

XINAO

XINAO 2023

Environmental, Social and Governance (ESG) Report



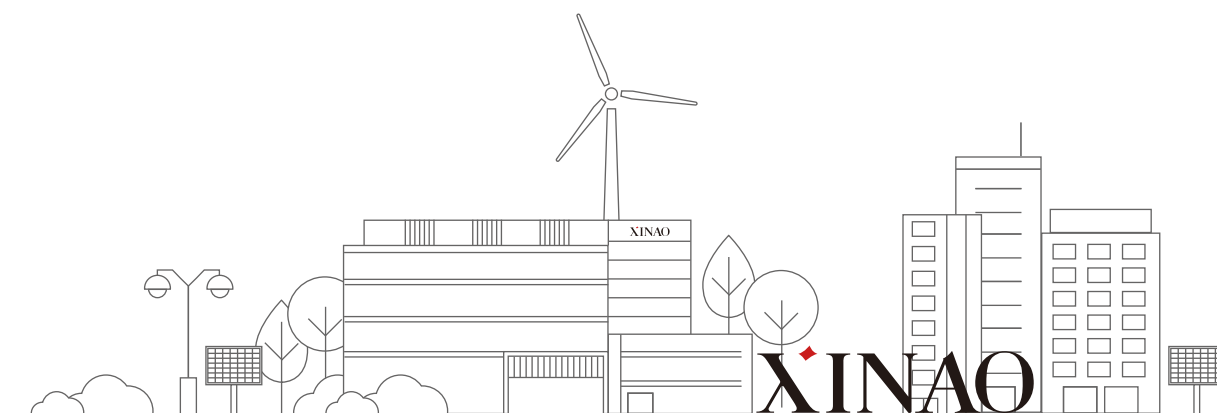
Zhejiang Xinao Textiles Inc.

Address : Guanzhuang Bridge, Chongfu Town, Tongxiang City, Zhejiang Province
Phone : 0573-88455801



CONTENTS

Direction of the Report	-----	01
Letter from the Chairman	-----	03
About XINAO	-----	05



01

ESG Management

▪ ESG philosophy & governance	07
▪ Management of material topics	15

02

Robust: Consolidate Management

▪ Organization structure & functions	21
▪ Investor protection	23
▪ Internal controls & risk management	25
▪ Compliance & business ethics	27

05

Common prosperity: Paint a rosy picture

▪ Employee rights & benefits	55
▪ Employee training & development	58
▪ Occupational health & safety	60
▪ Industry and People' s values	62

06

Key quantitative performance

▪ Corporate Governance & Economic Performance	71
▪ Environmental Performance	72
▪ Social Performance	75

03

Green: Boost low-carbon transition

▪ Environment management system	29
▪ Low-carbon products & climate change adaptation	31
▪ Recycling of resources	34
▪ Pollutant reduction	37
▪ Animal welfare & biodiversity	40

04

Ingenuity: Build excellence

▪ Product quality & safety	43
▪ Scientific and technological innovation & intellectual property protection	46
▪ Customer rights & interests	49
▪ Information security & privacy	51
▪ Responsible supply chains	52

07 ANNEX

Glossary of proper nouns and acronyms	-----	80
Index against the <i>Guidelines No. 1 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies – Standardized Operation (Revised in August 2023)</i>	-----	81

DIRECTION OF THE REPORT

This is the second *Environmental, Social and Governance (ESG) Report* of Zhejiang Xinao Textiles Inc. which discloses to stakeholders the concepts, management approaches, efforts and achievements on ESG topics in its operations.

◆ Scope of the Report

This report covers Zhejiang Xinao Textiles Inc. and its subsidiaries (hereinafter referred to as the "Company" or "XINAO"), which is consistent with the scope of the consolidated financial statements in the annual report of XINAO (stock code: 603889), unless otherwise stated.

The scope of entities in the Company's consolidated statements is as follows:

Full Name	Short Name	Included in the Report (Y/N)
ZHEJIANG XINAO TEXTILES INC.	XINAO TEX	Y
ZHEJIANG NEW CHUWA WOOL CO., LTD	NEW CHUWA	Y
ZHEJIANG HOUYUAN TEXTILES INC.	HOUYUAN TEX	Y
NINGXIA XINAO CASHMERE CO., LTD	XINAO CASHMERE	Y
JIAXING FEIXUN SPECIAL FIBER TECHNOLOGY CO., LTD	JX FEIXUN	Y
ZHEJIANG HONGDE CASHMERE PRODUCTS CO., LTD	HONGDE CASHMERE	Y
ZHEJIANG TAIYUAN TEXTILES CO., LTD	TAIYUAN TEX	Y
SHANGHAI JINGHENG TEXTILE TECHNOLOGY CO., LTD	JH TECH	Y
NINGXIA MODERN TEXTILE INDUSTRY RESEACH INSTITUTE CO., LTD	TEXTILE INSTITUTE	Y
TODD&DUNCAN LIMITED	T&D UK	Y
TAIYUAN INTERNATIONAL(AUSTRALIA)PTY LIMITED	TAIYUAN INTL	Y
XINAO (HONGKONG) LIMITED	XINAO HK	Y
XINAO TEXTILES (EUROPE) S.R.L.	XINAO EU	Y
XINAO TEXTILES (VIETNAM) COMPANY LIMITED	XINAO VN	Y
XINAO TEXTILES UK LIMITED	XINAO UK	Y

◆ Time Frame

This is an annual report covering the period from 1 January 2023 to 31 December 2023. Some information that goes beyond this scope is indicated where involved.

◆ Basis of the Report

This report is prepared in accordance with the compilation guideline for the "Reports on Fulfillment of Social Responsibilities" (2008 edition) and the *Guidelines No. 1 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies – Standardized Operation (2023 edition)* published by the Shanghai Stock Exchange, and with reference to the CSRC's *Rules No. 2 on Content and Format of Information Disclosure by Companies Publicly Issuing Securities - Content and Format of Annual Reports (2021 Revision)*, while taking the United Nations Sustainable Development Goals (SDGs) as a guiding reference for the report.

◆ Principles of Reporting

This report is guided by the following reporting principles:

Principles for Defining the Content of the Report

Inclusiveness of Stakeholders

This report identifies the company's stakeholders and their concerned topics, and explains the way in which it responds to stakeholders.

Materiality

This report identifies and responds to material topics of concern to stakeholders and of importance to the company, and reports on these topics in a focused manner.

Completeness

The full range of topics covered in this report reflects the company's significant environmental and social impacts, describes the scope of the impacts of the material topics and how the company manages them.

Principles for the Quality of the Report

Accuracy

The information disclosed in this report is accurate and detailed for stakeholders to assess the performance of the Company.

Balance

Taking into account the characteristics of the industry in which it operates, the report discloses the Company's active implementation of ESG work, possible problems and plans for improvement, avoiding selective disclosure.

Clarity

This report is disclosed in a manner that is easily understood by stakeholders and made clear how the report can be accessed.

Comparability

The report explains the meaning of the disclosed key quantitative performance indicators and describes the basis for their calculation and assumptions. The indicators are as consistent as possible across reporting periods to reflect trends in performance.

Reliability

The manner in which the information and processes were collected, documented, compiled and analyzed during the preparation of this report.

Timeliness

The Company publishes ESG reports on a regular basis to keep stakeholders informed.

◆ Description of Data

The data in this report is derived from the Company's annual financial reports, official documents, and ESG practices of its subsidiaries, which have been counted, summarized and audited by the Company. Part of the data has imperfections due to statistical and caliber reasons, the Company is continuously improving the statistical system of data indicators to provide more comprehensive information.

◆ Reliability Assurance

The Company undertakes that there are no false records, misleading statements or material omissions in the contents of this report, and the Board of Directors of the Company is responsible for the authenticity, accuracy and completeness of its contents.

◆ Access to the Report

This report is available as an E-documents in both simplified Chinese and English versions. In the event of any ambiguity in the understanding of the two texts, the simplified Chinese version shall prevail. Both version of the report can be downloaded from the Company's WeChat Official Account (XINAO) and the website of Shanghai Stock Exchange (<http://www.sse.com.cn/>).

Contact

XINAO ESG Management Committee

Address: Guanzhuang Bridge, Chongfu Town, Tongxiang City, Zhejiang Province, China

Phone: +86 573 88455801

E-mail: xinao@xinaotex.com

LETTER FROM THE CHAIRMAN



A blueprint for sustainable development through unremitting efforts

I am pleased to share with you once again our annual Environmental, Social and Corporate Governance Report. Last year, we released the first full ESG report, disclosing our achievements and challenges in environmental, social and corporate governance to many stakeholders in the community, which received widespread attention and recognition from all sectors of the community, making us more confident and motivated to keep going.

Despite the continued volatility and complexity of the world situation, a still challenging macro environment, and intensifying global risks such as climate change in 2023, it is gratifying to see the deepening of our ESG strategy and significant progress in ESG actions.

We honour our commitment to environmental protection in a proactive manner. Over the past year, we have achieved a reduction of 0.04 tonnes of greenhouse gas emissions per tonne of product at our own operational level by effective initiatives such as promoting process innovation, equipment upgrading, and energy transition; we have reduced the burden on nature in digesting emissions through actions such as the selection of green raw materia, resource conservation, and recycling; at the same time, we have made considerable progress in promoting green-oriented transition through efforts in management system, product design and supply chain synergy. It is encouraging that in 2023, we were invited to become a member of the Green and Low Carbon Alliance of wool textile industry to jointly study the countermeasures for the sustainable development of the industry, though which we realized resource sharing of the carbon footprint data throughout the industrial chain. Through the active participation in the research of the industry's carbon emissions, enterprise carbon accounting and product carbon footprint, we promoted the R&D and application of the green and low-carbon technologies, processes and equipment. While striving to become a practitioner and leader of green manufacturing, we are contributing more to enhancing the industry's green and low-carbon manufacturing in all respects and building a new pattern of green, low-carbon and sustainable development.

We persue our social responsibility with practical actions. We believe that a workplace environment that is equal, diversified, inclusive and enjoyable not only helps to attract and retain outstanding talents, but also helps to build more dynamic teams. Therefore, over the past year, we have, as always, attached great importance to our employee welfare and protection system, supported their all-round ability enhancement and personalized development, and offered them open, fair and just promotion and growth channels. By the end of 2023, there were 86 employees who have grown up with XINAO for more than 30 years, which is the greatest recognition of our culture and values, and I am warmly honoured by this sense of belonging. I would also like to mention that our 50,000 spindle spinning project in Vietnam, which has started construction in 2023 and is in full swing as planned, expected to bring more than 1,000 jobs to the local community when it reaches design capacity. Through joint construction, sharing and progress with suppliers, customers and industries in terms of healthy development of industry and scientific and technological innovation, as well as continuous investment in many fields such as student assistance and poverty relief, beautiful villiage and cultural construction through charitable funds and targeted donations, we give actively back to the community and pass on our warmth and care.

We continue to improve our corporate governance mechanism in a down-to-earth manner. We have set up an ESG Committee at the management level, with the general manager of the Company as the chairman of the ESG Committee, to fully implement the ESG concept and pursue sustainable development. Over the past year, we further improved the ESG disclosure indicator system, built an ESG data collection and entry platform, and continued to promote the systematisation and scientisation of ESG disclosure. At the same time, we put forward a linear governance structure this year, that is, giving full play to the central platform functions of the parent company, such as system standards, support services, supervision and inspection, and


training and empowerment, while having departments with the same function manage collaboratively top down along the lines. Such a governance structure enables more efficient actions and propels XINAO toward the objectives of integrity and innovation, standardized governance, risk prevention, compliance and honesty in operation.

At present, the realization of sustainable development is an important global consensus. As Chinese enterprises continue to move towards high-quality development, the integration of ESG into corporate strategy control and business decision-making has become a "proposition of the times" for corporate development. After years of exploration, China has gradually established a policy system for ESG disclosure by listed companies, and the willingness of listed companies to disclose ESG information is constantly strengthened. XINAO, as one of the leading companies in the wool textile industry, is looking forward to sharing the business philosophy and values behind our performance through the release of the ESG report, and exploring the path of sustainable development with more fellow travellers together to build a "quality life" and draw a blueprint for sustainable development.

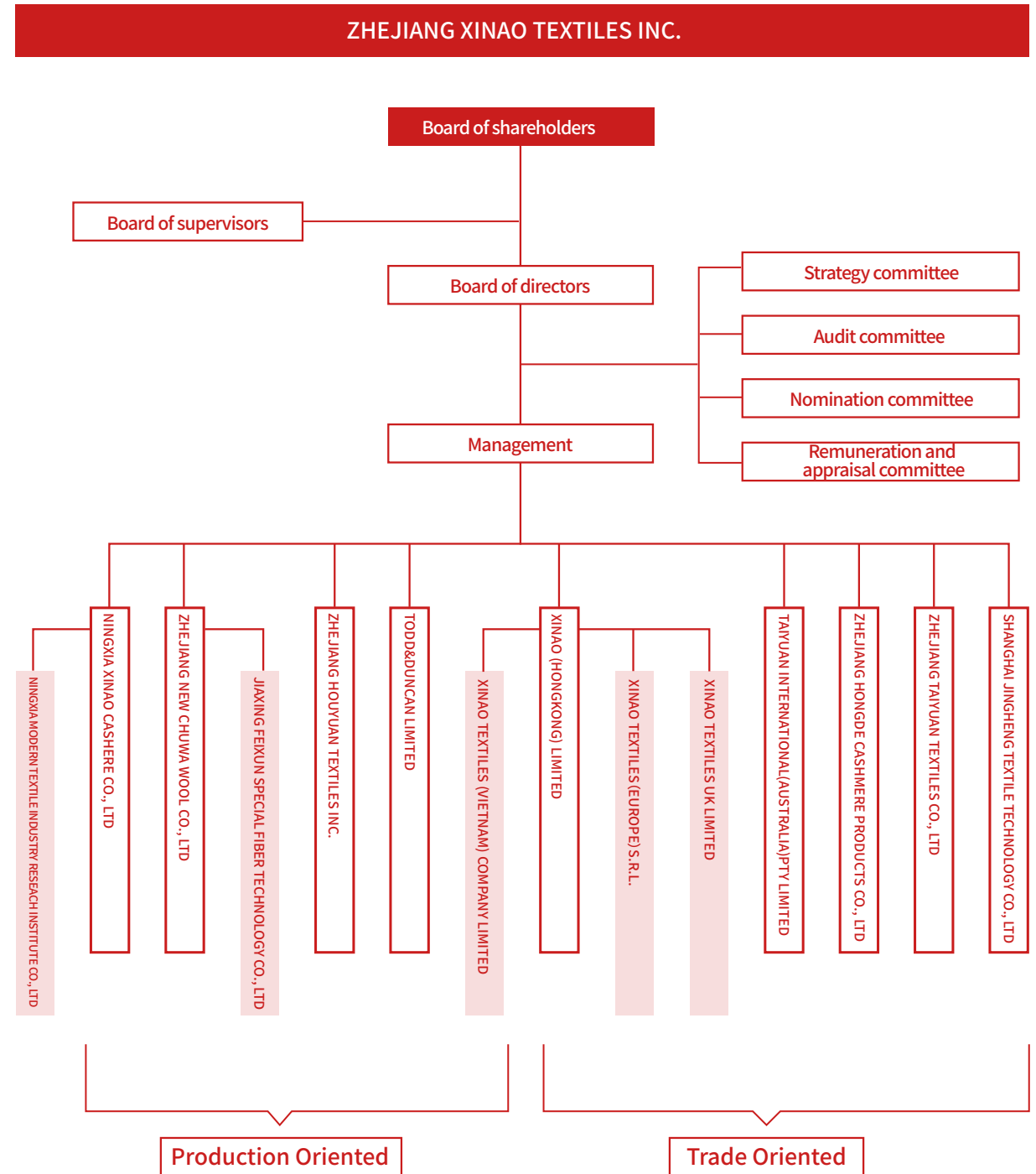
The year 2024 will mark the tenth year since the listing of XINAO, which will be a new depature. We will remain true to our original intention and take solid actions one step at a time. While enhancing continuously the financial performance, we will pursue our ESG strategy through constant practicing, summarizing, reviewing and improving, with a commitment to create lasting and far-reaching value for our customers, employees, investors and all stakeholders.

Yours sincerely,
Chairman of XINAO

ABOUT XINAO

 **Headquarter Address**
Tongxiang City, Zhejiang Province

◆ Organization Structure



Company Name
Zhejiang Xiniao Textiles Inc.

◆ **Stock Facts** Listed on **Shanghai Stock Exchange** Stock abbreviation **XINAO** Stock code **603889.SH**

◆ **Main Business**

- Specialized in the R&D, production and sales of wool and cashmere yarns, a leading enterprise in the worsted spinning industry, and awarded as a model enterprise of single champion of worsted wool yarns in the manufacturing industry by the Ministry of Industry and Information Technology (MIIT).
- The Company owns a complete wool spinning industry chain from raw wool selection to scouring, stop making, chemical treatment, dyeing and spinning, with the world's leading production capacity. It provides commission top making, various knitting yarns (circular knitting, flat knitting) and weaving yarns.
- With its products marketed globally and widely recognized, the Company has been listed as the designated yarn supplier of many internationally renowned brands and luxury brands.

◆ **Qualification Recognition**

- National High-tech Enterprise, National Green Factory, Green Design Model Enterprise of MIIT, National Development Base of Woolen Yarns Product, China Wool Textile Industry R&D Center of Worsted Woolen Yarns Technology, Provincial Enterprise Technology Center, Provincial Enterprise Institute and Provincial Post-doctoral Workstation, and the first Knitwear Development Center (KDC) jointly founded with International Wool Secretariat (IWS).
- Focusing on sustainable development, the Company has been committed to the development of functional products and green products in recent years, with a number of products being cultivated as functional products and recommended for application by China Knitting Industry Association (CKIA).

◆ **Company Size**

3,979 employees worldwide

20+ Countries and regions covered by global marketing channels

5,000+ clients worldwide

4.438 billion yuan revenue

ESG MANAGEMENT

ESG Philosophy & Governance

◆ ESG Concepts & Strategy

Adhering to the vision of "becoming a leader in the global wool spinning industry", XINAO actively assumes responsibilities for shareholders, customers, employees, communities and the environment, pursues the mission of "Enjoy better life with wool", strives to build the values of "Learning, Innovation, Integrity and Sharing", and endeavors to realize "First-class mechanism, first-class talents, first-class service and first-class brand".

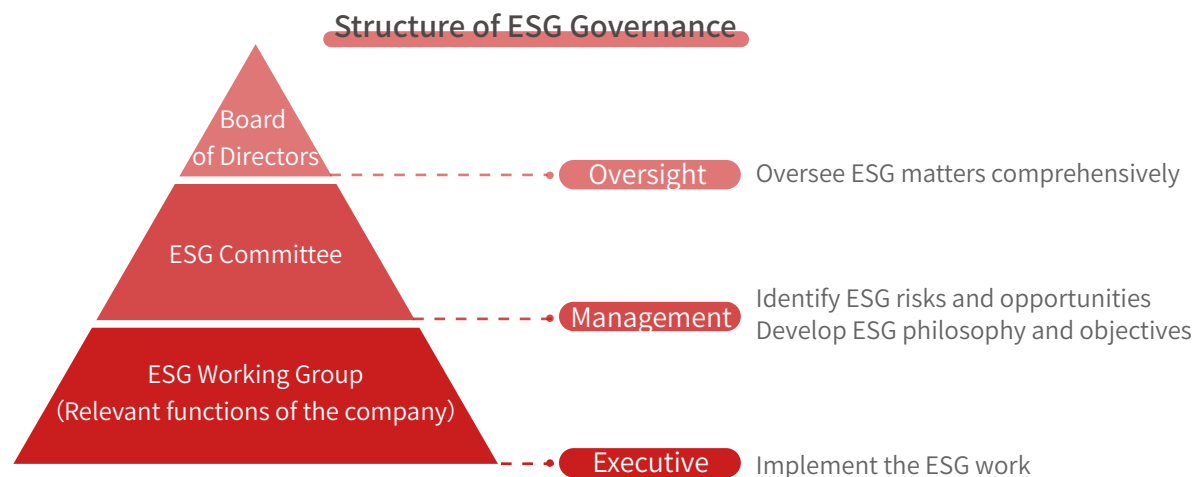


The Company integrates sustainable development into its development strategy, and actively pursues the United Nations Sustainable Development Goals (SDGs) and ESG concepts at a strategic level by promoting the ESG governance system in an all-round way, implementing the material topics of ESG and improving the Company's ESG performance, progressively incorporating ESG material topics into the Company's performance appraisal system, and actively bringing ESG factors into the Company's decision-making and business development, so as to provide customers with ESG-compliant products and services.

◆ ESG Governance System

A sound ESG governance structure is a prerequisite to guard an organic integration of the strategy of sustainable development and the strategy for business development. Through its improving sustainable development practices, the Company is moving towards a better future together with its stakeholders, including shareholders and investors, customers, employees, government and regulatory agencies, partners, communities and the public.

XINAO keeps optimizing the top-level design of ESG governance. The Company's Board of Directors, the highest management body of ESG, authorizes the management to advance the implementation of ESG practices and the management of material topics. The Company has established an ESG Committee at the management level, with the General Manager of the Company serving as the Chairman of the ESG Committee.



