department/Project Management Department

- Responsible for Product Issuance of design instructions, Development between the department and the customer Technical Information transfer.

Product Design Department

- Responsible for preparing product quotation drawings; all technical matters, including customer drawing design and modifications, manual mold design and fabrication, and product technical risk assessment.

Project Management Department

- Leads the implementation of new development projects and proposes design drawing modifications in response to technical issues encountered during project execution.

Mold Design Department

- Responsible for assisting the Design Department in supplementing mold-related content on product quotation drawings and evaluating the mold structure and potential risks of new products.

Group Procurement Department

- Responsible for outsourced components of new products./Responsible for inquiry and negotiation of outsourced processes.

Production Technology Department

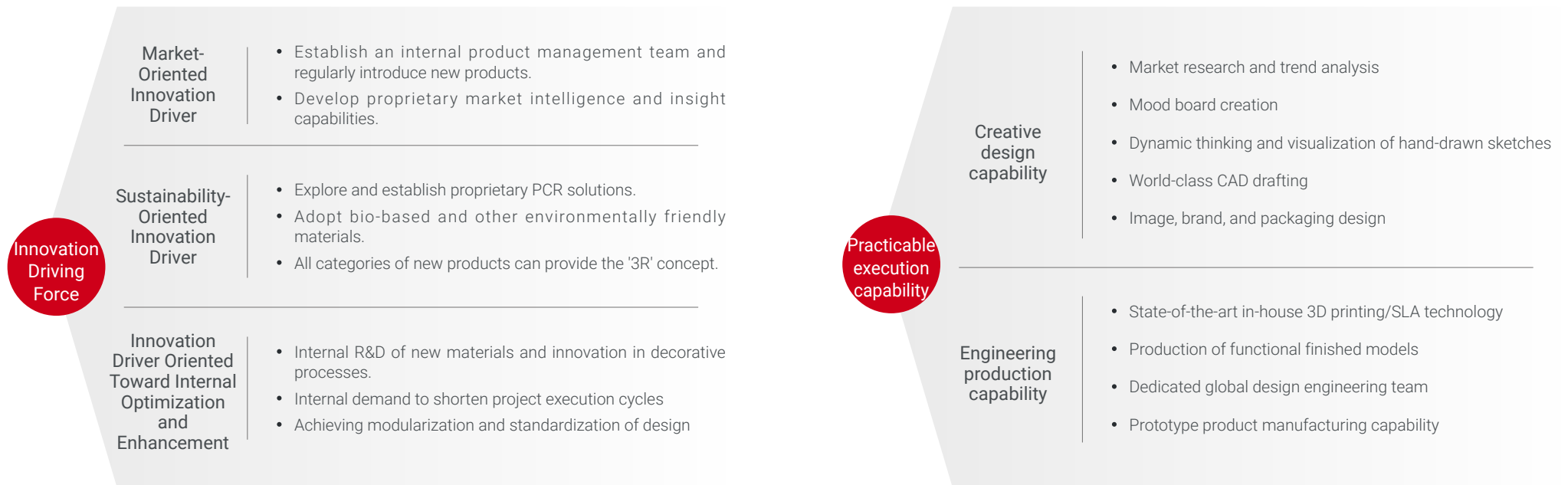
- Assists in the technical evaluation of product structure and production processes during new product design, and in secondary manual mold processing.



SHP Group has established a range of R&D management and innovation incentive systems, including the 'Research and Development Management System,' 'R&D Investment Accounting Management System,' 'Talent Introduction Management System,' and 'Technological Innovation Incentive Measures,' to vigorously promote sustainable innovation in materials, product structure, processes, equipment, and tooling.

The Company attaches great importance to sustainable innovation efforts, has established and improved sustainable innovation mechanisms, and continues to focus on the R&D of green packaging and materials. The Company is market-oriented, integrating sustainable design principles and the optimization and enhancement of internal R&D projects as its three core driving forces, and continuously advances product innovation. In addition, the Company leverages its creative design capabilities and engineering expertise to achieve the efficient transformation of products related to green packaging and materials.

SHP Group Sustainable Innovation Mechanism



Strategy

With the rise of environmental awareness in society, consumer demand for environmentally friendly products has increased significantly. The Company develops more green packaging and materials through innovation, which can effectively reduce resource consumption and waste pollution, and promote green transformation throughout the value chain, supporting society in achieving low-carbon development goals.

Analysis of Risks and Opportunities Related to Green Packaging and Materials

Risk:






- As competition in the green packaging market intensifies, if the Company fails to maintain technological leadership, or if negative incidents such as green packaging products failing to meet environmental standards occur, this may result in a loss of market share and a decline in operating revenue.

Opportunity:

- If the Company develops degradable and recyclable packaging products aligned with the principles of the circular economy, and meets customer demand for single-material solutions (such as PET and PP), it can consolidate its market position and increase operating revenue.

Driven by customer demand, the Company is accelerating the research and development of green product solutions, actively overcoming key technological bottlenecks, and formulating sustainable innovation strategic objectives. The Company aims to become, by 2027, an enterprise with strong market insight, capable of independently conducting sustainable product R&D, and an industry-leading provider of sustainable products and traceable carbon footprint packaging materials, supported by a comprehensive central materials technology database and a technologically advanced team of engineers and technical experts. In addition, the Company actively explores joint innovation models with key clients, collaboratively advancing R&D, and achieves high-quality, sustainable development of the green packaging industry through patent portfolio development and value transformation.

SHP Group 2024-2027 Sustainable Innovation Strategic Objectives

 Consolidate	 Plan	 Optimize	 Promote	 Win-win
<ul style="list-style-type: none"> • Continuously conduct PCR/sustainable material validation • Continue to use PCR materials to validate public molds • Strengthen the R&D talent team • Strengthen data-driven capabilities, refine the product roadmap, and enhance the application engineering skills of technical personnel 	<ul style="list-style-type: none"> • Achieve sustainable product solutions with PCR for all categories • All products are free of ABS/AS • Formulate talent development plans for engineers/technicians • Enhance and discover the capabilities/resources of material experts 	<ul style="list-style-type: none"> • Increase the usage of PCR and other sustainable materials • Increase the volume of single-material/refillable products • Increase the validation of bio-based materials • Continuously empower innovation by relying on core driving capabilities • Achieve modular and standardized design, shorten the project execution cycle 	<ul style="list-style-type: none"> • Improve market insight capability and guide internal innovation drive • Actively integrate PCR/"3R" concepts into product design to reduce the product lifecycle carbon footprint from the source 	<ul style="list-style-type: none"> • Participate in the standardization of industry standards in a planned way • Actively maintain the sustainable development product brand EcoBlue, guiding and promoting green consumption
<p>Develop a central material technology database, and develop talent for engineers/technicians</p>		<p>Collaborate with key customers on sustainable development to achieve a win-win situation</p>		
2024	2025	2026	2027	

Risk Management

SHP Group places great emphasis on risk management throughout the process of green packaging and material application, and is committed to establishing an environmentally friendly management system across the entire lifecycle. By deeply integrating the concepts of sustainable design, sustainable materials, and sustainable packaging into product R&D and production processes, the Company systematically identifies and controls risk factors that may affect the environment and society. In sustainable design, the Group aims to reduce resource consumption and enhance recyclability by optimizing product structure and functionality. In the field of sustainable materials, the Group extensively adopts PCR materials, mono-materials, and bio-based materials to reduce carbon footprint and environmental impact. In sustainable packaging practices, emphasis is placed on packaging reduction and circularity, driving the development of an efficient, low-carbon green Supply Chain system.

Sustainable Design

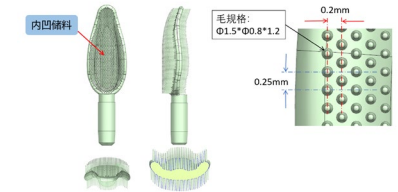
The Company consistently incorporates the '3R' Sustainable Development philosophy (Reduce, Reuse, Recycle) into packaging product design, establishing a green design system through systematic thinking. The Company remains focused on the innovation and R&D of lightweight and refillable products. Through diversified approaches such as structural optimization, material selection, and process upgrades, SHP achieves scientific reduction of packaging, aligning with the industry trend of efficient resource utilization and continuously advancing the sustainable development of packaging.

SHP Packaging Sustainable Design Initiatives

Lightweight Design

Flocking-Free Lip Applicator

- By utilizing injection molding technology to produce ultra-fine bristles, the secondary flocking process is eliminated, as is the use of glue, resulting in a lighter and more environmentally friendly applicator head.



SHP Mono PP Jar

- Compared to the classic three-piece jar, the design without a pull tab maximally reduces one component. This lightweight design reduces plastic usage by more than 50%. In addition, this product is made of 100% highly recyclable PP material, promoting the circular economy and effectively reducing carbon emissions.



Refillable Packaging

Powder Case Design

- Designs for multiple types of refillable powder pans.



Cream Product Design

- Utilizes all-PP material, eliminating foam pads and adhesive assembly processes.



SHP 3rd Generation Cushion Core

- For different internal material components, PP and PET cushion cores are designed respectively, featuring high air tightness and stable performance.



● Sustainable Materials

The Company focuses on innovative applications of sustainable materials and is committed to enhancing the environmental attributes of packaging through material innovation. The Company has extensively applied PCR materials, mono-materials, and bio-based materials across multiple product lines, which not only fulfill the functional and safety requirements of packaging products, but also significantly reduce environmental impact. The Company provides robust support for the development of a resource-efficient and environmentally friendly society.

🌿 PCR materials

PCR (Post-Consumer Recycled material) typically refers to recycled plastic materials such as PET (polyethylene terephthalate), PP (polypropylene), and HDPE (high-density polyethylene) recovered from post-consumer waste, which are processed and used as raw materials for the production of new packaging materials. Compared to virgin plastics, PCR materials reduce resource consumption and carbon emissions.



High solid content mascara

The cap and bottle of high solid content mascara utilize PCR PP material.

By using PCR PP material, carbon emissions per kilogram are 0.622 kg CO₂ equivalent, representing a 65% reduction compared to conventional PP material. Annual carbon emissions are reduced by 205 tons (based on an annual order of 18 million units).

SHP Group PCR Material Application Performance

Indicator	Unit	2022	2023	2024
Proportion of PCR materials	%	10.0	9.0	11.4


Note: Proportion of PCR materials = Total PCR usage / Total inbound volume. Data for 2022 and 2023 has been retrospectively adjusted.

🌿 Mono-material

The Company fully recognizes the critical value of material simplification for recycling systems; mono-material packaging is more easily recycled and reused. The Company has already achieved large-scale application of mono-materials such as PP, PET, and PE (polyethylene), while meeting product functional requirements, improving the recyclability of packaging waste at the source, and providing strong support for the development of a circular economy system.

SHP Group Mono-material Applications

Category	Application	Image	Category	Application	Image
PP	Mono PP (Mono-layer polypropylene) dropper heads and spring pumps: Developed using an all-PP formulation, with the soft segments of the olefin chain cut and re-grafted to ensure recyclability. Recyclable design reduces waste, enhances the efficiency of limited natural resources, and increases the supply of high-consumption recycled components. This tube is made of metallocene PP, achieving 90% transparency and replacing traditional glass materials.		PET	All-PET material powder cartridge.	
	Mono PP dropper: The inner spring features a spiral structure design combined with elastic PP material, fulfilling single-material requirements and replacing the original spring.			All PET material nozzle dropper.	
	All-PP powder case, with plastic composed entirely of pure PP and 50% PCR PP added.		PE	The product spring component is manufactured from PE material using blow molding. After resolving the issue of high-temperature fatigue and abnormal rebound in PE material springs, all other components can be replaced with PE material, resulting in a single-material pump.	

 **Bio-based materials**

The Company is actively advancing the application of bio-based materials. Through the development of bio-based inks, bio-based PEF (polyethylene furanoate) materials, PLA (polylactic acid) biodegradable materials, and other materials, the Company is promoting the implementation of bio-based material packaging solutions. By replacing traditional petroleum-based raw materials, this approach reduces the carbon footprint of packaging at the source, mitigates the impact of packaging on the ecological environment, and drives the green transformation of the packaging industry.

SHP Group Bio-based Material Applications

Bio-based Ink

With respect to environmental protection and sustainability, the ink contains more than 10% bio-based components. Compared to conventional petroleum-based products, this effectively reduces dependence on fossil fuels and lowers both carbon emissions and environmental impact during the production process. Bio-based inks typically do not contain heavy metals, petroleum, or toxic solvents, thereby helping to reduce environmental pollution and protect human health. Furthermore, these inks do not contain chemicals harmful to human health and do not release toxic gases or pollutants during use, thereby reducing health risks for operators.



Bio-based ink materials

Bio-based PEF materials

As an agricultural by-product, straw can be converted into PEF through a sugar production pathway, effectively mitigating the pollution caused by straw burning and reducing carbon emissions at the source. The Company has developed bio-based PEF materials derived from straw-based sugar production. Compared to conventional PET, bio-based PEF offers significant advantages in environmental friendliness, reducing the reliance of packaging materials on petroleum-based resources and strengthening the foundation of SHP's bio-based materials for its green packaging strategy.



Bio-based PEF thick-walled bottle

PLA biodegradable material

PLA biodegradable material is used as the base material, combined with water-based metallization technology and bio-based soybean ink, thereby enhancing the product's environmental friendliness. It exhibits excellent degradability, achieving complete decomposition within 90 days under specific landfill conditions, thereby significantly reducing the long-term environmental burden.



Bio-based compact case

Establishment of the Joint Innovation Laboratory for Bio-based Polyester Packaging Materials

On December 12, 2024, SHP Group CEO Jesse Guan and his delegation visited the Hangzhou headquarters of Zhongke Guosheng. Both parties held a symposium to further deepen strategic cooperation and officially established the 'Joint Innovation Laboratory for Bio-based Polyester Packaging Materials.' This collaboration aims to jointly develop high-performance, environmentally friendly, low-carbon, and cost-competitive bio-based packaging materials to meet the stringent green packaging requirements of global brands.

Both parties will begin with the development of bio-based raw materials and the optimization of packaging solutions, providing more market-competitive green packaging solutions, working together to build a comprehensive green packaging ecosystem, and jointly promoting the widespread adoption of furan polyester green packaging materials.



Laboratory establishment site

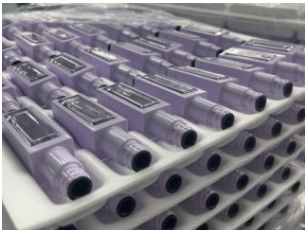
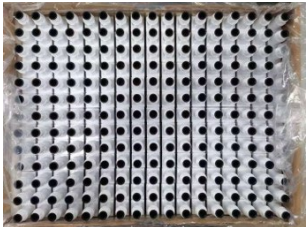





Packaging products

● Sustainable Packaging

The Company firmly opposes excessive packaging and actively advocates for comprehensive packaging solutions that are rationally designed, material-efficient, easy to recycle, and economically viable. The Company addresses both the selection of packaging materials and forms, focusing on reducing resource waste and environmental burden caused by excessive packaging, and promoting the transformation of packaging towards low-carbon and intensive development.

SHP Group's Specific Measures for Packaging Optimization

Optimization of Packaging Materials		
1	PSP Tray Packaging <ul style="list-style-type: none"> Each pallet contains 9,216 pieces, with a packaging material weight of 24 kg, averaging 2.61 g per product. Non-recyclable materials: 3.75 kg. 	Rigid Box Packaging <ul style="list-style-type: none"> Each pallet contains 17,160 pieces, with a packaging material weight of 26.4 kg, averaging 0.154 g per product. For the same transportation and storage volume, rigid box packaging accommodates 86.2% more than PSP tray packaging. All materials are recyclable. 
	Packaging Innovation 	
2	PP Hollow Turnover Boxes Replacing Cartons <ul style="list-style-type: none"> PP hollow boxes are impact-resistant, wear-resistant, and reusable. The plastic material is fully waterproof, suitable for humid environments or scenarios requiring cleaning. Stable structure with superior load-bearing capacity compared to cartons Facilitates automated warehousing and logistics tracking 	

Optimization of Packaging Materials		
3	Replacement of PSP turnover trays with HIPS turnover trays <ul style="list-style-type: none"> HIPS material is more robust and durable than PSP, suitable for repeated use, and reduces the breakage rate HIPS can be used in long-term cycles, reducing waste HIPS features a more rigid structure, making it less likely to collapse when stacked and suitable for automation 	
	Optimize packaging formats	
1	Recycle and reuse PP hollow boxes, reducing the number of packaging units for the current batch	A total of 4, 882 PP boxes are reused annually
2	Classify and store existing packaging materials, and select appropriate packaging methods according to product attributes	Approximately 22, 198 reusable turnover boxes are recycled annually.

● Indicators and Targets

The Company has established a scientific and quantitative indicator system to drive continuous progress in the field of green packaging and materials. In 2024, the revenue from the Company's sustainable products ^[1] accounted for 16.44%. As the market influence of sustainable products continues to expand, the Company will further optimize technological innovation and market deployment, unlock the potential of green packaging products, and advance the revenue share of sustainable products to new heights.

[1] Sustainable products, as defined by the Company, are those with the following attributes: single material, refillable, lightweight, disassemblable, or produced from PCR or bio-based materials.

06

Lean Operations, Empowering a Prosperous Future



The United Nations Sustainable Development Goals (SDGs) addressed in this chapter:



6.1 Product Responsibility

Governance

SHP Group strictly complies with the Product Quality Law of the People's Republic of China, the Standardization Law of the People's Republic of China, and other relevant laws and regulations on quality management, and implements standardized and regulated production management in strict accordance with the requirements of the ISO 9001 Quality Management System.

The Company has established a management structure centered on the Quality Management Department. The Quality Management Department oversees end-to-end product quality control, with a team led by the Director of the Quality Management Department. The CQE Manager, CQE Supervisor, PQE Deputy Quality Manager, QC Quality Manager, and Quality System Supervisor each fulfill their respective responsibilities to ensure product quality and safety. The Company, across all stages including product design, raw material procurement, manufacturing, inspection and testing, and sales services, ensures the continuous and stable provision of products or services that meet customer needs and legal and regulatory requirements by establishing comprehensive quality policies, objectives, procedures, specifications, and standards.

The Company has established the 'Quality Manual' and 'Sample Production Management Measures', and in 2024 revised the 'Product Withdrawal and Recall Management Procedure' to enhance the details of the entire process of product withdrawal or recall; The 'Corrective and Preventive Measures Control Procedure' was revised to update content such as improvement reports and team problem-solving, and the 'Product Identification and Traceability Control Procedure' was revised to ensure that products can be clearly identified and tracked throughout their entire lifecycle (from raw materials to finished product delivery).



Quality Policy

Comprehensive quality management, full participation, and rapid response
Quality first, customer foremost
Quality is the lifeblood of the enterprise

Strategy

The Company, through the strict implementation of quality control systems and environmental standards, can safeguard consumer health and safety while reducing the negative environmental impact of its products. The Company identifies and addresses risks and opportunities in the production and management activities of each department in accordance with the 'Risk and Opportunity Response Procedure', and evaluates the severity and frequency of identified risks.

