



SHENZHOU INTERNATIONAL
GROUP HOLDINGS LIMITED

申洲國際集團控股有限公司*

Stock Code 股份編號 : 2313



ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT
2023

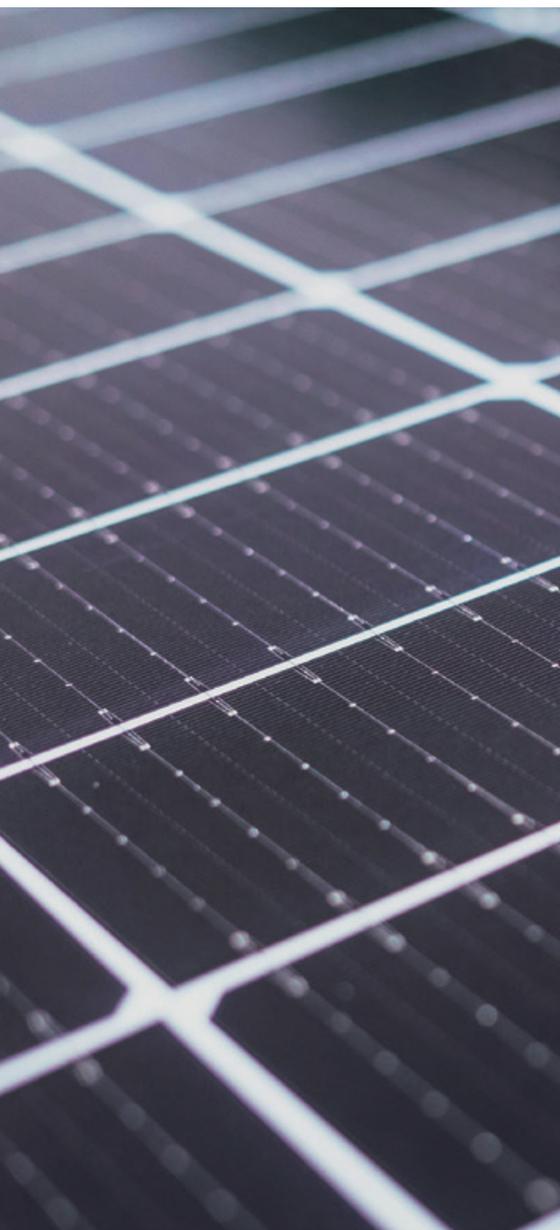


CONTENT

2	1	ABOUT THIS REPORT
4	2	CHAIRMAN STATEMENT
6	3	ABOUT SHENZHOU INTERNATIONAL
	3.1	Awards and Recognition
9	4	2023 PERFORMANCE HIGHLIGHT
11	5	SUSTAINABILITY STRATEGY
	5.1	ESG Strategy and Goals
	5.2	ESG Governance Structure
	5.3	Stakeholders Engagement
	5.4	Materiality Assessment
16	6	TARGET SUMMARY
18	7	ENVIRONMENTAL
	7.1	Environmental Management
	7.2	Climate Action Blueprint
	7.3	Resource Management
	7.4	Waste Management
	7.5	Searching for Green Technology Opportunities
	7.6	Green Training and Communication

50	8	SOCIAL
	8.1	Our Employee
	8.2	Gender Equity and Female Empowerment
	8.3	Employee Benefits
	8.4	Employee Health and Safety
	8.5	Training and Development
	8.6	Human Capital Development
	8.7	Community Investment
104	9	GOVERNANCE
	9.1	Strategic Governance Structure
	9.2	Business Ethics
	9.3	Supply Chain Management
	9.4	Customer Management
	9.5	Quality and Process Management
	9.6	Chemical Safety and Management
	9.7	Responsibly External Audit
	9.8	Product Responsibility
	9.9	Lean Innovation
	9.10	Investor Relations
150	10	APPENDIX

1 ABOUT THIS REPORT



Shenzhou International Group Holdings Limited (“Shenzhou International” or the “Company”) and its subsidiaries (collectively the “Group”, “Shenzhou Group” or “We”) are pleased to publish the Environmental, Social and Governance Report (the “Report”) in 2023. The Report is intended to disclose the Group’s progress and results in environmental, social and governance (“ESG”) aspects for the period from 1 January 2023 to 31 December 2023 (the “Reporting Period”).

The ESG Report covers the Company and its subsidiaries during the Reporting Period, including factories in China, Vietnam and Cambodia during the Reporting Period. It aims to provide an overview of the Group’s approaches, priorities, targets and performance in the key areas of environmental protection, social responsibility, and corporate governance.

The Group prepared the Report in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Report has complied with the “Comply or Explain” provisions contained in the Guide and followed the four reporting principles of materiality, quantitative, balance and consistency as the basis of preparation.

- **Materiality:** Stakeholder communication and materiality assessment have been incorporated into the preparation of this ESG Report as a basis for identifying material ESG issues.
- **Quantitative:** The Report presents environmental and social KPIs in the form of quantitative data, accompanied by explanations to illustrate their purposes and impacts. We also provide comparative data on environmental and social KPIs in the Report.
- **Balance:** This ESG Report follows the principle of balance and presents our ESG performance in an impartial manner.
- **Consistency:** The methodologies for working out this ESG report are consistent with those adopted in the 2022 ESG report to ensure comparability of information. Explanation will be given for any updated methodologies.

This ESG Report covers key issues relevant to the Group’s various stakeholders including but not the limited to shareholders, employees, customers, community people and business partners. The Report is available for inspection and download at the “HKEXnews” website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the official website of Shenzhou International (<http://www.shenzhouintl.com/>).

Every stakeholder’s feedback matters to the Group’s business and sustainable development. Should you have any opinions and comments on the ESG Report or our sustainable development strategy, please contact the Group via the following means:

Tel: +852 2310 4920

Website: <http://www.shenzhouintl.com/>

Email: 2313ir@shenzhougroup.com

1 ABOUT THIS REPORT

BOARD STATEMENT

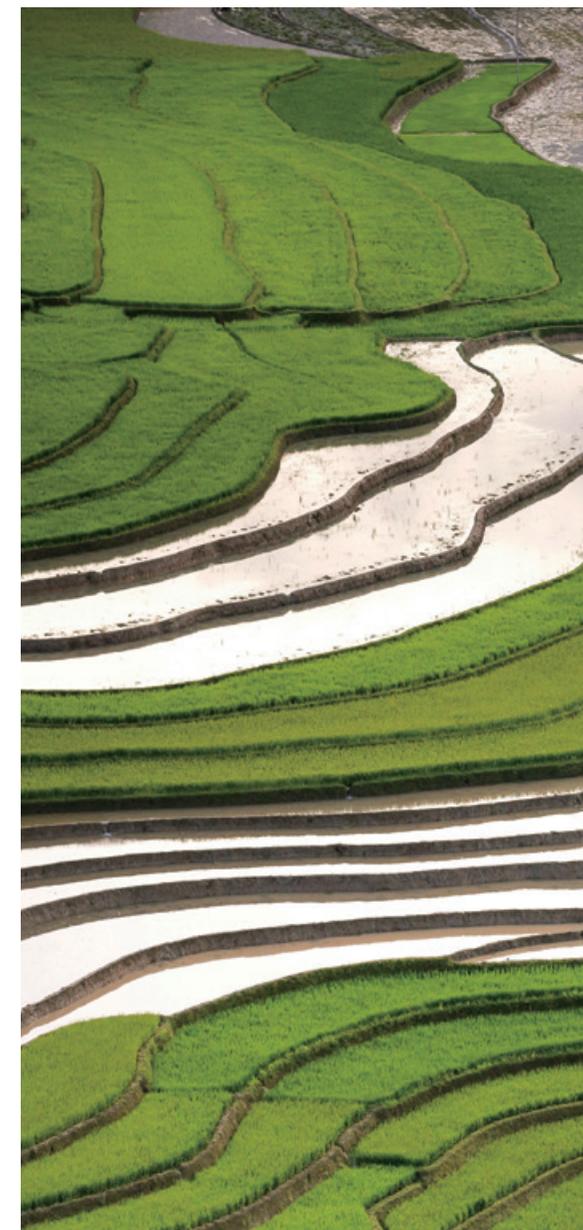
The Board of Directors serves as the highest responsible and decision-making body for ESG matters. It assumes ultimate responsibility for the Group's ESG strategy and reporting, overseeing issues related to ESG that may affect the Group's operations, shareholders, and other stakeholders. A Sustainability Council has been established under the Board of Directors to identify and assess ESG risks relevant to the Group and to ensure the establishment of appropriate and effective ESG risk management and internal control systems. The Sustainability Council also reports to the Board on the progress towards achieving ESG targets and conducts periodic reviews.

Our Group values the suggestions and opinions of all stakeholders, ensuring that there are sufficient channels to engage in dialogue with key stakeholders. This engagement results in the discussion and determination of the Group's significant ESG issues and potential risks, continuously improving ESG-related strategies and policy systems. The Board has deliberated on the materiality of this year's ESG issues and has approved proposals to adjust the

importance level of each ESG issue, ensuring the timeliness and reasonableness of the materiality matrix.

The Group has established a management system regarding a series of ESG targets such as carbon emissions, pollutant emissions, energy saving, water efficiency, women leadership, culture of safety, etc. The Board reviews the progress of these targets annually and examines any necessary adjustments or improvements to ensure the Group continues to make progress towards achieving its ESG targets.

The Board of Directors guarantees that there are no false records, misleading statements, or significant omissions in this report and take responsibility for its truthfulness, accuracy, and completeness. This Report discloses the progress and effectiveness of the Group's ESG efforts in 2023 and was submitted for reviewed and approved at the Board of Directors meeting on 26 March 2024.



2 CHAIRMAN STATEMENT



The year 2023 stands as an extraordinary and meaningful period. In this challenging year, Shenzhou International has adhered to the principle that long-term altruism ultimately benefits oneself, insisting that sustainable development is one of the critical strategic directions for the Group.

This year marks the 11th anniversary of Shenzhou International's release of ESG (Environmental, Social, and Governance) report. In this new era, we are committed to staying true to our original mission while keeping pace with the times, working towards new targets and directions with steadfast determination and sustainable management practices.

ROOTED IN SHENZHOU

As a company with over 90,000 employees, Shenzhou International embraces a people-oriented philosophy. We regard our employees as one of the Group's most valuable assets, offering them fair and equitable benefits, comprehensive facilities, continual learning and training opportunities, and a healthy and comfortable workplace. We actively promote gender equity and employee caring initiatives, cultivating a work environment where employees can feel secure, happy, and content within Shenzhou. In 2023, our employee turnover rate decreased by 16% compared to the previous period.

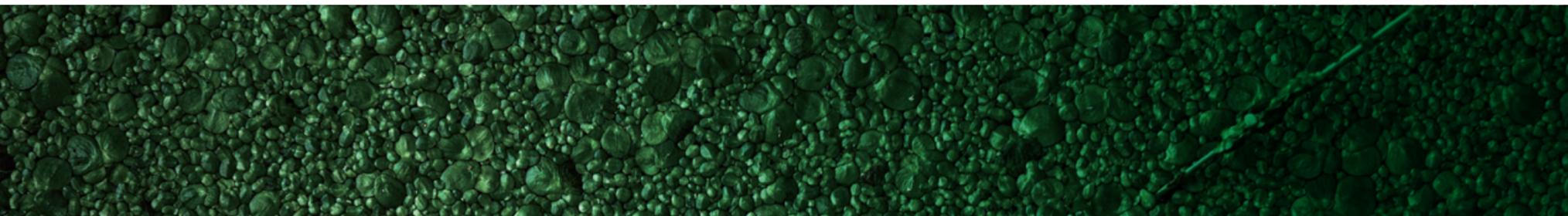
In line with our original commitment, we transferred ownership of Shenzhou apartments to 248 long-serving employees, enabling them to tangibly feel the Group's integrity and warmth.

CARE ON OUR COMMUNITY

Shenzhou, as a responsible company, is accountable not only to the employees but also to the community.

For a long time, Shenzhou has been deeply involved in philanthropy and the construction of beautiful rural communities. In 2023, we further promoted the vision of "Harmonious Shenzhou" through donations and public welfare activities. We supported rural revitalization to build a better homeland, participated in the construction of community kitchens to bring joy to the elderly, engaged in initiatives that encourage the younger generation to strive for excellence, and took part in environmental protection to preserve nature.

2 CHAIRMAN STATEMENT



GREEN NATURE

To achieve our carbon reduction targets by 2030, we have implemented a series of climate action measures, including the deployment of green energy, coal elimination, energy revolution, and improvements in energy efficiency.

In 2023, Shenzhou International achieved a carbon emission reduction of 11.6% compared to the baseline year of 2020. The Group has achieved nearly 400 million kWh (about 49.9%) of the electricity from green and renewable sources. Moreover, the installed capacity of rooftop photovoltaic reaching 75MW and we have extensively utilized biomass and natural gas as replacements for coal.

In terms of water resource utilization, the water production from our Reverse Osmosis (“RO”) recycling system increased by 47.3% over the previous period.

INTELLIGENT MANUFACTURING

Green and technological transformations are our long-term development goals. Through our own equipment upgrades, technology adoption, research and development in automation and intelligence, and the establishment of stable partnerships, we have achieved product innovation and lean production. At the same time, we have linked our vertically integrated industry chain through information technology and digitalization to meet market and customer demands with transparency and efficiency.

INTEGRITY

Integrity is the cornerstone upon which Shenzhou International stands. The word “integrity” is prominently displayed at all Shenzhou International’s operational bases. Integrity towards employees, customers, business partners, and society allows Shenzhou International to shine on the international stage.

We do believe that by earnestly implementing our sustainable development strategy, we can make stakeholders such as customers, investors, community, employees, and business partners feel that Shenzhou International is a company that is responsible, proactive, and socially aware. This fulfills the expectations of all stakeholders and aims to create greater and more long-term value for them.

Ma Jianrong

Chairman of the Board

Chairman of Sustainability Council

3 ABOUT SHENZHOU INTERNATIONAL

Shenzhou International, a leading vertically-integrated tech-apparel manufacturer, operates predominantly within the vibrant heart of Asia. Strategically headquartered in Ningbo, China (Green in figure), the Group anchors the main production capabilities in this bustling hub. Complementing its manufacturing prowess, Shenzhou International has established sales offices in key economic centers in Japan, Hong Kong, and Shanghai (Red in figure), drive market presence and customer engagement. Additionally, the operational footprint extends to Anhui in China, Ho Chi Min City & Tay Ninh in Vietnam, and Phnom Penh in Cambodia (Blue in figure), where production bases form an integral part of the robust supply chain network, ensuring efficiency and scalability across the region.



3 ABOUT SHENZHOU INTERNATIONAL

VISION

Shenzhou International's position for the future corporate development is to be committed to "be the best technical apparel operator in the world". Shenzhou International, as one of the world's largest vertically integrated tech garment manufacturers, with a complete operation system of research and development, design, production, logistics and so on. The future development strategy of Shenzhou International is not only to pursue the continuous growth of the scale of the enterprise, but also pays more attention to the comprehensive uplift in the corporate competitiveness, especially the improvement in innovation, automation, digitalization, decarbonization and environmental protection.

MISSION

"Commit to green technology and create a better lifestyle" – Green environmental protection is primary social responsibility as well as the basis of long-term viability for an enterprise should undertake. The Group shall continuously increase the efforts of green development to achieve long-term sustainable development. Comfort is not merely the tactile sensation from our apparel, but also a state of living that our Group and employees strive to fervently pursue together. By creating a lifestyle of comfort and beauty, we can seek and achieve a harmonious balance within the Group, human and nature.

CORE VALUES

"Integrity, responsibility, Learning and Efficiency" are our Group core values, which are the critical enablers to drive the further movement and future development.



● Factories under the Group

3 ABOUT SHENZHOU INTERNATIONAL

3.1 Awards and Recognition

Group's Achievements

Shenzhou International has been selected as one of the “Top 500 Private Enterprises in China” and “ Top 500 Private Manufacturing Enterprises in China” by the All-China Federation of Industry and Commerce for consecutive years.

Here are the major achievements we have in 2023 (A list of the full achievements can be found in Sector Governance-Corporate Awards and Recognition):

- Top 500 Private Enterprises in China
- Top 500 Private Manufacturing Enterprises in China
- Top 500 Manufacturing Enterprises in China
- Top 500 Listed Companies in 2023 Fortune China
- National Advanced Private Enterprise in Employment and Social Security
- Top 100 Enterprises of Zhejiang Province
- Top 100 Manufacturing Enterprises of Zhejiang Province
- Top 100 Zhejiang Private Enterprise – Social Responsibility
- Top 100 Foreign-invested Enterprises in Anhui Province to Create Outstanding Jobs



The Group also is recognized by several parties on our ESG contributions:

Constituent of Hang Seng ESG 50 Index



Low Risk Rating in Sustainalytics



BBB Rating in MSCI ESG Ratings in 2023



C rating in CDP in 2023



Hong Kong Green and Sustainable Finance Awards - Pioneering Organisation in ESG Disclosure Enhancement

Moreover, our Group has been certified for the below recognitions and have public information to robust our performance.

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 45001 Occupational Health and Safety Management System
- ISO 27001 Information security management system
- GRS – Global Recycled Standard
- GOTS – Global Organic Textile Standard
- CNAS – China National Accreditation Service for Conformity Assessment
- CMA – China Metrology Accreditation
- OEKO-TEX 100

4 2023 PERFORMANCE HIGHLIGHT

PLANET

-11.6%

Carbon emission compared to the baseline year

167% increase

Biomass consumption to hasten the elimination of coal

49.9%

Coverage of the Group electricity consumption obtained from green electricity

47.3% increase

The consumption of RO water and reclaim water

75.29MW (65% increase ↑)

Owned photovoltaic installation capacity marking a 65% growth compared to last year

27,687,085 kWh (74.7% increase ↑)

Offsite PPA (green electricity) purchased amount

310,464,000 kWh

International renewable energy certificate for first year pilot

Facilitate the waste circularity

Solutions of Textile to Textile and the in-house recycling of waste

Legal compliance

Complied with relevant environmental regulations and laws

PEOPLE

92,030

Group employee

Healthy and safe workplace

Obtained International certifications (IOSH ROSPA and TLP)

-16.6%

Employee turnover rate compared to the last year

Career development and retention

Recognize employee potential and offer a variety of training programs to enhance individual competitiveness

Gender equity

Promote a fair and inclusive workplace with the actions of empowerment and caring

248 apartments

Grant apartment property right to long-serving employees

Transparent and efficient

Multiple communication channels to ensure transparency and efficiency

Legal compliance

Complied with relevant social regulations and laws

All-round support

Support facilities have been expanded and optimized, focusing on improving the factory environment, canteens, accommodation, children's education, and commuting options

4 2023 PERFORMANCE HIGHLIGHT

PRODUCT

Traceability

High-quality raw material suppliers and a self-owned digital dynamic map

Green & digital supply chain

Technologies utilization of IoT, supplier management platforms with rapid response mechanisms and near-shore sourcing decisions to strengthen intelligent manufacturing capabilities

Automation

End-to-end automation, informational manufacturing processes and intelligent production

Chemical safety

Rigorous control of incoming chemicals, processing, and adherence to ZDHC wastewater discharge standards

Sustainable product

Increase the circular and sustainable products and relevant certifications

Transparent supply chain

Maintained with transparency, integrity, and anti-corruption

Quality control

End to end advanced quality system and customized tools

Lean production

Scale up in innovation and R&D, achieving an agile and personalized garment production

Stakeholder relationship

Collaborate with industry participator for brand building, and held the Reverse Roadshows



5 SUSTAINABILITY STRATEGY

5.1 ESG STRATEGY AND GOALS

Sustainable development is the foundation of corporate progress and development. We are committed to uphold these principles to generate lasting value for our employees, customers, business partners, and shareholders. In alignment with our overall strategic direction and daily operations, we outline sustainable development strategies. These strategies focus on three key areas: “Environmental,” “Social,” and “Governance”. They serve as guiding principles for our sustainable development efforts and facilitate the implementation of sustainable practices.



Environmental

The Group is dedicated to lessen the environmental impact of our operations, proactively align with industry and societal calls for sustainable development. We have established explicit carbon reduction targets and are rigorously monitoring our waste and resource management practices. This commitment ensures we are not only meeting but also setting standards for environmental stewardship within our industry.

Social

The Group prioritizes secure, fully respectful and healthy & safe workplaces, values employee and community relationships, champions diversity, women’s empowerment, occupational health and safety (“OHS”), and nurtures a supportive, sustainable community presence.

Governance

The Group is devoted to upholding the highest standards of corporate governance, ensuring the protection of stakeholder interests. We pledge unwavering commitment to stringent adherence to the Corporate Governance Code and ethical business standards. We also committed to a robust customer relationship management and an extensive supply chain framework, reflecting our dedication to operational excellence and responsible governance.

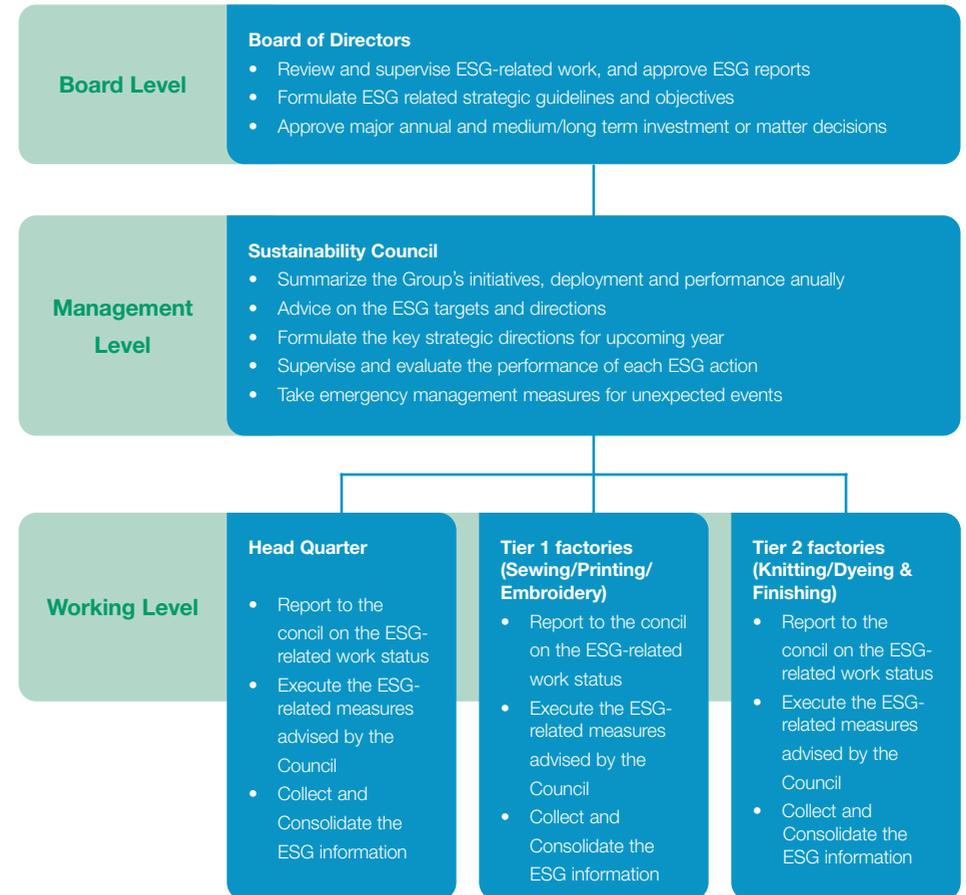
5 SUSTAINABILITY STRATEGY

5.2

ESG GOVERNANCE STRUCTURE

In alignment with the commitment to sustainable development, the Group has instituted a comprehensive ESG governance framework that permeates every level of the organizational structure. This framework ensures that the Board, management, and working level are all actively engaged in executing the Group's sustainability objectives.

At the Board level, the Board of Directors is scheduled to convene at least quarterly to deliberate on critical ESG matters. Our Chairman, Mr. Ma Jianrong, will spearhead the Sustainability Council, which will include executives from Administration as well as Tier1 and Tier2 factories, to fulfil our sustainability obligations. At the beginning of each year, the chairman and executive directors of the Sustainability Committee discuss the main sustainable development actions and goals for the year and implement them at each production bases. Each production base will continue to use the Group's development strategic goals to break down and refine the sustainability work, thereby formulating corresponding target indicators for effective follow-up and review.



5 SUSTAINABILITY STRATEGY

5.3 STAKEHOLDERS ENGAGEMENT

The Group attaches great importance on engaging with our stakeholders and actively solicits their feedback. We understand that maintaining a dialogue with key stakeholders such as customers, shareholders, employees, suppliers, business partners, government entities, and regulatory bodies is essential for our growth and improvement. To facilitate this, we have established a variety of communication channels tailored to each group, allowing us to gather valuable insights and suggestions. These channels serve as conduits for open and constructive discussions, enabling us to respond effectively to concerns and adapt our strategies for continuous enhancement. The specific communication mechanisms we employ are detailed below:

Stakeholder Group	Concerned Topics	Communication Channels
Employees	Employee benefits and rights Talent management Employee safety and health Employee training and development	Internal communication Employee activities Employee complaint channels
Customers	Product traceability Sustainable Product Product quality Customer rights protection Technical support Innovative R&D	On-site visit Official website Customer research Satisfaction survey Service hotline Data mining analysis
Shareholders/Investors	Corporate economic performance Corporate governance Green investment	Annual report Shareholders' meeting Investor meeting

Stakeholder Group	Concerned Topics	Communication Channels
Suppliers	Supply chain management Purchasing practices Circular economy	Supplier assessment Supplier Conference Bidding, procurement
Partners	Innovative materials Cooperate practices Waste management	WeChat official account Official website Conference communication
Government	Compliant business development Anti-corruption and anti-bribery	Regulation related meeting Policy advocacy
Local Community/NGOs	Community investment and public welfare Corporate responsibility	Meeting with relevant professional institutions Industry conference WeChat official account, the official website Media

5 SUSTAINABILITY STRATEGY

5.4 MATERIALITY ASSESSMENT

Conducting a materiality assessment is a crucial step for determining the sustainability issues that matter most to our stakeholders and to the Group. To ensure a comprehensive understanding of these priorities, we not only utilize the communication channels but also collaborate with an independent third-party consultant. During the Reporting Period, we arranged an online questionnaire to gather direct feedback and ensures that we can address these concerns in our sustainability initiatives and reports.

<p>Identification</p>	<p>By referring to the sustainability standards such as Stock Exchange’s Guide, Global Reporting Initiative (GRI), as well as industry benchmarks and the company’s own development status, the Group has formulated a series of important issues. In the assessment of material issues this year, the Group identified and determined 22 material issues, of which 7 were environmental issues, 7 were social issues and 8 were governance and operation issues.</p>
<p>Prioritization</p>	<p>The Group invites different stakeholders and management representatives of the Group to participate in the online questionnaire survey. Through rating the importance on each topic in terms of their viewpoint, we collect the potential material issues to the Group and determine the importance of the screened material issues. Topics will be divided into three categories, namely high importance, medium importance and normal importance.</p>
<p>Validation</p>	<p>A matrix of substantive issues is constructed from the two dimensions of “Importance to Shenzhou International” and “Importance to stakeholders”. Highly important issues are screened out based on the scores of each issue. The results will be submitted to the Group management for discussion and finalized. The Board has endorsed this ESG Report, including the materiality matrix below.</p>



5 SUSTAINABILITY STRATEGY

During the reporting year, 12 topics are identified as high importance, while 7 topics are counted as medium and 3 topics are counted as normal importance. We have also aligned our topics with Global objectives outlined by the UN Sustainable Development Goals (SDGs) to demonstrate our activities contribute to these important sustainability targets.

Category	Material Topic	Aligned SDGs	Related Section
Environmental	1. Environmental Compliance	  	Environmental management
	2. Greenhouse gas emissions		Climate action blueprint
	3. Waste management		Waste management
	4. Energy and Resource Management		Climate action blueprint
	5. Climate change		Resource management
	6. Sustainable raw materials		Climate action blueprint
	7. Product sustainability		Waste management
		Searching for green technology opportunities	
Social	8. Employment and Labour Practices	 	Our employee
	9. Employee benefits and rights		Employee benefits
	10. Employee Health and Safety		Employee health and safety
	11. Employee training and development		Training and development
	12. Diversity, Equity & Inclusion		Gender equity and female empowerment
	13. Talent recruitment and retention		Human capital development
	14. Community Investment		Community investment
Governance	15. Operational Compliance	   	Responsibly external audit
	16. Chemical safety management		Business ethics
	17. Supply chain management		Chemical safety and management
	18. Product Responsibility		Supply chain management
	19. Quality management		Product responsibility
	20. Customer relationship management		Quality and process management
	21. Research, Innovation and Development		Customer management
	Sustainable and digital supply chain management		
	Advanced tool application		
	Lean innovation		
	Business ethics		

6 TARGET SUMMARY

Our Environmental Target and Action Plan

Category	Target	Target Year	2023 Status
GHG Reduction	Reduce 42% of our scope 1 and 2 emission compared with 2020 ¹	2030	○ Total Scope 1 & 2 carbon emission reduced by 11.6%
Energy Saving	Tier 1 ("T1") factories ² : Replace 50% of the electricity consumption on with renewable & green	2025	○ China: 20.2% ✓ Vietnam: 71.0% ○ Cambodia: 23.3%
	Tier 2 ("T2") factories ³ : Replace 20% of the electricity consumption on with renewable & green	2025	✓ China: 46.4% ✓ Vietnam: 66.4%
	Coal Phase-out in all factories	2025-2030	✓ All T1 factories and China T2 factory have the coal fuel operations fully replaced. ○ Vietnam's T2 factory has been actively exploring market supplies, the biomass consumption has a 167% increase over the same period.
	All factories should complete the Energy Minimum Program	2025	✓ All factories complete the Energy Minimum Program
Water Efficiency	20% Water Efficiency Improvement in T2 factories from 2020	2025	○ China: water efficiency is 11.5% higher than the baseline ○ Vietnam: water efficiency is 6.8% higher than the baseline
Waste Circularity	All factories should complete the Waste Minimum Program	2025	✓ All factories complete the Waste Minimum Program
	All factories should complete the "Textile to Textile" programs	2025	○ China: market feasibility ○ Vietnam: market feasibility ✓ Cambodia: kick off the program in 2023

✓Achieved: Compliance with legal, regulations, industry tools, etc.

Note: ✓Achieved; ○ On track; ✕ Lag behind

¹ The target setting methodology is reference to Science Based Targets initiative ("SBTi") Criteria 4.2 and Green House Gas ("GHG") Protocol.

² Tier 1 factories included the garment factories in China, Vietnam and Cambodia

³ Tier 2 factories included the fabric and flyknit factories in China and Vietnam

6 TARGET SUMMARY

Our Social Target and Action Plan

Category	Target	Target Year	2023 Status
Women Leadership	All factories should roll out Women Leadership Program	2025	○ 79% factories rolled out Women Leadership Program
Employee Satisfaction	All factories should conduct Employee Satisfaction Survey	2025	○ 64% factories conducted Employee Satisfaction Survey
Workplace Facilitator	All factories should have at least 1 % of their site workers nominated as the workplace facilitators	2025	✓ All factories had at least 1 % of their site workers nominated as the workplace facilitators
Employee Health and Safety	Zero tolerance on major work-related injuries and deaths	Annually	✓ No major work-related injuries and deaths at all factories in the Reporting Period
	All Tier1 factories should establish a mature culture on safety workplace	2025	✓ All factories have established mature culture on safety workplace
Community Investment	All factories should roll out community care activities	Annually	✓ All factories have conducted community care activities in the Reporting Period

✓ Foundational Expectation: Compliance with legal, regulations, industry tools, etc.