Meetings of the ESG committee in 2023

- On 13 July 2023, the Company held the ESG Committee Semi-Annual Meeting 2023 to review the "Proposal on improving the 2022 Environmental, Social and Governance Report of XINAO". Training on "Definition and Value of ESG", "ESG Rating and ESG Information Disclosure" and "Ways and Suggestions to integrate ESG into Corporate Management" were also conducted for members of the ESG Committee, relevant functions of the ESG Working Group and heads of subsidiaries.
- On 18 September 2023, the ESG Committee convened the Working Group to hold a seminar on ESG data indicators, where it discussed and determined the internal standards for ESG data indicators based on the principles of scientificity, authenticity, reliability and accuracy.
- On 25 October 2023, the Company convened the ESG Committee Planning Meeting 2024 to review the proposal of "Analysis of material topics in the 2023 ESG Report of XINAO" and conducted research and interviews with the relevant functions of the ESG Working Group and subsidiaries.

ESG information disclosure boosts the phased retrospections of the ESG work, the publicity and communications, and the responses to regulations, which is an extension of ESG governance as well as a key part of ongoing enhancement of ESG governance. By improving the ESG information disclosure indicator system and building an ESG information disclosure IT system, the Company continued to promote the systematic and scientific disclosure of ESG information in 2023.

Continuous improvement of ESG information disclosure in 2023

- Improve the ESG Information Disclosure Indicator System**
The Company updated and improved the ESG disclosure indicator system by increasing the number of quantitative indicators to **176** in the context of disclosure frameworks both at home and abroad, regulatory systems and ESG rating systems.
- Build the ESG Information Disclosure IT System**
The Company has initially built an ESG data collection and entry platform and configured ESG data collection services, which have been applied across functions and subsidiaries.

◆ Meet the UN Sustainable Development Goals (SDGs)

2023 is the second year for the Company to fully implement the ESG concept. The Company has continued to pursue sustainable development in line with the United Nations Sustainable Development Goals (SDGs) and the trend of domestic economic transformation. With the management of ESG material topics as the core, the Company has comprehensively launched ESG practices in three aspects, namely ESG governance, ESG risk management and ESG information disclosure, and has made better progress in sustainable development, supporting the UN SDGs with concrete actions.



UN SDGs	Concrete Actions of the Company
	<ul style="list-style-type: none"> Generate photovoltaic power Buy green power
	<ul style="list-style-type: none"> Protect employee remuneration and benefits Examine the performance of the labor in the supply chains
	<ul style="list-style-type: none"> Strengthen technological innovation Advance the construction of smart factories
	<ul style="list-style-type: none"> Promote equal opportunities Oppose any form of discrimination
	<ul style="list-style-type: none"> Assist groups in need Provide community volunteer services
	<ul style="list-style-type: none"> Purchase preferentially the certified raw materials Work with suppliers to improve environmental performance
	<ul style="list-style-type: none"> Calculate carbon emissions Carry out extensive actions to conserve energy and reduce emissions Promote green-oriented transition of the industry
	<ul style="list-style-type: none"> Protect animal welfare Certified by Responsible Wool Standard (RWS) and The Good Cashmere Standard (GCS)
	<ul style="list-style-type: none"> Transparency of information Prohibit all forms of corruption
	<ul style="list-style-type: none"> Communicate with stakeholders Release the annual ESG report

UN SDGs	Concrete Actions of the Company
	<ul style="list-style-type: none"> Help the disadvantaged Continue to boost rural revitalization
	<ul style="list-style-type: none"> Certified by ISO45001 Occupational Health and Safety Management System Assist suppliers in securing production
	<ul style="list-style-type: none"> Financially aid students in need
	<ul style="list-style-type: none"> Ensure gender equality in recruitment and employment
	<ul style="list-style-type: none"> Adopt water-saving sanitary equipment Cultivate water-saving habits among employees through water-saving publicity and education

◆ Highlights of the Year's ESG Performance

Environmental

- Xinao Tex was selected as a Model Enterprise of Green Design for Industrial Products (Batch 5) by the Ministry of Industry and Information Technology (MIIT).
- Xinao Tex was awarded the First Prize of Product Development of ECO Materials in 2023 China Eco-Friendly Fabric Design Competition.
- Xinao Tex's "Integrated technologies for energy optimization and efficient utilization" was selected for the 2023 catalogue of green and low-carbon technology promotion in the wool textile industry.
- New Chuwa's "Level 1 Energy Efficiency Air-compress Station Technology" was selected for the 2023 catalogue of green and low-carbon technology promotion in the wool textile industry.
- Houyuan Textiles' "Key Technology and Industrialization of Digital Manufacturing of Colored Wool Knitting Yarns" was selected for the 2023 catalogue of green and low-carbon technology promotion in the wool textile industry.
- Houyuan Textiles entered into a purchase agreement of green power.
- Houyuan Textiles' "Bio-enzymatic treated environmentally-friendly mercerized colored wool tops" obtained China Green Product Certification.

Governance

- Rated B in the 2022-2023 Information Disclosure for Listed Companies on the Main Board of Shanghai Stock Exchange.

Social

- Xinao Tex was selected as a typical case of product, application and service of new information technology in 2023 by MIIT (Batch 1).
- Xinao Tex was awarded the 2023 Textile Industry Informatization Achievement by China National Textile and Apparel Council (CNTAC).
- Xinao Tex was awarded the Smart Workshop of Worsted Woolen Yarns by China Wool Textile Association.
- Xinao Tex was shortlisted as a "Cloud-enabled Enterprise" in the manufacturing industry of Zhejiang Province (Batch 2).
- Xinao Tex was selected as one of the Top 500 high-tech enterprises in Zhejiang Province in terms of innovation ability in 2023.
- Xinao Tex R&D Center of Textile Technology was rated as China Wool Textile Industry R&D Center of Worsted Woolen Yarns Technology by China Wool Textile Association.
- Xinao Tex was awarded the Advanced Enterprise of Standardization by National Technical Committee for Textile Standardization Woolen Textiles Sub-Committee.
- 7 high-quality yarns from Xinao Tex won the Best Green Ecology Award, the Best Technological Innovation Award, the Craftsman Quality Award, the Artistic Design Award and Green Ecology Award in the "Jindian" Selection of Excellent Products of the 8th National Wool Spinning Yarns by China Wool Textile Association.
- The brand image of Xinao Tex was newly upgraded.
- New Chuwa was recognized as an innovative small and medium-sized enterprise (SME) in Zhejiang Province in 2023 (Batch 3).
- Houyuan Textiles was recognized as a Specialized, Refinement, Differential and Innovation (SRDI) enterprise in textile industry of CNTAC (Batch 4).
- Houyuan Textile was recognized as a SME of SRDI in Zhejiang Province in 2023 (Batch 2).
- Xinao Cashmere was awarded the Best Artistic Design Award and Technology Innovation Award in the "Jindian" Selection of Excellent Products of the "Yongjin Cup" of 8th National Wool Spinning Yarns by China Wool Textile Association.
- Xinao Cashmere was recognized as a SME of SRDI in Ningxia Hui Autonomous Region.
- Xinao Cashmere was identified as the "chain leader" enterprise in Yinchuan textile industry.
- Xinao Cashmere won the award of Lingwu Municipal Regional Home of Staff and outstanding organization of Vocational Skills Competition for Employees of Modern Textile Industry in Lingwu City.
- Xinao Vietnam was registered in Tỉnh Tây Ninh, Vietnam and officially commenced building.



Advanced Enterprise of Standardization



Small and medium-sized Enterprise (SME) of Specialized, Refinement, Differential and Innovation (SRDI)



Smart workshop of worsted wool yarn



R&D center of worsted woolen yarns technology



Groundbreaking ceremony for Vietnam project

Environmental

12.7978 million yuan invested in environmental protection	13,513 participations in environmental training	14,540 sets of woven bags (pcs) were recycled	800 MWh of green electricity purchased
0.49 tce/t of comprehensive energy consumption per unit product, down 0.01 tce/t from the previous year	1.82 tCO ₂ e of greenhouse gas emissions per unit product, down 0.04 tCO ₂ e from the previous year		
27.09 m ³ /t of water withdrawal per unit product	1,097,983.78 m ³ of recycled water consumption, i.e. 41.24% of water recycling rate		

Social

405 R&D staff, or 10.18%	111.2066 million yuan R&D investment, or 2.51%	Cumulative total of 156 valid patents	88.32 scores of customer satisfaction
2,402 female employees, 528 domestic minority employees, 913 employees over 50 years old	79,275 participations in employee training, with a total training time of 122,592 hours	352 incentives were granted to employees with stock equity	22 safety drills were held, and 19,373 participations in safety education and training

Governance

4 periodic reports were disclosed and 64 ad hoc announcements were issued	More than 120 investor exchanges were held	2,975 employees covered by anti-corruption training	224 Vendor Commitments of Anti-Bribery/Anti-Corruption were signed
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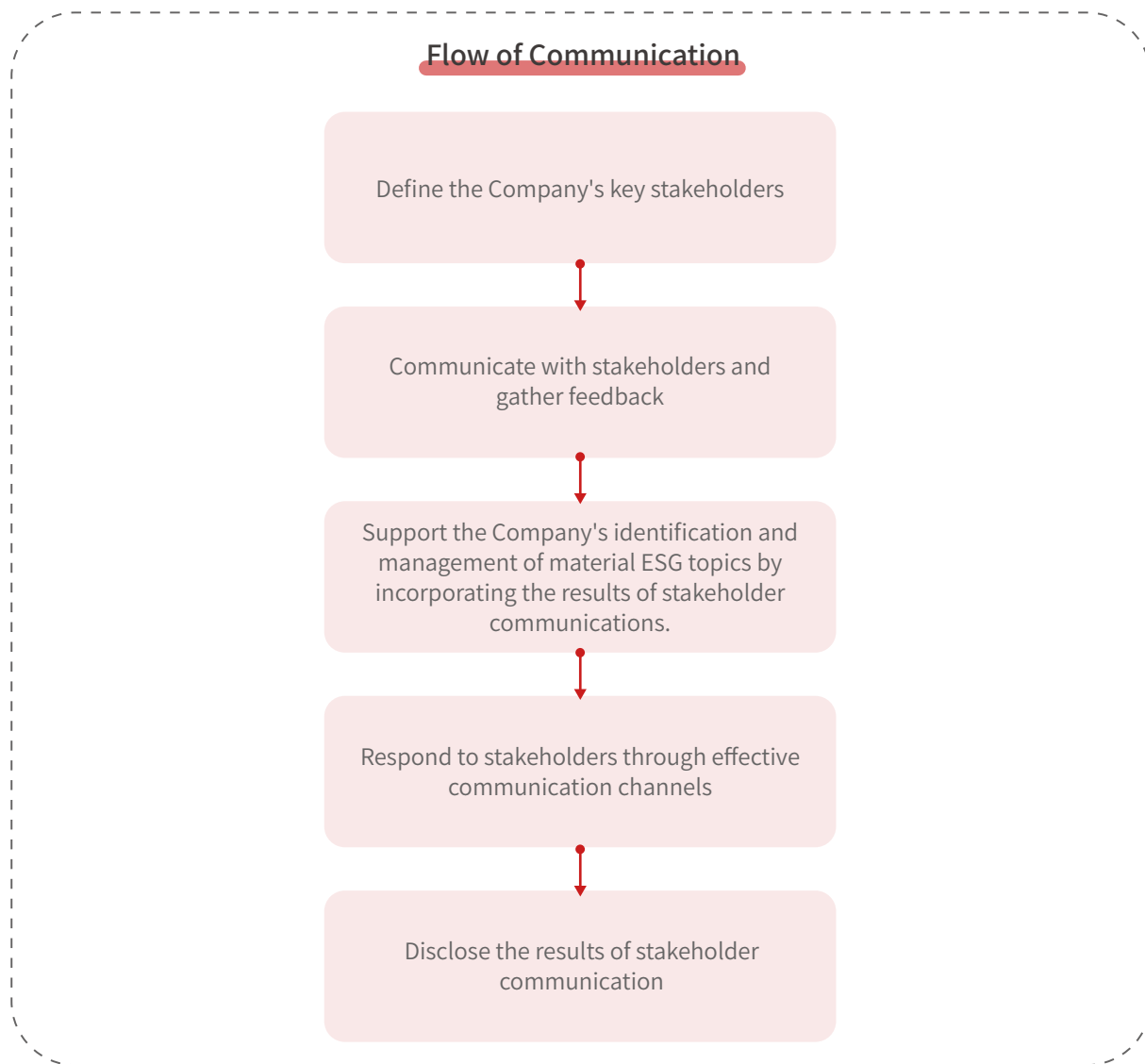
ESG Rating

ESG Rater	Result of ESG Rating
<p>ESG Performance Assessment from Chinese Textile and Apparel Enterprises, 2022-2023</p>	<p>AAA</p>
<p>ESG Rating from Wind</p>	<p>ESG综合得分行业排名: 8 / 228 (纺织品、服装与奢侈品)</p>
<p>ESG Rating from SynTao Green Finance</p>	<p>A- 商道融绿 2023-12-01</p>
<p>ESG Rating from Sino-Securities Index</p>	<p>BBB 华证指数 2023Q4</p>
<p>ESG Rating from CCXGF</p>	<p>A+ 中诚信 2024-03-01</p>
<p>ESG Rating from QuantData</p>	<p>78.65(AA) 秩鼎 2024Q1</p>

Management of Material Topics

◆ Communications of Stakeholders

Feedback from stakeholders can provide reference for the Company's major business decisions and promote the unification of the Company's economic and social values. The Company attaches great importance to communication with stakeholders by actively building internal and external communication platforms, and conveys its concept of sustainable development and the dynamics of its fulfillment of responsibilities to stakeholders through open and transparent communications such as releasing ESG reports and participating in industry conferences, etc. At the same time, the Company establishes a variety communication channels for different stakeholders and proactively collects issues of concern to them, which serves as an important reference for the management of material ESG topics.



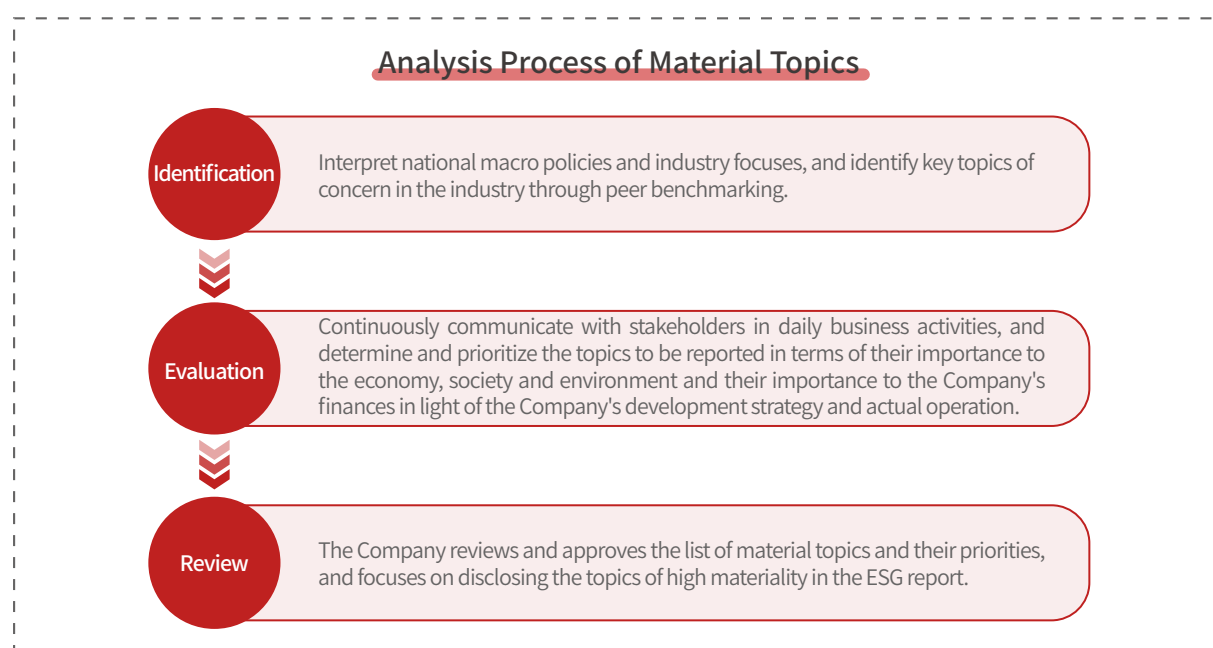
In 2023, the Company maintained constant communication with key stakeholders to understand their concerns and respond to their demands through different communication channels.

Topics of Concern & Communication Responses of Key Stakeholders

Key Stakeholders	Topics of Concern	Communication & Response	Chapters Disclosed
 Shareholders & Investors	<ul style="list-style-type: none"> Organization structure & functions Investor protection Internal controls & risk management Compliance & business ethics 	<ul style="list-style-type: none"> Shareholders meeting & investor exchange Complaint reporting & monitoring mechanism Regular and irregular information disclosure Implementing the new vision for development 	<ul style="list-style-type: none"> Chapter 2
 Customers	<ul style="list-style-type: none"> Product quality & safety Scientific and technological innovation & intellectual property protection Customer rights & benefits Information security & privacy 	<ul style="list-style-type: none"> Improve quality control Increase investment in R&D and innovation Customer satisfaction survey Measures for customer privacy 	<ul style="list-style-type: none"> Chapter 4
 Employees	<ul style="list-style-type: none"> Employee rights & benefits Occupational health & safety Employee training & development 	<ul style="list-style-type: none"> Expand channels for employee development Employee appraisal & promotion Improve compensation & benefit system Enrich activities for employees Improve management of safety production Protect occupational health 	<ul style="list-style-type: none"> Chapter 5
 Government & Regulatory Agencies	<ul style="list-style-type: none"> Low carbon products & climate change adaptation Environmental management system Pollutant reduction Recycling of resources Animal welfare & biodiversity 	<ul style="list-style-type: none"> Improve business process of compliance Identify risks of climate change Improve environmental management systems Implement the measures of emission management Implement energy saving and consumption reduction 	<ul style="list-style-type: none"> Chapter 2 Chapter 3
 Business Partners	<ul style="list-style-type: none"> Responsible supply chains Compliance & business ethics Industry & people's values 	<ul style="list-style-type: none"> Supplier management Transparent & fair procurement Strategic cooperation Industry exchanges and visits 	<ul style="list-style-type: none"> Chapter 2 Chapter 4 Chapter 5
 Community & the Public	<ul style="list-style-type: none"> Pollutant reduction Recycling of resources Industry & people's values 	<ul style="list-style-type: none"> Strengthen environmental management Launch social welfare projects Participate in community volunteer activities 	<ul style="list-style-type: none"> Chapter 3 Chapter 5

◆ Identification & Analysis of Material Topics

Taking the domestic and international industry experience and excellent practices as the benchmark, the Company analyzes the material topics in accordance with the international and domestic policies and standards, taking into account the major concerns of internal and external stakeholders, benchmarking with industry peers in industry characteristics and strategic directions. In 2023, The Company identified and screened 18 ESG material topics in accordance with the process of identification, evaluation and review, categorizing them into environmental, social and governance and prioritizing them according to consultation from internal and external experts and feedback from the management. This report will focus on disclosing the management and performance of ESG topics of high materiality in 2023.



The following table sets out the material topics of the 2023 ESG report of XINAO. Compared with the previous year, the major changes in the material topics are as follows:



- Further optimize the expression, so that the names of the topics are better in line with common language expressions. "Green low-carbon products" and "Response to climate change" are combined into "Low-carbon products & climate change adaptation"; "Resource conservation" is upgraded to "Recycling of Resources"; "Quality management" is upgraded to "Product quality & safety", adding the disclosure of responsible use of chemicals; "Scientific and technological innovation" is upgraded to "Scientific and technological innovation & intellectual property rights protection", further highlighting the protection of intellectual property rights.



- Respond to national policies actively and reply to the requirements of the industry developments in a more direct manner. "Animal welfare and biodiversity" is included in response to the call of the national strategy of "Biodiversity Protection", reflecting the Company's commitment to animal and environmental protection; The new "Information security & privacy" fully understands the importance of a sustainable and reliable system of information security and privacy protection.

List of Material Topics for the ESG Report 2023

Category	Name of the Material Topic	Priority Rating / Extent of Impact
Environmental 	Environmental management system	Medium to high
	Low-carbon products and climate change adaptation	High
	Recycling of resources	Medium to high
	Pollutant reduction	Medium to high
	Animal welfare and biodiversity	Medium
Social 	Product quality & safety	Medium to high
	Scientific and technological innovation & intellectual property protection	High
	Customer rights & benefits	Medium to high
	Information security & privacy	Medium
	Responsible supply chains	Medium
	Employee rights & benefits	Medium to high
	Occupational health & safety	Medium to high
	Employee training & development	Medium to high
Industry & people's values	Medium	
Governance 	Organization structure & functions	Medium to high
	Investor protection	High
	Internal controls & risk management	Medium to high
	Compliance & business ethics	Medium to high

Note: Topics highlighted in pink are new/changed material topics from 2022.

