Thank you!

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NEW WIDE GROUP

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PIONEERING A GREENER,SMARTER SUPPLY CHAIN

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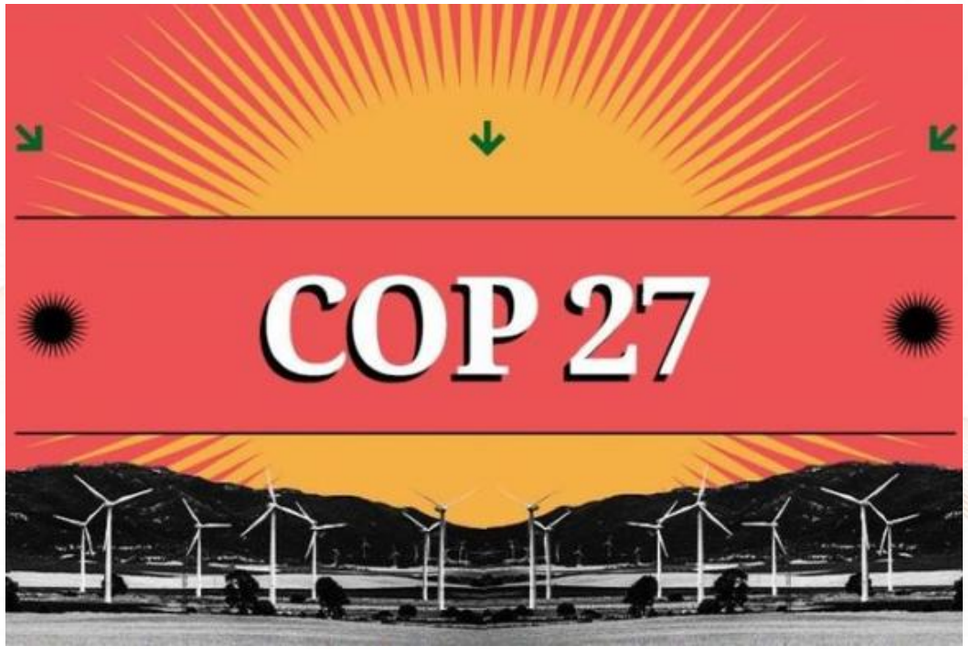
PIONEERING A GREENER,SMARTER SUPPLY CHAIN

New Wide Group
Sustainability Certification

The changes and impact of COP27 has brought to the world



Amid global crises such as the war in Ukraine, high inflation, food shortages and tight energy supplies, the 2022 United Nations Climate Change Conference (COP27) was opened in Sharm El-Sheikh, Egypt on 6 November. The conference lasted for two weeks, and about 196 countries, 45,000 people and 120 world leaders attended the conference to discuss the countermeasures of climate change.

Similar to COP26, COP27 covers four major issues: "Mitigation, Adaptation, Finance, and Collaboration". "Mitigation" refers to the long-term and arduous task of reducing greenhouse gas emissions and increasing carbon sinks to stabilize and reduce the concentration of greenhouse gas in the atmosphere. "Adaptation" focuses on strengthening risk identification and management of natural ecosystems and economic and social systems, in order to reduce the adverse effects and potential risks caused by climate change. "Financing" is the key to climate change action in developing countries. These countries are not the main emitters of greenhouse gases, but they are the biggest victims of climate change, especially in need of technical and financial support from developed countries.

Unlike COP26, COP27 puts more emphasis on the demands of developing countries, and the focus on 'mitigation' has diluted. At COP26, the 1.5°C target was hotly debated by the parties, and the irreconcilable differences led to a convention that did not provide a stronger binding on 'net zero emissions and temperature targets' than the Paris Agreement. Egypt, the host country of this year's COP27, hopes to take this opportunity to be more vocal on climate issues, to get the most benefit for itself, and to become the "leader" of developing countries, so the pre-conference target setting has downplayed the controversy over 2°C and 1.5°C, and focused more on developing countries such as Africa, the least developed countries and small island states.