Note: ✓ Achieved; ○ On track; ✕ Lag behind

ENVIRONMENTAL

23 7.1 ENVIRONMENTAL MANAGEMENT

25 7.2 CLIMATE ACTION BLUEPRINT

- 7.2.1 Energy Conservation and Emission Reduction Actions
- 7.2.2 Support to the Low-carbon Supply Chain
- 7.2.3 Our Performance
- 7.2.4 Climate Related Risk and Opportunity

37 7.3 RESOURCE MANAGEMENT

- 7.3.1 Energy Management
- 7.3.2 Water Management
- 7.3.3 Our Performance

41 7.4 WASTE MANAGEMENT

- 7.4.1 Hazardous Waste Management
- 7.4.2 Non-hazardous Waste and Packaging Material Management
- 7.4.3 Air Emission Management
- 7.4.4 Wastewater Management
- 7.4.5 Our Performance

48 7.5 SEARCHING FOR GREEN TECHNOLOGY OPPORTUNITIES

49 7.6 GREEN TRAINING AND COMMUNICATION

7 ENVIRONMENTAL

As a dynamic participant in the worldwide textile and garment market, Shenzhou International consistently places a high priority on environmental advantages as a core component of its value creation strategy. The Group vigilantly monitors the ecological effects of its operations and commits to actively answering the industry and societal demands for sustainable growth. We are dedicated to stringent adherence to all applicable environmental laws and regulations.

During the Reporting Period, the Group was not aware of any serious violations of relevant environmental laws and regulations.



7 ENVIRONMENTAL

Our Environmental Target and Action Plan

Upon all the fulfilment of all relevant laws and regulations for all our factories, we have taken a step further to set up several environmental targets in GHG reduction, energy saving, water efficiency and waste circularity, etc. To achieve these, we are implementing and deploying a comprehensive suite of initiatives designed to promote green production, operations, and development in different timeframe.

Environmental Targets and Performance

Category	Target	Target Year	2023 Status
GHG Reduction	Reduce 42% of our scope 1 and 2 emission compared with 2020 ¹	2030	○ Total Scope 1 & 2 carbon emission reduced by 11.6%
Energy Saving	Tier 1 ("T1") factories ² : Replace 50% of the electricity consumption on with renewable & green	2025	○ China: 20.2% ✓ Vietnam: 71.0% ○ Cambodia: 23.3%
	Tier 2 ("T2") factories ³ : Replace 20% of the electricity consumption on with renewable & green	2025	✓ China: 46.4% ✓ Vietnam: 66.4%
	Coal Phase-out in all factories	2025-2030	✓ All T1 factories and China T2 factory have the coal fuel operations fully replaced. ○ Vietnam's T2 factory has been actively exploring market supplies, the biomass consumption has a 167% increase over the same period.
	All factories should complete the Energy Minimum Program	2025	✓ All factories complete the Energy Minimum Program
Water Efficiency	20% Water Efficiency Improvement in T2 factories from 2020	2025	○ China: water efficiency is 11.5% higher than the baseline ○ Vietnam: water efficiency is 6.8% higher than the baseline
Waste Circularity	All factories should complete the Waste Minimum Program	2025	✓ All factories complete the Waste Minimum Program
	All factories should complete the "Textile to Textile" programs	2025	○ China: market feasibility ○ Vietnam: market feasibility ✓ Cambodia: kick off the program in 2023

✓Achieved: Compliance with legal, regulations, industry tools, etc.

Note: ✓Achieved; ○ On track; ✕ Lag behind

¹ The target setting methodology is reference to Science Based Targets initiative ("SBTi") Criteria 4.2 and Green House Gas ("GHG") Protocol.

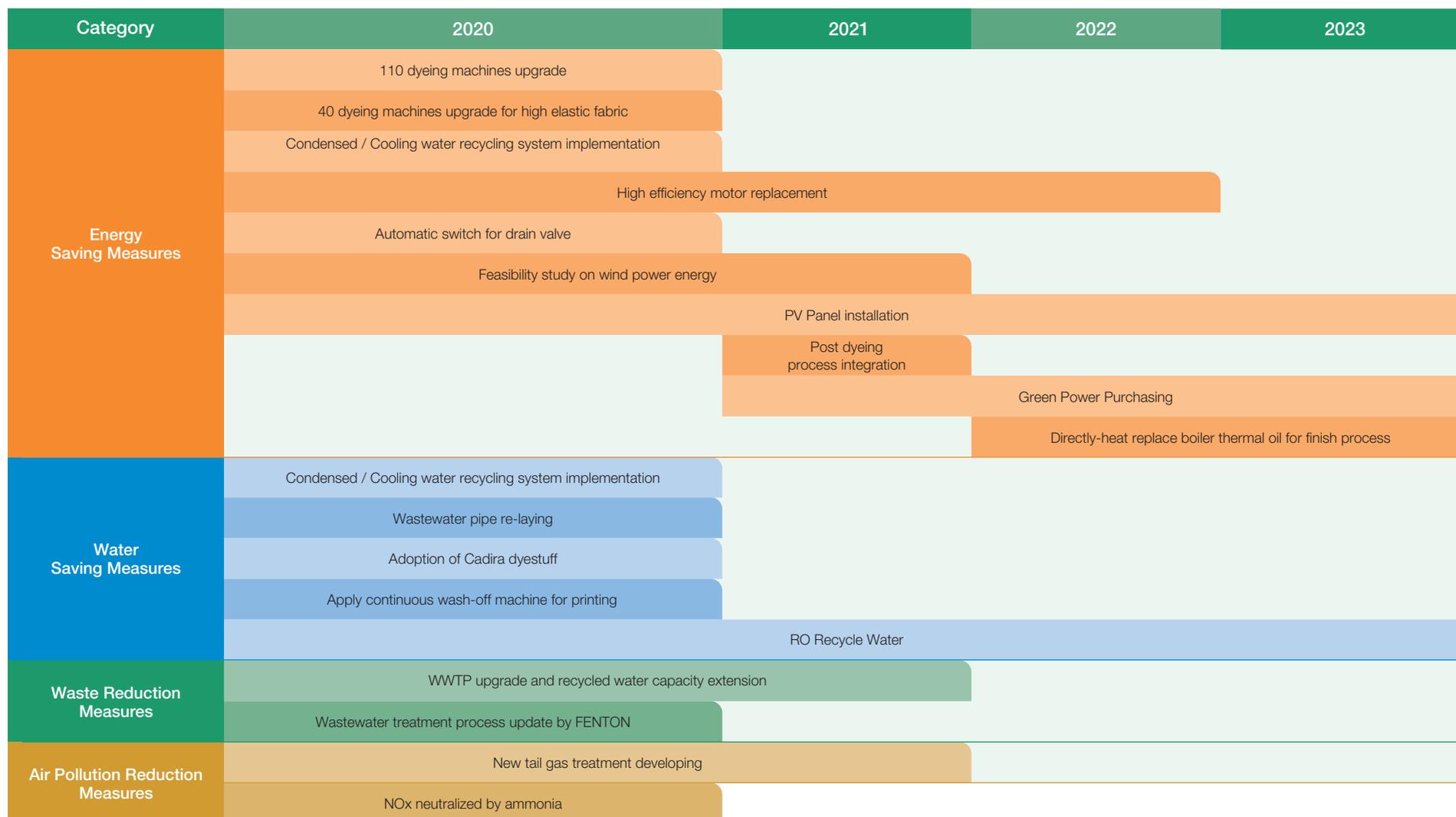
² Tier 1 factories included the garment factories in China, Vietnam and Cambodia

³ Tier 2 factories included the fabric and flyknit factories in China and Vietnam

7 ENVIRONMENTAL

THE GROUP'S ACTION PLAN TIMELINE

a. Year 2020 to 2023



7 ENVIRONMENTAL

b. Year 2024 to 2025 (Future Plan Map)

Projects	2024	2025	Factory
Process and Equipment Retrofit Projects	Yes	Yes	T1 & T2
Intelligent Management Platform Construction	Yes	Yes	T1 & T2 (Pilot)
Coal Phase-out Program	Yes	Yes	T2
Green Factory Application	will be completed in 2024		T1 & T2
Natural Gas Direct Combustion Retrofit	will be completed in 2024		T2
Energy Revolution	Yes	Yes	T1
Rooftop Solar PV Scale-up	Yes	Yes	T1 & T2
Green Power Purchasing (e.g. PPA & DPPA)	Yes	Yes	T1 & T2
Energy Attribute Certificate	Yes	Yes	T1 & T2

7.1 ENVIRONMENTAL MANAGEMENT

In a strategic move to bolster our commitment to environmental stewardship, we have instituted a comprehensive Environmental Management System (EMS) across our facilities in China, Vietnam and Cambodia. This system not only structured around the recognisable ISO 14001 standard, it is also embraced with the HIGG Facility Environment Module (FEM), an industry-tailored assessment tool that delves into specific environmental dimensions. This includes an exhaustive evaluation of our Environmental Management System, Energy and Greenhouse Gas Emissions, Air Emissions, Water Use, Wastewater, Waste Management, and Chemicals Management. This nuanced approach enables us to address the unique environmental challenges inherent to our industry with greater precision and effectiveness. During the Reporting Period, all of our facilities passed the rigorous external audit based on the FEM, and one of our fabric facilities has been verified with the total score of 87, a testament to our unwavering environmental governance and operational excellence.

Recognizing the importance of transparency and accountability in environmental reporting, we manage to ensure the integrity and accessibility of our environmental data. Our carbon reduction approach, carbon reduction targets and environmental-related Key Performance Indicators (KPIs) are in accordance with regulatory requirements, industry standards and esteemed disclosure platforms, including but not limited to the following:

Laws and Regulations: Environmental Protection Law of the People's Republic of China, Environment Protection Law of the Socialist Republic of Vietnam, Cambodia Environment Protection and Natural Resource Law, ISO 14001:2015, etc

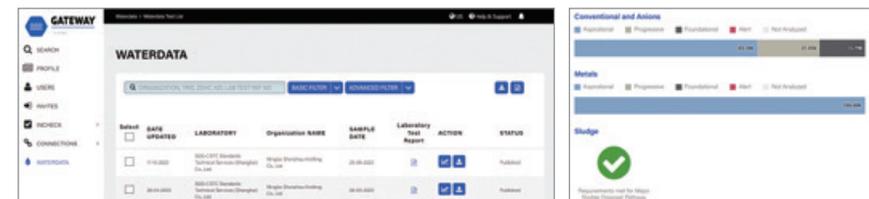


OUR ISO 14001 Certificates

Industry Tools: Zero Discharge of Hazardous Chemicals (ZDHC), Facility Environment Module (FEM).



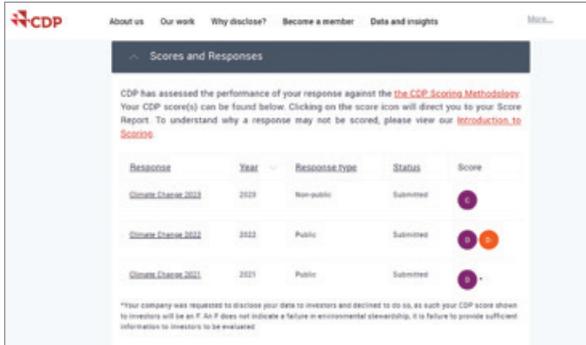
Our FEM Certificate



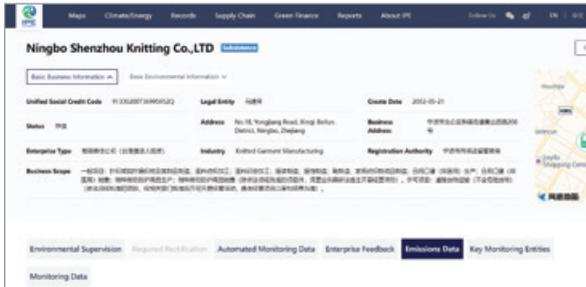
Our ZDHC Performance

7.1 ENVIRONMENTAL MANAGEMENT

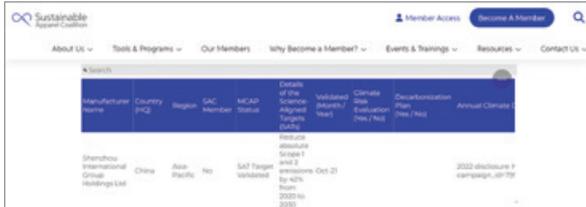
Disclosure Platforms: the Institute of Public & Environmental Affairs (IPE), the Carbon Disclosure Project (CDP), and the Sustainable Apparel Coalition (SAC), etc.



● Our CDP



● Our IPE



● Our SAC

These actions underscore our commitments to environmental integrity and our pursuit of collaborative efforts to mitigate the impacts of our operations on the planet.

Our Group has proudly secured green building certifications for our manufacturing facilities across regions, reflecting our dedication to energy conservation from the onset of plant design.

Facilities

Vietnam's garment factory

Award



● Leadership in Energy and Environmental Design (LEED) certified, Gold rating factory



● Ho Chi Minh City Energy Efficiency Award

Cambodia's garment factory



● Green Industry Award



● Environmental Friendly Award

China's Garment factory

Nominated as National Green Factory by the Ministry of Industry and Information Technology

7.2

CLIMATE ACTION BLUEPRINT

In view of frequent global climate disasters and the increasingly challenging climate change, combating climate change becomes a global imperative for companies across all industries. The consensus of keeping a global temperature rise this century well below 1.5 degrees Celsius above pre-industrial levels in Paris Agreement and China’s goal of “2060” carbon neutrality reaffirming the importance of climate adaptation and mitigation, climate change has become the focus of attention at home and abroad.

Shenzhou International is firmly committed to the operational control necessary to achieve the near-term target of reducing 42% of our absolute Scope 1 and Scope 2 emission by the year of 2030, reflecting our determination to align with the Paris Agreement and China’s carbon neutrality goal. By setting this particle and short-term goal, we are accelerating our efforts in carbon reduction. Our proactive stance in combating climate change highlights our dedication to environmental stewardship and reinforces our position at the forefront of sustainable practices within our industry.

Moreover, the Group will disclose the emission reduction target, method, carbon footprint and climate related risk and opportunity of the previous year on the CDP platform by the end of July every year.

Target Assessment Report I Overview								
Company name:		Shenzhou International Group Holdings Limited						
Assessment delivered by:		Zola Berger-Schmitz, World Resources Institute						
Date assessment finalized:		November 8th, 2021						
Target assessment result:		Scope 1 and 2 target meets all criteria						

Target Overview I Submitted Target(s)								
ID	Submitted Target Wording	%	Abs/Int/S up	Base Year	Target Year	Scopes covered		
						S1	S2	S3
ABS1	Shenzhou International Group Holdings Limited commits to reduce absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2020 base year.	42%	Absolute	2020	2030	Yes	Yes	

● The World Resources Institute (WRI) Assessment Information

7.2 CLIMATE ACTION BLUEPRINT

7.2.1

Energy Conservation and Emission Reduction Actions

We have developed a comprehensive and well-organised roadmap to execute the near-term target goal. Our ambitions focus on five key emissions reduction levers. These levers are prioritized based on their effectiveness, alignment with best practices and anticipated financial investment. Lever 1 actions would be the cost-effective actions, which helps reduce most of the carbon emission from our operation, whereas Lever 5 actions might require higher financial implementations, which shall be adopted for the inevitable emissions.

Lever 1:

Coal Elimination/Coal Phase out

Eradicating the carbon-intensive fuels from our operation is the most significant and initial step for our commitment to carbon reduction target. We have diligently enhanced and revolute our internal energy structure and devised strategic plans to eliminate the use of coal in our production operations. After conducting a thorough feasibility study in the current market conditions, we have set an ambitious target to phase out coal by 2025, with a definitive deadline set for 2030.

The Group has proactively explored the local biomass supply markets to ensure a smooth transition. All T1 facilities and the T2 facility in China have successfully substituted coal with purchased steam, biomass and other alternative energy sources. In Vietnam, a pioneering biomass boiler was commissioned in 2022, designed to work in conjunction with the existing coal boilers. This boiler has the capacity to replace between 8% to 10% of the current coal consumption – a modest yet impactful commencement to our coal reduction efforts. In Vietnam's biomass supply market, the predominant biomass material is rice husk and wood chips according to the market feasibility. Leveraging these resources, in 2023, the biomass usage in our Vietnam facilities surged by an impressive 167%. This surge not only reflects our dedication to eliminating coal but also demonstrates our adaptability in embracing sustainable and locally-sourced energy alternatives.



● Biomass material

Lever 2:

Energy Demand Reduction

The Group endeavours to seek for greener fuel alternatives on machines in our operations. We intent to phasing out all fossil fuel-powered equipment in favor of low-carbon or electrified alternatives whenever feasible.



Direct Natural Gas Firing

To meet the surging demand for green and low-carbon products, our Chinese's T2 fabric plants accelerated and scaled up the retrofitting of setting machines and dryers in the workshops. We transitioned from the original thermal oil heating to direct natural gas firing, which has considerably enhanced energy use efficiency by eliminating heat loss associated with secondary heat exchange processes. This conversion alone is projected to save approximately one million cubic meters of natural gas, which translates to a reduction of around 2,000 tons of carbon dioxide equivalents.

7.2 CLIMATE ACTION BLUEPRINT

7.2.1 Energy Conservation and Emission Reduction Actions



Green Transportation

Within our factory premises, transportation equipment such as forklifts and Automated Guided Vehicles (“AGV”) are now powered by electricity, reducing our dependence on fossil fuels and cutting down emissions, solar power panels are installed on the roofs of these factories additionally.

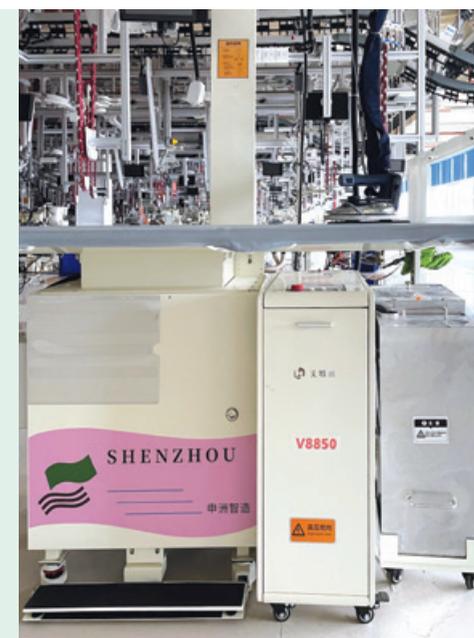
Air Energy Water Heater



In addition to energy innovation and optimization in production regions, the Group also focuses on energy efficiency in non-production regions. In 2023, we pilot the Air Energy Water Heater for dormitories, heating the water through the valley electricity. Through the pilot, found that the consumption of air energy water heaters is more energy efficient than traditional outsourced steam heating, saving about 30% of energy use compared to the previous period.

Electrification

During the reporting year, more than 80% of our T1 facilities in Mainland China, 50% of those in Vietnam, and 100% in Cambodia had begun using electric steam generators to replace externally sourced steam. This switch not only bolsters our commitment to sustainability but also ensures a more reliable and efficient energy supply for our operations.



7.2 CLIMATE ACTION BLUEPRINT

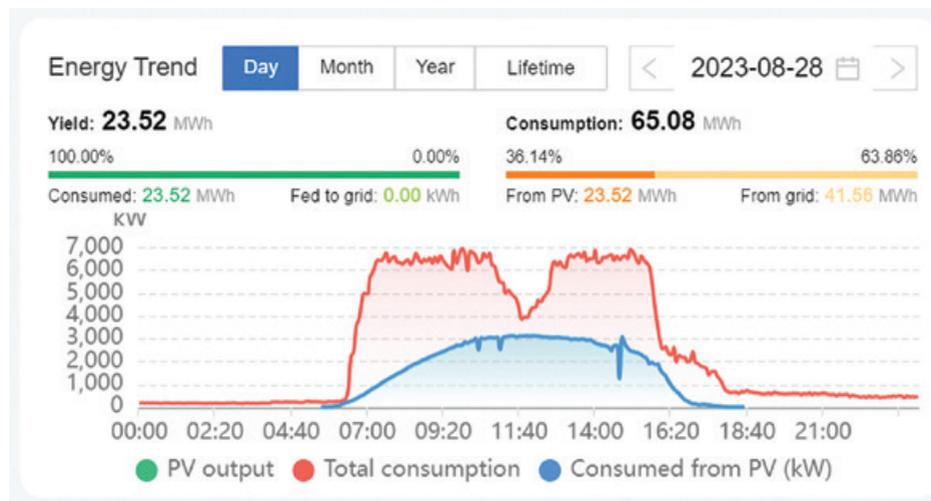
7.2.1

Lever 3:

Renewable energy adoption

The Group is gradually moving towards energy self-sufficiency through the adoption of on-site renewable energy generation, with a primary focus on photovoltaic solar power systems. We have identified that the Southeast Asian region is particularly blessed with abundant sunlight, allowing our garment factories to achieve up to a 50% self-consumption ratio of solar-generated electricity under favourable weather conditions.

We have made significant investments to augment our renewable energy infrastructure in the Reporting Period. New installations were carried out across various locations, including garment factories in China, flyknit factory in China, garment and fabric factories in Vietnam, totalling an additional 29.71MW of solar energy capacity for the year.



● Evidence for Cambodia T1 factory

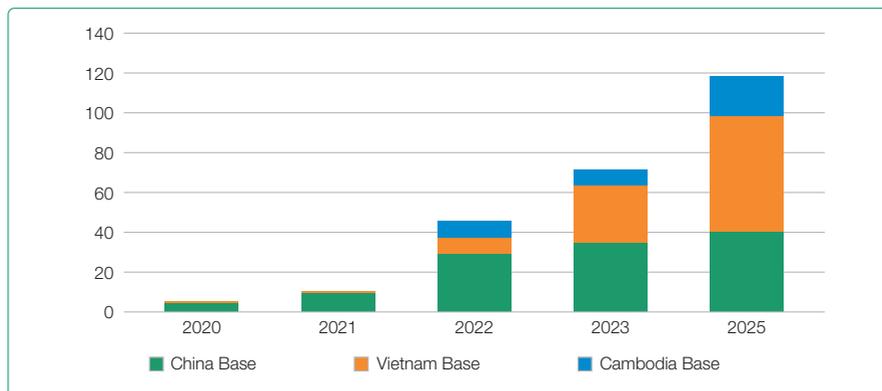
7.2 CLIMATE ACTION BLUEPRINT

7.2.1

In 2023, our cumulative rooftop solar energy installation capacity reached an impressive 75.29MW. This capacity enabled us to generate 52,528,059 kWh of electricity for our own use, marking a substantial increase of 165% compared to the previous year. Since partial of the PV panels were installed at the end of the reporting year, we expect a further increase in renewable electricity generation in the upcoming year. This leap in self-generated power underscores our commitment to reducing our reliance on non-renewable energy sources and minimizing our carbon footprint.

To optimize the usage of our solar power systems, we integrated a digital management system that utilize the monitoring, reporting, and statistical analysis of our solar power stations' performance. This advanced system ensures that we are not only harnessing energy from the sun more effectively but also managing it with greater precision and insight, leading to continuous improvement in our renewable energy utilization.

Solar PV Installation Plan (MW)



● PV panel installation in China



● PV panel installation in Vietnam



● PV panel installation in Cambodia



Lever 4: Greening our facility

The Group remains steadfast in its pursuit of the near-term target by actively engaging in tree planting program. This program not only allowing us to offset the carbon emission generated from our operation, minimize the negative impact to the community, it also inspire and mobilize our workforce to participate in nurturing the environment and protecting nature. In 2023, this commitment was evidenced by the new planting of 5,746 trees, a diverse array including Holly, Ligustrum, Cycas, Camellia, and Roses, across our production factory locations in China, Cambodia, and Vietnam.



7.2 CLIMATE ACTION BLUEPRINT

7.2.1

Lever 5:

PPA and EAC application

The Group is advancing dedication to environmental stewardship by engaging in Energy Attribute Certificate (EACs) and Offsite Green Electricity Trading. The EACs are a testament to our company’s proactive measures to ensure that our energy consumption is environmentally responsible and supports the growth of clean energy. Through a meticulous process of supplier evaluation, screening, and qualification review, we purchased 310,464,000 kWh International-RECs (I-REC) in 2023 at the first time. This purchase covered our fabric factories in China and Vietnam, as well as garment factories across China, Vietnam, and Cambodia, resulting in a significant reduction of carbon dioxide equivalent emissions by 179,937 tons.

We have been an active participant in China’s green electricity market from the year 2020, facilitating the market-based trading of green power. In 2023, we have signed a Power Purchase Agreement (“PPA”) to acquire a total of 27,687,085 kilowatt-hours of renewable electricity which includes our fabric factory and three garment factories in China. Green Electricity Certificates (“GECs”) will be given as a proof for the trading, which mainly from the wind and solar energy source, from the green power trading market. This represents a 74.7% increase compared to previous year and corresponds to a reduction of approximately 16,964 tons in carbon emission equivalents.

During the reporting year, one of our garment factories in China has remarkably become the first factory to operate on 100% green electricity through rooftop photovoltaic installations, market-based green power transactions, and EACs. In the future, we will continue to follow the guidelines of international organizations, align with industry standards, and work with upstream and downstream enterprises to continuously improve carbon emissions data management throughout its own value chain and supply chain.



Green Electricity Certificate(GEC)



Green Electricity Consumption Certificate(GECC)



International Renewable Energy Certificate for China T2



International Renewable Energy Certificate for Vietnam T2



International Renewable Energy Certificate for Vietnam T1



International Renewable Energy Certificate for China T1

7.2 CLIMATE ACTION BLUEPRINT

7.2.2

Support to the Low-Carbon Supply Chain

Life Cycle Assessment

In 2023, our Group carried out carbon footprint assessments and verifications for some products in accordance with Environmental Management-Life Cycle Assessment-Principles and Framework (“ISO 14040:2006”), Environmental Management-Life Cycle Assessment-Requirements and Guidelines (“ISO 14044:2006”), and Greenhouse gases-Carbon footprint of products-Requirements and guidelines (“ISO 14067:2018”). This trail was done in collaboration with our clients and by inviting third-party organizations, to verify and calibrate the greenhouse gas emissions of products from cradle to gate.

As a key participant and a vertical-integrated manufacturer in the production supply chain, our Group is actively reducing the product’s carbon dioxide emissions through green production practices. However, considering that our clients have not yet publicly disclosed the specific product names and detailed carbon footprint data, relevant figures still be confidential until into market.



Green investment

To achieve our near-term target, partnering with a reliable renewable energy supplier is essential and pivotal for our green performance. We therefore have been investing in a wind energy development company in China since 2020. This company successfully completed its Phase 1 wind power plant in 2014, which now produces 120,000 MWh of green electricity each year. They are also poised to expand their operations with the planned development of Phase 2 and Phase 3 wind power plants in 2025. As one of the investors in this wind energy company, we will be given priority access to the electricity generated from these plants, ensuring a steady and sustainable energy supply for our operations.



Wind Power in China

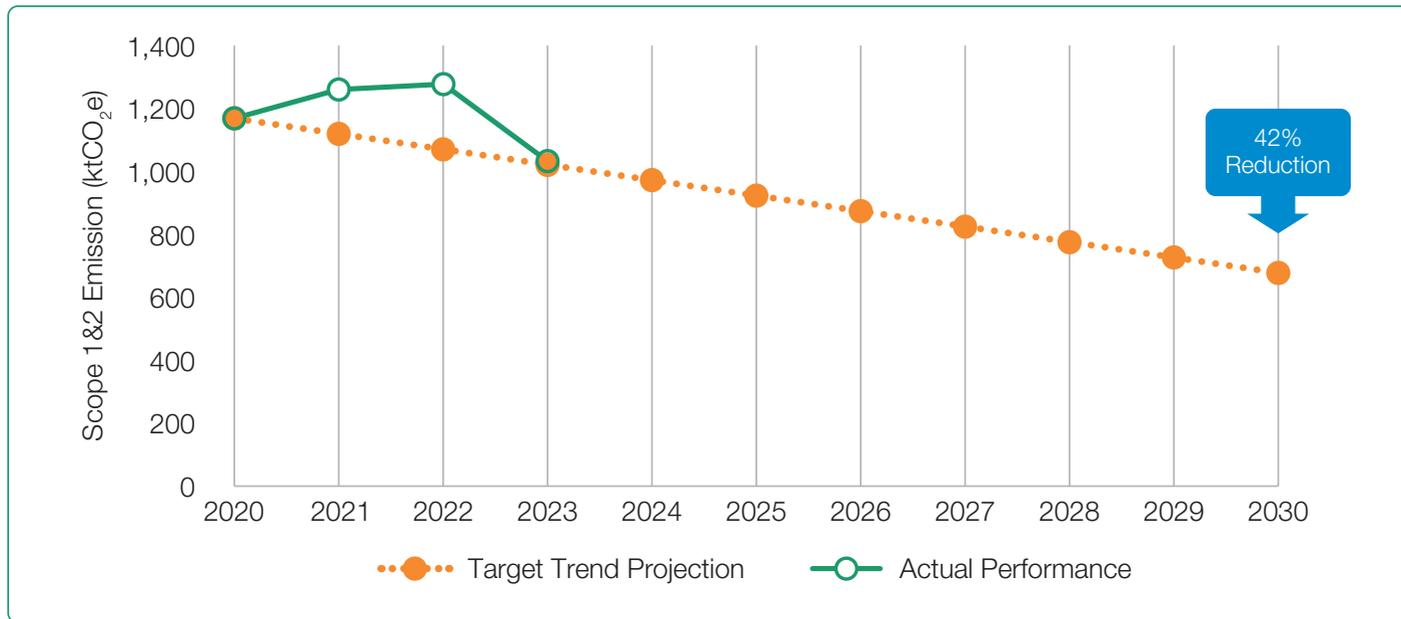
7.2 CLIMATE ACTION BLUEPRINT

7.2.3

Our Performance

With our outstanding efforts in carbon reduction during the Reporting Period, we have reduced our carbon emission by 11.6% compared to the baseline year. This achievement made us on track with the target trend projection. We will persist in developing innovative solutions and strategies for carbon reduction, aiming to maintain alignment with our projections.

Reduction Trajectory from 2020 to 2030



7.2 CLIMATE ACTION BLUEPRINT

7.2.3 Our Performance

Scope ⁴	Emission Type	Unit	2021 Emissions	2022 Emissions	2023 Emissions
Scope 1	Natural Gas	tCO ₂ e	157,308	131,401	116,833
	Coal	tCO ₂ e	400,447	418,458	418,070
	Biomass ⁵	tCO ₂ e	0	0	695
	LPG	tCO ₂ e	2,786	3,280	2,891
	Diesel	tCO ₂ e	1,280	880	3,292
	Petrol	tCO ₂ e	108	86	87
	Fugitive Emission (Estimated) ⁶	tCO ₂ e	917	917	860
Scope 2	Purchased Electricity	tCO ₂ e	403,487	452,872	226,960
	Purchased Steam	tCO ₂ e	286,104	261,213	257,207
	Total (tCo2e)	tCO ₂ e	1,252,437	1,269,170	1,026,895
	Total Scope 1&2 carbon Intensity	tCO ₂ e/ k pieces	2.56	2.57	2.52

This year we are proud to achieve a 11.6% reduction in scope 1&2 carbon emission compared to the baseline and 2% reduction in carbon emission intensity compare to the 2022. The accomplishment is attributed to the following reasons:

- We have vigorously developed renewable energy in 2023, including increasing investment and construction in rooftop photovoltaics, offsite PPA trading and EACs.
- The increasing consumption of biomass in Vietnam manufacturing facilities reduces reliance on coal and reduces the impact of coal consumption on carbon emissions.

The increase in diesel consumption within the Group was mainly due to increased transportation usage in Vietnam and Cambodia. The exact data will be showed in the performance table in section Resource Management.

⁴ Electricity emission factor is with reference to IEA latest guidelines, while other indicators' emission factor is referencing to IPCC guidelines.

⁵ According to the 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, biomass that is combusted for energy purposes should be estimated for the CO₂ emissions.

