



SHENZHOU INTERNATIONAL
GROUP HOLDINGS LIMITED

Stock Code : 2313

2025

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT



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1 ABOUT SHENZHOU

Shenzhou International Group Holdings Limited, together with its subsidiaries (collectively referred to as “Shenzhou Group”, “the Group” or “we”), is a leading global apparel manufacturer rooted in East Asian heritage. Leveraging vertically integrated operations and advanced manufacturing capabilities, the Group delivers premium activewear, athleisure, and casual wear to renowned international brands.

With production bases strategically located across Asia, Shenzhou Group ensures efficient, reliable, and timely delivery while maintaining stringent quality, sustainability, and compliance standards throughout the value chain.

Shenzhou International Group Holdings Limited has been listed on the Main Board of the Hong Kong Stock Exchange (HKEX) since November 2005 (Stock Code: 2313) and has been a constituent stock of the Hang Seng Index since 2010. Further information about the Group is available on our official website at <https://www.shenzhouintl.com>.

Vision

To inspire progress through collaborative and relentless innovation.

Mission

Shenzhou Group is committed to:

- **Innovating for excellence** by experimenting with cutting-edge technologies and materials;
- **Partnering for shared success** through impactful outcomes delivery with a can-do spirit;
- **Empowering passion and joy** by empowering each individual to transfer and scale up innovative ideas for wider impacts;
- **Propelling a better tomorrow** through long-term investments in sustainability development and community growth.

2 ABOUT THIS REPORT

This Environmental, Social and Governance (ESG) Report outlines the ESG performance, strategies, and key initiatives of Shenzhou Group for the period from 1 January 2025 to 31 December 2025 (the “reporting period”).

The scope of this Report covers the Group’s major production bases in Cambodia, China, and Vietnam (listed in alphabetical order). It aims to provide a comprehensive overview of the Group’s governance framework, management approach, priorities, targets, and performance in relation to environmental stewardship, social responsibility, and corporate governance.

This Report has been prepared in accordance with Appendix C2: Environmental, Social and Governance Reporting Code issued by HKEX.

Materiality Assessment

During the reporting period, the Group adopted the principle of double materiality for the first time, incorporating adequate consideration of ESG issues and the identification of impact, risk, and opportunity (IRO). The Report is prepared based on a systematic materiality assessment process, covering ESG topics relevant to a broad range of stakeholders, including but not limited to employees, customers, shareholders, and suppliers.

Governance and Assurance

This Report has been reviewed by the Sustainable Development Council (SDC), and a summary of key ESG highlights was reviewed by the Board in March 2026. The data and case studies disclosed in this Report are primarily derived from the Group’s internal statistical records. The climate-related data, including scope 1, scope 2, and scope 3 greenhouse gas (GHG) emissions, has been assured by Bureau Veritas (BV).

Forward-Looking Statements

This Report contains certain forward-looking statements based on information and assumptions available at the time of publication. Actual results may differ materially due to changes in market conditions and other external factors. The Group will update such statements as appropriate when material changes occur.

Accessibility

In line with our commitment to sustainability and a paperless approach, this Report is available for download on the Group’s official website at <https://www.shenzhouintl.com>.

3 CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Shenzhou International Group Holdings Limited, I am pleased to present the Group's Environmental, Social, and Governance Report for the year ended 31 December 2025.

Against a backdrop of evolving regulatory expectations, accelerating climate and social challenges, in 2025, we remained steadfast in our commitment to long-term value creation through responsible, resilient, responsive, and innovation-driven growth.

Sustainability as a Core Strategic Priority

As a leading global apparel manufacturer, we recognize that sustainability is not only a responsibility but also a critical driver of competitiveness and operational excellence. ESG considerations are deeply embedded in our decision-making strategy.

During the reporting period, the Board continued to provide strategic oversight of ESG matters, supported by the Sustainable Development Council and senior management. We focused on strengthening governance mechanisms, enhancing transparency, and aligning our sustainability priorities with the expectations of employees, customers, shareholders, and regulators. In 2025, we adopted the principle of double materiality in our ESG assessment. This enhanced approach supported more informed decision-making and better integration of ESG considerations into our long-term planning.

Advancing Environmental Stewardship

Climate change remains one of the most pressing challenges facing our industry. In 2025, the Group continued to advance initiatives aimed at improving energy efficiency, increasing the use of renewable energy, optimizing resource utilization, and reducing greenhouse gas emissions across our operations.

Empowering People and Communities

Our employees are the foundation of Shenzhou Group's success. We remain committed to providing a safe, inclusive, and supportive working environment while fostering skills development, employee engagement, and career growth. Throughout 2025, we continued to promote inclusion and enhance employee well-being across our production bases. Beyond our operations, we actively engaged with suppliers and partners to promote responsible practices throughout the supply chain.

Upholding Strong Governance and Integrity

The Board is committed to maintaining high standards of integrity, accountability, and transparency. In 2025, we continued to refine our internal controls and risk management processes to ensure effective oversight of sustainability-related risks and opportunities. This Report has been reviewed by the Sustainable Development Council. The key ESG highlights were reviewed by the Board.

Looking Ahead

Looking forward, Shenzhou Group will remain proactive in responding to regulatory developments, industry trends, and stakeholder expectations. Guided by our vision and mission, we will continue to invest in innovation, operational excellence, and responsible practices that support a better future for our people, our business, and society at large.

On behalf of the Board, I would like to express my sincere appreciation to our employees, customers, shareholders, suppliers, and partners for their continued trust and support. Together, we will continue to advance Shenzhou Group's sustainability journey with commitment and determination.

4 2025 HIGHLIGHTS AND 2030 OUTLOOK

2025 Highlights

Environmental

- Achieved a 21% reduction in greenhouse gas (GHG) emissions compared to the 2020 baseline
- Increased renewable electricity usage to 74%
- Expanded water recycling capacity, reaching 20,000 tons of RO permeate water per day

Social

- Maintained a monthly employee turnover rate below 3% for three consecutive years
- Established the first employee childcare center in Cambodia
- Supported employees in rebuilding their homes following post-conflict impacts in Cambodia

Governance

- Adopted the principle of double materiality in ESG assessment for the first time
- Strengthened business ethics and information security management
- Conducted ESG due diligence across 78 suppliers

2030 Outlook

Looking ahead to 2030, the Group will continue to focus on key sustainability priorities.

Based on industry trends, customer expectations, and internal assessments, we will prioritize and further strengthen the following initiatives building on our 2025 foundation:

- Ambitious climate action, advancing decarbonization and resource efficiency;
- Skill-based talent development and succession planning, to support long-term organizational capability;
- Enhanced ESG due diligence across the supply chain, promoting responsible and resilient value chains.

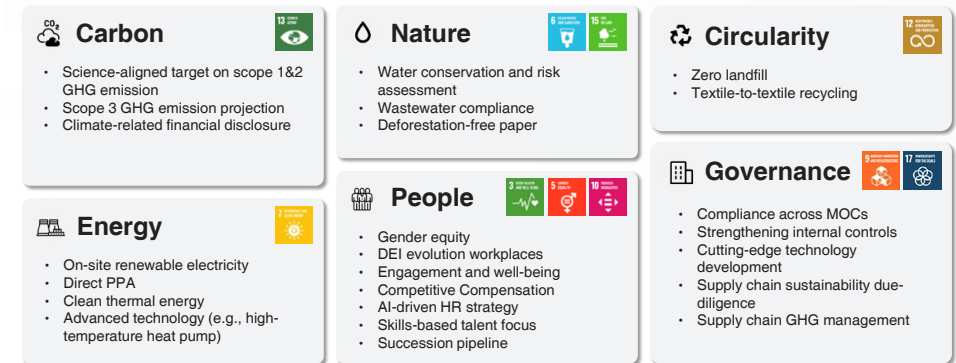


Figure 1. Shenzhou Group's key ESG strategies.

5 SUSTAINABILITY GOVERNANCE

Sustainability Governance Structure

Shenzhou Group has established a structured sustainability governance framework with the Board as the ultimate responsible body, along with the Sustainable Development Council and the deployment departments to ensure effective oversight, accountability, and execution of ESG strategies across the organization. Our governance structure integrates sustainability considerations into corporate strategy, risk management, and daily operations.

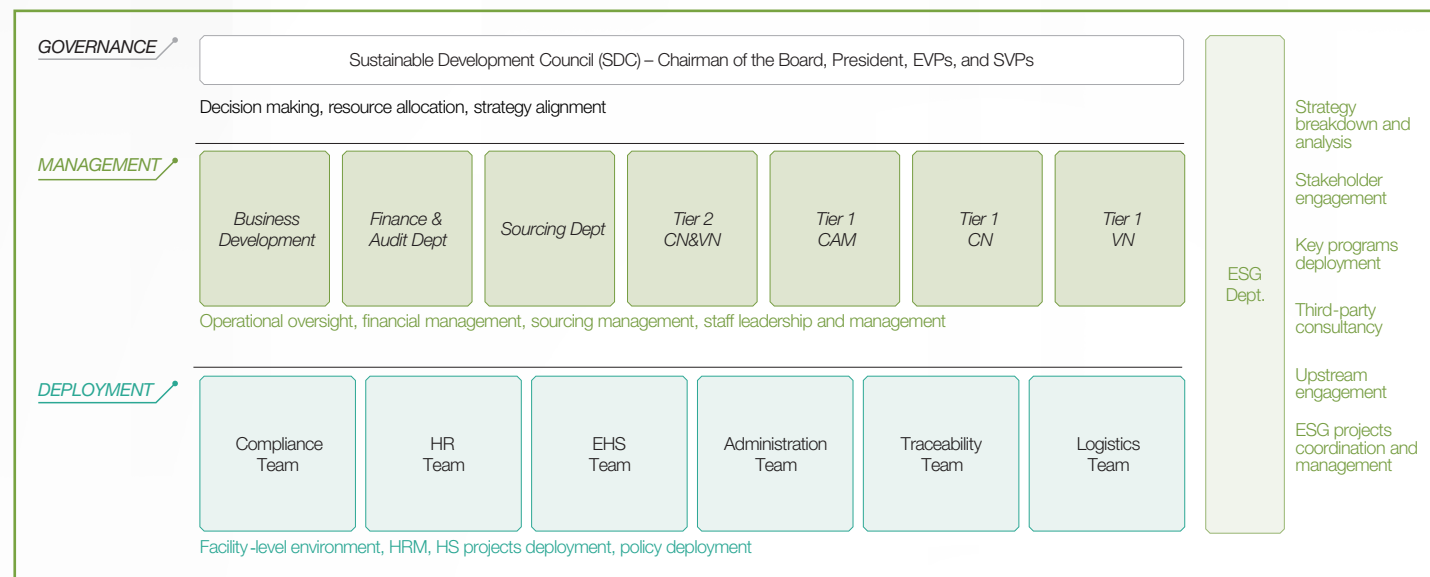


Figure 2. Shenzhou Group's sustainability governance framework.

Board Oversight

The Board assumes the overall responsibility for the Group's ESG matters and oversees the Group's ESG governance. During the reporting period, the Board reviewed key ESG highlights and monitored progress against sustainability targets. ESG-related matters, including climate-related risks, well-being development, and regulatory developments, are reported to the Board on a regular basis twice a year.

Sustainable Development Council

The SDC is led by the Chairman of the Board ensuring that ESG risks, opportunities, and performance are reviewed and addressed at the highest level of corporate governance. It also comprises executive members from key functional departments, including business, operations, finance, legal compliance, human resources, procurement, investor relations, and R&D. This cross-functional setup, with

at least quarterly review, ensures that ESG considerations are embedded into the Group's core business operations and decision-making processes.

Management and Functional Responsibilities

At the operational level, designated departments and management personnel are responsible for implementing ESG policies

and initiatives within their respective areas of responsibility. This includes environmental management, occupational health and safety, human resources, supply chain management, compliance, and internal audit. Cross-departmental collaboration ensures that sustainability objectives are embedded into solid daily operations.

5 SUSTAINABILITY GOVERNANCE

ESG Department

A dedicated ESG department at the group level acts as the secretariat to the SDC, supporting day-to-day coordination, data management, policy development, key projects deployment, materiality assessment, ESG reporting, and stakeholder engagement. To ensure effective oversight and timely decision-making, the ESG department reports directly to the Chairman of the Board. Reporting is conducted in both written and verbal formats, as appropriate, and takes place at least once per month. Through this direct reporting line, the Chairman maintains close visibility over the Group's ESG strategy, performance progress, emerging risks, regulatory developments, and key stakeholder concerns. Significant ESG matters are escalated in a timely manner to the Board where necessary.

Stakeholder Engagement

Shenzhou Group attaches great importance to engaging with our stakeholders and actively solicits their feedback on ESG-related topics. We have established a variety of communication channels to gather valuable insights and suggestions. It enables us to respond effectively to our stakeholders and adapt our strategies for continuous enhancement.

Table 1. Stakeholder engagement of ESG-related topics.

Stakeholder groups	Key concerns	Communication channels
Employees	- Occupational health and safety - Fair compensation and benefits - Development and training opportunities - Workplace equity and inclusion - Well-being and engagement	- Employee surveys - Town hall meetings and internal briefings - Grievance and whistleblowing mechanisms - Training programs and workshops - Employee representative mechanisms
Customers	- Product quality and innovation capability - Supply chain resilience - Decarbonization progress - Responsible sourcing and traceability - Human rights & environmental compliance - Waste circularity	- Regular business meetings - Customer audits and assessments - Joint sustainability initiatives and projects - Technical workshops and site visits - Daily operational communication - Training programs and workshops
Shareholders	- Financial performance and long-term value creation - Human resource strategy and performance - Climate-related risks and transition planning - Corporate governance and risk management - Regulatory compliance and transparency	- Annual and interim reports - ESG Report - Disclosure platforms - Roadshows and investor conferences - Direct communications and enquiries
Suppliers and Contractors	- Long-term partnership opportunities - ESG requirements and compliance standards - Circular economy - Operational collaboration	- Supplier meetings - Code of conduct - Compliance audits - Contractual agreements and regular correspondence
Government and Regulatory Authorities	- Legal and regulatory compliance - Environmental protection and emissions control - Labor and workplace standards - Local economic contribution	- Regulatory filing and reporting - Government inspections and audits - Industry association participation - Policy consultations and meetings
Local Communities	- Environmental impacts (air, water, and waste) - Employment opportunities - Community development - Health and safety impacts	- Corporate social responsibility initiatives - Public disclosures and announcements - Complaint and feedback mechanisms

6 MATERIALITY ASSESSMENT

Shenzhou Group conducts stakeholder-driven materiality assessments annually to identify and prioritize material sustainability issues that reflect the Group's significant economic, environmental, and social impacts. The latest assessment was conducted during the reporting period, incorporating stakeholder engagement.

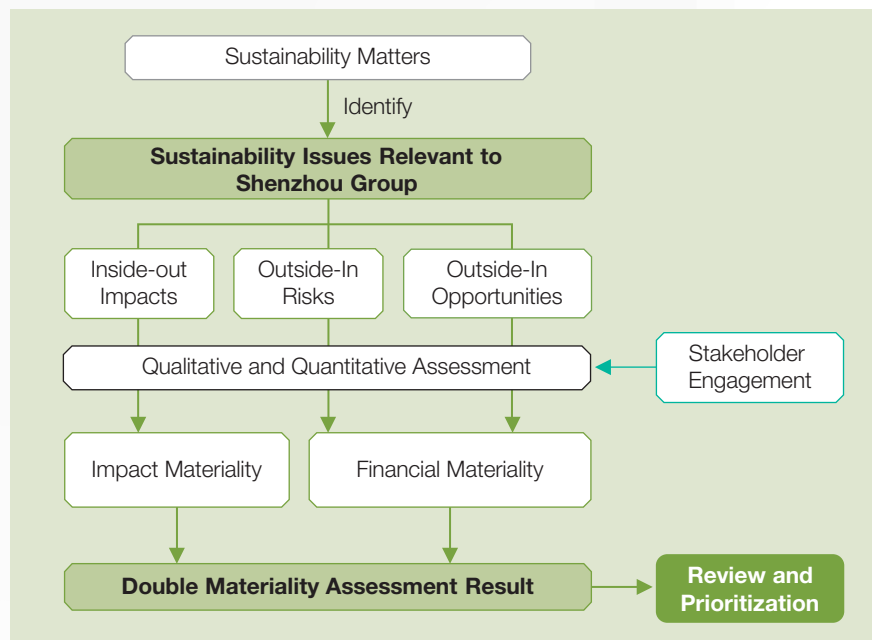


Figure 3. Shenzhou Group's double materiality assessment framework.

Sustainability Issue Identification

Shenzhou Group conducted a systematic review of sustainability matters, referencing applicable regulations, customer requirements, industry benchmarks, and recognized frameworks such as the Sustainability Accounting Standards Board (SASB) and the European Sustainability Reporting Standards (ESRS).

Identified topics were consolidated and filtered based on their relevance to the Group's business model, operations, and value chain. As a result, 20 sustainability issues were determined in 2025 to be relevant to Shenzhou Group for materiality assessment.

Stakeholder Engagement

Shenzhou Group has been engaging internal and external stakeholders for their insights into identified sustainability issues.

Table 2. Stakeholder engagement results.

Internal Stakeholders	External Stakeholders
• Top management • Business divisions • Finance department • Sustainability functions	• Customers • Shareholders • Financial partners • Suppliers

Double Materiality Assessment

The 2025 Materiality Assessment was conducted following the principle of double materiality, which considered both impact and financial materiality. Outward-facing impacts, as well as financial risks and opportunities associated with each sustainability issue, were analyzed and internally reviewed.

During the stakeholder engagement stage, materiality was evaluated through qualitative and quantitative analysis, with stakeholders scoring each issue separately across multiple dimensions. Impact materiality was assessed on scale, scope, irremediable character, and likelihood, while financial materiality was measured on magnitude and likelihood. The individual dimension scores were then aggregated to calculate an overall materiality score, ensuring a clear and nuanced assessment of each sustainability issue.

Table 3. Double materiality assessment dimensions.

	Impact Materiality	Financial Materiality
Assessment Criteria	• Scale • Scope • Irremediable character • Likelihood	• Magnitude • Likelihood

6 MATERIALITY ASSESSMENT

Evaluation Result

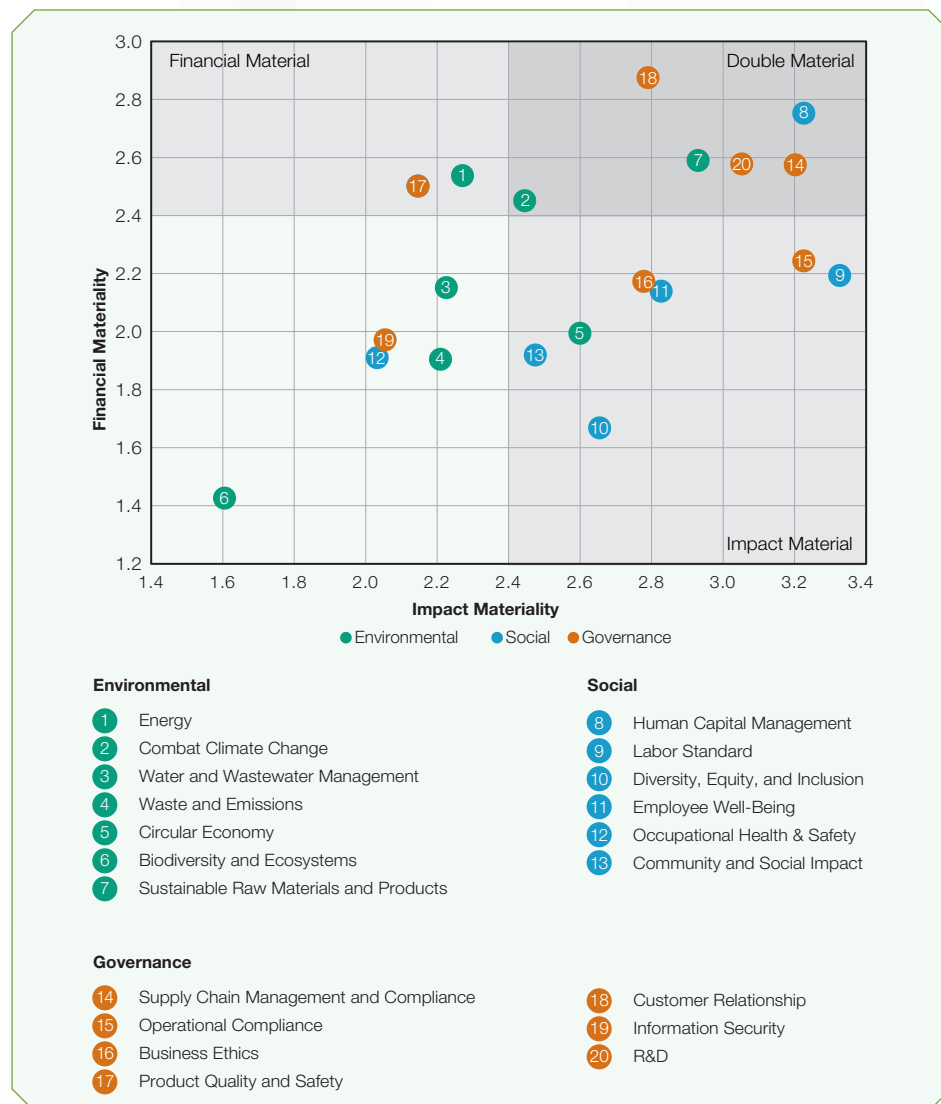


Figure 4. Materiality analysis result.

According to the assessment result, the following sustainability issues were found to be material:

Table 4. Material sustainability issues.

Materiality	Topic(s)	Issue(s)
Double material	Environmental	- Combat climate change - Sustainable raw materials and products
	Social	Human capital management
	Governance	- Supply chain management and compliance - Customer relationship - R&D
Impact Material	Environmental	Circular economy
	Social	- Labor standard - Diversity, equity, and inclusion - Employee well-being - Community and social impact
	Governance	- Operational compliance - Business ethics
Financial Material	Environmental	Energy
	Governance	Product quality and safety

The top 3 material issues revealed by the analysis are:

- Human Capital Management (disclosed in Section 9.3 and Section 9.4);
- Supply Chain Management and Compliance (disclosed in Section 10);
- Customer Relationship (disclosed in Section 11.2).