Analysis of Risks and Opportunities Related to Product Responsibility

Risk:

- Sudden equipment failures caused by physical risks during product manufacturing, or contamination of raw materials, may result in product safety hazards and lead to high operating costs in the short term.
- If compatibility issues arise in the application of new technologies, or if market demands cannot be met, research and development costs may increase.
- If negative public opinion spreads due to product quality issues, it may seriously damage the company's brand image, affect customer cooperation and market expansion, and consequently lead to a decline in operating revenue.

Opportunity:

- If the company develops and provides new packaging solutions to meet customer needs, it can increase operating revenue.
- If the Company leverages its product responsibility advantages to participate in international certification and the formulation of industry standards, thereby enhancing its brand influence, it will expand its market share and increase operating revenue.

Risk Management

The Company assesses identified risks in accordance with the 'Risk and Opportunity Response Procedure' and implements measures based on the assessment results to reduce or eliminate risks. Accordingly, the Company has established a rigorous quality management process, utilizes quality maps to identify key processes and risk points, and integrates effective corrective and preventive measures to reinforce closed-loop management of issues. Meanwhile, the Company effectively reduces quality risk and enhances product stability by advancing automation equipment and process innovation, as well as optimizing production plans through rational scheduling strategies.

SHP Group Product Responsibility Risk Response Measures

Strict Quality Management Processes

Product quality management strictly adheres to the PDCA (Plan-Do-Check-Act) principle. Quality control processes are integrated into the product development stage, while rapid response quality control (QRQC) and outgoing quality control (OQC) procedures are implemented in the production and sales stages, respectively. Each stage from product development to finished goods delivery is rigorously controlled to ensure the stability and reliability of product quality.

Application of Quality Map

In the pursuit of manufacturing excellence, the Company has established a process assurance capability quality map, systematically strengthening quality control through four key steps.

- Analyze the failure modes of each process step to identify root causes and control measures;
- Select high-risk sites to develop a Q-map and mark key sites;
- Regularly update and implement new actions for newly identified issues based on audit results;
- Establish specific control points to ensure standards and monitoring methods.

Effective corrective and preventive measures

In accordance with the requirements of the 'Corrective and Preventive Action Control Procedure', the Company's Quality Management Department is responsible for issuing the corresponding 'Corrective and Preventive Action Handling Form' in the event of major quality or product safety issues, deviations of key control points from critical limits, or non-compliance with prerequisite program requirements. The department organizes the development of appropriate corrective and preventive measures and monitors and verifies their implementation effectiveness. Each responsible unit is accountable for analyzing the causes of nonconformity and implementing corrective and preventive measures. The business department is responsible for communicating customer requirements and the outcomes of customer complaint resolution.

Automation Equipment and Process Innovation

Drawing on previous project development experience, the Company's automation transformation prioritizes projects with high feasibility, rapid replicability, and scalability, focusing on injection molding wire collection, lip gloss/mascara assembly, vibratory bowl feeding, and rotary table loading and unloading projects. The Company's automation transformation solutions encompass multiple product categories, including lip gloss, caps, pumps, and lipsticks, with the most significant results and broadest implementation in lip gloss projects, which also include several innovation initiatives.

Rationalized Production Scheduling Strategy

By integrating customer expectations with historical order data, monthly demand forecasts for higher production volumes are refined into production plans based on mold products and the number of production days in the month. This proactive approach balances monthly and weekly production schedules, reduces changeover times, and enhances efficiency. For products with frequent quality anomalies and high material losses, large-scale production is consolidated to avoid resource waste caused by repeated changeovers. Additionally, each operating plant holds daily production quality meetings, while cross-departmental projects conduct daily meetings to ensure timely information exchange, rapid response and resolution of abnormal situations, and the smooth operation of production.

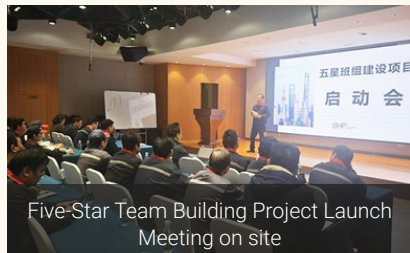


Oath-taking ceremony on site

Conducting a Quality Oath-taking Conference

Amid intensifying global competition and rising customer quality expectations, quality has become a critical driver of corporate development. To meet market demands, the Company Operations Center has guided first-, second-, and third-tier factories, as well as the Cixi plant, to conduct quality oath-taking conferences, advancing quality control from passive post-inspection to preventive process design and lean management strategies.

Through the oath-taking conference, the Company makes a solemn commitment and demonstrates its determination to transform. This is not only a responsibility to customers, but also an investment in future development, supporting the Company in strengthening global market trust and, through concrete actions, achieving new heights of quality excellence, thereby driving the enterprise toward steady and sustainable success in the quality domain.



Five-Star Team Building Project Launch Meeting on site

Held 'Five-Star Team Building' Project Launch Meeting

On December 7, 2024, the Company officially launched the 'Five-Star Team Building' project, a key initiative to advance lean production and achieve manufacturing excellence. The project focuses on frontline production teams, aiming to build highly efficient, excellence-oriented production teams to support the Company's promotion of lean production and realization of manufacturing excellence.

Indicators and Targets

The Company drives continuous improvement in quality management and production efficiency through specific quantitative indicators. In 2024, SHP Group reduced its non-conformance quality costs by USD 58,632.80 compared to the previous year, and automation in special process areas resulted in labor savings equivalent to 30 persons per day. These indicators not only reflect the Company's commitment to product quality control, but also demonstrate its strategic planning to enhance production efficiency and reduce costs, thereby laying a solid foundation for the achievement of sustainable development goals.

SHP Group 2024 Product Responsibility Targets and Progress

Indicator	Unit	Target	2024 Progress
Customer Complaint Rate	%	≤0.40	0.69
Customer Return Rate	%	≤0.33	0.71
Customer First Inspection Rejection Rate	%	≤2.83	1.48
Labor Savings Through Automation	Person	400	599



6.2 Technological Innovation and Intellectual Property Management

Governance

SHP Group regards research and innovation as a key pillar of its core competitiveness and continuously strengthens its product research and technological innovation systems. The Company, guided by market demand and customer requirements, conducts in-depth analysis of industry dynamics and consumer trends, identifies market pain points and potential needs, provides clear direction for new product development, and promotes the deep integration of technological innovation with market demand.

The Company has established the 'Research and Development Management System', 'R&D Investment Accounting Management System', 'Talent Introduction Management System', 'Technological Innovation Incentive Measures', 'Design Management and Production Procedures', and 'Project Development Procedures' to standardize the R&D and design processes for new products.

In the area of intellectual property protection, the Company strictly complies with the Patent Law of the People's Republic of China and other relevant laws and regulations, adheres to GB/T 29490-2013 'Enterprise Intellectual Property Management Specification', and has established the 'Intellectual Property Management Measures' along with supporting procedural documents, including the 'Intellectual Property Statement', 'Intellectual Property Acquisition Control Procedure', 'Intellectual Property Maintenance Control Procedure', and 'Intellectual Property Reward and Punishment Control Procedure', thereby providing an institutional framework for the Company's intellectual property management.

The Company has established a patent office, with intellectual property management coordinated by the Product Design Department. A patent team operates under this department, with patent engineers responsible for specific patent-related tasks. Through a hierarchical management structure with clearly defined responsibilities, the orderly advancement of intellectual property work is ensured, supporting the protection and transformation of the Company's innovation achievements. To encourage employee participation in research and development innovation, the Company has established a technological innovation incentive mechanism and formulated an intellectual property incentive system, clearly defining rewards and remuneration for employees' creation, protection, and utilization of intellectual property. The Company has a global R&D team of over 500 members and, in 2024, added professional technical positions such as materials engineers (new materials, bio-based materials, PCR materials), dedicated to developing environmentally friendly and high-performance materials to enhance product sustainability and market competitiveness.

Intellectual Property Policy

Quality First, Customer Oriented,
Strengthen Innovation



Intellectual Property Objectives

Establish a comprehensive intellectual property management system, implement a rigorous and robust quality supervision and production system, and promote the Company's ongoing technological advancement.



SHP Packaging (Kunshan) has obtained the intellectual property compliance management system certification certificate, valid until June 1, 2026.



SHP Packaging (Kunshan) has obtained the intellectual property management system certification certificate

Strategy

Technological innovation drives the evolution of packaging materials and supports the green transformation of the packaging industry. Strengthening intellectual property management and research and development investment can cultivate technical talent within the industry, drive collaborative innovation across the value chain, and promote industrial employment and skills upgrading.

Analysis of Risks and Opportunities Related to Technological Innovation and Intellectual Property Management

Risk:

- New technologies present risks such as long R&D cycles and significant challenges in achievement transformation, which may result in wasted R&D expenses ;
- If competitors accelerate technological iteration and the Company is unable to continuously maintain its innovation capability, this may lead to a loss of market share ;
- If intellectual property disputes or technical quality issues arise, the corporate brand image may be adversely affected.

Opportunity:

- With the continued rise in demand for green packaging and intelligent packaging, the Company can leverage technological innovation to launch differentiated products that meet market needs, thereby driving operating revenue growth.

Risk Management

The Company focuses on process and technological innovation, enhancing awareness and capabilities in the protection of innovation achievements through the establishment of an intellectual property management system and the implementation of relevant training.

SHP Group Technological Innovation and Intellectual Property Management Initiatives

• Process Innovation

High-Solid Content Metallization Process

The High-Solid Content Metallization Process generates less wastewater and results in relatively lower environmental pollution; the high-solid content volatile organic compound (VOC) concentration is 289 g/L, representing a reduction of approximately 64% compared to conventional metallization VOC content. High-solid content VOC emissions are reduced by 44 tons per year (based on annual orders of 1,400W).



High solid content mascara

• Design Innovation

High Airtightness Loose Powder New Hinge

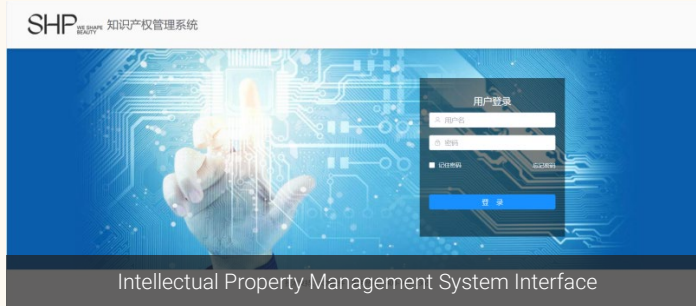
The innovative design of the new hinge ensures the articulation function between the inner lid and the base, while allowing a certain degree of axial movement of the inner lid. This enables free adjustment of the inner lid's levelness to ensure uniform circumferential compression with the powder sieve holes, thereby achieving high sealing performance for the product.



High Airtightness Loose Powder

• **Establishment of an Intellectual Property Management System**

- The new patent management system significantly enhances the efficiency and reliability of patent management by optimizing data storage, personnel access control, approval processes, and full lifecycle management.
- The system supports data backup and recovery, version control, and multi-dimensional protection to ensure the security and integrity of patent data.
- With respect to personnel permissions, access rights are assigned based on different positions and roles to prevent unauthorized operations and safeguard data security.
- The approval process is clearly structured and automated, reducing manual intervention, enhancing approval efficiency, and ensuring that the application and management processes are more standardized and transparent.
- The system provides comprehensive monitoring and management of approval and data flows throughout the entire patent lifecycle. From application to authorization and maintenance, each stage is clearly recorded and tracked, enabling more controlled and efficient patent management.



• **Training Initiatives**

In May 2024, the Company conducted training on the application of patent-related knowledge, focusing on the retrieval, extraction, and utilization of patent information, with the objective of enhancing employees' ability to leverage patent information in research and development and production processes. A total of 56 relevant personnel participated in this training, which deepened their understanding of the value of patent information and laid a solid foundation for promoting the Company's technological innovation and achievement transformation.



Jointly developed an innovative new coating process with Dalian University of Technology

The Company has closely collaborated with Dalian University of Technology, conducting in-depth research on material interface physics. Leveraging the collaborative project, an innovative new coating process was jointly developed, the application of this technology has significantly enhanced the lubrication performance of material surfaces and effectively ensured that the bottle body does not retain essence after the innovative coating process. This technology not only enhances the product's user experience but also further strengthens the Company's competitiveness in the packaging sector.



Indicators and Targets

The Company, in alignment with industry development trends and its own strategic planning, has established quantitative indicators and targets for technological innovation and intellectual property management, and conducts rigorous annual reviews of progress. The Company is committed to leading technological advancement through continuous innovation and efficient management. In 2024, mold production capacity increased by 24.8% compared to 2023. As of the end of December 2024, SHP Group had obtained a total of 388 patents.

6.3 Customer Service

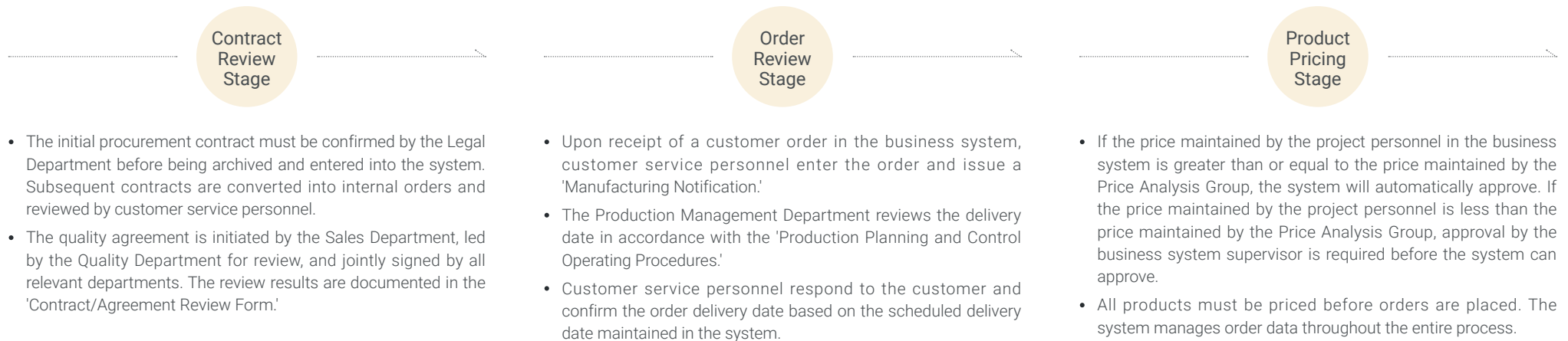
SHP Group consistently adheres to a customer-oriented approach, continuously strengthening its innovation capabilities and overall competitiveness. The Company strictly abides by the principles of integrity, regards product quality as the foundation of its development, and pursues high-quality service as a core value, earning broad market recognition through solid performance. Whether serving internationally renowned cosmetics brands or emerging start-ups in their growth phase, the Company leverages its professional expertise to provide comprehensive service support and assistance.

End-to-end Service System

The Company has established a comprehensive pre-sales and after-sales service system. Through pre-sales needs communication and after-sales response mechanisms, it achieves efficient interaction with customers and ensures that customer issues and requests are addressed promptly. To strengthen the standardization and normalization of customer service management, the Company has formulated the 'Customer-Related Process Control Procedure,' establishing systematic process standards for contract and order management, customer property management, and customer satisfaction evaluation procedures, thereby continuously improving customer service quality.

Contract and Order Management

SHP Group Contract and Order Management System



● Customer Property Management

Customer property includes customer-customized molds, supplied materials, and other related items. The Company requires that products provided by customers are used solely for the purposes specified by the customer and must not be diverted for other uses or improperly handled without the customer's authorization. If any materials provided by the customer remain unused after production is completed, the Company must provide the customer with surplus data and confirm the method of disposal.

● Customer Satisfaction Evaluation

The customer satisfaction management system is founded on a standardized indicator system and survey mechanism, establishing a solid foundation for enhancing service quality.

SHP Group Customer Satisfaction Evaluation System

Management System

- A scientific and effective customer satisfaction indicator system has been established, resulting in the 'Customer Satisfaction Survey List and Tracking Table.'
- The business system is responsible for entering customer information into the Company's customer directory; these customers then become subjects for the Company's survey tracking.

Survey Mechanism

- The business system conducts customer satisfaction surveys every six months (in July and January).
- By June 15 and December 15 each year, the customer survey list is compiled and approved, and the 'Customer Satisfaction Survey' is distributed via email and mail to customers selected for the survey.
- Customer service personnel within the business system are responsible for tracking customer feedback and collecting satisfaction survey forms within fifteen working days. The recovery rate must exceed 80% as required.

The Company regards customer feedback as the core basis for service optimization, systematically analyzing customer opinions and suggestions to accurately identify service pain points. The Company focuses on addressing root causes through closed-loop management, continuously advancing customer service quality and effectively enhancing customer satisfaction.

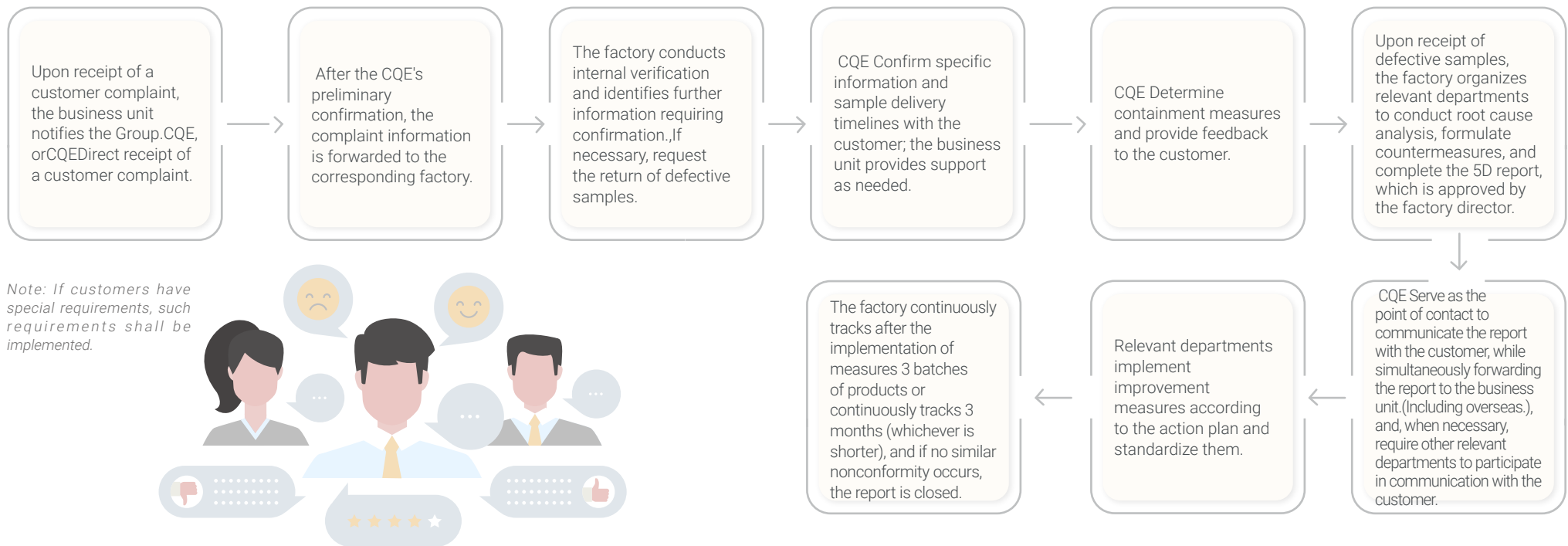
In 2024

SHP Group's monthly OTIF (On Time In Full) consistently **exceeded 95**, with customer satisfaction rates **above 90**.