⁶ The fugitive emission included the refrigerant leaks which is estimated by the number of air-condition units

7.2 CLIMATE ACTION BLUEPRINT

7.2.4

Climate Related Risk and Opportunity

With reference to the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), the Group has assessed both the direct and indirect impacts of climate change on our business operations and the opportunity raised from the climate change circumstance. We have formulated various environmental protection measures to mitigate the impact caused from the climate related risk. Details are as follow:

Risk Type	Risks	Impact	Mitigation Measures
Physical Risks			
Acute Physical Risk	Extreme weather incidents	Increased severity of extreme weather events (cyclone, floods) may damage the production facilities and cause production stoppages caused by supply chain disruptions, especially for operation that close to coastal areas.	<ul style="list-style-type: none"> – The Group’s production bases regularly conduct risk assessments to predict resource access and the impact of extreme weather events (such as typhoons, floods, etc.) on the production bases. – The results show that none of our facilities are in areas at high risk of water depletion. – Factories will regularly conduct practical drills related to extreme weather events.
Chronic Physical Risk	Long-term climate change	Extreme prolonged impact from climate change, such as heat stress, rising sea levels, and coastal flooding. These may have impact out facilities close to the coastal areas.	<ul style="list-style-type: none"> – We will provide workers with essential heat protection gear, such as sunscreen, wide-brimmed hats, lightweight and breathable uniforms, and plenty of drinking water. – Develop emergency evacuation plans and disaster response strategies to cope with emergencies that could arise from extreme weather events and rising sea levels.

7.2 CLIMATE ACTION BLUEPRINT

7.2.4 Climate Related Risk and Opportunity

Risk Type	Risks	Impact	Mitigation Measures
Transition Risks			
Policy and Regulation Risk	Mandatory emissions disclosures and decarbonisation targets	Additional disclosures and targets could be mandated by regulators, stock exchanges and corporate customers. These new requirements may hold the companies accountable for more accurate and detail disclosures on their decarbonisation effort.	<ul style="list-style-type: none"> – Regular review of relevant legislation by staff has been arranged. – Set up near term target to demonstrate the Group's decarbonisation effort.
Technology Risk	Technological improvements that support the transition to a lower-carbon system.	Failing to upgrade to more efficient, sustainable, or automated technologies could result in higher production costs and reduced competitiveness.	<ul style="list-style-type: none"> – Allocate a dedicated budget for R&D to explore new technologies, sustainable materials, and production techniques.
Market Risk	Changes in customer behavior	There will be a risk of a decline in sales and reputation if end-user is getting more prefer on environmentally friendly products and we do not have these options for our customers.	<ul style="list-style-type: none"> – Expand the product range to cater to a broader audience and adapt to changing customer preferences, including eco-friendly and ethically produced lines to attract environmentally conscious consumers.
Reputational Risk	Increased stakeholder concern or negative stakeholder feedback	There will be a of decline in corporate reputation and market standing amongst customers, shareholders, and other stakeholders if environmentally harmful or socially exploitative incident were found.	<ul style="list-style-type: none"> – Obtain environmental related certifications like to demonstrate commitment to sustainability. – Adopt environmentally friendly production processes, such as water recycling systems, non-toxic dyes, and waste reduction & circularity programs.

7.2 CLIMATE ACTION BLUEPRINT

7.2.4 Climate Related Risk and Opportunity

Opportunity Type	Opportunities	Impact
Energy Source	Transitioning to renewable energy sources	The Group encourage the use of renewable energy, such as solar and wind power energy and green electricity already has almost 50% of our electricity consumption cover by the renewable energy. This can help in reducing the carbon footprint of the Group, aligning with global efforts to combat climate change.
Resource Efficiency	Use of high energy efficiency equipment	By improving resource efficiency, we can significantly reduce consumption of water, energy, and raw materials, leading to lower operational costs.
Product Opportunity	Develop product with low carbon footprint	Developing new products and materials with lower environmental impacts and sustainable aspects can differentiate the Group from competitors and capture market share among eco-conscious consumers.

7.3

RESOURCE MANAGEMENT

7.3.1

Energy Management

The Group has demonstrated a steadfast commitment to sustainability through the implementation of Energy Minimum Program and Move to Needle, designed to enhance energy efficiency, achieve energy saving and promote energy conservation awareness throughout our operations.

The Group Sustainability Council is tasked with the pivotal role of developing the initial blueprint of our energy targets and overarching strategy. This foundational document is crafted to align with our sustainability objectives and will be distributed to each facility's manager and relevant teams.

Each facility is led by a manager who not only has a dedicated energy management project but also possesses the requisite technical expertise to drive it forward effectively. When procuring new equipment, energy efficiency is a pivotal consideration, ensuring that our investments are both economically prudent and environmentally responsible. Additionally, the equipment we utilize not only meets but often exceeds the energy efficiency and emissions standards mandated by local legislation.

On the execution level, rigorous energy consumption monitoring is in place, allowing for the precise tracking of energy usage across various sources. This granular data collection enables our team to identify the primary energy-consuming equipment and high-energy-consuming motors, which are often the focal points for energy-saving interventions. By targeting these areas, we can achieve substantial improvements in our energy footprint.

Operational stability is paramount, and it is reinforced through diligent maintenance of key energy-consuming equipment. Scheduled maintenance helps to minimize the machine idle time and ensures that operations adhere to stringent standards, thereby preventing energy wastage. Moreover, our proactive approach includes meticulous leak detection and management for hanging systems, which further underscores our commitment to operational excellence and environmental stewardship.



● Energy Intelligence Management Platform

Smart Energy Platform

Our garment factories under are piloting the use of an Energy Intelligence Management Platform and an Equipment & Facilities Environmental Management Platform (“EFE”). Through the management and intelligent monitoring of meters at various levels, such as water, electricity, which can achieve real-time energy management and data early warning within the factory premises.

After the pilot scheme, we will gradually apply these systems to all garment factories and simultaneously advance the intelligent energy management efforts in our fabric factories.

7.3 RESOURCE MANAGEMENT

7.3.1 Energy Management



Leakage Inspections

Leakage Inspections

Since 2022, we have been promoting a self-inspection and patrol mechanism for detecting leaks, drips, and other losses at our facilities. When employees are wiping down machines, for instance, management personnel within the workshops use handheld leak detection equipment to manage air leak points in the workshop.

In this year, we promote this activity to the Vietnam and Cambodia facilities, through the routine work of addressing leaks, drips, and other losses, we aim to enhance employees' awareness of energy conservation while also achieving a reduction by approximately 5-10%. In addition, through professional team inspections of air compressor leaks, a single factory can achieve an annual electricity savings of 300,000 kilowatt-hours.

7.3.2

Water Management

To achieve our ambitious target towards a 20% increase on Tier 2 water efficiency by 2025 compared to the baseline, we have developed multi-faceted approaches, which includes equipment upgrades, advanced research into water-saving technologies, the enhancement of our recycling water systems, and the refinement of our management processes.

We have been diligently conducting water balancing evaluations across all operation sites as a testament to our commitment to responsible water management. In our China's factories, we actively seek recognition as water-saving enterprises, a status that aligns with both governmental regulations and our internal sustainability goals. We are also pushing forward with this agenda by applying for the necessary certifications.

During the Reporting Period, our Group made significant progress in China and Vietnam, particularly with the construction and implementation of Reverse Osmosis (RO) recycling water systems in our fabric factories. The China fabric factory installed with a system capable of treating 10,000 tons of permeate water per day, while the Vietnam factory's system has a capacity of 5,000 tons of permeate water per day. In 2023, the total volume of RO and reclaimed water reuse reached an impressive 3,585,044 tons, marking an increase of approximately 47% from the previous year.



RO of the Group

Furthermore, our Group remains vigilant in monitoring the market trends of the newest equipment and actively engages in research on the cutting-edge water-saving and waterless technologies in the dyeing and printing sector. By staying at the forefront of technological advancements, we continue to push the boundaries of water conservation and sustainable practices within our industry.

7.3 RESOURCE MANAGEMENT

7.3.2 Water Management

Automatic Water Washing Equipment

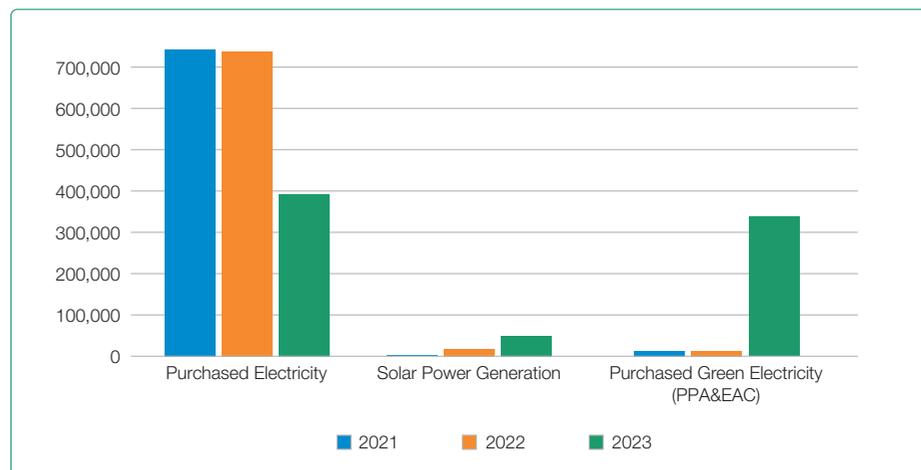
We have introduced automated screen washing equipment, which can clean intricate parts with greater precision. It is capable of achieving a fully automatic 360-degree spray wash of the screens. Compared to manual screen washing, this equipment can save about 30% in water usage.



7.3.3

Our Performance

Electricity Profile (MWH)



To showcase our commitment on the near-term target, we have successfully reduced our purchased electricity consumption by more than 46% compared to previous year. Such achievement can only fulfil with almost 50% of our electricity source obtained from green electricity. Our solar power system has an 165% increase in power generation, while the amount of purchased green electricity is 21 times more than last year.

7.3 RESOURCE MANAGEMENT

7.3.3 Our Performance

Category	Metric	Unit	2021	2022	2023
Energy	Total consumption intensity	kWh/ k pieces	/	7,777	8,430
	Natural Gas	m ³	69,003,695	62,328,319	55,334,300
	Biomass	ton	7,383	8,511	22,722
	Coal	ton	191,543	216,246	207,036
	LPG	ton	848	998	929
	Petrol	Litre	174,707	138,242	140,513
	Diesel	Litre	1,717,391	1,181,085	1,229,876
	Purchased Electricity	kWh	740,152,712	735,120,983	391,907,262
	Solar Power Generation	kWh	4,577,618	19,818,923	52,528,059
	Purchased Green Electricity ⁵	kWh	15,000,000	15,846,500	338,151,085
Water	Purchased Steam	ton	1,100,549	1,004,466	950,253
	Total consumption intensity	Tons/ k pieces	55.7	57.1	71.0
	Total consumption	ton	30,663,665	30,627,512	32,517,559
	Fresh Water	ton	27,271,199	28,194,047	28,932,515
	Recycled Water	ton	3,392,466	2,433,465	3,585,044

We have a slight increase of total energy consumption in 2023 due to the following reasons:

- Some projects are under construction, thus the result & effect can not be reflected immediately.

The Group's increase of water consumption in 2023 are based on the following reasons:

- Affected by orders and production scheduling, the requirements for production planning and cylinder arrangement are higher.
- New workshop and new production capacity of the fabric factory operated in 2023.
- Changes in product structure and increased fabric R&D/samples.

⁵ The purchased green electricity includes offsite PPA trading and EACs

7.4 WASTE MANAGEMENT

Our Waste Minimum Program, implemented at every operating site, is a testament to the commitment of ensuring waste generation is kept to a minimum and managed in the most effective and environmentally friendly manner. Besides waste treatment, waste storage, circularity, ect are also the pivotal to reach the Waste Management.

Senior management is deeply invested in this initiative, pledging adherence to a structured organizational framework that supports the realization of the Group’s medium to long-term goals. The manager is also responsible for overseeing the meticulous vetting of suppliers based on their waste management credentials and qualification, ensuring that our high standards are upheld throughout the supply chain.

Besides, we established a waste segregation and data collection of system. Enforcing strict waste separation protocols and precise weighing procedures, we hope to accurately categorize and quantify waste streams. We have also designated specialized storage areas for different types of waste, ensuring safe and standardized containment before disposal or recycling. These areas are monitored to comply with regulatory requirements and to prevent any potential environmental contamination.

Our data management and reporting practices are robust and dynamic. We generate detailed waste reports on daily, monthly, and quarterly bases to monitor performance and identify areas for improvement. Moreover, we maintain scrupulous records of third-party waste transfer, ensuring that all off-site waste handling is executed in compliance with environmental regulations.

7.4.1

Hazardous Waste Management

The Group manages hazardous waste, including waste oil, spent lightbulbs, and waste ink, etc. with strict adherence to legal and regulatory requirements as well as customer guidelines. Qualified and authorized entities are lawfully engaged to transport and dispose of these hazardous wastes. We have established designated areas for the safe storage of hazardous waste within our facilities.

At our production bases in Vietnam and Cambodia, we collaborate with locally qualified suppliers to ensure the proper disposal of hazardous waste. This approach mitigates the need for landfill use and direct incineration, thereby reducing the potential impact on the atmosphere and soil, and demonstrating our commitment to responsible environmental stewardship.



**RMCC – Recycled Material
Collection Center**

Hazardous
Waste Warehouse

Production
Waste Warehouse

Waste Warehouse – RMCC

7.4 WASTE MANAGEMENT

7.4.2

Non-hazardous Waste and Packaging Material Management

The Group generates non-hazardous waste primarily consisting of production waste, daily refuse, and food waste across our headquarters and various regional production bases. Adhering to waste management principles, we strive to minimize waste generation through the implementation of a waste management hierarchy and guiding principles in the operational governance of all our factories.

The Group has established designated storage areas for non-hazardous waste, which are eventually disposed of in compliance with regulations by qualified entities. We have also initiated the reuse and repurposing of waste as a part of our development strategy. During the reporting year, we internally recycled materials including cartons, threads, paper tubes, and plastics, significantly supporting the reduction of solid waste. Our Chinese fabric factory has seen a reduction of approximately 50% in sludge production since the installation of a Fenton system in 2021.

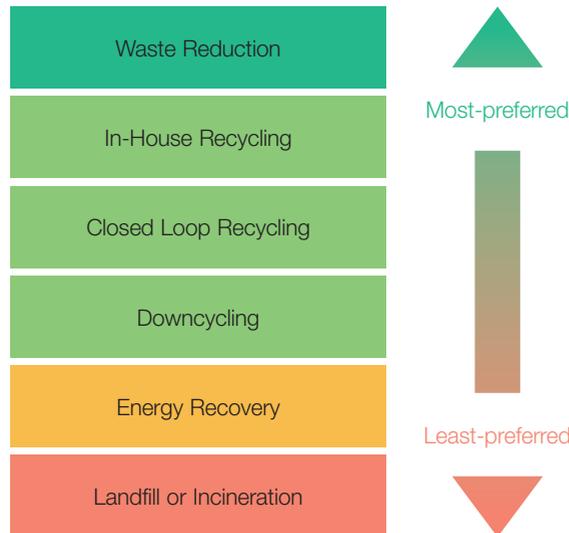
Category	From	To	Deliver to Use
 Cartons	Will be reuse within the factory's circulation		
 Threads	Tier 1 Garment Factory	Tier 2 Fabric – Yarn Dyeing Workshop	Tier 1 Garment Factory
 Paper Tube	Tier 1 Garment Factory	Tier 2 Fabric (including knitting & finishing, and dyeing – both processes needed)	Tier 1 Garment Factory
 Plastic	All Factories	Owned Plastic Factory	Factory Production Lines for Packaging

Our non-hazardous wastes' flow

7.4 WASTE MANAGEMENT

7.4.2 Non-hazardous Waste and Packaging Material Management

Moreover, we are actively engaging with customers to explore ways to reduce the use of packaging bags and to consider environmentally friendly packaging alternatives, also seeking substitutes for plastics and other packaging materials. This collaborative effort underscores our commitment to waste reduction and the pursuit of sustainable packaging solutions.



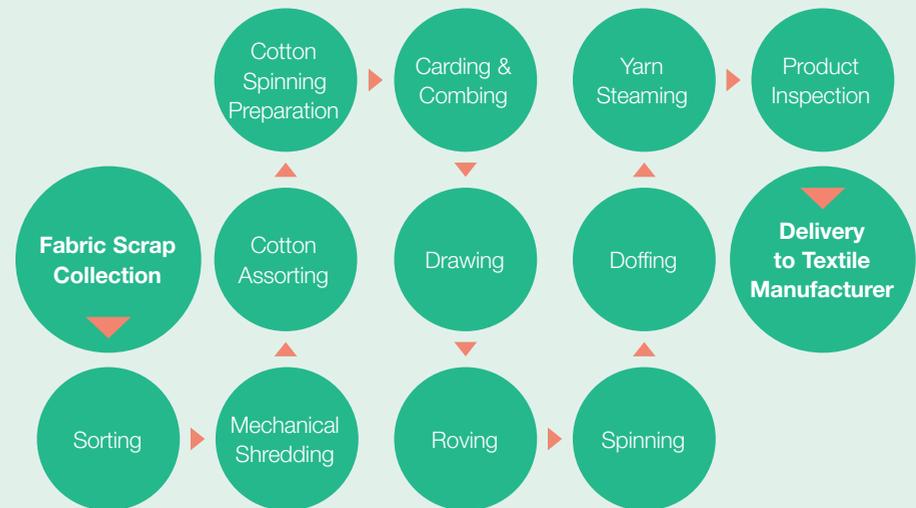
Hierarchy of waste treatment

Textile to Textile (T2T)

The “Textile to Textile” recycling process represents a sustainable revolution in fabric waste management. By transforming discarded textiles back into raw materials for new fabrics, this circular approach significantly reduces waste, curtails the demand for virgin resources, and promotes an eco-friendly lifecycle for textiles.

Normally, our fabric waste and scrap will be disposed and reused by qualified vendors with the treatment of downcycling, and the vendors will reuse and re-spin to the yarn, then deliver to the textile-related manufacturers, like woven, denim, glove, socks, etc.

The qualified vendors mostly will follow the below flow to process the fabric waste and scrap.



7.4 WASTE MANAGEMENT

7.4.2 Non-hazardous Waste and Packaging Material Management

In 2023, the Group has entered into strategic partnership agreements with these industry enterprises, where fabric waste and scrap such as cotton and polyester are entrusted to businesses certified by GRS/GOTS. 100% cotton and over 85% polyester(R-PET)are re-spun and reintegrated into our customers’ products, thereby augmenting the use of sustainable materials and reinforcing our commitment of enhance the recycling strategy for waste textiles, focusing on reuse, closed-loop systems, downcycling, traceability, and visualization efforts.



Flow of closed-loop Textile to Textile

Meanwhile, we promote this initiative to the garment factories in Cambodia in 2023, they cooperate with qualified third party to well-treat all solid waste, including the fabric scrap towards “textile to textile (T2T)”, and paper tubes, plastics to reduce the negative impacts to the land, realization of contributions to the textile industry.

We ensure that all fabric scraps are handled in compliance with local and international environmental regulations, guarantee transparency and traceability in the scrap treatment process. The primary means of our scrap processing is downcycling, this approach allows us to transform old fabrics into other products and uses, reducing the demand for new raw materials and lowering the generation of waste.



Automated Intelligent weighing system

Starting from 2022, garment production bases in China, Vietnam, and Cambodia have all launched intelligent weighing systems to measure waste generated in the production process (such as fabric scraps, cartons, plastic etc.) to carry out effective internal classification, measurement, and control, laying the foundation for waste disposal, recycling, traceability, etc.



● Segregation and classification of Waste

7.4 WASTE MANAGEMENT

7.4.3

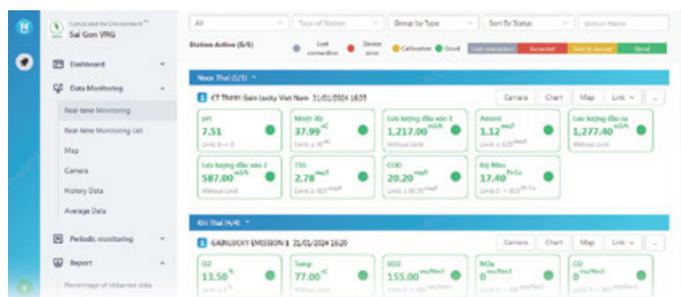
Air Emission Management

The Group's production processes contribute to atmospheric pollutants, including particulate matter, sulphur dioxide (SO₂), and nitrogen oxides (NO_x). We have implemented online monitoring for flue gas emissions to ensure compliance with emission standards. Additionally, local environmental protection departments have installed online monitoring devices at our emission points. Our natural gas boilers undergo emissions sampling quarterly, while our coal-fired boilers are equipped with online monitoring systems providing real-time data to guarantee adherence to local legal requirements.

Particulate matter is generated from coal and biomass boilers. To address this, we have installed appropriate devices at our Vietnamese fabric production base to reduce the emission of particulates.

SO₂ emissions primarily arise from our coal boilers and biomass boilers. In 2023, our Vietnamese fabric factory undertook effective control and management of SO₂ emissions by increasing the use of environmentally friendly biomass for combustion.

NO_x emissions mainly originate from our coal and biomass boilers, as well as our natural gas boilers. At our Chinese fabric factory, we have installed NO_x neutralization devices on our natural gas boilers, significantly curbing the emission of NO_x and striving to minimize our environmental footprint.



● Online Monitoring System in Vietnam

7.4.4

Wastewater Management

By utilizing continuous washing techniques in digital printing technologies, we have successfully reduced both water consumption and wastewater generation. These measures include, but are not limited to, innovations in dyeing process technology, upgrading dyeing and finishing equipment, and technological transformations of dyeing and finishing machinery.

Since 2022, our production bases in China and Vietnam have been invested and installed RO technology. This strategic implementation serves our goal of further minimizing wastewater discharge and maximizing water recovery and reuse.

To ensure compliance with the discharge regulations, our production sites in China and Vietnam were equipped with integrated wastewater treatment facilities upon completion. These facilities undergo regular inspections every three months as per the requirements of the local environmental protection agencies. Furthermore, real-time monitoring devices have been installed at wastewater outlets to ensure our effluent meets both local and international standards, with the Chemical Oxygen Demand (COD) consistently registering below these benchmarks. To be more specific, the control value for COD is set to be below both local standards and customer requirements. For instance, while the requirement in China is for COD to be lower than 80 mg/L, the company's internal control standard aims to keep it below 60 mg/L.



● Facility in Vietnam

7.4 WASTE MANAGEMENT

7.4.4 Wastewater Management

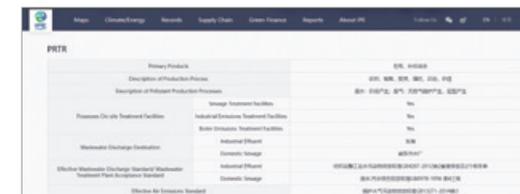
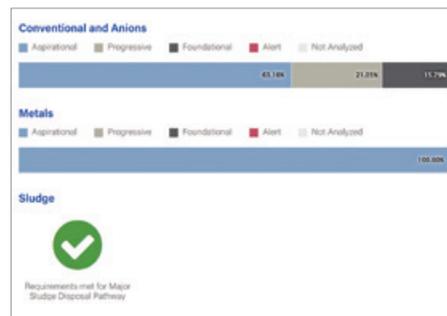
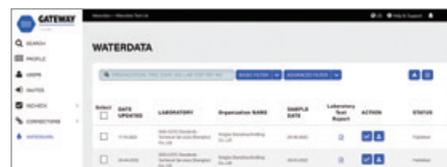


● Samples of different water

In the year 2023, we continued to conduct Zero Discharge of Hazardous Chemicals (ZDHC) testing, achieving 100% compliance. This demonstrates our strict adherence to environmental safety and our commitment to the elimination of hazardous chemicals from our discharge. We also annually disclose our Pollutant Release and Transfer Register (PRTR) data and ZDHC test reports publicly on the Institute of Public & Environmental Affairs (IPE) platform.

Audit result of wastewater discharge of the factory of the Group

	Discharged Wastewater	Sludge	Discharged Wastewater per Local Wastewater Discharge
Conventional Parameters/Anions/Metals:	Fulfill Foundational Limit	Not Detected	Tested Parameters Not Exceed
MRS� Parameters:	Not Detected	Not Detected	N/A



● PRTR in IPE Platform

Ø ZDHC

● ZDHC Performance

7.4 WASTE MANAGEMENT

7.4.5

Our Performance

Category	Metric	Unit	2021	2022	2023
Air Emission	Sulphur dioxide	ton	295.94	231.88	138.5
	Nitrogen oxides	ton	143.39	90.89	115.8
	Particulate Matter	ton	48.19	207.87	72.1
Wastewater	Total wastewater emission	ton	21,311,934	20,163,460	23,146,012
	Household Wastewater ⁶	ton	/	/	2,756,180
	Industrial Wastewater	ton	21,311,934	20,163,460	20,389,832
	COD	ton	/	/	602.94
Hazardous Waste	Total Hazardous Waste	ton	1,006	1,698	1,643
	Hazardous Waste Intensity	kg/k pieces	2.05	3.44	4.03
Non-hazardous Waste	Total Non-hazardous Waste	ton	159,173	162,885	155,058
	Textiles Waste	ton	49,567	61,149	60,110
	Paper Waste	ton	18,650	18,941	13,290
	Plastic Waste	ton	3,017	1,517	1,042
	General Refuse	ton	12,981	11,179	11,841
	Others	ton	74,985	70,099	68,774
	Closed-recycled waste ⁷	ton	/	6,410	6,532
	Total consumption intensity	kg/k pieces	171.68	188.05	211.81
Finished Products' Packaging materials	Total Packaging Materials	ton	33,281	34,010	29,926
	Total Packaging Materials Intensity	ton/k pieces	0.067	0.069	0.073

The Group's increase of NOx emission in 2023 is due to the following reason:

- Vietnamese fabric factories have conducted real-time monitoring of emissions since 2023, and the statistical method is different from the quarterly testing before 2022.

⁶ We have included the record for household wastewater in 2023.

⁷ Closed-recycled waste includes cartons, threads, plastics and paper tubes.

7.5

SEARCHING FOR GREEN TECHNOLOGY OPPORTUNITIES

In alignment with our Group's principle of balancing economic gains with our commitment in sustainability, we have embarked on a technical development collaboration with the Ningbo Institute of Materials Technology and Engineering, Chinese Academy of Sciences. This partnership is dedicated to researching and developing technologies and processes for dyeing and finishing waste gas treatment and waste heat recovery. Our goal is to tackle the challenges of waste gas management in the textile dyeing industry while achieving energy-saving and emission-reduction targets in production.

Furthermore, we have appointed an academician from the Chinese Academy of Engineering as our environmental consultant. This expert provides our Group with guidance on environmental policies, professional technical advice, and regulatory consultations. Their input is invaluable for the rational planning and arrangement of pollution emission in our operations, as well as for the professional assessment, organization, and planning of our past projects.



7.6

GREEN TRAINING AND CLIMATE COMMUNICATION

Green Training

Training and learning initiatives are vital for us to stay updated with best practices, especially regarding sustainability and environmental management. Each of these training programs would be designed to provide practical skills and knowledge that can be directly applied in the workplace, promoting our environmental stewardship, chemical safety, and energy efficiency.



● Training Certificate for Climate Action for the Fashion Industry



● Training Certificate for ZDHC



● Sharing in 2023 Global Textile Carbon Neutrality Summit

Climate Communication

The Group participated in the industry forum and climate sharing in 2023, especially in climate action towards textile and garment industry. Shenzhou International, one of the active participants in the industry, who has the strong commitments to climate action and low-carbon transition. We also obtain the external best practices to robust our actions and managements.



● Sharing in 2023 Global Textile Green and High-quality Development Forum



SOCIAL

53

8.1 OUR EMPLOYEES

- 8.1.1 Employee Management
- 8.1.2 Labor Practice
- 8.1.3 Anti-discrimination Management
- 8.1.4 Employee Composition

57

8.2 GENDER EQUITY AND FEMALE EMPOWERMENT

- 8.2.1 Gender Equity
- 8.2.2 Empowerment for Our Female Employee
- 8.2.3 Caring Our Female Employee
- 8.2.4 Build up Our Shenzhou Story 3.0
- 8.2.5 Women Power and Strength

66

8.3 EMPLOYEE BENEFITS

- 8.3.1 Support Facilities
- 8.3.2 Employee Communication
- 8.3.3 Educations for Employee's Children
- 8.3.4 Festival Supportive Action
- 8.3.5 Cultural Activities

81

8.4 EMPLOYEE HEALTH AND SAFETY

- 8.4.1 OHS Management
- 8.4.2 Health and Safety Training
- 8.4.3 Employee Protection Measures
- 8.4.4 OHS Leadership and Commitment
- 8.4.5 Activities to Enhance Safety Awareness
- 8.4.6 Our Performance

89

8.5 TRAINING AND DEVELOPMENT

- 8.5.1 Internal Training
- 8.5.2 Shenzhou Management Institute
- 8.5.3 External Training Program
- 8.5.4 Our Performance

98

8.6 HUMAN CAPITAL DEVELOPMENT

- 8.6.1 Talent Recruitment
- 8.6.2 Career Development
- 8.6.3 Talent Retention

101

8.7 COMMUNITY INVESTMENT

- 8.7.1 Charity Events
- 8.7.2 Contributing to Local Communities

8 SOCIAL

Shenzhou International dedicated to being a responsible employer, business partner, and active community member. We are committed to creating a secure and fulfilling work environment where every employee can thrive. We believe that the strength of our organization lies in the value we place on our relationships with our employees and the communities in which we operate. Our focus is on fostering a supportive and inclusive culture that upholds the well-being and development of our people, and by extension, ensures the vitality and sustainability of the neighbourhoods we serve.



8 SOCIAL

Our Social Target and Action Plan

In alignment with our management philosophy of “People-Oriented” and our Group’s core values of “Learning and Growth,” our commitment extends to the promotion of fair and equal work mechanisms and the establishment of a safe and comfortable working environment. Our Group has been steadfast in its long-term dedication to fostering diversity and empowering women, ensuring OHS, and building harmonious community relationships. In this spirit, we are actively exploring opportunities in green technology, an area that not only promises environmental sustainability but also aligns with our ethos of innovation and social responsibility. By investing in and implementing eco-friendly solutions, we aim to contribute positively to the global challenge of climate change while reinforcing our vision of nurturing a balanced and thriving ecosystem for our employees and society at large. Upon all the fulfilment of all relevant laws and regulations for all our factories, we have take a step further to set up enhanced target requirement on social aspect as follow:

Category	Target	Target Year	2023 Status
Women Leadership	All factories should roll out Women Leadership Program	2025	○ 79% factories rolled out Women Leadership Program
Employee Satisfaction	All factories should conduct Employee Satisfaction Survey	2025	○ 64% factories conducted Employee Satisfaction Survey
Workplace Facilitator	All factories should have at least 1 % of their site workers nominated as the workplace facilitators	2025	✓ All factories had at least 1 % of their site workers nominated as the workplace facilitators
Employee Health and Safety	Zero tolerance on major work-related injuries and deaths	Annually	✓ No major work-related injuries and deaths at all factories in the Reporting Period
	All Tier1 factories should establish a mature culture on safety workplace	2025	✓ All factories have established mature culture on safety workplace
Community Investment	All factories should roll out community care activities	Annually	✓ All factories have conducted community care activities in the Reporting Period

✓ Foundational Expectation: Compliance with legal, regulations, industry tools, etc.