Due to the change in the focus of the goal, the final resolution reached at the conference only reaffirmed the temperature target of the Paris Agreement, stating that "the impact of climate change will be much smaller with a 1.5°C warming than with a 2°C warming, and resolving to make further efforts to limit warming to 1.5°C", and calling for the reduction of coal power without carbon capture and storage technology and the phase-out of inefficient subsidies for fossil fuels, both of which were carried over from COP26. The agreement text of COP26 has not been built upon.

There are three notable changes to the final resolution of the meeting that are worth focusing on.

I. Further compromises on fossil energy cuts

The resolution emphasizes the importance of promoting a clean energy mix, calling not only for increased renewable energy but also for increased low-emission energy. Compared to the negotiating text, low-emission energy is a new addition, not clearly defined, but likely to cover natural gas.

During COP27, India argued that it would be unfair to call only for a reduction in coal, ignoring the gas and oil that developed countries depend on, and proposed a phase-down of 'all fossil fuels'. This proposal did not appear in the final resolution. The main resistance came from the oil-producing countries, but also partly from the EU. Although the EU has expressed its support for cutting all fossil fuels, it has also stated that coal is more high-carbon than natural gas and that conflating all fossil fuels could slow the progress of coal removal and did not want to confuse priorities.

The Russian-Ukrainian war and energy crisis the year led to a major shift in the EU's attitude towards natural gas which was officially listed as green energy.

II. The establishment of the "Loss and Damage" Fund was also a highlight of the Conference

Parties made a historic breakthrough when they reached a difficult consensus after intense debate and decided to establish a new financial mechanism that focuses on the historical responsibility of developed countries for emissions and compensation for climate-vulnerable countries.

Which countries need to contribute and which countries can be supported will be the key issues to be resolved before the next COP. The current controversy is that developed countries are demanding that the fund be financed by China, the Gulf States and other "high-income" developing countries, that assistance be targeted at the most vulnerable and poor countries, and that there be no liability or compensation clauses. Mr. Xie Zhenhua, China's Special ambassador for Climate Change Affairs, has made it clear on the issue of donors and beneficiaries that developed countries have the responsibility and obligation to make contributions, and developing countries also make voluntary contributions. The beneficiaries of the Fund are developing countries, but in view of the limited scale of the funds, they should first be provided to the most vulnerable and needy countries in the face of climate change.

III. The resumption of the US-China climate dialogue

During COP26, China and the United States issued a joint declaration pledging to strengthen the implementation of the Paris Agreement and to promote cooperation on climate change between the two countries, which laid the foundation for the restart of international negotiations. The current COP27 was also accompanied by a renewed dialogue between China and the United States.

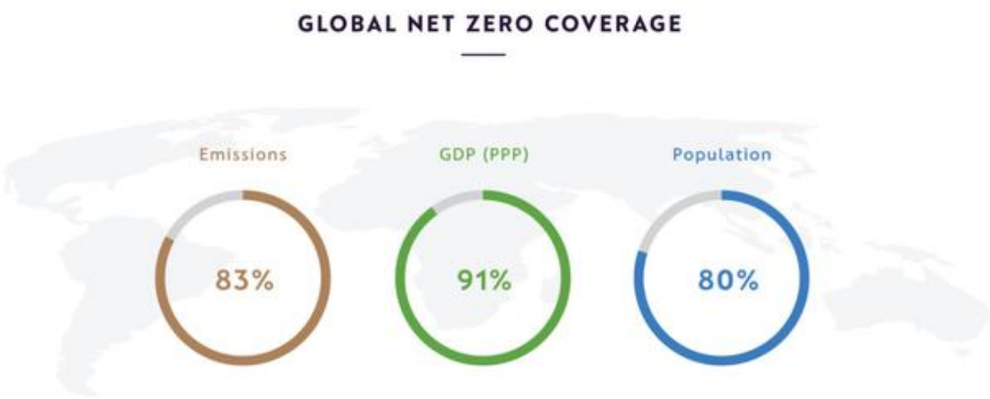
Climate issues are an important entry point for the repair of Sino-U.S. relation. The areas of cooperation between the two countries on climate issues may include the calculation of the current carbon footprint of energy-intensive commodities such as cement, steel, petrochemical products and methane emission reduction, etc. This will further open up the demand space for renewable energy, but may bring certain development constraints to waste disposal and traditional agriculture and animal husbandry.