In addition, the following 2 issues are identified as the most significant topics for external stakeholders, after the top 3 material issues:

- Labor Standard (disclosed in Section 9.3);
- Sustainable Raw Materials and Products (disclosed in Section 11.5.3).

For detailed discussion, targets, and performance data, please refer to the corresponding sections.

Review and Prioritization

The assessment results have been reviewed by the Board. This Report provides detailed disclosures on strategies, initiatives, targets, and performance related to the identified material issues. The results also inform the Group's ESG planning for the coming year, ensuring alignment with stakeholder expectations and emerging sustainability priorities.

ENVIRONMENTAL STEWARDSHIP

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- 7.4.2 \ Actions
- 7.4.3 \ Metrics

22 **7.5 CIRCULARITY**

- 7.5.1 \ Waste Policy, Management, and Assessment
- 7.5.2 \ Actions and Metrics

7 ENVIRONMENTAL STEWARDSHIP

7.1 ENVIRONMENTAL TARGETS AND PERFORMANCE

Table 5. Environmental targets summary.

Targets	Target Year	Status	2025 Performance
Greenhouse Gas Emission Reduction			
Reduce 42% of our scope 1 and scope 2 emissions compared with 2020	2030	○	Total scope 1 and scope 2 greenhouse gas emissions reduced by 21% compared to the 2020 level
Energy Revolution			
Tier 1 (T1) facilities ¹ : 50% of electricity is renewable	2025	✓	72%
Tier 2 (T2) facilities ² : 20% of electricity is renewable	2025	✓	77%
Coal Phase-out in all production bases	2025-2030	○	Cambodia & China: All production bases have fully achieved zero coal usage on-site Vietnam: Only one of Vietnam T2 facilities has yet to complete the coal phase-out. The facility is actively seeking low-carbon energy supply, with biomass usage increasing over 52% compared to 2024
All production bases complete the Energy Minimum Program	2025	✓	All production bases have completed the Energy Minimum Program
Water Efficiency			
20% water efficiency improvement in T2 factories from 2020	2025	×	Water efficiency improved 14% compared to the 2020 level*
Waste Circularity			
All production bases complete the Waste Minimum Program	2025	✓	All production bases have completed the Waste Minimum Program
All production bases complete the Textile-to-Textile Program	2025	✓	The Group has initiated the Textile-to-Textile Program

* Shenzhou Group has established a new T2 facility in Vietnam. Due to construction and commissioning activities in the reporting period, the overall water efficiency performance across all T2 facilities lagged behind the set target.

Note: ✓ Achieved ○ On track × Lag behind

¹ Tier 1 facilities include garment facilities in Cambodia, China, and Vietnam

² Tier 2 facilities include fabric and Flyknit facilities in China and Vietnam

7.2. ENVIRONMENTAL MANAGEMENT

7.2.1. /

Environmental Policy

Shenzhou Group's Code of Conduct affirms its commitment to minimizing environmental impact, advancing climate action, and promoting the responsible use of natural resources both in its own operation and supply chain.

The Group has established the *Environmental Policy* applicable to the group as a whole. The policy covers the following key aspects:

- Environmental compliance with applicable laws, regulations, and other requirements;
- Engagement with internal and external stakeholders, including training;
- Priority action areas, including environmental management system (EMS), energy, climate, waste, sustainable packaging, biodiversity, and sustainable raw materials;
- Environmental performance management, including target setting, monitoring, and review;
- Continuous improvement;
- Communication and escalation mechanisms.

The policy is publicly available at: <https://www.shenzhouintl.com/corporate-governance/guidelines-policies>.

7.2.2. /

Environmental Compliance

Shenzhou Group strictly complies with applicable environmental legislation and customer requirements in all jurisdictions where it operates. Relevant laws and regulations include:

- Law on Environment Protection and Natural Resource Management (LEPNRM), Cambodia;
- The Environmental Protection Law of the People's Republic of China;
- Law No. 79/2020/QH14 on Environmental Protection, Vietnam.

The Group reported no significant fines or penalties related to environmental or ecological non-compliance in the past three years.

In addition to statutory compliance, Shenzhou Group aligns with customers' code of conduct to meet their foundational environmental expectations. The Group works closely with brand partners to implement environmental sustainability initiatives, ensuring that operations are consistent with shared sustainability objectives. Key initiatives include:

- Integrate sustainability principles into business strategy and decision-making processes;
- Embed sustainability considerations into product, material, and technology design;
- Promote responsible use of natural resources and prioritize energy efficiency;
- Strengthen chemical and waste management to ensure responsible handling and disposal;
- Reduce greenhouse gas emissions and other pollutant discharges;
- Prioritize pollution prevention to minimize overall environmental impact and drive continual improvement.

7.2. Environmental Management

7.2.2. Environmental Compliance

Audits and Assessments

The Group participates in external environmental performance assessments, including industry-standard tools such as the Higg Facility Environmental Module (Higg FEM), as well as brand-customized assessment frameworks. These assessments cover:

- Environmental management systems;
- Energy and greenhouse gas;
- Water and wastewater;
- Air emissions;
- Waste;
- Chemical management.

During the reporting period, all facilities completed the Higg FEM self-assessment or brand-customized assessment, with results verified by third-party organizations recognized by customers.

Facilities that discharge industrial wastewater also undergo wastewater testing under the Zero Discharge of Hazardous Chemicals (ZDHC) framework twice per year and comply with the ZDHC Wastewater Guidelines. During the reporting period, no violations have been reported in those facilities.

7.2.3. Environmental Management System (EMS)

Shenzhou Group adopts ISO 14001 to establish environmental management systems across Cambodia, China, and Vietnam production bases. The EMS has been verified by third parties during the reporting period.

Under the ISO 14001 framework, the Group adopts a continuous improvement cycle (Plan–Do–Check–Act), which includes:

- Identification and regular review of significant environmental aspects and compliance obligations;
- Establishment of measurable environmental objectives and targets aligned with the Group's climate and resource-efficiency commitments;
- Implementation of operational controls and standardized procedures to manage environmental risks;
- Periodic internal audits and management reviews to assess system effectiveness;
- Corrective and preventive actions to address non-conformities and enhance performance.

7.2.4. Disclosure

In addition to publishing its ESG Report and regularly reporting environmental performance through customers' reporting platforms, Shenzhou Group discloses environmental information through multiple external channels, including:

- Cascale;
- Carbon Disclosure Project (CDP);
- Corporate Sustainability Assessment (CSA) from S&P Global;
- Institute of Public & Environmental Affairs (IPE).

7.3. ENERGY

7.3.1. Governance and Strategy

Shenzhou Group is committed to improving energy efficiency and prioritizing the use of renewable energy as part of our decarbonization initiatives. Energy-related strategies and initiatives are deployed under the sustainability governance framework.

Table 6. Key Energy Initiatives.

Initiatives	Results Achieved
Automatic drain valve control	Completed
Integrated post-dyeing washing & drying	Completed
Gradual replacement by high-efficiency motors	Completed
Replace thermal oil with direct combustion in the finishing process.	Completed
Solar PV installation	The solar PV capacity has reached 112.4 MWp, and further expansion is under demonstration
Renewable electricity trading	Renewable electricity accounts for 74% of total consumption.
Wind power feasibility analysis	Invested in a wind farm in Ningbo
Coal phase-out	Vietnam T2: 41% New-onboard Vietnam T2: 100% Other facilities: 100%
Green Factory assessment	Two facilities are listed as China's National Green Factory

7.3.2. Actions

7.3.2.1. Energy Efficiency

The Group collaborates with brand customers and technical solution providers to identify and implement energy-saving opportunities. Each facility maintains a dedicated professional team responsible for overseeing, driving, and executing energy management initiatives.

Energy Minimum Initiatives

Energy minimum initiatives have been launched in all production bases. Key measures to improve energy efficiency include:

- Incorporate energy efficiency as a key consideration in the procurement of new equipment;
- Establish clear energy management structures and assign responsibilities at all levels;
- Identify main energy-consuming equipment for separate monitoring and targeted control;
- Maintain consistent daily management practices to prevent energy leakage;
- Actively research on new technologies.

Case Study: Heat Pump Feasibility Study

Shenzhou Group is exploring emerging technologies such as heat pumps to further improve energy efficiency. Heat pumps provide an energy-efficient method for heating and cooling processes by transferring thermal energy from one medium to another, significantly reducing reliance on fossil-fuel-based systems.

The Group has already installed heat pumps in dormitory areas to supply domestic hot water. New air conditioning systems with high-efficiency compressors have been introduced to the Ningbo production base to replace absorption chillers.

During the reporting period, Shenzhou Group has been engaged with brand customers to conduct industrial heat pump feasibility research. Key workstreams on industrial heat pump include:

- Participate in seminars to deepen understanding of heat pump technology;
- Conduct feasibility, carbon, and financial analyses with external solution providers;
- Explore heat recovery via heat pumps for heat demand;
- Continue internal research and evaluation of the heat pump project.

7.3. Energy

7.3.2. Actions

Case Study: Air Compressor System Upgrade

Air compressors are major electricity consumers at Shenzhou's T2 facilities. Although optimization measures were implemented in previous years, ageing equipment created opportunities for further upgrades.

During the reporting period, the T2 equipment team piloted an air compressor upgrading project at the Ningbo production base. Conventional compressors were replaced with energy-efficient compressors featured with:

- Dual-stage compressing;
- Permanent magnet variable frequency;
- Automatic speed regulation;
- Near-isothermal compression.

The units are equipped with Class I (top-level) Energy Efficiency motors and can adjust air supply dynamically based on load demand to avoid energy waste.

Management improvements include real-time monitoring and optimization of pipeline diameters to reduce pressure loss. Combined with machinery upgrades and compressed air network optimization, the project achieved a 20.9% energy efficiency improvement compared to the aging system.

Following the pilot, more initiatives are being scaled through:

- Phased replacement of aging compressors at Ningbo T2;
- Demand-based capacity selection at the newly onboarded Vietnam T2 facility to ensure operation within optimal efficiency ranges;
- Optimized pipeline diameter at Vietnam T2 to reduce pressure losses.

Case Study: High-Efficiency Electromagnetic Steam System

The newly onboarded T1 facility at the Cambodia production base has introduced a high-efficiency electromagnetic steam system.

Key upgrades for the new system include:

- **Electromagnetic heating:** Compared with conventional heating elements, electromagnetic heating provides faster heat generation and preheating, reducing energy losses.
- **Enhanced boiler design:** Alloy inner walls with anti-scale treatment improve electromagnetic conversion efficiency, while insulation layers covering the boiler and pipelines enhance heat retention.
- **Heat recovery system:** Waste heat from return steam and condensate is recovered to preheat the water tank, improving overall thermal efficiency.
- **Demand-based control:** Low-frequency start-up and variable-speed operation ensure the steam supply matches operational demand, minimizing steam waste.



Figure 5. Illustration of the high-efficiency electromagnetic steam system

7.3. Energy

7.3.2. Actions

7.3.2.2. Renewable Energy

Renewable Electricity (RE)

Shenzhou Group is accelerating the adoption of renewable electricity through a combination of on-site solar photovoltaic (PV) installations and off-site renewable electricity procurement.



Figure 6. Electricity consumption structure of Shenzhou Group during 2020~2025.

During the reporting period, 69% of production facilities achieved 100% renewable electricity coverage through on-site RE generation and off-site RE procurement.

Roof-Top Solar (RTS) System

The Group continues to maximize the potential of roof-top solar, which has reached an optimal deployment stage across existing facilities. With the efforts in the past 5 years, Shenzhou Group has built the largest on-site solar system in most customers' supply chains.

During the reporting period, 12.3% of the Group's total electricity consumption was supplied by roof-top solar systems (RTS). Installed capacity maintains 112.4 MWp, while 3 new RTS projects have been completed and are waiting for commissioning. In 2025, the Group generated and consumed over 118,000 MWh of renewable electricity—over 40 times the 2020 level.

Key on-site solar initiatives include:

- Establish a dedicated function to monitor system performance across all production bases, ensuring safe operation and effective maintenance;
- Participate in industry activities and trainings to stay abreast of regulatory developments and best practices;
- Maintain close collaboration with suppliers and solution providers to track advancements in solar and energy storage technologies;
- Deploy professional teams and mature workflows to support future RTS expansion.

To meet rising electricity demand, a solar expansion project has been proposed for the Vietnam T2 facility. In addition, all newly constructed facilities are undergoing feasibility assessments for solar installation.

7.3. Energy

7.3.2. Actions

Renewable Electricity Trading

Despite rapidly evolving regulatory environments in the markets where we operate, the Group continues to participate in renewable electricity trading, including power purchase agreements (PPAs). Meanwhile, the Group also procures renewable energy certificates such as Green Electricity Certificates (GECs), International Renewable Energy Certificates (I-RECs), and Tradable Instrument for Global Renewables (TIGRs).



Figure 7. Examples of GECs, I-RECs, and TIGRs.

Wind Farm

In 2020, Shenzhou Group invested in a wind farm in Ningbo, and the project is currently under evaluation for potential expansion. The investment provides priority rights to purchase renewable electricity, helping to address policy and market uncertainties and supporting long-term renewable electricity expansion.

Thermal Decarbonization

Shenzhou's new facilities have switched to a low-carbon thermal supply. The new Vietnam T2 facility sources all its steam from a contractor using 100% biomass, enabling the facility to operate entirely on low-carbon energy.

Coal Phase-Out

Shenzhou Group is committed to fully phasing out on-site coal use within all production bases no later than 2030. By the end of the reporting period, all facilities have phased out on-site coal use except one T2 facility in the Vietnam production base.

The remaining Vietnam T2 facility is progressively increasing biomass utilization to reduce coal dependency, achieving a coal phase-out rate of 41%.

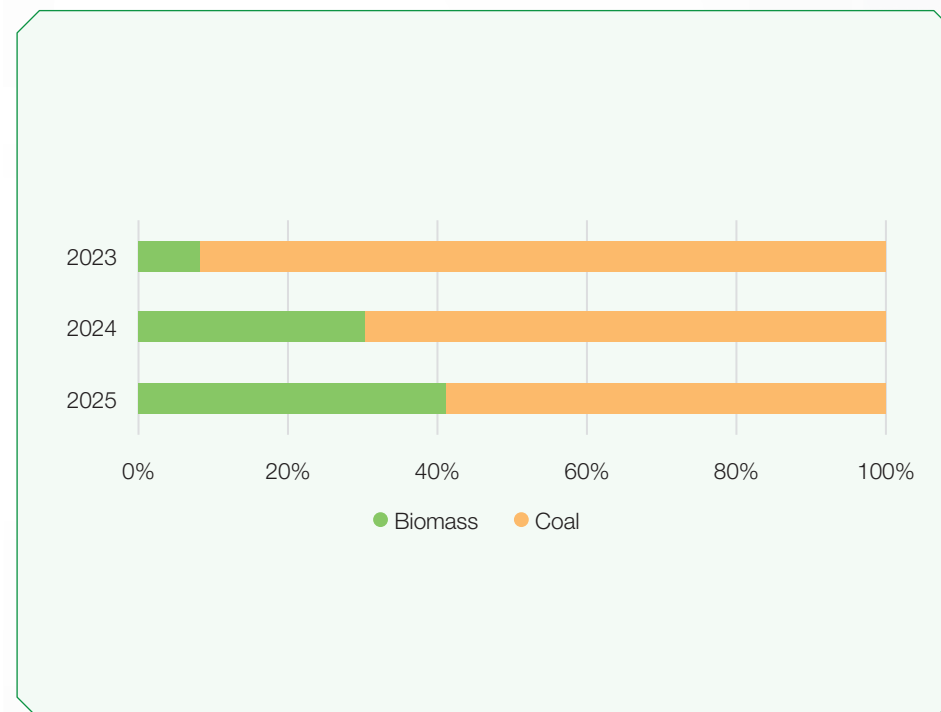


Figure 8. Coal phase-out progress at the Vietnam T2 facility.

7.3. Energy

7.3.3.

Metrics

Table 7. Shenzhou Group's energy consumption.

Metrics	Unit	2023	2024	2025
Direct Energy Consumption				
Natural Gas	m ³	55,334,300	57,002,837	59,619,622
Biomass	ton	22,722	85,829	131,624
Coal	ton	207,036	187,698	177,315
LPG	ton	929	1,135	1,347
Petrol	liter	140,513	215,771	196,632
Diesel	liter	1,229,876	1,230,359	1,446,690
Indirect Energy Consumption				
Purchased Electricity	kWh	730,058,347	790,922,430	844,231,090
– Power Purchase Agreement	kWh			37,592,000
– Grid Electricity Covered by EACs ³	kWh	338,151,085	441,286,000	557,135,949
– Grid Electricity Without EACs	kWh	391,907,262	349,636,430	249,503,141
On-Site Renewable Electricity (Solar)	kWh	52,528,059	104,897,918	118,034,763
Purchased Steam	ton	950,253	1,058,844	1,128,618
– from Renewable Sources	ton	0	0	55,461
– from Non-Renewable Sources	ton	950,253	1,058,844	1,073,157
Total Consumption Intensity	<i>kWhe/1,000 pieces</i>	<i>8,430</i>	<i>7,412</i>	<i>7,499</i>

Energy intensity remained broadly stable, while the Group's decarbonization transition progressed significantly. The greenhouse gas emission intensity in the reporting period is 11% lower than in 2024. Please refer to Section 8.5 for detailed information.

Energy consumption data reflects the Group's decarbonization transition. Over the reporting period, energy use shifted from fossil fuels toward renewable and lower-carbon sources, with biomass consumption increasing significantly, coal use declining, and natural gas and LPG usage remaining stable.

³ Grid electricity covered by EACs: Energy attribute certificates (EACs) were separately purchased and retired to match the company's grid electricity consumption. This figure excludes power purchase agreements (PPAs).

7.4. WATER AND WASTEWATER

7.4.1. ✓

Governance and Strategy

Shenzhou Group is committed to optimizing water management. Under the sustainability governance framework, the Group is deploying strategies to reduce freshwater withdrawal, minimize the environmental impacts of wastewater, and mitigate water-related risks.

Table 8. Key water initiatives.

Initiative	Results Achieved
Condensate/cooling water recovery	Completed
Wastewater pipelines re-laying	Completed
Cadira dyestuff	Completed
Continuous wash-off machine for printing	Completed
Reverse osmosis (RO) water recycling system	Produced 5,473,252 tons of permeate water in 2025
Wastewater treatment plant (WWTP) upgrade	Completed
Fenton technology	Completed
Microfiber reduction	Participated in learning sessions

7.4.2. ✓

Actions

Responsible Use of Freshwater

Shenzhou Group promotes responsible use of freshwater. Initiatives on water conservation include:

- Implement water balancing assessments at production bases to monitor and analyze water usage accurately;
- Encourage production bases to pursue water-saving enterprise certification, enhancing water management practices through third-party standards;
- Promote technological upgrades to reduce freshwater consumption. Water efficiency has been included as a key factor in the selection of new equipment.

Case Study: Effective Water Management

During the reporting period, a T1 facility from the Vietnam production base completed the Effective Water Management project and was recognized as one of the top 5 winners in the Watermark Contest 2025.

The project is deployed through:

System Solutions

- Establish a Leak Control Procedure;
- Monitor water consumption.

Technical Solutions

- Install a real-time electricity and water monitoring system;
- Install submeters for main water consumers;
- Leak detection;
- Reroute underground pipes to overground;
- Conduct water and energy audits.

Results achieved

- Leakage reduced;
- Cost savings;
- Reduce the impact on the local community.



Figure 9. Watermark Contest award certificate.

7.4. Water and Wastewater

7.4.2. Actions

Awareness Training

Water-saving awareness is reinforced through on-site communication measures, including signage in washrooms and drinking water areas, to encourage responsible water use among employees. Sensor-activated water-saving faucets and toilets have also been installed to reduce unnecessary water consumption.

Water Recycling

Condensate water recycling systems have been installed in Shenzhou Group's facilities. In the newly onboarded T1 facility at the Cambodia production base, condensate water recovery has been integrated into the new steam system. The water vapor from steam exhaust, drain valves, and the heat press table suction is condensed and recovered.

The Group operates Reverse Osmosis (RO) water recycling systems at Tier 2 facilities in both China and Vietnam. During the reporting period, Phase II of the RO project at the Vietnam T2 facility was completed and commissioned, adding approximately 5,000 t per day of permeate water capacity.

During the reporting period, the total capacity of the RO systems reached 20,000 t of permeate water per day. In 2025, the systems avoided approximately 5,473,252 t of freshwater withdrawal, significantly reducing reliance on external water sources.

Wastewater Management

Shenzhou Group strictly complies with applicable regulations and discharge standards to ensure compliance in wastewater management.

Wastewater treatment facilities are installed across all production bases to ensure that effluent is properly treated prior to discharge. Treated wastewater is monitored in real time by local authorities to meet regulatory requirements.

Wastewater testing under the Zero Discharge of Hazardous Chemicals (ZDHC) framework is conducted semi-annually at all facilities generating industrial wastewater. Those independent assessments cover the following tests:

- Restricted substances;
- Metals;
- Conventional wastewater quality parameters;
- Sludge.

During the reporting period, all in-scope facilities passed the ZDHC wastewater tests.

Water Risk Assessment

The Group has conducted a water risk assessment using the WWF Water Risk Filter⁴. The tool assesses physical, regulatory, and reputational risks at the sub-basin level.

Table 9. Risk types covered in the water risk assessment.

Categories	Risks
Physical Risk	• Water availability; • Drought; • Flooding; • Water quality; • Ecosystem services status.
Regulatory Risk	• Enabling environment; • Institutions & governance; • Management instruments; • Water, sanitation, and hygiene (WASH) infrastructure.
Reputational Risk	• Environmental factors; • Socioeconomic factors; • Additional reputational factors.

⁴ The WWF Water Risk Filter is an online tool available at: <https://riskfilter.org/water/home>

7.4. Water and Wastewater

7.4.2. Actions

According to the assessment result, major risks identified and corresponding mitigation or adaptation measures include:

Table 10. Shenzhou Group's response to water-related risks.