CONSOLIDATE MANAGEMENT

- Organization structure & functions 21 ◆
- Investor protection 23 ◆
- Internal controls & risk management 25 ◆
- Compliance & business ethics 27 ◆

ROBUST

The SDGs to which this chapter is dedicated:

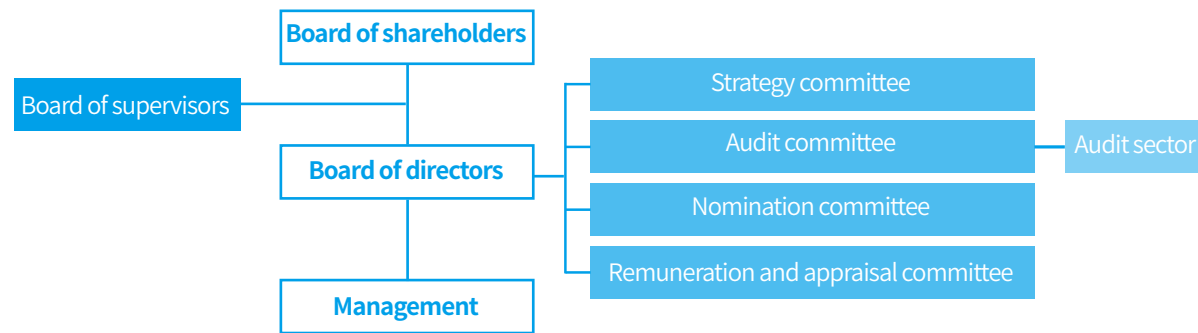


Organization Structure & Functions

In strict compliance with the laws and regulations and relevant provisions such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, and the *Guidelines No. 1 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies – Standardized Operation*, the Company develops a set of rules such as “Articles of Association of Zhejiang Xinao Textiles Inc.”, “Rules of Procedure for Shareholders Meetings”, “Rules of Procedure for the Board of Directors”, “Rules of Procedure for the Board of Supervisors”, and “Rules of Work for the General Manager”, forming a relatively comprehensive system of corporate governance.

Combined with the actual situation, the Company forms a corporate governance mechanism with transparent powers and responsibilities and effective checks and balances among the board of shareholders, board of directors, board of supervisors and the management. The board of directors consists of four professional committees, respectively strategy committee, audit committee, nomination committee and remuneration and appraisal committee.

Governance Structure of Xinao Tex



Board of shareholders

Members & Meetings of the Three Boards and One Layer



Board of Shareholders

- As the highest decision-making body of the Company, the board of shareholders decides on the Company's business policies and investment plans.
- To elect and replace directors and supervisors who are not employee representatives, and to decide on the remuneration of directors and supervisors.
- To review and approve the reports of the board of directors and the board of supervisors.
- To safeguard the legitimate rights and interests of all shareholders and ensure that all shareholders enjoy equal status.
- 4** meetings were held in 2023.



Board of Directors

- The board of directors is the decision-making center of the Company and is accountable to the board of shareholders. It consists of **9** members (**2** women), including **3** independent external directors.
- The board members come from diverse backgrounds, with professional backgrounds in industries such as law and finance and management experience in large corporations.
- 8** meetings were held in 2023.



Board of Supervisors

- The board of supervisors exercises its supervisory powers to protect the rights and interests of shareholders and investors, the interests of the Company and the legitimate rights and interests of employees from infringement.
- The board of supervisors consists of **3** supervisors, including **1** employee supervisor.
- 8** meetings were held in 2023.



Management

- The management of the Company performs its duties in accordance with laws and regulations and internal rules of the Company, strictly implements the resolutions of the board of shareholders and the board of directors, and promotes the sustainable and stable operation of the Company.
- The Company has a total of **6** senior executives (**3** women).

For more information on corporate governance, please refer to the *Annual Report 2023 of Zhejiang Xinao Textiles Inc.*

Investor Protection

◆ Information Disclosure

The Company carries out information disclosure in a true, accurate, complete and timely manner in strict accordance with relevant laws and regulations, and keeps optimizing the content and presentation of information disclosure. The Company has developed systems such as the "Information Disclosure Management System" and "Registration Management System for Informants of Insider Information" to ensure that the Company properly fulfils its information disclosure obligations. As an effective supplement to mandatory information disclosure, the Company takes the initiative to maintain good communication with the capital market and investors through voluntary disclosure, and continues to enhance the transparency of the Company, which in turn conveys the Company's investment value and market image. In 2023, there were no incidents where the Company was penalized by the regulatory authorities for information disclosure violations.

The Company releases information to investors through various meetings and online platforms, including annual general meetings, extraordinary general meetings, regular annual and quarterly reports, as well as announcements, briefings and press releases. Information about the Company is available on platforms such as *Shanghai Securities News* and the website of the *Shanghai Stock Exchange* (www.sse.com.cn).

An overview of disclosure in 2023



Periodic reports

4



Interim announcements

64

In 2023, the Company's information disclosure was legitimate and compliant, and free from false record, misleading statement or material omission or any other violation of the relevant regulations on information disclosure, so as to ensure that the information disclosure was true, accurate, complete, timely and fair. The Company continued to improve the quality of information disclosure and was rated **B** in the "Evaluation Results of Information Disclosure Work of Listed Companies on the Main Board of the Shanghai Stock Exchange 2022-2023" released by the Shanghai Stock Exchange.

◆ Investor Communication

The Company attaches great importance to investor relations management, and actively establishes a smooth two-way communication channel with investors, so as to convey the Company's strategic planning, business performance and investment highlights to investors in a timely manner. At the same time, the Company provides timely feedback to the board of directors and management on the views and expectations of the capital market, effectively enhancing the communication and interaction with the capital market.

The board office of the Company is the functional department for investor relations management, and the board secretary is responsible for investor relations management. In 2023, the Company further revised the "Investor Relations Management System" to form a management echelon within the Company with directors, supervisors, senior executives and the board office as the axis through the construction of institutional norms and work system, so as to ensure that the investor relations management is carried out in an effective and orderly manner.

The Company communicates with investors, answers questions and listens to relevant opinions and suggestions through multiple channels such as the official website, the website of Shanghai Stock Exchange, the "SSE e-Interactive" platform, the Company's official website, new media platforms, telephone, fax and e-mail, and by various approaches such as the shareholders' meetings, investor briefings, roadshows, analysts' meetings and investor surveys. In 2023, the Company held more than **120** exchanges with investors and was selected as one of the "Excellent Practices of Annual Results Presentation of Listed Companies" by China Association for Public Companies.

Investor Relations Management 2023



◆ Shareholder Returns

The Company formulated a reasonable profit distribution policy and dividend program to protect the rights and interests of shareholders in accordance with the *Company Law*, the *Securities Law*, the *Notice on Further Implementation of Matters Related to the Distribution of Cash Dividends for Listed Companies*, the *Regulatory Guideline for Listed Companies No. 3 - Distribution of Cash Dividends of Listed Companies*, and the relevant provisions of on cash dividends set out in the *Articles of Association*.

In 2023, by resolution of the Board of Directors, the Company proposed to distribute a cash dividend of **3.00** yuan (inclusive of tax) for every 10 shares on the basis of a total of **730,655,943** shares as of December 31, 2023, resulting in a total proposed cash dividend of **219,196,782.90** yuan (inclusive of tax), which accounted for **54.23%** of the net profit attributable to shareholders of the listed company in the consolidated statement for the year 2023.

◆ Standardizing Related Party Transactions

The Company has formulated the "Management System of Related Party Transactions", which specified the related persons, related transactions, decision-making authorities and procedures for related party transactions to ensure that the related party transactions between the Company and its related parties are in line with the principles of fairness, impartiality and openness, and that the related party transactions of the Company do not jeopardize the legitimate rights and interests of the Company and its non-related shareholders. The decision-making and approval procedures for the related party transactions incurred by the Company are in compliance with the relevant laws and regulations and the relevant provisions of the aforementioned system, and the independent directors have given prior approval and independent opinions on the related party transactions involving disclosure, and there has been no use of related party transactions to the detriment of the interests of the Company and the minority shareholders.

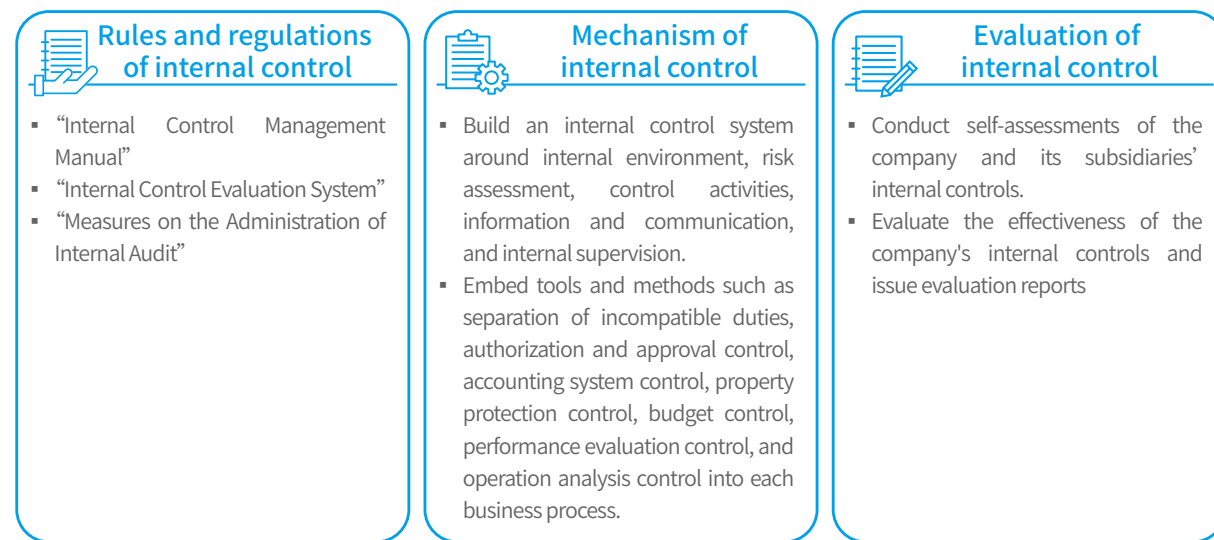
In 2023, the Company fulfilled its information disclosure obligations in a timely manner by disclosing announcements such as "Announcement on the Capital Increase in the Same Proportion to the Holding Subsidiary and Related Party Transaction", "Announcement on the Expected Daily Related Party Transactions of Subsidiaries for the Year 2023", "Announcement on the Purchase of Assets by the Holding Subsidiary and Related Party Transaction", and "Announcement on the Progress of Purchase of Assets by the Holding Subsidiary and Related Party Transaction".

Internal Controls & Risk Management

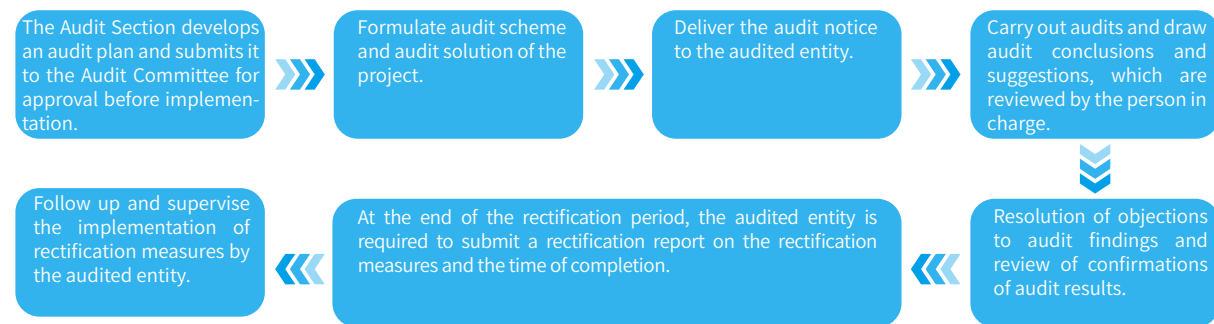
◆ Internal Controls

The Company establishes an internal control system and a corresponding institutional system and management mechanism in accordance with the requirements of the *Basic Norms for Internal Control in Enterprises* and relevant guidance documents of the Stock Exchange and carries out internal control management and evaluation accordingly to effectively address potential risks.

Internal control system



Process of internal audit

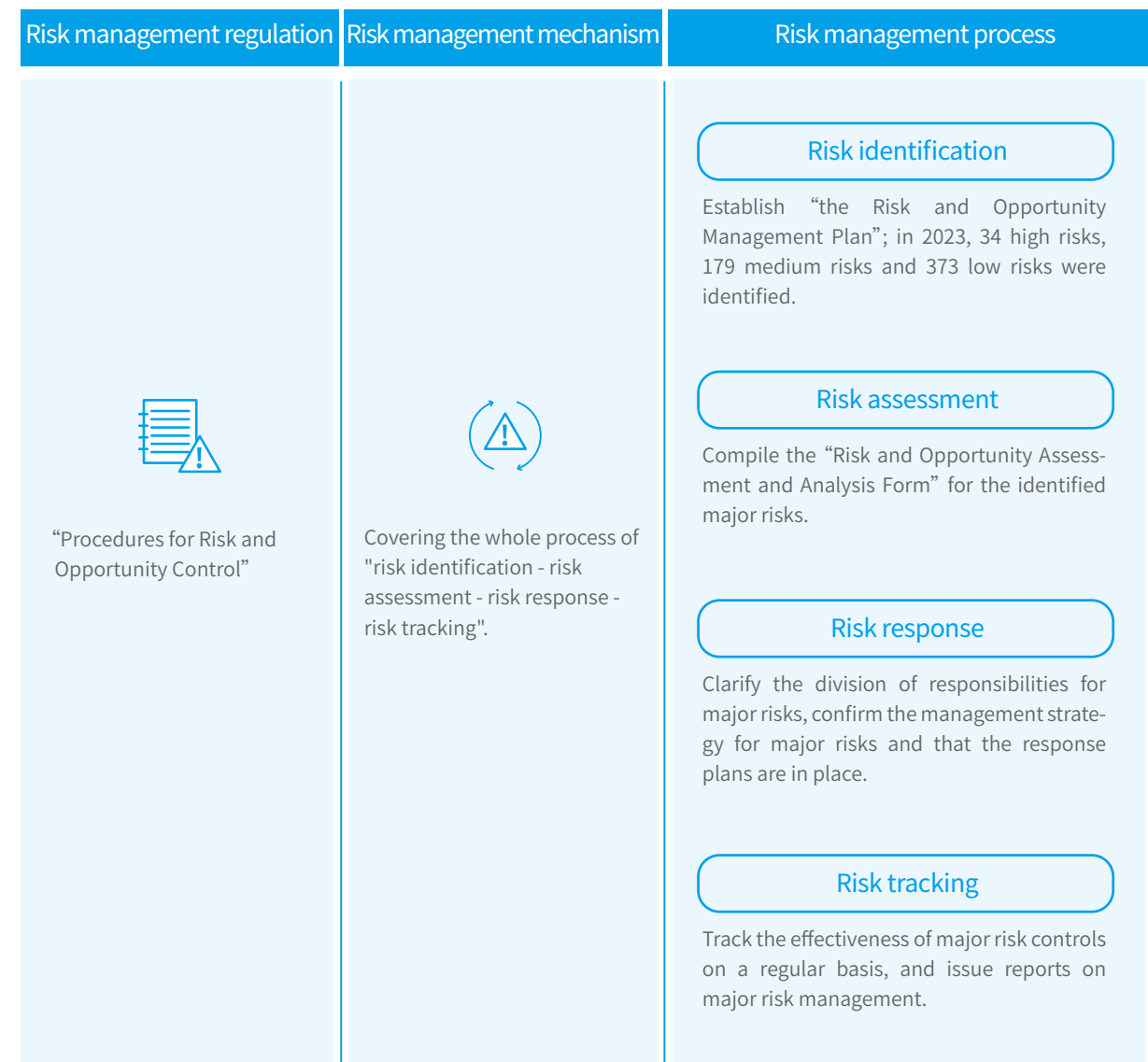


The Audit Section of the Company is responsible for risk monitoring and internal auditing. It is independent and reports directly to the Audit Committee. In 2023, the Audit Section completed 20 audit projects as planned, focusing on special audits of internal control audits, business performance management and major investment projects management of the companies, paying close attention to the completeness and rationality of internal controls and effectiveness of their implementation, and supervising and inspecting key areas and crucial segments of the Company. No major internal control deficiencies or violations of laws and regulations were found, while other audit findings were ordered to be rectified by the audited units within a time limit. The internal audit department would follow up and evaluate the rectification state and effect.

◆ Risk Management

The Company builds and improves the risk management framework in line with its own business reality and operation mode, including formulating relevant systems to clarify the responsibility and operation mechanisms of the management, and carrying out specific work such as risk identification, assessment, response and tracking based on the management mechanism of the whole process, so as to enhance the risk control and management in an all-round way.

Risk Management Framework



Compliance & Business Ethics

◆ Compliance management

The Company adheres to the bottom line of compliance operation, aims to create a working atmosphere of compliance, integrity and honesty, establishes and improves compliance management system and mechanism, integrates compliance requirements into the whole process of production and operation steadily, and forms a compliance system that covers the behaviors of the Company and its management.

On this basis, the Company sticks to the working philosophy of "Combining investigation and prevention with a focus on prevention and control", and formulates the "Measures for Evaluation Management of Laws, Regulations and Compliance", which defines, guides and restricts its own and its staff's behaviors in a systematic way. In 2023, there were no instances where the Company was penalized or warned by the regulatory authorities for violating laws and regulations related to product quality, customer service, intellectual property protection, environmental protection and employment.

Compliance Management System



Compliance trade

- Establish standard contract templates and promote their use in all business processes across the company to ensure compliance of all types of commercial trade behaviors.
- Verify the authenticity and legitimacy of transactions through supplier authentication, contract confirmation, invoice review, and sporadic receipts verification to strengthen the supervision of all types of economic behavior.



Compliance culture

- Carry out daily and special compliance trainings to enhance employees' awareness of compliance. In 2023, the Company conducted 30 compliance trainings on codes, regulations, plant rules and management systems.

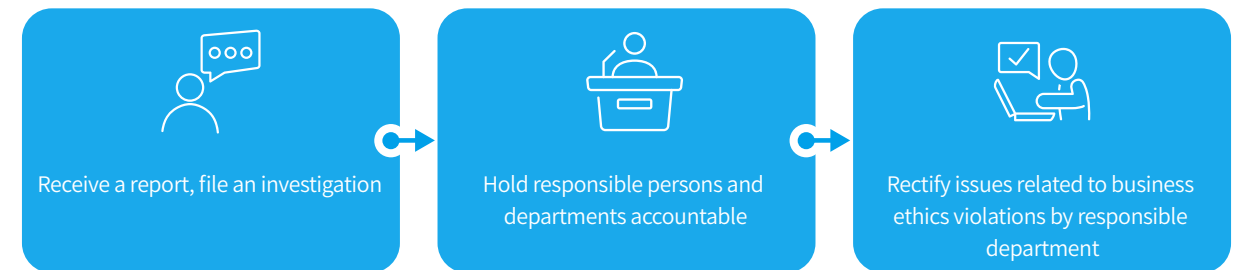
◆ Business Ethics

The Company abides by business ethics and promotes responsible governance by building an anti-corruption system and fostering a culture of integrity. The board office of the Company is responsible for supervising and managing the Company's anti-corruption and anti-bribery, and ensuring the effective implementation of the Company's anti-corruption and anti-bribery efforts. The Company insists on "zero tolerance" for corruption, resolutely investigates and punishes all kinds of violations of integrity regulations, and reports all cases of seriousness to the public security organs for investigation and punishment in accordance with the law. In 2023, there were no incidents in which the Company was penalized by the competent authorities for violating the laws and regulations related to corruption, bribery, extortion, fraud and anti-money laundering.

The Company delivers the Company's anti-corruption requirements and promotes the corporate culture of integrity and self-discipline through various forms of publicity, education and training activities. In 2023, 3 times of anti-corruption related training was provided to employees, covering 2,975 people. In order to better maintain the partnership, strengthen the discipline on business activities and regulate the behavior of practitioners, the Company entered into the "Vendor Commitment of Anti-Bribery/Anti-Corruption" with 224 suppliers as of the end of 2023.

Meanwhile, the Company establishes a sound reporting system and acceptance process, sets up a reporting hotline (0573-88226059) and a reporting e-mail (xinao@xinaotex.com) to give feedback on complaints and encourage and accept supervision from all sectors of the society. In addition, the company strictly protects the personal information of whistleblowers, prohibits any form of unlawful discrimination or retaliation, or hostile acts against those involved in the investigation, and deals severely with those involved in illegal disclosure of information about whistleblowers and retaliation against whistleblowers.