COP27 finally reached a hard-fought consensus, with the interests, contradictions and political will of countries coming to the fore for more than two weeks. The highlights of the conference were the establishment of the 'Loss and Damage' Fund. The change was the world's orientation towards natural gas. The expectation was the possible progress of Sino-U.S. climate cooperation.

Net Zero 2022 progress report

The science shows clearly that in order to avert the worst impacts of climate change and preserve a livable planet, global temperature increase needs to be limited to 1.5°C above pre-industrial levels. Currently, the Earth is already about 1.1°C warmer than it was at the end of the 19th century, and emissions continue to rise. To keep global warming to no more than 1.5°C – as called for in the Paris Agreement – emissions need to be reduced by 45% by 2030 and reach net zero by 2050.

Recently, the Net Zero Tracker organization utilized the Net Zero Tracker database of 4,000+ entities through over a year of information gathering to obtain The Net Zero 2022 progress report (the "Report").



Report Highlights:

1. National net zero targets set in domestic legislation or policy documents have surged — from 10% of total GHG coverage in December 2020 to 65% in June 2022.

2. As countries keep setting - and strengthening - commitments, the spotlight falls on those companies (65%), regions (84%) and cities (80%) that are yet to pledge net zero targets.

3. Worryingly, more than 75% of national and sub-national governments still do not transparently specify whether they intend to use external offset credits to meet their net zero targets.

4. Using the "Race to Zero" criteria as our benchmark. Less than one-fifth of net zero targets set by national and sub-national governments currently meet minimum procedural standards of robustness.

5.More than one-third of world's largest publicly traded companies now have net zero targets, up from one-fifth in December 2020. However, 65% of corporate net zero targets do not yet meet minimum procedural standards of robustness.

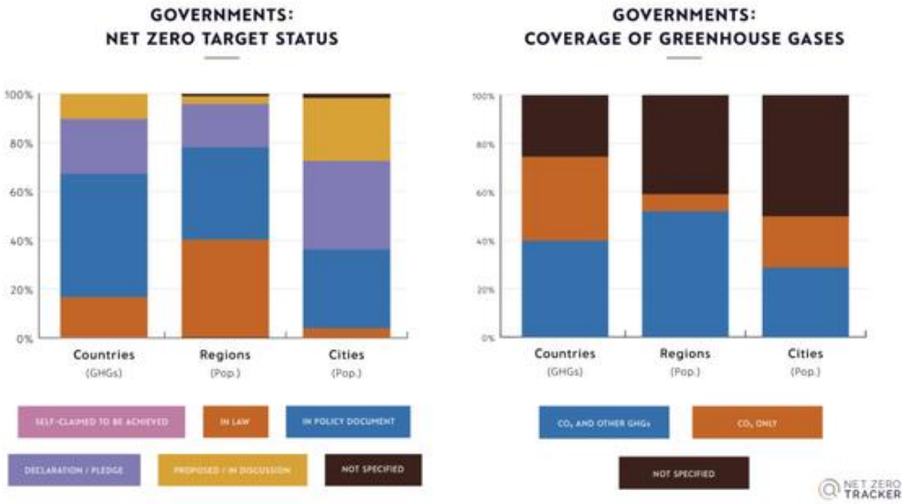
6. Nearly 40% of the companies intend to use external offsets (carbon credits) to achieve net zero, with less than 2% explicitly ruling out their use. That leaves close to 60% that have not specified whether or not they plan to rely on offsetting.

7. Only 38% of companies claim to cover all Scope 3 (value chain) emissions.

8. The global North has set the majority of sub-national targets. Net zero has not yet spread widely beyond high-income countries in North America, Europe, and Asia.

9. The number of large cities with net zero targets has doubled since December 2020 — from 115 to 235 — but more than 900 large cities still lack a net zero target.