Risks	Concentrated Area(s)	Mitigation/Adaptation Measure(s)
Water Availability and Drought	Tay Ninh, Vietnam	- Facilities in the region source freshwater from a nearby basin assessed as having relatively low water stress; - Ongoing monitoring and water efficiency measures are implemented.
Flooding	Anhui, China Phnom Penh, Cambodia Tay Ninh, Vietnam	- Flood risks are considered in facility design, including elevation measures. - Production continuity plans and flood preparedness measures are in place to enhance operational resilience.
Water Quality	Anhui, China Ningbo, China Phnom Penh, Cambodia	- On-site freshwater treatment and purification systems are implemented to enhance resilience; - Wastewater treatment, discharge monitoring, and compliance management are strengthened.
Ecosystem Services Status	Ho Chi Minh City, Vietnam	Water audits are conducted, supported by continuous environmental monitoring and resource efficiency improvements.
WASH Infrastructure	Phnom Penh, Cambodia	- Drinking water is treated by purification systems; - On-site water supply and sanitation management are continuously improved.
Socioeconomic Factors	Anhui, China Ningbo, China	Ongoing stakeholder engagement and transparent environmental information disclosure are maintained.

7.4.3. Metrics

Table 11. Shenzhou Group's water consumption and wastewater discharge.

Categories	Metrics	Unit	2023	2024	2025
Water	Total consumption	ton	32,517,559	35,846,443	38,816,229
	Freshwater	ton	28,932,515	31,541,232	33,330,193
	Recycled water	ton	3,585,044	4,305,211	5,486,036
	Freshwater intensity	ton/1,000 pieces	71.0	61.3	61.0
Wastewater	Total wastewater discharge	ton	23,146,012	25,232,985	26,055,626
	Household wastewater	ton	2,756,180	3,131,390	3,650,273
	Industrial wastewater	ton	20,389,832	22,101,595	22,405,353
	Chemical oxygen demand (COD)	ton	602.9	773.6	1,139.7

7.5. CIRCULARITY

Effective waste and packaging material management represent key enablers of circularity in the textile and apparel sector. By embedding circular design principles and promoting material reuse and recovery, we enhance resource efficiency and reinforce compliance across our operations.

7.5.1. /

Waste Policy, Management, and Assessment

Shenzhou Group implements a structured approach to managing both non-hazardous and hazardous waste generated during operations. Building on this foundation, we continuously advance recycling and resource recovery initiatives. These measures help mitigate environmental risks while promoting circular economy practices and responsible production across our operations.

At production sites, Shenzhou Group applies a comprehensive management framework covering policy development, target management, digital operation & management, and audit & assessment. These measures are continuously applied and optimized in daily operations.

- **Policy development:** The Group has established and continuously enhanced a waste minimization management system, fully implemented across all facilities. The system integrates regulatory requirements, industry standards, and customer expectations, while clearly defining organizational responsibilities and waste management processes. It also incorporates ongoing monitoring of key performance indicators and is regularly reviewed and updated to ensure compliance and support continuous improvement;
- **Target management:** The Group has established short- and medium-term waste management targets. From 2020 to 2025, all production sites have strived for zero incineration and zero landfill in manufacturing processes, while simultaneously advancing Textile-to-Textile projects;
- **Digital operations and management:** The Group has developed an in-house waste management platform, complemented by a smart weighing system, enabling on-site measurement and data collection of major production waste. This data provides the foundation for subsequent statistical analysis, management, and tracking;
- **Audit and assessment:** The Group conducts on-site inspections and independent external audits to evaluate the effectiveness of waste management measures, ensuring continuous compliance with applicable regulations and requirements.

During the reporting period, all production sites maintained zero incineration and zero landfill for manufacturing waste. At the same time, across multiple external audits—including ISO 14001, Higg FEM, IPE monitoring, and local regulatory requirements—all sites achieved first-time compliance in waste management.

7.5.2. /

Actions and Metrics

With the ongoing introduction of new products and processes, production activities have become increasingly varied, increasing the complexity of waste management. During the reporting period, building on years of experience in policy and operations, the Group further focused its waste management efforts on transparency and accountability.

7.5.2.1. Transparency

The waste generated by Shenzhou Group during production mainly includes the following types:

- **Hazardous waste:** waste oils, ink-soaked rags, and waste inks;
- **Non-hazardous waste:** fabric waste, paper waste, plastic waste, food waste, and general domestic waste;
- **Reused:** cartons, paper tubes, plastic bags, and thread spools that can be reused multiple times across production sites depending on their condition.

The Group manages and disposes of the above waste in full compliance with legal and customer requirements. Designated storage areas are established to ensure safe storage, and only legally certified service providers are engaged for transportation and final disposal. Through clear classification and management practices, the Group continuously improves the traceability and efficiency of its waste management.

7.5. Circularity

7.5.2. Actions and Metrics

During the reporting period, the Group conducted multiple waste handling and process management training sessions across all production sites, covering frontline production, packing, and material handling staff. The sessions reinforced proper waste classification, packaging, and operational procedures, ensuring consistent implementation of waste management practices on the front line.

In addition to enhancing internal transparency, the Group also advances transparency across its waste-related supply chain. During the reporting period, suppliers involved in waste transportation

and disposal underwent comprehensive assessments covering legal certifications, transport compliance, treatment and operational capabilities, as well as production and on-site management practices.

Assessment results provided a critical basis for the Group to continuously screen, manage, and engage waste disposal suppliers, reinforcing oversight and reducing potential compliance and environmental risks.

Table 12. Shenzhou Group's waste generation, recycling, and packaging material consumption.

Waste Types	Indicator(s)	Unit	2023	2024	2025
Hazardous Waste	Total hazardous waste	ton	1,643	2,239	2,987
	<i>Hazardous waste intensity</i>	<i>kg/1,000 pieces</i>	<i>4.03</i>	<i>4.36</i>	<i>5.47</i>
Non-hazardous Waste	Total non-hazardous waste	ton	155,058	186,930	209,571
	Fabric waste	ton	60,110	75,067	81,276
	Paper waste	ton	13,290	18,278	22,318
	Plastic waste	ton	1,042	1,284	856
	Domestic waste	ton	8,007	8,402	11,259
	Food waste	ton	3,833	4,329	3,723
	Other waste	ton	68,774	79,570	90,139
	<i>Non-hazardous waste intensity</i>	<i>kg/1,000 pieces</i>	<i>211.81</i>	<i>363.63</i>	<i>383.54</i>
Reused	Total reused	ton	6,532	5,605	5,892
Finished product packaging materials	Total materials	ton	29,986	35,180	36,034
	<i>Intensity</i>	<i>ton/1,000 pieces</i>	<i>0.073</i>	<i>0.068</i>	<i>0.066</i>

- **Hazardous waste:** Main types are as described above;
- **Paper waste:** Includes waste cartons, paper tubes, and padding paper;
- **Domestic waste:** Covers total waste from both production and non-production operations;
- **Other waste:** Includes sludge, boiler ash;
- **Finished product packaging materials:** Includes cartons, adhesive tape, liner paper, and backing boards.

7.5. Circularity

7.5.2. Actions and Metrics

7.5.2.2. Green Package

The main plastic bags used in finished product packaging are mainly made of 100% recycled low-density polyethylene (LDPE) and linear low-density polyethylene (LLDPE). While we continue to explore alternative packaging solutions with customers, these recycled plastic bags currently provide the most practical balance between environmental impact, durability, water resistance, transparency, and cost.

7.5.2.3. Accountability

Shenzhou Group has implemented a value-driven hierarchical approach to waste management, progressively moving from basic disposal to high-value recycling and closed-loop circular solutions. Decisions are guided by detailed market research on local regulations, recycling value, downstream applications, and feasibility. This approach clarifies responsibilities, improves resource efficiency, and supports overall sustainability.

Case Study: High-Value Recycling Initiatives

Fabric waste represents one of the Group's primary waste streams. Historically, such waste was downcycled into lower-value textile products, such as socks. Through the implementation of a tiered waste management hierarchy and targeted supply chain assessments, we have progressively advanced toward closed-loop textile-to-textile recycling, enabling the reprocessing of 100% cotton and polyester-rich (>85%) waste into new products.

In parallel, source reduction initiatives—including cutting-plan optimization and equipment upgrades—are implemented to minimize waste generation at the origin, further enhancing resource efficiency and circularity across our operations.

During the reporting period, the Group has established a partnership with a recycling company to process high-content polyester waste using chemical recycling technology to convert fabric waste into regenerated fibers for yarn production, diverting over 800 tons of polyester-rich (>85%) waste from disposal.

In addition, for closed-loop cotton products, the Group participated as an early pilot supplier for a key brand customer by collecting production offcuts, sending them to certified recyclers, and incorporating regenerated yarn into new product development, advancing circularity in the value chain.

This strategy reflects a clear transition from traditional downcycling to high-value recycling and waste reduction, enhancing resource efficiency and strengthening accountability. It demonstrates the effectiveness of tiered management and closed-loop practices in delivering measurable environmental outcomes.

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8. COMBATING CLIMATE CHANGE

8.1. CLIMATE GOVERNANCE

Climate governance is integrated into Shenzhou Group's broader sustainability governance framework. The Group has established a three-tier climate governance structure comprising the Board of Directors, the Sustainable Development Council, and the ESG Department. The roles and responsibilities of each level are clearly defined and deeply integrated into the management functions and processes of the ESG governance framework. This enables top-down oversight and management of climate-related risks and opportunities.

Oversight

The Board has ultimate oversight of the Group's sustainability strategy, including climate-related risks and opportunities. During the reporting period, the Board reviewed key ESG developments and monitored progress against the Group's climate-related targets. The preliminary results of climate-related risk and opportunity identification were also reported to the Board.

Management

The Sustainable Development Council (SDC) serves as the primary management body overseeing sustainability matters, including the coordination of climate-related initiatives and resource allocation.

The SDC is chaired by the Chairman of the Board, with members including Executive Directors and senior management such as EVPs and SVPs. It regularly reviews and discusses the performance of climate change initiatives, ensuring the coordinated decision-making and effective implementation of climate governance. Progress on climate actions is reported to the Board through a formal ESG Report briefing on a semi-annual basis, with key issues reported to the Chairman at least monthly.

At the operational level, designated departments implement climate-related policies and initiatives within their respective functions. The Group's ESG Department provides centralized coordination, data management, and reporting support. In addition, the Group participates in external climate-related webinars and conducts internal training on climate-related risks and opportunities to ensure employees possess the necessary competencies to fulfil their responsibilities.

Further information on the Group's sustainability governance framework is provided in Section 5.

8.2.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

In 2025, Shenzhou Group updated its assessment of climate-related risks and opportunities to ensure alignment with evolving regulatory expectations and stakeholder requirements.

8.2.1. /

Identification Process

The identification process for climate-related risks and opportunities has been aligned with the LEAP methodology developed by the Taskforce on Nature-related Financial Disclosures (TNFD).

Table 13. Description of the LEAP method.

LEAP Phases	Application by Shenzhou Group
Locate	Identify interfaces with climate across operations and the value chain.
Evaluate	Evaluate environmental dependencies and impacts.
Assess	Identify and prioritize climate-related risks and opportunities.
Prepare	Develop responses and disclosures.

Locating Interface with Climate

The scope of identification covers Shenzhou Group's business model and value chain, including:

- **Direct operations:** fabric and apparel manufacturing activities;
- **Upstream value chain:** yarn production and raw material sourcing;
- **Downstream value chain:** brand customers, retail operations, and end users.

Evaluating Climate-Related Dependencies and Impacts

Potential climate-related environmental dependencies and impacts were identified with reference to authoritative frameworks, including the European Sustainability Reporting Standards.

Shenzhou Group depends on ecosystem services and natural resources, such as:

- Raw material;
- Reliable energy and water supply;
- Flood mitigation and climate regulation services.

The Group also contributes to environmental impacts, including:

- Greenhouse gas (GHG) emissions across scopes 1, 2, and 3;
- Water withdrawal and wastewater discharge;
- Energy consumption associated with manufacturing processes.

The identification of environmental dependencies and impacts forms the analytical basis for subsequent risk and opportunity assessment.

Through an internal screening process based on relevance and potential severity, eight key environmental dependencies and impacts were identified during the ESG materiality assessment. These were further evaluated through stakeholder engagement, incorporating both qualitative assessment and quantitative scoring across defined dimensions. Importantly, each dimension was scored separately before aggregation, ensuring methodological robustness.

8.2. CLIMATE-RELATED RISK AND OPPORTUNITIES

8.2.1. Identification Process

Assessing Climate-Related Risks and Opportunities

Climate-related risks and opportunities were identified based on the previously assessed dependencies and impacts. Existing mitigation and adaptation measures were incorporated into the assessment to evaluate residual risk exposure and opportunity potential. Financial materiality was assessed based on the magnitude and likelihood of potential financial effects, consistent with IFRS S2 requirements.

Scenarios

Climate-related risks and opportunities were evaluated under selected climate scenarios. The scenarios reflect a range of temperature outcomes and provide assumptions considering policy developments, carbon pricing trajectories, technology adoption, and physical climate hazards relevant to key production locations. For detailed description of scenario analysis, please refer to Section 8.3.

Time Horizons

Climate-related risks and opportunities are assessed across three defined time horizons. The selection reflects customers' targets, regulatory developments, and the Group's strategies.

Table 14. Definition of time horizons for climate-related risks and opportunities.

Time Horizons	Period	Rationale
Short-term	2025~2026	Rapid evolution of climate-related policies and regulatory requirements.
Mid-term	2027~2030	Alignment with customers' 2030 strategic milestones and the Group's 2030 science-aligned emissions reduction target.
Long-term	2031~2040	Increasing uncertainty related to long-term transition pathways and physical climate impacts.

Impact Threshold

For the purpose of prioritization, a substantial effect is defined as a climate-related risk or opportunity that could reasonably be expected to cause any of the following:

- Significantly affect revenue, operating costs, capital expenditure, or asset values;
- Disrupt production capacity or supply chain stability;
- Influence strategic decision-making or long-term competitiveness.

Risks and opportunities exceeding the defined threshold are classified as material and disclosed accordingly.

Risk Management

The process of identifying, assessing, prioritizing, and monitoring the Group's climate-related risks and opportunities has been integrated into the Group's overall risk management. For detailed information, please refer to Section 5.

8.2. CLIMATE-RELATED RISK AND OPPORTUNITIES

8.2.2.

Climate-Related Risks and Opportunities

Table 15. Climate-related risks and opportunities for Shenzhou Group.

Risks/Opportunities		Type(s)	Time Horizon(s)	Description
Transition Risks				
T1	Carbon pricing mechanisms	Policy and legal	Long-term	Carbon pricing, through mechanisms like cap-and-trade (CAT) and carbon taxes, is widely regarded as the primary policy tool for addressing the climate crisis. At the current stage, Shenzhou Group is not in scope for any carbon pricing mechanisms; It is still possible to be affected by policies like China's national ETS and the CBAM as their coverage expands.
T2	Transition to low-emission technology	Technology	Short-term; Mid-term; Long-term	Shenzhou's decarbonization relies on low-carbon technology, and the Group has undertaken extensive equipment upgrades and process innovations. However, the development and deployment of new technologies require continuous evaluation of feasibility and effectiveness.
T3	Increased cost of raw materials	Market	Short-term; Mid-term; Long-term	Changes in climate patterns may disrupt the production and yields of climate-sensitive raw materials. At the same time, more stringent climate-related regulations may drive customer requirements for environmentally friendly materials, leading to higher procurement costs.
T4	Changing customer behavior	Market, Reputation	Short-term; Mid-term; Long-term	Customers' product preferences may change according to their climate change adaptation actions. At the same time, they are likely to place greater scrutiny on the environmental impacts of the product.
Physical Risks				
P1	Extreme weather events	Acute	Short-term; Mid-term; Long-term	Climate change increases the frequency and severity of extreme weather events, including storms, flooding, droughts, and heatwaves, posing risks to assets, production continuity, and employee health and safety.
P2	Rising temperature	Chronic	Short-term; Mid-term; Long-term	Global temperature is projected to continue rising in the future, increasing thermal risks to employees, infrastructure, and equipment.
P3	Water stress	Chronic	Long-term	The industry is highly water-dependent, and projections indicate that our production bases will face heightened water risks in the future due to climate change.
Opportunities				
O1	Use of recycling	Resource efficiency	Short-term; Mid-term; Long-term	Recycling reduces dependence on virgin materials, optimizes resource utilization, and minimizes waste across the value chain.
O2	Use of low-carbon energy sources	Energy	Short-term; Mid-term; Long-term	The transition to a low-carbon economy is increasing the availability and competitiveness of low-carbon energy sources. This creates opportunities to reduce greenhouse gas emissions, limit exposure to carbon pricing and energy price volatility, and align operations with climate policies and customer decarbonization expectations.
O3	Participate in the low-carbon product market	Market	Short-term; Mid-term; Long-term	The transition to a low-carbon and circular economy is driving increased availability, maturity, and market acceptance of recycled materials. The global transition to a low-carbon economy is driving growing demand for products with lower greenhouse gas emissions. Participation in the low-carbon product market creates opportunities to develop and supply products that meet evolving regulatory requirements and customer sustainability expectations.
O4	Increased upstream value chain resilience	Resilience	Short-term; Mid-term; Long-term	Enhanced upstream resilience creates opportunities to improve supply continuity, reduce disruption risk, and support stable operations under a changing climate.

8.2. CLIMATE-RELATED RISK AND OPPORTUNITIES

8.2.3.

Business and Value Chain Impact

Table 16. Business and value chain impacts of climate-related risks and opportunities, and their concentrated areas.

Transition Risks	Risk T1: Carbon pricing mechanisms	Risk T2: Transition to low-emission technology	Risk T3: Increased cost of raw materials	Risk T4: Changing customer behavior
Business and value chain impact	- Increased operating costs due to carbon taxes or emissions trading schemes; - Enhanced regulatory compliance and administrative burden related to emissions monitoring, reporting, and verification requirements; - Reassess manufacturing distribution in light of carbon cost internalization.	- Early retirement of existing assets due to policy changes; - Lack of mature low-carbon technology in the market; - High upfront costs and long payback periods of new equipment; - Increased cost of R&D.	- Rising energy prices may drive up polyester prices; - Margin pressure due to volatility in raw material prices; - Changes in availability, quality, or cost of climate-sensitive raw materials; - Additional cost, compliance, and management burden for sustainable raw materials.	- Anticipated reduction in demand for high-emissions products, shifts in demand towards lower-carbon and sustainable products; - Highlighting the need for managing sustainability in the supply chain; - Corrective action needed from low-reputation suppliers.
Concentrated area	Cambodia, China, Vietnam	Cambodia, China, Vietnam	Cambodia, China, Vietnam	Canada, China, European Union, Japan, United States

Physical Risks	Risk P1: Extreme weather events	Risk P2: Rising temperature	Risk P3: Water stress
Business and value chain impact	- Physical damage to facilities; - Increased fire risk; - Decreased production capacity due to transport difficulties and supply chain interruptions; - Increased operating and maintenance costs arising from emergency responses and repairs.	- Reduced labor productivity and increased health and safety risks due to heat exposure; - High ventilation and air conditioning costs; - Equipment may require further maintenance, and its performance may be compromised.	- Reduced productivity due to insufficient water availability; - Increased customer focus on water-related impacts; - Capital expenditure for water efficiency upgrades; - Strict wastewater standards.
Concentrated area	Cambodia, China, Vietnam	Cambodia, China, Vietnam	China, Vietnam

Opportunities	Opportunity O1: Use of recycling	Opportunity O2: Use of low-carbon energy sources	Opportunity O3: Participate in the low-carbon product market	Opportunity O4: Increased upstream value chain resilience
Business and value chain impact	- Reduce lifecycle GHG footprint for products; - Reduce procurement cost for internally recycled items; - Opportunities to participate in circularity programs; - Enhance product differentiation and market competitiveness by offering products with higher recycled content.	- Reduce scope 1 and scope 2 greenhouse gas emissions, supporting climate targets; - Support customers' scope 3 GHG targets; - Enhance corporate reputation and customer confidence through demonstrable climate action; - Increase collaboration with energy providers, technology partners, and suppliers on decarbonization initiatives.	- Improve market positioning and competitiveness through meeting customers' needs for low-carbon products; - Increase investment in product innovation and process improvements.	- Reduce production disruption and improve the ability to meet customer delivery timelines; - Enhance diversification and robustness of the supplier base; - Improve transparency of sustainability risks across upstream suppliers
Concentrated area	Cambodia, China, Vietnam	China, Vietnam	Cambodia, China, Vietnam	Cambodia, China, Vietnam

8.3. SCENARIO ANALYSIS AND FINANCIAL IMPACT

8.3.1. Key Inputs

Scope

The scenario analysis covers Shenzhou Group's production bases and offices in Cambodia, China, and Vietnam. The assessment focuses on previously identified climate-related risks.

Time Horizons

The analysis adopts the same time horizon classification as the climate risk and opportunity assessment: short-term (2025–2026), mid-term (2027–2030), and long-term (2031–2040). Further details are provided in Section 8.2.1.

Key Assumptions

The scenario analysis is conducted based on the following assumptions:

- The assessment is conducted in 2025, with no significant changes expected in organizational boundaries over the defined time horizons;
- Existing mitigation and adaptation measures are assumed to continue as planned, without significant deviation due to changes in external conditions or internal resource availability.

Level of Risks

Climate-related risks are assessed using a Hazard–Exposure–Vulnerability (H–E–V) framework, which evaluates risk across three dimensions:

- Hazard: the severity and frequency of climate-related events;
- Exposure: the extent to which assets and operations are subject to these hazards;
- Vulnerability: the sensitivity and adaptive capacity of the Group's operations.

Based on this framework, risks are classified into three levels (low, medium, and high) to support prioritization and financial impact analysis.

Scenarios

Climate scenarios are selected based on their relevance to Shenzhou Group's strategy, stakeholder expectations, and data availability. Three scenario groups are applied to assess the Group's resilience under varying climate pathways.

Scenarios developed by the Network for Greening the Financial System (NGFS) are used to assess transition risks, while scenarios from the Intergovernmental Panel on Climate Change (IPCC) are applied to assess physical risks.

Table 17. Climate scenario selection.

Category	Scenario	Source
Low Scenario	SSP1-2.6	IPCC
	NZE2050	NGFS
Medium Scenario	SSP2-4.5	IPCC
	NDCs	NGFS
High Scenario	SSP5-8.5	IPCC
	Current Policies	NGFS

These scenarios represent a range of temperature pathways and policy environments, enabling the Group to evaluate potential financial impacts under both orderly and disorderly transition pathways, as well as under increased physical climate risks.