Procedures for handling complaints and reports



Official Reporting Channels

- Reporting hotline 0573-88226059
- Reporting e-mail xinao@xinaotex.com

BOOST LOW-CARBON TRANSITION

Environment management system	29	◆
Low-carbon products & climate change adaptation	31	◆
Recycling of resources	34	◆
Pollutant reduction	37	◆
Animal welfare & biodiversity	40	◆

GREEN

The SDGs to which this chapter is dedicated:



Environment Management System

The Company strictly abides by the environmental protection laws and regulations applicable to the places where it operates, and pays environmental protection taxes and fees in full in accordance with the law. Following the environmental management policy of "energy saving and high efficiency, pollution prevention and sustainable development", the Company has formulated management documents covering various environmental impact factors, such as "Procedures for Identification and Evaluation of Environmental Factors" and "Procedures for Control of Environmental Operations", etc. which have been implemented through production and operation to ensure effective control of environment-related risks.

Based on ISO14001:2015 environmental management system, the Company carries out environmental factor identification, compliance review, internal audit and management review. At the same time, the Company requires subsidiaries at all levels to fully allocate full-time and part-time personnel for environmental management, and normalizes the working mechanism of potential risks identification and notification in order to strengthen systemic support in a sustainable manner. By the end of 2023, Xiniao Tex and its subsidiaries New Chuwa, Houyuan Tex and Xiniao Cashmere have all passed ISO 14001 environmental management system certification.

The Company integrates the concept of environmental protection and low carbon into the whole process of raw material procurement, production and pollutant management. By setting environmental management targets, the Company regularly uploads Pollutant Release and Transfer Register (PRTR), DETOX and carbon data through the Institute of Public and Environmental Affairs (IPE), and accepts social supervision proactively. The Company passed the third round of Cleaner Production Audit in 2020 (valid until 2025). In 2023, the Company invested **12.7978 million** yuan in environmental protection such as three wastes treatment and environmental protection equipment, and carried out **28** times of environmental protection-related trainings throughout the year, with a total of **13,513** participations.

Environmental management objectives

Zero environmental pollution accidents

100% classification of wastes
100% collection and disposal

100% biosafety disposal of hazardous waste



The Company identifies the key links in its environmental management from product design to production, and the analysis of environmental impact in each link of its production and operation activities is shown in the following table "Summary of Resource Types and Emission Types".

Summary of Resource Types and Emission Types

Resource input	Emission output
<p>Water resources: municipal water supply, surface water, rainwater, steam condensate, production reuse water, etc.</p>	<p>Wastewater: Chemical oxygen demand (COD_{cr}), five-day biochemical oxygen demand (BOD₅), ammonia nitrogen (NH₃-H), total phosphorus (TP), total nitrogen (TN), suspended substances (SS), total zinc (TZn), dissolved chromium (DCr), etc.</p>
<p>Energy sources: electricity, steam, gasoline, diesel, natural gas and liquefied petroleum gas, etc.</p>	<p>Waste gas: suspended particulates, malodors (ammonia and hydrogen sulfide), acetic acid, sulfuric acid mist, sulfur dioxide, nitrogen oxides, volatile organic compounds, canteen fumes, etc.</p>
<p>Raw materials and packaging materials: wool, wool tops, special animal fibers, cotton/silk/chemical fibers, etc. and packaging cartons/drums, tubes, plastic film bags, etc.</p>	<p>General waste: waste yarn, waste fiber, combed wool noil, waste packaging drums/boxes, sludge, beverage bottles, food wrappers, napkins, toilet waste, kitchen waste, etc. Hazardous waste: inner film bags of dyes, packaging of waste chemical, waste oil drums, waste resin, used oil, etc.</p>

In order to cope with environmental emergencies, the Company, in accordance with the relevant requirements of the *Notice on the Issuance of Interim Measures for the Management of Environmental Emergency Response Plan* and the *National Environmental Emergency Response Plan* released by the Ministry of Ecology and Environment, prepares the "Environmental Emergency Response Plan" according to the production process, pollution chain and environmental risks, and reports to the competent authorities of environmental protection of the area for record in accordance with the regulations. In 2023, the Company managed the risk of enterprise accident in accordance with the requirements of the environmental impact assessment (EIA) and its comment, and regularly conducted **6** times of environmental emergency response drills to train the staff's emergency response ability, improve their skills in preventing and disposing of environmental emergencies, so as to reduce the possible harm to the environment caused by environmental emergencies.

The Company and its subsidiaries actively apply for pollutant discharge permit, carry out self-monitoring, establish a ledger system for environmental management, and submit annual report on implementation of emission permits and disclose pollutant discharge information in a timely manner. In 2023, its subsidiaries New Chuwa and Houyuan Tex were listed as key units for environmental supervision by the local ecological and environmental management authorities. The Company disclosed information on emissions and administrative licenses for ecological environment of the subsidiaries that were included in the key units of environmental supervision in accordance with the relevant regulations of the CSRC, the Stock Exchange and the Ministry of Ecology and Environment. For detailed information on emissions from key units under environmental supervision, please refer to the *Annual Report 2023 of Zhejiang Xiniao Textiles Inc.*

The Company carries out internal environmental control to an extent that is more stringent than national standards to minimize the impact of production and operation on the environment. In 2023, the Company experienced no major environmental accidents or emergencies, no major environmental or other social security issues; nor did it involved in any major litigation or had its prime assets seized, impounded, frozen, mortgaged or pledged due to environmental issues.

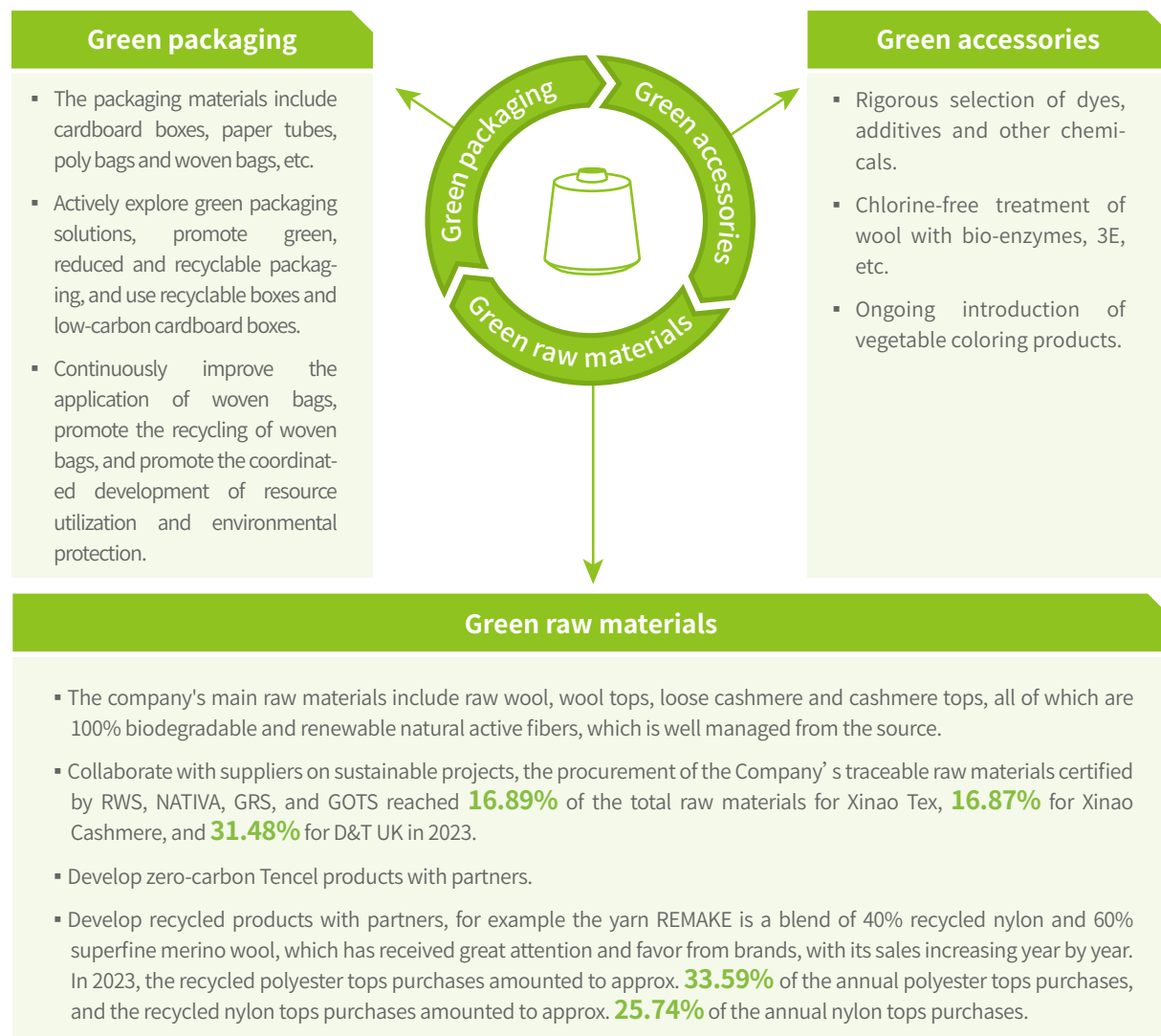
Low-carbon Products & Climate Change Adaptation

The Company recognizes the importance of climate change mitigation for itself and the world. In response to China's "30·60" goal of emission peak and carbon neutrality, the Company has joined the "Climate Innovation 2030 Action", the "Life Cycle Assessment Working Group" of China's textile and apparel industry, and the Green and Low Carbon Alliance of China Wool Textile Association to promote green innovation in terms of products, technology, supply chain, concepts and management, etc., striving to become a practitioner and leader in low-carbon manufacturing.

◆ Low-carbon products

Adhering to the concept of sustainable development, health and environmental protection, the Company provides customers with green and low-carbon products focusing on the three dimensions of green raw materials, green accessories and green packaging.

Green and low-carbon products system



By the end of 2023, the Company has passed multiple certifications such as BLUE SIGN, Global Organic Textile Standard (GOTS), Responsible Wool Standard (RWS), the Good Cashmere Stand (GCS), Global Recycle Standard (GRS), SustainaWOOL, Forest Stewardship Council (FSC), and NATIVA™, etc. In 2023, Houyuan Textiles' "Bio-enzymatic treated environmentally-friendly mercerized colored wool tops" obtained the China Green Product certification, Xinao Tex won the First Prize of Product Development of ECO Materials in the China Eco-Friendly Fabric Design Competition, Xinao Tex's "Integrated technologies for energy optimization and efficient utilization", Houyuan Textiles' "Key technology and industrialization of digital manufacturing of colored wool knitting yarns", and New Chuwa's "Level 1 energy efficiency air-compress station technology" were all selected for the catalogue of green and low-carbon technology promotion in the wool textile industry, and Xinao Tex was selected as a model enterprise of green design for industrial products by the Ministry of Industry and Information Technology (MIIT).

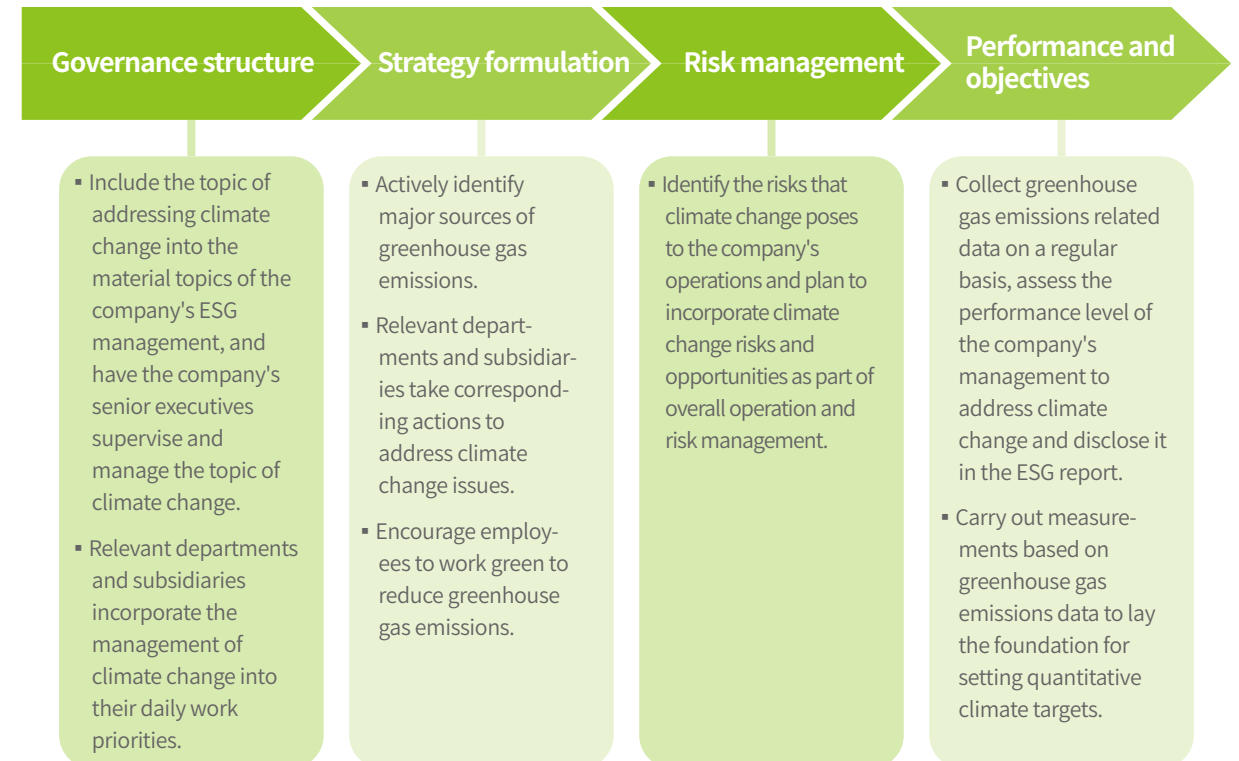


Green product certification

◆ Climate Change Adaptation

In order to better manage and adapt to the risks and potential opportunities brought by climate change on business development, the Company actively pays attention to the trend of global climate change and the introduction of domestic climate-related policies, identifies the impacts on the climate and the environment caused by its own operations, and builds a climate change management system at four levels, namely, governance structure, strategy formulation, risk management, performance and objectives, so as to identifies climate change-related risks and opportunities, and integrates climate change mitigation and adaptation into its daily management.

Climate Change Management System



The Company pays close attention to the risks and opportunities that climate change may bring to itself and its partners, and minimizes its carbon footprint in its daily operations wherever possible. The Company has taken the lead to carry out carbon footprint projects in the wool spinning industry, and actively promotes the Life Cycle Assessment (LCA) program for representative products, among which Xinao Cashmere has released the assessment data of carbon footprint from pasture to yarn for two types of cashmere yarn, namely CASHQUEEN and PRESTIGE.

Assessment Results of Product Carbon Footprint

Types of Products	Assessment Results of Product Carbon Footprint (Unit: kgCO ₂ eq./kg)
Xinao Cashmere CASHQUEEN carded cashmere yarns (light color)	64.16
Xinao Cashmere CASHQUEEN carded cashmere yarns (medium color)	63.17
Xinao Cashmere CASHQUEEN carded cashmere yarns (dark color)	64.01
Xinao Cashmere PRESTIGE carded cashmere yarns (light color)	53.35
Xinao Cashmere PRESTIGE carded cashmere yarns (medium color)	52.41
Xinao Cashmere PRESTIGE carded cashmere yarns (dark color)	53.15



Recycling of Resources

◆ Water resources management

The Company is committed to identifying, managing and monitoring water risks facing its operations. Its water consumption is mainly for production and domestic use, with municipal water supply for domestic use and sources for production purpose varying according to the location of the project, including municipal water supply, surface water, rainwater, steam condensate, production reuse water, etc. There is no risk in seeking suitable water sources.

The Company implants targeted water conservation measures in the course of production and operation to enhance the efficiency of comprehensive water resources management. The Company incorporates water resources utilization-related indicators into performance assessment to further stimulate management initiative. It has continued to improve measures of water resources management in 2023, given priority to the adoption of water-saving equipment and devices, and maximized water efficiency in the plant through measures such as reuse of condensate, retrofitting of water circulation of the grease machine in the laboratory, upgrading of condensate recycling rates in the workshop, and water-saving transformation of cooling water for the oil pump in workshop. The Company consumed **1,097,983.78** tons of recycled water in 2023, with a water recycling rate of **41.24%**.

Key water conservation projects and benefits in 2023

Water conservation projects	Water conservation benefits
Upgrade condensate reuse	<ul style="list-style-type: none"> A steam condensate recovery unit was installed at Xinao Cashmere for reuse of the condensate in the boiler to reduce its soft water consumption, which saved 21,440 tons of water in 2023; A condensate recovery system for drying equipment was installed at Xinao Cashmere in 2023, which was expected to recover 1,785 tons of condensate water/year; Through reasonable layout of the new plant, all condensate from the shrink-proof workshop of New Chua was collected and transferred to the grease room of the wool scouring workshop, achieving a condensate recovery rate of 100%, and was expected to save 9,420 tons of water/year.
Retrofit water circulation of the grease machine in the laboratory	<ul style="list-style-type: none"> A small water pump was added to the grease machine system in the lab to circulate the water supply of the grease machine in New Chuwa, saving 4,991 tons of water in 2023.
Water-saving transformation of cooling water for the oil pump	<ul style="list-style-type: none"> A water flowmeter was installed on the cooling water pipe of the oil pump in 2023 to accurately control the amount of cooling water used for oil pump, which was expected to save 17,550 tons of water/year for New Chuwa.
Retrofit automated water intake	<ul style="list-style-type: none"> Automated water intake was adopted in bundle dyeing for precision control of water level at Houyuan Textile, saving 4.55% of annual water consumption.

◆ Energy Management

Energy management is one of the core aspects of green manufacturing and low carbon, as well as the main channel for the Company to realize low carbon development. In terms of energy use, the types of energy consumed during the Company's production and operation include electricity, steam, gasoline, diesel, natural gas and liquefied petroleum gas.

Major energy types and their usage scenarios



Gasoline: running of own automobiles
Diesel: running of own trucks
Natural Gas: boilers
Liquefied petroleum gas: canteen



Municipal grid and photovoltaic power generation: for the production facilities
Steam: for processes of dyeing, washing, drying, etc.

The Company has been focusing on energy saving and consumption reduction in the process of operation, and has built a sound energy management system with reference to standard such as ISO 50001. As of the end of 2023, the energy management systems of Xinao Tex and Xinao Cashmere have been audited to meet the requirements of ISO 50001 and have obtained the corresponding certificates.

Taken "energy saving, consumption reduction, efficient utilization and sustainable development" as its energy policy, the Company establishes a leading group of energy saving, with the general manager as the person in charge of energy management to form an energy management network. The Company carries out energy review work, compiles Energy Review Report, inventories energy flow and consumption paths for better efforts of energy conservation. In addition, the Company focuses on human-centered low-carbon operations, and lays the foundation for sustainable low-carbon production through the enhancement of energy-saving and low-carbon awareness and skills of all employees. In 2023, the Company controlled the consumption of equipment such as air-conditioning, elevators, and lighting in office areas, and encouraged employees to save energy in their daily office processes.

The Company reduces energy use and carbon emissions in its operations by reducing operational emissions and replacing energy structure. In the Reduce and Replace, the Company enhances the energy efficiency in the production process mainly through optimizing process flow, replacing energy-intensive and inefficient equipment, and upgrading energy systems. In addition, the Company maintains its equipment and facilities on a regular basis to ensure their availability and avoid wastage of energy such as leakage.

Measures for energy conservation and annual progress

Measures	Concrete actions	Annual progress
Optimize process flow	Xinao Cashmere retrofitted steam condensate recovery	Completed, saving 86,977 Nm ³ /year of natural gas in 2023
	Xinao Cashmere installed condensate recovery system for drying equipment	Completed, with an estimated heat recovery of 83 MWh/year, equivalent to 9,488Nm ³ /year of natural gas savings
Replace energy-intensive and inefficient equipment	Xinao Tex modified the cooling tower	Completed, with projected electricity savings of 10%
	Xinao Cashmere obsoleted 4 old hot flue dryers	Completed, with an expected reduction of 0.13 tons (tce) of comprehensive energy consumption per ton of product
Upgrade energy system	Xinao Tex upgraded the compressed air station	Completed, with estimated power savings of 734 MWh/year
	Houyuan modified an air compressor system	Completed, with estimated power savings of 64.8 MWh/year
	New Chuwa built the first "Primary Energy Efficiency Air-compress Station" in the wool textile industry (Jiaxing)	Completed, with estimated power savings of 187.2 MWh/year
	Xinao Cashmere added solar water heating system	Completed, with an expected reduction of 0.62 tons (tce) of comprehensive energy consumption per ton of product
	The water heating system of the new dormitory adopted heating by solar + air energies	Completed, with estimated power savings of 30.78 MWh/year
	Built photovoltaic power stations on the roofs of existing production plants and dormitories	Completed, utilizing nearly 10,509.91 MWh of photovoltaic electricity in 2023

Pollutant Reduction

◆ Wastewater Management

The wastewater pollutants generated from the Company's production and operation are mainly chemical oxygen demand (COD_{Cr}), five-day biochemical oxygen demand (BOD₅), ammonia nitrogen (NH₃-N), total phosphorus (TP), total nitrogen (TN), total zinc (TZn), dissolved chromium (DCr), suspended substances (SS), etc. The Company has formulated the "Measures for the Management of Three Wastes and Noise", applied for the national pollutant discharge permit in accordance with the requirements of the state and local governments, implemented strictly the sewage declaration and registration, established an online monitoring and early warning mechanism for water treatment, formulated a self-monitoring scheme for pollutant discharge permit and set up a wastewater treatment system to make sure all discharges through outfalls are in accordance with standards.