Customer Complaint Handling

SHP Group is committed to customer service quality, standardizing customer communication and complaint handling procedures. Through regular analysis of customer complaints, root cause tracing of product defects, and the formulation of quality improvement plans, SHP Group establishes complaint management targets linked to employee performance, continuously enhances staff training mechanisms, and adopts strategies such as strengthened on-site management, prevention of human error, and the introduction of automation technologies to comprehensively improve customer service standards.

Customer Complaint Handling Process



In 2024, the Company received a total of 204 major customer complaints, primarily related to personnel issues, with the main problems being 'failure to identify issues' and 'failure to operate in accordance with required standards.'In response to the aforementioned complaints and feedback, the Company attaches great importance and has advanced problem resolution through process management, workshop renovation, and enhanced supplier management. Specific measures include:

- ✓ Establishing process improvement projects focused on process management;
- ✓ Developing workshop renovation plans to address foreign matter and dust in the environment;
- ✓ Develop supplier management improvement plans, requiring all exception handling to be assigned to different personnel for tracking until case closure. Establish an internal supplier quality meeting system, with weekly internal reporting on improvement progress and requests for support. Establish a dedicated improvement team for complex customer complaints and track improvement progress in real time.

In 2024

SHP Group EBB total complaint rate

0.69% (monthly average)

SHP Group customer feedback and complaint rate

1.90% (monthly average)

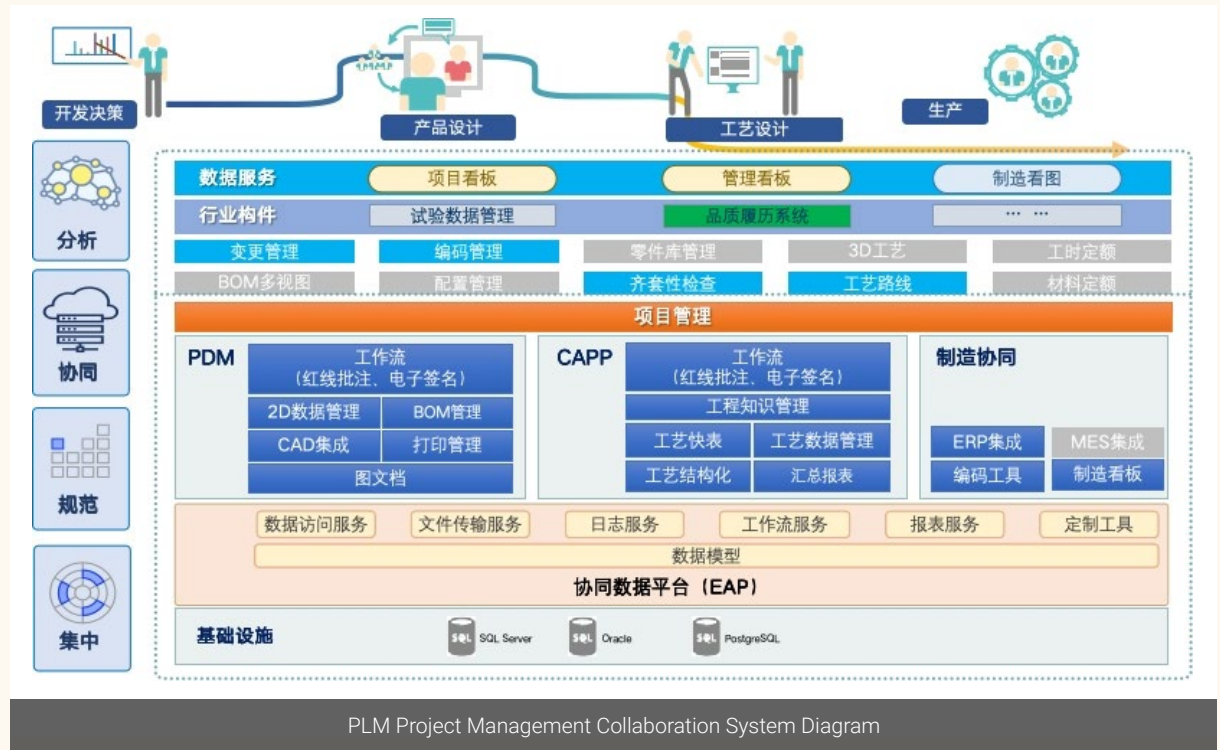
SHP Group customer complaint exception closure rate

99.5% (monthly average)



Digital Upgrades Drive Improvements in Customer Service Quality

In developing its customer service system, SHP Packaging has focused on digital upgrades, initiating the implementation of the PLM project management collaboration system at the end of 2024. This system spans the entire process from development decision-making, product design, and process design to production, establishing an integrated platform that encompasses data services, project management, and collaborative operations. Once operational, the system will enhance digital collaboration capabilities, resulting in faster customer response times and shorter project delivery cycles, thereby continuously improving the Company's efficiency and collaborative capacity in customer project management.



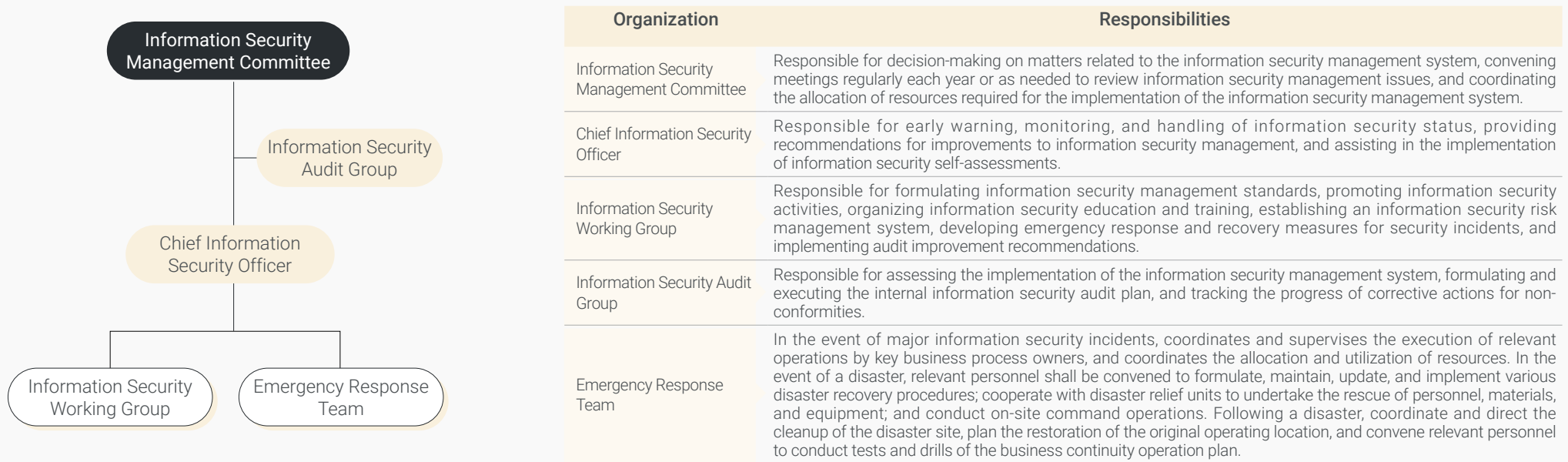
6.4 Information Security

Amid the accelerated advancement of digital transformation, information security has become one of the core safeguards for enterprises to achieve sustainable development. SHP Group attaches great importance to information security and risk management, and continuously strengthens its information security management system. The Company strictly complies with the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, and other relevant laws and regulations. In 2024, the Company did not experience any major information leakage or violations in the area of customer privacy and information security.

Governance

The Company places a high priority on the establishment of its information security management system and has developed a multi-tiered information security management architecture with clearly defined responsibilities. Each organization collaborates according to its functional responsibilities, ensuring information and data security throughout the entire process—from policy decision-making, daily management, and emergency response to implementation supervision.

SHP Group Information Security Management Architecture and Responsibilities



The Company has established multiple internal information security management regulations, including the Compliance Management Procedures, Data Security Protection Management Procedures, Information Security Management Manual, and Information Security Risk Assessment and Management Procedures. In accordance with the principles of classified management, hierarchical protection, and authorized use, the Company has set detailed standards for the security management of corporate and personal data, assigned responsibility for the secure and confidential management of customer information to specific departments, and, in conjunction with a data leakage prevention management system, provides technical safeguards to protect customer privacy and security.

Information Security Management Policy

Compliance with laws and regulations, integrity and professionalism, customer satisfaction

Standardized management, ensuring security, continuous improvement

Strategy

For the Company, information security concerns not only the protection of internal information and customer data, but also has indirect impacts on the environment and society. Information security incidents that trigger emergency operation of data centers increase energy consumption and carbon emissions; Electronic devices that are damaged and replaced due to data breaches also result in resource waste and environmental pollution. Therefore, ensuring information security may help prevent potential issues of environmental pollution or resource waste. At the same time, by strengthening information security measures, the Company can enhance customer trust, promote social recognition of corporate responsibility, and thereby advance sustainable development and social stability.

Analysis of Information Security-Related Risks and Opportunities

Risk:

- For example, if existing protection technologies lag behind, the company is vulnerable to hacker intrusions and data theft or tampering. In the short term, significant capital investment will be required to upgrade technology ;
- If an information security vulnerability results in customer data leakage, consumer trust will decline, leading to a short-term decrease in market share and damage to operating revenue.

Opportunity:

- Obtaining authoritative information security certifications demonstrates the company's security capabilities, which facilitates the expansion of market share and increases operating revenue ;
- Promoting operational process intelligence through digital transformation, optimizing production processes and resource management, and enhancing digital tools such as RPA (Robotic Process Automation) and AI (Artificial Intelligence) through localized deployment, as well as building a digital collaboration platform, will enable the company to respond more precisely to market demands, reduce operating costs in the medium to long term, and increase operating revenue.

Risk Management

To strengthen the information security defense line, the Company has implemented multidimensional information security management measures, coordinating efforts across assessment and audit, monitoring and early warning, emergency response and drills, technical protection and certification, security awareness training, and support for digital transformation, to safeguard information security.

SHP Group Information Security Management Measures

Assessment and Audit

- **Regular comprehensive assessments:** The Company conducts comprehensive information security risk assessments across all business lines through third-party professional organizations (Sangfor), covering data storage, transmission, processing, and other aspects, to identify potential vulnerabilities (such as cyberattacks, data breaches, and third-party cooperation risks), thereby ensuring the security of information assets.
- **Compliance Benchmarking:** Based on international standards (ISO 27001) and industry regulations (such as the Personal Information Protection Law and the Data Security Law), the alignment of the existing management system with regulatory requirements is assessed to ensure that information security measures comply with legal obligations and to mitigate compliance risk.
- **External Independent Audit:** Annual independent third-party audits are conducted to verify the comprehensiveness and accuracy of risk identification, providing independent third-party oversight for risk management.

Technical Protection and Certification

- **VPN Line Policy Configuration:** Leveraging the Sangfor solution, an information security transmission defense line has been established; communication security is ensured through firewall rule-based access policies.
- **File Encryption Management:** Through comprehensive utilization of the SiAn Zhiyun file encryption system, file encryption management is implemented to prevent sensitive information from being illegally accessed or tampered with during transmission and storage, thereby ensuring data security.
- **System Certification:** SHP (Kunshan) and SHP (Cixi) have obtained ISO/IEC 27001:2022 Information Security Management System certification, with the certification scope covering information security management activities related to the manufacturing of plastic cosmetic packaging containers and their accessories. SHP (Kunshan) and SHP (Cixi) have obtained ISO 22301:2019 Business Continuity Management System certification, covering business continuity management activities related to the production of plastic cosmetic packaging containers and their accessories.
- **Cybersecurity Audit:** CyberVadis cybersecurity audit, further verifying the Company's cybersecurity protection capabilities.

Emergency Response and Drills

- **Annual Disaster Recovery Drill:** An annual disaster recovery restoration drill is conducted to simulate emergency response and recovery processes in the event of major information system incidents, enhancing employees' ability to respond to emergencies and ensuring business continuity.

Digital Transformation Support

- **Application Systems:** Digital transformation provides technical support for information security management. For the IoT & OEE systems, the Company has strengthened real-time monitoring and security protection of equipment operations, and enhanced visual management through workshop display boards and mobile dashboards. By utilizing the OEE system architecture, management nodes are embedded into processes such as calendar scheduling and abnormal downtime management.

Monitoring and Early Warning

- **Comprehensive Network Security Monitoring:** Sangfor security services continue to be utilized for comprehensive, around-the-clock information security monitoring and protection. The annual overall security score increased from 86.78 to 87.5, effectively mitigating various security threats.
- **Dynamic Monitoring:** Utilizing the Sangfor Security Service Platform for 24-hour real-time monitoring of threat intelligence, combined with AI technology to analyze abnormal behaviors and provide early warnings for high-risk scenarios such as ransomware attacks, supply chain vulnerabilities, and phishing email threats, thereby ensuring stable system operation.

Information Security Awareness Training

- **Training Organization:** The Company organizes annual information security training sessions, and distributes information security-related posters on a quarterly and ad hoc basis, to ensure employees understand and comply with information security requirements and procedures, thereby enhancing overall employee awareness of information security. The training content includes 'SHP Group Network Information Security Briefing,' '2024 SHP Group Email Security Training,' and '2024 SHP Group Information Security Training.'

EXECUTIVE SUMMARY

cybervadis

Company: ShyaHsin Packaging (China) Co., Ltd

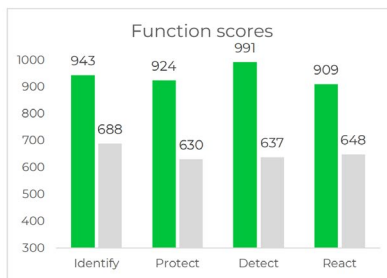
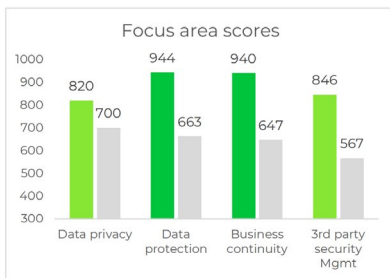
Publication date: 14-03-25

*Overall CyberVadis benchmark score: 654

Overall score



MATURE



CyberVadis Cybersecurity Audit Score

SHP Group has completed the CyberVadis network security risk assessment.

In 2024, the Company implemented several key improvement measures, including supplier management optimization, antivirus system upgrades, and the enhancement of cybersecurity early warning mechanisms, thereby comprehensively strengthening the Company's information security protection capabilities. In March 2025, the Company successfully passed the CyberVadis cybersecurity audit, achieving a score of 934. The specific measures are as follows:

- Optimized the management and control of third-party integration and cloud service providers by explicitly specifying incident response times and business continuity requirements in contracts, and adding audit clauses. Conducted regular quarterly assessments of technical and service capabilities to ensure supplier compliance and service quality.
- Replaced the original Kaspersky antivirus software with the Sangfor aES endpoint case system, which is integrated with the Sangfor security management platform to enable 24-hour real-time monitoring and response.
- The Sangfor Security Management Platform has integrated and assumed control of the original PA firewall, enabling real-time network threat alerts and allowing 24-hour security service engineers to block threats, thereby ensuring the security of network entry and exit points.



On-site session of the cybersecurity regulations seminar



Conducting cybersecurity awareness training to uphold regulatory compliance together

On July 26, 2024, the Company held a cybersecurity regulations seminar at the Employee Activity Center. This event not only deepened and expanded the Company's longstanding efforts in cybersecurity and anti-fraud awareness, but also further strengthened and enhanced each employee's sense of responsibility for cybersecurity.

Indicators and Targets

The Company demonstrates its actions and achievements in strengthening security defenses by setting management objectives and promptly reviewing progress at each stage. In 2024, the Company successfully achieved multiple management objectives, further consolidating the foundation of information security.

SHP Group 2024 Information Security Management Objectives and Progress

Indicator	Target	2024 Progress
Number Of Major Information Security Incidents Per Year	0	Achieved
Annual Availability Rate Of Critical Information Systems	Not Less Than 99%	Achieved
Annual Information Security Training For Key Positions Not Less Than	No Less Than 2 Times Per Year	Achieved
Vulnerability Scanning (Global)	Execution Cycle 1 Time/Month	Achieved
Information Security Education And Training	Execution Cycle 2 Times/Year	Achieved
Intrusion And Penetration Testing	Execution Cycle 1 Time/Year	Achieved
Backup And Restoration Testing	Execution Cycle 1 Time/ Week	Achieved
Disaster Recovery Testing And Restoration Drills	Execution Cycle 1 Time/Year	Achieved



6.5 Supply Chain Management

The Company’s suppliers are classified by material type, primarily into four categories. The Company strictly complies with the Tendering and Bidding Law of the People’s Republic of China and other relevant laws and regulations, and has established a comprehensive supply chain management system to prevent supply chain security risks.

Category I Materials

- Production materials procured on a continuous basis, namely components of products and packaging materials

Category II Materials

- These production materials include raw materials (such as plastic pellets, coatings, inks, foil, etc.), industry-renowned brands, materials specified by customers, irreplaceable items, materials with a sole procurement channel, or materials purchased internally within the Group

Category III Materials

- Standard products, accessories, IT or software services, testing services, various system and environmental services, consulting and training services, and other goods without specific physical items, MRO Product categories

Four Categories of Materials

- Materials not procured on a continuous basis, with annual procurement frequency ≤ 2 times, and an annual procurement amount less than RMB200,000 Yuan.

Governance

To standardize Supply Chain management, the Company has established and improved supplier governance mechanisms, and formulated the Supplier Management Procedure and Supplier Code of Conduct systems. Within the Supply Chain management system, the Procurement Department serves as the core coordinating department, and is internally divided into three modules: Development Procurement, Order Procurement, and Supplier Quality Management (SQE).

Supplier Management Structure

Organization	Responsibilities
Procurement Department	As the core coordinating department, responsible for the development of outsourced products, supplier selection and management, and the establishment of sustainable procurement standards.
Development Procurement	Responsible for supplier development and new product development, and for implementing designated management.
Order Procurement	Responsible for order follow-up of mass production products, supplier reconciliation, and other business processes.
SQE	Responsible for auditing suppliers, addressing supplier quality issues and following up on 8D analysis, as well as assessing supplier KPIs.

Strategy

If the Company actively implements green procurement policies in supply chain management and selects environmentally friendly suppliers, it can contribute to reducing plastic use and carbon emissions within the industry, thereby alleviating ecological pressure; If compliance management is implemented throughout the supply chain to safeguard the rights and interests of upstream and downstream employees, it can promote employment stability and enhance both supply chain and socio-economic resilience.