8.3. SCENARIO ANALYSIS AND FINANCIAL IMPACT

8.3.2.

Transition Risk Analysis

Scenarios developed by the Network for Greening the Financial System are used to assess transition risks under different policy and decarbonization pathways:

Table 18. Description of transition risk scenarios.

Scenario	NZE2050: Net Zero 2050	NDCs: Nationally Determined Contributions	Current Policies
Description	This scenario limits global warming to 1.5°C through immediate and stringent climate policies, achieving global net zero CO ₂ emissions around 2050. It assumes rapid policy implementation, technological advancement, and strong market responses.	This scenario reflects all pledged climate commitments, including those not yet fully implemented. It assumes moderate and regionally uneven climate ambition, broadly consistent with policy trajectories as of 2024.	This scenario assumes that only currently implemented policies are maintained, without further strengthening. It results in limited transition progress and significantly higher physical climate risks.
2100 Temperature Rise Alignment	1.4°C	2.3°C	3°C

Table 19. Scenario analysis result of transition risks.

Transition Risk	Relevance and Assumptions	O Low Risk			O Medium Risk			O High Risk		
		NGFS NZE2050			NGFS NDCs			NGFS Current Policies		
		2027	2030	2040	2027	2030	2040	2027	2030	2040
Carbon pricing mechanisms	Based on current policy developments, the likelihood of carbon pricing mechanisms directly applying to the Group's operations is expected to remain low in the short to mid-term.	Low	Low	Low	Low	Low	Medium	Low	Low	Medium
Transition to low-emission technology	Risks are primarily assessed based on potential increases in energy costs associated with the renewable energy transition. In addition, the gap between the decarbonization potential of existing technologies and the emissions reduction targets is evaluated. Policy uncertainty is also considered.	Medium (Cambodia) Low (others)	Low	High	Medium (Cambodia) Low (others)	Low	Medium	Low	Low	Low
Increased cost of raw materials	The global transition to a low-carbon economy may increase the cost of energy-intensive materials and conventional manufacturing inputs, leading to higher procurement costs and associated expenses.	Low	Low	Medium	Low	Low	Medium	Low	Low	Low
Changing customer behavior	Increasing expectations from consumers, brand customers, and international organizations regarding the low-carbon transition may drive changes in product demand.	Low	Low	Medium	Low	Low	Medium	Low	Low	Low

8.3. SCENARIO ANALYSIS AND FINANCIAL IMPACT

8.3.3.

Physical Risk Analysis

Physical climate risks are assessed using scenarios from the IPCC Sixth Assessment Report, which combines Shared Socioeconomic Pathways (SSPs) with radiative forcing levels:

Table 20. Description of physical risk scenarios.

Scenario	SSP1-2.6: Sustainability	SSP2-4.5: Middle of the Road	SSP5-8.5: Fossil-fueled Development
Description	A pathway characterized by a global shift towards sustainable development, with improved resource efficiency and strong environmental governance. Radiative forcing reaches approximately 2.6 W/m ² .	A continuation of historical socio-economic trends, with uneven development and moderate climate policies. Radiative forcing reaches approximately 4.5 W/m ² .	A high-emissions pathway driven by rapid economic growth and continued reliance on fossil fuels. Radiative forcing reaches approximately 8.5 W/m ² .
2100 Temperature Rise Alignment	1.8°C	2.7°C	4.4°C

Table 21. Scenario analysis result of physical risks.

Physical Risks	Relevance and Assumptions	Site	○ Low Risk ○ Medium Risk ○ High Risk								
			IPCC SSP1-2.6			IPCC SSP2-4.5			IPCC SSP5-8.5		
			2027	2030	2040	2027	2030	2040	2027	2030	2040
Extreme weather events	This risk is primarily driven by extreme precipitation, including typhoons and storm events. Very heavy precipitation is defined as daily rainfall exceeding 20 mm, in accordance with the Expert Team on Climate Change Detection and Indices (ETCCDI). Projections are based on CMIP6 5data, with risk assessed considering existing adaptation capacity.	Ningbo	23	17	19	14	16	18	18	22	16
		Anhui	39	23	26	29	23	28	27	29	24
		Vietnam	65	62	63	52	63	61	54	59	63
		Cambodia	67	69	66	50	72	71	47	68	73
Rising temperature	This risk is assessed using the Heat Index (HI), as defined by the National Oceanic and Atmospheric Administration (NOAA). Projections are derived from CMIP6 data, with results quantified as the annual number of "extreme caution" days as defined by NOAA. Risk classification considers both the frequency of heat exposure and regional differences in adaptation capacity, particularly between tropical and subtropical locations, which may influence impacts on labor productivity, occupational health, and cooling demand.	Ningbo	32	30	30	29	25	21	37	39	24
		Anhui	72	60	55	63	61	59	52	59	55
		Vietnam	204	195	195	182	196	192	191	195	207
		Cambodia	187	159	160	137	170	158	169	172	168
Water stress	Water scarcity risks are assessed using the WWF Water Risk Filter. Temporal interpolation is applied to align source data with defined time horizons.	Tay Ninh, Vietnam	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium
		Others	Low	Low	Low	Low	Low	Low	Low	Low	Low

⁵ CMIP6 refers to the Coupled Model Intercomparison Project Phase 6, as referenced in the IPCC Sixth Assessment Report. Climate projections are based on selected CIMP6 models, with NESM3 applied for extreme weather analysis and FGOALS-g3 applied for temperature projections.

8.3. SCENARIO ANALYSIS AND FINANCIAL IMPACT

8.3.4. Resilience

Shenzhou Group has developed resilience to climate-related risks through the implementation of mitigation and adaptation measures, as detailed in Section 8.4.1.

Based on the scenario analysis described above, the Group has assessed the resilience of its business model and strategy under a range of climate pathways, including low-, medium-, and high-emissions scenarios. The results indicate that transition risks remain manageable in the short to mid-term, supported by ongoing decarbonization initiatives and alignment with customer climate targets.

For physical risks, certain production locations—particularly in tropical and coastal regions—may face increased exposure to extreme heat and precipitation under higher-emissions scenarios. The Group has incorporated these findings into its risk management processes, enhancing infrastructure resilience, resource efficiency, and emergency response capabilities.

Overall, the Group considers its current strategy to be resilient under the assessed scenarios. Continuous monitoring of climate developments, alongside periodic updates to scenario analysis, will be undertaken to ensure ongoing alignment with evolving climate risks and regulatory expectations.

8.3.5. Financial Impacts

Financial impacts of climate change have been analyzed based on scenario analysis results and available data.

Risk T1: Carbon Pricing Mechanisms

During the reporting period, Shenzhou Group was not directly subject to any carbon pricing mechanisms, and no material financial impact was identified. Under the most adverse scenario assessed, the potential financial impact is estimated at approximately RMB73 million in additional costs in the long term, representing less than 0.3% of revenue, and is therefore not considered financially material. This estimate remains subject to uncertainty, particularly with respect to potential expansion in policy scope and fluctuations in carbon pricing levels.

Risk T2: Transition to Low-Emission Technology and Opportunity O2: Use of Low-Carbon Energy Sources

During the reporting period, the transition to low-emission technologies resulted in increased energy-related costs, primarily associated with thermal decarbonization and the procurement of renewable electricity. The total additional expenditure amounted to approximately RMB16 million.

Under the medium scenario, the cost impact is estimated to be below 0.3% of revenue in the short term, and below 0.6% in the mid- to long-term. Under the low-emissions scenario, which assumes the most stringent decarbonization pathway, the associated cost increase is estimated to remain below 0.6% of revenue across the short-, mid-, and long-term.

These estimates are subject to uncertainty, particularly due to potential fluctuations in off-site renewable electricity prices and broader energy market dynamics. In addition, the quantification currently covers only energy-related costs associated with the renewable energy transition. Other potential cost components—such as manpower for energy management, capital expenditure for equipment upgrades, and investment in emerging technologies—are not included due to limitations in data availability and allocation methodologies.

8.3. SCENARIO ANALYSIS AND FINANCIAL IMPACT

8.3.5. Financial Impacts

Risk T3: Increased Cost of Raw Materials

The transition to a low-carbon economy may lead to increased costs of raw materials, particularly for carbon-intensive inputs and conventional manufacturing materials, as suppliers pass through higher energy, compliance, and decarbonization costs.

During the reporting period, Shenzhou Group incurred expenditure related to the procurement of sustainable raw materials, and such costs are expected to continue across the short-, mid-, and long-term. However, the Group is currently unable to quantify the associated financial impact with sufficient accuracy due to limitations in cost allocation and consolidation methodologies.

Risk T4: Changing Customer Behavior and Opportunity O3: Participate in the Low-Carbon Product Market

During the reporting period, Shenzhou Group actively participated in customers' decarbonization initiatives as well as participated in the development and production of low-carbon products to meet evolving expectations. No material financial impact has been identified to date.

Looking ahead, changes in customer preferences towards lower-carbon products may influence product mix and investment priorities. The Group considers this transition to present both potential financial risks and opportunities, depending on its ability to respond to evolving market demand.

Risk P3: Water Stress

Shenzhou Group has invested RO water recycling systems in China and Vietnam to reduce freshwater demand. These investments resulted in capital expenditure in prior years and continued to incur operational costs. However, they also contribute to reduced freshwater procurement costs and enhance the Group's resilience to water stress.

Due to uncertainties in future conditions, limitations in quantification approaches, and the lack of robust financial allocation methodologies, the Group is currently unable to provide detailed financial metrics for certain other climate-related risks and opportunities. Relevant impacts are qualitatively described in Section 8.2.2.

8.4. CLIMATE ACTION

8.4.1. /

Climate Strategy

In response to climate-related risks and opportunities while strengthening resilience to climate change in future uncertainties, Shenzhou Group has developed and deployed a series of strategies related to climate change, including:

Governance, Measurement, and Transparency

To ensure robust decision-making and regulatory alignment, the Group strengthens climate governance and data systems:

- Enhance GHG accounting methodologies across scope 1, scope 2, and scope 3, improving data precision through verification;
- Set science-based GHG reduction targets and track performance against interim milestones;
- Monitor developments in carbon pricing mechanisms and climate-related regulations across operating jurisdictions;
- Improve traceability and transparency of climate data across the supply chain;
- Participate in customer-initiated life cycle assessment (LCA) projects;
- Strengthen supply chain sustainability due diligence.

Decarbonization of Operations (Mitigation)

The Group prioritizes decarbonization of manufacturing operations through energy structure transition and efficiency improvements:

Energy Transition and Thermal Decarbonization

- Phase out on-site coal use;
- Explore thermal decarbonization solutions, including feasibility studies for industrial heat pumps;
- Install roof-top solar photovoltaic systems;
- Participate in off-site renewable electricity trading and wind farm projects.

Energy Efficiency

- Implement comprehensive energy efficiency projects across production bases;
- Install energy-efficient air conditioning and ventilation systems;
- Introduce passive ventilation solutions to reduce cooling demand;
- Improve operational efficiency and reduce energy intensity through automation upgrades.

These measures reduce exposure to transition risks, including carbon pricing and regulatory tightening, while lowering operating costs over the medium to long term.

Climate Resilience and Physical Risk Adaptation

Given the exposure of production bases to extreme weather events, the Group enhances physical resilience through:

- Strengthen flood defense through infrastructure upgrade and maintenance;
- Enhance fire prevention systems and develop climate-resilient facility design;
- Implement heat stress management measures to safeguard workforce health and safety;
- Establish near-shore sourcing strategies to minimize disruptions during climate-related events.

These actions strengthen operational continuity under higher-emissions and high-physical-risk scenarios.

8.4. CLIMATE ACTION

8.4.1. Climate Strategy

Sustainable Water and Resource Management

Recognizing water as a critical climate-related dependency, the Group advances water stewardship by:

- Conduct water risk assessments across production bases;
- Install reverse osmosis (RO) water recycling to reduce freshwater withdrawal;
- Increase condensate recovery and recycling;
- Improve water efficiency across dyeing and finishing processes;
- Strengthen wastewater treatment systems to meet regulatory and environmental standards.

In parallel, circular resource management is enhanced through:

- Participate in production waste recycling projects;
- Increase the use of recycled content;
- Support traceability systems.

These initiatives reduce both physical water risk exposure and environmental impact intensity.

Value Chain Transformation and Low-Carbon Product Strategy

Climate resilience extends beyond direct operations to upstream and downstream value chains. The Group therefore advances:

Supply Chain Resilience

- Diversify suppliers to mitigate geographic concentration risks;
- Deploy near-shore procurement strategies to reduce logistics-related emissions and disruption risks;
- Implement supply chain sustainability due diligence to build readiness for climate-related legislation.

Sustainable Materials and Product Innovation

- Participate in sustainable material certifications;
- Invest in R&D for sustainable and low-carbon materials;
- Collaborate with customers on low-carbon product development, emissions reduction targets, and data transparency.

8.4.2.

Life Cycle Assessment

To address the uncertainties driven by emerging legislations such as the Digital Product Passport (DPP) and Carbon Border Adjustment Mechanism (CBAM), Shenzhou Group is participating in life-cycle assessment (LCA) projects with customers.

These assessments are conducted adhering to widely recognized standards:

- *Environmental Management – Life Cycle Assessment – Principles and Framework* (ISO 14040:2006);
- *Environmental Management – Life Cycle Assessment – Requirements and Guidelines* (ISO 14044:2006);
- *Greenhouse Gases – Carbon Footprint of Products – Requirements and Guidelines for Quantification* (ISO 14067:2018).

In the past 5 years, Shenzhou Group has participated in LCA projects with customers and third parties as follows:

- Conducted gate-to-gate assessments for selected products in collaboration with customers;
- Supported pilot cradle-to-gate assessments for low-carbon product development initiatives;
- Applied product carbon footprint methodologies, focusing on resource consumption and emissions during the manufacturing stage;
- Encouraged core suppliers to enhance product-level carbon transparency;
- Collected value chain energy data to enable future assessments.

8.5.

CLIMATE-RELATED TARGETS AND PERFORMANCE

8.5.1.

Climate-Related Targets

Science-Aligned GHG Reduction Target

Shenzhou Group has established a group-wide greenhouse gas (GHG) emissions reduction target to support science-aligned decarbonization. The Group commits to reducing absolute scope 1 and scope 2 GHG emissions by 42% by 2030 from a 2020 baseline, calculated using the market-based method and following a linear reduction pathway. The target is aligned with the temperature goal of the Paris Agreement to limit global warming to 1.5°C.



Figure 10. 2020-2030 GHG emission reduction pathway and the latest performance.

The target has been validated by Cascale under the Manufacturer Climate Action Program (MCAP). Progress against the target is disclosed annually through the CDP. Internally, performance is monitored and reported to the Board on a semi-annual basis.

In 2025, the Group's combined scope 1 and scope 2 emissions were 914,145 tCO₂e, representing a 21% reduction compared with the 2020 baseline, consistent with the targeted decarbonization trajectory. The reduction is primarily attributable to:

- Expansion of renewable electricity use through both on-site solar PV installations and off-site renewable energy procurement;
- Progressive replacement of coal with biomass;
- Continuous implementation of energy efficiency management programs and equipment upgrades.

Looking ahead, Shenzhou Group will continue to align its strategy with the GHG emissions reduction target. While ongoing renewable energy deployment and efficiency improvements are expected to contribute further reductions in the near term, achieving deeper decarbonization in the mid-term (2027–2030) may become more challenging as the available renewable energy transition potential is progressively realized. Future emissions reductions may therefore increasingly depend on further electrification of thermal processes and the technological maturity and cost-effectiveness of other emerging low-carbon solutions.

Other Targets

Besides, Shenzhou Group has set other climate-related targets, including:

- Achieve 50% of renewable electricity usage in T1 facilities by 2025;
- Achieve 20% of renewable electricity usage in T2 facilities by 2025;
- Phase out on-site coal use in all production bases no later than 2030.

For details on the performance, please refer to Section 7.3.

8.5. CLIMATE-RELATED TARGETS AND PERFORMANCE

8.5.2.

GHG Emissions

8.5.2.1. Scope 1 & Scope 2 Emissions

Table 22. Shenzhou Group's scope 1 and scope 2 greenhouse gas emissions.

Metric	Unit	2023	2024	2025
Scope 1: Direct GHG emissions				
Coal	tCO ₂ e	418,070	379,020	359,030
Biomass*	tCO ₂ e	695	2,627	4,113
Natural Gas	tCO ₂ e	116,833	119,876	119,216
LPG	tCO ₂ e	2,891	3,533	3,870
Diesel	tCO ₂ e	3,292	3,293	3,872
Petrol	tCO ₂ e	87	134	438
Fugitive Emissions	tCO ₂ e	860	**	**
Scope 2: Indirect GHG emissions from imported energy				
Purchased Electricity (Location-Based)	tCO ₂ e	/	/	427,637
Purchased Electricity (Market-Based)	tCO ₂ e	226,960	192,194	133,874
Purchased Steam	tCO ₂ e	257,207	265,017	289,733
Total (Location-Based)	tCO ₂ e	/	/	1,207,909
Total (Market-Based)	tCO ₂ e	1,026,895	965,694	914,145
GHG Intensity (Market-Based)	tCO ₂ e/1,000 pieces	2.52	1.88	1.67

* In accordance with the *Greenhouse Gas Protocol* and the *2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories*, CO₂ emissions from biomass combustion are excluded from total GHG emissions.

** The estimated fugitive emission is less than 5% of the total scope 1 and scope 2 emissions. According to *SBTi Criteria and Recommendations*, companies may exclude up to 5 percent of scope 1 and scope 2 emissions combined in the boundary of the inventory and target.

The changes in scope 1 and scope 2 emissions during the reporting period were primarily driven by:

- Expansion of roof-top solar photovoltaic systems and increased procurement of off-site renewable electricity;
- Continued coal phase-out at the Vietnam T2 facility;
- Growth in production capacity, particularly following the commissioning of new facilities in Cambodia and Vietnam.

Methodology

Shenzhou Group reports greenhouse gas emissions in accordance with the *Greenhouse Gas Protocol Corporate Accounting and Reporting Standard* using the operational control approach. The organizational and operational boundaries of the GHG inventory are consistent with the reporting boundary of the ESG Report.

Since 2025, the Group has additionally disclosed location-based scope 2 emissions. No other significant changes to measurement approaches, inputs, or assumptions occurred during the reporting period.

Grid electricity emission factors are sourced from the International Energy Agency (IEA) and the Ministry of Ecology and Environment of the People's Republic of China (MEE), while other energy emission factors follow the *2006 IPCC Guidelines for National Greenhouse Gas Inventories* and its refinement.

8.5. CLIMATE-RELATED TARGETS AND PERFORMANCE

8.5.2. GHG Emissions

8.5.2.2. Scope 3 Emissions

Table 23. Shenzhou Group's scope 3 greenhouse gas emissions.

Metric	Unit	2025
Upstream Value Chain		
Category 1: Purchased goods and services	tCO ₂ e	1,330,824
Category 2: Capital goods	tCO ₂ e	73,868
Category 3: Fuel and energy related activities (not included in scope 1 or 2)	tCO ₂ e	158,478
Category 4: Upstream transportation and distribution	tCO ₂ e	33,525
Category 5: Waste generated in operations	tCO ₂ e	49,141
Category 6: Business travel	tCO ₂ e	564
Category 7: Employee commuting	tCO ₂ e	26,874
Category 8: Upstream leased assets	tCO ₂ e	0
Downstream Value Chain		
Category 9: Downstream transportation and distribution	tCO ₂ e	22,317
Category 10: Processing of sold products	tCO ₂ e	0
Category 11: Use of sold products	tCO ₂ e	1,979,763
Category 12: End-of-life treatment of sold products	tCO ₂ e	198,811
Category 13: Downstream leased assets	tCO ₂ e	0
Category 14: Franchises	tCO ₂ e	0
Category 15: Investments	tCO ₂ e	0
Total	tCO ₂ e	3,874,164

Methodology

The inventory of Scope 3 greenhouse gas emissions at the group level is conducted with reference to the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) and the ISO 14064-1 standard, and is carried out by a professional third-party organization.

8.5.2.3. Assurance

The 2025 GHG inventory, including scope 1, scope 2, and scope 3, has been verified by BV in accordance with ISO14064-3:2019.

Greenhouse Gases Verification Statement

Client SHENZHOU INTERNATIONAL GROUP HOLDINGS LIMITED
[18 Yongliang Road, Ningbo Economic and Technical Development Zone, Ningbo, Zhejiang Province, PRC]

Responsible Party Same as the client

Verification Criteria ISO 14064-3:2019

Organizational boundary [Please refer to content page]

Assurance Level Reasonable Assurance

Materiality 5%

Conclusion The Greenhouse Gas Emission reported by the responsible party during the period from Jan. 1st, 2025 to Dec. 31st, 2025 has been verified:

- The greenhouse gas emission (Location-based) of Category 1 to Category 6 (Scope 1 to Scope 3) was 5,082,072.64 t CO₂ equivalent
- The greenhouse gas emission (Market-based) of Category 1 to Category 6 (Scope 1 to Scope 3) was 4,788,309.44 t CO₂ equivalent

Based on the process conducted, Bureau Veritas found that the GHG assertion:

- was materially correct and was a fair representation of GHG data and information
- was prepared in accordance with the requirements of ISO 14064-1:2018

Statement No. CN33-01-S-2604-0013

Report No. 10260131529

Date of issue Apr. 10th, 2026

If you need to further understand the scope of verification and the scope of application of this statement, you can consult the holder.

The purpose of the GHG verification is to determine the accuracy and reliability of the responsible party's claims in accordance with the verification criteria. The GHG Statement is issued by Bureau Veritas as a third-party verification and verification body based on claims made by the Responsible Party. The data and information supporting the claims are obtained from the responsible party and are not subject to audit. The responsible party is responsible for the claims and its compliance with the requirements of the corresponding regulation. This statement does not release the responsible party of its responsibility to comply with any applicable laws, regulations, standards or requirements, or any other applicable standards. In case of any dispute or litigation, the responsible party shall remain the sole party responsible for the claims. Bureau Veritas shall have no liability to parties other than the Responsible Party.

Bureau Veritas

Bureau Veritas, L'Oréal China Company Limited
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Figure 11. Greenhouse Gases Verification Statement.