Types of wastewater discharges and discharge standards

Companies	Types	Pollutants	Executive standards	Monitoring measures
Xinao Tex	Domestic sewage	COD _{Cr} , BOD ₅	<i>Integrated wastewater discharge standard (GB 8978 - 1996)</i>	Combine self-monitoring with regular testing by a third-party monitoring agency
New Chuwa	Industrial wastewater, domestic sewage	COD _{Cr} , NH ₃ -N	<i>Discharge standards of water pollutants for woolen textile industry (GB 28937 - 2012)</i>	Combine self-monitoring with monthly sampling monitoring by a third-party environmental testing agency
Youhuan Tex	Industrial wastewater, domestic sewage	COD _{Cr} , NH ₃ -N, TN	<i>Discharge standards of water pollutants for dyeing and finishing of textile industry (GB 4287 - 2012)</i>	Combine self-monitoring with monthly sampling monitoring by a third-party environmental testing agency
Xinao Cashmere	Industrial wastewater, domestic sewage	COD _{Cr} , NH ₃ -N	<i>Discharge standards of water pollutants for dyeing and finishing of textile industry (GB 4287 - 2012)</i>	Combine self-monitoring with monitoring by a qualified company
JX Feixun	Domestic sewage	COD _{Cr} , NH ₃ -N	<i>Integrated wastewater discharge standard (GB 8978 - 1996)</i>	Combine unified self-monitoring by the lessor, Houyuan Textile with monthly sampling monitoring by a third-party environmental testing agency
T&D UK	Industrial wastewater, domestic sewage	BOD ₅ , NH ₃ -N, TP, TZn, DCr, SS	<i>Water environment and water services (Scotland) Act 2023</i> <i>Water environment (controlled activities) (Scotland) Regulations 2005</i>	Combine self-monitoring with random inspection by SEPA

◆ Waste Gas Management

The air pollutants generated from the Company's production and operation are mainly suspended particulates, malodors (ammonia and hydrogen sulfide), acetic acid, sulfuric acid mist, sulfur dioxide, nitrogen oxides, volatile organic compound, and canteen fumes. The Company effectively supervises exhaust emissions and ensures that all emission indicators comply with local and industry emission standards through strict treatment and monitoring measures.

Types of waste gas emissions and emission standards

Companies	Pollutants	Executive standards	Monitoring measures
Xinao Tex	Suspended particulates	<i>Integrated emission standard of air pollutants (GB 16297 - 1996)</i>	Combine self-monitoring with regular testing by a third-party monitoring agency
	Canteen fumes	<i>Emission standard of cooking fume (GB 18483 - 2001)</i>	
New Chuwa	Suspended particulates, acetic acid, sulfuric acid mist	<i>Integrated emission standard of air pollutants (GB 16297 - 1996)</i>	Combine self-monitoring with monthly sampling monitoring by a third-party environmental testing agency
	malodors (ammonia and hydrogen sulfide)	<i>Emission standards for odor pollutants (GB 14554 - 93)</i>	
	Canteen fumes	<i>Emission standard of cooking fume (GB 18483 - 2001)</i>	
Houyuan Tex	Volatile organic compound	<i>Integrated emission standard of air pollutants (GB 16297 - 1996)</i>	Combine self-monitoring with monthly sampling monitoring by a third-party environmental testing agency
	malodors (ammonia and hydrogen sulfide)	<i>Emission standards for odor pollutants (GB 14554 - 93)</i>	
	Canteen fumes	<i>Emission standard of cooking fume (GB 18483 - 2001)</i>	
Xinao Cashmere	Sulfur dioxide, nitrogen oxides	<i>Emission standard of air pollutants for boiler (GB 13271 - 2014)</i>	Combine self-monitoring with monitoring by a qualified company

◆ Waste Management

The Company attaches importance to waste management, and regularly bids for the sale of industrial waste generated in the production process or commissions qualified disposal units for resource utilization or harmless disposal; the rest of the general waste, such as domestic garbage, is collected by the sanitation department for unified clearance. For hazardous waste, the Company identifies them in strict accordance with the National Catalogue of Hazardous Waste, sets up temporary storerooms, establishes management ledgers, strengthens comprehensive management in the whole process of collection, storage, transportation and disposal, implements inspection, assessment and supervision, and entrusts competent disposal units for standardized disposal, so as to avoid environmental pollution. In 2023, there were no violations of laws or regulations related to waste disposal in the company.

Following the principle of reduction and reuse, the Company manages the waste from the source of waste generation, temporary storage, transportation and disposal in strict accordance with the requirements of relevant laws and regulations as well as the company's procedural documents.

Types of waste and disposal measures

Types		Contents	Disposal measures
Hazardous waste		Inner film bags of dyes, waste chemical packaging, waste oil drums, etc.	Entrust qualified units for standardized disposal
		Waste resin	Entrust qualified units for standardized disposal
		Used oil	Entrust qualified units for standardized disposal
General waste	Industrial waste	Waste yarn, waste fiber, combed wool noil	Sell to waste recycling units for comprehensive utilization
		Waste packaging drum, box, etc.	Retrieve by suppliers regularly
		Sludge	Hand over to qualified units for incineration
	Domestic waste	Beverage bottles, food wrappers, napkins, toilet trash, etc.	Entrust the sanitation department for disposal
		Kitchen waste	Entrust qualified units for harmless disposal and reuse of resources

The Company identifies waste generation from a life-cycle perspective and extends environmental impact assessments throughout the value chain. Based on the possible uses of the waste and the knowledge of its environmental impacts and risks, the Company manages the collection, separation, storage, transportation and disposal of waste in accordance with the priorities of prevention and reduction, reuse and recycling, energy recovery, and landfill waste. In 2023, New Chuwa recycled **14,540** sets (pieces) of woven bags.

Animal Welfare & Biodiversity

◆ Animal welfare

The Company's Responsible Sourcing focuses on its main raw materials, wool and cashmere, with the aim of reducing any form of animal cruelty and providing consumers with safe and reliable products by increasing responsible sourcing.

Protecting animal welfare is an important part of responsible sourcing of raw materials. The Company continues to strengthen its focus and efforts on animal welfare issues, prioritizes suppliers that have been certified to the Responsible Wool Standard (RWS), the Good Cashmere Standard (GCS) and Sustainable Fiber Alliance (SFA) in order to enhance the sustainability and ethicality of its products. In 2023, **17.80%** of the Company's wool tops was Responsible Wool Standard (RWS) certified, and **14.50%** of the Company's cashmere was the Good Cashmere Standard (GCS) or Sustainable Fiber Alliance (SFA) certified.

“Five Principles” of RWS and GCS Certification

- 
Freedom from hunger and thirst
 —ready access to fresh water and a diet that maintains full health and vigor.
- 
Freedom from discomfort
 —provide an appropriate environment, including shelter and a comfortable resting area.
- 
Freedom from pain, injury and disease
 —through disease prevention or rapid diagnosis and treatment.
- 
Freedom to express normal behavior
 —provide sufficient space, proper facilities and company of the animal's own kind.
- 
Freedom from fear and distress
 —through conditions and treatment which avoid mental suffering.

◆ Biodiversity

The loss of biodiversity is one of the biggest risks the world is facing in the next 10 years, according to the *Global Risks Report 2023* released by the World Economic Forum. The Company pays constant attention to the impact of its own activities on biodiversity, and carries out risk factor identification and hidden danger investigation in compliance with the relevant laws, regulations and policies such as *Opinions on Further Strengthening Biodiversity Conservation* and the *Soil Pollution Prevention and Control Law of the People's Republic of China* released by the General Office of the State Council, and the *Regulation on Groundwater Management* released by the State Council.

The Company attaches importance to the impact of its own production and operation and related environmental factors on the environment. It has identified environmental risk factors including industrial wastewater, chemical raw materials and hazardous wastes, etc., and there is no direct discharge of production wastewater and domestic sewage.

In 2023, the Company did not have any production bases or operations located in or near nature reserves or in biodiversity-rich areas outside nature reserves; none of the production and operation activities, products and services were found to have a significant impact on biodiversity.

BUILD EXCELLENCE

Product quality & safety 43 ◆

Scientific and technological innovation & intellectual property protection 46 ◆

Customer rights & interests 49 ◆

Information security & privacy 51 ◆

Responsible supply chains 52 ◆

The SDGs to which this chapter is dedicated:



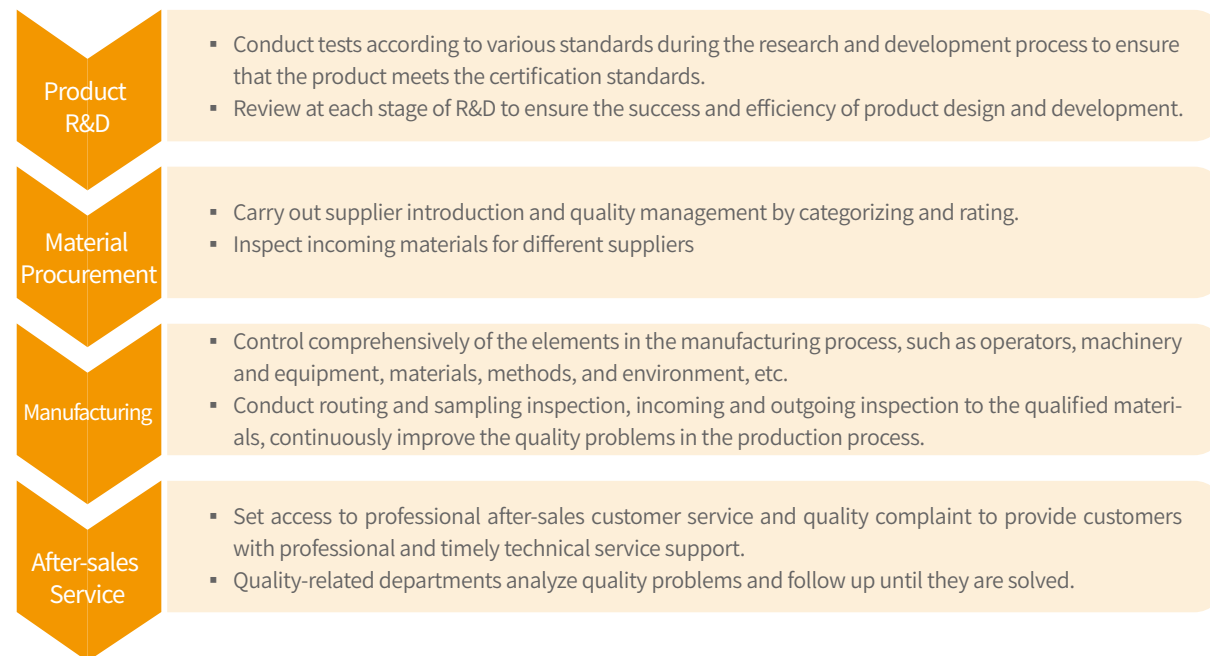
INGENUITY

Product Quality & Safety

◆ Total Quality Management System

Excellent products and services are the foundation of the Company. The Company has established a life-cycle quality management system covering product R&D, procurement, production, after-sales services, and achieved a lean upgrade of product quality through end-to-end life-cycle management and continuous improvement. There were no incidents in 2023 in which the Company was penalized by the competent authorities for violations of laws and regulations related to the quality and safety of its products and services. As of the end of 2023, XINAO and its subsidiaries, New Chuwa, Houyuan Textile and Xinao Cashmere have passed the certification of ISO 9001 quality management system, and continued to maintain its effective operation.

Life cycle management for product quality of XINAO



QCC achievement presentation contest

◆ Product Testing and Nonconformity Management

The Company has a quality control section and an in-house central laboratory. The quality control section is responsible for controlling the quality of the Company's products, while the central laboratory carries out relevant performance tests from raw materials to finished products, including incoming inspection of raw materials (wool tops, chemical fibers, filaments, etc.), spinning inspection, and overall quality control of the product at a later stage of the production process. The main testing items of the central laboratory include the length and fineness of the raw material, coarse fiber and foreign colored fiber, yarn strength, yarn twist, yarn evenness, yarn hairiness, fabric pilling, fabric shrinkage, etc.

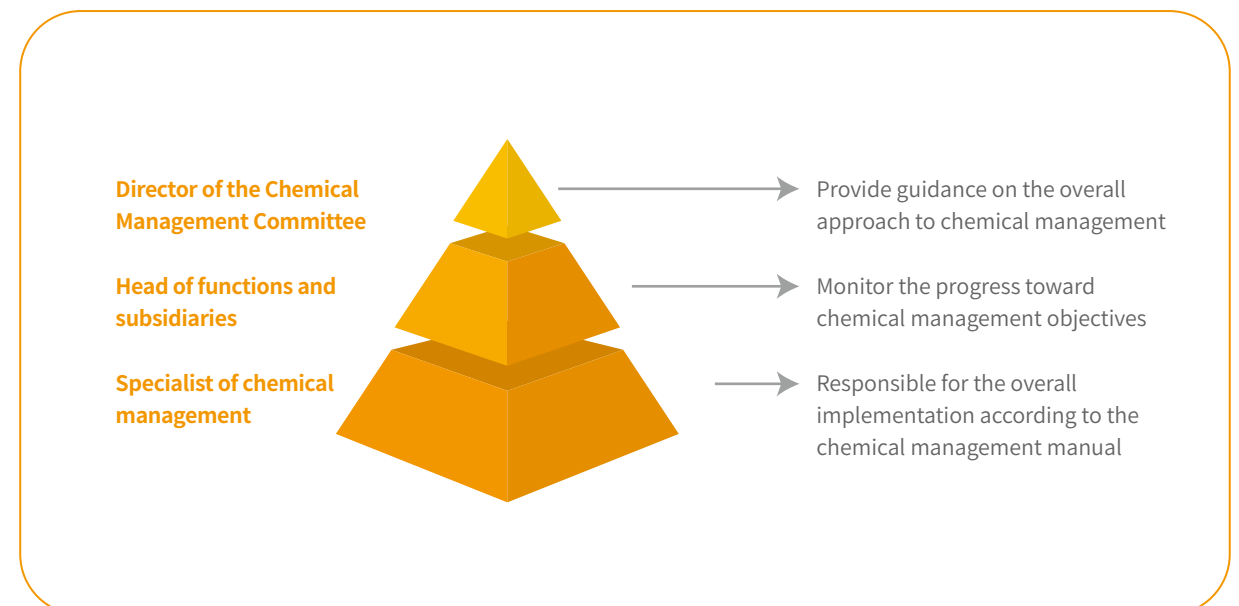
Being capable of comprehensive product inspection, the Company conducts preventive testing for quality problems that may arise in each process to ensure the quality of the product. For emerging or potential quality issues, preventive testing is prioritized with schemes such as error and fool proofing, and equipment automation. The Company continuously improves the reliability of testing equipment and the competence of testing personnel's quality skills through inspector's visual check, calibration of testing equipment, benchmark testing with third parties, as well as newcomer training and internal training, including QC training, quality analysis and improved tools training, etc.

The Company standardizes the procedures of nonconformity management through two dimensions, namely business process and field process, forming a closed-loop of identification, marking, segregation, evaluation, disposal and improvement, and clarifying the responsible departments for each process, so as to strictly control the quality. Besides, the Company formulates systems such as "Procedures for the Control of Marking, Traceability and Recall" and carries out recall drills on a regular basis in strict accordance with the relevant laws and regulations of the country or exporting country. In 2023, there were no product recalls in the Company.

◆ Responsible Use of Chemicals

The Company is involved in the use of different kinds of chemicals in the course of production and operation, which is related to product quality and safety, employee health and safety, and environmental safety. The Company strictly complies with laws and regulations on chemical registration, use, disclosure and management as well as customer requirements, and expects to minimize the use of chemicals in order to reduce the impact of chemicals on human health and the environment.

Chemical Management Committee



Based on the its own policy and organization for chemical management, the Company carries out life cycle management of chemicals covering links of procurement, access, evaluation and use, etc. to ensure the safety use of chemical in an all-round way.

Life Cycle Management of Chemicals

 <p>Chemical Procurement</p>	<p>When purchasing chemicals, require suppliers to provide documentations such as qualifications and certifications, material safety data sheet (MSDS) and chemical safety labels, and identify the content of hazardous substances in the products or components they provide.</p>
 <p>Chemical Access</p>	<p>When admitting chemicals, formulate internal control standards and management processes for chemical substances that are in line with its own operations and in accordance with international, national and industrial standards such as RoHS and REACH, and implement and regularly update chemical control lists and catalogues.</p>
 <p>Chemical Evaluation</p>	<p>When evaluating new chemical, analyze and manage the risks that they may pose to operational safety, human health, and the environment, and confirm the acceptance and effectiveness of the risk control measures.</p>
 <p>Chemical Use</p>	<p>When using the chemicals, register the detailed information of chemicals involved in all products, services and activities to identify the hazardous characteristics of chemicals, and clearly stipulate that the receipt of chemicals must be registered and documented by specialized personnel.</p>






Scientific and Technological Innovation & Intellectual Property Protection

◆ Scientific and Technological Innovation

Technological innovation is the first driving force of the Company's development, as well as the key support for the Company to create industry-leading, high-quality and efficient products and solutions. Following the principle of "combining innovation and standardization, economic practicality and aesthetics, design, production and sales", the Company forms a unique R&D system by virtue of its in-depth understanding of the industry, and through innovations in terms of product R&D, quality testing, technology and production process, skill training for talents, and reform of system.

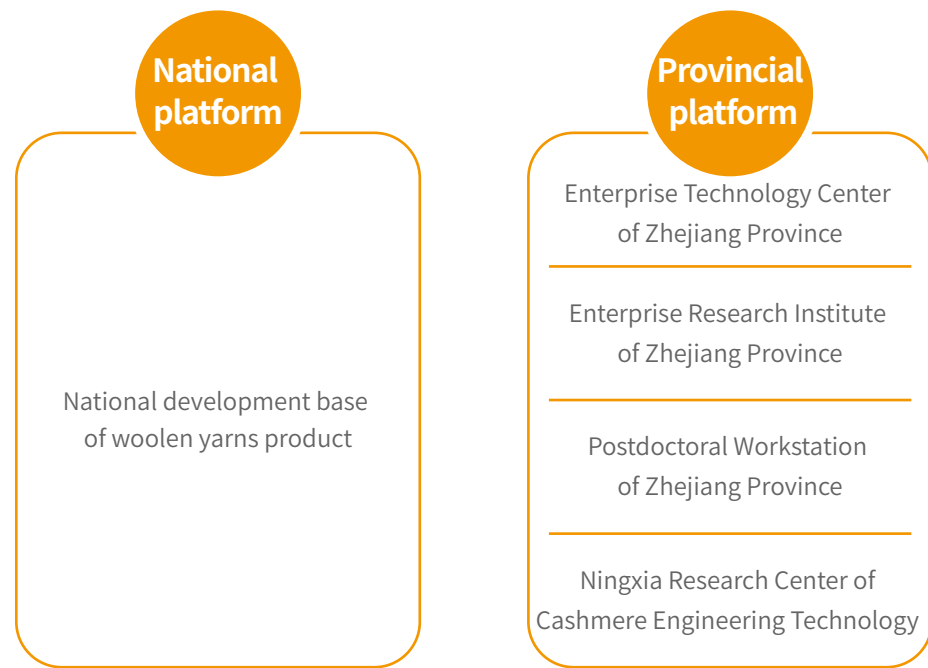
R&D Innovation Layout

Innovation Dimensions	Main contents	Annual progress
 <p>Product</p>	<ul style="list-style-type: none"> Xinao Tex engaged in R&D on products of green, sustainable, functional and special process. 	<ul style="list-style-type: none"> Completed the R&D of blending wool with environmentally friendly raw materials such as diacetic acid and biodegradable polyester. Completed the R&D on products blending wool with functional raw materials such as functional polyester and high-strength nylon. Completed the R&D of worsted and woolen fancy yarns. 9 products entered the provincial program for trial production of new products, and 3 products completed the appraisal.
	<ul style="list-style-type: none"> Houyuan Textile carried out R&D on the application of vegetable dyes in the dyeing of wool. 	<ul style="list-style-type: none"> Completed the R&D and launched to the market, filled the market gap.
	<ul style="list-style-type: none"> New Chuwa launched the Backwash program of combed wool tops to improve the whiteness, luster and cleanliness of wool tops. 	<ul style="list-style-type: none"> The program is being implemented and the acceptance check is expected to be completed by mid-2024.
 <p>Technology</p>	<ul style="list-style-type: none"> Xinao Tex conducted trials of new spinning technology. 	<ul style="list-style-type: none"> Studied and tested three new spinning technologies, namely siro-compact spinning, self-twist spinning and low-twist spinning.
	<ul style="list-style-type: none"> Houyuan Textiles carried out projects of key technology and industrialization of digital manufacturing of colorful wool knitting yarn. 	<ul style="list-style-type: none"> Established the independent R&D and integrated application of key equipment and technology for digitalized green production in the life cycle of wool spinning, and formed a demonstration line for intelligent design and production of wool spinning.
 <p>Automation</p>	<ul style="list-style-type: none"> Xinao Tex phased out part of the outdated spinning facilities and upgraded the automation of its equipment. D&T UK phased out part of the outdated spinning frames, winders, doubling frames and upgraded to modern equipment. 	<ul style="list-style-type: none"> Upgrade completed, with a substantial increase in output and quality and reduction in labor intensity.
	<ul style="list-style-type: none"> Houyuan Textile opened up data flow by automation upgrading and information system integrating. 	<ul style="list-style-type: none"> Completed with substantial efficiency gains.