Analysis of Risks and Opportunities Related to Supply Chain Management

Risk:

- Natural disasters such as floods and typhoons may interrupt the supply of key raw materials, resulting in production stoppages and delivery delays, which in the short term increases operating costs and reduces operating revenue;
- Long-term resource shortages caused by climate change may increase the difficulty and price volatility of procuring basic materials such as plastics, thereby increasing operating costs in the medium to long term;
- Changes in customer demand may affect the flexibility and efficiency of the existing supply chain structure, resulting in increased operating costs in the short term;
- If suppliers are found to have issues such as environmental pollution or labor rights violations, it may damage the company's brand image and erode customer trust, thereby reducing operating revenue in the short term.

Opportunity:

- Driven by global ESG trends, downstream customers are placing greater emphasis on supply chain sustainability. If the company strengthens supply chain ESG management and provides customers with end-to-end ESG traceability to meet customer transparency requirements, it can expand market share and increase operating revenue.

Risk Management

The Company attaches great importance to all potential risks within the supply chain, upholds sustainable procurement, rigorously selects suppliers, strengthens both access and dynamic management, actively advances the development of a resilient supply chain, and ensures the stable operation and sustainable development of the supply chain in complex environments.

● Sustainable Procurement

The Company implements a series of management practices across six key dimensions: establishing stringent standards, conducting due diligence, managing supplier access, building communication channels, supervising and auditing, and providing training and support. From environmental and social standardization, supplier selection, information collection, and collaborative engagement, to supervision, enhancement, and capacity building, the Company fortifies the foundation of sustainable procurement throughout the entire process, thereby promoting the sustainable development of the supply chain ecosystem. In addition, the Company is committed to collaborating with partners to promote transparency and ethical standards throughout the Supply Chain, thereby ensuring its overall sustainability.

SHP Group Sustainable Supplier Management Practices

<p>○ Establishing Strict Standards</p>	<ul style="list-style-type: none"> • The Company formulates the Supplier Code of Conduct, which encompasses environmental and social standards. The Company requires all suppliers to sign this Code agreement to demonstrate their compliance with these standards, or to commit to meeting these standards in the future by communicating their action plans to us. These codes constitute the fundamental requirements that suppliers must adhere to and form the basis for cooperation between both parties. <ul style="list-style-type: none"> → Environment: Encompasses areas such as energy use efficiency, water resource conservation, waste management, and emissions control. → Social: Encompasses standards in areas such as labor rights, health and safety, environmental protection, and Business Ethics.
<p>○ Conduct due diligence.</p>	<ul style="list-style-type: none"> • When selecting new suppliers, rigorous due diligence is primarily conducted through self-assessment questionnaires and on-site audits. <ul style="list-style-type: none"> → Self-assessment questionnaire: Suppliers are required to complete a detailed questionnaire regarding their environmental and social management systems and practices, serving as an initial screening tool. → On-site audit: For key suppliers, regular on-site visits are arranged to directly inspect the actual operation of their environmental and social management systems.

Supplier Admission Management

- The Company invites suppliers to complete the 'Sustainable Development Questionnaire' and the 'SA8000 Supplier Questionnaire', collecting comprehensive information on environmental, labor, and other dimensions.
- The Company requires suppliers to sign the 'Statement on Social Responsibility Management System', to ensure their conduct complies with standard requirements.

Establish Communication Channels

- The Company has established an open supplier communication platform to facilitate feedback and problem resolution, while also encouraging suppliers to share successful experiences in improving working conditions and fulfilling social responsibilities. Through a two-way interaction mechanism, the sustainable development level of the Supply Chain is continuously enhanced.

Supervision and Audit

- Encourage and verify whether suppliers have obtained internationally recognized Environmental Management System certifications, such as ISO 14001.
- The Company conducts regular on-site audits and third-party reviews to assess whether suppliers comply with relevant codes of conduct and social responsibility standards. For identified issues, specific improvement plans are formulated, and implementation is tracked until the issues are fully resolved.

Training and Support

- Provide suppliers with training resources and support to help them understand and implement the codes of conduct and social responsibility standards established by the Company.
- Through organizing seminars, developing online training courses, and other diverse formats, the Company shares best practices in sustainable development and the latest advancements in environmental protection technologies with suppliers.
- The Company actively fosters a culture of continuous improvement in collaboration, encouraging suppliers to jointly explore efficient and environmentally friendly solutions. Through collaborative research and development, joint projects, and other initiatives, the Company promotes technological innovation and process optimization, effectively reducing environmental impact.

The Company has established a series of social responsibility management commitments to ensure that suppliers meet requirements regarding labor rights, environmental protection, and business ethics. The following are the core social responsibility clauses that suppliers must comply with:

Supplier Social Responsibility Management Commitment List

- 1 Child Labor: Suppliers shall not employ child labor.
- 2 Forced Labor: Suppliers shall not employ any forced or compulsory labor.
- 3 Human Rights: Suppliers must respect the rights of employees. Employees shall not be subjected to any unfair treatment of a physical, verbal, psychological, or gender-related nature.
- 4 Working Hours: Suppliers must comply with local laws regarding working hours and shall not require employees to work overtime.
- 5 Compensation: Suppliers must pay employees no less than the statutory minimum wage or provide more favorable remuneration.
- 6 Discrimination: Suppliers shall not engage in any unfair or improper discrimination in employment, compensation, promotion, or other aspects of employment.
- 7 Freedom of Association: Suppliers must respect employees' rights to freely associate and to elect representatives in accordance with local laws.
- 8 Health and Safety: Suppliers must ensure that their workers' working environment is clean, healthy, and safe.
- 9 Environment: Suppliers are committed to strict compliance with environmental laws and regulations applicable to our business. With regard to the environment, suppliers should systematically prevent, reduce, or remedy adverse impacts of the Company's activities, products, and services on the environment through proactive measures and responsible management. Suppliers must ensure compliance with applicable laws and regulations, including those related to air emissions, noise, pollution, and surface water discharge. Suppliers should also establish secure procedures for the handling, transportation, and disposal of waste.
- 10 Business Ethics: Partners are expected to comply with all applicable laws, regulations, and best practices relevant to their business, particularly in the areas of anti-corruption and anti-money laundering, conflict of interest, adherence to business practices, and compliance with competition law.

Furthermore, we are committed to promoting environmentally responsible procurement. For example, regarding plastic pellet procurement quotas, the Company endeavors to recommend that clients use environmentally friendly and recyclable PCR materials. From 2022 to 2024, the proportion of PCR materials used increased from 10% to 11.4%. When selecting suppliers, under equivalent cost conditions, priority is given to factories that have obtained management certifications such as 'Green Factory', 'Environmental Management System', and 'SA 8000 System'. In addition, when procuring electrical equipment, the Company focuses on environmental friendliness, giving preference to equipment with top energy efficiency ratings, striving to reduce energy consumption and pollutant emissions, and supporting environmental sustainable development.

● Supplier Management

SHP Group has established a comprehensive supplier management system, encompassing key aspects such as supplier admission, assessment and incentives, and audit evaluation, to promote continuous improvement in compliance, integrity, efficiency, and sustainable development, thereby supporting the development of an efficient, transparent, and sustainable supply chain system.

SHP Group Supplier Management Measures

Supplier Admission

- **Information Collection:** The Company invites suppliers to complete the 'Supplier Evaluation Questionnaire', 'Sustainable Development Questionnaire', and 'SA8000 Supplier Questionnaire' documents, to comprehensively assess suppliers' operational and social responsibility practices, and simultaneously sign the 'Confidentiality Agreement' to reinforce information security.
- **Audit and Scoring:** For Category I material suppliers, based on category characteristics and risk level, the Company forms an assessment team comprising SQE and relevant department members to conduct on-site audits. The 'Supplier On-site Evaluation Scoring Form' is used to quantify assessment results. In principle, suppliers scoring below 60 points on the scoring form will not be admitted into the Company's supplier system.
- **Qualification Review and Contract Signing:** Suppliers of Categories II to IV materials may be exempt from on-site assessment; the Company is required to collect and complete the 'Supplier Evaluation Questionnaire' and review qualification documents such as the business license and bank account information. Upon approval of the supplier's sample submission, the Company will facilitate the supplier's execution of documents including the 'General Terms and Conditions for Procurement of Products and Services', 'G-SA-2019-09-B Supplier Material Safety Commitment Statement (including RPP 900H and related requirements)', 'Product Quality Agreement', 'Supplier Code of Conduct', and 'Trade Security Supplementary Agreement'.
- **Certification Priority Cooperation:** According to the 'Supplier Management Procedure', for suppliers involved in product safety, priority is given during the admission process to those who have obtained GFSI-recognized system, ISO 22000, or GMP/HACCP certifications, or can provide a declaration of conformity.

Supplier Assessment and Incentives

- **Assessment Mechanism:** For qualified suppliers of Category I materials, the Company has established a monthly assessment mechanism, evaluating batch pass rate, on-time delivery rate, quality incident feedback handling, and customer complaint deductions. At the same time, the Company adheres to the ISO 9001 Quality Management System standard, SA 8000 Social Responsibility Management System, and ISO 14001 Environmental Management System requirements, conducting annual supplier assessments covering quality, delivery timelines, price competitiveness, innovation capability, social responsibility, environmental assessment, and business ethics.
- **Commendation Conference:** On January 6, 2024, the Company clarified the target requirements for suppliers in 2024 at the 'Strategic Supplier Commendation Conference' and recognized suppliers who demonstrated outstanding performance over the past year.

Audit and Evaluation

- **Internal Audit:** An internal audit is conducted annually to comprehensively review the Supply Chain Management System, processes, and measures, ensuring system compliance and effectiveness.
- **External Audit:** Through external audits, during other system certification processes, third-party organizations and clients conduct in-depth evaluations of the Supply Chain, provide objective professional opinions, help identify potential Risk, and offer recommendations for improvement.
- **Key Performance Indicator Setting:** To quantify Supply Chain performance, the Company requires suppliers to establish a series of Key Performance Indicators (KPIs), such as batch pass rate, OTD, quality feedback performance, and innovation technology.

SHP Group Supplier Quality Improvement Measures and Outcomes

Improvement Measures

Supplier Qualification Review: At least one on-site audit is conducted annually for key suppliers.

Incoming Material Inspection: All raw materials must undergo rigorous quality inspection prior to warehousing.

Supplier Performance Evaluation: Monthly performance assessments are conducted for suppliers. Suppliers rated as Grade C are required to submit a quality improvement plan to the Company.

Employee Training and Supplier Seminars: Regular professional training is provided for the procurement team, and seminars with suppliers are held periodically.

Performance Outcomes

- The proportion of non-compliant suppliers has been reduced from 5% previously to below 1% currently.
- The product defect rate attributable to raw materials has been reduced by approximately 60%.
- The overall KPI score of suppliers increased by 20%, with the product pass rate improving by 15 percentage points.
- The procurement team's ability to address complex issues has been significantly enhanced;
- In April 2024, management experience was shared with 13 suppliers;
- In September 2024, third-party ESG-focused training was conducted for suppliers, involving 60 suppliers.



On-site thematic training



Conduct ESG-focused training for strategic partner suppliers

In September 2024, the Company will convene a supplier conference, inviting over 60 strategic partners to participate, and will engage experts from Carbonstop Technology Co., Ltd. to deliver training on 'Core ESG Principles and Their Practical Application in Supply Chain Management.' Among these, 'Scope 3 emissions' (indirect emissions generated throughout the Value Chain, which typically constitute the majority of a company's carbon footprint) have become a focal point.

As one of the influential enterprises in the packaging industry, the Company will leverage this training as an opportunity to strengthen consensus on ESG management within the Supply Chain and to promote suppliers' understanding of the value of Climate Change mitigation and emissions control.

● Enhancing Supply Chain Resilience

Throughout the entire process from material procurement and logistics transportation to product delivery, SHP Group responds rapidly to operational disruptions through flexible contingency plans and precise forecasting mechanisms, promptly adjusting production and supply strategies to ensure business continuity. Enhancing supply chain resilience has become a critical issue for corporate development. A stable and flexible supply chain is the core support for addressing challenges.

SHP Group Resilient Supply Chain Management Initiatives

Diversified Supplier Base

To mitigate the risks associated with reliance on a single supplier, SHP Group actively expands a diversified supplier network. By engaging multiple suppliers, the Group diversifies the risk of supply chain disruptions and leverages cost advantages and resource characteristics from different regions, thereby enhancing the overall stability and flexibility of the supply chain.

Establishing Strategic Partnerships

The Company has established deep strategic partnerships with key suppliers, encompassing information sharing, joint investment in research and development, and collaborative development of contingency plans, among other areas of cooperation.

Developing Contingency Plans

To address emergencies that may affect the Supply Chain, such as natural disasters, political instability, and economic crises, the Company has formulated comprehensive contingency plans. These plans include rapid response mechanisms, lists of alternative suppliers, and inventory strategy adjustments, to ensure swift response and operational recovery in emergency situations.

Enhancing Inventory Management

The Company utilizes an advanced inventory management system to ensure the maintenance of adequate safety stock levels without impacting cash flow, thereby enabling effective response to short-term demand fluctuations or supply disruptions.

Ongoing Monitoring and Evaluation

The Company conducts regular health assessments of the Supply Chain to identify potential Risk points and implement preventive measures. Additionally, Supply Chain strategies are promptly adjusted in response to changes in the external environment.

● Indicators and Targets

The health and stable development of the Supply Chain are critical for the Company to advance Sustainable Development across the industrial value chain. The Company establishes clear Supply Chain management objectives and conducts annual reviews to ensure the effective implementation of all initiatives.

SHP Group 2024 Supply Chain Management Objectives and Progress

Indicator	Unit	Target	2024 Progress
ESG Contract Signing Rate for Category 1 Materials Suppliers	%	95	100
On-Time Delivery Rate	%	>95	96.33
Batch Pass Rate	%	>98	98.13

07

United in Harmony, Creating a Beautiful Homeland Together

The United Nations Sustainable Development Goals (SDGs) addressed in this chapter:



7.1 Human Rights and Labor Rights

Human Rights Protection

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 the Protection of Minors, and other relevant laws and regulations, as well as the legal requirements of the United States, Mexico, and other overseas locations where it operates. In addition, SHP Group adheres to the SA8000:2014 Social Accountability Standard and the principles of the United Nations Global Compact. The Group has established policies such as the ‘Prohibition of Forced Labor Control Procedure’ and the ‘Child Labor and Underage Female Worker Control Procedure,’ strictly prohibiting any form of forced labor, use of child labor, or underage workers at any stage of work or employment, thereby safeguarding human rights.

SHP Group Human Rights Protection Commitment

- ✓ The use of child labor is strictly prohibited. SHP Group does not accept any suppliers or subcontractors who employ child labor or forced labor, or who endanger the health and safety of employees.
- ✓ Respect employees’ freedom and strictly prohibit any form of forced labor.
- ✓ Provide healthy and safe working and living conditions to ensure employees’ operational safety and occupational health.
- ✓ Promote labor-management cooperation and respect employees’ freedom of association and collective bargaining rights.
- ✓ Provide equal and fair employment social responsibility, and strictly prohibit any form of discrimination.
- ✓ Respect employees’ fundamental human rights and strictly prohibit any form of conduct that insults personal dignity.
- ✓ Reasonably arrange production plans and appropriately schedule employees’ working hours and rest periods;
- ✓ Provide reasonable wages and benefits that at least meet employees’ basic needs.

SHP Group upholds the spirit of the International Labour Convention and the Universal Declaration of Human Rights, actively responds to global and strategic clients’ Living Wage initiatives, and ensures the basic quality of life for employees. The Company ensures that employees receive reasonable and dignified remuneration, guaranteeing their basic needs in food, medical care, education, and housing.

SHP Group Employee Basic Living Guarantee

Food	Healthcare	Education	Housing
Employees are able to afford a diverse and nutritious diet for all three daily meals.	Employees can easily access basic healthcare and afford medical services in emergency situations.	Employees not only have the opportunity to invest in their children's education, but also have access to relevant training to pursue higher positions.	Enabling employees to enjoy decent and well-maintained housing with a good environment.

During the reporting period:

The number of violations related to forced labor and child labor at SHP Group was **zero**.

The proportion of security personnel who have received human rights training is **100%**.

SHP Group has achieved LWP certification.

SHP Group has joined the Living Wage Program (LWP), which is primarily intended to improve employees' quality of life by providing adequate wages to cover food, housing, healthcare, and education, thereby enhancing employee satisfaction, strengthening corporate reputation, and advancing the Company's sustainable development.

The Company obtained LWP certification and the corresponding certificate in February 2024. The program currently covers all employees at the Kunshan Factory, with plans to expand to the Mexico Factory in 2026 and to other global factories by 2030. In addition, the Living Wage project received the L'Oréal Green Vibes Global Third Prize, demonstrating external stakeholders' recognition and support for the Company's human rights protection efforts.

Note: The living wage exceeds the local minimum subsistence wage standard.



LWP Certification

Employee Compensation and Benefits

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, and other relevant laws and regulations; formulates and continuously improves the Employee Handbook, Performance Bonus Assessment Measures, and other internal regulations, thereby establishing a scientific, comprehensive, fair, and reasonable compensation and benefits system.

In terms of compensation structure, the Company implements a diversified and incentive-based compensation model. Employee compensation primarily consists of two components: fixed salary and performance bonuses. Performance bonuses are distributed on a quarterly and annual basis, and are closely tied to employees' job performance and achievements, fully motivating employees' enthusiasm and creativity.

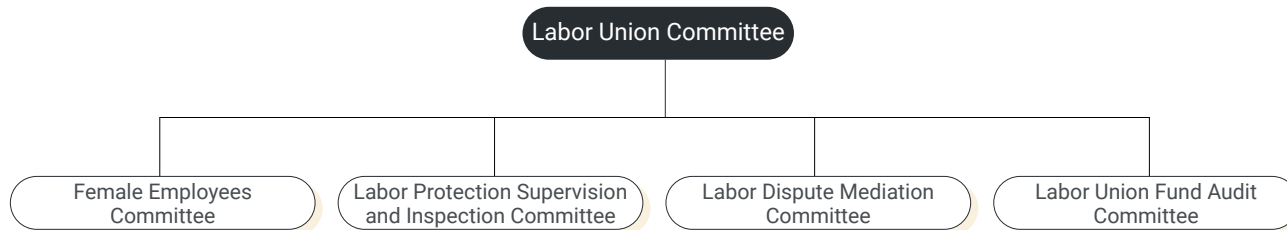
With respect to welfare and benefits, the Company complies with national regulations and pays five social insurances and one housing fund for employees on time, ensuring that every employee receives basic social security. In addition, the Company provides employees with a variety of additional benefits, such as birthday celebrations and holiday gifts, enabling employees to feel the Company's care and warmth outside of work, and striving to create a harmonious and positive working environment.

With regard to rest and leave, the Company fully respects and safeguards employees' legitimate rights and interests by providing a diverse range of leave options, including marriage leave, bereavement leave, prenatal check-up leave, maternity leave (including miscarriage leave), nursing leave (paternity leave), breastfeeding leave, sick leave, personal leave, and annual leave. This enables employees to have sufficient time to attend to personal matters and accompany their families, thereby achieving work-life balance.