SOCIAL RESPONSIBILITY

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9. SOCIAL RESPONSIBILITY

9.1. SOCIAL TARGETS AND PERFORMANCE

Table 24. Social targets summary.

Targets	Target Year	Status	2025 Performance
Women Leadership			
All facilities should roll out Women Leadership Program	2025	✓	100% facilities implemented Women Leadership Program
Employee Satisfaction			
All facilities should conduct Employee Satisfaction Survey	2025	✓	100% facilities conducted Employee Satisfaction Survey
Workplace Facilitator			
All facilities should have at least 1% of their site workers nominated as the workplace facilitators	2025	✓	Over 1% of workers were nominated as the workplace facilitators
Employee Health and Safety			
Zero tolerance on major work-related injuries and deaths	Annually	✓	No major work-related injuries or deaths at all facilities in the reporting period
All Tier 1 facilities should conduct Matured Safety Culture Program	2025	✓	100% facilities conducted Matured Safety Culture Program
Community Investment			
All facilities should roll out community care activities	Annually	✓	100% facilities conducted community care activities in the reporting period

Note: ✓ Achieved ○ On track × Lag behind

9.2.

MANAGEMENT COMMITMENT AND POLICY

Shenzhou Group places employees at the center of its business and is committed to fostering a safe, equitable, and inclusive working environment across its operations. The Group integrates respect for human rights, employee development and diversity, and occupational health and safety into its management practices and day-to-day operations to support sustainable growth.

Respect for the fundamental rights of every employee is a core principle of the Group's operations. Shenzhou Group maintains a zero-tolerance approach to child labor, forced labor, and any form of discrimination, and is committed to ensuring a fair, safe, and respectful workplace for all employees.

9.2.1.

Governance Structure

The Group's SDC is responsible for approving relevant policies, overseeing the governance of key human rights issues, reviewing major risks and improvement initiatives, and ensuring appropriate resource allocation and annual performance reviews.

9.2.2.

Policies

The Group has established a set of core policies, including the *Human Rights Policy*, *Employee Diversity Policy*, and *Occupational Health and Safety Policy*. These policies apply across all business units and production facilities, promoting diversity and inclusion, preventing discrimination, and fostering a strong culture of occupational health and safety. The policies are publicly available at: <https://www.shenzhouintl.com/corporate-governance/guidelines-policies>.

9.2.3.

Management Commitment and Practices

To put its commitments into action, the Group focuses on the following six principles:

- **Lawful and compliant employment:** Opposing all forms of forced labor, child labor, and human trafficking;
- **Respect for human dignity:** Prohibiting discrimination, harassment, and inhumane treatment;
- **Occupational health and safety:** Continuously improving working conditions and strengthening risk management;
- **Working hours and fair compensation:** Ensuring employees' rights to rest, leave, and lawful remuneration in accordance with applicable laws and regulations;
- **Communication and grievance mechanisms:** Providing multiple safe channels for raising concerns, ensuring timely resolution, and strictly prohibiting retaliation;
- **Value chain coverage:** Extending human rights requirements to supply chain partners through human rights due diligence, audits, and corrective action processes, promoting continuous improvement.

The Group strictly complies with the laws and regulations of the countries where it operates, as well as relevant international standards, industry guidelines, and customer code of conduct. This ensures that its commitments are effectively implemented across its global operations and supply chain. Implementation measures and related performance are detailed in the following sections, including the prevention of child and forced labor, the management of working hours and compensation, occupational health and safety practices, and employee grievance and communication mechanisms.

9.2. MANAGEMENT COMMITMENT AND POLICY

9.2.4.

Social Responsibility Audits and Performance

To ensure the effective implementation of our commitments, the Group engages qualified third-party or second-party organizations each year to conduct labor and occupational health and safety (OHS) audits and risk assessments across all production facilities. These assessments ensure that our management systems remain aligned with applicable laws, international standards, and customer requirements.

During the reporting period, our production facilities completed 73 external social responsibility audits⁶, covering all customer-dedicated facilities. The first-time pass rate reached 100%, and the Group has consistently maintained the highest rating in customer assessment systems for several consecutive years.

Based on audit findings and recommendations, each production facility develops and implements Corrective Action Plans (CAPs) to further strengthen management practices and compliance performance. In addition, the Group conducted third-party due diligence within our supply chain during the reporting period. Relevant management approaches and performance outcomes will be further disclosed in Section 10 of this Report.

As a strategic partner to our customers, the Group ensures full compliance with social audit requirements while proactively addressing key topics such as worker engagement, women empowerment, workplace safety, and fair compensation. We maintain ongoing dialogue with customers on sustainability priorities and future development directions, and continuously promote improvements in social performance across both our operations and the broader supply chain.

⁶ Social responsibility audits include programs such as the Social & Labor Convergence Program (SLCP) and Better Work. These audits are conducted in accordance with relevant standards, including international standards, applicable national laws and regulations in the countries where we operate, industry standards, and customer requirements.

9.3. EMPLOYEE AND LABOR MANAGEMENT

Shenzhou Group is committed to creating an efficient, inclusive, and well-managed workplace that supports both operational excellence and employee well-being. Through continuous improvements in management practices and employee care initiatives, the Group fosters the shared growth of the Group and its employees. Aligned with its localization strategy, the Group also provides employees with stable employment and long-term career development opportunities.

9.3.1.

Prevention of Child Labor and Forced Labor

The Group adopts a zero-tolerance policy toward child labor and forced labor and strictly prohibits any such practices within its operations and supply chain. Through a comprehensive management approach, the Group continuously identifies and mitigates related risks across key stages, including employee recruitment, employment management, and supplier management. The Group has also established effective reporting and grievance mechanisms to ensure that potential issues can be identified and addressed in a timely manner. In cases of suspected violations, the Group will initiate a prompt investigation, implement corrective actions, and continuously improve relevant management procedures.

Key Measures

- **Recruitment screening:** Conduct identity verification and background checks during onboarding to identify potential risks related to forced labor;
- **Employment management:** Conduct regular or unannounced human rights and labor audits covering employment contracts, working hours, wages, and employee rights;
- **Supplier management:** Implement annual supplier audits and follow up on corrective actions, supported by effective communication and grievance mechanisms;
- **Corrective and preventive actions:** Initiate prompt investigations for suspected cases, implement tiered corrective measures, and continuously improve relevant policies and management processes.

9.3.2.

Working Hours and Overtime Management

Employee well-being and fair compensation are key enablers of sustainable development. The Group has established a multi-department oversight framework to manage working hours and compensation. Under the *Policy on Leave and Attendance Management*, the Group sets clear standards for working hours, overtime, and wage payments. All overtime work must be properly approved, and wages are paid in full and on time in accordance with statutory requirements. The Group also uses a digital attendance management system to monitor working hours in real time.

Key Measures

- **Working hours standards:** Comply with the most stringent national, regional, industry, and customer requirements. Working hours are acknowledged by employees;
- **Overtime management:** Overtime must be pre-approved through management and confirmed by customers where necessary;
- **Compensation guarantee:** Overtime is paid at statutory rates and processed accurately and on time via digital systems;
- **Digital monitoring:** The digital attendance system is integrated across multiple platforms, recording working hours in real time and providing dynamic alerts.

9.3. EMPLOYEE AND LABOR MANAGEMENT

9.3.3.

Leave Entitlements

Legally entitled leave is essential to protect employees' right to rest, promote work-life balance, and support sustainable productivity. The Group views adequate leave as crucial for employees' physical and mental recovery and for encouraging innovation. Policies clearly outline leave entitlements, application, and approval procedures, and ensure that employees can take leave without work-related interruptions.

Key Measures

- **Leave application:** Employees can submit leave requests and have them approved through the proper process;
- **Leave protection:** Employees are generally relieved of work responsibilities during leave, with urgent matters handled by management or designated team members.

9.3.4.

Freedom of Association

The Group recognizes that employees' right to freely associate and participate in representative bodies is fundamental to healthy, balanced, and sustainable labor relations, and plays a key role in supporting democratic management and long-term governance. To enable this, the Group fosters employees' lawful exercise of association rights through policies, resource support, and cultural initiatives.

Key Measures

- **Organizational participation:** Employees are empowered to voluntarily join and actively participate in employee representative bodies;
- **Collective bargaining:** Employees are engaged in collective bargaining and negotiations;
- **Protection against interference:** The Group strictly prohibits any form of interference, discrimination, or retaliation.

9.3. EMPLOYEE AND LABOR MANAGEMENT

9.3.5.

Metrics

The effectiveness of management measures and the strong employee commitment to the Group's development established a solid talent foundation to support sustainable operations. By the end of the reporting period, the Group's total employee number reached 108,680, while the monthly average turnover rate remained below 3% for three consecutive years.

Table 25. Workforce composition.

Types	Metric(s)	Unit	2023	2024	2025
Overall	Overall number of employees	Person	92,030	102,690	108,680
By gender	Female	Person	66,575	73,146	77,753
	Male	Person	25,455	29,544	30,927
By age group	Below 20 years	Person	6,510	7,989	7,357
	21-40 years	Person	68,008	75,004	79,395
	41-50 years	Person	14,446	16,164	17,702
	51 years and above	Person	3,066	3,533	4,226
By contract type	Short-term	Person	6,857	8,535	1,988
	Fixed-term	Person	66,886	72,935	88,439
	Permanent	Person	18,287	21,220	18,253
By education level	Secondary education or below	Person	65,855	73,238	73,293
	Vocational or high school	Person	20,400	26,885	27,921
	Bachelor's degree or associate degree	Person	5,725	2,481	7,365
	Master's degree or above	Person	50	86	101
By production base	Cambodia	Person	21,557	24,961	28,750
	China	Person	37,960	41,319	42,054
	Vietnam	Person	32,513	36,410	37,876

- **Short-term employees:** Employees with a fixed-term employment contract of less than one year, or employed under other short-term agreements (e.g., internship or rehire agreements);
- **Fixed-term employees:** Employees with a fixed-term employment contract of one year or longer;
- **Long-term employees:** Employees with an open-ended employment contract or a long-term employment agreement.

9.3. EMPLOYEE AND LABOR MANAGEMENT

9.3.5. Metrics

Table 26. Employee turnover rate.

Types	Metric(s)	Unit	2023	2024	2025
Overall	Overall turnover rate	%	2.87	2.92	2.88
By gender	Female	%	2.13	2.03	2.71
	Male	%	0.83	0.89	2.97
By age group	Below 20 years	%	0.33	0.45	6.12
	21-30 years	%	1.39	1.37	3.73
	31-40 years	%	0.96	0.87	2.30
	41-50 years	%	0.22	0.20	1.22
	51 years and above	%	0.07	0.04	1.51
By production base	Cambodia	%	2.84	3.30	3.78
	China	%	2.79	2.69	2.26
	Vietnam	%	2.94	2.91	2.91

Note: During the reporting period, the methodology for calculating turnover rates by employee type was refined to better reflect workforce mobility. The monthly average turnover rate is calculated as follows:

$$\text{Monthly Average Turnover Rate (\%)} = \text{Average Monthly Turnover} \div (\text{Average Monthly Headcount} + \text{Average Monthly Turnover}) \times 100\%$$

Turnover rates in the Cambodia and Vietnam production bases were temporarily above the Group average due to the ramp-up of new production lines and workforce expansion. The Group has reinforced employee retention and stability through improved management systems, optimized production processes, and enhanced working conditions.

9.4. EMPLOYEE DEVELOPMENT AND CARE

9.4.1.

Gender Equity, Diversity, and Inclusion

9.4.1.1. Gender Equity

Shenzhou Group adheres to international standards and the laws of the countries where we operate, while also considering customer and industry requirements. The Group continuously updates its Gender Equity Playbook, integrating gender equity principles across all areas of human resource management—including recruitment, compensation, benefits, and career development—actively addressing gender bias and discrimination and ensuring equitable opportunities for all employees.

All production facilities have established comprehensive anti-discrimination and anti-harassment policies and grievance mechanisms to protect employees' rights. With support from customers and third-party organizations, the Group continues to advance dedicated gender equity initiatives, conducting at least one internal or external assessment annually. These assessments cover policy implementation, recruitment and promotion, fair compensation, career development, and employee health and well-being, ensuring substantive equity and fairness in employment opportunities, career progression, and remuneration for all genders.

9.4.1.2. Diversity and Anti-Discrimination

Shenzhou Group values individual differences and is committed to fostering a diverse, inclusive, and respectful workplace, firmly opposing all forms of discrimination. The Group ensures that employees from all backgrounds are treated fairly and have equal opportunities for career growth. The Group actively promotes a culture of diversity, strengthens inclusive management practices, and provides employee awareness training. This encourages diverse perspectives to be respected and heard, while cultivating an open, collaborative, and mutually understanding organizational environment.

Shenzhou Group maintains a zero-tolerance approach to workplace harassment. Clear grievance and reporting mechanisms are in place to enable independent and objective investigations in accordance with laws and regulations. Investigations are conducted confidentially, and information security is strictly maintained. Any form of retaliation is prohibited, ensuring that employees' dignity, rights, and physical and mental well-being are fully protected.

9.4.1.3. Women Development and Empowerment

Women make up approximately 70% of the Group's workforce and play a pivotal role in production operations and organizational stability. The Group continuously implements career development and training projects tailored to the needs of women at different roles and career stages, ensuring fair opportunities for professional growth, skill enhancement, and internal promotion. Efforts are also ongoing to increase women representation in key positions and leadership pipelines.

At the same time, the Group continuously enhances workplace conditions and support measures, focusing on safety, respect, and work-life balance for female employees. These initiatives foster a stable, inclusive, and sustainable work environment, supporting long-term retention and career progression for women.

During the reporting period, through strengthened internal promotion processes and multi-channel talent recruitment, over 900 employees were promoted or newly appointed to middle management and above across production facilities. Women accounted for 65% of these appointments, reflecting steady progress in promoting gender balance and diversity in leadership across the Group.

9.4.1.4. Employee Voice and Communication

Frontline employees provide the most direct and authentic feedback. Shenzhou Group considers employee dialogue essential for organizational stability and continuous improvement and has established structured, multi-channel communication channels that integrate employee input into daily operations.

Employees can raise feedback through multiple internal channels—such as employee representative meetings, management forums, suggestion boxes, and anonymous reporting systems—as well as external channels, including third-party platforms and customer hotlines. These mechanisms enable employees to voice concerns freely, report issues proactively, and ensure timely resolution, fostering effective communication and constructive engagement between employees and management.

Routine suggestions are tracked and implemented by responsible departments, while significant issues affecting employee rights are addressed through formal consultations with employee representatives. Employee confidentiality is strictly protected, and all forms of retaliation are prohibited. This framework enables closed-loop issue resolution and continuous improvement of management practices.

9.4. EMPLOYEE DEVELOPMENT AND CARE

9.4.1. Gender Equity, Diversity, and Inclusion

9.4.2.

Employee Training and Career Development

Employees are the foundation of organizational sustainability, and structured training and career development are key drivers for unlocking potential, enhancing skills, and supporting organizational growth. Shenzhou Group has implemented a comprehensive, multi-level training system aligned with business needs and role requirements, covering onboarding, skill development, leadership projects, and broader capability building. The system emphasizes upskilling frontline employees and supporting gender equity as well as the development of high-potential talent.

Training is delivered through diverse formats—including classroom sessions, e-learning platforms, hands-on practice, mentoring, and cross-regional exchanges—providing employees with a well-rounded and engaging learning experience. Training effectiveness is evaluated using multiple metrics, including course completion rates, employee feedback, assessments, and on-the-job observations. Based on these insights, programs are continuously refined to better align with evolving business priorities and employee development needs.

During the reporting period, the Group delivered nearly 4.8 million training hours, reaching approximately 1.6 million participations. Cross-regional exchanges further promoted skill enhancement and cultural alignment. Ongoing investment in training strengthens employees' professional capabilities and overall competencies, while supporting organizational efficiency, leadership pipelines, and resilience.

Case Study: "Qingmiao Plan" – Building a High-Quality Management Talent Pipeline

Launched in 2024, the Qingmiao Plan aims to identify and develop high-potential young talent for future leadership roles in production management within the textile industry. Candidates are recruited through multiple channels, including campus partnerships and internal referrals, ensuring strong technical competence and alignment with the Group's corporate culture.

The project combines structured coursework with mentorship, covering theoretical learning, hands-on assignments, and management skill development. Regular workshops and cross-regional exchanges further facilitate knowledge transfer, cultural integration, and comprehensive capability building.

Since 2025, the project has been further refined under the strategy of "dual sourcing, targeted selection, and enhanced alignment":

- **Expanded talent channels:** Combines internal promotion pathways with external recruitment platforms to ensure a balanced and complementary talent pipeline;
- **Enhanced assessment framework:** Utilizes structured interviews, situational exercises, psychometric testing, and personality assessments to identify candidates with high potential for production management roles;
- **Defined talent standard:** Establishes a unified talent profile that integrates professional expertise, core competencies, and personal attributes throughout recruitment, development, and performance evaluation processes.

Through this structured approach, the project reinforces the management talent pipeline across all production facilities. During the reporting period, the Qingmiao Plan received 3,265 applications, of which 53 candidates were selected. The majority of these new hires hold bachelor's degrees or higher, predominantly in science, engineering, and textile-related disciplines, while also representing a range of other academic backgrounds. This ensures a steady infusion of capable, high-potential talent into the Group's production management teams.

9.4. EMPLOYEE DEVELOPMENT AND CARE

9.4.2. Employee Training and Career Development

Table 27. Employee training statistics.

Metrics	Unit	2023	2024	2025
Percentage of trained employees	%	100	100	100
Total training hours	Hours	4,735,675	2,687,876	4,799,775
By gender				
Female	Hours	3,841,175	1,632,354	3,275,108
Male	Hours	894,500	1,055,522	1,524,667
By position				
Senior management	Hours	1,555	194	407
Junior management	Hours	1,374,120	101,574	105,964
Others	Hours	3,360,001	2,586,108	4,693,404
Average training hours per full-time employee	Hours/employee	51.5	26.2	44.2
By gender				
Female	Hours/employee	57.5	22.7	42.1
Male	Hours/employee	35.1	35.2	49.3
By position				
Senior management	Hours/employee	103.7	8.1	17.7
Junior management	Hours/employee	298.7	16.0	17.2
Others	Hours/employee	38.4	26.7	45.8

9.4. EMPLOYEE DEVELOPMENT AND CARE

9.4.3.

Compensation and Incentive Management

9.4.3.1. Compensation Strategy and Market Competitiveness

Effective compensation management is essential for attracting, retaining, and motivating talent. The Group has established a fair and transparent compensation system based on employees' capabilities, performance, and contributions. The Group's compensation strategy balances stability with market competitiveness, ensuring fair and reasonable remuneration across different career stages while encouraging continuous skills development and the development of management potential. In addition to monetary compensation, the Group provides a range of non-monetary incentives and employee benefits to foster a culture that recognizes employee contributions, encourages innovation and continuous improvement, and supports talent retention and the development of a strong management pipeline.

Across all production bases, compensation levels are evaluated with reference to local wage standards and relevant third-party benchmarks, such as the Global Living Wage Coalition (GLWC). This helps ensure fair treatment of employees while supporting their basic living needs. Comprehensive employee benefits further enhance employee well-being.

9.4.3.2. Employee Benefits and Welfare

Shenzhou Group is committed to providing comprehensive employee benefits across various aspects of employees' work and daily lives:

- **Statutory benefits:** All production facilities provide statutory social insurance and housing fund contributions in accordance with applicable local laws and regulations, supplemented with commercial insurance. During the reporting period, the Vietnam production base monitored updates to relevant local regulations and plans to implement the latest adjustments in January 2026 to ensure ongoing compliance;
- **Canteen services:** All production bases operate standardized central kitchens or food preparation centers that provide safe, nutritious, and diverse meal options, including bakery items, healthy meals, vegetarian options, and meals for special dietary needs. Dedicated teams are responsible for menu development and trials, regularly optimizing meal offerings based on local culture and employee feedback;

- **Working and living environment:** Production bases feature a garden-style environment and provide a variety of facilities, including central air-conditioning, rest areas, nursing rooms, nap lounges, counseling rooms, and medical service rooms, to support employees' diverse needs. The Group has developed multiple residential communities and dormitory buildings, with rooms equipped with private bathrooms, air-conditioning, washing machines and storage lockers, and access to sports facilities. Dormitories are conveniently located near major transportation hubs, offering employees comfortable and accessible living spaces. As of the end of the reporting period, the Ningbo production base has renovated and newly constructed 11 modern dormitory buildings over the past several years, with cumulative investment exceeding RMB600 million, continuously improving employees' living conditions;
- **Transportation support:** The Group ensures employees' safe and efficient commuting by providing free shuttle services during public holidays and dedicated transport during the Spring Festival travel period. Expatriate employees are further supported through company-subsidized home visit transportation and cultural adaptation assistance, addressing their cross-cultural needs. During the reporting period, the Group arranged dedicated transportation services during the Spring Festival travel period to facilitate employees' return home and the timely resumption of work. This contributed to a post-holiday attendance rate exceeding 95% on the first working day, supporting operational stability;
- **Employee care and health check-ups:** The Group provides tailored support for specific employee groups, including flexible work arrangements and support during pregnancy and lactation. New employees participate in cultural onboarding programs, and dual-career families receive assistance to balance work and personal life. All employees undergo regular health screenings, including women's health assessments, chronic disease evaluations, and programs promoting traditional Chinese medicine, ensuring the holistic well-being and health of the workforce.

9.4.3.3. Fairness and Transparency

The Group has deployed electronic payroll systems across all production bases to ensure timely and accurate wage payments. During the reporting period, no significant pay gaps were observed between male and female employees in comparable roles, underscoring the Group's commitment to gender pay equity.

9.4. EMPLOYEE DEVELOPMENT AND CARE

9.4.3. Compensation and Incentive Management

9.4.4.

Employee Satisfaction and Engagement

Employee experience and engagement are critical to sustainable business performance, directly shaping management effectiveness, team collaboration, and overall organizational outcomes. By prioritizing employees' sense of purpose, career development opportunities, and ongoing managerial support, the Group gains deeper insights into employee needs and translates them into actionable improvements that drive organizational growth.

The Group conducts annual employee satisfaction and engagement surveys across all production bases, integrating internal assessments with third-party questionnaires. These surveys encompass employees of varying levels, genders, and tenure, and assess key dimensions such as skills development, communication, health and safety, compensation and benefits, gender equity, employee voice, and workplace services, providing clear insights to guide targeted improvement initiatives.