Overall the transparency and integrity of existing net zero pledges are far from sufficient to ensure a timely transition to global net zero GHG emissions to achieve the Paris Agreement's long-term temperature goal. Across the board, an enormous need for greater standardization and operationalization of net zero targets is needed.



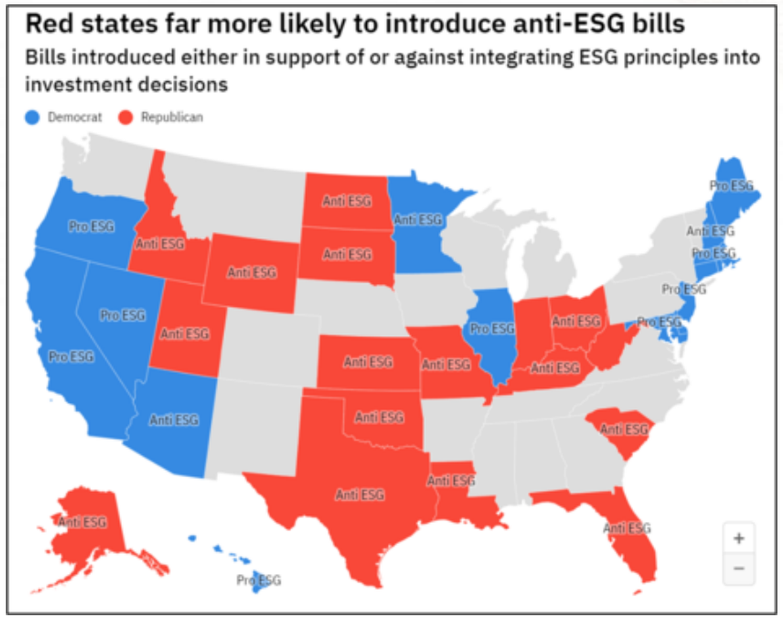
Anti-ESG sentiment in the US and European markets as public opinion rises

Situation 1: The world is in ESG, but the US looks bumpy

While the global trend of ESG is in full swing, there was an "anti-ESG" movement in the United States earlier this year. This Anti-ESG Voice wave reached a peak after the U.S. federal government proposed incorporating ESG principles into the law and faced strong opposition from conservative state governments, the petrochemical industry, the gun and gunpowder industry, start-up financial firms and prominent business people. **"Anti-ESG" advocates believe that financial institutions using ESG filter corporate loans, is violated the rights of corporate America's shareholders.** Restricting lending to specific industries is discriminatory and harmful to the development of traditional industries, and goes against the spirit of the capitalist free market.

Situation 2, the issue of “Social” in American society is particularly complex and difficult to resolve

From the perspective of the "anti-ESG" situation in the U.S., the S issues (Social) in ESG are particularly complex and difficult to resolve. The events that have occurred in the United States, including "Black Lives Matter," "Gun Control," "Legalization of Abortion," "Mandatory corporate disclosure of climate change risks," "mandatory COVID-19 vaccine," and "social credit point system" (an academic theory that advocates different levels of service based on one's social credit), have brought the long-divisive inner culture to the surface more quickly. The racial culture in American society is diverse and complex, and each has its own historical development and value differences behind it. It seems more difficult to deal with the S issue in ESG.



Situation 3: U.S. Banks quietly withdraw from the Glasgow Net Zero Finance Alliance (GFANZ)

Hoping to promote rapid global decarbonization, the Glasgow Financial Alliance for Net-Zero (GFANZ) was established with great pomp, and gathered more than 100 financial institutions worldwide at COP26 in late 2021. It quickly attracted more than 500 financial companies to join, and it’s members were full of optimism and confidence. GFANZ ambitiously declares that all members will meet the Race to Zero standard, and committed a net zero emissions goal by 2050. At the same time, all members should provide data-transparent reporting and accounting to achieve mid-term target progress.

However, recently there are rumors that some major U.S. banks are trying to quietly withdraw from the alliance. In early October, four banks, mainly from Wall Street, have been considering withdrawing from GFANZ, including Morgan Stanley, JPMorgan, Bank of America and Spanish Bank Santander. They are worried that the coalition's decarbonization commitments are too strict, and will face the legal risk of being sued if they fail to meet the standards.