The Company has **405** R&D personnel, including **4** with senior professional titles and **54** with intermediate titles; **5** with master's degree and **66** with bachelor's degree, the overall size of R&D team and strength is leading in the industry. Relying on the experienced R&D team and extensive and in-depth external cooperation, the Company has established innovative R&D centers in Jiaying (Zhejiang Province), Yinchuan (Ningxia Province), and Italy around the world, forming a R&D system which is standardized, efficient, and sustainable.

The Company maintains a high level of R&D investment, continues to promote the construction of scientific research platform, and enhances the R&D capability. In 2023, the Company invested a total of **111.2066 million** yuan in R&D, accounting for **2.51%** of its operating income. By the end of 2023, the Company has built a number of national and provincial scientific research platforms.

XINAO Scientific Research Platforms



The first postdoctoral fellow from XINAO postdoctoral workstation successfully completed the project in 2023. Through the screening of natural additives and optimizing of process, the Company improved the color depth and colorfastness of dyed wool, laying a theoretical foundation for the construction of two systems, namely, suspension dyeing and polyphenol dyeing of wool fibers.



In addition, the Company continues to make efforts in the fields of information technology, such as intelligent process, intelligent manufacturing, intelligent logistics, intelligent decision-making and supply chain collaboration, etc. In 2023, the Company promoted the weaver ECology9 system, manufacturing execution system for spinning(MES), and the intelligent warehousing management system (WMS), which have continuously invigorated the management of production and operation and energized the enhancement of quality, reduction of costs and increase of efficiency. As of the end of 2023, the Company has passed the certification of Integration of Informationization and Industrialization Management System, and the project of "Digital Intelligence Industrial Internet Platform of XINAO" has won the second prize of Textile Industry Informatization Achievement Award.

◆ Intellectual Property Protection

Adhering to the principle of "respecting the intellectual property rights of others and protecting of its own", the Company protects its own competitive advantages and brand reputation with sound intellectual property management, while avoiding infringement of others. In 2023, the Company did not have any incident related to the infringement of intellectual property rights of others, nor did it involve in any intellectual property related litigation.

Measures for Intellectual Property Protection

<p>Training</p>	<ul style="list-style-type: none"> Organize trainings on intellectual property rights for relevant departments to enhance employee's awareness of intellectual property rights. Respect the intellectual property rights of others and prohibit employees from improperly obtaining, improperly disclosing, improperly using and improperly disposing of the intellectual property rights of others.
<p>Layout</p>	<ul style="list-style-type: none"> Patenting core technologies in new product development to form a layout of patent protection. Identify the blind area for the protection of core technology through analysis of existing and industry patents, and guide effectively the directions of R&D and operation.
<p>Novelty check</p>	<ul style="list-style-type: none"> Relevant department conducts novelty checks to determine whether intellectual property rights infringement will occur before carrying out activities involving intellectual property rights, such as scientific and technological innovation, new product sales, and external exhibitions. Make full use of intellectual property literature to formulate the right research direction and technological routes before the R&D and technological transformation of new technologies, new processes, and new products to raise the threshold of R&D, and avoid duplicate development or IP infringement disputes.

As of the end of 2023, the Company has accumulated **156** effective patents, including **22** patents for invention, respectively **14** for Xinao Tex, **3** for New Chuwa and **5** for Xinao Cashmere. In 2023, **17** patents were applied for, including **5** patents for invention, respectively **2** for Xinao Tex, **1** for Houyuan Textile and **2** for New Chuwa.

Customer Rights & Interests

◆ Customer Service Management

Adhering to the service concept of "customer demand-centered", the Company continuously strengthens customer service before, during and after sales, establishes a customer service system covering before and after-sales service, customer communication and satisfaction management, and formulates system documents such as "Management Measures for Measurement of Customer Satisfaction" to constantly improve management efficiency and standardization.

Customer Management System and Management Progress

Management system	Specific management progress
<p>Pre-sales and after-sales service</p> <ul style="list-style-type: none"> ▪ Well-developed service network: build an independent popular color system and respond to customer needs in time. ▪ Professional service team: deploy sufficient salespersons, provide one-on-one exclusive service to quality customers. 	<ul style="list-style-type: none"> ▪ Every year, Italian color experts are invited to predict the domestic and international trends of woolen knitwear in the next 1-2 years, and the theme colors of the seasons spring/summer and autumn/winter are released in January and July every year. Through the leading of fashion trends and digital analysis of customer demands, precise stocking service is launched to provide rapid response to customer demands. ▪ By the end of 2023, the Company has set up offices and marketing teams in the US, UK, France, Germany, Japan, South Korea, and Northern Europe, etc., with marketing channels covering most provinces in China and more than 20 countries and regions overseas. The head office works together with local marketing and sales staff to localize customer communications.
<p>Management of customer communication and satisfaction</p> <ul style="list-style-type: none"> ▪ Diversified communication approaches and channels: display the company's cutting-edge innovative achievements by participating in exhibitions and exchange meetings, build new media platforms to publicize various activities of the company. ▪ Upgrade of brand image: build a complete brand image system, strengthen the output of brand image, and deepen the connotation of corporate culture. 	<ul style="list-style-type: none"> ▪ In 2023, the Company participated in exhibitions such as SPINEXPO for international fashion yarns and knitwear, PERFORMANCE DAYS Munich for functional fabrics and accessories and ISPO Munich for international Sporting Goods. ▪ The Company promoted all types yarns to the corporate customers and end consumers through five major new media platforms, namely Official Account, Tik Tok, Xiaohongshu (little red book), WeChat Video Channel and Instagram. By the end of 2023, the number of Official Account followers has exceeded 10,000, and the number of Tik Tok followers has exceeded 5,000. ▪ In 2023, the Company newly upgraded its brand image and debuted its launch in Italy, Hong Kong and Shanghai successively, showcasing XINAO's brand story, brand image and a new season of product color cards and collections.

Customer Management System and Management Progress

Management system	Specific management progress
<p>Management of customer communication and satisfaction</p> <ul style="list-style-type: none"> ▪ Construction of showrooms: Xinao Tex and Xinao Cashmere construct product showrooms. 	<ul style="list-style-type: none"> ▪ Xinao Tex has constructed three spatial showrooms, namely showroom for outstanding works of designer competition, showroom for sample clothing of trend catwalks and show room for ACTIVEWOOL functional yarn to give customers and visitors a more intuitive feeling. ▪ Taking "cashmere", "inclusive", "integration" as the curatorial theme, Xinao Ningxia divided its display area into multimedia area, sample selection and approach area, color wall, and window display area, to give customers a deeper understanding of the company's products, development history and comprehensive strength.
<ul style="list-style-type: none"> ▪ Regular visits: pay regular visits to customers, collect their comments on the company. 	<ul style="list-style-type: none"> ▪ In 2023, the Company took the initiative to pay interactive visits to key customers and collected their requirements on service, quality, products and specific requirements for overseas business from customers, and fed back the corresponding requirements to the responsible departments for resolution and action.
<ul style="list-style-type: none"> ▪ Customer Satisfaction Survey: Send "Customer Satisfaction questionnaire" to customers at home and abroad every year. 	<ul style="list-style-type: none"> ▪ Investigated the user experience and product experience in whole process of pre-sales, in-sales, and post-sales. Xinao Tex carried out satisfaction survey on 87 customers in 2023, with a satisfaction score of 88.32.



Participation in the international fashion week trend launch show



Communication over exhibitions

The Company establishes a timely and effective mechanism for handling customer complaints, formulates management documentations such as the "Procedures for the Control of Handling Customer Complaint", specifies that a specially-assigned person is in charge of customer complaints, and standardizes the efficiency of responding to customer claims and demands. The Company also establishes a customer complaint management system in the OA system to enhance the efficiency of recording and handling of customer issues. The Company receives customer complaints in a timely manner through channels such as customer feedback phone (0573-88455805) and the company's official website, and categorizes all complaints and ensures that "every complaint will be closed". In 2023, the closure rate of the Company's complaint remained at 100%.

Process for Handling Customer Complaints



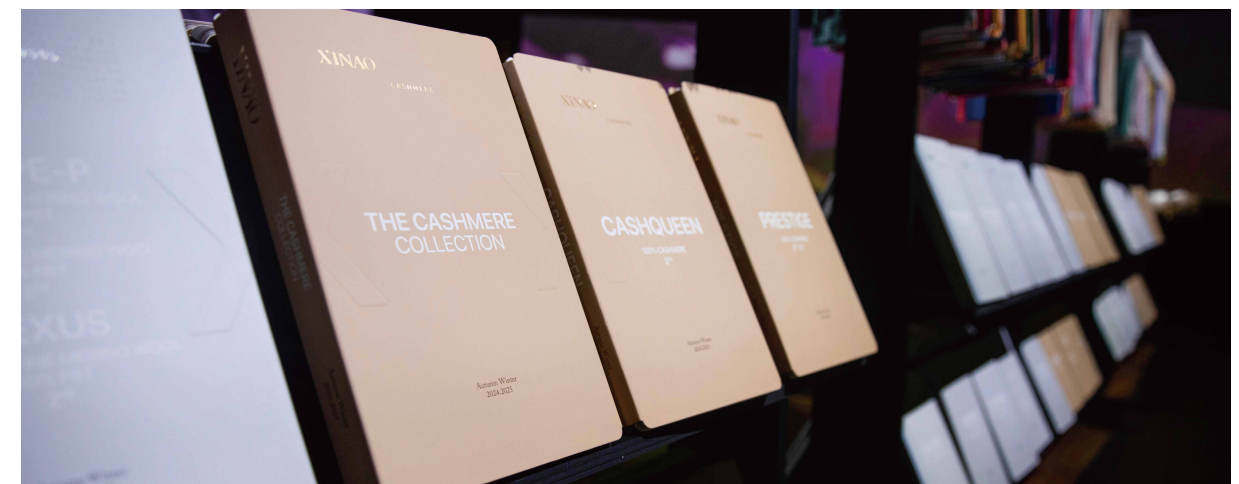
◆ Responsible Marketing

The Company carries out management of responsible marketing in strict accordance with national laws and regulations as well as relevant rules in the industry, and conveys true, accurate, effective and easy-to-understand information to customers and consumers on product characteristics, service efficiency, potential risks, safety instructions, operation and maintenance methods through the Company's official website, exhibitions, product launches, and new media, etc.

The Company reviews all new product detail sheets and brochures released to ensure that there is no content or description that infringes on or violates the requirements of the advertising laws. In 2023, there were no incidents in which the Company was penalized by the competent authorities for violating laws, regulations or other voluntary rules relating to the marketing, information and labeling of its products and services.



New brand launch event



Color cards and collections





Information Security & Privacy

The Company attaches great importance to its own information security and the protection of customer privacy, and strictly complies with the requirements of the *Data Security Law of the People's Republic of China*, the *Cybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, the *Regulations for the Protection of Personal Information of Telecommunications and Internet Users*, the *Regulations of the Peoples Republic of China for Safety Protection of Computer Information Systems*, etc. The systems and policies related to the protection of information cover all business lines and data management.

The Company has established a three-tier management system of information security, namely, "Information Security Leading Group, Information Security Prevention and Control Group and Information Security Emergency Response Group". The Information Security Leading Group is chaired by the general manager of the Company, who is the first person responsible for the Company's information security and the overall supervision and management, overall planning, decision-making and disposal of the Company's information security; the Information Security Prevention and Control Group is led by the information center, with the participation of various business functions to carry out the construction of information security and day-to-day governance work on a regular basis; and the Information Security Emergency Response Team, led by the company's management representative, with the participation of the vice presidents in charge of each function and the leaders of core business departments, is responsible for dealing with all kinds of information security incidents and accidents, and carrying out emergency drills from time to time to cope with potential risks and enhance its data disaster tolerance and security capabilities against risks.

The Company stores all customer information and data in the information system, which can only be effectively accessed and extracted through specific authorization to prevent malicious disclosure. Meanwhile, the Company sets access rights for sales personnel at all levels through the ERP system to protect customers' information such products and colors, and prohibits sales personnel from using customized products and colors for other customers' orders. In 2023, there were no data breaches or cybersecurity incidents in the Company that negatively impacted customers and employees.

Measures to Protect Information Security

			
Login log analysis	Dynamic verification code	Off-site and off-computer backups	Cyber attack and defense drill
Perform routine login of log analysis on critical information systems to identify potential cyber attacks and malicious access.	Set dynamic verification code for systems such as collaborative platforms that are universal, mobile, and highly applicable to different places to increase the cost and difficulty of malicious access and attacks.	Introduce off-site and off-computer backups on the basis of front-end hardware firewalls and network antivirus software to improve cyber security and disaster tolerance.	Participate in the cyber attack and defense drill coordinated by the cyber security supervision brigade of the public security bureau, and make response, rectification and security improvement according to the report of the cyber security attack and defense drill.

Responsible Supply Chains

According to the degree of influence of purchased materials on finished products, the Company classifies purchased materials into four categories: I (raw materials), II (outsourced processing), III (accessories) and IV (other). The company formulates "Supplier Management Procedures" and "Procedures for the Control of Purchasing and Outsourcing Process" to clarify the requirements related to the categorization, inclusion, evaluation and daily management of suppliers, and apply different control levels to different categories of suppliers.

Supplier management system

Management process		Specific actions
Inclusion of new suppliers	Application	<ul style="list-style-type: none"> Request for new supplier inclusion when existing qualified suppliers cannot meet requirements of cost, delivery or quality.
	Qualification survey of potential suppliers	<ul style="list-style-type: none"> Suppliers are required to have a certain production scale, as well as competitiveness in terms of capacity, quality, price, transportation, service and brand. Provide relevant certificates such as their product quality certificates, quality and environmental system certificates, as well as environmental protection commitment letters. Fill out the "Supplier Information Registration Form".
	Approval of sample from suppliers	<ul style="list-style-type: none"> The potential suppliers will be included as new suppliers after their submitted samples being approved.
	On-site assessment	<ul style="list-style-type: none"> Verify the qualification of suppliers, review the implementation and operation of their quality management (raw materials, process, outgoing quality control, etc.) and environmental system. Fill in the "Supplier On-site Survey Form" and "Supplier Social Responsibility Assessment Form", and those not reaching 80 scores won't be included in the qualified suppliers until their rectifications are completed.
Inclusion of newly qualified suppliers	<ul style="list-style-type: none"> Sign documents such as the "Supplier Commitment on Social Responsibility" and the "Supplier Commitment on Anti-Bribery/Anti-Corruption" with new suppliers to prevent social responsibility risks for suppliers. 	
Daily management of qualified suppliers	Assessment management	<ul style="list-style-type: none"> Make statistical analysis monthly for Class I and Class II suppliers on their quality indicators, cost indicators for delivery, and environmental information. The assessment cycle is half a year for Class I suppliers, and one year for Class II suppliers. Include supply quality, contract fulfillment, service provision and support capability, price competitiveness, self-improvement ability, quality system, environmental protection, safety, etc., in supplier evaluation, evaluate suppliers regularly and fill in "Supplier Assessment Form" to reduce supply chain risks.
	Review	<ul style="list-style-type: none"> If a Class I supplier is rated C in the assessment cycle, relevant departments shall organize on-site review, propose rectification items, and track the rectification results. If a Class I supplier is rated A in the assessment cycle, it will be rewarded with an increase in the procurement ratio and a reduction in the payment cycle.
Disqualification of eligible suppliers		<ul style="list-style-type: none"> Any supplier whose materials or services have major quality accidents or whose supplies have been continuously unqualified shall be disqualified. Any supplier that fails to supply the goods for one consecutive year shall be disqualified. When it is required to supply again, it will be re-evaluated as a new supplier.



PAINT A ROSY PICTURE

Employee rights & benefits	55	◆
Employee training & development	58	◆
Occupational health & safety	60	◆
Industry & people's values	62	◆

The SDGs to which this chapter is dedicated:





COMMON PROSPERITY

Employee Rights & Benefits

◆ Employment and basic rights and interests of employees

The Company attaches importance to and protects the basic rights and interests of employees, and establishes a comprehensive recruitment and employment management system focusing on the dimensions of recruitment and termination, working hours and holidays. On the basis of the Company's standardized system, some subsidiaries formulate specific management systems according to their own operating conditions to carry out recruitment and employment management in a targeted manner. In 2023, the Company's labor contract coverage rate was **100%**, and there were no incidents of penalties imposed by the relevant authorities due to violation of laws and regulations related to labor standards on hiring and termination of employees, working hours and holidays.

Employee Recruitment and Employment Management System

 Recruitment and separation	<ul style="list-style-type: none"> ▪ Recruitment: Implement the "Measures for the Management of Recruitment and Employment of Production Line Employees" and the "Measures for the Management of Recruitment and Employment of Non-Production Line Employees", adhere to legal compliance, and uphold the principles of equality, fairness, and non-discrimination in the recruitment process. ▪ Separation: Implement the "Measures for the Management of Employee Separation", handle separation procedures according to the type of separation, and comprehensively protect the legitimate rights and interests of employees in the process of separation. ▪ Retirement: Implement the "Measures for the Management of Retirement Retention", which stipulates matters such as retirement, rehiring policies after retirement and management requirements, etc.
 Working hours and holidays	<ul style="list-style-type: none"> ▪ Working hours: Implement the "Attendance Management Measures" and carry out the standard working system. ▪ Holidays: Implement the "Attendance Management Measures", and enjoy national statutory leave, as well as personal leave, sick leave, work-related injury leave, marriage leave, maternity leave, benefit leave (birthday), funeral leave and other leave in accordance with the law.

The Company insists on the legal employment of labor and establishes a system that eliminates child labor and forced labor. The company is committed to eliminating any employment or support of child labor or forced labor. At the same time, the Company prohibits employees from paying deposits or storing ID cards when employed, and eliminates prison labor, indentured labor, bonded labor, slave labor, or any punitive, forced, or involuntary labor. In 2023, there were no instances of child or forced labor at the Company.

The Company formulates recruitment plans for different positions, and provides equal employment opportunities and competitive salaries by means of online recruitment, live communication and offline interviews, etc. In 2023, the Company enrolled in a total of **60** offline job fairs, **3** live recruitments and **863** interviews. At the same time, the Company continues to increase the introduction of overseas talents. In 2023, the Company focused on the recruitment of talents for overseas projects in Vietnam, reserving **5** overseas professionals (non-production workers).

◆ Employee Equality and Diversity

The Company adheres to the cultural values of equality and diversity, and creates an equal and inclusive workplace environment for its employees. The Company sticks to the principles of "fairness, equity and openness" in the recruitment, employment and workplace, and is committed to providing equal opportunities in hiring, compensation, training, promotion and dismissal, without discrimination or disparity in treatment of employees on the basis of race, gender, social class, nationality, religion, disability or political affiliation, etc.

The Company advocates workplace inclusion and provides equal development opportunities and corresponding welfare guarantee for women, ethnic minorities and middle and senior age groups under the premise of meeting business operations. In 2023, the Company had a total of **2,402** female employees, **913** employees over the age of 50, and **528** domestic minority employees.

The Company establishes labor union in accordance with the law, pays continuous attention to the needs of employees, and protects the legitimate rights and interests of employees through means of staff congresses. In order to further regulate the rights and obligations of the Company and its employees, establish harmonious and stable labor relations and safeguard the labor rights and interests of the employees, the Company's labor union, as the representative of the employees, entered into a Collective Contract with the Company, agreeing that both parties shall, according to the actual condition of the Company, and on the basis of mutual respect and friendly cooperation, conduct equal consultation on matters of vital interests of the employees, such as labor contracts, negotiation on wage adjustment, insurance and benefits, labor safety and hygiene, and special protection for female workers, etc. After the signing of the Collective Contract, it will be used as the basis for the company to formulate labor rules and regulations, and employees are informed of rules and regulations and major decisions involving their immediate interests through forms of public announcements. In addition, the Company attaches importance to the right of democratic communication of employees, and has set up diversified democratic communication platforms for employees, such as the care hotline, WeChat official account, employee representative forum, employee opinion survey, mailbox, bulletin board, and talk room (dispute mediation committee).

The Company sets up a female staff committee, which focuses on the needs of female employees with an emphasis on negotiation and deliberation, and solves the practical problems of women workers through the building the "Tongxin" council room and carrying out "mutual help among sisters" activity. Meanwhile, the Company opposes workplace harassment, adopts the principle of "zero tolerance" for any form of workplace harassment, actively creates an equal and safe working environment for employees, and establishes a mechanism to preventing and controlling sexual harassment in the workplace to protect the physical and mental health, as well as the safety of life and property of employees. In 2023, there were no substantiated incidents of harassment or discrimination at the Company.