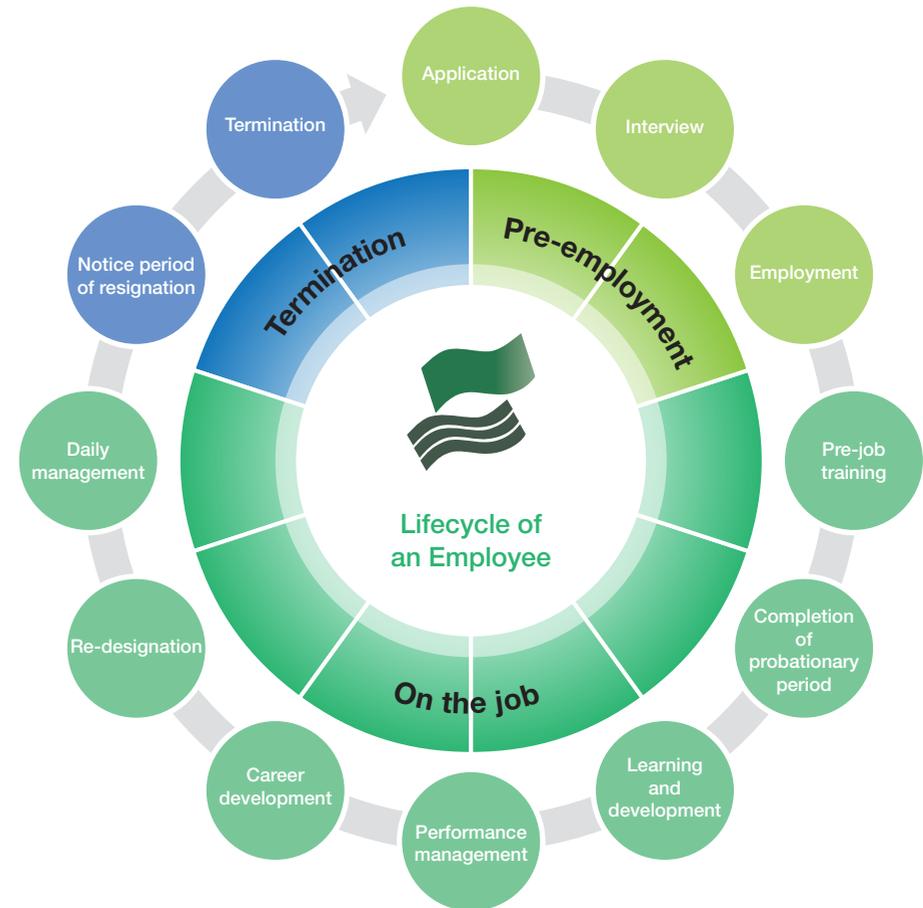
Note: ✓Achieved; ○ On track; ✕ Lag behind

8.1

OUR EMPLOYEE

The Group steadfastly views its employees as its most crucial asset, recognizing them as the cornerstone of its success and vitality. The Group strictly complies with applicable laws and regulations in relation to employment, including but not limited to the Constitution of the International Labor Organization, Labor Law of the People’s Republic of China, Law of the People’s Republic of China on Employment Contracts, Law of the People’s Republic of China on Protection of Minors, Regulations on the Prohibition of the Use of Child Labor, Cambodia Labor Law, and Labor Code of the Socialist Republic of Vietnam, ISO 45001:2018, etc.

During the Reporting Period, the Group was not aware of any serious violations of employment-related laws and regulations.



8.1.1

Employee Management

Our Group has established a comprehensive employee lifecycle management system, encompassing all stages from onboarding to departure, with internal policy documents governing each procedural aspect.

8.1 OUR EMPLOYEE

8.1.1 Employee Management

Working Hour

When it comes to daily management, we have developed a comprehensive working hour and flexible working hour system based on the nature of employees' positions. Typically, an employee's normal working hours do not exceed 8 hours per day. If overtime is required, it is capped at 3 hours per day and will not exceed 36 hours monthly to ensure work-life balance and compliance with labor laws. Employees are generally entitled to a one-hour lunch and rest break, with at least one rest day scheduled per week.

Leave

Moreover, our employees are entitled to statutory national holidays, annual leave, marriage leave, bereavement leave, personal leave, sick leave, among others, in accordance with the law. When requesting leave, employees must complete the necessary procedures, filling out a leave application form personally. All leave requests are subject to leader approval and are recorded and filed by the department and factory's office personnel for review and record-keeping purposes.

Dismissal

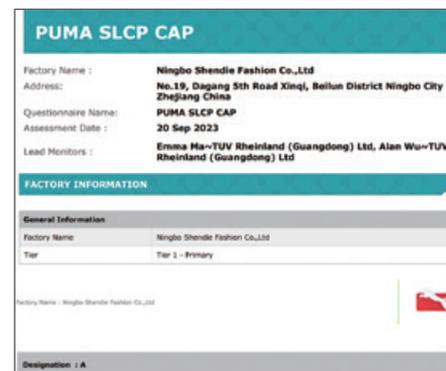
In the event of an employee dismissal, our Group acts in strict accordance with local and international labor contract laws and regulations. The dismissal procedure involves an initial report of the specific situation by the factory team leader and HR department head, followed by a lawful evaluation of the case by the Group's headquarters HR department, which then leads to the appropriate resolution or compensation for the dismissed employee.

8.1.2

Labor Practice

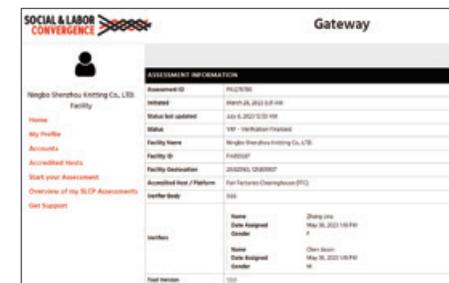
Our labor policy not only aligns with local laws and regulations, but also declared to follow international best practices and guidelines such as the Social & Labor Convergence Program (SLCP), Better Work (BW), and the International Labour Organization (ILO) to further strengthen our management and enforcement of child and forced labor prohibitions.

At every stage of our business operations, including recruitment, employment, and separation management, our Group maintains stringent safeguards against the employment of child labor. New hires are required to present proof of identity at the beginning of their employment to verify their actual age, ensuring compliance with our strict no child labor policy. Should there be a significant discrepancy or the candidate appears noticeably younger than their documented age, further verification is carried out using an identity verification system or other methods.

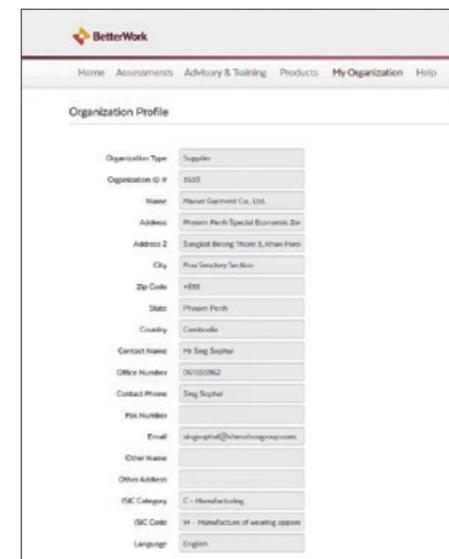


● SLCP – A Rating for factory

Throughout the Reporting Period, the Group has remained vigilant, with no known instances of non-compliance with child labor and forced labor laws and regulations.



● SLCP Declaration



● Better Work Declaration

8.1 OUR EMPLOYEE

8.1.3

Anti-discrimination Management

Our Group is committed to fostering an inclusive workplace and has established a robust anti-discrimination policy that adheres to relevant legal requirements. We ensure that there is no discrimination based on race, region, gender, nationality, age, pregnancy, or disability in any aspect of our operations, including recruitment, training, compensation, and promotion. For a comprehensive understanding of our policies and practices pertaining to gender equity please refer to the section on “Gender Equity and Female Empowerment.”

 វិទ្យុ: ធនធានមនុស្ស	គោលការណ៍នៃការ បាមបាត់គំរាមជ្រុល ពន្យល់ជាមួយ	វិទ្យុភ្នាក់ងារ	01-09-2020
		វិទ្យុភ្នាក់ងារ	02-01-2024
		លេខសំគាល់ឯកសារ	MC027
		កម្រិតប្រើប្រាស់	5

● Policy in local language in Cambodia

 វិទ្យុភ្នាក់ងារ NIEN SU	CHÍNH SÁCH CHỐNG LAO ĐỘNG CƯỜNG BỨC	Ngày ban hành Cấp độ	04/11/2020
		Ngày ban hành	03/11/2021
		Mã số	QP006
		Biên số 01	Số Trang 1/4

● Policy in local language in Vietnam

8.1.4

Employee Composition

Metrics		Unit	2021	2022	2023
Number of Employee					
Total number of employee		Unit Person	95,280	94,340	92,030
By gender	Female	Unit Person	68,688	68,198	66,575
	Male	Unit Person	27,132	26,142	25,455
By age group	Below 20	Unit Person	7,955	6,066	6,510
	21 to 40	Unit Person	71,412	70,378	68,008
	41 to 50	Unit Person	14,143	14,802	14,446
	Above 51	Unit Person	2,310	3,094	3,066
By employee type ¹	Short-term position ²	Unit Person	6,427	8,302	6,857
	Contract position ³	Unit Person	78,998	70,264	66,886
	Permanent position ⁴	Unit Person	10,395	15,774	18,287
By education level	Middle school or below	Unit Person	70,471	69,406	65,855
	Technical secondary school and high school	Unit Person	20,016	19,613	20,400
	Undergraduate and college	Unit Person	5,293	5,283	5,725
	Postgraduate	Unit Person	40	38	50
By region	Greater China ⁵	Unit Person	47,222	42,849	37,960
	Vietnam	Unit Person	28,124	30,293	32,513
	Cambodia	Unit Person	20,474	21,198	21,557

¹ 100% employees of the Group are full-time. There are no part-time employees.

² Short-time position is referring to the formal employees who is less than one year.

³ Contract position is referring to those term is more than one year and is subject to renewal according to the wish of the employers and employees upon the maturity of the contract.

⁴ Permanent position means the employees who have no fixed term contract.

⁵ Greater China region includes operation locations in Mainland China and Hong Kong.

8.1 OUR EMPLOYEE

8.1.4 Employee Composition

Metrics		Unit	2021	2022	2023
Turnover rate					
Overall turnover rate		%	3.56	3.44	2.87
By gender	Female	%	2.55	2.41	2.13
	Male	%	1.07	1.05	0.83
By age group	Below 20	%	0.46	0.46	0.33
	21 to 30	%	2.84	1.72	1.39
	31 to 40	%		0.96	0.96
	41 to 50	%	0.27	0.25	0.22
	Above 51	%	0.04	0.06	0.07
By region	Greater China	%	3.63	3.35	2.79
	Vietnam	%	2.60	3.33	2.94
	Cambodia	%	4.93	3.80	2.84

As of December 31, 2023, the Group employed 92,030 individuals. The majority of these employees were aged between 21 and 40 (74%). With females comprising 72% of our workforce, we have proactively developed a comprehensive range of actions to promote gender equity and have provided various channels to ensure that our female staff can play a pivotal role in the management and operations of the Group.

Additionally, we have noted a significant decline in the employee turnover rate during the Reporting Period, which reflects the positive impact of our ongoing efforts to enhance employee care and benefits.

● Our employees



8.2 GENDER EQUITY AND FEMALE EMPOWERMENT

With a majority portion of female employees, Shenzhou International is committed to advancing gender equity by enabling our female employees to take on key roles within the company’s management and operations. We strictly comply with relevant laws to protect our female workforce, consistently striving to better their working conditions and environment.

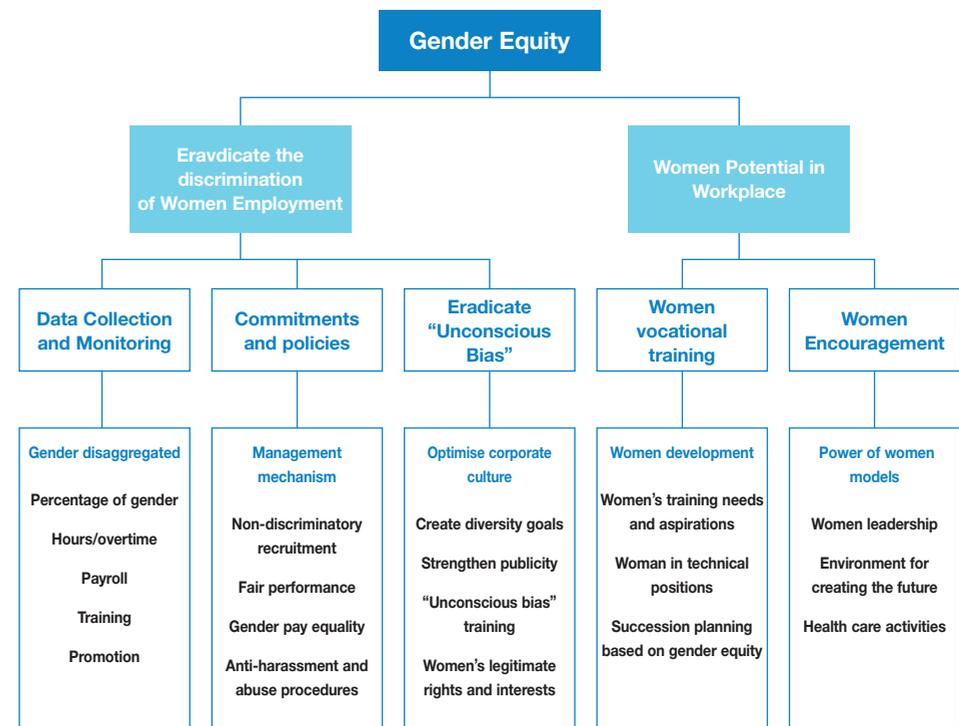
8.2.1

Gender Equity

In response to the call for gender equity by international organizations, our Group has been actively fulfilling and implementing gender equity initiatives in recent years. These efforts include, but are not limited to, integrating a gender perspective into the review of all policy mechanisms, embedding gender equity into every module of human resource management (HRM) and everyday administrative tasks, and offering training to managers to eliminate unconscious biases and increase gender sensitivity. We have developed a “Strategic Map for Gender Equity” dedicated to eradicating discrimination against women in employment and enhancing women’s potential in the workplace. This is part of our commitment to promote gender equity and create a diverse, fair, and inclusive working environment. We encourage female frontline employees to directly engage in problem-solving, conduct activities to develop women’s leadership skills, and improve complaint mechanisms, especially to empower silent employees to speak up. Our refined processes for handling sensitive issues provide specialized knowledge and skills training for complaint handlers.

Strategic Map for Gender Equity: Key strategies and roadmap for achieving strategic journey for gender equity

Strategy: Promote gender equity and create a diverse, fair and inclusive work environment



● Strategic map for gender equity

8.2 GENDER EQUITY AND FEMALE EMPOWERMENT

8.2.1 Gender Equity

By the end of 2023, all factories within the scope have actively joined and participated in the gender equity initiative. We also utilize gender equity tools (SDT – Self-diagnose Tool) to conduct annual self-assessments and self-improvement, demonstrating our Group’s dedication to this vital aspect of our corporate responsibility.

Gender discrimination’s elimination actions



● Corporate Gender Equity Promotion Playbook

Corporate Gender Equity Promotion Playbook

The “Corporate Gender Equity Promotion Playbook” serves as a comprehensive guide for all employees, outlining clear standards on how to foster a culture of equity in daily conduct and interactions within the workplace.



● GE Training in Vietnam

Gender Equity Training

We conduct annual gender equity training sessions facilitated by ourselves, third parties and customers in our factories in China, Vietnam and Cambodia, ensuring that our staff is well-educated and aware of the importance of gender equity.



● GE Training in China



● Anti-gender violence campaign in Cambodia

Anti-gender Violence Campaign

We have launched anti-gender violence campaigns within our factories in China, Vietnam and Cambodia. The campaign in Cambodia which spanning 16 days, is dedicated to the prevention of gender-based violence and harassment, aiming to create a safe and respectful working environment for all employees.



● Anti-gender violence campaign in China

8.2 GENDER EQUITY AND FEMALE EMPOWERMENT

8.2.2

Empowerment for Our Female Employee

8.2.2.1 Empowerment program

Shenzhou International recognizing and harnessing the potential of women, who constitute a majority of our workforce, is an indispensable subject in our developmental journey. We have actively participated and organized events and projects aimed at bolstering female leadership capabilities.



SHE Program – From Management Skills to Leadership Charisma

Our China factory has provided a program for substantial leadership training previously, shifted focus towards cultivating leadership charisma this year. Internally, in 2023 we launched the SHE program “Female Leadership: From Management Skills to Leadership Charisma”, which is a distinctive 3.5-day journey of self-improvement tailored for female leaderships born in the 70s, 80s, 90s, and 00s. The training is segmented into stages of mindfulness empowerment, physical and mental cultivation, practical application, and forum enhancement, aiming to uplift the managerial charm and empowerment of our female leaders. This enables them to radiate their unique Shenzhou women’s charisma at work, home, and social settings.



● Certificate - SST - Effective Supervisory Skills

SST Training – Effective Supervisory Skills

The women representatives from our China, Vietnam and Cambodia’s factories engaged in the “SST - Effective Supervisory Skills” program, which was enhanced by training from the third-party institution, specifically designed to strengthen women’s leadership skills.

Women Leadership Accelerator

The women representatives from our Vietnam garment factory engaged in the program of “Women Leadership Accelerator” which held by customer and third party.

This year was Wave2, aiming to promote women’s equal career advancement, expanding the leadership pipeline and closing gender gaps in management.

The program through customized content, path to excellence and return on investment to focus on communication, negotiation, time management & planning, people management and self-confidence, which with the duration of 6 months.



● Certificate - Women Leadership Accelerator

8.2 GENDER EQUITY AND FEMALE EMPOWERMENT

8.2.2 Empowerment for Our Female Employee

8.2.2.2 Career training for female employee



● Training in Vietnam garment factory

We delivered dedicated training programs to empower our female employees, fostering both professional development and personal growth.

During the reporting year, our garment factory in Vietnam provided the following training:

- Re-entry training for 315 women returning from maternity leave, ensuring a smooth transition back into the workforce.
- The training on preventing sexual harassment have a total of 26,957 employee participated.
- Additionally, an impressive 10,809 female staff members attended our training course on family financial management skills, underlining our commitment to their well-being beyond the work environment.

During the reporting year, our garment factory in China provided the following training:

- One of our garment factories enhanced female leadership through specialized courses and interactive exchanges, emphasizing the development of strong, capable women leaders within our organization.
- Another factory held a “Female Employee Rights and Interests Knowledge Protection Competition” hoping to increase our female workers’ awareness on their right and interest.



● Specialized courses and interactive exchanges in China

2.2.3 Promotion of our female staff

The Group actively creates and establishes a more inclusive, open, diverse, fair and reasonable working environment, and also looks forward to more women being promoted through their own efforts.

In 2023, we counted a total of more than 520 women from factories in China, Vietnam, and Cambodia who were promoted in their positions.



● “Female Employee Rights and Interests Knowledge Protection Competition” in China

8.2 GENDER EQUITY AND FEMALE EMPOWERMENT

8.2.3

Caring our Female Employee

Shenzhou International recognizes our female employee as not just an integral part of our workforce but as valuable assets crucial to the business development of the Group. To honor and support them, we have implemented a variety of benefits and services tailored to their well-being during the reporting year.



● Celebrate for International Women's Day



● Women's Month in Vietnam



International Women's Day and Women's Month

During International Women's Day and Women's Month, we celebrate and respect our female employees with various activities organized across all factories. Particularly, our garment factory in Vietnam designates July as 'Women's Month' to express our care for women through proactive measures.

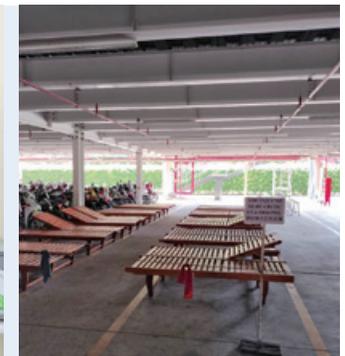
Rest Area and Healthcare Consultation Room

Understanding the specific needs of our expectant mothers, the Vietnam garment factory has designated space within the sheltered area, allowing them to rest while waiting for the company shuttles.

In Cambodia, we have established a prenatal healthcare consultation room, further demonstrating our commitment to the health and comfort of our female employees.



● Healthcare consultation room in Cambodia



● Rest area in Vietnam

8.2 GENDER EQUITY AND FEMALE EMPOWERMENT

8.2.3 Caring our Female Employee

Health Checks and Educational Seminars

Health checks and educational seminars are held with an initiative of our commitment to female health across our factories in China, Vietnam, and Cambodia. For instance:

Ningbo garment factory

- a. Partnered with local medical institutions to launch the “Healthy and Beautiful Together - Women’s Health Month” campaign. This campaign was the 3rd year held to include free consultations with expert doctors, health quizzes, women’s health lectures, cancer screenings, with over 3,200 participants receiving thoughtful gifts.



- b. Women practical course - Shoulder and neck physiotherapy

Partnered with local medical institutions, we launch the “women practical course” campaign providing shoulder and neck physiotherapy to our valuable female employee.



8.2 GENDER EQUITY AND FEMALE EMPOWERMENT

8.2.3 Caring our Female Employee

Ningbo flyknit factory

Assist eligible women in scheduling appointments for the HPV vaccine.

Anhui garment factory

Partnered with local medical services to offer “Caring for Women, Protecting Health” clinics on-site.



Vietnam garment factory

Provided gynecological checks and cancer screenings for our female employees. Over 6,000 female employees have voluntarily participate in the gynecological checks, breast cancer screenings and cervical cancer screenings respectively.



Cambodia garment factory

Partnered with local medical services to offer “Caring for Women, Protecting Health” clinics on-site.



8.2 GENDER EQUITY AND FEMALE EMPOWERMENT

8.2.4

Build up our Shenzhou Story 3.0

Since 2021, we have established a pioneer program in Ningbo with the “Building up Our Shenzhou Story” initiative, inviting employee representatives from various factories to share their personal experiences in Shenzhou.

In 2023, this storytelling campaign evolved into its 3.0 era, encapsulating the theme “Hearing Women’s Voices, Seeing Women’s Power”. This year, we turned the spotlight on our female employees, featuring 24 women representatives from different generations, including those born in the 70s, 80s, 90s, and 00s. These participants shared their unique perspectives and personal tales, showcasing their courage and resilience. Their stories not only inspired but also empowered many other Shenzhou women to develop their skills and capabilities. Through this initiative, we aim to nurture influential female leaders and foster a more gender-equal, inclusive, and fair work environment.



8.2 GENDER EQUITY AND FEMALE EMPOWERMENT

8.2.4 Build up our Shenzhou Story 3.0

The transformation from “Build up our Shenzhou Story 1.0” to “3.0” reflects a profound evolution in our narrative journey. Initially the program focused on management’s point of view, 3.0 amplifies the diverse experiences of frontline staff, ensuring every layer of our workforce shapes our collective tale. Age inclusivity has broadened, transitioning from senior-centric stories in 1.0 to embracing narratives from all age groups in 3.0, enriching our company’s chronicle with a spectrum of life experiences. The program has shifted from reminiscing to empowering, with stories now fueling motivation and growth. Additionally, we’ve expanded our storytelling from offline to a dynamic online-offline hybrid model, enhancing accessibility and participation.



● 3.0 Representative - 70s



● 3.0 Representative - 80s



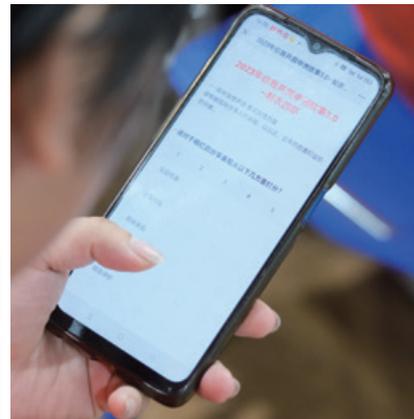
● 3.0 Representative - 90s



● 3.0 Representative - 00s



● Offline & Online Survey



8.2.5

Women Power and Strength

In a vibrant display of solidarity and strength, our factory in China proudly participated in the “Women Sports Meeting,” a community event celebrating women’s empowerment. Highlighting this spirit, our female employees showcased their formidable strength and teamwork in a spirited tug of war competition.



● Women Sports Meeting

8.3 EMPLOYEE BENEFITS

The Group recognizes that high-caliber employees are pivotal in driving business growth and maintaining quality services. Understanding the significance of attracting and retaining top talent, we offer a comprehensive suite of benefits that cater to various aspects of our employees' needs, ranging from tangible to intangible, financial to cultural. By investing in our employees' well-being and career growth, we aim to create an environment where excellence is nurtured and rewarded.

8.3.1

Support Facilities

Shenzhou International is dedicated to caring for our employees' varied needs with a comprehensive suite of facilities and support. We provide comfortable accommodation, convenient transportation, nutritious meals, and a well-maintained working environment to ensure our staff's well-being is fully catered to, both in their professional and personal lives.

Central kitchen

We operate the largest central kitchen in East China, delivering a variety of safe, healthy, and delicious Chinese and Western cuisine, snacks, and other culinary treats to our 30,000 employees across 18 restaurants at the Ningbo factories. With our healthy and tasty meals, we hope to boost employee satisfaction and reduced turnover.

In our Vietnam and Cambodia bases, central kitchen and canteens offer free, tasty, and nutritious local meals after thorough research into regional preferences. To enhance our food services, we actively gather employee feedback through both digital and traditional channels, consistently refining our dining offerings to elevate the overall quality of our employees' meals.



● Central kitchen and canteens

8.3 EMPLOYEE BENEFITS

8.3.1 Support Facilities

Employee commute

The Group has implemented a dedicated commuting service at each factory, providing free transportation that connects key residential areas with designated pickup and drop-off points to ensure safe and convenient travel for our employees.

In 2023, our commitment to transportation safety was evident as we recorded no commuting-related accidents. Our garment factory in Cambodia was recognized for its exemplary commuting safety practices, receiving the “Commuting Safety for Cambodian Workers” award.



● Employee commute in China



● Employee commute in Vietnam



● Award - Commuting Safety for Cambodian Workers (CSCW)

Working environment



We ensure a comfortable working environment across all factories in China, Vietnam, and Cambodia by equipping each workspace with air-conditioning to maintain optimal temperature and humidity levels. To accommodate the diverse cultural and living habits of our employees, we have established nursing room in every factory, respecting the needs of our female workforce. Additionally, our Vietnam factory has invested in over 3,000 seats, creating a comfortable setting for employees to enjoy their lunch breaks.



8.3 EMPLOYEE BENEFITS

8.3.1 Support Facilities

Accommodation environment

The Group practices compassionate management, striving to create a homely atmosphere for our employees by enhancing their living conditions.

Since 2020, we have constructed dormitories and living areas at our factories in China, Cambodia, and Vietnam. By 2022, we completed eight employee dormitories, providing comfortable housing for around 10,000 employees. These facilities not only cater to the needs of married workers but also offer college graduates an upgraded living experience with amenities such as en-suite bathrooms, refrigerators, washing machines, and lockers in an apartment-style setting. Conveniently located near shopping centers, schools, kindergartens, and within a short distance from subway stations, the Group aims to further expand our housing program with two additional dormitories set to open in 2024.



● Accommodation environment in China



Moreover, we've established five expert buildings in Vietnam and Cambodia, offering nearly 1,000 rooms to provide a pleasant living space for our managements. The dormitories for local employees in these countries are already in use, accommodating over 10,000 employees. Each residential area is equipped with complementary sports facilities, swimming pools, yoga studios, running tracks, and courts for basketball, badminton, and table tennis.



● Facilities in living area



8.3 EMPLOYEE BENEFITS

8.3.1 Support Facilities



Property rights transfer

In a landmark initiative to express our profound appreciation for employees' dedication and loyalty, we are thrilled to announce our property rights transfer program. Celebrating the unwavering commitment of our long-standing employees, we are granting a complimentary ownership apartment to those who have adorned our Group with more than a decade of service.

In August 2023, we have grant 248 long-serving employees free ownership on the apartment building as a testament to our gratitude, with a construction value of exceeding RMB200 million. This significant gesture not only honors their decade of service but also reflects our Group's deep-seated pledge to recognize and reward the invaluable contributions of our employees.



8.3 EMPLOYEE BENEFITS

8.3.2

Employee Communication

Communication channels

The Group advocates transparent, fast, efficient and diverse communication channels and methods. We have established multiple communication channels for all employees and assigned dedicated personnel to directly handle relevant suggestions, complaints and other information.

Global Communication

Local Communication

Shenzhou communication channels

WOVO & Employee hotline

Our regional factories have actively opened employee complaint hotlines to connect third-party/brand customers quickly, efficiently and transparently. On the on-site visual signage in each production area, we have posted relevant public information and contact information, and through internal and external joint efforts, we have created communication channels that are transparent, diverse and healthy.



Shenzhou e-Home & E-Suggestion Box

The multi-channel employee service platform "Shenzhou e-Home" independently developed by the Group has been officially launched and fully operational since 2019. Integrating functions such as anonymous complaint consultation, information release, online learning, and questionnaire surveys, Shenzhou e-Home aims to provide all Shenzhou employees with the most convenient and transparent communication channels, solve employees' worries, listen to their voices, and help the Group sustainable development.



● E-Suggestion Box

Each factory will post the information of e-channel for employees to transparently discuss with regional managements.

8.3 EMPLOYEE BENEFITS

8.3.2 Employee Communication

Local Communication

Face-to-face communication

China's garment factory takes the lead in promoting offline communication channels such as "Face-to-face communication with my manager" and "Xun Yan Tang" in 2022, inviting employees to sign up by their own, and the factory leaders will organize and arrange one-on-one communication with employees, which is more private. This effectively protects employee communications.

In 2023, another Chinese garment factory affiliated to the Group promoted the "Intimate Sister Cui Talk". Through the organizational method of meeting on Thursdays and talking about the psychological affairs, the employees listened to their voices and worries, communicated with each other, and resolved disputes to build a harmony enterprise.



Anonymous communication

We provide employees with anonymous and privacy-respecting communication, including offline suggestion boxes, online QR code platforms, etc., to fully respect employees' wishes as a hub for communication.



Employee Satisfaction Survey

To foster an optimal environment for talent development, promote harmonious interpersonal relationships, and exemplify our commitment to "people-oriented" management, the Group's garment factories in China, Vietnam, and Cambodia consistently collaborate with third-party industry experts to annually assess employee's engagement and wellbeing across various levels of job positions, age groups, and genders.

In 2023, our factories' survey results surpassed the industry average. This research tool enables our teams to swiftly benchmark their performance, identify areas for improvement and strengths promptly, thereby cultivating a positive work environment, reinforcing progressive management philosophies, and enhancing the leadership skills of our managers.

In addition to the above exchanges and communications, the Group still provides a variety of channels for employees to solve their problems online and offline, such as communication meetings with new generation managers, factory employee symposiums, workshop bees, online reporting of hidden dangers/problems, bulletin boards, etc.

8.3 EMPLOYEE BENEFITS

8.3.2 Employee Communication

Employee representative

Since 2022, all factories within the Group has progressively implemented factory-led employee representative programs. These initiatives encompass various aspects, such as facilitating employee dialogue, providing avenues for emotional expression, organizing employee-centric activities, and offering on-site assistance.

In 2023, we aim to deepen our employee representative efforts at the grassroots level, emphasizing hands-on service and support. We will conduct these activities under the guiding principles of collaboration, democratic engagement, and people-centric support.



● Employee representative in China

Cross region site visit

In response to the easing of travel restrictions after the cease of pandemic, the Group has re-established channels for cross-regional exchanges and visits since the full lifting of lockdown measures in mainland China in 2023. We have extended invitations to outstanding frontline managers and local employees from various locations to engage in face-to-face interactions at other bases.

Throughout 2023, we have facilitated visits for Vietnamese employees from our garment and fabric factories in Vietnam to various sites in China. These visits included a comprehensive learning experience about our headquarter and supporting factories, an immersion into Chinese culture, and opportunities to appreciate the scenic beauty of Ningbo and the Yangtze River Delta region. Additionally, the visitors were offered hands-on experiences with traditional Chinese culinary practices.



● Onsite visit for Vietnam employee

8.3 EMPLOYEE BENEFITS

8.3.3

Educations for Employee's Children

Our Group places a significant emphasis on education and charity, valuing the development of our workforce and the educational pursuits of their children.

At the Chinese factories, the Educational Development Fund of Ningbo Shenzhou Knitting Co., Ltd inauguration ceremony was held at the Beilun District Administrative Center in May 2011. The company, in collaboration with the union, strives to resolve the practical difficulties faced by the children of our managerial staff in their schooling endeavors annually. In 2021, facing a shortage of kindergarten places at Xinlei Kindergarten, the company proactively intervened, coordinating and investing RMB1.3 million to rebuild a 3,000 square meter area to accommodate the enrollment of additional children.

For our Cambodia's garment factory, since 2022, we've established a leisure reading area for our employees' children. This space provides a comfortable environment and ample room for the children of our employees to rest and engage in activities, free of charge, fostering a family-friendly workplace.