Employee Democratic Communication

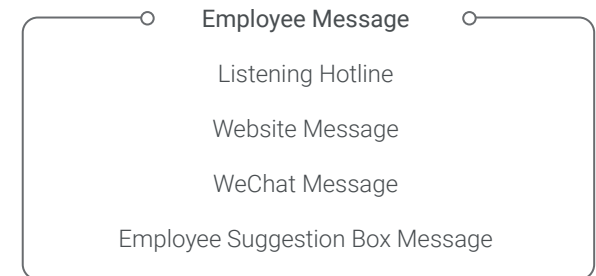
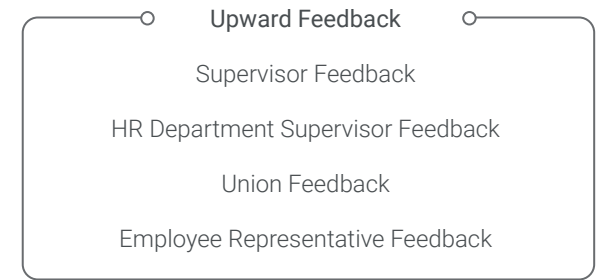
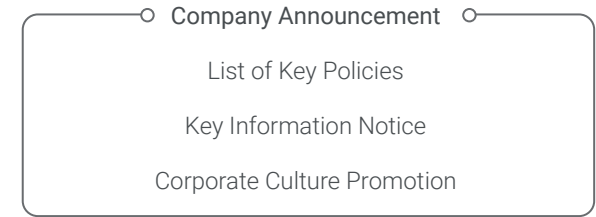
SHP Group places great emphasis on democratic management, lawfully establishes labor unions, convenes employee representative meetings as scheduled, promotes the improvement of labor relations coordination mechanisms, safeguards employees' labor rights and interests, and fosters harmonious labor relations. The Company has established a comprehensive and service-oriented trade union system, maintaining close contact with employees, listening to and reflecting their opinions and demands, caring for their well-being, and assisting them in resolving difficulties.

SHP Group Trade Union Organizational Structure



To facilitate more timely and effective communication and interaction with employees, the Company has established a multi-dimensional information dissemination and feedback mechanism, enabling employees to remain informed about Company developments and to express their views regarding daily management, living facilities, dining, and other matters.

SHP Group Two-way Communication Channels.



On-site at the SHP Group 2024 Employee Representative Conference.

Convening the 2024 Employee Representative Conference

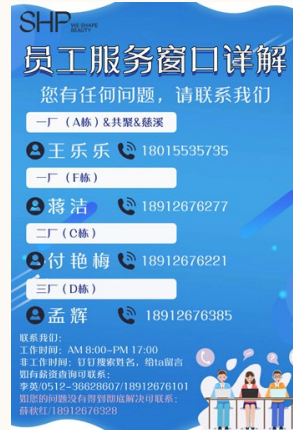
On the afternoon of November 28, 2024, the sixth session of the second SHP Packaging Employee Representative Conference and the fourth session of the third Member Representative Conference were held concurrently. The conference was attended by the Company's Director of Administration & Operations Planning, Senior Manager of the EHS Department, Chairman of the SHP Packaging Trade Union, and Director of the Trade Union Audit Committee. More than 100 employee representatives and trade union member representatives from various departments were specially invited to participate. The Director of Administration delivered the 'Business Management Work Report,' and the Manager of the EHS Department presented the 'Work Safety Report.' The conference also reviewed and approved the 'Collective Wage Agreement.' In the future, the SHP Packaging Labor Union will further fulfill its fundamental responsibilities of safeguarding employees' legitimate rights and interests and wholeheartedly serving the workforce, thereby contributing to the Company's sustainable and healthy development.

The Company attaches great importance to employees' opinions and suggestions. Upon receiving relevant feedback, management will respond or propose improvement measures within 24 hours. In addition, the Company has established an internal employee service desk to assist employees in resolving issues promptly, enabling them to better engage in both work and personal life.

SHP (Kunshan) Regularly conducts quarterly employee cafeteria satisfaction surveys and annual dormitory satisfaction surveys to promptly identify employee needs, improve the quality of cafeteria and dormitory services, and enhance employees' well-being at work and in daily life. In 2024, the employee cafeteria satisfaction survey result was 95.94%, and the employee dormitory satisfaction survey result was 99.57% (responses of 'acceptable' or above).



SHP Group 'Listening Hotline'



SHP Group Employee Service Window



SHP (Kunshan) Cafeteria and Dormitory Satisfaction Survey Questionnaire



7.2 Diversity and Inclusion

Inclusive Work Environment

SHP Group firmly believes that an equal, inclusive, and diverse workplace is the cornerstone of the joint development of employees and the Company. The Company has established management systems, such as the 'Anti-Discrimination and Disciplinary Measures Management Procedure,' in accordance with the SA8000:2014 Social Responsibility Management Standard, to prevent discriminatory practices in recruitment, compensation, training, promotion, and dismissal. At the same time, the Company advocates for the care and inclusion of vulnerable groups, promotes gender equality, strives to provide equal employment opportunities for all employees, and fosters an inclusive workflow and a diverse workplace environment.

The Company recruits individuals from vulnerable groups through multiple channels, continuously increases the proportion of such employees, maintains long-term cooperation with various special education colleges and universities, encourages internal transfers and re-employment of senior employees, and, under equal conditions, gives priority to the recruitment of ethnic minorities and veterans, thereby helping to address the social issue of employment difficulties faced by vulnerable groups.

The Company fully considers factors such as physical condition, ability fit, and customs and habits when arranging suitable positions for vulnerable groups, and assists them in integrating into the team, ensuring they feel respected and cared for.

During the reporting period, SHP Group

The number of employees with disabilities was **103**, and there were **152** employees from ethnic minority groups.

The employment rate of employees from vulnerable groups ^[1] reached **7.88%**, achieving ahead of schedule the target of a **5%** employment ratio for vulnerable groups by 2025.

[1] The Company defines employees from vulnerable groups as those with disabilities and those from ethnic minority groups.

SHP Group Development Plan and Action Directions for Disadvantaged Groups



Career Development and Personal Growth

- Providing Diversified Training (pre-employment training, basic technical training, personal competency training)
- Supporting the Acquisition of Additional Skills and Adaptation to Multiple Positions



Providing Humanistic Care

- Equal Treatment at Work, Care Provided in Daily Life
- Regularly Organizing Seminars, Team-Building Activities, and Follow-Up Visits



Facilitating Rapid Integration into the Team

- Establishing Correct Employment Values and Cultivating a Sense of Responsibility
- Implementing Dedicated Line System with Designated Personnel Responsible for Management

In addition, the Company also organizes a variety of activities for employees from disadvantaged groups, such as special cultural and sports events, collective birthday celebrations, support for obtaining a driver's license, and sign language classes, to convey warmth and care.



Birthday Celebration for Disadvantaged Groups



Special Cultural and Sports Activities for Disadvantaged Groups

Supporting Hearing-Impaired Employees in Obtaining Driver's Licenses

In March 2024, the Company, in collaboration with Rongai Human Resources and Kunshan Jiaoyun, supported hearing-impaired employees in obtaining driver's licenses, helping them better adapt to and integrate into society, while also providing them with more opportunities for employment and daily life. This demonstrates the Company's commitment to social responsibility and inclusiveness.



On-site Training Activities

Hosting the First Sign Language Class

In June 2024, the Company successfully hosted its first sign language class at the 3F Employee Activity Center. More than thirty frontline supervisors from SHP Plants 1, 2, and 3, together with new employee trainers and the HRBP team, explored the appeal of sign language, sincerely experiencing the warmth of the silent world. This allowed participants to gain a deeper understanding of the lives and needs of the hearing-impaired, thereby enabling them to provide better assistance and support.



Onsite Sign Language Class

SHP Group fully recognizes the value of women in the workplace, encourages and supports the development of female talent, and provides equal career development opportunities for women in recruitment, promotion, and other matters. The Group continuously increases the proportion of women in the Management Team and offers a series of leaves, including prenatal check-up leave, maternity leave, and breastfeeding leave, to help female employees better balance work and life, thereby building an equal, diverse, and inclusive workplace ecosystem through concrete actions.

During the reporting period, SHP Group

Management Team ^[1] Female representation reached **36.28%**.

Female employees accounted for **49.01%**.

[1] The Company defines the management team as employees with grade ≥4.

Organized holiday celebrations for female employees

On International Women's Day 2024, the Company prepared exclusive gifts for each female employee and organized outdoor celebration activities, including planting succulents, tea tasting around a stove, making dumplings, and enjoying a fire dance performance. In a joyful atmosphere, they celebrated their special day together.



International Women's Day Event Venue



International Women's Day Event Venue



International Women's Day Event Venue



Live Event Connection

Gender Equality Interview Initiative

From April to May 2024, the Company's HR department conducted interviews with dozens of female employees. The initiative aimed to enhance all employees' awareness of gender equality issues and to demonstrate the Company's commitment to and emphasis on gender equality. In addition, the Company continues to strengthen gender equality education and awareness through various channels, and provides relevant assistance and support to employees via the 'Listening Hotline.'

Diverse Employee Activities

SHP Group is committed to fostering a positive, diverse, and inclusive corporate culture. The Group actively promotes the establishment and development of employee cultural and sports associations, and plans and organizes a wide range of engaging cultural and sports events. In 2024, these events encompassed billiards, e-sports, basketball, music, table tennis, chess, and other areas, enriching employees' leisure time while providing every employee with opportunities to challenge themselves, showcase their talents, and shine in their own unique way.

With the support of the Kunshan Economic and Technological Development Zone Federation of Trade Unions, the Company established the Development Zone Activity Center (SHP Packaging Sub-center). Since its inception one year ago, the sub-center has become a key venue for employee recreation and entertainment, hosting over 40 events and attracting more than 1,000 participants.



Billiards Tournament



E-sports Tournament



Basketball Tournament



SHP 'The Voice'



Table Tennis Tournament



Chinese Chess Tournament

Organizing ESG Knowledge Competition

The month-long ESG Knowledge Competition concluded with the grand final on May 29 in the 3rd floor auditorium of the SHP (Kunshan) office building. The venue was filled to capacity and the atmosphere was vibrant. As the competition reached its peak, the scores of the six participating teams—Plant 1, Plant 2, Plant 3 Building B, Comprehensive, Cixi, and Polymerization—remained closely contested, with each quick-response round capturing the attention of the entire audience.

In this contest of intelligence and speed, each team was required not only to demonstrate a deep understanding of ESG topics, but also to respond rapidly under tight time constraints, thereby showcasing exceptional teamwork and adaptability. This competition demonstrates the Company's commitment to advancing ESG principles and injects strong momentum into the creation of a sustainable future.



SHP Group ESG Knowledge Competition Finals Onsite

Jointly Building the 'SHP Excellence'

During the 2024 mid-year Management Team building activity, each group was assigned clear tasks and objectives: to collaborate and, by leveraging limited resources and time, construct the 'SHP Excellence'—a symbol of team spirit and the Company's vision.



This requires not only technical excellence, but also seamless teamwork and effective communication. After relentless efforts, the magnificent and imposing 'SHP Excellence' was finally unveiled before everyone. This event enabled everyone to deepen mutual understanding and friendship in a relaxed and pleasant atmosphere. It is believed that, in future work, everyone will jointly contribute even greater strength to the development of the Company.



Participants took a group photo with the 'SHP Excellence'.

In addition, the Company adheres to the principle of 'Glocalization', flexibly adjusting the content and format of activities according to the cultural background and employee needs of overseas locations. The Company proactively integrates local characteristics and fosters an inclusive work environment through festival celebrations, the display of religious and cultural symbols, and other means to bridge cultural gaps.

SHP (Mexico) Employee Activities

Activity Type	Specific Content
<p>Celebration of Local Festivals</p>	<ul style="list-style-type: none"> A Christmas celebration themed 'Navidad en la Fábrica' was organized for employees and their families, featuring factory tours, a Christmas dinner (Posada), gift exchanges, raffles, and other activities, with 'Santa Claus' invited to distribute candy on site. 
<p>Showcasing Local Culture</p>	<ul style="list-style-type: none"> A statue of the Virgin of Guadalupe was placed in the factory's public areas, allowing employees to place fresh flowers during religious holidays. Mexican employees may apply for leave on the Feast of Our Lady of Guadalupe (December 12) to participate in religious activities. 

7.3 Employee Training and Development

Employee Training

SHP Group has established a comprehensive training system and extensive training resources to empower employee growth, supporting the joint advancement of both employees and the Company.

The Company has established the SHP Academy. The Human Resources Training Center continuously enriches the Academy's offerings by conducting internal trainer development, creating training materials and methodologies, building a digital training platform, and providing hardware facilities, thereby delivering an integrated training system that encompasses faculty, materials, and venues.

For new employees, the Company has designed differentiated onboarding training based on job levels to better support new hires in integrating into the Company environment, mastering job skills, understanding corporate culture, and ensuring that the training content precisely addresses the actual needs of new employees at various levels.

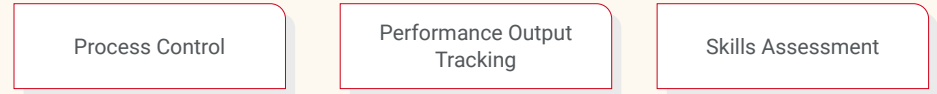
SHP Academy			
Academy Mission	To establish an enterprise university rooted in cosmetic packaging design, development, and manufacturing, characterized by comprehensiveness, systematization, and professionalism, and to serve as an incubation base for the Company's talent, technological innovation, and management innovation.		
Building a Knowledge Platform			
Academy Positioning	Talent Pipeline Development	Comprehensive and Specialized Skills Enhancement Training	Driving Management and Technological Innovation, Piloting and Incubation
Corporate Culture Promotion			

SHP Group New Employee Onboarding Training System

Training Program	Training Content	Training Format	Participants
General Education	The Training Center arranges general education training courses for new employees within one week of their onboarding, aiming to help new employees understand the Company's culture and regulations, and become familiar with the Company's departmental structure.	On-site Training Online Micro-courses	Non-frontline Employees
Dojo Training	Before new employees officially commence work, the department supervisor or a senior employee provides instruction, introducing the required skills, operating procedures, and occupational health and safety guidelines. On-site demonstrations are conducted, followed by hands-on practice by the new employee, with the goal of establishing correct work methods and attitudes to maintain a consistent quality standard.	On-site guidance Theoretical instruction	Frontline employees
Key position OJT training	Prior to the initial work period of newly recruited key employees, the Training Center organizes and arranges for lecturers from relevant departments to conduct planned training on products, materials, molds, processes, and other modules.	Theoretical knowledge On-site explanation	Key special position employees

Three-day ramp-up mechanism

Newly hired frontline operators are required to undergo 2–3 days of ramp-up training and assessment before commencing work. Training and personnel management are conducted by designated new employee trainers in each department, and their work performance is continuously tracked and assessed. Only those who pass the assessment may officially enter the workshop; those who do not pass will be eliminated.



Three-Day Ramp-Up Management Module

For current employees, the Company develops an annual internal education and training plan. Based on the core technical requirements of each position, a combination of theoretical and practical training methods is employed to help frontline technical personnel, key position staff, and management personnel quickly adapt to job requirements, enhance job competency, and support the Company's operational needs.

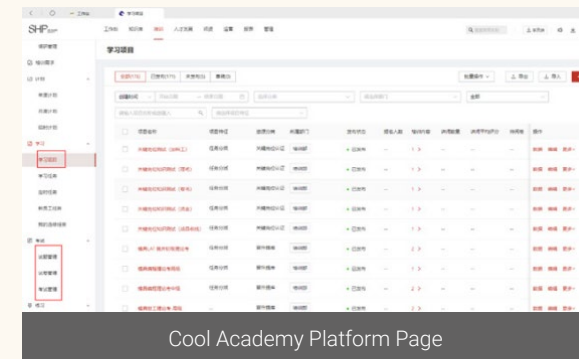
In 2024, the Company established and completed a total of 127 internal training courses, covering general knowledge, technical, and management fields, comprehensively supporting the enhancement of employee capabilities.

While continuously improving the internal training system, the Company also provides employees with opportunities for external training. Departments may submit external training requests to the Training Center based on their specific training needs. The Training Center consolidates these needs, formulates implementation plans with external training institutions, regularly issues external training notifications, and arranges for personnel to participate in external training.

KuXueyuan Learning Platform

The Company has established the KuXueyuan Learning Platform to better integrate its training resources, build a digital knowledge system, and provide employees with more flexible and convenient learning opportunities. The main functional modules of KuXueyuan comprise Knowledge Base, Training, Talent Development, and Faculty, supporting the Company's internal requirements for daily training, learning, examinations, and related activities.

As of the end of 2024, the SHP Group Ku Academy Learning Platform had developed a total of 1,071 courses and launched 1,514 training programs (including 874 examinations and 640 training courses), cumulatively providing online training to 3,230 learners.



Cool Academy Platform Page

5E Leadership Training

On March 22, 2024, SHP Group conducted a two-day 5E Leadership Training, attended by 13 leaders from various departments, including factories, business units, quality management, and design. The objective of this training was to provide SHP leaders with a comprehensive understanding of 5E leadership, to enhance self-awareness, to identify their own strengths, and to apply these insights to recognize the strengths of team members and foster self-motivation within the team.

The course is structured around two dimensions—intuition and evidence—and utilizes four colors to assist participants in understanding the inherent characteristics of themselves and their team members. By applying the 3F method—listening to facts, emotions, and intentions—a 3F Angel Baby training group was established to mutually support effective communication and enhance collaboration.

Note: 5E Leadership refers to self-awareness, critical thinking, motivation, collaboration, and execution.



5E Leadership training event on site



For overseas employees, SHP (Mexico) continues to deepen school-enterprise cooperation by partnering with local vocational schools (such as CONALEP, Tesco, IPN), higher education institutions, and government training agencies to implement internship programs, technical school cooperation projects, and dual training system education. Key technical staff from the factory participate in the development of customized courses for local colleges, such as 'CNC Machine Operation' and 'Mold Maintenance,' achieving deep integration of industry, academia, and research, and supporting the local skilled talent pool. In addition, SHP (Mexico) has launched a series of training programs for the China team employees in Mexico, supporting Chinese employees in better adapting to overseas work environments and continuously enhancing their professional competencies.

Overview of SHP (Mexico) Training Program Implementation

Training Program Name	Training Content	Participation Overview
Intern Rotational Training	Interns are recruited from partner universities and provided with 3–6 months of rotational training. Training positions include production, quality inspection, procurement, and more. Outstanding interns are offered opportunities for full-time employment.	Two Mexican employees obtained full-time positions through this program.
Specialized Training on Mexico Labor Law	The training focused on the core provisions of Mexico's Federal Labor Law (Ley Federal del Trabajo), addressing common issues encountered by Chinese employees. Key topics included: important considerations for signing labor contracts in Mexico; statutory working hours; overtime and wage calculation rules; employee social security (IMSS, etc.) and welfare entitlements; severance compensation; and the handling of labor disputes.	The training lasted 1.5 hours, with a total of 25 employees from the Mexico China team participating, including both management team and technical staff.
Spanish Language Training	The course content covers basic conversation, workplace language, and general knowledge of Mexican culture, supporting employees in smoothly integrating into local teams. The course is designed with a focus on practicality, concentrating on common factory scenarios, while incorporating Mexican cultural customs to enhance the learning experience.	Starting from August 2024, a fixed two-hour training session will be held every Saturday morning, with 18 employees from the Mexico and China teams participating, covering both the management team and technical personnel.