During the reporting period, survey results highlighted strong performance across production bases in the following areas:

- Employees showed a clear understanding of measures to prevent sexual harassment and abuse, reflecting the effective implementation of management systems and training, and reinforcing the foundation of a “zero-tolerance” culture;
- Facilities' efforts toward continuous improvement on well-being were acknowledged and appreciated.

The surveys also highlighted areas for improvement:

- **Perceived health and safety of the work environment:** Some newly hired employees (tenure <6 months) raised concerns about the dyeing and printing process environment, largely due to limited familiarity and existing misconceptions. In response, the Group conducted targeted training sessions to provide detailed information on process environments and safety measures, and transparently posted related information on notice boards. These initiatives help employees gain a comprehensive understanding of their work environment, reinforcing their sense of safety and trust;
- **Workload and stress management:** Frontline managers at the Cambodia base reported heightened stress levels during the production ramp-up period, driven by overlapping responsibilities across production efficiency, quality, delivery deadlines, and personnel management. The Group conducted interviews to identify specific needs and provided targeted support through recruitment, training, production assistance, workplace optimization, and team-based promotion pathways. These measures improved management efficiency and team collaboration, while significantly alleviating perceived stress among managers;
- **Workplace services experience:** Employee satisfaction with catering and other workplace services still has room for improvement, largely because employees felt insufficiently involved, which limited the extent to which their feedback was reflected in service enhancements. To address this, the Vietnam base launched a culinary improvement competition, enabling employees to anonymously evaluate dishes and provide regular feedback to continuously refine workplace services. These initiatives strengthened employee engagement and satisfaction, fostering a more comfortable and supportive working and living environment.

Through systematic surveys and ongoing improvements, the Group has delivered tangible results in optimizing management processes, strengthening team collaboration, and enhancing employee satisfaction. These initiatives advance both employee well-being and business performance, providing a solid foundation for the organization's economic growth and fulfillment of its social responsibilities.

9.5.

OCCUPATIONAL HEALTH AND SAFETY

Shenzhou Group consistently treats occupational health and safety (OHS) as a core management priority, safeguarding employee well-being while supporting the Group's long-term, stable operations. Within its large-scale production model, OHS management is fully embedded in daily operations and management systems, with systematic identification and control of relevant risks to minimize the potential impact of safety incidents on both employees and overall business performance.

The Group oversees OHS-related work from both operational and risk management perspectives, embedding relevant requirements across production operations, facility management, and decision-making processes. Business units and production bases are required to assess OHS risks when carrying out production activities or implementing significant operational changes, and to implement appropriate management and control measures.

The Group operates under a "Group-approved, site-accountable" management model. At the Group level, management policies, baseline requirements, and compliance standards are established and approved to ensure consistency across operations. Business units and production bases are accountable for implementing these policies, meeting operational objectives, and driving continuous improvements, while adapting measures to their specific processes and operational environments to ensure precise and effective on-site risk management.

The Group adopts a risk-prevention approach, continuously strengthening OHS policies, training programs, and monitoring mechanisms. Management focus is progressively shifting from reactive responses to proactive risk identification and control, aiming to minimize incidents and mitigate the impact of occupational health and safety events on both employees and business operations.

9.5.1. /

OHS Policy

To further strengthen OHS management, the SDC has developed and issued the *Occupational Health and Safety Policy*. As the Group's highest-level OHS management document, it establishes unified principles and baseline requirements for OHS management across the organization. This policy guides business units in continuously improving relevant systems and management measures, systematically enhancing the Group's overall OHS management capabilities. This policy is publicly available at: <https://www.shenzhouintl.com/corporate-governance/guidelines-policies>.

The Group requires business units to incorporate this policy into their internal systems and daily operations, continuously driving its implementation and improvement based on actual operational conditions. Compliance is monitored and reviewed through existing management mechanisms and, where applicable, is subject to internal and external audits or assessments.

9.5. OCCUPATIONAL HEALTH AND SAFETY

9.5.2.

OHS Audits and Assessments

The Group implements multi-level internal and external management, audit, and assessment mechanisms to systematically review and strengthen OHS performance. Internally, a risk-based management and review approach is applied. Business units and production bases leverage the LEC risk assessment model (Likelihood, Exposure, Consequence) to systematically identify risks and gaps in operational sites and management processes via daily inspections, internal audits, and on-site walkthroughs. Follow-up actions are tracked and verified to ensure effective implementation of corrective measures, driving continuous improvement in an objective and verifiable manner.

At the external level, the Group reinforces its OHS management system and risk identification capabilities through a broad portfolio of audits and assessments. This includes participating in external social responsibility audits and commissioning third-party organizations to conduct annual OHS audits, while steadily advancing the implementation and operation of the ISO 45001 management system. The Group also actively engages in health and safety assessments and capability-building programs led by professional bodies such as the Institution of Occupational Safety and Health (IOSH), including the Royal Society for the Prevention of Accidents (RoSPA)⁷ evaluations and the Transformational Leadership Program (TLP). Together, these initiatives drive continuous improvement across management systems, risk controls, and safety culture, systematically enhancing overall OHS performance.

During the reporting period, the Group underwent 73 external health and safety audits, achieving a 100% first-time pass rate with no zero-tolerance or major non-conformities detected. The Group also successfully completed the scheduled ISO 45001 recertification and remediated all minor and moderate non-conformities identified during the audits within the required timeframes.

⁷ <https://www.rospace.com/>

9.5.3.

OHS Management

Under the OHS Policy and management system, business units and production bases proactively identify potential risks within their processes and operational environments, assessing critical and high-risk factors through risk control models. During the reporting period, focus was placed on the identification and management of the following risks:

- **Work-related risks:** fire safety, chemical safety, machine safety, and occupational health and safety;
- **Non-work-related risks:** commuting safety.

All production bases continuously advance a culture of safety and digitalization, systematically managing and monitoring identified risks across leadership, process controls, organizational structure, and personnel capabilities, ensuring employee safety and stable production operations.

9.5.3.1. Fire Safety

Fire safety is a core component of OHS management in the textile and apparel industry, safeguarding employees' lives while ensuring business continuity. The Group integrates fire risk management into its overall risk management framework and implements comprehensive prevention, monitoring, and response measures through policies, procedures, organizational structures, and digital tools. Through regular inspections, emergency planning, drills, and training, the Group continuously strengthens employees' response capabilities and enhances the resilience of its operations.

- The Group has established a professional fire safety management system and maintains a dedicated fire brigade. In accordance with established requirements, regular inspections are carried out across business units and production bases to review fire protection facilities and identify potential risks. Each facility also designates fire safety coordinators to ensure the effective implementation of fire safety management practices;

9.5. OCCUPATIONAL HEALTH AND SAFETY

9.5.3. OHS Management

- To further strengthen employees' emergency response capabilities, the Group has implemented the following key measures:
 - Enhancing emergency response procedures to ensure effective implementation;
 - Organizing monthly evacuation drills at production bases to maintain employees' fire safety awareness and emergency response capability;
 - Providing enhanced fire safety training for night-shift employees to address the specific risks associated with night operations.
- The Group continues to leverage the strengths of its women fire brigade, promoting collaboration with frontline teams to encourage participation, strengthen accountability, and highlight the unique role female employees play in frontline management and emergency response.

During the reporting period, the Group conducted 140 fire drills, establishing a systematic and routine drill mechanism. These exercises help ensure employees are familiar with emergency procedures, improve response efficiency, and further strengthen the resilience of the Group's operations.

9.5.3.2. Chemical Safety

In response to increasingly stringent chemical regulations and ESG compliance requirements, the Group continues to strengthen its end-to-end chemical management practices. These cover the entire lifecycle of chemicals, including sourcing, storage, use, discharge, and product compliance. Through these measures, the Group aims to reduce health risks to employees, control the release of hazardous substances, and ensure stable operations and environmental compliance.

Input Management

- The Group carefully selects suppliers that meet environmental and safety standards to ensure that dyes, auxiliaries, and other chemicals comply with applicable regulations while meeting production needs;
- A green procurement policy is implemented, supported by a comprehensive chemical inventory. In line with ZDHC guidelines, the Group reviews compliance with the Manufacturing Restricted Substances List (MRSL) and prioritizes the use of environmentally preferable and certified chemicals;
- Production bases disclose chemical management performance through the BVE3 platform (a chemical performance disclosure platform), continuously monitor MRSL compliance, and obtain ZDHC-certified InCheck reports.

During the reporting period, more than 90% of the chemicals used by the Group achieved MRSL Level 3 conformance, and the fabrics produced were certified to OEKO-TEX® STANDARD 100.

Process Management

- All chemicals are accompanied by Material Safety Data Sheets (MSDS) and appropriate labels on packaging and at points of use, with information provided in local languages to ensure employees understand potential risks and emergency measures. Personal protective equipment (PPE) is issued and used in accordance with established requirements;
- Chemicals are procured based on operational needs and stored under controlled conditions. Responsible personnel regularly inspect inventories to prevent expiration or damage. Standardized on-site management is implemented following the first-in, first-out (FIFO) principle, while fire protection facilities are regularly inspected to ensure safe operations;
- Regular chemical safety training and emergency drills are conducted. During the reporting period, the Group organized collaborative activities with chemical suppliers, third-party organizations, and brand customers, including round-table discussions and other training sessions, totaling 18 events. Production bases also conduct at least two chemical spill emergency drills and practical chemical safety management training sessions each year, continuously strengthening employees' emergency response capabilities and the effectiveness of on-site management;
- Each production base engages third-party organizations to conduct comprehensive annual audits, covering regulatory compliance, InCheck verification, Chemical Impact List (CIL) management, on-site practices, and employee training. During the reporting period, all production bases achieved a 100% audit pass rate, and scores for the Higg FEM Chemical Management module were above the industry average.

9.5. OCCUPATIONAL HEALTH AND SAFETY

9.5.3. OHS Management

Output Management

- Restricted Substances List (RSL) management: All materials used in product manufacturing are required to undergo RSL testing. During the reporting period, no non-compliant products were identified through random inspections conducted by customers;
- ZDHC wastewater management: All applicable facilities conduct external wastewater testing twice per year. During the reporting period, 100% of facilities met the Foundational Level requirements. Relevant data are publicly disclosed on the ZDHC Gateway (data-sharing platform), and discharge information is monitored through the IPE platform.

Supply Chain Collaboration and Digitalization

- Production bases regularly communicate with suppliers to promote green procurement and enhance transparency in chemical management, ensuring product compliance and environmental responsibility. As suppliers' environmental and compliance awareness continues to improve, an increasing number of suppliers have begun to independently develop innovative solutions, proactively reject non-compliant raw materials, and provide self-declarations, thereby strengthening risk control and transparency across the supply chain;
- The Group actively participates in industry initiatives such as ZDHC InCheck, ZDHC reporting, and Supplier to Zero, enabling end-to-end chemical monitoring and compliance management;
- The Group continues to leverage the BVE3 and IPE platforms to track chemical usage, discharge, and compliance data, supporting ESG information disclosure and engagement with brand customers while enhancing supply chain visibility and risk management capabilities.

9.5.3.3. Machine Safety

With the advancement of lean manufacturing and automation technologies, machine complexity and reliance on machinery have continued to increase. As a result, risks related to mechanical failures, operational errors, and aging machines have become key factors affecting OHS. Given the differences in processes and operating environments across business units, the Group has established a unified Machine Safety Guideline to provide a Group-wide framework for the management of machines and equipment, risk assessment and control, enabling risk prevention, standardized operations, and continuous improvement.

Since 2020, production bases have systematically strengthened machine safety management, regular maintenance, and employee capability development in accordance with the hierarchy of risk control. These efforts have effectively reduced the recurrence of incidents while safeguarding employee safety and maintaining stable production operations. Due to the higher number of operational processes and greater reliance on manual operations, garment production bases were selected as the first pilot sites for the Machine Safety Guideline. Through professional skills training and talent pipeline development, combined with machine risk assessments and risk classification management, medium- and high-risk machines are identified and managed through layered control measures across the entire lifecycle, including design, procurement, commissioning, operation, maintenance, and decommissioning, thereby continuously improving machine safety and operational resilience.

During the reporting period, following the implementation at garment production bases, printing operations and certain other production processes also began piloting the guideline to systematically identify and manage relevant machines and equipment. At the same time, the Vietnam production bases further strengthened electrical safety management by conducting comprehensive on-site operational assessments, enhancing power safety controls, and continuously improving OHS management practices, thereby improving operational safety and production stability.

9.5. OCCUPATIONAL HEALTH AND SAFETY

9.5.3. OHS Management

Case Study: Extension of Machine Safety Management

During the reporting period, printing operations and certain other production processes advanced machine safety management in accordance with the Machine Safety Guideline, systematically strengthening machine risk management. Key measures included:

- **Professional Capability Development and Knowledge Sharing**
 - Production base teams participated in unified machine safety management training, attended supplier knowledge-sharing sessions, and received briefings from local professional institutions to systematically learn the guideline requirements and facilitate knowledge exchange;
 - Plans are in place to pursue advanced professional certifications in the coming year, including the Certified Machinery Safety Expert (CMSE) certification jointly organized by PILZ and TÜV, further strengthening employees' operational and management capabilities.
- **Long-term Target Setting**
 - The production bases have established a long-term target to achieve effective control of 100% of medium- and high-risk machines by 2030. The target spans multiple dimensions, including machine replacement, risk mitigation, and enhancement of employee operational capabilities, and will be translated into measurable annual indicators to continuously track progress.
- **Machine Risk Control and Tiered Management**
 - The Machine Risk Assessment (MRA) tool is applied to the largest category of machines in the production line (specifically, printing machines), implementing lifecycle risk management across all stages, including design, procurement, acceptance, operation, maintenance, and decommissioning;
 - Collaboration with suppliers is strengthened to obtain safety certification reports, such as CE, ISO 12100, and EN 60204, ensuring that machines comply with relevant safety standards;
 - Production line employees are actively involved in risk assessments and hazard identification. Based on these findings, Standard Operating Procedures (SOPs) are optimized to ensure safe and reliable operations and are consistently implemented and communicated across the production bases.

9.5. OCCUPATIONAL HEALTH AND SAFETY

9.5.3. OHS Management

9.5.3.4. Employee Occupational Health and Safety

During the reporting period, the Group implemented systematic measures for employee OHS management, covering management systems, employee health protection, emergency preparedness, and a safety culture, forming full-cycle closed-loop control.

Management System and Monitoring

- Production bases conduct monthly internal inspections and cross-inspections within the Group. Each base also undergoes 1–2 external audits annually by third-party organizations or local authorities;
- A closed-loop management mechanism is in place for work-related injuries, illnesses, and safety hazards, supported by online and offline reporting channels. Critical issues are immediately escalated and addressed, while other issues are tracked and rectified based on their description, ensuring alignment between management decisions and on-site execution with transparent communication.

Employee Health Protection

- Employees receive regular medical check-ups and occupational disease screenings, covering pre-employment, in-service, and exit stages, to identify and intervene in health risks early;
- PPE is provided free of charge and regularly replaced according to job requirements, ensuring safe operations in high-risk roles and supporting daily health management and risk prevention.

On-site Infrastructure and Emergency Preparedness

- Each production base is equipped with automated external defibrillators (AEDs) and essential first-aid equipment, and has established linkage mechanisms with local medical institutions to ensure a rapid response in emergencies;
- Certified annual training and refresher courses are provided to on-site first responders, ensuring employees can effectively handle various emergency situations, continuously strengthening overall on-site emergency response capability.

Safety Culture Development

- A management-level safety commitment system and monthly safety inspections are implemented. Workplace safety facilitators are trained, and safety drills and cultural activities (e.g., Safety Month, practical exercises) are conducted to foster a strong safety culture.

Table 28. OHS Performance

Performance Indicators	Reporting Year Performance
International Certifications	Participated in the RoSPA assessment by the IOSH organization for the third consecutive year. During the reporting period, four facilities participated in the RoSPA assessment, covering nearly 40,000 employees. Three facilities received Gold awards, and one facility received a Silver award.
Certifications	All ISO 45001:2018 certified facilities successfully passed their annual external audits, ensuring that their certificates remain valid.
Work-Related Injury and Illness Statistics	Based on Occupational Safety and Health Administration (OSHA) standards (per 200,000 work hours): – Recordable Incident Rate (RIR): 0.641 – Lost Time Incident Rate (LTIR): 0.170 – Lost Days: 3.420
First Aider Training	Over 2,000 employees completed on-site training and obtained certification.

9.5. OCCUPATIONAL HEALTH AND SAFETY

9.5.3. OHS Management

9.5.3.5. Commuting Safety

Commuting risks are influenced by local traffic conditions, infrastructure, and employees' primary modes of transportation. To ensure safe travel to and from work, the Group has established a commuting safety management framework, tracking performance through clear indicators and empowering employees and management to identify risks and implement preventive measures.

At production bases, the Group provides free commuting services, including daily shuttle buses and holiday transportation, managed by a professional fleet. In the previous year, the garment production base in Vietnam piloted a commuting safety project, developing solutions and optimizing on-site management, which significantly enhanced employees' awareness of commuting safety. During the reporting period, the learnings from this pilot were gradually expanded to other production sites in Vietnam, enabling the replication and implementation of effective management practices.

Case Study: Shuttle Services Connecting Residential Communities and the Factory

At the Anhui production base in China, the Group has continued to enhance employee accommodation and commuting support by providing over 600 fully equipped housing units, improving living conditions, and promoting employee well-being. To ensure safe and convenient commuting to and from work, the Group has implemented dedicated "point-to-point" shuttle services connecting residential communities and the factory. Combined with professional operations and multiple safety control measures, these initiatives effectively reduce commuting risks.

Highlights of Commuting Safety Measures:

- The shuttle service is managed by an external professional bus company. Drivers undergo dedicated training, and vehicles are regularly maintained, effectively minimizing commuting risks;
- Four shuttle buses operate 11 trips per day (morning and afternoon), with additional streetlights and traffic signals installed along the route to further enhance safety;
- The service maintains employee safety even under adverse weather conditions, such as typhoons or heavy rainfall;
- All shuttles are fully electric, promoting low-carbon, green travel and demonstrating the Group's commitment to sustainable commuting practices.

9.5.4.

OHS Summary

During the reporting period, the Group identified key risks and implemented corresponding management measures. Leveraging integrated resources from the Group's Security Center, a professional management structure was established, centered on the emergency command team, patrol teams, fire brigade, and security personnel. Combined with online management platforms, this framework provides a comprehensive OHS management mechanism, continuously enhancing on-site safety and risk prevention capabilities.

In parallel, the Group works closely with business units and production bases to continuously identify major risks based on process characteristics and operational environments. Safety measures cover contract procurement, on-site subcontracting, and outsourcing, forming a systematic and traceable end-to-end risk control system.

9.6. COMMUNITY AND SOCIAL IMPACT

The Group operates multiple production bases in Cambodia, China, and Vietnam, with a large workforce forming a global production and operations network. Guided by a long-term vision, the Group actively promotes sustainable development and community engagement, aiming to strengthen local economic resilience, enhance social well-being, and create lasting value for future generations. Feedback from local communities and employees is regularly collected and integrated into decision-making to ensure initiatives address the interests of all stakeholders.

Through formalized management and continuous monitoring, the Group identifies the key community and social impact areas at each production base and takes proactive measures in priority areas to enhance community well-being and promote sustainable development.

The main priority areas are:



- Education Empowerment – Supporting basic education and providing learning materials
- Skills Development – Delivering vocational and women skills training
- Health and Safety Resilience – Promoting safety awareness and ensuring health protection
- Community Development – Funding community facilities (e.g., housing, fitness centers) and organizing sports and social initiatives
- Mental Health Support – Offering counseling services and community care programs
- Environmental Sustainability Initiatives – Implementing energy-saving measures, carbon reduction, and “Green Home” projects
- Support for Vulnerable Groups – Running charity canteens, community fundraising, and other assistance programs

Figure 12. Priority areas for community and social impacts.

Note: The coverage of production bases is based on the results of internal surveys conducted across all production bases in 2025.

Formula for Production Base Percentage: % Production base = (number of participating production bases ÷ total number of production bases) × 100%

During the reporting period, the Group contributed over RMB3.5 million in cash and various materials through a range of community and social initiatives, supporting community well-being and sustainable development.

9.6. COMMUNITY AND SOCIAL IMPACT

Case Study: Education Empowerment

During the reporting period, the Cambodia production base officially launched an on-site childcare center for employees. The center includes a dining area, nap area, play area, and lactation room, and is staffed by eight full-time caregivers, currently serving 20 children of employees. All operating and management costs are fully borne by the production base, reflecting the Group's long-term commitment to employee well-being and community responsibility.

Case Study: Community Development

The Cambodia production base continues to advance the "House of Solidarity" initiative, collaborating with employees to provide meaningful support to those in need. The project follows a formal review mechanism, with the charity committee conducting assessments to ensure resources are allocated to genuinely deserving employee households.

During the reporting period, a house was constructed for an employee facing hardship in a border area. The 4m × 10m brick house features a zinc roof, tiled floors, a private bathroom, and a kitchen, with fully functional water and electricity systems.

The construction cost per house was USD7,000. This initiative improves the living conditions and stability of beneficiary households, strengthens employees' sense of belonging, and contributes to overall community stability, reflecting the Group's responsibility and commitment to social well-being and long-term development.

Case Study: Health and Safety Resilience

During the reporting period, the Anhui production base partnered with a local traditional Chinese medicine (TCM) hospital to establish an on-site clinic and TCM center in the employee residential area, covering approximately 1,200 m². The facility includes a western medicine section (internal medicine, surgery, pharmacy, infusion, and observation) and a TCM section (preventive care, acupuncture, massage, and specialty treatments).

The clinic is open to employees and the surrounding community. By creating a dedicated healthcare access channel, basic medical services and preventive care are brought directly to the production front line.

Since its launch, employees and local residents can conveniently access routine consultations and health management services on-site, significantly reducing travel time to county hospitals and improving medical accessibility and service efficiency. By integrating local public healthcare resources with corporate operations, this model enhances employee health protection and provides more accessible primary healthcare support to the surrounding community.