◆ Employee Benefits and Care

The Company establishes a comprehensive welfare security system to effectively meet the multi-level and individualized welfare protection needs of employees in addition to safeguarding their basic rights and interests. The Company carries out general salary adjustment and salary adjustment upon performance appraisals every year, and at the same time sets up a variety of internal awards for employees, such as selection and commendation of outstanding employees and outstanding managers to motivate employees from both material and spiritual dimensions and promote their long-term retention and development. In 2023, the per capita income of the Company's employees improved by **6.72%** over last year.

Employee Benefit System



Daily benefits

- Provides daily benefits such as shuttle bus for some routes, rental subsidies, five social insurance and one housing fund, commercial insurance, annual physical examination, gift packages, condolences and team building activities.



Cash allowance

- Cash benefit allowances:** distance allowance, meal allowance, birthday benefit, holiday benefit, referral fee benefit, retirement benefit, family planning allowance
- Job subsidies:** professional title subsidy, seniority allowance, full-attendance bonus, shift allowance, holiday allowance for company reasons
- Special rewards for excellence:** Advanced and civilized staff awards, operation competition awards, excellent team awards, various sales awards, QC group performance appraisal awards

Employee Care Platform



- 42 km trailwalk titled "Embrace new challenges for a better future"
- The first women's talent and skill show & Women's Day garden party
- The first summer camp for young migratory birds
- Rice dumpling competition on the Dragon Boat Festival
- University student forum on the Mid-Autumn Festival
- Knowledge contest of Party history
- Knowledge contest of little wool master
- The third quality expansion for university students

- Free accommodation:** free dormitory for non-local employees, couple room for non-local working couple, enjoy free utilities within the specified limits.
- Family service center:** equipped with dance room, gym, leisure bar, talk room, reading room, etc.
- Children's schooling:** assist non-local staff to solve their children's schooling problems.

- Medical aid fund:** on the basis of social security reimbursement, the out-of-pocket expenses can be reimbursed by the company for another 70%, and the accumulated subsidies as of the end of 2023 amounted to nearly 299,910 yuan.
- Participation in the Employee Medical Mutual Aid Program of Tongxiang Federation of Trade Unions:** the funds required for medical mutual aid are paid in full by the Company's trade union fund, and as of the end of 2023, the expenditure of premiums totaled 143,800 yuan.
- Assistance for needy families:** In 2023, 16,600 yuan of assistance was granted to employees in need, and 190,000 yuan of subsidies was applied for employees.



Trailwalk titled "Embrace new challenges for a better future"



Women's Day activity



Summer camp for young migratory birds



Knowledge contest of little wool master



The third quality expansion for university students



Basketball game in Chongfu Town

Employee Training & Development

◆ Employee Training System

The Company actively creates a development platform that emphasizes "people", supports the personalized development and all-round ability enhancement of employees, and empowers the development of talents in the whole industrial ecosystem. The Company adheres to the principle of making the best use of one's talents and situating the talents in the best suited position, and builds a vigorous team with a singleness of purpose and unity of effort while extensively integrating talents.

Type of Employee Training and Annual Achievements

Type	Content	Achievement
General skills	<ul style="list-style-type: none"> Newcomer training: training newcomers from social and on-campus recruitments Basic literacy: company open class, online class 	828 participations in training in 2023
Professional skills	<ul style="list-style-type: none"> Engineer training Technician training: "Dual Teacher" training for textile students Induction training: training camps for sales recruits 	372 participations in training in 2023
Leadership skills	<ul style="list-style-type: none"> Leadership training for top management Leadership Training for middle management Leadership training for grassroots managers: training camps for emerging shift leaders 	502 participations in training in 2023

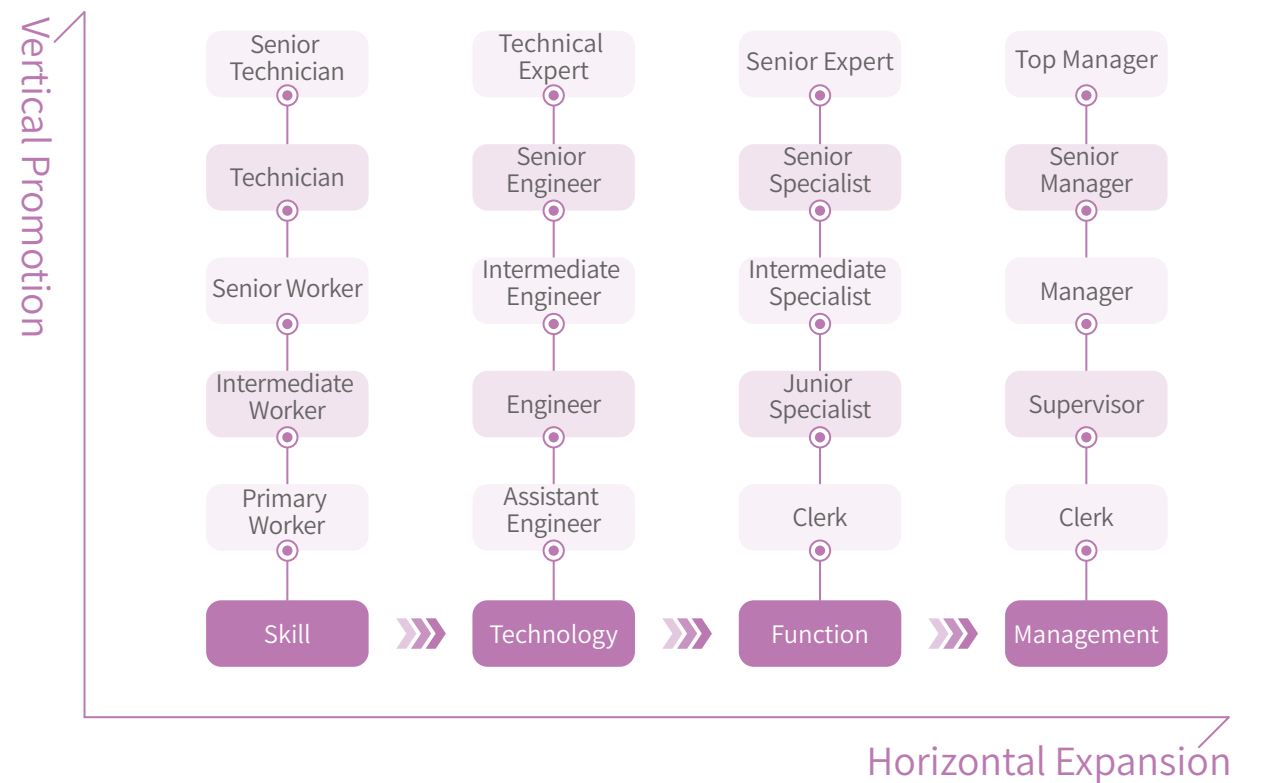
In 2023, the Company further deepened its talent cultivation and echelon building efforts, comprehensively sorted out training courses and deeply integrated training resources. Making use of the existing internal trainer team, together with the online training platform, the Company set up a "training college" in a new mode of specialization, customization and projectization, and carried out 1,062 training sessions throughout the year, with a total of 79,275 participations, an investment of 372,800 yuan, and a total training time of 122,592 hours. At the same time, the Company continued to challenge and innovate in talent cultivation by organizing the first training camp for emerging shift leaders, the second training camp for sales newcomers, the "dual-teacher" training for textile college students and reports of position competition. It also pioneered the "2+1" progressive training model to comprehensively establish a compound talent system through cognitive learning, rotational learning and mentor training, providing strong talent support for the Company's strategy of sustainable and broadband development.

◆ Employee Promotion and Development

The Company implements the principle of open, fair and just promotion, and establishes a scientific promotion management process through continuous optimization to ensure that outstanding talents can be identified in the Company and achieve their personal career growth.

The Company is oriented to the ability and value creation of employees and provides employees with four major career promotion channels: skill, technology, function and management. At the same time, the Company carries out the competitive recruitment of management cadres, and the independent evaluation of technical and skilled talents, guiding the career development of employees and realizing the matching of people and posts. From 2021 to 2023, the Company carried out the independent evaluation of textile fibre combers/spinners/dyers for a cumulative total of more than 1,300 participations, with 844 certified; launched a number of skill competitions, with a cumulative total of more than 1,380 participations and 236 award winners; organized 78 independent qualification appraisals of primary and secondary technical specialty, with 65 passing the appraisal; held 8 management cadre competitions, with a cumulative total of 93 participations, and 35 appointments to various management positions through competitive recruitment by far.

Employee Promotion Channel



In addition, the Company further improves the medium- and long-term incentive mechanism to create a benefit-sharing mechanism between employees and owners, attracting and retaining outstanding management talents and business backbones. Since its listing, the Company has continued to carry out equity incentives, granting an accumulative total of 352 incentives. As of the end of 2023, the Company has granted over 17 million restricted shares in aggregate.

Occupational Health & Safety

◆ Safety Production

The Company takes "safety first, prevention foremost, comprehensive control" as its safety management policy, production safety responsibility as the core, risk evaluation and control as the means to vigorously build a safety culture. Upon identification, the risks involved in the Company's production safety include safety risks in the construction phase of construction projects, safety risks in workplaces during the commissioning and operation phases, and risks in chemical management.

Safe Production Management System of Xinao Tex

Management system	Management objectives	Management structure
<ul style="list-style-type: none"> Management System for Production Safety Objectives Management System for Appraisal of Production Safety Responsibility Management System for Safety Education and Training Management System for Labor Protective Articles and Health Products Emergency Management System Management System for Safety Performance Evaluation 	<ul style="list-style-type: none"> 0 fire or explosion accidents 0 major or serious injury accidents 0 fatal accidents 	<ul style="list-style-type: none"> A leading group on production safety is established, with the general manager as the head of the group and the person with the highest responsibility. The leading group is responsible for the overall management of the Company's production safety, the formulation of emergency plans, technical measures and occupational health and safety programs, as well as the inspection and supervision of production safety. A full-time safety administrator is set up under the leading group, who is responsible for the implementation of the Company's specific safety management.



Safety training

The Company continues to promote the standardization of production safety and requires that the safety facilities of construction projects must be designed, constructed, put into production and used in tandem with the main project to ensure safety from the source. Meanwhile, the Company continued to improve its safety monitoring measures, covering monitoring of major sources of danger, fire alarm and fire control, etc., in order to prevent and minimize production safety accidents, and safeguard the lives and properties of the Company and its employees. In 2023, the Company invested **3.5988 million** yuan in production safety, carried out **22** safety drills, with **19,373** participations in safety education and training, and there were no deaths due to work-related injuries throughout the year.

◆ Occupational Health

The Company builds a comprehensive occupational health and safety management system based on the dimensions of system guarantee, risk management and daily protection, and undertakes the corresponding accreditation process. As at the end of 2023, Xinao Tex, New Chuwa and Houyuan Textile have passed the ISO45001 occupational health and safety system certification.



The Company promotes its subsidiaries to carry out regular testing of occupational disease hazard factors and investigation of occupational health-related hidden dangers, monitor and rectify occupational disease risks, and strengthen the management of employees' occupational health. The Company provides employees with occupational health checkups and establishes occupational health files for employees involved in occupational disease hazards.

The Company has identified the types of occupational disease hazards involved in its business, which mainly include noise, fur dust, formic acid, acetic acid, sulfur dioxide, hydrogen peroxide, sodium hydroxide, sodium carbonate and other dusts. According to the identified hazards, the Company provides employees with Personal Protective Equipment (PPE) to protect the health and safety of employees in the course of their work. In 2023, **100%** of the Company's employees received occupational health-related physical examinations, and no new cases of occupational diseases was reported; nor were there incidents in which the Company was penalized by the competent authorities for violating laws and regulations related to occupational health and safety.



Safety drill



Fire drill

Industry & People's Values

◆ Boost Industry Development

While grasping the new opportunities of rapid growth and low-carbon transition of the industry and realizing its own development, the Company strengthens all-round exchanges and collaboration with the industrial ecosystem, and enables the innovative change of the whole industry on the basis of respecting the intellectual property rights of all parties, so as to open up a broader market and development space.

In 2023, the Company carried out extensive and close exchanges with suppliers, customers, universities and research institutes, and industry associations through strategic cooperation, industry-university-research integration, industry exchanges and standard co-construction, etc., and took the initiative in transferring and sharing the essence of its own operation, management experience and industrial advantages to the ecological chain, boosting the share of the role as a promoter of the industry's scientific and technological development, and an explorer of the change of management mode.



Students and faculty from Shanghai Institute of Visual Arts (SIVA) fashion knitwear design major visited us for exchange



Works of designer competition



Works of designer competition

<p>Driving the industry chain</p>	<ul style="list-style-type: none"> The subsidiary Xinao Cashmere utilized the industry chain to revitalize local cashmere resources, drive the development of cashmere carding and knitting factories, promote the development of the textile industry in the direction of high technology, high efficiency, high value-added, low pollution and low emission. It designed and developed new products/services with green attributes, and advocated the textile industry to become a front-runner in the simplicity and moderation of a green and low-carbon lifestyle. It was recognized as a "chain master" enterprise of the textile industry in Yinchuan City in 2023.
<p>Strategic cooperation</p>	<ul style="list-style-type: none"> Carried out strategic cooperation with partners in the development of pure wool bedding, high-strength SPECTRA long fibers and microbial dyeing technology applications, Naton multi-functional fiber, and degradable polyester product, etc. Carried out strategic cooperation with Textile School of Donghua University on discipline construction, talent training, promotion activities, and academic exchanges, etc.
<p>Industry-university-research Co-construction</p>	<ul style="list-style-type: none"> Cooperated with Wuhan Textile University to develop self-twist spinning products. Cooperated with Donghua University on the R&D of heat shrinkage detection method and device for ultra-fine wool fibers, and the spinning technology and device for low-torque wool yarn.
<p>Industry exchanges</p>	<ul style="list-style-type: none"> Cooperated with partners to hold the Spring/Summer 2024 Merino Wool Trend and Innovation Sharing Session to discuss the future and development of wool Participated in the international conference on textile frontier science and technology and the annual meeting of the World Alliance of Textile Universities, and exchanged ideas with peers from different disciplines and fields. Organized the 14th National Collegiate Yarn Design Competition, and at the same time conducted offline exchanges and study sessions with a number of design colleges to build a platform for students to learn and communicate and show themselves. Hosted the forum themed "Nurturing New Power for the Knitwear and Creating New Future for the Industry Together" and the knitwear competition of 2023 KNIT FOR NEXT for emerging designers to explore outstanding design talents for the knitting industry.
<p>Standard co-construction</p>	<ul style="list-style-type: none"> Participated in the revision of national standard <i>GB/T26382 Worsted Fabric</i>. Presided over the drafting of group standard <i>T/CNTAC 136-2023 Smart Factory of Worsted Spinning - General Requirements</i>, and released for implementation. Participated in the review of 3 items of Made in Zhejiang Province, 1 industry standard of the Worsted Spinning Standard Committee, 4 industry standards of the Cashmere Standardization Committee, and 7 national and industry standards of National Wool Textile Standardization Committee. Drafted the standards of "Indicators for Criteria for the Incoming Inspection of Woven Yarn Wool Tops" and "Requirements for Woven Yarns in Process" (color combination recombining, spinning).



Student visits



Thematic forums

◆ Public Welfare and Volunteer Service

The Company insists on common prosperity and wealth to the good, makes contributions in the field of public charity, and actively explores the in-depth integration of public charity and business operation, forming a new pattern of "bringing employees to do charity and integrating business into charity". Since 2023, the Company has pledged 60 million yuan to Tongxiang Charity Association for its fund titled "XINAO Charity Common Prosperity Fund of Tongxiang Charity Association". Each year, 3 million yuan of annual value-added proceeds from the Charity Common Prosperity Fund are used for social charity programs such as student assistance and poverty relief, beautiful village, and cultural construction, etc.

Overview of the targeted use of Common Prosperity Fund in 2023

<p>Student assistance and poverty relief</p>	<ul style="list-style-type: none"> ▪ 200,000 yuan was used for "Warmth Fund for Workers in Difficulties" by Tongxiang Federation of Trade Unions. ▪ 300,000 yuan was used as charitable assistance for families in difficulty in Chongfu town. ▪ 200,000 yuan was used as relief fund for enterprise employees. ▪ 300,000 yuan was used for various kinds of aid by Tongxiang Charity Association. ▪ 500,000 yuan was used as XINAO education fund for assisting students in need in Chongfu Town, including 100,000 yuan assistantship for Tongxiang Senior High School, and 100,000 yuan assistantship for Tongxiang No. 2 Middle School.
<p>Beautiful village</p>	<ul style="list-style-type: none"> ▪ 1 million yuan was used for construction of beautiful village and charitable assistance in Chongfu Town.
<p>Cultural construction</p>	<ul style="list-style-type: none"> ▪ 300,000 yuan was used for development of Buddhist culture of Tongxiang City.



Guardians of blue sea



Volunteer activities of party members

In addition, the Company continues to extend its public welfare tentacles with its connotation increasingly abundant, and actively carries out public welfare activities, and responses to social needs on a timely manner.

Overview of social welfare activities in 2023

<p>Educational sponsorship</p>	<ul style="list-style-type: none"> ▪ Provided yarns for textile students' graduation design, with a total sponsorship of wool and cashmere yarns amounting to approx. 80,000 yuan. ▪ Donated teaching aids to Lingwu No. 5 Kindergarten by purchasing more than 10,000 yuan of teaching aids to support the development of the kindergarten's physical fitness program.
<p>Directional donation</p>	<ul style="list-style-type: none"> ▪ Donated 200,000 yuan to the Education Development Foundation of Shanghai Donghua University to support the teaching and research activities of the Textile College. ▪ Donated 40,000 yuan to the Hope Project titled "XINAO helps set sail, Broadnet guards its growth", caring and assisting students in need by pairing-off assistance.
<p>Increase in rural incomes</p>	<ul style="list-style-type: none"> ▪ Took the initiative to buy farmers' long jujube and watermelons, totaling 28,400 yuan. ▪ Purchased daily necessities such as rice and cooking oil for the people in difficulty, totaling 16,000 yuan.

The Company adheres to the work of Party building as the overall leadership, focuses on Party building with group construction, and continuously enhances the cohesion, combat power and influence of the Party organization. By the end of 2023, the Company and its subsidiary Xinao Cashmere had a total of 8 party branches, with 170 party members, 3 probationary party members and 5 active applicants. The Company encourages its employees to participate in social welfare undertakings in the form of volunteers, and collaborates with Party organizations at all levels of the Company to provide support for employee volunteer activities in terms of funding, resources, and platforms, etc.



The Company actively responds to the call of the government and relevant departments of the operation location, and carries out regular and specific volunteer activities with a focus on the construction of urban civilization, environmental protection, and public health. In 2023, the Company continued to improve the construction of voluntary service system, and organized volunteers to offer condolences and care to needy families in their villages from time to time and carry out civilized persuasion, environmental hygiene inspection and rectification, etc. Meanwhile, on the World Oceans Day, XINAO volunteers participated in the activity of "My 12 Hours with the Ocean" initiated by Narwhal Ocean Research Center (N.O.C.) and launched onshore beach-clearing action, which enabled them to effectively experience the action of restoring the ocean and gain an in-depth understanding of the ecological restoration of the ocean and its close connection with its healthy growth.

Key Quantitative Performance

In accordance with the principle of "comparability", the Company discloses the data performance reflecting the effectiveness of the Company's ESG management and, to the possible extent, retrospectively adjusts the corresponding data for historical years. In 2023, the Company retrospectively adjusted part of the data for the years 2021 and 2022 in accordance with the same statistical rules.

The scope of data statistics for the reporting period is consistent with the scope of the Company's consolidated financial statements, unless otherwise stated.

◆ Corporate Governance & Economic Performance

Economic

Indicators	Unit	2021	2022	2023
Revenue	10,000 CNY	344,549.50	394,987.59	443,831.74
Revenue growth rate	%	51.57	14.64	12.37
Net profit attributable to shareholders of listed companies	10,000 CNY	29,827.46	38,972.52	40,422.06
Growth rate of net profit attributable to shareholders of listed companies	%	96.93	30.66	3.70
Total assets	10,000 CNY	397,275.76	464,604.36	564,528.02
Basic earnings per share	CNY/share	0.42	0.54	0.56
Value of social contribution per share ¹	CNY	1.16	1.43	1.56

Corporate Governance

Indicators	Unit	2021	2022	2023
Number of board of directors	People	9	9	9
Number of female directors on the board	People	2	2	2
Percentage of female directors on the board	%	22.22	22.22	22.22
Number of independent directors on the board	People	3	3	3
Percentage of independent directors on the board	%	33.33	33.33	33.33
Number of employee supervisors on the supervisory board	People	1	1	1
Number of general meetings of shareholders held	Time(s)	2	1	4
Number of board meetings held	Time(s)	6	9	8
Number of supervisory board meetings held	Time(s)	4	7	8

反贪污数据绩效

Indicators	Unit	2021	2022	2023
Number of anti-corruption trainings for employees	Time(s)	3	3	3
Number of employees involved in anti-corruption training	People	2,695	2,835	2,975
Coverage rate of anti-corruption training for employees ²	%	71.83	74.49	74.77
Total hours of anti-corruption training for employees	Hour(s)	2,806	3,027	3,503
Per capita hours of anti-corruption training for employees ³	Hour(s)	0.75	0.80	0.88
Number of corruption cases proposed and concluded against the issuer or its employees during the reporting period	Case(s)	0	0	0

Note 1: [Calculation method] Value of social contribution per share = (net profit of the company + Taxes generated for the State during the year + Wages paid to employees + Interest on loans paid to creditors such as banks + Value created for other stakeholders such as external donations - Other social costs caused by environmental pollution, etc.) / Total number of shares of the company.