Employee Development

The Company has established a clear and flexible career development pathway for employees, encouraging continuous learning and improvement, enhancing production process capabilities and product quality, and providing human capital support for the Company's long-term development and growth.

The Company conducts annual talent assessments, evaluating employee ranks based on a comprehensive review of their qualifications, professional skill levels, and contributions to career achievements, in conjunction with a points-based system. The Human Resources Department is responsible for the overall coordination and execution of matters related to employee rank evaluation, and establishes a dedicated evaluation team to formulate technical rank evaluation standards, complete data review throughout the evaluation process, and supervise the results.

SHP Group Career Development Pathways		
Management Track	Technical Track	Functional Track
<ul style="list-style-type: none"> Senior Supervisor Section Manager/ Supervisor 	<ul style="list-style-type: none"> Senior Engineer Engineer Assistant 	<ul style="list-style-type: none"> Senior Specialist Specialist

In addition, the Company has implemented a key position transfer program, allowing employees in non-key positions to apply for transfer to key positions. While strengthening the Company's talent pool and talent pipeline for key positions, the transfer program also provides employees with expanded career development opportunities, fully unlocking their potential, promoting internal talent mobility, and achieving mutual benefit for both individuals and the Company.

Employee Incentives

SHP Group encourages employees who embody the Company's business philosophy—'Integrity and Honesty, Customer First, Commitment, Continuous Improvement, and Teamwork'—in their daily work through both material and non-material incentives. The Production and Operations Center is responsible for regularly issuing and updating the monthly employee performance incentive policy, clearly defining assessment indicators, and ensuring that outstanding employees and teams are recognized in accordance with the principles of fairness and impartiality. Assessment indicators include performance achievement rate, quality control rate, OTD reward items, and safety incident deduction items, among others.

In 2024, to recognize teams and individuals who achieved outstanding results and made significant contributions across various business modules (such as safety management, quality control, cost reduction, efficiency improvement, site management, talent development, technological breakthroughs, management innovation, and business enhancement), the Company conducted a two-month internal selection and evaluation process, ultimately awarding 157 prizes, including Special Awards, Technological Innovation Awards, Management Innovation Awards, Outstanding Team Awards, Outstanding Individual Awards, Improvement Proposal Awards, among other categories, accompanied by material incentives.



7.4 Health and Safety

Governance

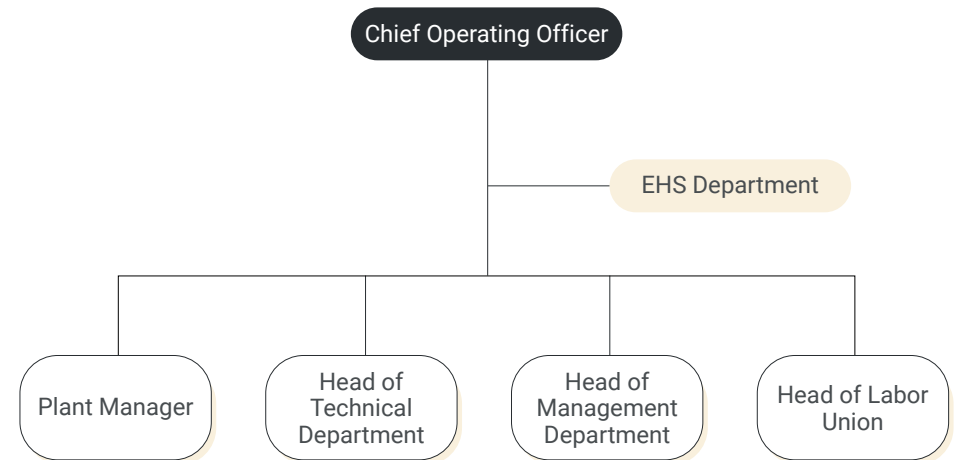
SHP Group strictly complies with the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Fire Protection Law of the People's Republic of China, and other relevant laws and regulations. The Group has established and continuously enhanced its occupational health and safety management system, consistently strengthening the Company's safety management capabilities and production safety standards.

The Company has established an EHS Committee, comprising the Company's principal leaders, department heads, the EHS Department, and the labor union. The Committee is responsible for the overall planning and decision-making of occupational health and safety strategies, formulating and implementing relevant policies, establishing a safety risk management mechanism, supervising occupational health and safety matters, and regularly organizing safety management meetings to ensure the Company's long-term safe operations.

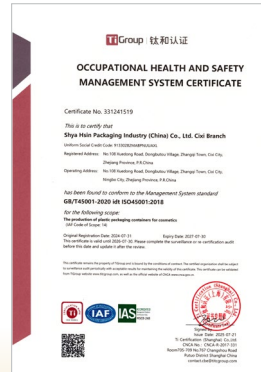
The Company has established the EHS Department as the comprehensive management body for safety, environmental protection, and fire protection, staffed with nine full-time safety personnel and five part-time safety management personnel at each branch plant. This team is responsible for daily risk identification and rectification, occupational health management, environmental protection management, sustainable development management, and EHS-related training.

In 2024, SHP (Kunshan) maintained its designation as a Level 2 Safety Production Standardization Enterprise. The ISO 45001:2018 Occupational Health and Safety Management System certifications for SHP (Kunshan), SHP (Mexico), and CCT all remain valid.

SHP Group EHS Committee Organizational Structure Chart



In 2024, SHP (Kunshan) maintained its designation as a Level 2 Safety Production Standardization Enterprise. The ISO 45001:2018 Occupational Health and Safety Management System certifications for SHP (Kunshan), SHP(Cixi), CCT, and SHP (Mexico) all remain valid.



Occupational Health and Safety Management System Certification

Strategy

Safety production management is of critical importance for reducing accident risk, ensuring the stable operation of the Company, and safeguarding employee health and safety. The Company consistently adheres to the safety production policy of 'safety first, prevention foremost, and comprehensive management.' While continuously enhancing its own safety production management standards, the Company also promotes strengthened safety risk prevention and control among upstream and downstream enterprises, thereby contributing to the development of an industrial ecosystem that prioritizes both safety and efficiency.

Analysis of Health and Safety-Related Risks and Opportunities

Risk:

- The Company may generate certain hazardous substances or encounter sources of danger during the production process, such as risks of equipment leakage, fire, or explosion. If not properly managed, these risks may result in property loss and personal injury, damage the Company's reputation, undermine customer trust, and lead to a decrease in the Company's operating revenue.
- Long-term exposure to certain production materials or specific production environments, such as inadequate occupational protection measures, may expose employees to the risk of occupational diseases, which could damage the Company's reputation and result in administrative penalties, among other consequences.

Opportunity:

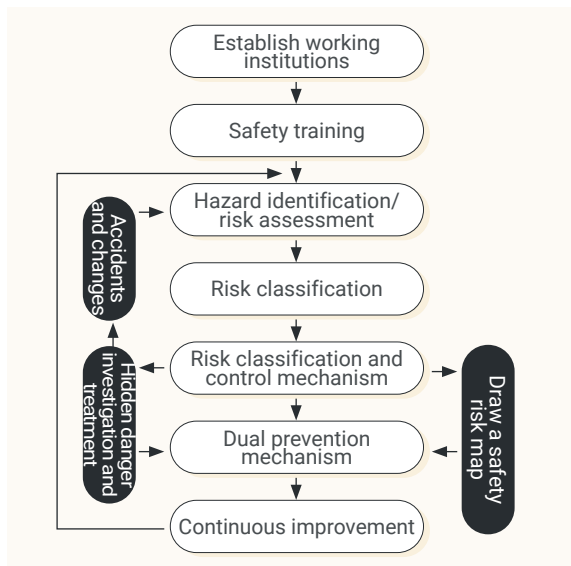
- Providing employees with a healthy and safe working environment fosters greater trust in and a sense of belonging to the Company, thereby promoting the Company's sustainable and stable development.

Risk Management

● Safety Risk Management and Control

With regard to safety risk management and control, the Company has established management standards such as the 'Hazard Identification and Risk Assessment Management Procedure.' Upon identification of safety risks, relevant departments conduct risk assessments and classification, and develop corresponding risk classification control mechanisms and preventive measures to eliminate potential hazards and reduce the likelihood of risks. The Company also continuously reviews experiences and refines methodologies to establish a comprehensive closed-loop system for safety risk identification and management, thereby effectively preventing and controlling various potential safety incidents.

SHP Group Safety Risk Control Procedure



The Company places great emphasis on controlling safety risks in the work environment and in equipment and facilities. It has formulated and revised the 'Chemical Management Procedure,' 'Equipment and Facility Safety Production Management Procedure,' and 'Mechanical Protection Safety Management Procedure,' strictly managing the safety and use of production equipment and facilities. Through scientific, systematic, and standardized approaches, the Company creates a safe production environment to ensure the safety of employees during operations.

SHP Group Workplace Safety Management Measures

Automated Operations

- In process steps such as printing, spraying, and assembly, where potential occupational disease hazards exist, automated operations are maximized to reduce employee exposure to sources of harm.

Maintain adequate ventilation

- All workshops primarily utilize mechanical ventilation to ensure adequate airflow. Workstations with potential occupational disease hazards are equipped with local exhaust, smoke extraction, and dust collection systems.

Noise control measures

- Workshops are rationally arranged, vibration reduction solutions are implemented, noise sources are properly positioned, and regular maintenance and inspection of equipment are reinforced.

Chemical hazard reduction

- The disinfection process for cosmetic cotton and the use of ethylene oxide have been eliminated to prevent chemical hazards at the source.

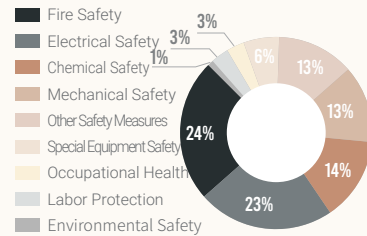
Strengthen personal protective measures

- The Company provides employees with personal protective equipment such as activated carbon masks, dust masks, and noise-reducing earplugs, and ensures proper personal protection at the workplace through reminders and supervision.

The Company has also enhanced internal safety production standards by focusing on hazard identification and rectification, emergency management, and safety culture development. These initiatives have effectively improved the emergency response and protection capabilities of each unit, strengthened employees' safety awareness and behavioral standards, and maximized the protection of employees' life, health, and safety.

SHP Group 2024 Safety Management Measures and Achievements

Type	Initiative	Achievements
Hazard Identification and Rectification	<ul style="list-style-type: none"> The Company continuously conducts risk identification and rectification, utilizing both self-inspections by each unit and risk inspections by the EHS Department, to comprehensively identify and address potential safety risks in the production process. 	<ul style="list-style-type: none"> The Company identified a total of 3,573 safety hazards and completed rectification of 3,495 hazards, achieving a hazard rectification rate of 97.82%.
Emergency Management	<ul style="list-style-type: none"> The Company has established emergency management measures, including the 'Production Safety Accident Emergency Plan,' 'Emergency Preparedness and Response Control Procedure,' and 'Emergency Medical Rescue Management Measures,' to help employees understand how to respond to specific emergency situations. 	<ul style="list-style-type: none"> The Company organized a total of 12 emergency drills, covering scenarios such as fire, chemical spills, and mechanical injuries, effectively enhancing employees' proficiency in emergency procedures and further strengthening the safety production defense line.
Safety Culture Development	<ul style="list-style-type: none"> The Company formulates an annual safety education and training plan, providing targeted safety production training for employees in different positions. The Company has posted safety signage related to facility and equipment safety, occupational health and safety, fire safety, and environmental protection in areas such as the plant and office premises. The Company also continuously strengthens the promotion of safety culture through the distribution of the Safety Manual, public display of the safety responsibility system, and safety skills competitions. 	<ul style="list-style-type: none"> The Company has conducted more than ten types of safety training, including education on safety regulations, the safety production responsibility system, risk identification and control, and machinery safety. The Company's three-tier safety education and training coverage rate is 100%, with a specialized safety training coverage rate of 95%. A total of 10,892 participants have received safety training.



Summary of Safety Hazard Inspections



Summary of Emergency Drill Scenarios



Formulation of the First Edition of the Safety Manual



Public Display of the Safety Responsibility System



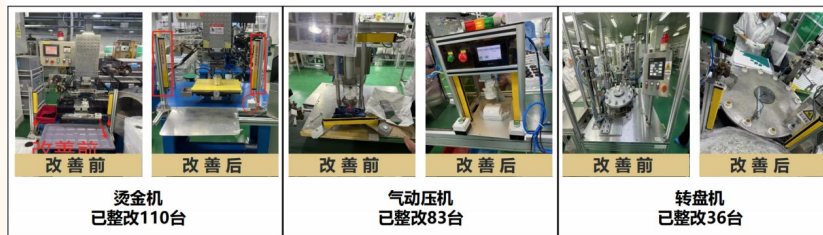
Firefighting Skills Competition



SHP (Mexico) Fire Drill

Annual Special Rectification of Equipment Safety

In 2024, the EHS Department conducted a comprehensive review and assessment of historical work-related injury incidents. The analysis identified the hot stamping machine, rotary table machine, and pneumatic press as the three types of equipment most frequently associated with work-related injuries at the Company. The primary causes of these incidents include vulnerabilities in the grating program's safety protection, placement of control buttons within the grating, and insufficient protection distance of certain gratings. By the end of 2024, the Company had organized and completed the special rectification work for relevant equipment.



In addition, the Company collaborates with partners to jointly enhance safety production standards. The Company has established the 'Contractor and Related Parties Management Procedure' to strengthen the management of occupational health and safety for contractors and related parties.

During the selection phase of contractors and related parties, the Company conducts compliance reviews and identifies historical EHS violations to screen qualified contractors and related parties, and enters into the 'Safety Production and Environmental Protection Management Agreement' with them. In its production and operational activities, the Company has established a closed-loop management process encompassing the 'pre-during-post' stages of operations, to continuously prevent, supervise, assess, and rectify behaviors that may pose risks during the operational process.

● Safeguarding Employee Health

In occupational health management, the Company has established relevant policies, including the 'Occupational Disease Prevention Management Procedure' and the 'Workshop Environment and Employee Dress Code Operating Specification,' to rigorously protect employees' occupational health. For new employees, the Company issues the 'Occupational Hazard Notification Card' in advance to ensure that employees are informed of potential occupational disease risks and corresponding protective measures.

SHP Group Employee Occupational Health Management Measures

Occupational Hazard Factor Testing

- The Company regularly engages third-party organizations to conduct occupational health assessments and occupational hazard factor testing, maintaining continuous focus on employees' physical and mental health and safety.
- The 2024 inspection report indicates that the results of chemical hazardous factor testing at all Company testing positions comply with the requirements of the 'Occupational Exposure Limits for Hazardous Agents in the Workplace Part 1: Chemical Hazardous Agents' (GBZ2.1-2019) standard.

Occupational Health Examination

- The Company regularly conducts pre-employment, on-the-job, and post-employment occupational health examinations for employees in positions with potential occupational hazards. The results of each examination are promptly communicated to the employee for signature confirmation, and their personal records are continuously maintained and preserved.
- In 2024, the Company arranged occupational health examinations for a total of 583 individuals, and no suspected cases of occupational disease were identified in the examination results.

Occupational Contraindication Management

- For employees identified with occupational contraindications during pre-employment occupational health examinations, the Company strictly prohibits assigning them to contraindicated positions. Additionally, the Company promptly arranges job transfers for employees found to have occupational contraindications during on-the-job occupational health examinations to safeguard their safety and health.
- In 2024, the number of employees identified with occupational contraindications during on-the-job examinations was seven, representing a 65% decrease compared to 2023.

Occupational Health Training

- To enhance employees' awareness of occupational disease prevention, the Company regularly conducts occupational health knowledge training for its employees.
- In 2024, the Company organized 25 specialized occupational health and safety training sessions (including retraining) for employees in positions involving occupational hazards, with a total of 1,817 participants. The Company also conducted 240 occupational health training sessions for new employees, labor dispatch workers, and contractors, with a total of 8,501 participants.

In addition, the Company is also attentive to employees' mental health, inviting experienced psychological counselors to regularly provide counseling services to employees, helping them alleviate work- and life-related stress, anxiety, and other negative emotions, and supporting employees in enhancing self-awareness and psychological adjustment capabilities.



Indicators and Targets

The Company's overarching objective for safety management is to prevent all safety incidents, avoid harm to employees' physical health, and protect the ecological environment. Adhering to the principle of people-oriented, safety-first management, the Company establishes and continuously improves its safety management system, comprehensively controls safety risks across all aspects of production and operations, achieves systematic safety management, standardized operational practices, intrinsic safety of facilities and equipment, and organized placement of workplace tools and environments, thereby enhancing the Company's overall safety management standards.

SHP Group 2024 Health and Safety Management Objectives and Progress

Indicator	Unit	Target	2024 Progress
Number Of EHS Penalty Incidents	Case	0	0
Fatal Accidents	Case	0	0
Occupational Injury Rate Per 200,000 Working Hours ^[1]	/	0.12	0.13
Safety Education And Training Pass Rate	%	100	100
Hazard Rectification Rate	%	≥95	97.82

[1] Occupational injury rate per 200,000 working hours = (Number of lost time accidents / Actual working hours) * 200,000. This indicator and its corresponding target apply to SHP (Kunshan).

7.5 Social Contribution

SHP Group actively fulfills its social responsibilities and engages in public welfare initiatives, providing assistance and support to disadvantaged groups such as elderly individuals living alone and persons with disabilities. This includes a donation of RMB 100,000 to the Kunshan Charity Foundation and a donation of RMB 20,000 to the Proya Charity Foundation, contributing SHP's strength to the development of a harmonious society.

Jointly organized the 'Integration of Persons with and without Disabilities' Guandan Friendship Tournament with the Development Zone Disabled Persons' Federation.

On August 24, 2024, SHP Group, in collaboration with the Kunshan Economic and Technological Development Zone Disabled Persons' Federation, organized the 'Integration of Persons with and without Disabilities, Harmony with SHP' Guandan Friendship Tournament, with 40 participants. This friendship event enabled all participants to experience the care and warmth extended by the Company and society, while also fostering mutual understanding and respect between persons with disabilities and those without. It demonstrated the Company's commitment to social responsibility and its humanistic care for persons with disabilities.



"Integration of Persons with and without Disabilities" Guandan Friendship Tournament Onsite.

"Warming Hearts" Caring for Elderly Living Alone Activity.

On December 7, 2024, the SHP Group Volunteer Vanguard, in collaboration with the Kongxiang Trade Union, personally knitted scarves and prepared lunch boxes for elderly individuals living alone, delivering care and warmth directly to them.

With the intensification of population aging, the number of elderly people living alone is increasing, and their daily lives face numerous challenges. This activity not only provides material assistance to the elderly, but also offers them emotional support. This charitable initiative demonstrates the Company's sense of social responsibility and conveys positive energy to society.