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10.SUPPLY CHAIN MANAGEMENT

10.1. SUPPLY CHAIN STRATEGY

In the textile and apparel industry, supply chains are becoming increasingly professional and interconnected. A stable, efficient, and responsible supply network is essential for ensuring product quality, reliable delivery, and maintaining customer trust. For Shenzhou Group, the supply chain is not just a procurement system—it is a strategic enabler of large-scale production, lean operations, and long-term competitiveness.

Shenzhou Group is committed to building an efficient, resilient, and sustainable supply chain, aiming to enhance competitiveness and support long-term stability. Efforts focus on three key dimensions: responsiveness, digitalization, and responsible management.

- **Responsiveness:** We advance nearshoring and local sourcing strategies to optimize the supply network, strengthen resilience, shorten lead times, and improve delivery efficiency and market responsiveness;
- **Digitalization:** We continuously enhance digital platforms, integrating data and leveraging visualization tools to increase transparency, strengthen risk monitoring, and improve adaptive response;
- **Responsible Management:** Human rights protection and environmental compliance are embedded into supply chain requirements. We drive low-carbon transformation and responsible sourcing to build a more transparent, compliant, and sustainable supply network.

10.2. SUPPLY CHAIN MANAGEMENT POLICY

Leveraging an integrated production layout and the scale of operations, Shenzhou Group embeds supply chain management into its overall business and risk management framework, establishing governance that covers the full supplier lifecycle. Supplier onboarding audits, tiered and categorized management, performance evaluations, on-site audits, and continuous improvement mechanisms strengthen process control and information transparency. These measures enhance supply chain stability, collaboration efficiency, and management capability, while driving partnerships toward long-term, robust, and sustainable growth.

Focusing on key risks and management topics, the Group has established unified management standards and requirements, which are dynamically reviewed and updated each year. During the reporting period, the Group prioritized the following five modules:

- **Business Ethics and Compliance Management:** Ensure suppliers operate legally and compliantly, mitigating corruption and compliance risks. Supply chain integrity management will be further disclosed in Section 11.1;
- **Quality and Delivery Management:** Guarantee products and services meet established standards, maintaining stable supply chain operations;
- **Sustainability and Responsible Management:** Strengthen environmental, occupational health and safety, and labor and human rights compliance, while promoting green transformation;
- **Innovation and Lean Production Management:** Drive technological innovation and process optimization, enhancing production efficiency and resource utilization, supporting continuous supply chain improvement;
- **Supply Chain Risk and Resilience Management:** Identify and categorize key supply risks, enhance multi-regional supply stability, and strengthen supply chain resilience.

To ensure effective implementation of these management requirements, all suppliers are required to be aware of and comply with the Group's relevant code of conduct and management documents. Through ongoing monitoring and performance evaluation, suppliers that fail to meet requirements are subject to corrective action tracking or removal from the supply chain, establishing a closed-loop control system that ensures overall compliance, stability, and sustainable operation of the supply chain.

In the reporting period, there are 171 main suppliers distributed in different regions:

Table 29. Distribution of upstream suppliers. (Note: Sorted in descending order.)

Region	%
Vietnam	48.0
China	47.3
Others	4.7
Total	100

10.3.

SUPPLY CHAIN ESG GOVERNANCE

During the reporting period, we partnered with Bureau Veritas, a global leader in Testing, Inspection, and Certification (TIC) services, to systematically advance our supply chain sustainability management system.

Building on previous pilot initiatives and leveraging the expertise of internationally recognized authorities, Bureau Veritas helps optimize our supply chain audit processes and performance evaluation framework. This collaboration strengthens compliance, transparency, and sustainability performance, while enhancing risk identification and driving continuous improvement.

10.3.1.

ESG Policy and Governance Framework Updates

Revision of the Shenzhou Group Code of Conduct (COC)

The revision further strengthens supply chain responsibility and ESG requirements. Shenzhou Group, along with its suppliers and service providers - whether directly or indirectly involved in the provision of products or services - is required to strictly adhere to the minimum standards and fundamental requirements outlined in the COC across all operational stages, including product/service R&D, procurement, production, transportation, marketing, sales, and disposal. This ensures that all operations are fully aligned with the Group's ESG principles and social responsibility standards.

Update of the Supplier ESG Management Playbook

A comprehensive management system - including policies, procedures, implementation guidelines, and evaluation criteria - has been established to provide suppliers with clear ESG standards and practical guidance.

Establishment of an ESG Implementation Checklist

A comprehensive checklist of 144 items across 12 key chapters and sections has been developed, integrating legal and regulatory requirements, COC, and industry standards. Each item is classified as "Low/Medium Risk", "High Risk", or "Critical Risk", providing suppliers with clear guidance and practical support for supply chain audits and management execution.

Table 30. Checklist distribution.

	Low/Medium Risk	High Risk	Critical Risk
Percentage (%)	48%	42%	10%

Note: Percentage (%) = (number of audit items in the chapter/section ÷ total number of audit items) × 100%



Figure 13. Shenzhou Group Code of Conduct.

10.3. SUPPLY CHAIN ESG GOVERNANCE

10.3.1. ESG Policy and Governance Framework Updates

Evaluation Mechanism and Assessment Criteria

Supplier performance is evaluated based on submitted valid industry audit reports or on-site audits conducted by Bureau Veritas auditors, and categorized into the following grades:

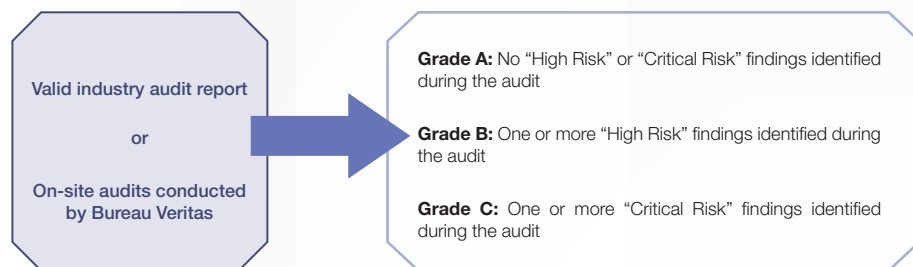


Figure 14. Evaluation mechanism.

- **Grade A suppliers:** Self-remediate “Low/Medium Risk” findings and ensure internal follow-up and closure;
- **Grade B suppliers:** Submit a Corrective Action Plan (CAP) within 90 days, detailing root cause, corrective actions, action plan, responsible person, and expected completion date; Shenzhou Group will track progress;
- **Grade C suppliers:** Immediate remediation required; submit CAP and supporting evidence within 15 days, followed by on-site verification by Bureau Veritas to confirm implementation.

10.3.2.

Supplier ESG Audit Scope

This scope covers suppliers providing raw materials, trims, and accessories to Shenzhou Group’s production bases in Cambodia, China, and Vietnam. During the reporting period, Shenzhou Group prioritized ESG audits for suppliers with high annual transaction volumes, high process-related risks, or those specifically designated by brand customers. The current audit cycle encompassed 46 Group entities, covering a total of 78 facilities, distributed as follows:

Table 31. In-scope supplier facilities distribution.

Region	Number of facilities
China	61
Vietnam	14
Cambodia	2
Thailand	1
Total	78

Note: Sorted by number of facilities in descending order.

10.3.3.

Supplier ESG Training

During the reporting period, Shenzhou Group, in collaboration with Bureau Veritas, conducted supplier training sessions to update expectations, guidelines, and ESG regulatory requirements. The training was delivered in both Chinese and English, covering topics such as social responsibility, environmental responsibility, and business ethics compliance, with over 200 supplier representatives participating. This training serves as a key initiative in the Group’s ongoing efforts to promote supply chain sustainability, enhancing suppliers’ understanding of ESG requirements and their ability to implement them effectively.

10.4.

SUPPLIER ESG AUDIT PERFORMANCE

During the reporting period, the Group continued to strengthen supplier compliance management and performance evaluation, monitoring overall supplier performance through audits and assessments.

- 100% of facilities have signed the COC;
- Performance evaluation audits were conducted for all 78 facilities, achieving 100% coverage;
- Assessment results show that 100% of facilities were graded A or B, with no critical risks identified.

Table 32. ESG audit performance distribution.

Rating	Grade A	Grade B	Grade C	Total
Number of facilities	16 facilities	62 facilities	0 facilities	78 facilities
Percentage (%)	21%	79%	0%	100%

Note: The percentage is calculated as the number of facilities in the category ÷ total audited facilities × 100%, showing the distribution of performance grades across all audited facilities.

For the improvement opportunities identified during the assessment process, the Group has required relevant suppliers to implement CAPs. The associated improvement plans and ongoing follow-up mechanisms are outlined in the sections below.



Figure 15. 2025 supplier ESG assessment summary.

10.4. SUPPLIER ESG AUDIT PERFORMANCE

10.4.1.

Labor Performance

Labor performance within the supply chain is a critical element of sustainability management, covering human rights, working conditions, occupational health and safety, training and development, and overall well-being. Our supply chain workforce spans multiple countries and regions, and in managing these operations, we adhere to local laws and regulations while also applying our internal audit standards. Through ongoing monitoring and continuous improvement initiatives, we protect employee rights and promote sustained enhancements in workplace conditions.

During the reporting period, the Group conducted monitoring and tracking of 78 audited supply chain facilities, covering over 60,000 employees. Both management systems and on-the-ground operations were assessed through on-site audits and document/system reviews to ensure consistent application of labor standards across the supply chain.

In this cycle of social responsibility audits, 414 labor and OHS improvement opportunities were identified. Of these, 49% were classified as low or medium risk, with no critical risks detected. By the end of the reporting period, 215 items (approximately 52%) had been fully remediated and closed, while the remaining findings are on track to be resolved within the 90-day corrective action period.

Analyzed by finding category, supply chain facilities demonstrated strong and stable performance in areas such as forced labor and anti-discrimination, with 100% of facilities meeting the relevant audit criteria. This reflects the supply chain's solid foundation in policies, systems, and management practices.

Analysis of improvement findings further indicates that certain areas require further optimization, primarily in OHS, working hours, and compensation. Specifically:

- **OHS:** This category represents a significant proportion of improvement opportunities, primarily related to on-site safety management and the continuous refinement of relevant systems. High-risk findings include insufficient provision or use of PPE, unclear emergency evacuation signage, suboptimal placement of emergency lighting, and incomplete chemical labeling or missing local language instructions. Medium-risk findings primarily concern areas where safety signage could be improved further;
- **Working Hours and Compensation:** This category accounts for 19% of all improvement opportunities. Findings mainly relate to gaps in benefits coverage (e.g., incomplete coverage of non-contracted or outsourced employees) and the need to further refine mechanisms for aligning employee wages with local living costs and standards. Medium-risk findings primarily concern insufficient communication and training on relevant policies.

Looking ahead, the Group will continue to follow up on suppliers' self-initiated corrective actions and mitigate critical risks through ongoing audits, capacity building, and management system optimization—while further enhancing overall supply chain performance in human rights protection and occupational health and safety management.

10.4. SUPPLIER ESG AUDIT PERFORMANCE

10.4.2.

Environmental Performance

Environmental performance reflects the management of energy consumption, water resources, waste disposal and treatment, emissions control, and resource recycling within the Group and its supply chain. During the reporting period, the Group continued to monitor and assess the environmental performance of 78 supply chain facilities, covering both fundamental environmental compliance and operational environmental indicators. The Group actively promoted continuous improvement across the supply chain in energy efficiency, emissions reduction, water management, and waste recycling. Through systematic monitoring and assessment, the Group is able to identify areas for improvement in environmental management and consistently reduce the potential environmental impact of its operations.

In this cycle of supply chain environmental assessments, overall performance is as follows:

- **Environmental Compliance**

All in-scope facilities (100%) met the basic requirements in the relevant environmental audits, with no critical findings identified. This indicates that the supply chain has a solid foundation in environmental management systems and consistently compliant operations.

- **Low-Carbon Management and Product Carbon Footprint Assessment**

A total of 49 facilities (approximately 63%) have set scope 1 and scope 2 greenhouse gas reduction targets within their operational boundaries. Additionally, 24 facilities (around 31%) have conducted product life cycle assessments (LCA) or product carbon footprint evaluations, analyzing the carbon emissions of key purchased products such as labels, zippers, webbings, and yarns. These assessments help identify potential emission reduction opportunities and support low-carbon product management.

- **Green Power Utilization**

In this cycle of supply chain management, green electricity—including both market-purchased renewable power and on-site solar PV—is around 5% of total electricity use. Among suppliers, 24 have installed roof-top PV systems, with self-consumed electricity totaling over 100 million kWh. 14 suppliers procure green electricity through market mechanisms, totaling more than 150 million kWh annually. Additionally, 3 facilities operate entirely on green electricity, with 100% of their electricity demand met without any grid power.

Looking ahead, the Group will continue to drive the development of supply chain capabilities in energy transition, carbon emissions management, and resource efficiency improvements. Through ongoing monitoring and optimization of management mechanisms, the Group aims to further enhance the overall environmental performance of the supply chain.

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11. CORPORATE GOVERNANCE

11.1 BUSINESS ETHICS

11.1.1 Commitment on Business Integrity

We are committed to pursuing high standards of integrity, transparency, and ethical conduct across all aspects of our operations. We believe that strong business ethics are fundamental to sustainable growth, stakeholder trust, and long-term value creation.

We adopt a zero-tolerance approach toward bribery, corruption, fraud, extortion, collusion, money laundering, and any form of unethical or unlawful conduct. Ethical compliance is not only a legal obligation but also a core element of our corporate culture and leadership responsibility. The workstreams include:

- The Board of Directors bears ultimate accountability for overseeing the Group's ethical governance framework;
- The Audit Committee and senior management set the tone from the top by embedding integrity into strategic decision-making, operational management, and performance evaluation;
- Ethical conduct is a non-negotiable standard applicable to all employees.

We also extend our expectations to suppliers, contractors, and business partners, requiring them to adhere to comparable standards of lawful and responsible conduct.

11.1.2 Compliance with Applicable Laws and Regulations

The Group strictly complies with applicable anti-corruption, anti-bribery, and corporate governance laws and regulations in the jurisdictions where we operate, including but not limited to criminal laws, anti-unfair competition laws, company laws, and anti-money laundering laws in Cambodia, China, and Vietnam.

We also benchmark our practices against international standards and customer code of conduct where applicable to ensure alignment with global expectations.

11.1.3 Ethics Governance, Supervision and Control Mechanisms

To ensure effective implementation of our ethical standards, we have established a comprehensive governance and control framework.

Supervision and Accountability

The Board provides oversight of business ethics management. The Audit Committee and senior management monitor compliance risks, internal controls, and investigation outcomes where relevant. The Audit Committee reports directly to the Chairman at least once per month, either in written or verbal form, ensuring timely communication of emerging compliance risks and material incidents.

11.1 Business Ethics

11.1.3 Responsible Supply Chain

Anti-Corruption and Whistleblowing Policy

To prevent corrupt practices, the Group has implemented a series of control measures, including:

- Clear policies on governing gifts, hospitality, and entertainment;
- Conflict of interest declaration requirements;
- Segregation of duties and approval hierarchies;
- Financial monitoring and internal audit reviews;
- Targeted compliance training for high-risk positions (e.g., procurement, finance, sales).

The *Anti-Corruption Policy* is publicly available at:

<https://www.shenzhouintl.com/corporate-governance/guidelines-policies>.

The Group maintains a formal whistleblowing policy that provides confidential and secure channels for employees and external stakeholders to report suspected misconduct, including:

- Bribery and corruption;
- Fraud or financial irregularities;
- Conflict of interest;
- Abuse of authority;
- Violations of laws, regulations, or internal policies.

Reports may be submitted through designated channels, including email, hotline, or written communication. All reports are treated with strict confidentiality and are investigated in a fair, independent, and timely manner. The Group strictly prohibits any form of retaliation against whistleblowers who raise concerns in good faith. Where appropriate, investigation findings will be reported to senior management and/or the Board of Directors.

The *Whistleblowing Policy* is publicly available at:

<https://www.shenzhouintl.com/corporate-governance/guidelines-policies>.

Internal Control and Risk Management

Ethical compliance risks are integrated into the Group's enterprise risk management framework. Regular internal audits are conducted to evaluate the effectiveness of internal control systems and to identify areas for improvement. Control procedures are continuously reviewed and enhanced in response to regulatory developments and changes in operational activities, ensuring ongoing compliance and risk mitigation.

Culture of Integrity

We actively promote a culture of integrity through:

- Regular compliance trainings;
- Ongoing employee communications and awareness initiatives;
- Incorporation of ethical conduct into performance evaluations;
- Strong leadership advocacy of responsible business practices.

By reinforcing ethical awareness at all levels of the organization, we strive to foster a workplace culture rooted in accountability, transparency, and responsible conduct.

11.1 Business Ethics

11.1.4

Supply Chain Integrity Management

Recognizing the importance of responsible sourcing, the Group extends its business ethics requirements to suppliers and business partners, ensuring that integrity standards are upheld throughout the supply chain.

Supply Chain Integrity Policies

The Group has established a Code of Conduct, which sets out clear expectations in the following areas:

- Anti-corruption and anti-bribery;
- Fair competition and responsible business practices;
- Labor standards and human rights protection;
- Environmental compliance and sustainability initiatives;
- Confidentiality and data protection.

Suppliers are required to acknowledge and comply with these standards as a condition of cooperation with the Group.

Supplier Management Process

Our supply chain integrity management framework includes:

- Risk-based supplier classification;
- Due diligence assessments prior to engagement;
- Contractual inclusion of compliance clauses;
- Regular supplier audits and performance reviews;
- Corrective action plans for identified non-compliance.

Through these measures, the Group seeks to promote ethical, transparent, and sustainable practices across its supply chain.

Supplier Onboarding and Evaluation

All new suppliers are subject to a structured onboarding process, which includes:

- Qualification assessment;
- Compliance documentation review;
- ESG and ethical risk screening.

Existing suppliers are evaluated periodically based on product and service quality, compliance performance, ESG criteria, and audit results. Suppliers that fail to meet the Group's ethical and compliance standards may be subject to corrective action plans, suspension, or termination of cooperation.

Suppliers found in violation of relevant policies will be subject to appropriate actions based on the nature and severity of the breach:

- **Minor violations:** Suppliers must implement corrective measures within a specified timeframe and submit an improvement plan for review;
- **Severe violations:** Offences such as ethical misconduct, collusion, bribery, or major environmental and safety incidents may result in contract termination and removal from the supplier list.

Through continuous monitoring, assessment, and engagement, the Group aims to build a transparent, responsible, and resilient supply chain.

11.1 Business Ethics

11.1.5

Animal Welfare and Ethical Slaughter Management

Shenzhou Group attaches great importance to animal welfare within its food supply chain. In 2025, the Group issued an initiative to our major food suppliers to strengthen animal welfare and humane slaughter standards. The Group also references internationally recognized animal welfare guidance to continuously enhance animal welfare management among its suppliers.

The Group encourages suppliers to adopt the following practices in relation to humane slaughter management:

- **Pre-slaughter:** Minimize animal stress by avoiding rough handling or harmful practices during transportation and provide appropriate conditions such as temperature, ventilation, stocking density, and access to water and food;
- **Effective stunning:** Apply appropriate stunning methods to ensure animals are rendered unconscious before slaughter; except for religious requirements, slaughter without stunning should be avoided;
- **Standardized operations and training:** Strengthen training for slaughterhouse personnel and ensure standardized operating procedures are followed to avoid practices that may compromise animal welfare;
- **Traceability management:** Establish traceability mechanisms to ensure that meat products are traceable and that the production process remains transparent and controllable.

Looking ahead, Shenzhou Group will continue to strengthen communication and collaboration with suppliers to further promote the implementation of animal welfare principles within the supply chain.

11.1.6

Targets and Performance

The Group will continue to enhance its ethics governance framework, strengthen transparency in performance disclosure, and align its practices with evolving regulatory requirements and stakeholder expectations. The key performance for the reporting period is as below:

- 100% of employees received business ethics and anti-corruption training;
- 5 whistleblowing reports were received and handled in accordance with established procedures. All reported cases were investigated and resolved in an appropriate and timely manner;
- A total of 1,523 Integrity and Anti-Corruption Agreements were signed by partners;
- 8 suppliers were permanently prohibited from future collaboration due to serious violations of the Integrity and Anti-Corruption Agreement;
- 78 suppliers underwent periodic ESG and compliance evaluations. No critical violations against ESG compliance standards were found.

11.2.

CUSTOMER RELATIONSHIP

11.2.1

Commitment

Shenzhou Group is committed to creating long-term value for customers by serving as a responsible, resilient, and responsive strategic partner. We continuously enhance our capabilities to meet evolving customer expectations through innovation, operational excellence, and sustainable practices.

11.2.2

Key Strategies for Excellent Performance

To strengthen our customer partnerships and deliver consistent value, we have established seven key strategic pillars:

- Product Life Cycle Management System:**
We implement a comprehensive product life cycle management system to enhance efficiency, traceability, and quality control from product design to delivery, ensuring consistency and reliability across all stages.
- R&D Centers and Onsite Co-Development with Customers:**
Through dedicated research and development centers and close on-site collaboration, we co-create innovative products with customers, enabling faster response to market trends and customized solutions.
- Dedicated Facilities for Core Customers:**
We operate dedicated production facilities tailored to key customers, enhancing production stability, flexibility, and alignment with customer-specific requirements.
- Fast Turnaround Capabilities:**
Leveraging vertically integrated operations and advanced manufacturing systems, we maintain strong fast-response capabilities to support dynamic market demand and shortened product cycles.
- Global Deployment to Meet Continuous Customer Demand:**
Our strategically located production bases across Asia enable us to provide stable, scalable, and efficient supply, ensuring continuity and resilience in global operations.
- Sustainable Development:**
We integrate sustainability considerations into our operations, working closely with partners to promote responsible sourcing, reduce environmental impact, and enhance social compliance.
- Digitalization and Intelligence:**
We actively advance digital transformation and intelligent manufacturing to improve operational efficiency, data-driven decision-making, and transparency across the value chain.

11.2 Customer Relationship

11.2.3

Customer Rights Protection

Shenzhou Group is committed to protecting customer rights by ensuring high standards of product quality, information transparency, data security, and responsible business conduct.

- **Product Quality and Safety:**

We maintain stringent quality control across the production process to ensure compliance with customer requirements, regulatory standards, and international safety standards. Regular inspections, testing, and customer audits are conducted, with issues addressed through timely corrective actions.