● Xinlei Kindergarten



● Children leisure space in Cambodia

8.3 EMPLOYEE BENEFITS

8.3.3 Educations for Employee's Children

Academic achievements - 2023 Shenzhou Employees' Children Outstanding Scholars College Entrance Examination Commendation Meeting

One of our garment factories in China celebrated the academic achievements of our employees' children with the "2023 Shenzhou Employees' Outstanding Scholars College Entrance Examination Commendation Meeting", honoring those who excelled in the college entrance exams. Out of 159 participating students, 108 met the undergraduate degree admission standards, with 20 accepted into the top class universities in China. We also invited representatives of the students and employees to share their experiences, inspiring gratitude, reflection, and a sense of responsibility and social commitment.



8.3 EMPLOYEE BENEFITS

8.3.3 Educations for Employee's Children



● Letter of admission

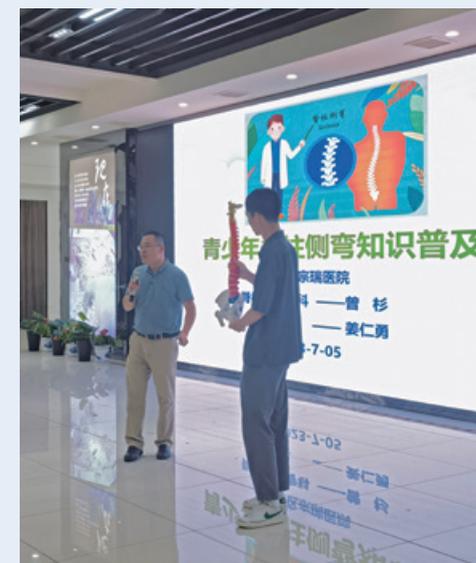
Educational Improvement

In 2023, 298 children of our employees in China's factory successfully transferred to urban schools. We encourage these students to embrace and enjoy learning, spread their diligent wings, and soar through the vast ocean of knowledge towards a promising future and academic success.



New generation caring - spinal health talks

The Group's commitment to well-being extends beyond our valued employees to embrace the health of their children. We recognize that the spinal health of children lays the groundwork for a lifetime of wellness. That's why we've partnered with esteemed local institutions to initiate a training program dedicated to protecting the precious spinal health of our employees' children.



● Spinal health talks

8.3 EMPLOYEE BENEFITS

8.3.4

Festival Supportive Action

As part of the Group's commitment to employee welfare and in continuation of a tradition spanning over a decade, the Spring Festival transportation charter program has been a longstanding initiative.

For this year's festival, the Group coordinated 136 special vehicles to facilitate the safe return of more than 6,000 employees to their homes across 14 provinces and cities, including Sichuan, Yunnan, Chongqing, Guizhou, Gansu, Shaanxi, Shandong, Anhui, etc. The operation took two days and ensured not only the safety of our employees but also provided them with food and other necessities for their journey.

Showcasing under the banner "Safe Spring Festival Travel, Warm Journey Home", the Group annually organizes free chartered buses to assist employees during the busy Spring Festival travel season. Working closely with local departments for on-site inspections, the Group has invested nearly RMB200 million in this initiative. This effort addresses the challenges employees face in returning home during the festival period and guarantees their safe travel.



● Spring Festival transportation charter program

8.3 EMPLOYEE BENEFITS

8.3.5

Cultural Activities

The Group is committed to fostering a healthy work-life balance for our employees. To enrich their daily work life, promote our corporate culture, and establish a positive working environment, we have developed a variety of regular activities.

These activities include celebrating festivals, team-building exercises, singing competitions, sports tournaments, etc., all designed to improve communication among employees and foster a strong sense of belonging within the Group. Through these initiatives, we aim to not only enhance our employees' overall job satisfaction but also to strengthen the unity and collaborative spirit of our workforce.

Celebrating festivals



● National holiday and Mid-Autumn festival celebrating in China



● Dragon Boat Festival celebrating in China



● Spring Festival celebrating in China



● Mid-Autumn festival celebrating in Vietnam



● Festival celebrating in Vietnam

8.3 EMPLOYEE BENEFITS

8.3.5 Cultural Activities

Team-building activities



● Team-building activities

Special activities



● Daily Beauty in China



● DIY silk scarf in China



● Retirement party in China

8.3 EMPLOYEE BENEFITS

8.3.5 Cultural Activities

Special activities



● Voice in Vietnam



● DIY hatted decoration in Vietnam



● Legal knowledge competition in Vietnam



● Commendation meeting "Proud of you" in Vietnam



● Festival celebrating in Vietnam



● Swimming competition in Vietnam



● Year-to-end celebrating in Vietnam

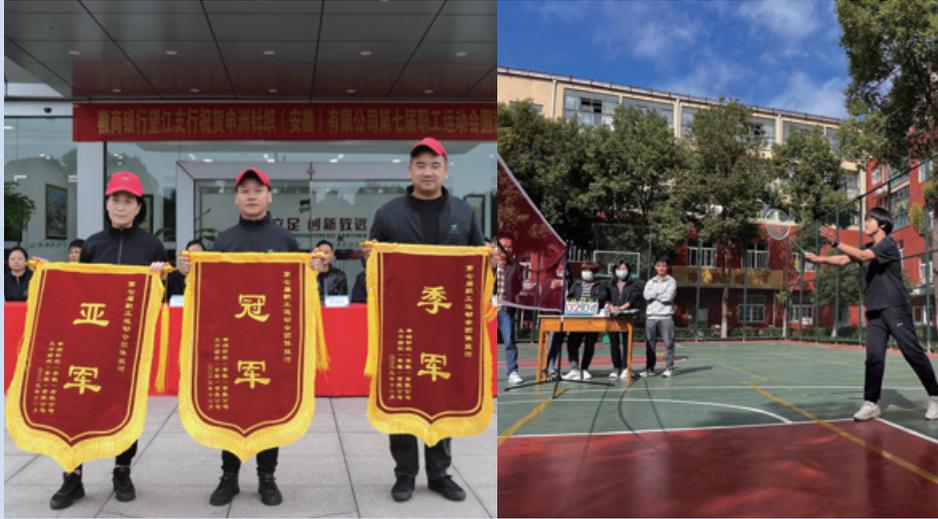


● Beyond the games in Cambodia

8.3 EMPLOYEE BENEFITS

8.3.5 Cultural Activities

Sports tournaments



● Sports tournaments in China



● Sports tournaments in Vietnam

Community activities



8.4 EMPLOYEE HEALTH AND SAFETY

8.4.1

OHS Management

Adhering to the principle that “Prioritizes safety to everyone, incorporates safety in every task, safety is always in mind, and safety is essential everywhere”, our Group deeply values the importance of being safety pioneers. We maintain strict compliance with the Law of the People’s Republic of China on the Prevention of Occupational Diseases and relevant laws and regulations in China, Vietnam & Cambodia, ensuring a robust OHS management system.

We have implemented comprehensive and detailed health and safety measures in line with ISO 45001:2018 standards to mitigate risks within the working environment. This includes the enhancement of existing safety protections for equipment, extensive employee training, and the continuous development of safety improvements. Collaboration with suppliers for joint improvement initiatives further ensures the safety of machinery operations, creating a healthy and secure workplace for all.



● ISO 45001: 2018 in Vietnam



● ISO 45001: 2018 in China



● World day for health & safety in Cambodia



● Excellent enterprise for production safety and fire protection in China

Our commitment to OHS extends beyond compliance; it is ingrained in our culture and daily practices, this is reflected in our achievement “world day for health & safety” for our Cambodia factories and “Excellent enterprise for production safety and fire protection” for our China’s Flyknit factory during the reporting year. Meanwhile, our garment factory in Cambodia also obtained the “4th ASEAN-OSHNET Best Practices Award” issued by Association of Southeast Asian Nations Occupational Health and Safety Committee.

For the last three years, including the Reporting Period, the Group had no work-related casualty. Besides, during the Reporting Period, the Group was not aware of any serious violations of occupational health and safety regulations.



● 4th ASEAN-OSHNET Best Practices Award in Cambodia



8.4 EMPLOYEE HEALTH AND SAFETY

8.4.1 OHS Management

Hazard management and safety inspections

The Group's factories reduce the presence and potential recurrence of safety hazards through a three-level inspection management mechanism that includes the Group, factory, and workshop levels.

The main safety inspection methods currently include factory safety patrols, group safety patrols, factory safety days and special inspections, etc. Since 2022, all garment factories under the Group has actively carried out monthly "Safety Day" led by the top managements of the factories. The factory leaders serve as the principal responsible persons, with workshop supervisors, front-line management personnel, and functional management staff forming the inspection teams to intensify the investigation of potential on-site hazards. The factories within the Group has cumulatively conducted over 200 "Safety Day", ingraining the importance of safety into everyone's minds.



● CMSE certificate



● 3rd party training certificate

Machine Safety

As the Group continuously upgrades automation and digitalization, we place great emphasis on the safety management and safe operation of machine. Each factory considers the risk level of machine and operational requirements, incorporating certain machine into Shenzhou International's Important Machine Management List. Employees must pass factory tests and certification before they are allowed to operate the machine with a license. Additionally, the machine management teams at factory proactively invite external instructors to provide training and obtain the corresponding certificates, for example Certified Machinery Safety Expert (CMSE).

For newly-introduced machines, we implement risk control from the source and conduct joint management with suppliers:

- Conduct risk assessments for planned procured machines.
- Obtain relevant safety certification reports from suppliers (such as CE reports, ISO 12001, and ISO 60204 certificate).

For all existing machines, we carry out machine safety management during different stages of use, including the maintenance phase and disposal phase:

- The factory team conducts risk assessments for equipment at various stages, including testing, operation, maintenance, and disposal.
- Implement corresponding Machine Risk Assessment (MRA), hazard source identification (using the LEC method), and invite employees to identify job hazard factors (Job Hazard Assessment).
- The factory team and machine management team will compile the above risks and hazard factors into Standard Operating Procedures (SOP) manuals. These SOPs are disseminated through Job instruction training (JIT) training by workshop management personnel, as well as through posters on-site and online and offline training sessions to facilitate learning and exchange.

8.4 EMPLOYEE HEALTH AND SAFETY

8.4.2

Health and Safety Training

As we journey towards achieving a high standard of health and safety in the workplace, the Group is committed to nurturing professional safety management personnel. Through a blend of external and internal safety training programs, we continuously enhance the capabilities of our team. In line with National regulations and laws, the principal responsible persons of production and operational units are deemed the primary individuals accountable for safety within their respective units. Our Group organizes regular “Safety Management Personnel Training” for managers and safety staff each year, covering topics such as safety production laws and regulations, safety management knowledge, and accident analysis and prevention. The program is underscored by the participation of our CEO, whose involvement not only highlights the paramount importance we place on safety training but also reinforces our leadership’s commitment to the well-being of our employees.

Workplace safety facilitator

To actively engage and enhance the safety management skills of on-site employees, our factories in China, Vietnam, and Cambodia have implemented the role of safety facilitators within the workplace, maintaining a ratio of approximately 1.5% of safety facilitators to the total number of factory personnel. Prior to assuming their roles, all safety facilitators are required to complete the rigorous “Train the Trainer” program, ensuring they are both professional and qualified to instruct others on safety issues. These facilitators are pivotal in conducting regular monthly safety training sessions on vital topics such as fire safety and health knowledge, and in organizing offline “Safety Trouble-Shooting Activities” to proactively identify and address potential hazards on-site. This comprehensive approach ensures that our safety facilitators are well-equipped to lead by example and foster a culture of safety that permeates every level of our operations.



Onsite safety training



Train the trainer certificate

Factory management personnel also enhance their skills through customer training and external courses. This includes the following:

Industrial hygiene

Safety managers at all operating factories participated in the industrial hygiene training organized by Phylmar Academy & Occupational Hygiene Training Association (OHTA) and obtained relevant certificates.



Electricity and fire safety

Safety managers of garment factory in Cambodia participated in online electricity and fire safety training organized by the International Labour Organization (ILO) and the International Finance Corporation (IFC)

Furthermore, our safety management staff actively collaborate with the Group’s Information Center to develop and optimize online safety management software. This platform encompasses features like inspection and rectification, policy declarations, Standard Operating Procedures (SOP) notifications, online training, knowledge competitions, and safety promotional videos, all readily accessible for learning and use by all employees.

8.4 EMPLOYEE HEALTH AND SAFETY

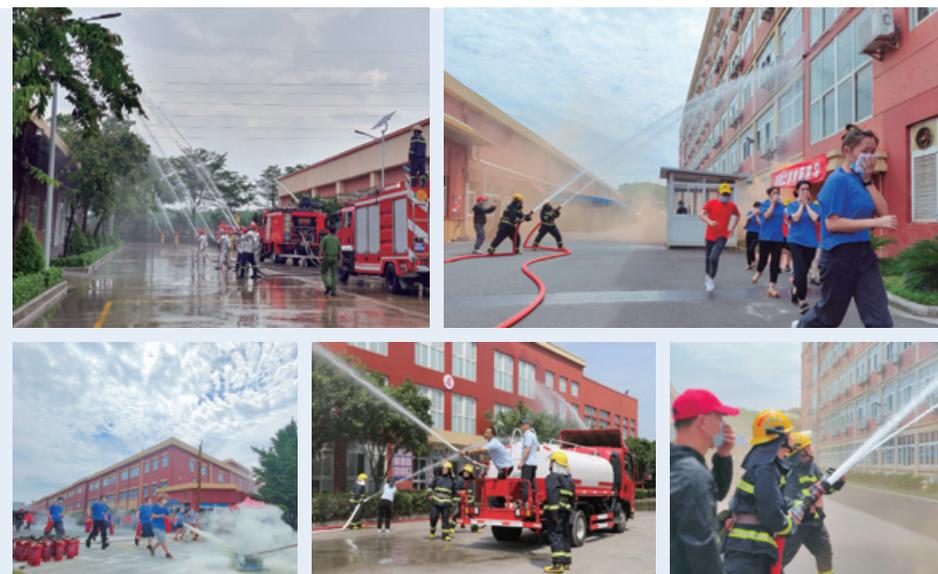
8.4.2 Health and Safety Training

Practical fire drill

In order to further improve the safety education work of the Group, enhance all employees' awareness of fire safety, self-prevention and self-rescue, and improve employees' ability to escape and save themselves. The Group carries out fire drills in factories and dormitories every year as planned in all of our operation sites. Before the fire drill, a fire escape drill preparatory meeting is held, with the participation of factory leaders, workshop supervisors, and functional department managers. At the meeting, the safety officer clarified the division of labor and responsibilities of each participant based on the drill plan. After the fire drill, professional qualified personnel will be invited to share the use of fire extinguishers and other fire protection knowledge on site, and practical opportunities will be arranged for employees to experience and feel.

In 2023, the Group has carried out more than 80 fire drills, and with a cumulative of more than 220,000 people have participated in fire drills.

Meanwhile, Vietnam's fabric factory responded to the government's call and participated in provincial fire drills. The Chinese factory is led by the administrative center to establish a women's fire brigade.



● Onsite fire drill



● Shenzhou dedicated fire brigade



● Women's fire brigade in China



● Provincial fire drill in Vietnam

8.4 EMPLOYEE HEALTH AND SAFETY

8.4.2 Health and Safety Training

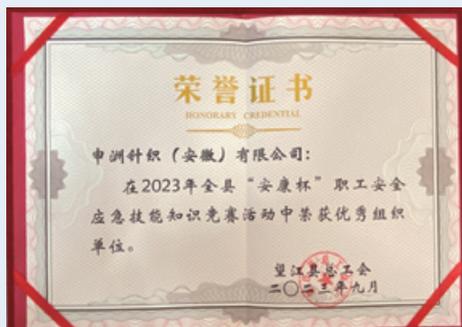
First-aid training

Embracing the principle of “First Aid for All, All for First Aid,” to enhance employee awareness of self-rescue and mutual aid and to ensure they possess fundamental first aid knowledge, our Group’s factories annually collaborate with local Red Cross societies and emergency centers to conduct first aider training programs, which include practical drills and instruction on the use of Automated External Defibrillators (AED).

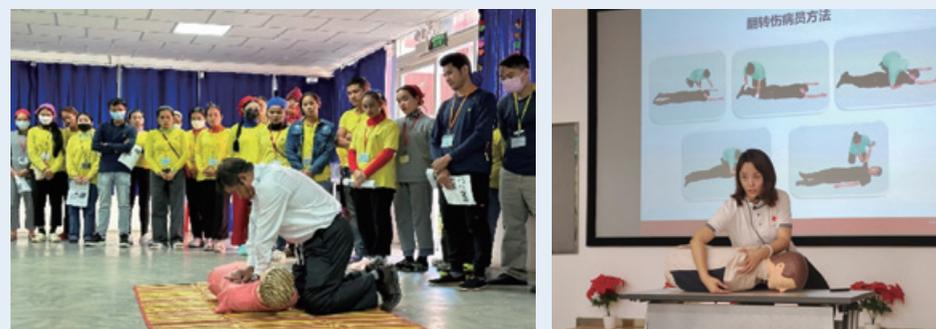
At all of our factories under the Group, we prominently display information and contact details for first aid personnel and equip the facilities with life-saving devices such as AEDs.

In the year 2023, our factories in China, Vietnam, and Cambodia collectively participated in health and first aid training sessions amounting to 1,300 person-times. We now have over 2,000 certified individuals in our factories, ensuring that we are well-prepared for on-site safety and emergency situations.

Furthermore, our flyknit factory in China and one garment factory participated in the “Ankang Cup - Safety and Rescue Skills Competition” organized by the local community. The factory teams were awarded second prize and an excellent organization award, respectively, demonstrating their commitment to safety and emergency preparedness.



● Excellent organization award in China



● First-aid training



● Second prize in knowledge competition in China



8.4 EMPLOYEE HEALTH AND SAFETY

8.4.3

Employee Protection Measures

Our Group is dedicated to safeguarding the OHS of our employees across all our factories. Complying with regulatory mandates, we annually organize comprehensive occupational health examinations for our employees. In 2023, nearly 60,000 instances of participation in these health checks were recorded across our production bases, underscoring our commitment to the holistic protection of our employees' safety and occupational health.

Additionally, we ensure that all employees are provided with labor insurance supplies and personal protective equipment (PPE) free of charge, reinforcing our unwavering pledge to uphold the well-being of every member of our workforce.



● Health checks

8.4 EMPLOYEE HEALTH AND SAFETY

8.4.4

OHS Leadership and Commitment

Since 2022, members of our Group’s Board of directors and management personnel have completed the transformative OHS Leadership program organized by Institution of Occupational Safety and Health IOSH.

In 2023, representatives of senior female managements from our Group participated in the Leading safely which held by IOSH, identified as Wave 2 of Transformational Leadership Programme (“TLP”). The course aims to understand the responsibility of health & safety, and encourage transformation to be integrated.



● Shenzhou IOSH TLP Roadmap



● IOSH - Leading safely program

All employees’ safety responsibilities

Our Group regularly holds safety production meetings, attended by the Chairman, department heads, and safety officers. The Chairman emphasizes that “responsibility is the soul of safety” and “standardization is the foundation of safety”. Annually, from the top down, our Group signs a “Safety Responsibility Statement”, embedding the concept of “safe production” into the entire workforce.

Moreover, our Group establishes a dedicated team for safety & security assurance. They have the responsibility for safety patrol, safety monitoring, safety inspection, safety training and so on.



● Safety Responsibility Statement



● Shenzhou dedicated security assurance team

Safety cultural enhancement

Our garment factories proactively engage in and participate in the development of a Culture of Safety Maturity Assessment (CoSMA) and conduct Safety Perception surveys (SPS) from third-party industry experts. These efforts assess the factory’s safety management capabilities and current safety status across five dimensions: leadership commitment/involvement and responsibility, safety management system development and indicators, risk assessment, and competent personnel planning. We continuously integrate safety into management standard operating procedures, with all employees participating in safety awareness training to strengthen the foundation of our factory safety culture.

By the end of 2023, all factories within the scope had completed the CoSMA Level-3 calibration, actively fostering a high-standard safety culture in the workplace.

Furthermore, since 2022, our Group has joined the Royal Society for the Prevention of Accidents (ROSPA) assessment and calibration audits, organized by IOSH. One of our garment factories in China was the first to complete the certification, achieving a silver award.

In 2023, our Cambodia’s garment factory also joined the ROSPA assessment process, the verified result will be notified in the middle 2024.



● CoSMA training certificate



● ROSPA silver award

8.4 EMPLOYEE HEALTH AND SAFETY



8.4.5 Activities to Enhance Safety Awareness

To reinforce the concept of safety in production among our employees and enrich their learning opportunities beyond work, our Group's factory in Vietnam has progressively initiated various offline activities and skills competitions.



● Skill competition in Vietnam

In August 2023, our garment factory in Vietnam launched an offline "Factory Safety Month" event, led by the factory's General Manager, organized by the safety management team, and supported by functional managers. The event featured activities such as Leadership Standard Work (LSW), safety knowledge quizzes, and safety flash mobs. This event significantly heightened the local employees' awareness of the importance of safety in production.



* Please refer to 2022 Annual report for the previous data of lost day due to work injury.

Factory Safety Month in Vietnam

Additionally, our fabric factory in Vietnam held a skill competition in May 2023 to coincide with Worker's Month and Occupational Health and Safety Month. These initiatives are integral in promoting a culture of safety and enhancing employee engagement with the core values of occupational health and safety.

8.4.6 Our Performance

In 2023, our Group takes the calculation methodology of Work Hours Statistics to measure the performance of our work-related injury and illness. The Group's Recordable Injury & Illness Rate (RIIR) which based on the methodology of 200,000 work hours is 0.257 and we've recorded the average lost day of work injuries is 17 days*.

With the supportive trainings & actions we mentioned in these sector, we hope all of them are beneficial to the journey of creating and building a world-class health and safety workplace.

8.5

TRAINING AND DEVELOPMENT

Our Group places a high value on both internal and external learning and training. Guided by talent strategy, centered on talent management, and bonded by employee experience and business development, we aim to elevate the educational level and capabilities of our employees while cultivating the talent necessary for the development of our Group. In recent years, there has been a perceptible shift in the mindset of our employees from a passive “Request to be trained” to a proactive “I want to train” concept. In response to this cultural transformation, our Group provides ample and equitable opportunities for learning, training, and advancement, ensuring a platform where our employees can grow and succeed.

8.5.1

Internal Training

In recent years, our Group’s functional teams have intensified their focus on the capacity building and development of our internal employees. We’ve uncovered and developed a range of courses tailored to the growth of factory employees. Using a context-oriented and person-specific approach, we have integrated training in human resources, quality, lean production, and safety.

All functional teams and front-line managers receive training and transfer training through multiple channels online and offline, including equipment, PPE, quality, emotional identification psychological training, learning power, clothing skills competitions, firefighting training, etc.

By the end of 2023, employees across all factories participated in training sessions, amounting to a total of 932,271 person-times with an accumulated 4,735,675 hours of logged training time.



8.5 TRAINING AND DEVELOPMENT

8.5.1 Internal Training



Senior management enhancement course – Being brave in innovation and maintaining excellent

One of our garment factories in China organizes a training course for management cadres on “Being brave in innovation and maintaining excellent”, and more than 40 management cadres (workshop supervisor or above) go to the training base to participate the course.

● Training courses from the Group

8.5 TRAINING AND DEVELOPMENT

8.5.1 Internal Training

Front-line and Reserve cadres enhancement course - Talent nurturing training

Committed to the philosophy of “cultivating talent for practical application,” one of our garment factories in China has been successfully running the “Talent nurturing training” for five years. This training course is designed to deepen workforce’s understanding of production processes, elevate individual performance, and strengthen the company & individual’s core competitiveness.

The curriculum is tailored to ensure a thorough comprehension of both production operations and business management. We design a robust evaluation framework that encompasses:

Pre-course research: We review outcomes from the previous session and incorporate participant and instructor feedback to refine our approach.

Real-time follow-ups: During the course, we monitor progress through class notes, quizzes, and satisfaction surveys to gauge immediate learning and engagement.

Post-course follow-ups: Assignments are graded, and performance evaluations conducted to assess the practical application of the learned material.

Training assessments: We evaluate classroom participation and administer theoretical tests to measure knowledge retention.



We’ve enhanced the program by developing offline courses that bring education directly into the workshop setting from 2022, and in this year we approach to the more systematic planning and the involvement of external professional teams for specialized lectures.

By the end of 2023, our training initiative has resulted in over 80 educational sessions. We have identified and nurtured 50 factory instructors from within our ranks and have significantly improved the skills of more than 200 production supervisors and frontline personnel, thereby reinforcing our commitment to continuous learning and professional development.



● Talent nurturing training in China

8.5 TRAINING AND DEVELOPMENT

8.5.2

Shenzhou Management Institute

The Group has founded Shenzhou Management Institute (the “Institute”) at regional level, establishing a vital corporate institution for nurturing management talent within the organization. The Institute primarily targets all workforce, including emerging leaders, technical experts, grassroots management personnel, etc.

Our faculty is a blend of experts from various spheres, encompassing cooperative external training organizations, internal lecturers, and group executives. To cater to different learning styles and needs, there are a range of training methodologies, such as:

- Theoretical instruction in classroom settings
- Experiential learning through outdoor activities
- Online platforms for flexible learning experiences
- Rigorous assessments and examinations
- Opportunities for academic advancement and professional development

Shenzhou Management Institute curates its curriculum to align with the specific training requirements of the Group. The Institute is dedicated to fostering a corporate institute that embodies the Shenzhou spirit, offering lifelong education opportunities to all employees. This initiative is instrumental in contributing to the sustainable growth of Shenzhou International.

The Institute’s mission is to empower the company culture and develop a robust talent pipeline, providing the necessary cultural and human resources to support Shenzhou International’s aspiration of becoming a world-class leader in the textile and garment industry.

Statistic and performance for Shenzhou Management Institute

Total number of employees attended course from Shenzhou Management Institute in 2023:

24,911

Total training hours from Shenzhou Management Institute in 2023:

107,594 hours



8.5 TRAINING AND DEVELOPMENT

8.5.2 Shenzhou Management Institute



● Tsinghua SEM Entrepreneur Scholars Program

Sharing from our Chairman- Tsinghua SEM Entrepreneur Scholars Program

In June 2023, Mr. Ma Jianrong, Chairman of the Group and a prominent member of the Tsinghua SEM Entrepreneur Scholars Study Class, along with Tsinghua University's Director from the Entrepreneur Scholars Project and Cooperation Development Office, hosted over 50 entrepreneur scholars at Shenzhou International for an immersive exchange and study visit.

Mr. Ma provides an in-depth overview of Shenzhou's operations and emphasizing the company's commitment to "integrity." The visit was designed to give the rising talents a comprehensive understanding of Shenzhou International's culture and business model, fostering their interest in the company and inspiring them to consider future opportunities within the Group.

University cooperation – Leadership training with University of Pennsylvania for senior management

Starting from 2022, the Group jointly organized the leadership training courses with the Wharton School of the University of Pennsylvania, with the participation of board members, Group executives, department heads, etc. The courses cover human resources management, supply chain management, leadership promotion, digital economy, etc. Through this training, it helps management broaden their international horizons, integrate more advanced concepts into actual work, and lead more front-line employees to improve themselves and create higher value.



● Leadership training with University of Pennsylvania for senior management

8.5 TRAINING AND DEVELOPMENT

8.5.2 Shenzhou Management Institute

Grassroots management Empowerment - Speed up 60s training

In 2023, the Group introduced a offline training course tailored for management cadres at all our operation factories. The course, titled “Speed Up in 60 Seconds,” is designed to sharpen the cadres’ response times at work, thereby fostering quicker reactions, more efficient execution, improved product quality, and enhanced team unity.

The curriculum is structured to transform the cadres’ role understanding, manage employees in the modern era effectively, and enhance their problem-solving skills. Based on feedback from a pre-course survey, we have also integrated modules on “interviewing skills” and “public speaking” to address specific needs identified by the participants.

For Vietnam’s and Cambodia’s factory managements, the training emphasizes building self-confidence, encouraging personal breakthroughs and growth, understanding the role of a leader, and developing managerial and communication skills. These elements are targeted to strengthen the loyalty and dedication of local employees.

For China’s factory managements, the course is focused on instilling a strong sense of purpose and the ability to pass on corporate values. It also aims to enhance their communication skills and team leadership capabilities.

Through this specialized training, we are committed to cultivating leaders who can guide their teams toward achieving the Group’s strategic goals and maintaining our competitive edge in the industry.



8.5 TRAINING AND DEVELOPMENT

8.5.2 Shenzhou Management Institute



Career Development for all employees – academic qualification improvements and certification acquisition

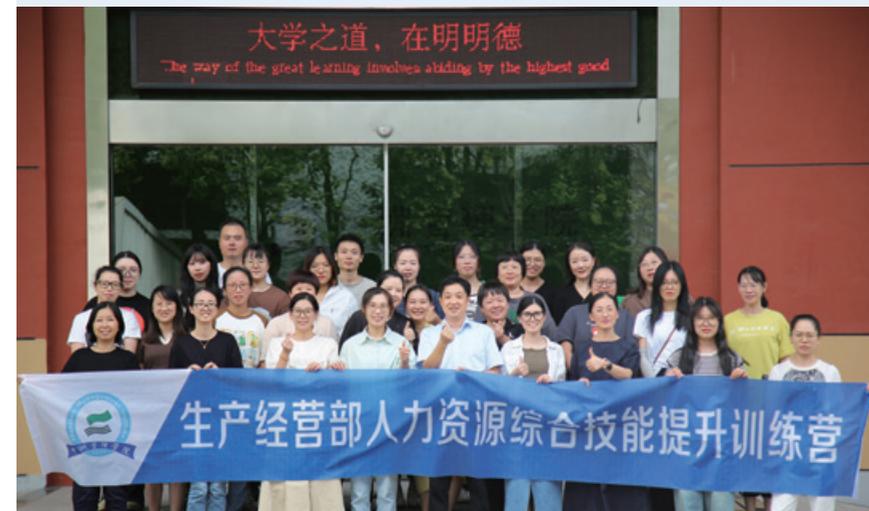
Shenzhou Management Institute provides a platform for all Shenzhou employees to conduct certification acquisition and academic qualification improvement since 2020.

Shenzhou Management Institute offers total 42 types of certifications, including specialized, national, skill level, and operation certificates, which with 540 registrations on its platform. A total of 176 employees are enrolled for academic qualification improvements, with the first cohort of 75 set to graduate during the reporting year.



Premium courses for all employee

Shenzhou Management Institute offers an array of premium training programs focusing on soft skills enhancement, human resources management, and other key competencies. Annually, it conducts comprehensive surveys to tailor its courses to the evolving needs of the workforce. The institute facilitates quality development initiatives and innovation contests. This educational platform is accessible to all employees, providing them with valuable resources to expand their knowledge and skills beyond work hours, thus continuously elevating their personal marketability and competitiveness.



8.5 TRAINING AND DEVELOPMENT

8.5.3

External Training Program

Beyond in-house training initiatives and courses offered by the Shenzhou Management Institute, our employees engage in a diverse array of external training and exchanges conducted by third parties, social organizations, and customers. Selected topics from these training programs encompass a wide range of subjects, such as:

- Chemical management, including the International Labor Organization (ILO)’s guidelines on chemical management, client-led color certification audits, and Restricted Substances List (RSL) compliance.
- Zero Discharge of Hazardous Chemicals (ZDHC) management, which involves online learning and associated certifications.
- Labor management, which covers the enhancement of management skills through customer and third-party programs, the prohibition of child labor, and procedures for terminating contracts.
- Audit management, focusing on the improvement of internal auditing capabilities.

These external training programs are vital in ensuring that our employees are well-versed in the latest industry standards and best practices, thus maintaining our commitment to operational excellence and responsible governance.