Volunteer Pioneer Team at the event site

ESG Data Sheet

● Economic Data Table

Module	Disclosure Item	Unit	2024							2023	2022
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan)	SHP (Mexico)	SHP (Taizhou)	SHP Group Total		
Economic Performance	Proportion of revenue from sustainable products ^[1]	%	16.44							14.18	8.23

[1] Sustainable products, as defined by the Company, are those with the following attributes: single material, refillable, lightweight, detachable, or produced using PCR or bio-based materials.

● Environmental Data Table ^[1]

Module	Disclosure Item	Unit	2024							2023	2022
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan) ^[2]	SHP (Mexico)	SHP (Taizhou)	SHP Group Total		
Environmental Management	Percentage of employees receiving environmental training	%	100.00	100.00	100.00	0.00	100.00	100.00	99.88	/	/
	Percentage of sites covered by environmental risk assessment	%	100.00	100.00	100.00	0.00	100.00	100.00	83.33	/	/
	Coverage rate of sites certified to iso 14001	%	100.00	100.00	100.00	0.00	100.00	100.00	83.33	80.00	66.67
	Total environmental protection investment ^[3]	Thousand USD	1,356.21	0.00	0.00	0.00	0.00	139.11	1,495.33	3,858.43	1,381.87

Module	Disclosure Item	Unit	2024							2023	2022
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan) ^[2]	SHP (Mexico)	SHP (Taizhou)	SHP Group Total		
Addressing Climate Change	Natural gas consumption	Cubic meter	590,067.00	0.00	0.00	0.00	0.00	0.00	590,067.00	685,819.00	92,414.00
	Diesel consumption	Liter	35,580.88	0.00	0.00	0.00	147,160.11	11,130.00	193,870.99	52,322.85	47,701.63
	Gasoline consumption	Liter	28,945.85	0.00	0.00	0.00	8,362.84	0.00	37,308.69	32,679.90	31,630.18
	Liquefied petroleum gas consumption	Kilogram	8,600.00	0.00	0.00	0.00	0.00	0.00	8,600.00	8,850.00	8,850.00
	Conventional electricity consumption	Kilowatt-hour	89,108,105.00	823,341.00	1,179,912.00	0.00	2,060,046.00	4,445,519.00	97,616,923.00	97,487,805.00	106,216,377.40
	Purchased green electricity	Kilowatt-hour	1,756,000.00	0.00	0.00	0.00	0.00	0.00	1,756,000.00	0.00	0.00
	Photovoltaic power generation	Kilowatt-hour	6,432,400.00	0.00	742,641.60	0.00	0.00	0.00	7,175,041.60	7,512,436.80	2,362,480
	Steam consumption ^[4]	Ton	0.00	0.00	0.00	0.00	0.00	5,415.00	5,415.00	0.00	1,492.70
	Total scope 1 greenhouse gas emissions ^[5]	Ton of CO ₂ equivalent	1,705.84	/	/	0.00	427.82	29.54	2,163.20	2,091.82	441.84
	Total scope 2 greenhouse gas emissions ^[6]	Ton of CO ₂ equivalent	48,757.68	441.80	633.14	0.00	823.38	3,981.81	54,637.81	55,405.98	60,950.40
	Total scope 3 greenhouse gas emissions ^[7]	Ton of CO ₂ equivalent	110,401.53	/	/	0.00	/	/	110,401.53	121,237.58	/
	Total greenhouse gas emissions (scope 1 + scope 2)	Ton of CO ₂ equivalent	50,463.52	441.80	633.14	0.00	1,251.20	4,011.35	56,801.01	57,497.80	61,392.24
	Total greenhouse gas emissions (scope 1 + scope 2 + scope 3)	Ton of CO ₂ equivalent	160,865.05	441.80	633.14	0.00	1,251.20	4,011.35	167,202.54	178,735.38	61,392.24
Greenhouse gas emission intensity (scope 1 + scope 2) (by output value) ^[8]	Ton of CO ₂ equivalent per million USD	190.82	11.78	227.18	0.00	126.45	/	180.53	204.02	242.20	

Module	Disclosure Item	Unit	2024							2023	2022
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan) ^[2]	SHP (Mexico)	SHP (Taizhou)	SHP Group Total		
Addressing Climate Change	Comprehensive energy consumption conversion	Ton of coal equivalent	12,842.61	101.27	236.47	0.00	444.82	409.67	14,134.75	13,009.23	13,476.86
	Comprehensive energy consumption intensity (by output value) ^[8]	Ton of coal equivalent per million USD	48.56	2.70	84.85	0.00	44.96	/	44.93	46.16	51.60
Water Resource Utilization	Water consumption ^[9]	Ton	328,302.00	3,420.00	21,296.00	0.00	1,093.00	79,959.00	434,070.00	406,422.00	477,355.00
	Water consumption intensity (by output value) ^{[8][9]}	Ton per million USD	1,241.43	91.22	7,641.34	0.00	265.11	/	1,379.63	1,442.12	1,830.00
	Industrial wastewater discharge	Ton	0.00	0.00	0.00	0.00	/	55,000.00	55,000.00	/	0.00
	Industrial wastewater reuse volume	Ton	255,673.00	0.00	0.00	0.00	/	4,500.00	260,173.00	73,279.30	0.00
	Treated chemical oxygen demand (COD)	Ton	0.00	0.00	0.00	0.00	/	3.00	3.00	/	0.00
Atmospheric Pollutant Emissions	Total atmospheric pollutant emissions	Kilogram	2,096.00	0.00	0.00	0.00	/	101.00	2,197.00	/	/
	Particulate matter emissions	Kilogram	524.00	0.00	0.00	0.00	/	20.00	544.00	1.79	1,345.24
	SO _x emissions	Kilogram	252.00	0.00	0.00	0.00	/	79.00	331.00	308.58	1.23
	NO _x emissions	Kilogram	277.00	0.00	0.00	0.00	/	0.00	277.00	1,914.70	0.00
Waste Management	General waste generation ^[10]	Ton	2,297.00	0.00	0.00	0.00	58.00	316.00	2,671.00	/	/
	General waste generation density (by output value) ^{[8][10]}	Ton per million USD	8.69	0.00	0.00	0.00	11.72	/	8.49	/	/
	Hazardous waste generation	Ton	602.00	0.00	0.00	0.00	/	158.00	760.00	737.69	2,797.06
	Hazardous waste generation intensity (by output value) ^[8]	Ton per million USD	2.28	0.00	0.00	0.00	/	/	/	2.62	10.97

Module	Disclosure Item	Unit	2024						2023	2022	
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan) ^[2]	SHP (Mexico)	SHP (Taizhou)			SHP Group Total
Waste Management	Volatile organic compounds (VOCs)	Kilogram	2,096.00	0.00	0.00	0.00	/	0.00	2,096.00	1,466.15	2,690.09
Management	Waste recycling volume	Ton	2,289.00	0.00	0.00	0.00	/	0.00	2,289.00	/	/

[1] The "/" symbol in this data table indicates that there were no valid statistics for the relevant indicator in the respective year. The Company will continue to enhance its ESG data collection system and continuously improve ESG data management and disclosure.

[2] The Taiwan plant is in the process of closure and not significantly involved in relevant energy or resource consumption in 2024.

[3] SHP (Kunshan) invested RMB 9.749 million in environmental protection, and SHP (Taizhou) invested RMB 1 million in environmental protection. The 2024 environmental protection investment amounts were converted using the RMB central parity rate of the interbank foreign exchange market as of December 31, 2024, at USD 1 = RMB 7.1884.

[4] In 2023, the Company closed certain factories due to internal business adjustments; these closures did not involve steam usage.

[5] Scope 1 Greenhouse Gas sources for Chinese factories include emissions generated from the combustion of natural gas, gasoline, diesel, and liquefied petroleum gas. The relevant calorific values are referenced from the China Energy Statistical Yearbook (2022). The emission factors used to calculate Scope 1 Greenhouse Gas Emissions for domestic factories are as follows: the emission factor for natural gas is 0.002176 tons of CO2 equivalent per cubic meter; for diesel used in company vehicles, 0.002654 tons of CO2 equivalent per liter; for gasoline used in company vehicles, 0.002215 tons of CO2 equivalent per liter; and for liquefied petroleum gas, 3.10681 tons of CO2 equivalent per ton. The Mexico plant calculates Scope 1 Greenhouse Gas Emissions from both mobile and stationary sources. Mobile sources refer to emissions from gasoline used by vehicles, while stationary sources refer to Greenhouse Gas Emissions from diesel consumed by diesel generators. The relevant emission factors are sourced from the Intergovernmental Panel on Climate Change (IPCC). For the calculation of Scope 1 Greenhouse Gas Emissions at the Mexico plant, the emission factor for gasoline (mobile sources) is 2.24 kg CO2e per liter, and for diesel (stationary sources) is 2.73 kg CO2e per liter.

[6] The emission factor used to calculate Scope 2 Greenhouse Gas Emissions for domestic plants based on location is the China national grid average Greenhouse Gas Emissions factor of 0.5366 tons of CO2 equivalent per megawatt-hour, and the purchased steam Greenhouse Gas Emissions factor is 0.11 tons of CO2 equivalent per gigajoule. The factor used to calculate Scope 2 Greenhouse Gas Emissions for the Mexico plant is sourced from IEA 2020 and is 0.3997 tons of CO2 equivalent per megawatt-hour. In addition, during the thermal value conversion process for steam consumption, it is assumed that the steam used is saturated steam (pressure at 1 standard atmosphere, temperature at 100°C).

[7] The Scope 3 greenhouse gas accounting boundary includes SHP (Kunshan).

[8] The intensity data (by output value) disclosed in this data table does not include SHP (Taizhou).

[9] The water consumption of the Mexico plant represents the value for January to May of the year; therefore, the water consumption intensity (by output value) of SHP (Mexico) = water consumption/(output value*5/12).

[10] The general waste data for the Mexico plant represents the value for July to December of the year; therefore, the general waste generation density of SHP (Mexico) = general waste generation/(output value*6/12).

● Employee Data Table ^[1]

Module	Disclosure Item	Unit	2024							2023	2022
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan)	SHP (Mexico)	SHP (Taizhou)	SHP Group Total		
Employee Employment	Number of employees	Person	2,719	102	18	4	259	134	3,236	3,717	4,139
	By employment type:										
	number of full-time contract employees	Person	2,423	67	18	3	259	134	2,904	2,980	3,138
	Number of full-time dispatched employees	Person	296	35	0	1	0	0	332	737	1,001
	Proportion of full-time contract employees	%	89.11	65.69	100.00	0.00	100.00	100.00	89.74	80.17	75.82
	Proportion of full-time dispatched employees	%	10.89	34.31	0.00	0.00	0.00	0.00	10.26	19.83	24.18
	By nationality:										
	number of Mainland China, Hong Kong, Macau, and Taiwan employees	Person	2,719	102	18	4	20	134	2,997	/	/
	Number of foreign employees	Person	0	0	0	0	239	0	239	/	/
	Proportion of Mainland China, Hong Kong, Macau, and Taiwan employees	%	100.00	100.00	100.00	0.00	7.72	100.00	92.61	/	/
	Proportion of foreign employees	%	0.00	0.00	0.00	0.00	92.28	0.00	7.39	/	/
	By age:										
	number of employees under 30 years old (excluding 30)	Person	499	37	2	/	95	18	651	892	1,505
	Number of employees aged 30 to 50	Person	1,970	59	13	/	147	90	2,279	2,612	2,537
	Number of employees over 50 years old (excluding 50)	Person	250	6	3	/	17	26	302	213	97
	Proportion of employees under 30 years old (excluding 30)	%	18.35	36.28	11.11	/	36.68	13.43	20.14	24.00	36.36
	Proportion of employees aged 30 to 50	%	72.45	57.84	72.22	/	56.76	67.17	70.51	70.27	61.29
	Proportion of employees over 50 years old (excluding age 50)	%	9.20	5.88	16.67	/	6.56	19.40	9.35	5.73	2.34
	By gender:										
	number of male employees	Person	1,399	39	7	2	138	65	1,650	1,889	2,082
Number of female employees	Person	1,320	63	11	2	121	69	1,586	1,828	2,057	
Proportion of male employees	%	51.45	38.24	38.89	50.00	53.28	48.51	50.99	50.82	50.30	
Proportion of female employees	%	48.55	61.76	61.11	50.00	46.72	51.49	49.01	49.18	49.70	

Module	Disclosure Item	Unit	2024							2023	2022
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan)	SHP (Mexico)	SHP (Taizhou)	SHP Group Total		
Employee Employment ^(a)	By vulnerable groups: number of employees with disabilities ⁽³⁾	Person	102	0	0	0	1	0	103	83	92
	Number of ethnic minority employees	Person	129	16	0	0	0	7	152	242	130
	Proportion of employees with disabilities	%	3.75	0.00	0.00	0.00	0.39	0.00	3.18	2.23	2.22
	Proportion of ethnic minority employees	%	4.74	15.69	0.00	0.00	0	5.22	4.70	6.51	3.14
	Number of management team employees ⁽⁴⁾	Person	475	6	9	1	18	23	532	/	/
	Number of female management team employees	Person	176	6	4	1	2	4	193	/	/
	Proportion of female management team employees	%	37.05	100.00	44.44	25.00	11.11	17.39	36.28	/	/
	Number of discrimination and harassment incidents	Case	0	0	0	0	0	0	0	0	0
	Number of child labor employed	Person	0	0	0	0	0	0	0	0	/
	Living wage survey employee coverage rate ⁽⁵⁾	%	100.00	/	/	/	/	/	100.00	/	/
	Proportion of employees earning below the living wage	%	0.00	/	/	/	/	/	0.00	/	/
	Number of employees participating in labor unions	Person	123	4	2	0	/	6	135	/	/
	Proportion of employees participating in labor unions	%	4.52	3.92	11.11	0.00	/	4.48	4.17	/	/
Employee Turnover ^(a)	Number of employees who left	Person	750	29	1	0	16	23	819	942	/
	Employee turnover rate	%	27.58	28.43	5.56	0.00	6.18	17.16	25.31	25.34	/
	By age group: number of employees under 30 who left	Person	322	21	1	0	/	7	351	/	/
	Number of employees aged 30 to 50 who left	Person	401	8	0	0	/	13	422	/	/
	Number of employees over 50 who left	Person	27	0	0	0	/	3	30	/	/
	Turnover rate for employees under 30	%	64.53	56.76	50.00	0.00	/	38.89	53.92	/	/
	Turnover rate for employees aged 30 to 50	%	20.36	13.56	0.00	0.00	/	14.44	18.52	/	/
	Turnover rate for employees over 50	%	10.80	0.00	0.00	0.00	/	11.54	9.93	/	/

Module	Disclosure Item	Unit	2024						2023	2022	
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan)	SHP (Mexico)	SHP (Taizhou)			SHP Group Total
Employee Turnover ^[6]	By gender: number of male employees who left	Person	413	11	0	0	/	14	438	424	/
	Number of female employees who left	Person	337	18	1	0	/	9	365	518	/
	Turnover rate for male employees	%	29.52	28.21	0.00	0.00	/	21.54	26.55	22.45	/
	Turnover rate for female employees	%	25.53	28.57	9.09	0.00	/	13.04	23.01	28.34	/
Employee Training and Development ^[7]	Total training hours received by employees	Hour	39,009.45	2,335.00	72.67	0.00	1,822.00	846.00	44,085.12	39,920.62	59,094.50
	By gender: total training hours received by male employees	Hour	20,160.08	888.00	28.34	0.00	/	412.17	21,488.60	21,421.26	39,141.60
	Total training hours received by female employees	Hour	18,849.37	1,447.00	44.33	0.00	/	433.83	20,774.52	18,499.36	19,952.90
	Average training hours per employee ^[8]	Hour/person	14.35	22.89	4.04	0.00	10.78	6.31	13.62	10.64	14.30
	By gender: average training hours for male employees	Hour/person	14.41	22.77	4.05	0.00	/	6.34	13.02	11.34	18.80
	Average training hours for female employees	Hour/person	14.28	22.97	4.03	0.00	/	6.29	13.10	10.12	9.70
	Employee vocational skills training hours	Hour	34,668.00	2,157.00	72.67	0.00	/	688.00	37,585.67	/	/
	Percentage of employees who have received performance and career development evaluations	%	100.00	100.00	100.00	0.00	100.00	100.00	99.88	/	/

[1] The "/" symbol in this data table indicates that there were no valid statistics for the relevant indicator in the respective year. The Company will continue to enhance its ESG data collection system and continuously improve ESG data management and disclosure.

[2] Employee data by employment type excludes SHP (Mexico); employee numbers by age exclude SHP (Taiwan).

[3] The Company defines disadvantaged employees as those with disabilities or from ethnic minority groups.

[4] The Company defines the Management Team as employees with a job level of 4 or above.

[5] The Kunshan Factory is currently implementing a living wage project, with plans to extend it to the Mexico factory in 2026 and to other global factories by 2030.

[6] Employee turnover rate = number of employees who left / total number of employees; turnover rate for each subsidiary = number of employees who left the subsidiary / total number of employees in the subsidiary.

[7] Employee training hours and average training hours by gender do not include SHP (Mexico).

[8] Due to a factory relocation, training at SHP (Mexico) was suspended in 2024. Consequently, the number of employees who participated (169) is lower than the total headcount.

● Health and Safety Data Table^[1]

Module	Disclosure Item	Unit	2024							2023	2022
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan)	SHP (Mexico)	SHP (Taizhou)	SHP Group Total		
Health and Safety	Coverage rate of locations subject to health and safety risk assessment	%	100.00	100.00	100.00	0.00	100.00	100.00	83.33	/	/
	Coverage rate of locations certified to iso 45001	%	100.00	100.00	100.00	0.00	100.00	100.00	83.33	80.00	50.00
	Occupational injury rate per 200,000 working hours ^[2]	/	0.13	0.00	0.00	0.00	4.34	0.80	/	0.13	/
	Number of work-related accidents	Case	11	0	0	0	10	2	23	8	12
	Number of lost workdays due to occupational injuries	Day	371.00	0.00	0.00	0.00	288.00	158.00	817.00	231.75	772.50
	Number of occupational injury fatalities	Person	0	0	0	0	0	0	0	0	0
	Number of hours lost due to occupational injuries	Hour	2,968.00	0.00	0.00	0.00	2,304.00	896.00	6,168.00	1,854.00	6,180.00
	Number of fire drills	Event	6	2	2	0	1	2	13	8	10
	Number of participants in fire drills	Participant	2,786	210	18	0	34	199	3,247	3,700	4,857
	Number of hazardous chemical spill drills	Event	2	0	0	0	0	1	3	1	3
	Number of participants in hazardous chemical spill drills	Participant	56	0	0	0	0	5	61	23	48
	Total number of participants receiving safety education and training	Participant	4,765	210	18	0	403	213	5,609	3,995	4,800
	Total hours of safety training received by employees ^[3]	Hour	312,203.00	5,145.00	450.00	0.00	1,151.00	2,465.50	321,414.50	46,266.00	66,532.00
	Average safety training hours per employee ^[3]	Hour/person	114.82	50.44	25.00	0.00	4.01	18.40	99.32	11.58	13.90
Safety education and training coverage rate	%	100.00	100.00	100.00	0.00	100.00	100.00	99.88	/	/	
Employee health examination coverage rate	%	100.00	100.00	100.00	0.00	0.00	100.00	91.87	/	/	

[1] In this data table, "/" indicates that there were no valid statistics for the relevant indicator in the respective year.