The reasons behind the retreat tide of American banks include: **The Alliance's net zero goal is strict, and if they fail to meet the standard, they will face legal risks; Members did not fully participate in the process of setting net-zero targets. Moreover, the Alliance does not include China, India, Russia and other large carbon-emitting countries, so it may be unfair to restrict only their own companies.** Some analysis even pointed out that this tension and the "anti-ESG" voice are related to the upcoming introduction of the U.S. Securities and Exchange Commission (SEC) to force listed companies to disclose climate-related financial information, soaring energy prices and the challenges faced by banks in phasing out fossil fuel financing.

Scenario 4: Russia-Ukraine war leads to energy dilemma in Europe, extending coal-fired power generation, and turning nuclear energy into green energy

Unlike the two aforementioned "anti-ESG" situations in the United States, Europe is also facing several years of ESG performance in a downward trend because of the outbreak of the Russian-Ukrainian war. The outbreak of the Russo-Ukrainian war in February this year and the joint sanctions on Russian oil and gas in Europe and the United States led to EU countries, which are highly dependent on Russian natural gas for power generation, eventually suffering the consequences. Since the beginning of this year, energy prices in Europe have soared, electricity is in extreme shortage, prices have soared and people are suffering. From the heat wave in summer to the severe cold in winter, European countries have to continue increasing coal-fired, natural gas and nuclear power generation. Years of achievements in carbon reduction were wiped out overnight.

As a last resort, the European Parliament approved a green investment label for nuclear and gas projects on 6 July. According to the sustainable finance taxonomy, natural gas-fired plants built before 2030 will be considered "transitional energy"; as long as they are used to replace more polluting coal-fired or oil-fired plants, and are converted to low-carbon power generation (such as hydrogen) by 2035, they will be given the green label. As for nuclear power generation, if existing nuclear plants commit to switch to so-called "accident-tolerant fuels" starting in 2025, and plan in detail for the final storage site for radioactive waste by 2050, these plants will also be able to obtain the green label.

In addition to changing the green classification of the nuclear power industry, European countries have also begun to extend the operating life of current coal-fired and nuclear power plants. Germany has committed to zero emission coal-fired power by 2030, but now has no choice but to restart 21 coal-fired power plants in the country, even to extend their service life to 2024. Recently Austria also announced that the territory of the last coal-fired power plant closed in 2020, restarting power generation.

Climate change protests are becoming more extreme, causing concern for companies

The "anti-ESG" movement is sweeping the world, and international companies are now facing more and more extreme protests against environmental and climate change. In the face of these extreme environmental and climate change protests, it is imperative that companies manage the situation properly and respond to the situation. Companies must start to learn how to face and manage these crises by carefully securing important people or assets in advance, carefully rehearsing the process of the event, handling the crisis at the moment, and responding to the media after the event.

Walmart held its annual sustainability conference: "Regeneration" throughout the conference

On October 4, Walmart held its annual sustainability conference. The online conference was held on the ZOOM platform in four languages: English, Chinese, Spanish and Hindi, to ensure the accurate transmission of information. Regeneration was the keyword of the conference.

The following are Walmart's current sustainability achievements.

- **a 23% reduction in overall operational emissions since 2015 to date;**
- **Project Gigaton (one billion tons of carbon savings) has reached 50% of its target;**
- **A total of 1,000 Walmart Giga Gurus (Environmental Ambassadors) recognized in 2022;**
- **78% operational waste diverted in 2021;**
- **Walmart is actively building its own fleet of electric vehicles for home delivery use, including large, medium and small models that have been green-electrified to meet the RE100 goal.**

Lululemon announced the latest decarbonization policy and plans to completely stop the use of coal fuel in 2023