● Certificate - Chemical management



● Certificate – internal audit skill



● Certificate – labor management



● Certificate - ZDHC management



● External training – capability enhancement

8.5 TRAINING AND DEVELOPMENT

8.5.4

Our Performance

Metric		Unit	2021	2022	2023
Total number of attendees for the training ⁶ (Percentage of employees who received training) ⁷					
Overall		Person-time (%)	102,945	526,066	932,271 (100%)
By gender	Female	Person-time (%)	39,050	357,284	655,244 (100%)
	Male	Person-time (%)	63,895	168,782	277,027 (100%)
By employee category	Senior Management	Person-time (%)	54	503	753 (100%)
	Junior Management	Person-time (%)	8,887	37,724	51,726 (100%)
	Others ⁸	Person-time (%)	94,004	487,839	879,792 (100%)
Total training hours					
Overall		Hours	1,329,765	1,713,861	4,735,675
By gender	Female	Hours	1,105,623	1,168,987	3,841,175
	Male	Hours	224,142	544,874	894,500
By employee category	Senior Management	Hours	335	3,583	1,555
	Junior Management	Hours	112,072	111,641	1,374,120
	Others	Hours	1,217,358	1,598,637	3,360,001
Average hours of training per full-time employee ⁹					
Overall		Hour/employee	14.0	18.2	51.5
By gender	Female	Hour/employee	16.1	17.1	57.7
	Male	Hour/employee	8.3	20.8	35.1
By employee category	Senior Management	Hour/employee	/	/	103.7
	Junior Management	Hour/employee	/	/	298.7
	Others	Hour/employee	/	/	38.4

It is calculated as "total number of employees who received training by total number of employees as of 31 Dec of the reporting period and then multiplied by 100%".

⁶ Total number of attendees for the training record the attendee for each training sessions conducted in the reporting year.

⁷ The Percentage of employees who received training is calculated by: (Number of employee who received training)/ (Total number of employees for the specific category)

⁸ Other employee category includes all entry level employees.

⁹ Due to the methodology update, we have update the data of average hours of training per full-time employee in 2021 & 2022.

8.6 HUMAN CAPITAL DEVELOPMENT

8.6.1

Talent Recruitment

Shenzhou International employs a multifaceted approach to attract top talent from academic institutions and the wider society, utilizing strategies such as university-corporate partnerships, employee referrals, campus recruitment, and labor service center bases.

Campus Recruitment

For campus recruitment in 2023, Shenzhou International leveraged both online official channels and offline presentations, alongside recruitment fairs, to proactively engage with students from over ten universities across Mainland China, seeking to strengthen its talent pipeline with prospective management and technical specialists.



University-corporate cooperation

In terms of university-corporate cooperation, Shenzhou International has forged strategic partnerships with more than 30 educational institutions in Mainland China, including vocational and higher education universities, to tap into a broad spectrum of talent.

In 2023, students from a educational institution in Mainland China visited our company to experience the Shenzhou culture first hand and interact directly with our operations.



● Onsite experience and team-building activity

Adding to our distinguished reputation in talent development, one of our garment factories under the Group has been recognized as a “National Advanced Private Enterprise in Employment and Social Security,” a testament to our outstanding contribution to job creation and commitment to embrace talent.



● Certificate - National Advanced Private Enterprise in Employment and Social Security



Beyond these measures, we also attracts more outstanding employees through targeted recruitment from labor service center bases and employee referrals, further strengthening its workforce with exceptional talent.

8.6 HUMAN CAPITAL DEVELOPMENT

8.6.2

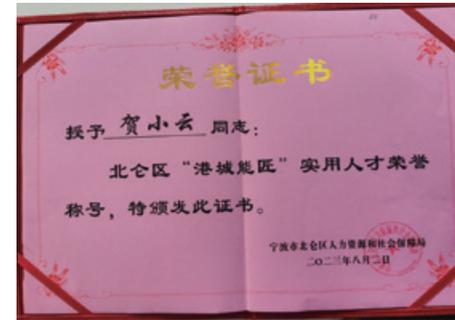
Career Development

The Group has developed a Performance Committee in region, which will establish a framework that aligns employee growth with corporate development. Employees are encouraged to deepen their expertise within their current roles or explore other industry technologies, supported by learning opportunities and pathways for career advancement.

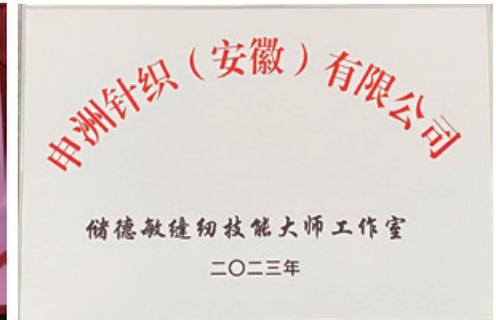
Since December 2014, Shenzhou International has been recognized as part of the third batch of pilot enterprises for independent assessment of enterprise engineer qualifications in Ningbo, bridging the company's talent evaluations with governmental standards. Passing candidates receive an enterprise qualification certificate, which is also acknowledged by the human resources and social security department as a professional and technical qualification.

In 2023 internal assessment, Shenzhou International had 2 professionals achieved deputy senior engineer status, 12 secured intermediate level engineer qualifications, and 16 earned assistant-level engineer qualifications. The Group now boasts 24 deputy senior engineers, over 170 intermediate engineers, and more than 800 assistant engineers.

Furthermore, our employees actively engage in various regional competitions and have been recognized with titles such as "Beilun District Skilled Craftsman," awarded by the Beilun District Human Resources and Social Security Bureau of Ningbo City, and one sewing skills master studio was established under one of our garment factories, which named as Chu Demin and members from our factory was awarded as Model Worker in Anhui Province and Technical Expert in Wangjiang County.



● Certificate - Beilun District Skilled Craftsman



● Chu Demin sewing skills master studio



● Certificate - Model Worker in Anhui Province



● Certificate - Technical Expert in Wangjiang County



● Certificate - Second Prize of the First Garment and Textile Skills Competition in Wangjiang County

8.6 HUMAN CAPITAL DEVELOPMENT

8.6.3

Talent Retention

The Group rigorously complies with national and local government regulations regarding employee compensation and benefits, consistently offering remuneration that surpasses the industry average and exceeds the minimum wage standards. Over the past decade, our employees have enjoyed an average annual salary increase of approximately 10% to 13%. This commitment is aimed at ensuring a reasonable standard of living and financial security for our employees within their work regions. We provide comprehensive social security coverage, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, and a housing provident fund, all designed to protect the fundamental rights and well-being of our workforce.

Beyond remuneration, we offer various additional benefits and support to enhance our employees' quality of life and alleviate the burden of daily expenses. The Group believes in mutual growth with our employees and has established a compensation management system that aligns with our strategic objectives and maintains market competitiveness. Our

employees' compensation package includes a base salary, welfare subsidies, performance-based bonuses, and educational allowances.

The Group's Remuneration Committee conducts annual reviews and adjustments of employee salaries and benefits in accordance with the Group's financial performance and the prevailing industry wage trends. These adjustments aim to elevate the welfare of our employees, reduce staff turnover, and enhance overall happiness and job satisfaction, thereby achieving a win-win outcome for both the company and its employees.



Best practice on retention - Transmit, Assist, and Lead

Shenzhou International champions a mentoring program that nurtures the next generation of Shenzhou talent through the principle of "Transmit, Assist, and Lead."

Transmit

Transmit and inheritance of technical skills:

Senior staff pass on their work skills and work experience to new employees without any conceal.

Assist

Assisting new employees:

Mentor will provide assistant to our newcomer regarding both challenges at work and in life.

Lead

Leading by example to inspire newcomers:

Mentor will set as an example, striving to be the first, and using practical actions to influence the new employees.

Additionally, recognition programs like "Star Mentorship" and "Skilled Mentors" have been developed, with 3,572 pairs formed in the last three years and 420 individuals awarded in these mentorship programs.

8.7 COMMUNITY INVESTMENT

We believe the Group's development depends on the resources and support from the society, therefore, we are committed to contribute the community where we are operating in the hope of contributing to its overall well-being.

8.7.1

Charity Events

The Group actively participates in local philanthropic undertakings in mainland China, Vietnam and Cambodia. In 2023, the Group's total charitable donations is approximately RMB4.07 million, which were mainly used for education, charity foundations, charity donations, and the construction of beautiful villages, etc.

We have contributed to the rural revitalization and the creation of a better community by donating RMB3 million to the Happiness Home Project in Wangjiang County. Demonstrating their commitment to social responsibility, the Group also donated RMB500,000 to the Fiery Hearts Public Welfare Charity Fund, providing much-needed

support and care from various societal sectors to the firefighters, alleviating their concerns and acknowledging their bravery.

This devotion to charitable causes has not gone unnoticed, as Shenzhou International was proudly awarded the 12th China Charity Award. This prestigious accolade is the highest governmental recognition in China for philanthropy, honoring individuals, enterprises, and projects that have made significant contributions to the field of public welfare and charity.



● Certificate - Fiery Hearts Public Welfare Charity Fund



● Certificate - Happiness Home Project in Wangjiang County



● Certificate - 12th China Charity Award



● Certificate - Honorary President Unit of the Fifth Council of Ningbo Charity Federation

8.7 COMMUNITY INVESTMENT

8.7.2

Contributing to Local Communities

The Group believes that community support is one of the driving forces for corporate development and an important driving force in creating a “Harmonious Shenzhou”. The Group emphasizes training employees on their social responsibility awareness and encourages participation in community welfare services.



Educational Support

Representatives from our China's factory participated in the “Caring to Examination” program, providing support services for college entrance exam candidates, aiding them in their pursuit of academic excellence.

Moreover, the factory donated 90 books to students at the local experimental school development zone, fostering a love for reading and learning.



Love Canteen

One of our factories in China contributed to the “Love Canteen” donation event, embodying the principle of “achieving love through action and integrating charity into everyday life.” As a sponsor of the “Love Canteen,” the Group is actively involved in pioneering home-based elderly care services, driving reform in local eldercare.



8.7 COMMUNITY INVESTMENT

8.7.2 Contributing to Local Communities

Blood Donation

Our employee actively participates in blood donation event. Recognizing blood donation as not only an act of giving but also a social responsibility, our workforce embodies the spirit of compassion through this life-saving initiative.



Furthermore, more initiatives and outcomes could be reflected to the contribution to the local community. For example, our Vietnam factories donated 500 million VND to HCM city Worker Support Fund. And fabric factory in Vietnam donated several times to the local community, including poverty, elder people, the behaviour was awarded by local government.



Environmental protection

We regularly organized the environmental clean-up in a country park, rallying a collective effort to remove litter and restore the park's natural beauty. This event reflects our commitment to creating a healthier, greener environment, for the benefit of the entire community.



GOVERNANCE

106 9.1 STRATEGIC GOVERNANCE STRUCTURE

109 9.2 BUSINESS ETHICS

- 9.2.1 Anti-corruption and Fraud
- 9.2.2 Business Ethics, Anti-corruption and Fraud Training

113 9.3 SUPPLY CHAIN MANAGEMENT

- 9.3.1 Procurement Management
- 9.3.2 Supplier Onboarding
- 9.3.3 Supplier Evaluation
- 9.3.4 Sustainable and Digital Supply Chain Management
- 9.3.5 Strategic Partners
- 9.3.6 Our Performance

122 9.4 CUSTOMER MANAGEMENT

- 9.4.1 Customer Right Protection
- 9.4.2 Complaint Management
- 9.4.3 Customer Recognition

128 9.5 QUALITY AND PROCESS MANAGEMENT

- 9.5.1 Inspection Control
- 9.5.2 Quality Tracking
- 9.5.3 Customized Management System
- 9.5.4 Advanced Tool Application

131 9.6 CHEMICAL SAFETY AND MANAGEMENT

- 9.6.1 Management System
- 9.6.2 Chemical Control Practice

134 9.7 RESPONSIBLY EXTERNAL AUDIT

135 9.8 PRODUCT RESPONSIBILITY

- 9.8.1 Sustainable Product
- 9.8.2 Product Traceability

137 9.9 LEAN INNOVATION

- 9.9.1 Shenzhou International Textile Research Institute
- 9.9.2 Innovation and R&D Scale up
- 9.9.3 Intellectual Property
- 9.9.4 Participate and Promote Industry Cooperation
- 9.9.5 Trademark and Brand Building

143 9.10 INVESTOR RELATIONS

- 9.10.1 Corporate Awards and Recognition



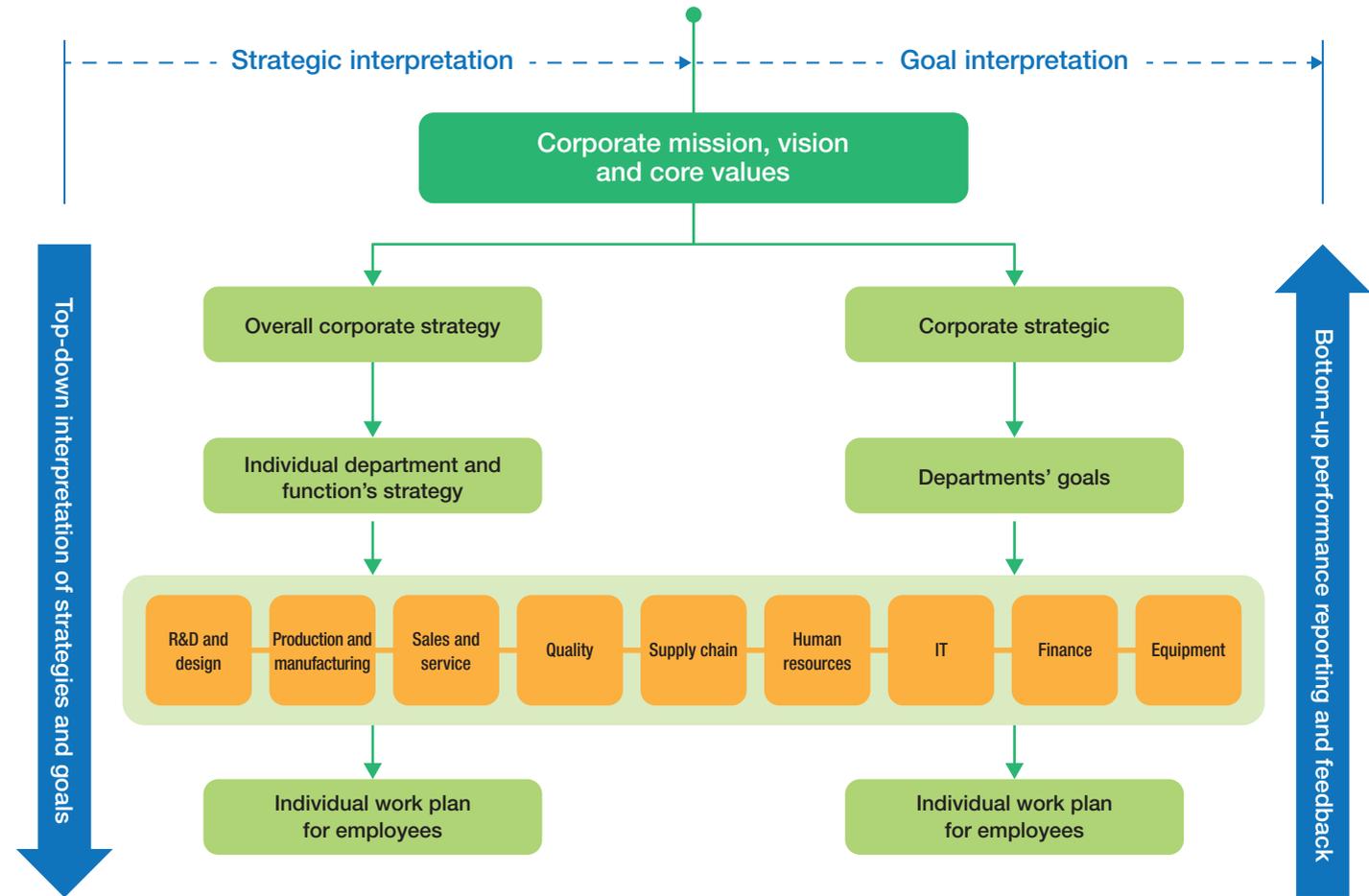
9 GOVERNANCE

Shenzhou International is dedicated to upholding the highest standards of corporate governance, ensuring the protection of stakeholder interests. We pledge unwavering commitment to stringent adherence to the Corporate Governance Code and ethical business standards. Our operation approach is underpinned by robust customer relationship management and an extensive supply chain framework, reflecting our dedication to operational excellence and responsible governance.



9.1 STRATEGIC GOVERNANCE STRUCTURE

Shenzhou International has set its sights on becoming the world’s leading tech-apparel operator, with a mission to “dedicate to green technology and create a better life”. This vision is underpinned by a steadfast commitment to mastery in garment manufacturing, expressed in the slogan: “Every stitch count, dedicate a lifetime to perfecting a single craft.”

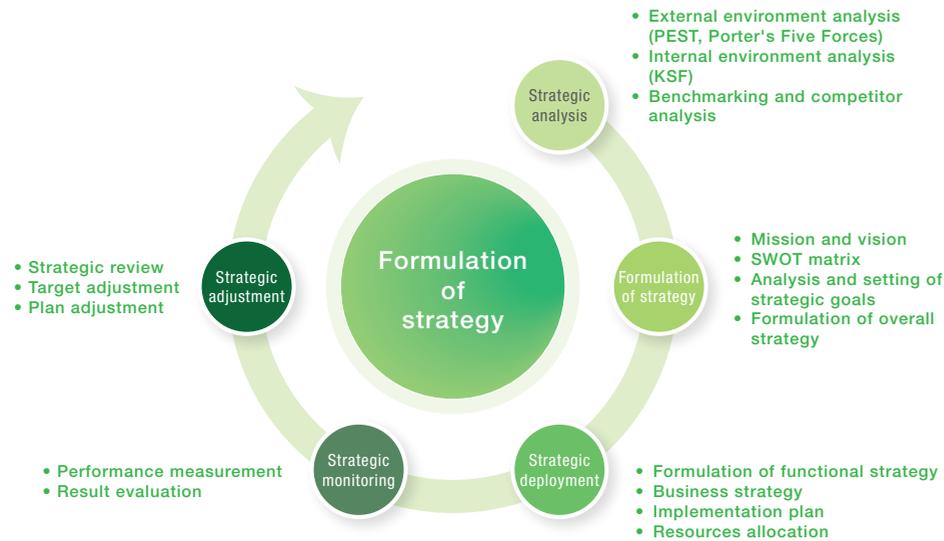


● Shenzhou Strategic Governance Structure

9.1 STRATEGIC GOVERNANCE STRUCTURE

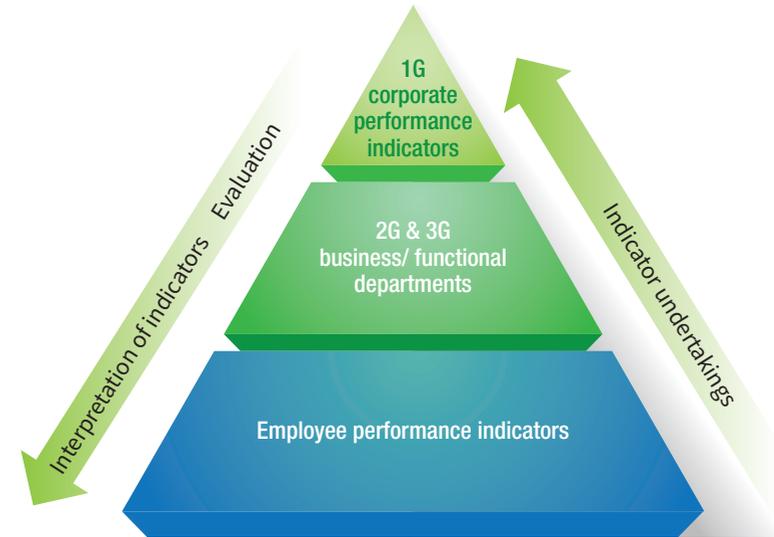
Strategy Planning

To navigate the developmental trajectory, our Group has established a strategic governance structure, which combined with the Group Strategy House, involving board members, strategic management team, Sustainability Committee, and various functional/business departments. Together, we deliberate on the annual strategic goals and requirements. This framework steers the company towards high-quality growth, guided by long-term, mid-term, and short-term objectives.



● Flow of strategy formation

Strategy breakdown



● KPI governance structure

Through strategic objectives, the Group has established a structure of KPI and indicator governance, which are decomposed into various functional departments/businesses through the company's performance indicators from top to bottom, and then implemented in detail to each employee to evaluate the implementation of performance. From the bottom up, through the performance of employees, to undertake the rationality and completion of indicators.

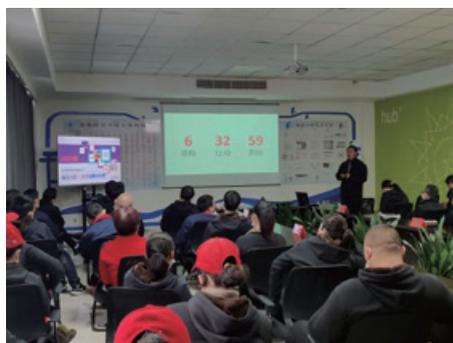
9.1 STRATEGIC GOVERNANCE STRUCTURE

Discussion and sharing

Group Strategic Governance Structure will involve in regular meetings such as policy summary, strategic seminar, R&D review, production coordination meetings, etc. These sessions facilitate thorough discussions on performance assessments, ensuring that strategic objectives are consistently aligned with our overarching vision and mission.



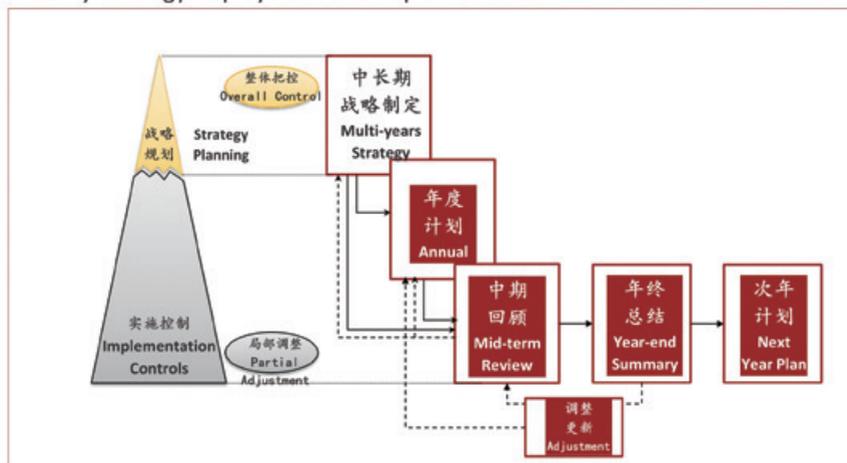
● Board sharing



● Factory internal discussion and sharing

KPI management

“申洲集團可持續發展”戰略規劃與執行 Sustainability Strategy Deployment and Implementation



The Group adheres to the strategy of sustainable development and integrates it into the business. The sustainability of the Group is responsible to the society, to supply chain, to products, to the environment and people.

The Group deploys the process of the annual strategic planning to implement sustainability across the Group from top to bottom. Sustainability Committee has been set up to stipulate corresponding strategies. At the beginning of each year, the Chairman and the executives will jointly discuss the major strategies and targets of sustainability for the yearly performance to production bases. Production bases will strictly follow the targets of the Group and stipulate the corresponding indicators and actions for effective follow-up.

Performance analysis and evaluation

We also conduct comprehensive performance analyst to develop an ambitious and achievable target, incorporating comparative analysis, trend analysis, benchmarking, A3 reporting, fishbone diagrams, Gantt charts, and SWOT analysis to ensure comprehensive evaluation. This collaborative and analytical approach to strategic governance ensures that our Group remains at the forefront of technological and sustainable advances in the textile and apparel industry.

9.2

BUSINESS ETHICS

Since founding the Shenzhou International Group over three decades ago, Mr. Ma Baoxing, the founder and former Chairman of the Group, has steadfastly embraced and instilled “Integrity” as a foundational pillar of the company’s corporate culture. For the Group, integrity transcends a mere code of conduct; it is the cornerstone of our ethical framework.

In the early 2000s, to reinforce this essential value, Mr. Ma inscribed the Chinese characters for “Integrity” and prominently displayed them in the main hall. This serves as a constant reminder to all employees that integrity is not just the Group’s guiding principle but also a mandate for conduct. The Group maintains its commitment to integrity, upholding transparency and accountability, and invites oversight from regulatory bodies and feedback from our customers.



9.2 BUSINESS ETHICS

9.2.1

Anti-corruption and Fraud

Shenzhou International has zero tolerance towards anti-corruption and fraud. Our commitment to ethical business practices is not just a part of corporate image but is deeply ingrained in operational ethos. The company stringently adheres to local laws and regulations including but not limited to the “Law of the People’s Republic of China on Tendering and Bidding”, the “Law of the People’s Republic of China on Anti-Unfair Competition” and the “Interim Provisions on the Prohibition of Commercial Bribery”, etc. We also deliver and explain our policies to suppliers, partners, etc., and strictly prohibit corruption in any form.

To uphold the anti-corruption standards, Shenzhou International has established internal and external audit mechanisms. The internal audit department works in tandem with external auditors to enhance the Group’s anti-corruption benchmarks, thereby preventing the occurrence of corrupt practices within the company. These auditing bodies play a critical role in monitoring the Group’s adherence to both internal policies and external regulatory requirements.

In addition to these measures, the Group’s employee code of conduct explicitly outlines the responsibilities of the employees concerning anti-corruption, anti-bribery, and conflict of interest policies. All employees are expected to abide by these rules, which are aimed at maintaining the highest standards of integrity and professional conduct. The code explicitly prohibits employees from engaging in corrupt practices such as offering or receiving bribes, whether in the form of money, gifts, or any other benefits, to obtain or retain business or secure improper advantage.

Furthermore, the Group prohibits employees from accepting bribes and forbids any direct or indirect solicitation of gifts or benefits. This is an effort to ensure that all business transactions are conducted on the basis of merit and fair competition, without undue influence or compromise.

Our Group actively combats corruption through measures such as requiring new suppliers to sign a “Code of Integrity” and an “Anti-Commercial Bribery Agreement” when first contracting. We maintain an open internal audit and department oversight with a reporting mailbox and hotline, ensuring reported incidents are logged, investigated, and the findings communicated to relevant leaders and departments, while protecting whistleblowers’ identities.

Moreover, internal audit and legal departments supervise daily operations, investigating any irregularities. Employees can report corruption via phone, email, or mail, leading to investigations and potential penalties for misconduct. In severe cases, such as criminal acts, the individual will be handed over to law enforcement for legal consequences.

The Group widely promotes legal knowledge within the Group, encouraging directors and staff to learn national anti-corruption laws and company policies, thus enhancing legal awareness and improving our corporate legal framework.

We also maintain transparency about our anti-corruption policies through the official website (www.shenzhouintl.com), where it discloses the “Anti-Corruption and Whistleblowing Policy” and other business ethics related policies.

During the Reporting Period, the Group did not have any legal cases related to corruption and bribery. We also did not receive any complaints related to corruption or bribery regarding its products and services during the year.

9.2 BUSINESS ETHICS

9.2.2

Business Ethics, Anti-corruption and Fraud Training

The Group conducts specialized anti-corruption and anti-fraud courses annually through the Group's security team, Shenzhou Management Institute, internal learning platform, onsite training, etc. These courses are tailored for new hires, current employees, and mid-to-senior level managers to instill a culture of integrity and ethical behavior within the organization.



- Anti-corruption training from factory team

Anti-corruption training

Teams from Shenzhou Group will regular conduct the training regarding on anti-corruption to let employees know the ethic standard of the Group, and make sure every Shenzhou employee understand the importance of integrity.

Shenzhou Group Anti-Fraud Experience Camp

Since 2020, the Group has established the "Shenzhou Group Anti-Fraud Experience Camp," which utilizes immersive simulation experiences to enable participants to understand and recognize fraudulent behavior first hand. This experiential learning approach has proven effective in enhancing employees' awareness and ability to identify potential fraud.

In May 2023, a delegation from the local government visited the Shenzhou Management Institute to observe the anti-fraud experience camp. This collaboration with government bodies underscores the Group's dedication to combating fraud and corruption at all levels.



9.2 BUSINESS ETHICS

9.2.2 Business Ethics, Anti-corruption & Anti-fraud Training



● Information posted in the factory

Tailored training – Eight Method for Anti-Fraud

Moreover, the Group’s security team regularly organizes and conducts the “Eight Method for Anti-Fraud”, a comprehensive communication strategy aimed at preventing telecommunication and internet fraud. Our headquarter also established an anti-fraud working group, integrating anti-fraud initiatives into the annual plans and activities of various organizational levels. Spearheaded by departmental unions, this Group organizes a diverse array of anti-fraud awareness campaigns. Additionally, the Group recognizes and awards individuals who have made significant advancements in anti-fraud efforts. Anti-fraud educational content is embedded into the training curriculum for new employees, and relevant information is prominently displayed to maintain awareness.

Eight Method for Anti-Fraud

Company-wide announcements	Collaborative group sessions
Initial factory briefings	Daily team talks
Focused promotion sessions	Case study reviews
Media support	Ongoing general awareness campaigns



● Factory onsite training

Factory onsite training

Each production base within the Group is responsible for regularly carrying out related anti-fraud promotional activities. By utilizing various communication channels and platforms, they expose the true nature of telecommunication and internet fraud, highlighting the criminal methods and characteristics. This initiative is designed to strengthen enterprise and employee awareness of fraud, implement effective anti-fraud measures, and reduce the incidence of telecommunication fraud cases. Through these concerted efforts, Shenzhou Group aims to foster a positive atmosphere for anti-fraud advocacy and to gather valuable experience in creating a fraud-free corporate environment.

9.3

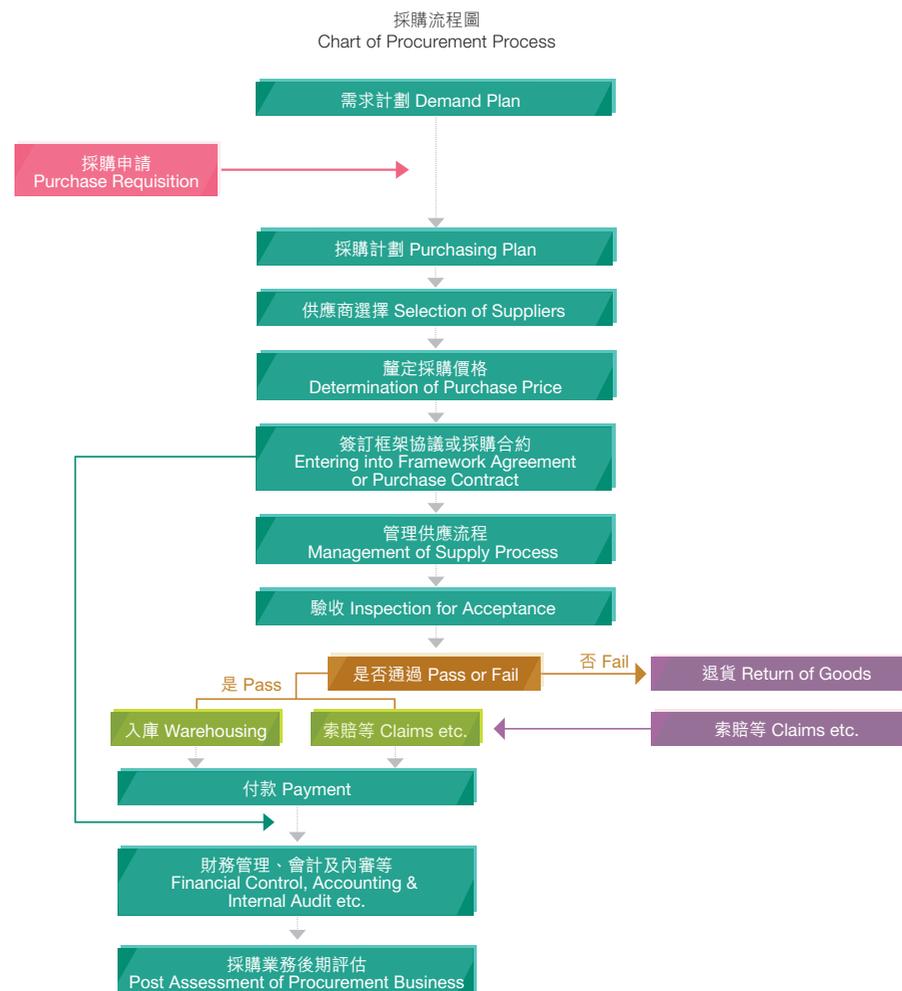
SUPPLY CHAIN MANAGEMENT

Our Group is dedicated to constructing a highly efficient and collaborative supply chain system that elevates strategic partner partnerships. By reinforcing supply chain collaboration, we aim to realize a strategic “win-win” scenario for all stakeholders involved. In the realm of supply chain management, we commit to a triad of long-term implementation objectives of standardization, platformization, and value chain optimization. These pillars are designed to streamline processes, foster seamless integration across the supply network, and enhance overall value creation, ensuring that every link in the chain contributes to sustained mutual success.

