

Shang Gong Group Published Its First Corporate Social Responsibility (ESG) Report

Recently, Shang Gong Group Co., Ltd. (hereinafter referred to as "SGG" or "SGGroup") published the Corporate Social Responsibility (ESG) Report 2022. By holding on to the business philosophy of **"market orientation, leading innovation, continuous globalization and green development"**, SGG vigorously promotes innovation and technological progress, accelerates green production and low-carbon transformation, encourages employees' professional ability enhancement, actively invests in community development, and consolidates compliance management and corporate governance. SGG is committed to building up its competitiveness with high-quality growth and sustainability, and contributing to concerted progress in economic and social development, and environmental and ecological protection.

In 2022, SGG withstood the impact and challenges from the pandemic, geographic conflict and global economic downturn, and achieved Operating Income of RMB 3.329 billion with **6.54%** YoY growth, Operating Profit of RMB 144 million with **54.99%** YoY growth, annual production volume exceeding **RMB 2 billion** with nearly 5% YoY growth, and social contribution value of **RMB 1.40 per share**. The positive performance and steady growth indicated that the company will walk out of the low point of recent years, to embrace a new round

of accelerated development.

SGG 上工申贝集团 | Code of A Share: 600843
Shang Gong Group | Code of B Share: 900924



2022

Shang Gong Group Corporate Social Responsibility (ESG) Report

(Short Version)

Environmental

- **Promote green intelligent manufacturing.** SGG actively responded to the national call of "Carbon Peak and Carbon Neutrality", integrated the "Full Digitalization" strategy into all aspects of production management and product R&D, and explored a new mode of energy conservation and carbon reduction. The German subsidiary of SGG Group, Dürkopp Adler launched the E-CON project to ensure efficient and environmentally friendly production process with the application of advanced technologies. Compared to the competitors, DELTA e-con has a higher level of sewing efficiency while **saving 25% of energy consumption.**



- **Continuously improve green production efficiency.** An **"intelligent + green" factory** with an annual output of 390,000 units of electromechanical sewing machines was set up in Huangyan City, Zhejiang Province, China,

demonstrating significant improvement in digitalization, intelligentization and low-carbon production. Energy consumption was reduced from rework and repair due to the improved product qualification rate, and environmental pollution was minimized with effective waste gas, wastewater and dust treatment by using powder spraying, powder recycling and other technologies.