- **Information Transparency:**

We provide accurate, timely, and transparent information on product specifications, processes, and compliance, and maintain open communication with customers to support alignment and continuous improvement.

- **Data Protection and Intellectual Property:**

We safeguard customer data and confidential information through strict internal controls and compliance with applicable data protection regulations. We also enforce robust measures to protect intellectual property and prevent unauthorized use or disclosure.

- **Complaint Handling:**

Structured mechanisms are in place to manage customer feedback and complaints efficiently. All cases are investigated and resolved promptly, with insights used to drive continuous improvement.

Case Study: Sample Management Enhancement for Intellectual Property Protection

To strengthen intellectual property protection and safeguard customers' original designs, Shenzhou Group upgraded its sample management system in 2025 by implementing a centralized and digitalized approach.

This initiative ensures that all retained samples are centrally managed with enhanced control and traceability, enabling:

- Real-time inventory accuracy and full traceability of sample movements;
- standardized operations to minimize manual errors and operational risks.

The project was implemented in three key phases:

1. **Centralized Sample Warehouse Setup**

A dedicated sample warehouse was established with clearly defined functional areas, including receiving and dispatch, meeting, and storage zones. Comprehensive security measures were installed, including CCTV, intrusion detection systems (IDS), and facial recognition access control. A full set of RFID hardware was also deployed.

2. **RFID-Based Sample Management System**

A digital management system was introduced to cover the entire lifecycle of samples, including inbound registration, lending, return, outbound handling, inventory checks, and disposal. The system enables real-time tracking and automatically generates reports to enhance visibility and control.

3. **Standardized Operational Procedures**

Each sample is assigned a unique RFID tag to ensure item-level identification and traceability. Dedicated personnel are responsible for warehouse operations, and monthly RFID-based inventory checks are conducted to ensure data accuracy and consistency.

Through this initiative, the Group significantly enhanced its control over sample management, reduced operational risks, and reinforced its commitment to protecting customer intellectual property.

11.2 Customer Relationship

11.2.4

Customer-Related Performance

During the reporting period, Shenzhou Group maintained strong performance in customer satisfaction, quality assurance, and service reliability:

- Achieved a 100% audit completion with corrective action, covering management systems, product quality, environmental and social responsibility, intellectual property, and security compliance;
- Consistently ranked among top-performing suppliers in major customers' evaluation systems, with high scores across key dimensions including overall customer satisfaction, on-time delivery, product quality acceptance, sustainability performance, and innovation;
- Maintained a 100% complaint resolution rate, ensuring all customer concerns were addressed in a timely and effective manner;
- Recorded zero product recalls, reflecting robust quality management and product safety standards.

11.3 PRODUCT RESPONSIBILITY

11.3.1

Quality Management Structure

Shenzhou Group has established a three-tier quality governance structure underpinned by Total Quality Management (TQM), forming an integrated and closed-loop quality management system across the entire chain.

- **Production Team as Primary Responsibility Holder:**
Production sites and facilities serve as the first line of accountability for quality. They focus on rigorous quality control (QC), strict adherence to production standards, and continuous on-site improvement to ensure product consistency and reliability.
- **Customer-Centric Business Department:**
Acting as the primary interface with customers, business departments are responsible for end-to-end quality coordination across the front-end value chain, including requirement alignment, communication, and overall quality oversight.
- **Integrated Quality Management System:**
At the Group level, the quality management team oversees quality governance, strengthens the Quality Management System (QMS), and provides unified quality support, ensuring alignment and consistency throughout the value chain.

The Group operates in accordance with internationally recognized quality management standards, including **ISO 9001**, and continuously enhances its systems to align with evolving customer and regulatory requirements.

11.3 Product Responsibility

11.3.2

Proactive Quality Risk Management

Guided by the principles of risk prevention, standardization, and system empowerment, Shenzhou Group establishes a pre-production quality management framework to mitigate risks at the source.

- **Customer Engagement:**
We ensure consistent communication of customer quality standards across all stages and identify potential risks during product development, with closed-loop tracking and resolution.
- **Standard Confirmation:**
All samples (garments, trims, packaging) are approved prior to production, and pre-production meetings are conducted to align quality requirements and minimize deviations.
- **Process and System Enhancement:**
We continuously optimize quality processes and management systems, strengthening standardized and system-driven approaches to enhance efficiency and forward-looking quality management.

11.3.3

Quality Control

Guided by the principles of process control, technical support, and team empowerment, Shenzhou Group implements full lifecycle quality management to ensure all products meet required standards.

- **In-Process Control:**
We establish comprehensive on-site control mechanisms covering pre-production briefings, first-piece approval, critical process monitoring, and compliance checks. Customer-authorized inspections are integrated throughout the process to ensure full alignment with requirements.
- **Quality Technical Support:**
Cross-functional teams support quality risk assessment and coordinate the resolution of production issues. Quality data and best practices are systematically analyzed and shared to drive continuous improvement.
- **Team Development:**
We build a dedicated quality knowledge base and implement regular training and assessment programs. Ongoing capability evaluation ensures the right talent is aligned with quality management needs.

11.3.4

AI-Enabled Quality Enhancement

Shenzhou Group leverages digital technologies, including management systems, AI visual inspection, and item-level traceability, to enable end-to-end quality control and real-time monitoring across the production process. This data-driven approach enhances traceability, improves defect prevention, and strengthens delivery efficiency and product quality.

11.4

INFORMATION SECURITY

11.4.1

Overview

As digital transformation continues to reshape the global manufacturing landscape, Shenzhou Group recognizes information security as a critical foundation for sustainable business operations. As a leading vertically integrated manufacturer, the Group relies on highly integrated digital systems to support end-to-end operations, including product development, production planning, supply chain coordination, and customer delivery.

With the growing digitalization of business processes, safeguarding customer data, intellectual property, employee information, and other sensitive business data has become an essential component of our corporate governance and risk management framework.

Guided by the principle of proactive risk prevention, platform-based governance, and company-wide participation, Shenzhou Group continues to strengthen its information security capabilities through sustained investment in both management systems and technical infrastructure. The Group has established a multi-layered security framework covering physical infrastructure, network systems, applications, and organizational management, ensuring the protection of critical information assets and the resilience of business operations.

Through continuous improvement of internal controls, technical safeguards, and employee awareness, we aim to safeguard data security, maintain operational continuity, and meet the expectations of global customers, international standards, and data privacy regulations.

11.4.2

Information Security Strategy and Governance Structure

The Group's information security management follows a governance principle of board oversight, management execution, and company-wide participation. Information security is integrated into the Group's risk management framework, ensuring that cybersecurity and data protection risks are systematically identified, assessed, and managed.

The Group Information Security Management Committee is responsible for overall planning, coordination, and supervision of information security initiatives. At the operational level, each subsidiary appoints dedicated information security administrators who are responsible for implementing policies and controls in accordance with local operational requirements, ensuring effective localized management and accountability.

The Group has established an information security management system in alignment with the ISO/IEC 27001:2022 Information Security Management Systems standard. Regular internal audits and management reviews are conducted to evaluate the effectiveness of the system and to support the continuous improvement of our information security strategy and governance practices.

11.4 Information Security

11.4.3

Key Initiatives and Performance

Information Security Awareness Enhancement

To reduce security risks caused by human factors, the Group continues to implement a “training + assessment” information security awareness project. Information security training is conducted twice annually and covers all employees across the Group. Training topics include password management, phishing email identification, and data classification and handling standards. Through regular training and assessments, the Group aims to continuously strengthen employees’ security awareness and ensure that information protection responsibilities are understood and implemented across the organization.

Periodic IT System Inspection and Compliance Checks

In accordance with standardized operating procedures (SOPs), the Group conducts biannual inspections of core IT systems, including servers, databases, and endpoint devices. Key control areas reviewed during these inspections include:

- Access rights management;
- Security patch updates;
- System log retention and monitoring.

These inspections ensure that technical safeguards remain aligned with management policies and regulatory compliance requirements.

Disaster Recovery and Business Continuity Drills

To verify system resilience under extreme scenarios, the Group conducts annual multi-level emergency response drills, including:

- Generator switching tests to ensure continuous data center operations during power outages;

- Disaster recovery system failover drills, simulating primary data center failures and validating data restoration and service takeover procedures;
- Integrated monitoring system testing for data center environmental controls, including temperature, humidity, water leakage, and fire response systems.

In 2025, the drill results are as below:

- Average disaster Recovery Time Objective (RTO) < 4 hours;
- Recovery Point Objective (RPO) < 1 hour;
- Drill success rate 100%.

Digital IT Operations Platform

The Group continues to promote the transformation of IT operations from reactive response to proactive prevention through the deployment of a unified digital IT operations platform. The platform integrates functions such as:

- Network monitoring;
- Server performance analysis;
- Fault detection and early warning.

With 24/7 real-time monitoring, abnormal system indicators trigger automated alerts, significantly improving operational response efficiency.

11.4 Information Security

11.4.3 Key Initiatives and Performance

Digital Security Management Platform

The Group has implemented a Security Operations Center (SOC) platform to enhance cybersecurity monitoring and threat response capabilities. The platform enables:

- Centralized threat intelligence analysis;
- Real-time monitoring of attack behaviors;
- Automated response to security incidents.

It also supports early detection of advanced threats, including APT attacks and ransomware.

In 2025, cybersecurity monitoring results are as below:

- Detected attack attempts (e.g., DDoS attacks, scanning activities, and code injection): over 210,000 attempts;
- All attempts were successfully intercepted.

Real-Name Authentication for Wireless Network Access

The Group has implemented a real-name authentication mechanism for wireless network access. Employees and visitors must authenticate via mobile phone verification or temporary authorization codes before connecting to the Wi-Fi network. All internet access activities are traceable and auditable, effectively reducing the risks of unauthorized access and data leakage.

Customer Audits and Information Security Assessments

The Company actively cooperates with customers in various information security-related audits and assessments, including:

- Intellectual property protection audits;
- Customs AEO certification;
- Anti-terrorism compliance audits;
- Information security assessments;
- Digital maturity evaluations.

The Group has successfully passed these audits. In response to customer requirements related to data access control, log retention, and third-party management, standardized response procedures and evidence documentation repositories have been established.

Phishing Email Testing

The Group conducts annual phishing email simulation tests to assess employees' ability to identify common cyberattack techniques, including suspicious links, spoofed senders, and urgent or deceptive messaging. More than 900 corporate email accounts were included in the 2025 testing program. The test results show that the initial phishing email click rate is 21%. Following the test, targeted training programs were implemented. Phishing awareness training has also been incorporated into mandatory onboarding training for new employees, with the objective of reducing the click rate to below 10% by 2026.

11.4 Information Security

11.4.3 Key Initiatives and Performance

Risk Identification and Assessment

To continuously strengthen cybersecurity risk management, the Group conducts multiple forms of risk assessment and auditing:

- Internal audits: conducted once per year;
- External audits: ISO/IEC 27001 annual surveillance audit;
- Vulnerability scanning: conducted quarterly;
- Security assessment for new systems: all new systems undergo security code scanning and security assessment prior to deployment.

Information Security Performance Conclusion

During the reporting year, the Group did not experience any data breaches, information security vulnerabilities, or cybersecurity incidents. There were no regulatory penalties, financial losses, or employee impacts related to information security incidents. The Company has obtained the following certifications of ISO/IEC 27001 and ISO/IEC 38505-1:2017 in the areas of information security management and data governance, respectively.

11.4.4

Outlook

Looking ahead, the Group will continue to strengthen its information security framework and further enhance its digital resilience. Key priorities include:

- Expanding pilot applications of the Zero Trust architecture to strengthen identity authentication and access control for users and devices;
- Exploring AI-driven security analytics capabilities to improve threat prediction, detection, and automated response;
- Enhancing personal data protection mechanisms to proactively address evolving regulatory requirements, including China's Personal Information Protection Law (PIPL) and other relevant data privacy regulations.

By continuously advancing its information security capabilities, the Group aims to position cybersecurity as a core pillar of its digital competitiveness, supporting resilient operations and long-term sustainable development.

11.5

INDUSTRY IMPROVEMENT

11.5.1

Technology and Innovation

Technology and innovation are treated as core productivity infrastructure for Shenzhou Group. In 2025, we continued to build scalable capabilities that strengthen operational excellence and long-term competitiveness—by enabling consistent execution across global production bases, improving end-to-end connectivity from development to delivery, and enhancing internal expertise to innovate and deploy at speed.

Governance

- Leadership & accountability: Designated technology leaders own major programs under senior leadership sponsorship, with clear accountable owners.
- Progress monitoring: Progress is tracked through regular portfolio reviews using milestones, risk signals, and decision asks.

Strategy

1. Scale the Smart Factory Operating Model across China, Vietnam, and Cambodia to drive consistent execution and faster replication.
2. Integrate ERP–MES–PLM to strengthen end-to-end connectivity from development to delivery and improve execution reliability.
3. Strengthen internal automation & digital R&D to accelerate pilot-to-scale and reduce reliance on ad hoc external delivery.

11.5.2

Production Innovation

Shenzhou Group has consistently placed strong emphasis on product innovation and intellectual property protection as key drivers of long-term competitiveness.

As of the end of 2025, the Group had accumulated a total of 685 intellectual property rights, including:

- 662 granted patents, comprising 118 invention patents and 544 utility model patents;
- 23 software copyrights.

These achievements reflect the Group's sustained commitment to innovation, technological advancement, and the systematic protection of intellectual property.

11.5.3

Sustainable Raw Materials

In materials management, the Group prioritizes collaboration with key raw material suppliers to optimize material composition, increase the share of sustainable materials, and gradually reduce reliance on virgin resources.

For recycled materials, suppliers are encouraged to adopt fibers and trims certified under the Global Recycled Standard (GRS) and Recycled Claim Standard (RCS). For organic and agricultural-based materials, the Group promotes certification under the Global Organic Textile Standard (GOTS) and relevant regenerative agriculture standards, strengthening sustainable practices in upstream cultivation and land management. For paper-based materials, priority is given to sourcing raw materials certified by the Forest Stewardship Council (FSC) to support responsible forest management. In addition, suppliers are encouraged to obtain certifications such as OEKO-TEX® STANDARD 100 for products and chemical inputs, reducing potential impacts on the environment and human health.

The Group also tracks suppliers' certification status under international standards such as ISO 14001, ISO 50001, ISO 45001, and ISO 9001, using these as key references for environmental and social performance evaluation and continuous improvement.

During the reporting period, all suppliers held at least one relevant certification, providing a strong foundation for sustainable products and green manufacturing, and supporting the Group's ongoing efforts to advance sustainable products and green manufacturing.

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Environmental, Social and Governance Reporting Code Index

Part B: Mandatory Disclosure Requirements

Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Governance Structure 13	A statement from the board containing the following elements: (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 how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	5. Sustainability Governance
Reporting Principles 14	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: 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. 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. 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.	2. About This Report 6. Materiality Assessment
Reporting Boundary 15	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.	2. About This Report

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Part C: “Comply or explain” Provisions

Indicator	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 relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7.2. Environmental Management 7.5.1. Waste Policy, Management, and Assessment
KPI A1.1	The types of emissions and respective emissions data.	7.4.3. Metrics
KPI A1.2	Repealed 1 January 2025	N/A
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.5.2. Actions and Metrics
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.5.2. Actions and Metrics
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	7.1. Environmental Targets and Performance 8.5.1. Climate-Related Targets
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.	7.5. Circularity
Aspect A2: Use of Resource		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2.1. Environmental Policy
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. Metrics
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.4.3. Metrics
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7.1. Environmental Targets and Performance
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.	7.1. Environmental Targets and Performance 7.4. Water and Wastewater
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	7.5.2. Actions and Metrics

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	7.2.1. Environmental Policy
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.2. Environmental Management 7.3. Energy 7.4. Water and Wastewater 7.5. Circularity
Aspect A4: Climate Change		
General Disclosure	Repealed 1 January 2025	N/A
KPI A4.1	Repealed 1 January 2025	N/A
B. Social		
Employment and Labour Practices		
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	9.2. Management Commitment and Policy 9.3. Employee and Labor Management 9.4. Employee Development and Care
KPI B1.1	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	9.3.5. Metrics
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	9.3.5. Metrics

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
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.	9.2. Management Commitment and Policy 9.5.1. OHS Policy
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	9.1. Social Targets and Performance
KPI B2.2	Lost days due to work injury.	9.5.3.4. Employee Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	9.5. Occupational 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.	9.4.2. Employee Training and Career Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	9.4.2. Employee Training and Career Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	9.4.2. Employee Training and Career Development
Aspect B4: Labour Standards		
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 preventing child and forced labour.	9.2. Management Commitment and Policy 9.3.1. Prevention of Child Labor and Forced Labor
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	9.3.1. Prevention of Child Labor and Forced Labor
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	9.3.1. Prevention of Child Labor and Forced Labor

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	10.2. Supply Chain Management Policy 10.3. Supply Chain ESG Governance
KPI B5.1	Number of suppliers by geographical region.	10.2. Supply Chain Management Policy
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.	10.3.2. Supplier ESG Audit Scope
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	10.3. Supply Chain ESG Governance
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	10. Supply Chain Management 11.5.3. Sustainable Raw Materials
Aspect B6: Product Responsibility		
General Disclosure	Information on: 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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	11.2. Customer Relationship 11.3. Product Responsibility 11.4. Information Security
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	11.2.4. Customer-Related Performance
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	11.2.4. Customer-Related Performance
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	11.2.3. Customer Rights Protection 11.5.2. Production Innovation
KPI B6.4	Description of quality assurance process and recall procedures.	11.3. Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	11.4. Information Security

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	11.1. Business Ethics
KPI B7.1	relating to bribery, extortion, fraud and money laundering. Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	11.1.6. Targets and Performance
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	11.1.3. Ethics Governance, Supervision and Control Mechanisms
KPI B7.3	Description of anti-corruption training provided to directors and staff.	11.1.6. Targets and Performance
Community		
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.	9.6. Community and Social Impact
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	9.6. Community and Social Impact
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	9.6. Community and Social Impact

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Part D: Climate-related Disclosures

Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
(I) Governance		
19	An issuer shall disclose information about: (a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about: (i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; (ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities; (iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; (iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35); and (b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about: (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and (ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	5. Sustainability Governance 8.1. Climate Governance

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
(II) Strategy		
Climate-related risks and opportunities		
20	An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall: (a) describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term; (b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk; (c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity could reasonably be expected to occur; and (d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.	8.2. Climate-Related Risks and Opportunities
Business model and value chain		
21	An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose: (a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and (b) a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	8.2.3. Business and Value Chain Impact

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Strategy and decision-making		
22	An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose: (a) information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about: (i) current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities; (ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect); (iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and (iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40; and (b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).	8.4.1. Climate Strategy
23	An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	7.1. Environmental Targets and Performance 8.4.1. Climate Strategy

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Financial position, financial performance and cash flows		
Current financial effect		
24	An issuer shall disclose qualitative and quantitative information about: (a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and (b) the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.	8.3.5. Financial Impacts
Anticipated financial effect		
25	The issuer shall provide qualitative and quantitative disclosures about: (a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration: (i) its investment and disposal plans; and (ii) its planned sources of funding to implement its strategy; and (b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.	8.3.5. Financial Impacts

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Climate resilience 26	An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose: (a) the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of: (i) the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis; (ii) the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and (iii) the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term; (b) how and when the climate-related scenario analysis was carried out, including: (i) information about the inputs used, including: (1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios; (2) whether the analysis included a diverse range of climate-related scenarios; (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks; (4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change; (5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties; (6) time horizons the issuer used in the analysis; and (7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis); (ii) the key assumptions the issuer made in the analysis; and (iii) the reporting period in which the climate-related scenario analysis was carried out.	8.3. Scenario Analysis and Financial Impact

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
(III) Risk Management		
27	An issuer shall disclose information about: (a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about: (i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes); (ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks; (iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria); (iv) whether and how the issuer prioritises climate-related risks relative to other types of risks; (v) how the issuer monitors climate-related risks; and (vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period; (b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and (c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	5. Sustainability Governance 8.3. Scenario Analysis and Financial Impact
(IV) Metrics and Targets		
Greenhouse gas emissions		
28	An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO₂ equivalent, classified as: (a) Scope 1 greenhouse gas emissions; (b) Scope 2 greenhouse gas emissions; and (c) Scope 3 greenhouse gas emissions.	8.5.2. GHG Emissions

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
29	An issuer shall: (a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions; (b) disclose the approach it uses to measure its greenhouse gas emissions including: (i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions; (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes; (c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and (d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).	8.5.2. GHG Emissions
Climate-related transition risks		
30	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	8.3.5. Financial Impacts
Climate-related physical risks		
31	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	8.3.5. Financial Impacts

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Climate-related opportunities		
32	An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	8.3.5. Financial Impacts
Capital deployment		
33	An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	8.3.5. Financial Impacts
Internal carbon prices		
34	An issuer shall disclose: (a) an explanation of whether and how the issuer is applying a carbon price in decision making (for example, investment decisions, transfer pricing, and scenario analysis); and (b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	Shenzhou Group has not deployed an internal carbon price in decision-making during the reporting period.
Remuneration		
35	An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	Climate-related considerations have not been factored into the Group's remuneration policy during the reporting period.
Industry-based metrics		
36	An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	We have referenced SASB to disclose industry-based parameters. Please refer to following section: 10.3. Supply Chain ESG Governance

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
Climate-related targets		
37	An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose: (a) the metric used to set the target; (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives); (c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region); (d) the period over which the target applies; (e) the base period from which progress is measured; (f) milestones or interim targets (if any); (g) if the target is quantitative, whether the target is an absolute target or an intensity target; and (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	8.5.1. Climate-Related Targets
38	An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including: (a) whether the target and the methodology for setting the target has been validated by a third party; (b) the issuer's processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions.	8.5.1. Climate-Related Targets
39	An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.	8.5.1. Climate-Related Targets

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Indicator	HKEX ESG Reporting Guide Requirements	Section/Remarks
40	For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose: (a) which greenhouse gases are covered by the target; (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target; (c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target; (d) whether the target was derived using a sectoral decarbonisation approach; and (e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose: (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits; (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).	8.5.1. Climate-Related Targets
Applicability of cross-industry metrics and industry-based metric		
41	In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).	N/A

**SHENZHOU INTERNATIONAL
GROUP HOLDINGS LIMITED**