Note 2: [Calculation method] Coverage rate of anti-corruption training for employees = Number of employees participating in anti-corruption related training / Total number of employees (end of period) × 100%.

Note 3: [Calculation method] Per capita hours of anti-corruption training for employees = Total hours of anti-corruption training for employees / Total number of employees (end of period) × 100%.

◆ Environmental Performance

Energy Consumption

Indicators	Unit	2021	2022	2023	
Direct energy consumption	Total natural gas consumption	m ³	1,854,930.64	1,971,819.84	1,768,867.88
	Natural gas consumption per unit of product	m ³ /t	36.90	36.55	30.12
	Gasoline ¹	t	71.77	66.40	95.98
	Diesel	t	86.33	91.32	87.32
	Liquefied petroleum gas ²	t	51.53	47.08	21.93
Indirect energy consumption	Total power consumption	MWh	102,088.74	107,636.78	112,843.00
	Conventional power consumption	MWh	94,384.02	99,390.43	101,533.09
	Consumption of purchased green power	MWh	0.00	0.00	800.00
	Consumption of photovoltaic power	MWh	7,704.72	8,246.35	10,509.91
	Power consumption per unit of product	MWh/t	2.03	2.00	1.95
Comprehensive energy consumption	Total steam consumption	t	120,417.60	127,179.50	139,196.71
	Steam consumption per unit of product	t/t	2.40	2.36	2.41
	Comprehensive energy consumption	tce	25,778.66	27,180.65	28,304.73
	Comprehensive energy consumption per unit of product	tce/t	0.51	0.50	0.49

Greenhouse Gas Emission

Indicators	Unit	2021	2022	2023
Total greenhouse gas emissions ³	tCO ₂ e	95,219.01	100,376.15	104,822.53
Scope I total greenhouse gas emissions ⁴	tCO ₂ e	4,647.72	4,886.41	4,443.73
Scope II total greenhouse gas emissions ⁵	tCO ₂ e	90,571.29	95,489.74	100,378.80
Greenhouse gas emissions per unit of product	tCO ₂ e/t	1.89	1.86	1.82

Water Resource Consumption

Indicators	Unit	2021	2022	2023
Water withdrawal	m ³	1,399,795.40	1,461,102.30	1,564,721.00
Municipal water supply	m ³	788,962.40	869,390.00	918,277.00
Surface water	m ³	475,684.00	454,790.00	501,587.00
Ground water	m ³	65,174.00	78,344.30	83,953.00
Rain water	m ³	69,975.00	58,578.00	60,904.00
Water withdrawal per unit of product	m ³ /t	27.84	27.08	27.09
Recycled water consumption	m ³	1,216,071.00	1,058,423.00	1,097,983.78
Water recycling rate ⁶	%	46.49	42.01	41.24

Emission Management

Indicators	Unit	2021	2022	2023
Total wastewater discharges	t	1,200,829.00	1,221,588.00	1,276,412.22
By category				
Industrial wastewater	t	1,085,429.00	1,093,017.00	1,148,951.22
Domestic wastewater	t	115,400.00	128,571.00	127,461.00
Wastewater discharge per unit of product	t/t	23.89	22.64	22.10
Wastewater discharge rate ⁷	%	85.79	83.61	81.57
Total hazardous waste ⁸	t	15.91	10.80	15.88
Hazardous waste emissions per unit of product	kg/t	0.32	0.20	0.27
Harmless disposal rate of hazardous waste	%	100	100	100
Total general waste ⁸	t	7,221.93	8,168.91	9,997.26
By category				
Total general production waste ⁸	t	6,614.11	7,553.34	9,352.66
Total general domestic waste	t	607.82	616.57	644.60

Emission Management

Indicators	Unit	2021	2022	2023
By mode				
Incineration	t	5,892.30	5,592.92	6,842.10
of disposal				
Entrust specialised units for standardised disposal	t	1,329.63	2,576.99	3,155.16
General waste emissions per unit of product	t/t	0.13	0.13	0.17
Waste collection and disposal rate	%	100	100	100

Environmental Management

Indicators	Unit	2021	2022	2023
Annual environmental expenditure ⁹	10,000 CNY	1,375.20	1,717.68	1,279.78
Number of trainings on environmental protection for employees ¹⁰	Time(s)	17	18	28
Number of penalties for violations of environmental protection laws and regulations	Case(s)	0	0	0
Total fines for violations of environmental protection laws and regulations	10,000 CNY	0	0	0
Number of penalties for excessive or illegal discharge of pollutants	Case(s)	0	0	0
Total fines for excessive or illegal discharge of pollutants	10,000 CNY	0	0	0

Note 1: [Explanation of change] In 2023, the Company increased interactive customer visits and supplier on-site audits, etc., therefore the consumption of petrol for official vehicles increased compared with the previous year.

Note 2: [Explanation of change] In 2023, the subsidiary New Chuwa switched to natural gas for the canteen, therefore the consumption of LPG decreased compared to the previous year.

Note 3: [Calculation method] Total greenhouse gas emissions = Scope I total greenhouse gas emissions + Scope II total greenhouse gas emissions.

Note 4: [Calculation method] Scope I greenhouse gas emissions are generated from the consumption of natural gas, petrol, diesel and liquefied natural gas of the Company, and the calculation method refers to the national standard *Requirements of the greenhouse gas emissions accounting and reporting - Part 12: Textile and garment enterprise (GB/T 32151.12-2018)*.

Note 5: [Calculation method] Scope II greenhouse gas emissions are generated from the Company's outsourcing of conventional power and steam, and deducting photovoltaic power and green power. The calculation method refers to the national standard *Requirements of the greenhouse gas emissions accounting and reporting - Part 12: Textile and garment enterprise (GB/T 32151.12-2018)*, in which the thermal emission factor takes the recommended value of 0.11tCO₂/GJ, and the electricity emission factor is quoted from the document published by the Ministry of Ecology and Environment of the People's Republic of China, which were 0.5810, 0.5703 and 0.5703tCO₂/MWh respectively from 2021 to 2023.

Note 6: [Calculation method] Water recycling rate = Recycled water consumption / (recycled water consumption + water withdrawal) × 100%.

Note 7: [Calculation method] Wastewater discharge rate = Wastewater discharges / Water withdrawal × 100%.

Note 8: [Explanation of change] The output of the subsidiary New Chuwa increased in 2023 compared to the previous year after the new production line went into operation, resulting the increase of the total amount of hazardous waste, total amount of general waste, and total amount of general production waste compared to the previous year.

Note 9: [Explanation of change] The expenditure for environmental protection includes items such as environmental protection equipment and facilities and three wastes treatment, etc. In 2022, investment in environmental protection facilities was involved in the construction of the new project of the subsidiary New Chuwa, hence the increase of the environmental protection expenditure for that year.

Note 10: [Explanation of change] In 2023, the subsidiaries New Chuwa and Houyuan Textile increased their number of environmental protection trainings, therefore the total number of environmental protection trainings increased compared to the previous year.

◆ Social Performance

Staff Recruitment and Employment

Indicators	Unit	2021	2022	2023
Total number of employees (end of period)	People	3,752	3,806	3,979
By gender	Male	1,474	1,495	1,577
	Female	2,278	2,311	2,402
By form of employment	Full-time labour contracting	3,375	3,381	3,502
	Other forms of employment	377	425	477
By age	Aged below 30	627	600	588
	Aged between 30 to 50	2,394	2,406	2,478
	Aged above 50	731	800	913
By region	Working in Chinese Mainland	3,549	3,583	3,757
	Working in Hong Kong, Macau, Taiwan and oversea regions	203	223	222
By position level	Primary level	3,401	3,511	3,648
	Primary management	206	158	191
	Middle management	115	108	113
	Senior management	30	29	27
By educational qualification	Master's degree or above	17	18	13
	Bachelor's degree	218	256	281
	Junior college degree or below	3,517	3,532	3,685
Number of employee turnover	People	708	638	821
By gender	Male	329	252	339
	Female	379	386	482
By age	Aged below 30	303	206	242
	Aged between 30 to 50	343	344	451
	Aged above 50	62	88	128
Employee turnover rate ¹	%	15.87	14.36	17.10
By gender	Male	18.25	14.42	17.69
	Female	14.26	14.31	16.71
By age	Aged below 30	32.58	25.56	29.16
	Aged between 30 to 50	12.53	12.51	15.40
	Aged above 50	7.82	9.91	12.28

Employee Rights & Benefits

Indicators	Unit	2021	2022	2023
Labour/service contract signing rate	%	100	100	100
Social insurance coverage rate ²	%	100	100	100
Medical examination coverage rate for employees ³	%	87.21	88.33	86.11
Medical examination expenses for employees	10,000 CNY	63.81	47.78	53.79
Number of employees included in collective negotiation agreement (end of period) ⁴	People	3,363	3,379	3,474
Proportion of employees subject to periodic performance or career development appraisals in all employees ⁵	%	21.99	25.88	25.21
Average annual income of employees ⁶	CNY/People	84,237.08	89,844.89	95,881.37
Growth rate of average annual income of employees	%	14.13	6.66	6.72

Occupational Health & Safety

Indicators	Unit	2021	2022	2023
Number of employees in occupational disease risk positions	People	2,083	1,986	1,958
Number of employees suffering from occupational diseases	People	0	0	0
Morbidity rate of occupational diseases	%	0	0	0
Position transfer rate due to occupational contraindications	%	100	100	100
Number of general work-related accidents of employees	People	64	60	64
Number of major work-related accidents of employees	People	0	0	0
Number of employees who died due to work-related injuries	People	0	0	0
Proportion of employees who died due to work-related injuries	%	0	0	0
Number of working days lost due to work-related injuries	Day(s)	2,277	2,037	1,808
Number of participations of employees in safety education	Person-time(s)	13,395	14,335	19,373
Implementation rate of safety training for transfers (including secondments of more than 3 days)	%	100	100	100
Number of security drills	Day(s)	22	24	22

Employee Training & Development

Indicators	Unit	2021	2022	2023
Total number of employees trained (end of period)	People	3,743	3,797	3,966
By gender	Male	1,471	1,491	1,571
	Female	2,272	2,306	2,395
By position level	Primary level	3,396	3,505	3,637
	Primary management	206	158	191
	Middle management	111	105	112
	Senior management	30	29	26
Employee training coverage rate ⁷	%	99.76	99.76	99.67
By gender	Male	39.21	39.17	39.48
	Female	60.55	60.59	60.19
By position level	Primary level	90.51	92.09	91.40
	Primary management	5.49	4.15	4.80
	Middle management	2.96	2.76	2.81
	Senior management	0.80	0.76	0.65
Total hours of training for employees	Hour(s)	102,503	107,600	122,592
By gender	Male	46,045	47,113	47,441
	Female	56,458	60,487	75,151
By position level	Primary level	92,547	98,922	110,405
	Primary management	5,889	4,457	8,401
	Middle management	3,437	3,430	3,039
	Senior management	630	539	747
Average hours of training for employees ⁸	Hour(s)	27.32	28.27	30.81
By gender	Male	31.24	31.51	30.08
	Female	24.78	26.17	31.29
By position level	Primary level	27.21	28.17	30.26
	Primary management	28.59	28.21	43.98
	Middle management	29.89	31.76	26.90
	Senior management	21.00	18.59	27.67
Total investment in employee training ⁹	10,000 CNY	31.06	92.76	37.28
Per capita investment in employee training ¹⁰	CNY / People	82.77	243.72	93.70

Product & Service

Indicators	Unit	2021	2022	2023
Total number of complaints received about products and services	Case(s)	439	607	518
Handling rate of complaints about products and services	%	100	100	100
Proportion of products sold that had to be recalled due to safety and health concerns	%	0	0	0
Total number of violations of laws and regulations related to products and services	Case(s)	0	0	0

R&D Innovation & Intellectual Property Protection

Indicators	Unit	2021	2022	2023
Investment in R&D	10,000 CNY	9,579.45	10,736.44	11,120.66
Proportion of R&D investment in revenue	%	3.01	2.72	2.51
Number of R&D employees (end of period)	People	374	363	405
Proportion of R&D employees	%	9.97	9.54	10.18
Number of trademarks registered during the reporting period	Trademark(s)	20	49	7
Number of trademarks applied during the reporting period	Trademark(s)	50	20	38
Accumulated number of valid trademarks	Trademark(s)	90	139	157
Number of patents authorized during the reporting period	Patent(s)	19	23	22
Number of patents applied during the reporting period	Patent(s)	21	28	17
Accumulated number of valid patents	Patent(s)	114	137	156
Number of violations in the protection of commercial secrets (including intellectual property)	Case(s)	0	0	0

Supplier Management

Indicators	Unit	2021	2022	2023
Total number of suppliers	Supplier(s)	732	737	775
By region	In Chinese Mainland	560	557	596
	In Hong Kong, Macau, Taiwan, and oversea regions	172	180	179
Number of suppliers evaluated for environmental, labor, ethical, etc	Supplier(s)	36	34	34
Number of qualified suppliers evaluated for environmental, labor, ethical, etc	Supplier(s)	36	34	34
Proportion of qualified suppliers evaluated for environmental, labour and ethical, etc. ¹¹	%	100	100	100
Number of suppliers with anti-corruption agreements	Supplier(s)	22	23	224

Community Benefits & Employee Volunteering

Indicators	Unit	2021	2022	2023
Cash expenditures for projects of poverty alleviation and rural revitalization ¹²	10,000 CNY	-	20	202.84
Value of expenditure on goods for projects of poverty alleviation and rural revitalization	10,000 CNY	-	5.26	1.60
Cash expenditure for projects of external donations and public benefits ¹²	10,000 CNY	-	20	326.84
Value of expenditure on goods for projects of external donations and public benefits	10,000 CNY	-	7.70	10.60
Number of participations of employees in volunteer activities	Person-time(s)	20	46	50
Total hours of volunteer service of employees	Hour(s)	80	145	100

Note 1: [Calculation method] Employee turnover rate = Number of departed employees (in this category) / [Number of employees (in this category) at the end of the reporting period + Number of employees (in this category) departing during the reporting period] × 100%.

Note 2: [Description of scope] The Company purchases social insurance for full-time labour contract employees and accident insurance for employees in forms of employment other than full-time labour contract.

[Calculation method] Social insurance coverage rate = Number of employees covered by social insurance (end of period) / Number of full-time labour contract employees (end of the period) × 100%.

Note 3: [Description of scope] 100% coverage of the Company's entry medical examination and occupational diseases examination, and routine health check-ups are conducted at different frequencies for different age groups.

[Calculation method] Medical examination coverage rate for employees = Number of employees participating in medical checkups in the current year (end of period) / Total number of employees (end of period) × 100%.

Note 4: [Description of scope] 100% coverage of collective negotiation agreements in companies and subsidiaries that are unionized.

Note 5: [Calculation method] Proportion of employee subject to periodic performance or career development appraisals in all employees = Number of employee subject to periodic performance or career development appraisals (end of period) / Total number of employees (end of period) × 100%.

Note 6: [Description of scope] The statistical caliber is for employees from production-oriented enterprises.

Note 7: [Calculation method] Employee (in a certain category) training coverage rate = Number of employees (in this category) trained / Total number of employees (end of period) × 100%.

Note 8: [Calculation method] Average hours of training for employees (in a certain category) = Total hours of training for employees (in this category) / Number of employees (in this category) (end of period).

Note 9: [Explanation of change] In 2022, the Company purchased a training platform, hence the increase of the training investment.

Note 10: [Calculation method] Per capita investment in employee training = Total investment in employee training / Number of employees (end of period).

Note 11: [Calculation method] Proportion of qualified suppliers evaluated for environment, labour, ethics, etc. = Number of qualified suppliers evaluated for environment, labour, ethics, etc. / Number of suppliers evaluated for environment, labour, ethics, etc. × 100%.

Note 12: [Explanation of change] Since 2023, the Company has been donating 3 million yuan annually from the proceeds of the self-titled charity common prosperity fund, hence the cash expenditure for projects of poverty alleviation and rural revitalization and projects of external donations and public benefits have increased as compared to the previous year.

Annex

Glossary of Proper Nouns and Acronyms

Proper nouns / acronyms	Definitions
BLUESIGN	Bluesign Standard
ESG	Environmental, Social and Governance
FSC	Forest Stewardship Council
GCS	The Good Cashmere Standard
GOTS	Global Organic Textile Standard
GRS	Global Recycle Standard
IPE	Institute of Public and Environmental Affairs
ISPO	ISPO Munich, ISPO Beijing, ISPO Shanghai
IT	Internet Technology
LCA	Life Cycle Assessment
MES	Manufacturing Execution System
NATIVATM	100% traceable wool fibers from Chargeurs Luxury Materials, a French supplier of premium wool fibers
OEKO-TEX100	OEKO-TEX® Standard 100
PPE	Personal Protective Equipment
PRTR	Pollutant Release and Transfer Register
RWS	Responsible Wool Standard
SDGs	Sustainable Development Goals
MSDS	Material Safety Data Sheet
SPINEXPO	Important yarn and knitwear exhibition, held twice a year in Shanghai, China, and a series of exhibitions in Paris, New York and Hong Kong.
SustainaWOOL	Sustainable wool certification
WMS	Warehouse Management System

Index against the *Guidelines No. 1 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies – Standardized Operation (Revised in August 2023)*

Disclosure Requirements		Report Chapters
8.1	Overview	Low-carbon products & climate change adaptation Recycling of resources Pollution reduction Product quality & safety Scientific and technological innovation & intellectual property protection Customer rights & interests Responsible supply chains Employee rights & benefits
8.2	Business principles	Compliance & business ethics Customer rights & interests Product quality & safety
8.3	Social responsibility planning and working mechanism	ESG philosophy & governance
8.4	Value of social contribution per share	Key quantitative performance
8.5	Disclosure of social responsibility report	Direction of the Report
8.6	(1) Construction of social responsibility system	Pollutant reduction Product quality & safety Employee rights & benefits Occupational health & safety
	(2) Deficiencies and problems in the fulfillment of social responsibility	
	(3) Improvement measures and specific schedule	
8.7	Employee rights & benefits	Organization structure & functions Employee rights & benefits Occupational health & safety
8.8	(1) Compliance with environmental protection laws and regulations and industry standards	Low-carbon products & climate change adaptation Recycling of resources Pollutant reduction Responsible supply chains
	(2) Environmental protection plan	
	(3) Use of natural resources	
	(4) Disposal of pollutants	
	(5) Pollution prevention and control facilities	
	(6) Payment of taxes and fees related to environmental protection	
	(7) Supply chain environmental security	
	(8) Other environmental protection responsibilities	
8.9	(1) Policies, objectives and results of environmental protection	Recycling of resources Pollutant reduction
	(2) Total annual consumption of resources	
	(3) Environmental investment and environmental technology development	

Disclosure Requirements		Report Chapters
8.9	(4) Type, quantity, concentration and destination of pollutants discharged	Recycling of resources Pollutant reduction
	(5) Construction and operation of environmental protection facilities	
	(6) Waste treatment, disposal, recycling and comprehensive use of discarded products	
	(7) Voluntary agreements signed with environmental authorities	
	(8) Incentives from environmental authorities	
	(9) Other voluntary disclosures	
8.10	(1) New, renovated or expanded construction projects or major investments	Low-carbon products & climate change adaptation Pollutant reduction
	(2) Violation of environmental laws and regulations and penalties	
	(3) Significant litigation on environmental issues or assets seized, frozen, impounded, pledged or mortgaged	
	(4) Key discharge units	
	(5) The impact of newly promulgated laws and regulations on the company	
	(6) Major environmental protection events	
8.11	Implementation of environmental policies and corrective measures	Low-carbon products & climate change adaptation Pollutant reduction
8.12	(1) Pollutant discharge	Low-carbon products & climate change adaptation Pollutant reduction
	(2) Construction and operation of environmental protection facilities	
	(3) Emergency response plan for pollution incidents	
	(4) Pollutant reduction measures	
8.13	(1) Laws, regulations and industry standards of product safety	Product quality & safety
	(2) Production environment and production process	
	(3) Safety guarantee mechanism for product quality and emergency response plan for accidents	
	(4) Other responsibilities related to production and product safety	
8.14	(1) Employee management system and measures for dealing non-compliance	Employee rights & benefits Employee training & development Occupational health & safety
	(2) Prevention of occupational hazards and supporting safety measures	
	(3) Employee training	
	(4) Other responsibilities for protecting employee rights and benefits	
8.15	Scientific ethnics	Scientific and technological innovation & intellectual property protection