9.3.1

Procurement Management

Our Group has dedicated procurement specialists within specific departments responsible for the acquisition of materials. These materials primarily include yarn, dyes, accessories, equipment and spare parts, office supplies, and food ingredients. To ensure the efficiency of our procurement processes, our Group has established “Procurement Process” controlling procurement costs and ensuring the quality of key materials like yarn, dyes, and accessories. By maintaining strict control over costs and quality, we aim to enhance the competitiveness of our products, the quality of our Group’s offerings, and the corporate image, positioning ourselves as a leader in our industry.



● Procurement process

9.3 SUPPLY CHAIN MANAGEMENT

9.3.2

Supplier Onboarding

At our organization, we firmly believe that a partnership founded on transparency, collaboration, and mutual respect is the key pathway to achieving long-term development and continuous improvement. When entering into agreements with our suppliers, we inform them of and require compliance with the “Code of Conduct of Shenzhou Group”, as well as local laws and regulations. The contents of the “Code of Conduct of Shenzhou Group” and related supplier commitments are publicly announced on our official website (www.shenzhouintl.com).

The “Code of Conduct of Shenzhou Group” explicitly prohibits the recruitment and use of forced or child labor, discrimination, harassment, bullying, corruption, and mandates the timely payment of wages, adherence to occupational health standards, environmental protection, and safety standards. This Code of Conduct articulates our expectations of suppliers and sets the minimum standards we expect each supplier to meet. These principles and expectations guide us in assessing supplier performance and serve as a benchmark in our supplier selection process.

We expect our suppliers to share Shenzhou International’s commitment to energy conservation, emission reduction, environmental advocacy, waste circularity, responsible resource use, worker rights protection, and the betterment of worker and community welfare. Both our Group and our suppliers sign an “Environmental and Occupational Health Notification,” inviting and requiring suppliers to comply with standards such as ISO14001 and ISO45001, as well as all national and local environmental protection, occupational health and safety laws, regulations, and other requirements, while continually striving for self-improvement. For suppliers of special products, such as chemicals, our relevant departments verify their environmental compliance through third-party platforms like ZDHC, IPE, and public governance information disclosure.

We value the environmental friendliness of the materials they provide and maintain close communication with our suppliers to continuously improve environmental sustainability in processes. We aim to optimize our energy structure by increasingly using clean energy, timely update our equipment to replace old, high-energy-consuming machinery, and introduce more environmentally friendly and energy-efficient advanced equipment to reduce resource consumption and pollutant emissions.

9.3.3

Supplier Evaluation

Our Group is committed to ensuring that our main and strategic suppliers adhere to robust standards of performance in areas such as industry tool usage, labor, and environmental practices. Therefore, we require our suppliers to regularly provide updates on these metrics and engage in periodic discussions to exchange ideas and best practices. We issue questionnaires to our strategic partners to assess their compliance and dispatch teams for on-site inspections, verifying the actual implementation of related policies. If any partner is found to be violating our Code of Conduct, we mandate corrective actions or, in severe cases, immediately cease collaboration relations.

To guarantee the effective implementation of commitments, our Group has instituted a scoring system based on each supplier’s performance. This score is crucial when determining the order of priority in procurement decisions. We have established a “Supplier Quality Management System” that categorizes suppliers into A,B,C,D four distinct groups, including Strategic (A), Important (B), Potential (C), and Improvement-needed (D). This system allows us to dynamically manage the supply process.

Sustainability – Major reviewing criteria in supplier evaluation:

Foundational expectation	Regulatory compliance/industry tool
Environmental	Climate action, water efficiency, waste circularity, chemical visibility, wastewater and waste air, sustainable products and certificates
Social	Human Resource Management, Health & safety

During the Reporting Period, our Group has been actively promoting the concept of sustainable management to our suppliers through visits, on-site inspections, online exchanges, performance evaluations, and regular reviews. We set forth requirements for our suppliers to operate legally and in compliance with regulations, respect labor rights, and encourage the adoption of environmentally friendly products and energy-efficient practices. Our goal is to drive continuous improvement in environmental performance, fostering a supply chain that is not only efficient and compliant but also resilient, responsible and sustainable.

9.3 SUPPLY CHAIN MANAGEMENT

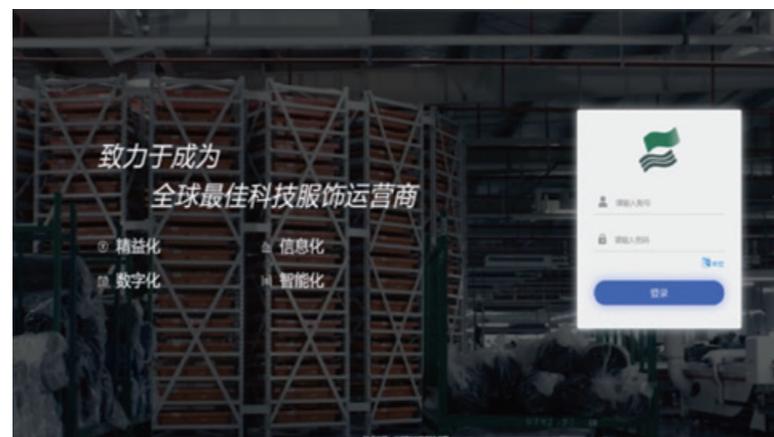
9.3.4

Sustainable and Digital Supply Chain Management

Shenzhou Supply Chain Internet of Things ("IoT")

The Group independently develops several IoT platform with our own Information Center, including the "Shenzhou Forecasting System", "Shenzhou Planning System", "Decision-making Platform", "Eight Departments Integrated Central System", "EFE Digital Platform" to efficiency, rapid response, greenness, to continuously improve the level of the supply chain.

The production planning department comprehensively analyzes customer characteristics, systematically analyzes future order information through long-term data accumulation, and combines it with the forecasting system to arrange the schedule of pre-orders.



9.3 SUPPLY CHAIN MANAGEMENT

9.3.4 Sustainable and Digital Supply Chain Management

Growing together: technical support and breakthrough innovation

The Group establishes cooperative projects or factories with strategic suppliers, replicating the supporting production systems to meet the Group's procurement needs.

We will work together to carry out independent innovation and research & development, such as integrating traditional scanning, visual scanning, and chip reading through digital sequencing to achieve a mechanized chain model. This effort aims to create an automated unmanned packaging production line and lay the foundation for the future factory.

We also strive for breakthrough innovations: initiating product cooperation development projects with leading companies in the industry, breaking conventions to find breakthroughs, combining ultrasonic technology to change product designs, enhancing production efficiency, improving garment appearance, increasing wearing comfort, and ultimately achieving industry-wide sharing.

9.3.5

Strategic Partners

As we declared, Shenzhou International categorizes our suppliers as (A) Strategic, (B) Important, (C) Potential, and (D) Improvement-needed through our supplier management process.

In 2023, we align the sustainability performance with our strategic partners through on-site visits, online exchanges, supplier interviews, regular meetings, etc., to build a responsible and resilient supply chain.

Our strategic partners include raw material suppliers (e.g. yarn), auxiliary material suppliers (e.g. labels, zippers, buttons, cartons), chemical suppliers and waste recyclers.

Foundational Expectations/Compliance:

Strategic partners shall complete annual audits of foundational compliance to make sure the operation through industry tools (such as FEM-facility environmental modules, SLCP-Social & Labor Convergence program social labor integration projects, etc.), customer audits, etc.



Labor, health & safety

Fully respecting employees, protecting employees' rights and interests, and building a healthy and safe workplace, all of them are the embodiment of the "people-oriented" supply chain.

Best practices for labor, health & safety

For strategic partners' efforts in labor, health & safety, these include but not limited to:

1. Actively promote satisfaction surveys and welfare actions
2. Actively carry out employees' training
3. Carry out fire drills, physical health checks, and on-site inspections

9.3 SUPPLY CHAIN MANAGEMENT

9.3.5 Strategic Partners



- Onsite rooftop solar PV from our strategic partner

Climate action

More than 10 strategic partner groups have completed the carbon emission accounting of enterprises, mainly for Scope 1 and 2 emissions, which pave the way for carbon emissions and carbon footprint capture in Shenzhou International's upstream and downstream supply chains.

Best practices for climate action

For strategic partners' efforts in climate action, these include but not limited to:

1. 100% of strategic partners have completed the coal elimination in their operational site.
2. The installed capacity of rooftop photovoltaic solar exceeds 60MW, which can contribute 30,000,000 kWh of green electricity throughout the year.
3. Three strategic partners pilot in offsite green electricity trading, with a total annual volume of 15,792,000 kWh.
4. Six strategic partners pilot in the trading of EAC- energy attribute certificates (mostly for I-REC), with a total annual volume of 97,224,000 kWh.

5. One strategic partner have achieved 100% green electricity in one factory-level production area by piloting green electricity.
6. One strategic partner was honored as China's national green factory and green supply chain.

Reduction on product carbon footprint

Strategic partners have achieved a reduction in the carbon footprint of the product lifecycle through a variety of technologies and R&D investment, including:

1. Produced as recycled fiber through direct spinning of bottle flakes, reducing CO₂e by about 1.6 tons per ton compared with virgin products.
2. R&D of negative carbon fiber, reducing CO₂e by about 0.5 tons per ton compared with virgin products.

Through the joint efforts of supply chain and value chain partners, we actively fulfill the commitment of climate action and the protection global temperature.

9.3 SUPPLY CHAIN MANAGEMENT

9.3.5 Strategic Partners

Water Efficiency

Among the strategic partners who involved in the scope of water efficiency management, partial partners have improved their water efficiency by installing RO water recycling systems, reclaimed water recycling systems, and replacing low liquor ratio dye tanks.



- Onsite water recycling system from our strategic partner

Best practices for water efficiency

For strategic partners' efforts in water efficiency, these include but not limited to:

1. Three partners have invested the RO water recycling system, which can achieve more than 1.5 million tons of recycled water throughout the year.
2. One partner actively completed the new technical transformation work, such as the transformation of bulk fiber cold rolling pile dyeing technology, which reduced the discharge of wastewater to more than 60% per ton of bulk fiber dyeing.
3. One partner collects rainwater and recycles about 7,000 tons of rainwater throughout the year.
4. One partner upgraded the equipment to a low liquor ratio dye tank to reduce the consumption of water during operation.

Waste Circularity

Waste circularity, waste to value and recycling are the goals and directions of our ongoing waste management.

Best practices for waste circularity

For strategic partners' efforts in waste circularity, these include but not limited to:

1. More than 80% of strategic partners have achieved zero landfill and zero incineration, and the remaining partners are actively looking for local qualified suppliers to achieve this target.
2. 100% of the partners have carried out on-site waste classification and segregation management.
3. Three partners have realized the in-house recycling of partial waste through technology development and supply chain management.

9.3 SUPPLY CHAIN MANAGEMENT

9.3.5 Strategic Partners



● Onsite best practice from our strategic partner

Chemical safety and management

Among the strategic partners involved in the scope of chemical management, many of them have passed chemical safety certification, ZDHC wastewater discharge testing annually, and on-site best practices for effective management.

Best practices for chemical safety and management

For strategic partners' efforts in chemical safety and management, these include but not limited to:

1. 100% of dye suppliers have obtained the certification of Bluesign, and 85% of the auxiliary suppliers have obtained the certification of Bluesign.
2. Over 90% of chemical suppliers are OEKO-TEX certified
3. Partners actively carry out chemical spill drills and training to raise employee awareness.

Sustainable products and certifications

Due to the wide range of partners involved in the Group, the Group will list the main certifications obtained by our strategic partners.

Including:

- ISO 45001 Occupational Health and Safety Management System
- ISO 14001 Environmental Management System
- ISO 9001 Quality Management System
- ISO 50001 Energy Management System
- BCI – Better Cotton, Initiative
- Regenagri
- GRS – Global Recycled Standard
- GOTS – Global Organic Textile Standard
- OEKO-TEX
- FSC – The Forest Stewardship Council
- Oceancycle
- Bluesign



9.3 SUPPLY CHAIN MANAGEMENT

9.3.6

Our Performance

During the Reporting Period, we have collaborated with a total of 111 yarn suppliers over 10 different countries and regions.

Metric	2022	2023
Total number of suppliers	101	111
– Mainland China	68	77
– Vietnam	9	12
– Taiwan, China	6	8
– Japan	5	3
– Korea	2	4
– Italy	2	1
– Hong Kong, China	2	0
– Macau, China	2	0
– Thailand	2	3
– USA	1	1
– Switzerland	1	1
– Singapore	1	1

9.4

CUSTOMER MANAGEMENT

The Group takes pride in its unwavering commitment to customer management by providing a safe, reliable, and user-friendly platform, which plays a pivotal role in enhancing the overall customer experience. Understanding that the core of customer satisfaction lies in attentiveness, the Group is dedicated to comprehending the varied demands, expectations, and concerns of its clients through active listening and engagement.

By transforming to meet and exceed customer needs and aspirations, the Group has not only facilitated the own market expansion but has also driven significant improvements in services. Staffed by professionals with over 15 years of average tenure, our business departments bring seasoned expertise, a strong sense of responsibility, and vigorous dedication to their roles, ensuring that every customer interaction is meaningful and productive. Moreover, we have set up dedicated production factories for our core strategic customers, delivering professional services designed to generate maximum value for them.

When customers visit, the Group's business departments swiftly convene leaders and responsible parties from the directly related departments to meet with them to ensure a comprehensive understanding of the customers' expectations. The heads of the business, research and development, and production departments participate in weekly sales and operations meetings.

Shenzhou Customer Service Strategy:

Technology leadership

Lead the fashion of worldrenowned sports brands with technology, intelligence, and green innovation as the driving force.

The market effect of corporate brand value.

Precise positioning

Target world-renowned brands as strategic cooperation customers.

Strategically shift production capacity to high-growth sportswear market segments.

The decision-making level determines the strategic cooperation brand.

Strategic decomposition

Executives determine the business portfolio and business development ladder with customers.

Executives determined the strategic plan with the leaders of each business department.

Implement work decomposition based on employee work target values.

9.4 CUSTOMER MANAGEMENT

Shenzhou's relationship management advantages

Collaborate with customers on on-site design

- Factory designers conduct research to obtain cutting-edge fashion information of corresponding brands and customers' design positioning directions;
- Recommend design plans based on customer needs, work with the customer's designers on material selection and development, and provide customers with BOM;
- Recommend design plans based on customer needs success rate, and the accuracy of the first design are improved, and fashion and demand are closer to market demand.
- Provide customers with on-site design sites and reference samples.

Establish a quick response mechanism:

- Create an integrated operation model for the entire industry chain from knitting, dyeing and finishing, cutting, printing and embroidery to garments;
- Through reasonable spatial layout and efficient digital management and control, achieve efficient collaboration among all links and departments in the industrial chain, and continue to improve rapid response capabilities;
- Create a rapid response mechanism for the entire industry chain



9.4 CUSTOMER MANAGEMENT

9.4.1

Customer Right Protection

Our Group has established procedures, such as the “Customer Relationship Management System,” to ensure the protection of customer personal data and prevent data leaks. We have specific policies for handling and supervising customer data privacy, including “Customer Asset Control Procedures” and “Process Controls Related to Customers.” Access to customer data is restricted to senior staff who regularly audit to minimize the risk of privacy breaches. To respect and safeguard customer data confidentiality and prevent data leaks, we sign nondisclosure agreements with customers, which also protect our patents. We strictly control customer data, archive it, and retain it for 3 years, after which it is destroyed. Documents are marked “Confidential” and are not permitted to be taken or removal from the production area.

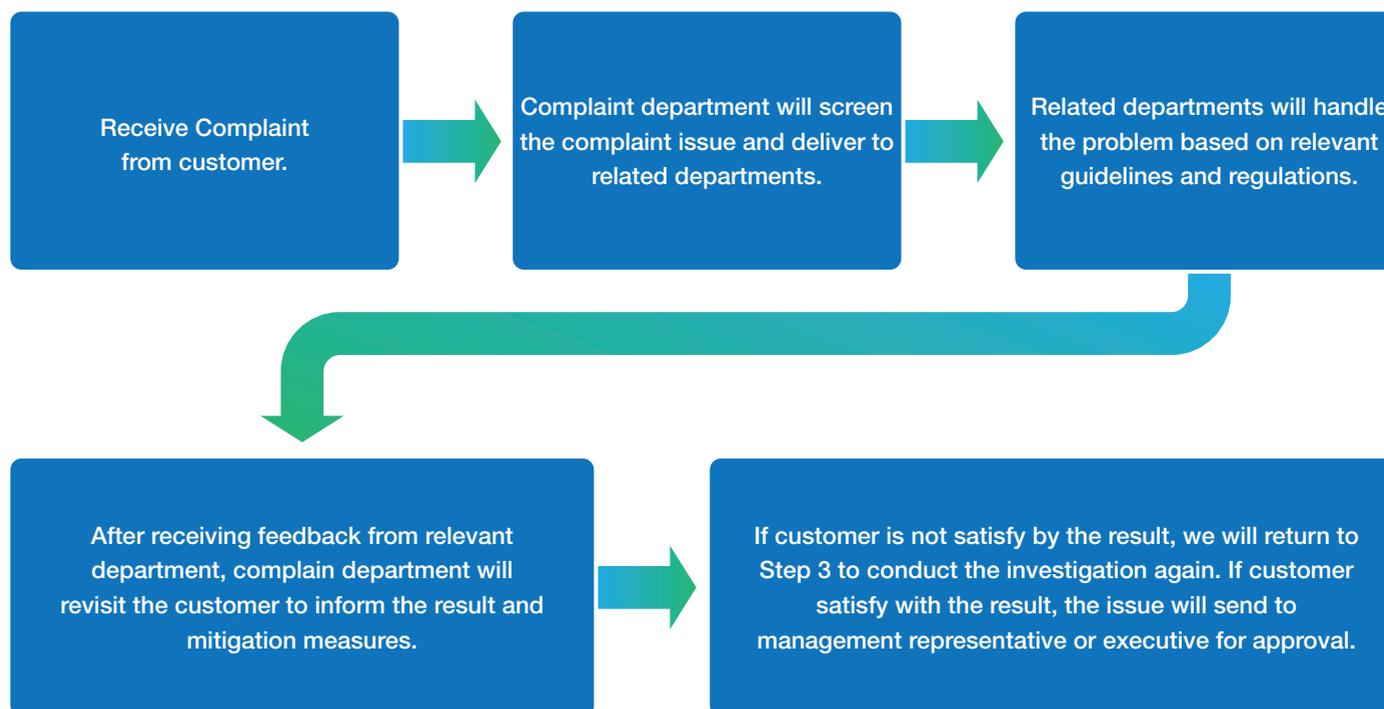
During the Reporting Period, our Group complied with all relevant health and safety, advertising, labeling, and privacy laws that significantly impact our business.

9.4.2

Complaint Management

The Group has established a robust customer complaint management system, designed to implement an effective response mechanism tailored to each customer grievance. When complaints arise, special meetings are convened by relevant departments to identify and devise concrete solutions to areas not meeting customer expectations. Our customer complaint management system is highly efficient, leveraging digitalization to manage communications and handle complaints transparently and swiftly, ensuring customer satisfaction and trust.

Customer complaint management process



9.4 CUSTOMER MANAGEMENT

9.4.2 Complaint Management

Recall Procedure

Our product recall process is designed to promptly address any issues where garments produced do not meet the premium standards expected by our customers. The procedure is as follows:

Customer Rejection Rights: Customers reserve the right to refuse any shipment of clothing from the Group that does not comply with the agreed-upon purchase rules and quality assurances. Our commitment to quality means we respect the purchasing criteria set by our customers.

Inspection Upon Discrepancy: Should a customer identify any items that deviate from the standards, they are entitled to conduct a full inspection of the batch in question to ascertain the extent of the issue.

Claims and Reimbursement: Customers can file claims to the Group for non-compliance. If the claim is acknowledged by the Group, we will cover all related expenses, including costs incurred during transportation, handling, and processing of the non-compliant garments, whether shipped to the customer or directly to the end-users.

Destruction of Non-Compliant Garments:

Any clothing that fails to meet the first-class standards or is unacceptable must be destroyed. Non-compliant items should be sent to the business head, who is then responsible for forwarding these items to the regional office for processing. Documentation of the destruction is essential and must be sent to the customer's office to serve as proof of compliance with quality control measures.

During the Reporting Period, the Group did not have any products sold or shipped that were recalled due to health and safety reasons, which demonstrates our products' reliability and the confidence our customers have in them.

9.4.3

Customer Recognition

Our Group has implemented a comprehensive Customer Satisfaction Survey Management Policy to gauge customer satisfaction through various dimensions, including quality assessment, product evaluation, service review, customer complaints, and supplier capability evaluation. In addition to satisfaction surveys, we also gain insights through tiered interviews and interactions. Regular statistical analysis of satisfaction measurements is conducted, and for certain metrics, a corrective action program (CAP) is implemented to address areas of concern.

During the reporting year, we entrusted a third-party organization to carry out an in-depth customer satisfaction analysis. Our cooperative customers were requested to provide feedbacks on our products and services to better understand their requirements and expectations. Based on a 21-question survey, our Group achieved an impressive overall average score of 8.52 out of 10. Notably, one of our customer gave us an overall satisfaction score of 9.43, with individual scores for each detailed item exceeding 9, indicating a relatively high level of customer satisfaction. For items scoring below the average, our Group has initiated one-on-one communications with the respective

customers to comprehend their perspectives on future development and improvement directions while also addressing their specific needs.

9.4 CUSTOMER MANAGEMENT

9.4.3 Customer Recognition

Shenzhou International is honoured the recognition and awards delivered by our customers, reflecting our dedication to maintaining high standards and continually enhancing our customer relations and service quality. We have received the following achievement in 2023:

NIKE



ROSPA Silver Award



Strategic Partnership

adidas



North Star Certificate



Adidas Social Compliance 5S



Best Sustainable Development Supplier

9.4 CUSTOMER MANAGEMENT

9.4.3 Customer Recognition

PUMA



Going Above & Beyond Award



Outstanding sustainability performance in 2023



Ralph Lauren



Certificate of Recognition of KEY status

ANTA



Excellent Partners



ESG Excellence Award

More than



9.5

QUALITY AND PROCESS MANAGEMENT

Quality is the bedrock upon which our Group builds the successful and sustainable operations. We are steadfast in our pursuit of a “zero-defect” management philosophy, which is underpinned by Total Quality Management (TQM) framework and a robust three-tiered quality control mechanism. This systematic approach not only secures quality and safety across our production and business operations but also aligns with our strategic objectives.

The end-to-end TQM system creates a culture of quality at every level, influencing all stakeholders. Our comprehensive three-tiered quality management system engages leadership, department managers, and factory staff in a collaborative effort to uphold excellence. Our product standards are not only aligned with the stringent requirements of top-tier global customers but also meet the national and industry benchmarks.

We have implemented a thorough three-tiered management system, which includes company quality manuals, rules, and Standard Operating Procedures (SOPs). This extensive system comprises 856 management policies and over 2,300 documents, which serve as the backbone of our quality assurance process and a testament to our dedication to maintaining the highest standards.

Besides, we have established a comprehensive quality risk assessment mechanism across the entire supply chain by formulating the “Full Process Quality Risk Assessment and Control Procedure.” Based on risk evaluations, each critical process is assessed at various stages, and corresponding risk prevention and control mechanisms are developed. Utilizing tools, we analyse subsystems and components that constitute the product, as well as each operation that constitutes the process. By identifying all potential failure modes and analysing their possible consequences, we are

able to take necessary pre-emptive measures to enhance the quality and reliability of our products.

The production bases under the Group has obtained the ISO 9001 certification, showcasing our excel quality management.



● Premium quality at all locations



● Quality Culture



● ISO 9001 quality management system

9.5 QUALITY AND PROCESS MANAGEMENT

9.5.1

Inspection Control

The Group has implemented a rigorous testing and inspection process for quality control that spans from raw materials to finished products. This end-to-end inspection is governed by the “3 NOT” principle: do not accept, do not produce and do not pass on any substandard items. The process involves an independent specialized inspection agency that conducts thorough checks at every stage. Furthermore, upon the arrival of raw materials, we enforce a strict policy of 100% batch sampling and testing before storage. Only products that meet the quality standards are permitted into inventory.

The Group's testing capabilities are robust, having earned third-party certification authorized by major customers. Furthermore, the laboratory within the Group has been accredited by the national CNAS, authorized to conduct GB (national standards) testing. This not only strengthens our competitive edge in quality but also enhances our quality management and control capabilities, ensuring our commitment to the highest standards in product quality.



● Laboratory in the Group

9.5.2

Quality Tracking

The Group meticulously identifies key processes where the product status or value undergoes significant transitions. These junctures are critical for assessment, implementation, and improvement, with each key point interconnected to ensure maximum product quality and management efficiency.

The Group has designed a comprehensive quality value stream from end to end. This incorporates the plan of POINT OF NEEDLE, which ensures quality control at each critical point. A digital system links these points to provide transparency and facilitates early warning, execution, and analysis for quality improvements.

To support this quality process, the Group has introduced world-class machinery, equipment, and materials. The POINT OF NEEDLE is integrated into full process management, led by the quality department. This encompasses fabric development, weaving, dyeing, finishing, color management, and fabric testing.

In line with development requirements and pre-production meeting instructions, the Group utilizes relevant templates and automation tools. Training in visual inspection tools and transfer of knowledge to employee

is aligned with the POINT OF NEEDLE control system. This method, combined with a digital system, allows for real-time transparency of production process data, digitization of operational SOPs, and dynamic analysis of quality trends. With the capability for timely early warnings of anomalies, the system enhances efficiency and enables rapid response. The integration of these digital tools ensures adherence to the highest standards of quality throughout the production lifecycle, fostering a proactive environment for quality management and operational excellence.



9.5 QUALITY AND PROCESS MANAGEMENT

9.5.3

Customized Management System

The Group upholds the principle of customer supremacy, proactively and continuously providing impeccable product quality and satisfactory quality service to our customers. We deliver one-stop services across the entire industry chain, coupled with a flexible and agile production planning system. We also establish dedicated factories and business units for our customers, creating an operational model that offers a turnkey solution from fabric research and design to prototyping and production, enabling a seamless “ready-to-use” experience.

Under the authorization of customer training, we have set up an independent and professional team for customer-specific “one-on-one” quality management and service. This approach not only rapidly meets production demands but also reduces the quality management costs for our customers, achieving a win-win model for both customers and the Group.



9.5.4

Advanced Tool Application

We are dedicated to establishing an industry-leading quality management system and framework. In our pursuit of maximizing quality management efficacy, we actively, regularly, and extensively engage in learning and adopting advanced tools from industry bodies and associations. These quality tools are applied throughout the entire business process to enhance our capability in quality risk prevention and to stabilize the range of process quality variation.



I am a quality consumer

In 2023, our Cambodian factory promoted a campaign called “I am a quality consumer”. The campaign requires employees to understand quality needs from the perspective of consumers to promote a quality culture.

9.6

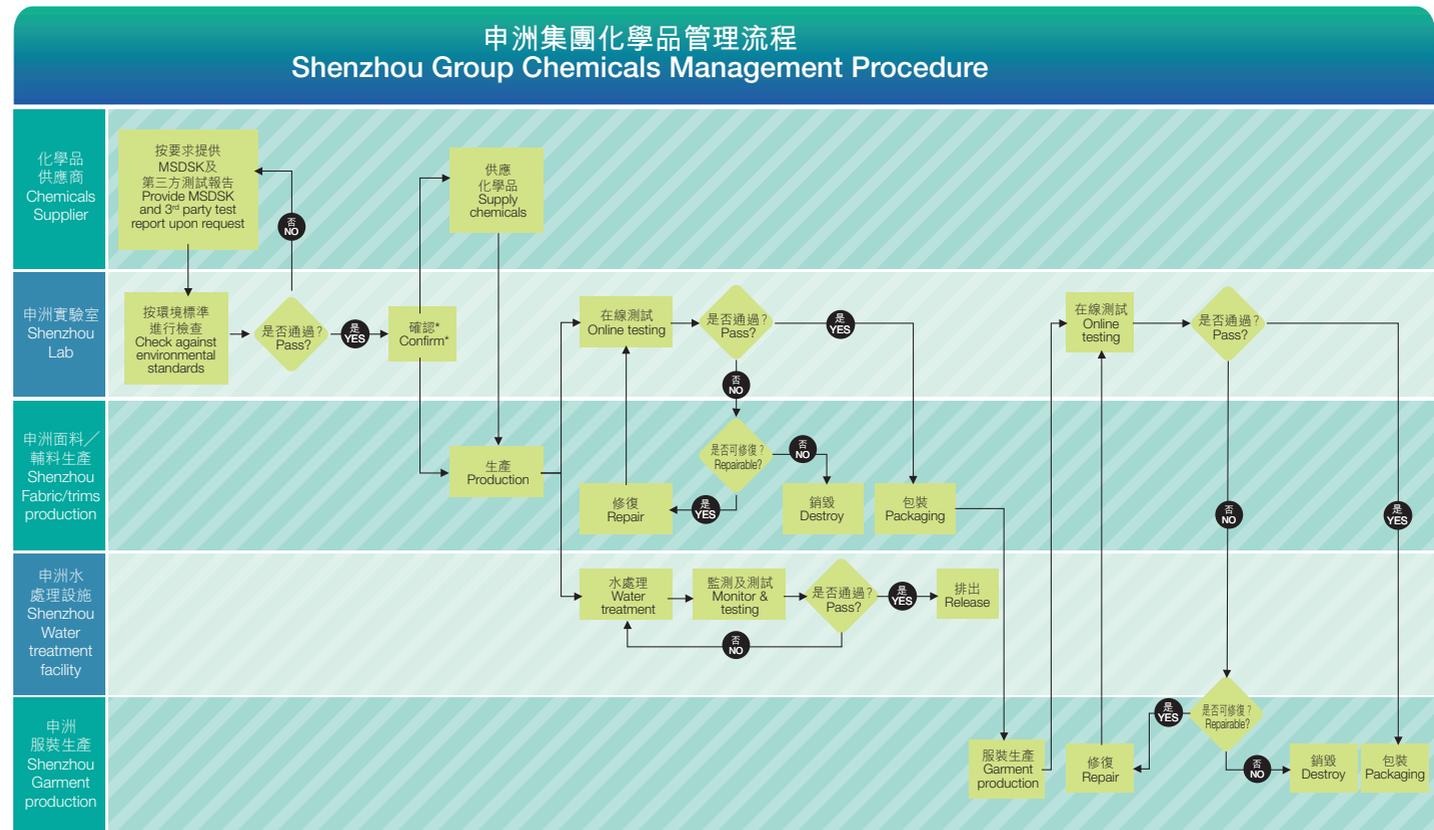
CHEMICAL SAFETY AND MANAGEMENT

9.6.1

Management System

Shenzhou International has implemented a comprehensive chemical management system that encompasses a management structure, policy declarations, execution, purchasing, traceability, transparency policies, responsibilities, and standardization. This system is designed to:

- Identify all relevant chemicals, hazards, and potential restricted substances.
- Determine the quantities and locations of chemicals used and stored.
- Assess the risks these chemicals pose to human health and the environment.
- Establish necessary measures to mitigate identified risks.



*每個產品確認一次。

*Confirm once per product.