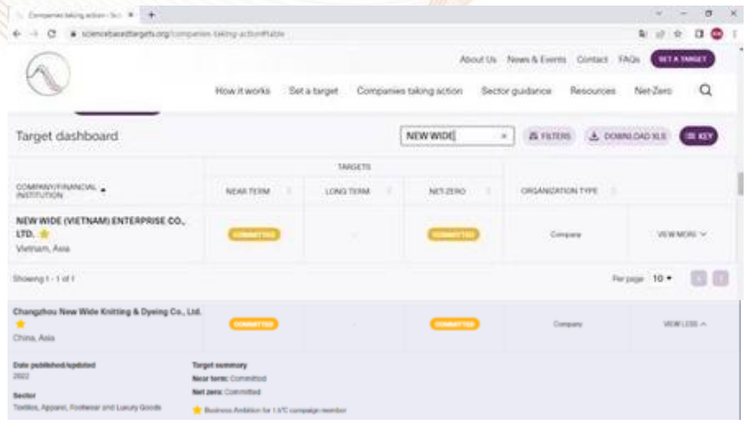
On November 9, Lululemon held the online Global Vendor Environmental Council meeting with members of Lululemon's environmental management team and long-term strategic suppliers. Through the Council mechanism, the supplier environmental management program was discussed together and positive feedback was given before the plan was officially released.

In 2018, the United Nations released the "Fashion Industry Charter for Climate Action", which specifies a 30% reduction in emissions by 2030 and net-zero carbon emissions by 2050. One of the ways to achieve net zero carbon emissions is to phase out coal-fired boilers and power generation by 2025. "Decarbonization" is a common concern for international fashion brands. In September, Lululemon released the Lululemon Impact Report 2021, which shows an 82% absolute reduction in GHGs in all owned and operated facilities (Scope 1 and 2), exceeding its 60% reduction target. In 2021, Lululemon launched the carbon phase-out program. **At 2022 Global Vendor Environmental Council, Lululemon officially announced its latest "Decoalization Policy," which requires suppliers to stop using coal as a fuel by 2023, and those who do not meet the standard will be disqualified from their cooperation.** In the future, Lululemon will focus more on promoting a rapid transition to renewable energy and energy efficiency.

adidas's SBTi Target is progressing well, and New Wide's net-zero carbon reduction commitment letter is published on SBTi official website

According to adidas' latest requirements, New Wide is required to commit to two net-zero carbon reduction targets. The first is the Near-team SBT: the absolute carbon reduction needs to follow the 1.5° C temperature rise target and needs to be achieved by 2030. The second is the net-zero target: the suppliers need to achieve carbon neutrality by 2050. This will be a challenge for each supplier at this time.

For this reason, **New Wide Group held a kick-off meeting of adidas SBTi project.** This project will last from August this year to December next year. At present, we have completed the energy inventory data for Scope 1 and Scope 2, as well as the preliminary inventory of the feasibility of data collection for each category in Scope 3. **All of the New Wide dyeing plants have completed the online application process for the Commitment Letter, and their net zero carbon reduction commitments have been publicized on the SBTi website.**



Summary of environmental certifications and Higg results for each unit of New Wide Group

As shown in the figure, the latest update of environmental certificates for each factory of New Wide Group in 2022 is summarized. For the certificates that have expired or will expire soon, we are in the process of updating the certification.

Sustainability certification of New Wide

旭榮永續環保證書彙整 *Sustainability Certification of New Wide*

	Global Recycled Standard	Recycled Claim Standard	Global Organic Textile Standard	Organic Content Standard	OEKO-TEX STANDARD 100	bluesign
CZ Dyeing	June 3, 2023	Aug 21, 2023	June 3, 2023	June 3, 2023	Sep 15, 2023	Apr 30, 2023
VN Dyeing	Mar 1, 2023	—	July 8, 2023	—	May 31, 2023	Partner
TP Textile	Apr 17, 2023	Apr 17, 2023	—	—	—	—
KS Textile	Dec 16, 2023	—	—	—	—	—
TP Garment	May 18, 2023	Dec 5, 2023	—	—	—	—
NWG Garment	—	—	—	—	Oct 15, 2023	—
GTE Garment	June 14, 2023	—	—	—	—	—
NW Apparel	Nov 20, 2023	Nov 20, 2023	—	—	Aug 31, 2023	—
VN Garment	May 22, 2023	—	—	—	—	—
Kenya Garment	Apr 8, 2023	—	—	—	Jane 31, 2023	—
EUG Garment	Sep 27, 2023	—	—	—	—	—