[2] Occupational injury rate per 200,000 working hours = (number of lost time incidents/actual working hours) * 200,000. Each operating entity of SHP Group independently conducts statistics for this indicator; therefore, no weighted statistics are compiled for all factories.

[3] In 2024, the frequency of training was increased, with at least one specialized training session conducted each month. As a result, both the total safety training hours and the average safety training hours per employee increased significantly.

● Product Responsibility Data Table ^[1]

Module	Disclosure Item	Unit	2024						2023	2022	
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan)	SHP (Mexico)	SHP (Taizhou)			SHP Group Total
Product Responsibility	Customer complaint rate	%							0.69	0.51	0.55
	Customer first inspection rejection rate	%							1.48	1.64	5.51
	Customer return rate	%							0.71	0.96	0.68
	Incidents of non-compliance related to product health and safety impacts	Case							0	0	0

[1] The Company's products and customer services are centrally managed by SHP Group headquarters; therefore, relevant indicators are disclosed based on SHP Group as the reporting entity.

● Intellectual Property Data Table ^[1]

Module	Disclosure Item	Unit	2024						2023	2022	
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan) ^[2]	SHP (Mexico)	SHP (Taizhou)			SHP Group Total
Intellectual Property Protection	Number of new patents granted	Item							125	67	/
	Number of new patent applications (pending)	Item							100	57	/
	Number of product structure patent applications	Item							30	34	/
	Number of domestic patent applications	Item							35	34	/
	Number of international patent applications	Item							65	23	/
	Cumulative number of invention patents granted (domestic and international)	Item							75	/	/
	Cumulative number of utility model patents granted (domestic and international)	Item							233	/	/
	Cumulative number of design patents granted (domestic and international)	Item							80	/	/
Cumulative number of patents granted (domestic and international)	Item							388	288	/	

[1] The Company's intellectual property management is centrally administered by SHP Group headquarters; therefore, relevant indicators are disclosed based on SHP Group as the reporting entity. "/" indicates that there were no valid statistics for the relevant indicator in the reporting year.

● Sustainable Procurement Data Table ^[1]

Module	Disclosure Item	Unit	2024						2023	2022	
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan)	SHP (Mexico)	SHP (Taizhou)			SHP Group Total
Sustainable Procurement	Total number of suppliers	Entity							472	488	468
	Number of domestic suppliers	Entity							440	456	422
	Number of overseas suppliers	Entity							32	32	46
	Number of strategic suppliers	Entity							60	61	/
	Proportion of outstanding suppliers	%							5.93	6.00	10.00
	Number of disqualified suppliers	Entity							16	302	2
	Proportion of disqualified suppliers	%							3.39	38.00	0.40
	Number of suppliers certified to iso 14001	Entity							160	156	65
	Percentage of suppliers who have signed the supplier code of conduct	%							100.00	100.00	100.00
	Percentage of suppliers with social responsibility clauses in procurement contracts	%							100.00	/	/
	Percentage of suppliers completing the social responsibility questionnaire	%							93.43	/	/
	Percentage of suppliers completing the on-site social responsibility assessment	%							90.04	/	/
	Proportion of all purchasers who have received training in sustainable procurement	%							100.00	100.00	100.00
Proportion of suppliers participating in improvement actions or capacity building	%							100.00	/	/	

[1] Procurement-related activities are centrally managed by SHP Group headquarters; therefore, relevant indicators are disclosed based on SHP Group as the reporting entity. "/" indicates that there were no valid statistics for the relevant indicator in the reporting year.

● Social Contribution Data Table

Module	Disclosure Item	Unit	2024						2023	2022	
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan)	SHP (Mexico)	SHP (Taizhou)			SHP Group Total
Social Public Welfare	Total funds invested in community activities ^[1]	USD	13,911.30	0.00	0.00	0.00	0.00	0.00	13,911.30	31,673.91	1,485.90
	Number of volunteer activity participants	P	2,593	0	0	0	0	0	2,593	2,486	3,640
	Total volunteer service hours	Hour	9,713.00	0.00	0.00	0.00	0.00	0.00	9,713.00	10,243.00	19,989.00

[1] The amount invested in community activities in 2024 was RMB 100,000, converted using the central parity rate of RMB to USD (1 USD = 7.1884 RMB) published by the interbank foreign exchange market on December 31, 2024.

● Business Ethics Data Table ^[1]

Module	Disclosure Item	Unit	2024						2023	2022	
			SHP (Kunshan)	SHP (Cixi)	CCT	SHP (Taiwan)	SHP (Mexico)	SHP (Taizhou)			SHP Group Total
Business Ethics	Coverage rate of sites subject to internal audit on business ethics issues	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Coverage rate of sites certified to ISO 37001	%	100.00	100.00	0.00	0.00	0.00	0.00	33.33	40.00	16.67
	Proportion of employees receiving Business Ethics Training	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Proportion of employees signing the Business Ethics Code of Conduct	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	/	/
	Number of confirmed incidents of corruption, bribery, and graft	Case	0	0	0	0	0	0	0	0	0
	Number of confirmed incidents of conflicts of interest	Case	0	0	0	0	0	0	0	0	0
	Number of confirmed incidents of commercial fraud	Case	0	0	0	0	0	0	0	0	0
	Number of confirmed incidents of unfair competition	Case	0	0	0	0	0	0	0	0	0
	Number of confirmed reports and complaints related to business ethics	Case	0	0	0	0	0	0	0	0	0

[1] In this data table, "/" indicates that there were no valid statistics for the relevant indicator in the respective year.

GRI Index

Statement of use	SHP has reported the information cited in this GRI content index for the period from January 1, 2024 to December 31, 2024 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standards	Disclosure	Location	
GRI 2: General Disclosures 2021	2-1	Organizational Details	About SHP Group
	2-2	Entities Included in the Organization's Sustainability Report	About This Report
	2-3	Reporting Period, Frequency, and Contact Information	About This Report
	2-4	Restatements of Information	Green Packaging and Materials
	2-5	External Assurance	Assurance Report
	2-6	Activities, Value Chain, and Other Business Relationships	About SHP Group
	2-7	Employee	ESG Data Sheet
	2-8	Workers Who Are not Employees	Supply Chain Management
	2-9	Governance Structure and Composition	
	2-11	Chair of the Highest Governance Body	ESG Governance System
	2-12	Role of the Highest Governance Body in Overseeing Impact Management	
	2-13	Delegation of Responsibility for managing impacts	
	2-14	Role of the Highest Governance Body in the Sustainability Reporting	About This Report ESG Governance System
	2-15	Conflicts of Interest	Compliance and Risk Management
	2-16	Communication of Critical Concerns	Stakeholder Communication

GRI Standards		Disclosure	Location
GRI 2: General Disclosures 2021	2-18	Evaluation of the Performance of the Highest Governance Body	Corporate Governance
	2-19	Remuneration Policy	Corporate Governance
	2-22	Statement on Sustainable Development Strategy	CEO Message
	2-25	Process to Remediate of Negative Impacts	Business Ethics Customer Service Human Rights and Labor Rights
	2-26	Mechanisms for Seeking Advice and Raising Concerns	Customer Service Human Rights and Labor Rights
	2-27	Compliance with Laws and Regulations	Compliance and Risk Management
	2-29	Approach to Stakeholder Engagement	Stakeholder Communication
	2-30	Collective Bargaining Agreements	Human Rights and Labor Rights
GRI 3: Material Topics 2021	3-1	Process for Determine Material Topics	
	3-2	List of Material Topics	Materiality analysis
	3-3	Management of Material Topics	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	ESG Data Sheet
	201-2	Financial implications and other risks and opportunities arising from climate change	Responding to Climate Change
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Social Contribution
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	
	205-2	Communication and training about anti-corruption policies and procedures	Business Ethics ESG Data Sheet
	205-3	Confirmed incidents of corruption and actions taken	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions regarding anti-competitive behavior, anti-trust, and monopoly practices	Compliance and Risk Management

GRI Standards	Disclosure		Location
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Waste Management Green packaging and materials
	301-2	Recycled input materials used	
	301-3	Recycled products and their packaging materials	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Energy Management ESG Data Sheet
	302-2	Energy consumption outside the organization	
	302-3	Energy intensity	
	302-4	Reduction of energy consumption	
	302-5	Reduction in energy requirements of products and services	
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Water Resource Management ESG Data Sheet
	303-2	Management of water-related impacts	
	303-3	Water withdrawal	
	303-4	Water discharge	
	303-5	Water consumption	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) Greenhouse Gas Emissions	Responding to Climate Change ESG Data Sheet
	305-2	Energy Indirect (Scope 2) Greenhouse Gas Emissions	
	305-3	Other Indirect (Scope 3) Greenhouse Gas Emissions	
	305-4	Greenhouse Gas Emissions Intensity	
	305-5	Reduction of Greenhouse Gas Emissions	
	305-7	Nitrogen Oxides (NO _x), Sulfur Oxides (SO _x), and Other Significant Air Emissions	

GRI Standards	Disclosure	Location	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	
	306-2	Management of Significant Waste-Related Impacts	
	306-3	Waste Generated	Waste Management Green packaging and materials
	306-4	Waste Diverted from Disposal	
	306-5	Waste Directed to Disposal	
GRI 308: Supplier Environmental Assessment 2016	308-1	New Suppliers Screened Using Environmental Criteria	Supply Chain Management
	308-2	Negative environmental impacts in the supply chain and actions taken	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	ESG Data Sheet
	401-2	Benefits provided to full-time employees (excluding temporary or part-time employees)	Human Rights and Labor Rights
	401-3	Parental leave	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational Health and Safety Management System	
	403-2	Hazard identification, risk assessment, and incident investigation	
	403-3	Occupational health services	
	403-4	Worker participation, consultation, and communication on occupational health and safety	
	403-5	Worker training on occupational health and safety	Health and Safety ESG Data Sheet
	403-6	Promotion of worker health	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-8	Workers covered by the occupational health and safety management system	
	403-9	Work-related injuries	
	403-10	Work-related ill health	

GRI Standards		Disclosure	Location
GRI 404: Training and Education 2016	404-1	Programs for upgrading employee skills and transition assistance programs	Employee Training and Development ESG Data Sheet
	404-2	Programs for upgrading employee skills and transition assistance programs	
	404-3	Percentage of employees receiving regular performance and career development reviews	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Diversity and Inclusion ESG Data Sheet
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	
GRI 413: Local Communities 2016	413-1	Operational with local community engagement, impact assessments, and development plans	Social Contribution
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers screened using social criteria	Supply Chain Management
	414-2	Negative social impacts in the Supply Chain and actions taken	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Green Packaging and Materials ESG Data Sheet
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Product Responsibility
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and loss of customer data	Information Security

Assurance Report

Independent Verification Statement



Verification Statement: EIV2 133418 0001 Rev. 00

To the management and stakeholders of SHP Group,

TÜV SÜD Certification and Testing (China) Co., Ltd. (hereinafter referred to as "TÜV SÜD (China)") has been engaged by SHP Group (hereinafter referred to as "SHP Group" or "the Company") to perform an independent third-party verification on its *SHP Group 2024 Sustainability Report* (hereinafter referred to as "the Report"). During this verification, TÜV SÜD (China)'s verification team strictly adhered to the agreed terms of the contract with SHP Group and conducted the verification within the authorized scope.

This Independent Verification Statement is prepared based on the data and information collected and provided by SHP Group. Accordingly, the verification scope is limited to the provided materials. SHP Group shall be held accountable for authenticity and completeness of the provided materials (contains assumptions, projections, and/or historical facts).

Scope of Verification

Time frame:

- Environmental, social and governance-related data and information, management approaches and operational measures for material topics, and sustainability performance during the reporting period (from 1st January 2024 to 31st December 2024).

Physical boundary:

- The on-site verification sampling took place at SHP Group headquarters, No.139, Yujinxiang Road, Kunshan City, Suzhou, Jiangsu Province.

Scope of data and information for the verification:

- The data and information of SHP Group and its major subsidiaries in the report.
- The following data and information are beyond the scope of this verification:
 - Any contents beyond the reporting period;
 - The data and information of SHP Group's suppliers, partners and other third parties;
 - The financial data and information audited by an independent third party.

Limitations

- The verification was conducted within the aforementioned scope. TÜV SÜD (China) applied sampling-based assurance procedures to the Report's data and information, and only the stakeholders within the Company are interviewed.
- The Company's standpoint, opinions, forward-looking statements and predictive information as well as the historical data and information before 1st January, 2024 are beyond the scope of this verification.
- The verification conclusions are based on the analysis of the data and information collected during the verification, which may not identify all potential issues or circumstances and shall not constitute a guarantee of the credibility or status of the subject of verification.

Methodology

This verification was conducted by TÜV SÜD (China)'s expert team with extensive experience in environmental, social and governance-related areas and drew the conclusions thereof. The verification standards included:

Page 1 of 3
TÜV SÜD Certification and Testing (China) Co., Ltd.
Floor 1-4, Building B, No.37, Tuanjie Road(Middle), Xishan Economic and Technological Development Zone, Wuxi, Jiangsu, P.R. China

ID: CCB_EIV_F_10.00E | Version: 3 | Effective Date: 08-Feb-2025 | Page: 1 of 3

Independent Verification Statement



Verification Statement: EIV2 133418 0001 Rev. 00

- International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, Limited Assurance
 - Sustainability Report Verification Programme Operation Rule (CCB_EIV_GR_002E Rev02)
- In order to perform adequate verification in accordance with the contract and provide sufficient assurance over the conclusions, the verification team conducted the following activities:
- Conducted background and materiality research
 - Verified the disclosure of material topics and related performance metrics in the Report
 - Performed On-site verification of all supporting documents, data and information provided by SHP Group; with sampling-based verification of key performance data and information
 - Conducted special interview with SHP Group's management, and held interviews with employees involved in the collection, compilation and reporting of the disclosed information
 - Other procedures deemed necessary by the verification team

Verification Conclusions

Based on the verification, we believe that the data and information presented in the Report are objective, factual and reliable, without systematic problems, and can be used by stakeholders.

The verification team has drawn the following conclusions on the Report:

Inclusivity	SHP Group has comprehensively identified both internal and external stakeholders of the organization, such government and regulatory authorities, investors and the board of directors, customers, suppliers, employees, communities, etc., and has established a stakeholder communication mechanism to regularly gather genuine feedback from stakeholders.
Materiality	SHP Group has established a process for prioritizing material issues, identified sustainability topics highly relevant to the industry, and differentiated their priority levels. The Company has disclosed strategic approaches, management actions, and performance data in its sustainability management and operations. The overall reporting content demonstrates materiality.
Responsiveness	Focusing on stakeholder concerns, SHP Group has clearly disclosed its management approaches and performance regarding material issues such as climate change mitigation, green packaging and materials, health and safety, product responsibility, technological innovation and intellectual property management, business ethics etc. The Company has also established multiple stakeholder communication mechanisms to fully address stakeholder demands and expectations.
Impact	SHP Group has established an ESG governance system, clearly defining the key breakdown of ESG targets under this framework and continuously tracking the progress of strategy implementation. In addition, SHP Group has built an ESG management structure to progressively improve the Company's sustainability system development, while also monitoring, measuring, and enforcing accountability for impacts on broader ecosystems.

Recommendations on Continuous Improvement

- The verification team has communicated improvement recommendations to the Company's management during the on-site verification process.

Page 2 of 3
TÜV SÜD Certification and Testing (China) Co., Ltd.
Floor 1-4, Building B, No.37, Tuanjie Road(Middle), Xishan Economic and Technological Development Zone, Wuxi, Jiangsu, P.R. China

ID: CCB_EIV_F_10.00E | Version: 3 | Effective Date: 08-Feb-2025 | Page: 2 of 3

Independent Verification Statement



Verification Statement: EIV2 133418 0001 Rev. 00

Statement on Independence and Verification Capability

TÜV SÜD is a trusted partner of choice for safety, security and sustainability solutions. It specializes in testing, certification, auditing and advisory services. Since 1866, the company has remained committed to its purpose of enabling progress by protecting people, the environment and assets from technology-related risks. Today, TÜV SÜD is present in over 1,000 locations worldwide with its headquarters in Munich, Germany. Through expert teams represented by more than 28,000 employees, it adds value to customers and partners by enabling market access and managing risks. By anticipating technological developments and facilitating change, TÜV SÜD inspires trust in a physical and digital world to create a safer and more sustainable future.

TÜV SÜD (China) is one of TÜV SÜD's global branches and has an expert team whose members have professional background and rich industrial experiences.

TÜV SÜD (China) and SHP Group are two entities independent of each other and both TÜV SÜD (China) and SHP Group and their branches or stakeholders do not have any conflict of interest. No member of the verification team has business relationship with the Company. The verification is completely neutral. All the data and information in the Report are provided by SHP Group. TÜV SÜD (China) has not been involved in preparation and drafting of the Report, except for the verification itself and issuance of the verification statement.

Wenjun Zhu
TÜV SÜD (China) Technical Certifier
Shanghai, China, 24/07/2025

ID: CCB_EIV_F_10.00E | Version: 3 | Effective Date: 08-Feb-2025 | Page: 3 of 3

Page 3 of 3
TÜV SÜD Certification and Testing (China) Co., Ltd.
Floor 1-4, Building B, No.37, Tuanjie Road(Middle), Xishan Economic and Technological Development Zone, Wuxi, Jiangsu, P.R. China

Kunshan, China

Address 1: No. 139, Yujinxiang Road

Address 2: No. 8 Zhongyang Avenue, Zone B, Comprehensive Bonded Zone

Email: sales@shyahsin.com

Tel: +86 512 57305268

Cixi, China

Address: No. 108, Xuedong Road, Dongbutou Village, Zhangqi Town

Email: qihaixia@shyahsin.com

Tel: +86 18912676358

Taizhou, China

Address: Building 3, Phase II Innovation and Entrepreneurship Industrial Park,
No. 1033 Wuling South Road, Pharmaceutical High-tech Industrial Development Zone

Email: summerluo@shyahsin-tz.com

Tel: +86 523 89690001

Taiwan, China

Address: No. 108, Shijia Road, East District, Taichung City

Email: sales@shyahsin.com

Tel: +886 4 22118485

United States East Coast

Address: Schoolhouse Plaza, 374 Millburn Avenue,

Suite 205E, Millburn, NJ 07041

Email: sales@shyahsin.com

Tel: +1 7322130780

United States West Coast

Address: 135 Sheldon St, El Segundo, CA 90245

Email: sales@shyahsin.com

Tel: +1 6462762368

Mexico

Address: Av. 16 de Septiembre 82, Col. San Francisco,
San Francisco Coacalco, Méx. 55700

Email: sales@shyahsin.com

Tel: +52 55 89781980

Europe

Address: 9 Rue de Clichy, 75009 Paris, France

Email: sales@shyahsin.com

Tel: +33 9 83881217