附註：
1. 按客戶要求進行年度第三方環境審核
2. 隨機檢測水與廢水（經預處理）

Notes:
1. Annual 3rd party environmental audit according to customer requirements
2. Randomly testing of water and waste water (pre-treatment)

9.6 CHEMICAL SAFETY AND MANAGEMENT

9.6.1 Management System

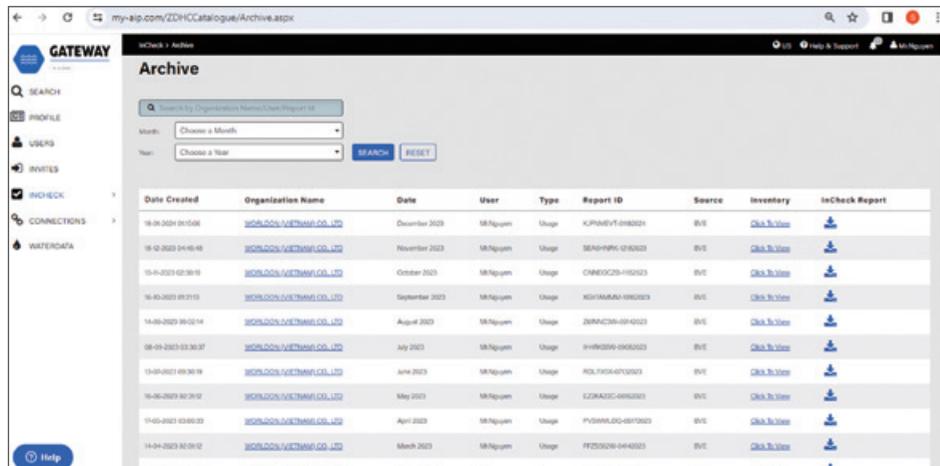
Our Group has compiled an exhaustive list of chemicals and strictly controls hazardous or restricted substances. We conduct risk assessments on chemical management to ensure that all dyes, auxiliary, and detergents used in production strictly adhere to our control list. Chemicals that have not been tested and certified are prohibited from use in production, and we have established a rigorous identification and tracking system for chemicals.

We have also developed a chemical control process for major three stages – Input chemicals, Process and Output wastewater, including the management of dye suppliers, incoming material inspections, product testing, and wastewater discharge inspections, ensuring comprehensive control over chemical applications. Factories within the Group regularly update the use of chemicals on official website, maintaining transparency and accountability. Additionally, our factories conduct annual chemical audits, inviting qualified third parties to perform on-site audits and send chemical samples for testing.

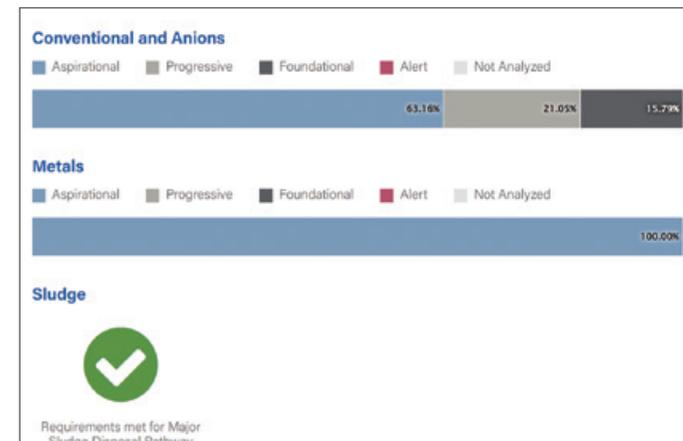
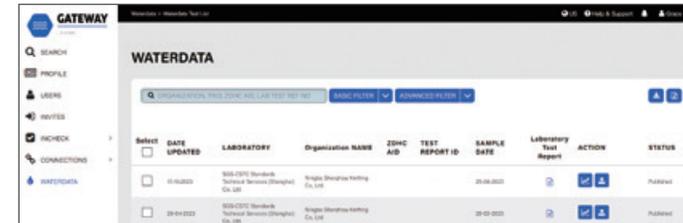
By the end of 2023, our fabric factories have achieved 85% MRSL level-3, and our garment factories reached over 60%, reflecting our commitment to reducing the harmful chemicals and safety management. Furthermore, the rate of bluesign certification among our suppliers was 100% for dye and 85% for auxiliary. This certification indicates compliance with rigorous environmental, health, and safety standards.



● Sample testing



● Official website for chemical visibility



● ZDHC Compliance – Output wastewater audit

9.6 CHEMICAL SAFETY AND MANAGEMENT

9.6.2

Chemical Control Practice

The Group has conducted the following measures to ensure our operations meet the highest standards of chemical safety and operation.

Compliant Chemical Storage Operation:
Secondary containment of at least 110% of the largest container volume, dye labelling by color



Reduce risks associated with the management of chemical substances, including procurement, proper handling, storage, use and disposal



Visualization: Post a simplified version of MSDS in the workshop



Emergency equipment:
Sufficient installation of eye washers, appropriate fire protection and fire-fighting equipment, etc.

Access the latest version of the ZDHC Manufacturing Restricted Substances List (MRSL), follow the RSL guidance on routine and random testing, and adhere to all chemical limits listed in the RSL to ensure compliance.

Document methods for procuring compliant chemical agents, including identifying approved suppliers of chemical substances and determining formulas that meet requirements.

Chemical Safety Training: The Group's factories regularly conduct chemical spill drills every year. In 2023, the Group conducted a total of 15 chemical spill drills, with more than 3,000 employees participating in the drills to enhance awareness.



9.7 RESPONSIBLY EXTERNAL AUDIT

As an active participant and one of the industry leaders, Shenzhou International adheres to the philosophy of “growing together and achieving mutual success.” We continuously evaluate the effect of our management and operational governance against industry standards, regulatory compliance, professionalism, and social responsibility benchmarks.

During the Reporting Period, our Group underwent a total of 154 audits from government bodies, institutions, and customers. These included:

- 60 social related audits, covering aspects such as labor practices and health and safety.
- 36 environmental related audits, focusing on environmental energy, energy audits, and chemical safety.

- 10 audits concerning the Code of Conduct (COC) for corporate behavior.
- 48 other audits, which included ISO system certifications, GRS/GOTS audits, quality audits, and counter-terrorism C-TPAT compliance.

In 2023, the Group achieved a remarkable one-time pass rate of over 97% for these audits. Any recommendations for corrective actions identified during the audit processes were comprehensively rectified in accordance with the requirements. This high pass rate and effective response to audit feedback underscore our commitment to excellence and continuous improvement in our operational practices.

Social related audits:



Environmental related audits:



Other audits



Audit Results:



● Work Safety Standardization



● ISO 27001 Information security management system

9.8

PRODUCT RESPONSIBILITY

9.8.1

Sustainable Product

Over the past decade, Shenzhou International has consistently pursued certifications for organic products and recyclable re-manufactured goods through Control Union. This includes standards like OCS (Organic Content Standard), GRS (Global Recycled Standard), and GOTS (Global Organic Textile Standard). These certifications underscore the symbiotic relationship between sustainable development and the textile industry. They empower the company to address sustainability challenges, thus securing its future growth.

To achieve this goal and maintain the reputation as a leading certification authority, Control Union boasts a global quality control system that is regularly audited by numerous national and international certification bodies. This system supports the use of circular and sustainable products.

The factories under the Group has been awarded certificates by Control Union.



● Certification – GRS & GOTS from Control Union

To ensure the production of sustainable product, we engage in collaboration with customers to actively recycle 100% cotton and 85% polyester, supporting the use of circular and sustainable products. Besides, customers opt to negotiate directly with manufacturers using recycled plastic fragments for synthetic fibers. As a manufacturing enterprise, we enhance the proportion of recycled materials in our garments while maintaining functionality. We also align with our customers' production cycles to implement a policy of "zero waste" and "produce while selling," ensuring efficiency and sustainability in our operations.

9.8 PRODUCT RESPONSIBILITY

9.8.2

Product Traceability

At Shenzhou International, we have established a robust and traceable network for our products, aimed at creating an authentic, sustainable, and transparent supply chain. As a key player in the textile and garment industry, our scope encompasses cotton, polyester and other chemicals. Traceability is achieved through an integrated system of networks, products, and certifications. This traceability network is not just about providing clarity and transparency to our customers; it also enables them to delve into the carbon footprint and potential social rights risks within our supply chain, showcasing the authenticity to the end consumers. This in-depth insight fosters greater confidence in our products and showcases our commitment to ethical practices.

As a vertically integrated production base, Shenzhou International operates with both Tier 2 and Tier 1 manufacturing. Through our corporate Information Center, we have constructed a data platform that facilitates communication, collaboration, and information synchronization for traceability, ensuring responsible sourcing and responsible supply chain. We actively build traceability processes with customers from Tier 4 to Tier 1 process as shown below:

Additionally, we have developed a procurement map that utilizes linked data for dynamic traceability, further solidifying our pledge to responsible and sustainable production practices.



● Procurement map

9.9

LEAN INNOVATION

To expand our global footprint, our Group is actively exploring new technologies, materials, and processes to drive innovation in product development and lean production. With strong capabilities in technological innovation and advanced technology development within the textile industry, we continuously engage in research and development to transform technical achievements into proprietary core intellectual properties. These form the foundation of our production and business operations.

Since 2014, Ningbo Daqian Textile Co., Ltd has been actively pursuing recognition as a “High-Tech Enterprise”, successfully refresh the designation in 2022 with a validity period of three years. This recognition underscores our commitment to innovation and excellence. Besides, Ningbo Shenzhou Knitting Co., Ltd was awarded as “Advanced Unit of Standardization”.



● High-Tech Enterprise – Ningbo Daqian Textile Co., Ltd



● Advanced Unit of Standardization – Ningbo Shenzhou Knitting Co., Ltd

Our Group’s technology center’s ability to innovate, demonstrated by significant achievements and a role as a model within the industry and region, has earned it the status of a provincial-level enterprise technology center. This distinction highlights our Group’s leadership in setting benchmarks for technological advancement in the sector.



● Provincial-level enterprise technology center

9.9 LEAN INNOVATION

9.9.1

Shenzhou International Textile Research Institute

Since 2018, Shenzhou International established the Shenzhou International Textile Research Institute, setting a new benchmark in textile innovation. The institute leads the charge in fabric technology R&D, pioneering the development of proprietary technologies across the entire fabric industry chain. It serves as the main driver for garment manufacturing, spearheading lean technology development throughout the clothing production chain. The Research Institute also progressively building an outstanding industry-wide lifecycle characterized by standardization, informatization, lean management, paperless operations, intelligence, digitization, environmental sustainability, rapid response, and guaranteed delivery.

The core departments of the institute include the Academician Workstation, Textile Fabric Technology Center, Garment Manufacturing Technology Center, Innovation Center, Green Environmental Technology Center, and a National Laboratory.

Here are some highlights for our performance:

Academician Workstation

Two academicians were invited as consultants, one of them was mainly engaged in the development and application of new fabrics and new materials, and the other academician mainly studied environmental governance and eco-printing & dyeing technology under the concept of “resource reduction”.

National Laboratory

Successfully obtained the laboratory accreditation certificate issued by the China National Accreditation Service for Conformity Assessment (CNAS) and passed the customer’s laboratory accreditation.

Innovation Center

Through our Innovation Center, we aim to increase product value-added and profitability while simultaneously integrating our understanding of eco-friendly design with our customers during the design process. This includes increasing the use of environmentally friendly materials and reducing production emissions to alleviate environmental impact, positioning our Group as a sustainable business operator.

Here are some of our project ideas in the Innovation Center:

- With a focus on Design for Manufacturing and Assembly (DFMA), we design products that are more production-friendly, thereby enhancing productivity.
- We pursue product diversification to cater to a broad range of preferences and needs.
- We aim to shorten the product development cycle, saving both our company and our clients significant time and resources in the development phase.
- Our designs incorporate elements of green products, which involve using less material and reducing the use of chemicals.
- We are committed to improving product quality to meet and exceed industry standards.
- We endeavor to create a safer and healthier production environment for our employees.



9.9 LEAN INNOVATION

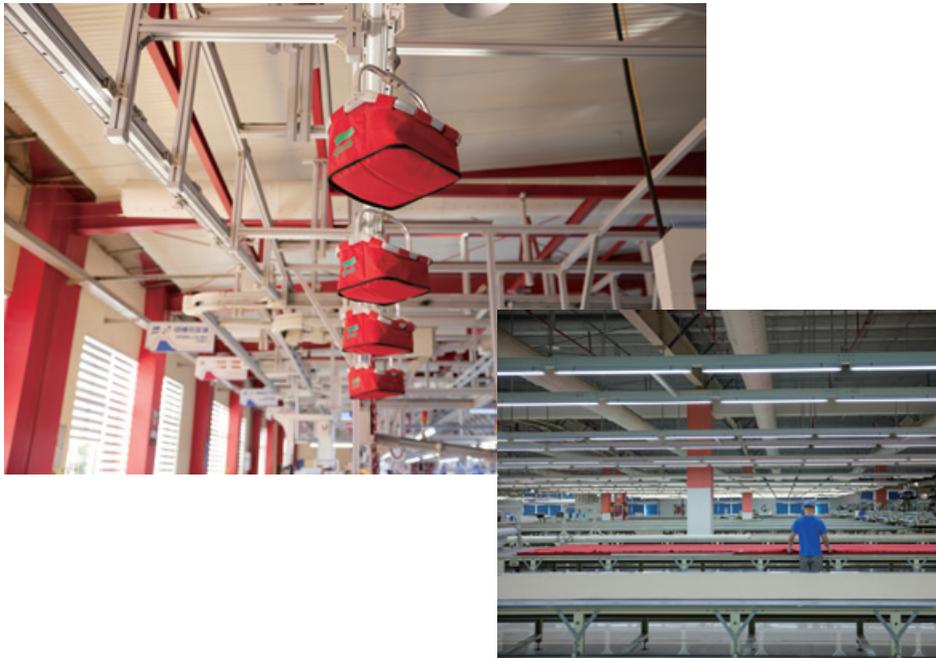
9.9.2

Innovation and R&D Scale Up

With the sharply development in automation and digitalization, Shenzhou International responds to the industry movement and advanced. Hence, we build up our own Modernization Center – Satellite Plant and TRIONES.

Modernization Center – Satellite Plant

The Modernization Center – Satellite Plant is at the vanguard of exploring cutting-edge technologies and applications. Upholding the philosophy of “intelligent innovation,” the center is dedicated to achieving flexible production systems. As a visionary exploration of the factory of the future, it leverages digital customization to create a simulated future factory environment. The center is also pioneering in customization, employing various methods to enable quick turnaround on small orders and tailored manufacturing, setting a new standard for agile and personalized garment production.



TRIONES



TRIONES is a beacon of end-to-end automation and intelligent production, reinventing the apparel manufacturing process. By integrating top-tier automated production lines from around the globe, TRIONES establishes a leading “Modern Production Center” that embodies the automation, intelligence, and informatization of manufacturing workflows. This initiative is set to create a prototype “Future Factory” for the garment industry, serving as a benchmark for others to follow, which serve a pivotal step towards realizing the vision of a “Digital and Intelligent Shenzhou”.



9.9 LEAN INNOVATION

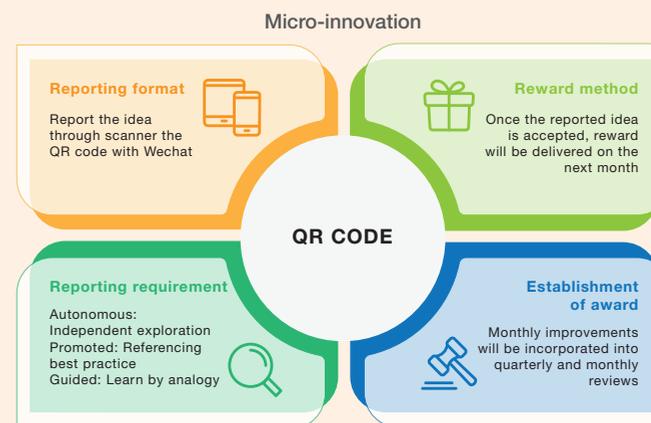
9.9.3

Intellectual Property

Our Group actively fosters innovation by encouraging R&D employees to apply for patents, offering incentives for granted invention patents, and steadily advancing the commercialization of patented technologies. Moreover, we've established a comprehensive intellectual property management system, prioritizing independent innovation and actively seeking IP protection to secure our strategic IP position and prevent infringement on others' rights.

During the reporting year, the Group has applied for a total of 731 patents, including inventions like high-elasticity fabrics, quick-drying breathable knitted fabrics, and dynamic breathable knitted fabrics, demonstrating our dedication to leading through innovation.

Applied Patents		Authorized Patents	
Invention Patents	Utility Model Patents	Invention Patents	Utility Model Patents
211	520	67	438



Big rewards for small ideas

Innovation culture of all employees – Micro-innovation

Our Group has implemented policies to encourage technological innovation, such as “Employee Improvement Management Measures,” “Scientific and Technological Achievements Reward Measures,” and “Patent Management and Transformation Reward Measures” to reignite Group-wide improvement initiatives, and motivate all employees to actively contribute to advancements by “micro-innovation”.

We have established a comprehensive incentive mechanism to spur technical creativity across the board. Our rewards and recognition programs are structured with monthly awards, annual ceremonies, and competitive platforms ranging from smaller contests to larger “battlegrounds.”

Over the past three years, there have been over 30,000 cases of employee-led improvements. Exceptional suggestions are recognized with both symbolic and material rewards, with a cumulative total of over RMB2.3 million in improvement incentives distributed. This robust system of recognition underscores our commitment to fostering an environment where innovation and lean practices are deeply ingrained in our corporate culture.

9.9 LEAN INNOVATION

9.9.4

Participate and Promote Industry Cooperation

Our Group actively engages in the development of industry standards, having contributed to nine GB national standards and led or participated in the creation of seventeen FZ industry standards. We have played a key role in drafting and revising standards such as “Knitted Garments for Infants and Young Children” and “Washing and Finishing of Knitted Garments,” and have spearheaded the establishment of 142 enterprise standards.



Our R&D team diligently distills research findings to publish 58 scientific papers in high-impact textile journals, including in the fields of knitting industry, textile reports, and dyeing & finishing technology.



Our contributions to innovation have been recognized repeatedly with awards from the China National Textile and Apparel Council for the title of Leading Company in the China Knitting Industry, and three of our chief R&D personnel have been honoured with the title of Chief Engineer in the Knitting Industry.



9.9 LEAN INNOVATION

9.9.5

Trademark and Brand Building

Since January 2015, the registered trademark of Shenzhou Knitting (registration number: 7226707), a subsidiary of the Group, has been identified by the Zhejiang Provincial Administration of Industry and Commerce as “Famous Brand of Zhejiang Province”. The provincial famous trademark was not only the affirmation of the recognition of development in recent years, but also showed the influence and reputation of Shenzhou brand in the industry.

With the several decades’ development, Shenzhou International has raised own brand reputation through public welfare undertakings, annual report, associations, events, ranking from government/industry, etc. The following is Shenzhou International’s status as an industry organization at each level:

National	Vice President Unit of China Knitting Industry Association	Vice President Unit of China Garment Association
Provincial	Member unit of Zhejiang Garment Industry Association	Member unit of Zhejiang Textile Printing and Dyeing Engineering Society
Municipal	Member of Ningbo Textile Industry Association	Vice President Unit of Ningbo High-tech Enterprise Promotion Association

Zhejiang Export Famous Brand

In order to further strengthen the cultivation of foreign trade brands and expedite the formation of new advantages in the foreign trade, Zhejiang Provincial Department of Commerce, together with relevant provincial departments and bureaus, carried out the evaluation of “Zhejiang Export Famous Brand”.

The honor is evaluated once per year and will be valid for three years, and the Zhejiang Provincial Department of Commerce announced the total 346 “Zhejiang Export Brand” in 2021.



● Zhejiang Export Famous Brand – Ningbo Shenzhou Knitting Co., Ltd

Brand value

Ningbo Shenzhou Knitting Co., Ltd., a subsidiary of the Group, according to the relevant national standards for brand value evaluation, has been reviewed by experts, calculated by technical institutions and approved by the Working Committee for Brand Evaluation and Release, and the brand strength of the corporate brand is 904 and the brand value is RMB30.8 billion.



● Brand value – Ningbo Shenzhou Knitting Co., Ltd

Industry event – Fashion Festival



In 2023, the Group was invited to participate in the Ningbo Fashion Festival and the 27th Ningbo International Fashion Festival, demonstrating Shenzhou International’s strong R&D technology and vertically integrated business model of production and processing, as well as the one-stop service business model, demonstrating the pioneering spirit of fashion and the industrial strength and leading position of Shenzhou International’s intelligent manufacturing.

During the event, Shenzhou International was awarded the title of fashion intelligence.



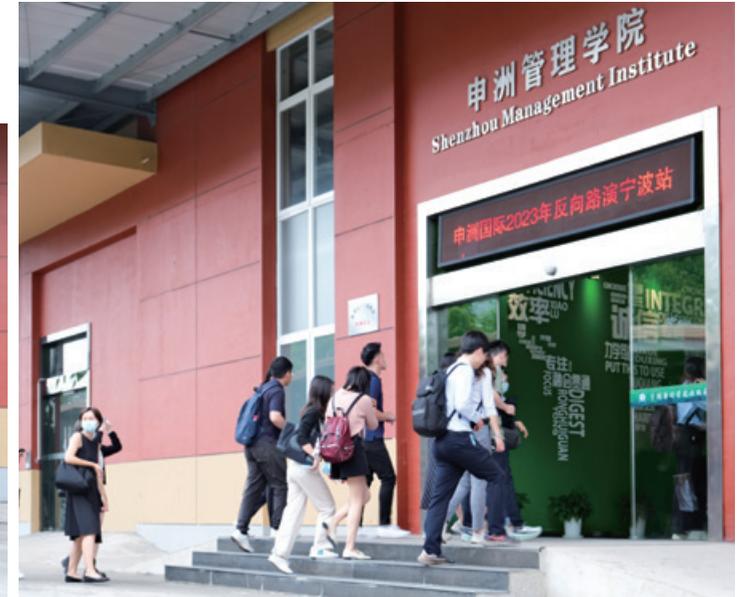
● Industry event – Fashion Festival

9.10

INVESTOR RELATIONS

Investor Reverse Roadshow

In 2023, the Group held the events of "Investor Reverse Roadshows" in our China, Vietnam & Cambodia factories, inviting investors and other personnel to visit our factories, answer their concerns and to keep transparent.



9.10 INVESTOR RELATIONS

9.10.1

Corporate Awards and Recognition

The Group has been selected as one of the “Top 500 Private Enterprises in China” and “Top 500 Manufacturing Enterprises in China” by the All-China Federation of Industry and Commerce for many consecutive years.

Mr. Ma Jianrong, Chairman of the Group, was invited to participate in the 2023 Ningbo Beilun District Economic Quality Development Conference to deliver a speech on “Bravely Challenging the Pillars and Standing at the Forefront of the Tide”.

We also rated as a pioneer who bravely took the lead in the seminar “actively participating in and practicing the Belt and Road Initiative and jointly promoting a higher level of opening up”.



Here are the achievements we have in 2023:



Ranking 286th in China’s top 500 private enterprises



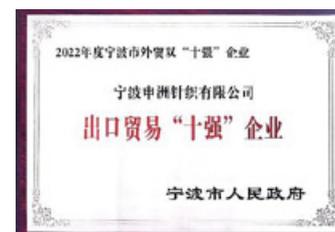
Ranking 196th in China’s top 500 private manufacturing enterprises

Ranked 439th in 2023 Fortune China Top 500 Listed Companies list

Ranked 446th in 2023 Fortune China 500 list

Achievements – Ningbo Shenzhou Knitting Co., Ltd

2023 China’s Top 500 Manufacturing Enterprises

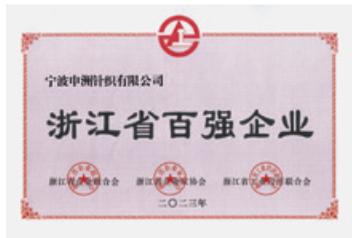


Top 10 Export Trade Enterprises of Ningbo

9.10 INVESTOR RELATIONS

9.10.1 Corporate Awards and Recognition

Top 100 Enterprises of Zhejiang Province



Top 50 Taxpayers in Ningbo



Top 70 Fastest Growing Enterprises of Zhejiang Province



2023 Ningbo Top 100 Comprehensive Enterprises



Top 50 Taxpayers of Ningbo Manufacturing Industry



Top 100 Manufacturing Enterprises of Zhejiang Province



2023 Ningbo Top 100 Manufacturing Enterprises



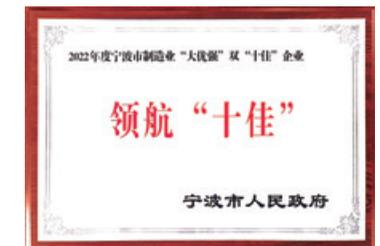
Top 100 Zhejiang Private Enterprise – Social Responsibility



Ningbo's Listed Companies High-quality Development Pioneer Enterprise



Top 10 Leading Enterprises in Ningbo Manufacturing Industry



9.10 INVESTOR RELATIONS

9.10.1 Corporate Awards and Recognition

Achievements – Shenzhou Knitting (Anhui) Co., Ltd

National Recognition

National Advanced Private Enterprise in Employment and Social Security



AAA Assessment of National Integration of Industrialization and Industrialization Management System



Provincial Recognition

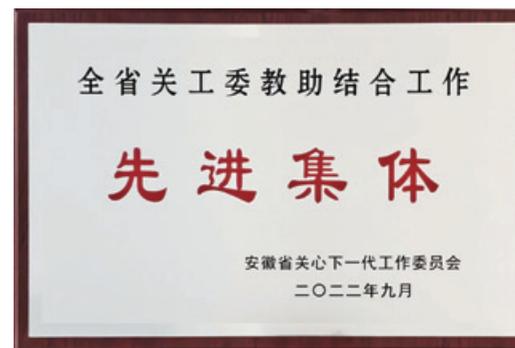
Top 100 Foreign-invested Enterprises in Anhui Province to Create Outstanding Jobs



Member Unit of Anhui Provincial Association for the Promotion of Patriotism and Support for the Army



Advanced collective of the combination of teaching and assistance of the Provincial Customs Working Committee



9.10 INVESTOR RELATIONS

9.10.1 Corporate Awards and Recognition

Municipal level or below Recognition

Top 10 Foreign Trade Import and Export Enterprises



Top 10 Industrial Enterprises in Wangjiang County of the Year



Top 30 Tax Contribution Enterprises



Advanced Grassroots Party Organization of Wangjiang County Economic Development Zone



Anqing Top 50 Enterprises – Anqing Enterprise (Entrepreneur) Federation



Top 30 Industrial Enterprises



Top 10 Enterprises with Tax Contribution in Wangjiang County of the Year



Anqing City May Fourth Red Town Youth League (Work) Committee



Vice President Unit of Wangjiang County Charity Federation



Rural Revitalization and Closing Work to Help the “Advanced Collective of Love and Scholarship



9.10 INVESTOR RELATIONS

9.10.1 Corporate Awards and Recognition

Other awards

2022 Outstanding Private Entrepreneur



The county cares for the next generation of advanced individual honorary title



Wangjiang County “Model Worker” honorary title



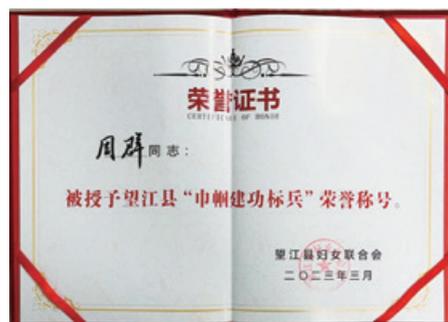
Anhui Provincial “Model Worker” honorary title



Wangjiang County Technical Expert” title



Wangjiang County” Women’s Meritorious Service Model “Honorary Title



The honorary title of “Top Ten Filial Piety Models” in the county’s customs system



9.10 INVESTOR RELATIONS

9.10.1 Corporate Awards and Recognition

Achievements – Woldon Vietnam Co., Ltd

In 2023, outstanding achievements in organizing and arranging the Spring Festival Caring Activities for the employees of the Ho Chi Minh City Processing and Export Zone.



Thank you letter for supporting funding to purchase equipment's to serve fire prevention and fighting



Thank You Letter for contributing to the City Worker Support Fund with 500 million VND



“Issued by the Director of the Ho Chi Minh City Taxation Department to enterprises on April 14, 2023 performance in complying with Laws and Tax Policies



Certificate of membership of the City Industrial Park Business Association in HCMC



Ho Chi Minh City Industrial Park Business Association (HBA) awarded the title of Silver Sponsor for the Conference on Manufacturing Enterprises and Sustainable Development Trends held on October 27, 2023

10 APPENDIX

ESG Reporting Guide Content Index

Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Governance Structure		
General Disclosure	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	<p>1. About This Report</p> <p>5.2 ESG Governance Structure</p>
Reporting Principles		
General Disclosure	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison. Reporting Boundary</p>	1. About This Report
Reporting Scope		
General Disclosure	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	1. About This Report

10 APPENDIX

Indicators	HKEX ESG Reporting Guide Requirements	Section/Remarks
A. ENVIRONMENTAL		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	7.1 Environmental Management
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPI A1.1	Types of emissions and related emission data.	7.4.5 Our Performance
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2.3 Our Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.4.5 Our Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.4.5 Our Performance
KPI A1.5	Describe the emissions targets set and the steps taken to achieve them.	7. Environmental 7.2 Climate Action Blueprint
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7.4 Waste Management

10 APPENDIX

Indicators	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect A2: Use of Resource		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.3 Resource Management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7.3.3 Our Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.3.3 Our Performance
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7. Environmental 7.3 Resource Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7.3 Resource Management
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	7.4.5 Our Performance
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	7.3 Resource Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.3 Resource Management
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	7.2.4 Climate Related Risk and Opportunity
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7.2.4 Climate Related Risk and Opportunity

10 APPENDIX

Indicators	HKEX ESG Reporting Guide Requirements	Section/Remarks
B. SOCIAL		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	8.1 Our Employee
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	8.1.4 Employee Composition
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	8.1.4 Employee Composition
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	8.4 Employee Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	8.4.6 Our Performance
KPI B2.2	Lost days due to work injury.	8.4.6 Our Performance
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	8.4 Employee Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	8.5 Training and Development
KPI B3.1	Percentage of employees trained by gender and type of employee (e.g. senior management, middle management).	8.5.4 Our Performance
KPI B3.2	Average number of hours of training completed per employee, broken down by sex and type of employee.	8.5.4 Our Performance

10 APPENDIX

Indicators	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B4: Labour Standards		
General Disclosure	For the prevention of child or forced labour: (a) policy; (b) compliance with relevant laws and regulations that have a significant impact on the issuer	8.1 Our Employee
	relating to preventing child and forced labour	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	8.1.2 Labor Practice
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	8.1.2 Labor Practice
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	9.3 Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	9.3.6 Our Performance
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	9.3 Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	9.3 Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	9.3 Supply Chain Management

10 APPENDIX

Indicators	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	9.4 Customer Management 9.5 Quality and Process Management 9.8 Product Responsibility
	relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	9.4 Customer Management
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	9.4 Customer Management
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	9.9.3 Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures	9.5 Quality and Process Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	9.4 Customer Management

10 APPENDIX

Indicators	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the Policy; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer information. relating to bribery, extortion, fraud and money laundering.	9.2 Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practises brought against the issuer or its employees during the reporting period and the outcomes of the cases.	9.2 Business Ethics
KPI B7.2	Description of preventive measures and whistle- blowing procedures, how they are implemented and monitored.	9.2 Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and employees.	9.2 Business Ethics
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8.7 Community Investment
KPI B8.1	Focus areas of contribution.	8.7 Community Investment
KPI B8.2	Resources contributed to the focus area.	8.7 Community Investment

**SHENZHOU INTERNATIONAL
GROUP HOLDINGS LIMITED**
申洲國際集團控股有限公司

Ningbo Office
寧波辦事處

18 Yongjiang Road
Ningbo Economic and Technical
Development Zone
Ningbo, Zhejiang Province, PRC

中國浙江省寧波市
寧波經濟技術開發區
甬江路18號

Tel 電話: (86) 574 8698 0102
Fax 傳真: (86) 574 8698 0162

Hong Kong Office
香港辦事處

Unit 2708, 27th Floor
Billion Plaza
8 Cheung Yue Street
Kowloon, Hong Kong

香港九龍長裕街8號
億京廣場27樓2708室

Tel 電話: (852) 2310 4919
Fax 傳真: (852) 2310 4929

Shanghai Office
上海辦事處

26th Floor You Yi Time Building
159 Zhao Jia Bang Road
Xu Hui District
Shanghai, PRC

中國上海徐匯區
肇家濱路159號
上海友誼時代大廈26樓

Tel 電話: (86) 21 6403 1166
Fax 傳真: (86) 21 5496 0947