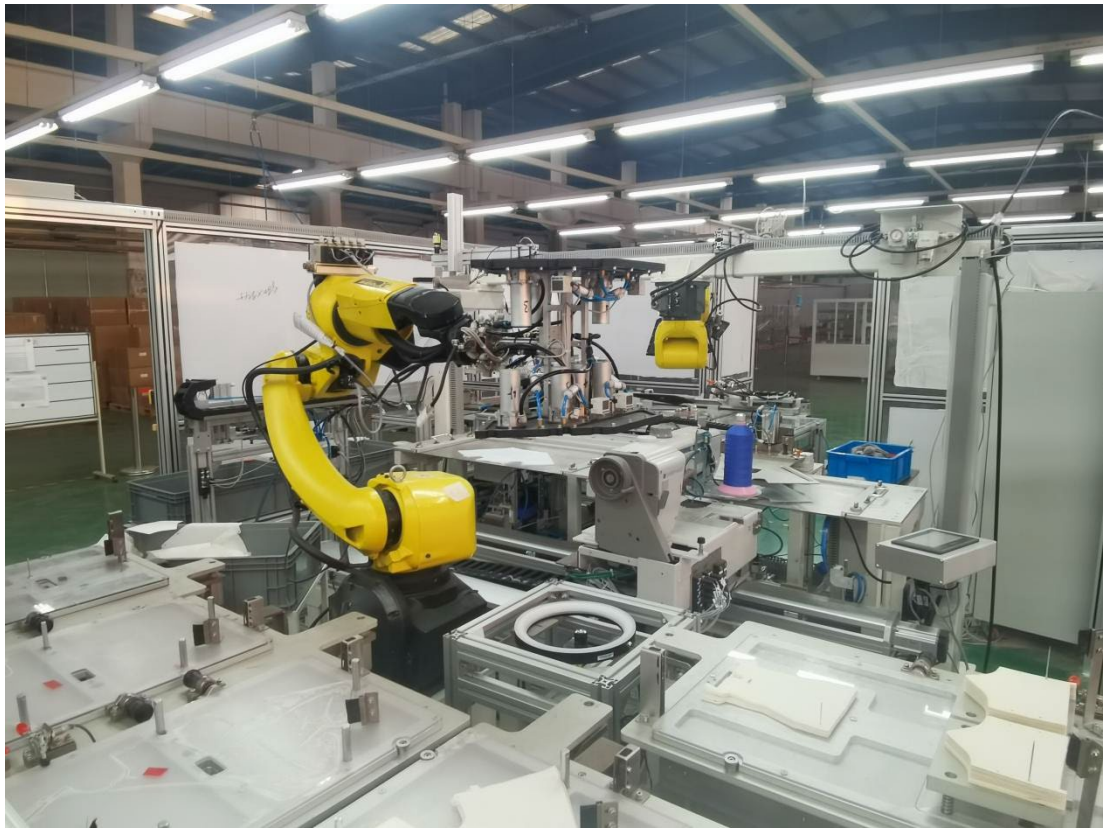


• **Build a resource-saving enterprise in an all-round way.** In 2022, the SGG headquarters moved to Shensy Building, Shanghai Baoshan Science Park, implementing centralized management, vigorously promoting digital management, green operation and administrative efficiency. As of the end of 2022, the headquarters have completed 60,959 electronic approvals via OA system, **reducing 1,067kg of carbon emissions.**

Social

• **Adhere to "Market Orientation and Customer Centricity".** SGG

continuously promoted precise R&D, rapid expansion of digitalized products in the application of shoe upper processing automation, filter bag automatic sewing production line, airbag automatic production line, automotive interior part processing and other aspects. Its revolutionary technological innovations played an important role in upgrading traditional industries such as garment, shoes and bags, continued to empower the development of emerging industries, and further consolidated SGG's leading position in the sewing industry and the forefront of intelligent manufacturing technology .



- **Adhere to "People Orientation and Culture Diversity"**. SGG carried out localized management, created a safe and healthy working environment, encouraged employees' professional ability enhancement, and attached

importance to the protection of employees' rights and interests. In 2022, a total of **164 training sessions** were organized for domestic and overseas employees, with a total of 1,732 participants. SGG actively participated in public welfare undertakings and voluntary services, invested money and time in helping the poor and community development, making contributions to building a harmonious society. In 2022, a total of **15 Butterfly Cloth Art Public Welfare Workshops** were held, involving **400 participants** of residents, enterprise employees, school students and teachers, etc.



Governance

- **Establish ESG management system.** SGG integrated ESG management into its business philosophy and development strategy, and formulated the Rules of Social Responsibility Management. The Corporate Social Responsibility (ESG) Report of SGG Group will be issued along with its Annual Report every year, responding to the concerns of the stakeholders, such as the

employees, customers, government and the public, establishing the corporate citizenship and sustainable competitiveness.

- **Launch the Employee Stock Ownership Plan (ESOP).** SGG improved the benefit sharing mechanism for employees and shareholders, to enhance corporate governance and strengthen employees' cohesion, initiative and creativity, and promote healthy sustainable growth of the company.

In the future, following the business strategy of "Innovation and Service Driven Development", SGG will continue to give full play to its advantages of leading technology, innovative development and global layout, promote green intelligent manufacturing in an all-round way, set up a new model of service-oriented new manufacturing, build a new pattern of shared value with its stakeholders, and forge a new blueprint for high-quality development.