※ Updated : Dec., 2022

創變 突破再升級 Evolution in Action 旭榮集團 NEW WIDE GROUP

2022 Higg FEM & FSLM of NW Facilities

2022年旭榮各廠Higg評價彙整 *2022 Higg FEM & FSLM of NW Facilities* Higg Index

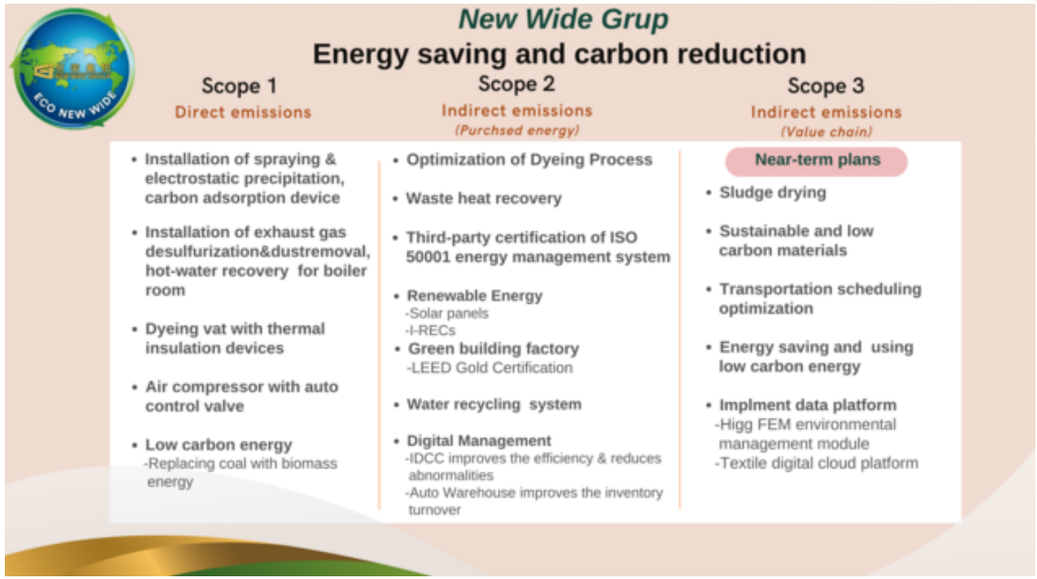
Factory	Higg ID	2022 FEM	2022 vFEM	2022 FSLM (SLCP)	2022 vFSLM
CZ Dyeing	122282	82%	79%	83%	82%
VN Dyeing	49174	70%	39%	79%	79%
NWG Garment	126469	62%	46%	78%	—
GTE Garment	136250	58%	51%	79%	—
NW Apparel	155906	54%	—	44%	—
VN Garment	125953	60%	60%	82%	—
KE Garment	47239	77%	54%	75%	74%
ML Garment	134244	55%	56%	75%	75%
LS Garment	111022	45%	—	82%	—

※ Updated : Sep., 2022

創變 突破再升級 Evolution in Action 旭榮集團 NEW WIDE GROUP

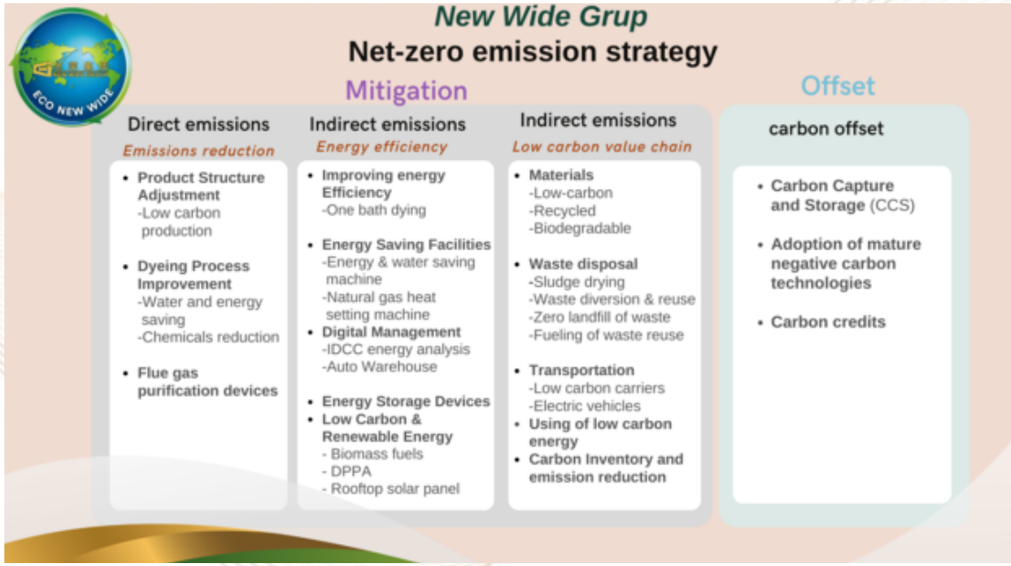
New Wide Group shares operations in energy saving and carbon reduction

Carbon neutral is a keyword that can't be avoided in the apparel industry, which means that the total amount of carbon dioxide or greenhouse gas emissions directly or indirectly produced by the enterprise in a certain period of time can be offset by the carbon dioxide or greenhouse gas emissions produced by itself through tree planting, energy saving and emission reduction, to achieve carbon offset and reach the relative "zero emission". New Wide spares no effort in energy saving and carbon reduction, and continues to make efforts to achieve the target of "net zero". Our energy saving and carbon reduction activities are shown in the figure below:



New Wide declare Net Zero Emission Strategy

In order to achieve the net zero goal, New Wide reduces carbon emissions by reducing process emissions, improving energy efficiency, digital management and waste recycling, etc. Its main net zero emission strategies are shown in the figure.



Net Zero

What is net zero?

Put simply, net zero means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance.

Why is net zero important?

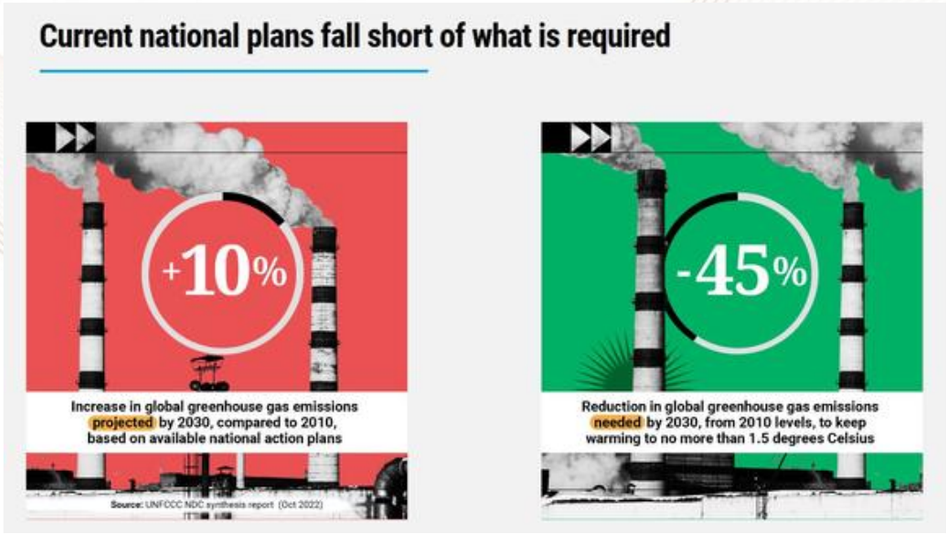
The science shows clearly that in order to avert the worst impacts of climate change and preserve a livable planet, global temperature increase needs to be limited to 1.5°C above pre-industrial levels. Currently, the Earth is already about 1.1°C warmer than it was in the late 1800s, and emissions continue to rise. To keep global warming to no more than 1.5°C – as called for in the Paris Agreement – emissions need to be reduced by 45% by 2030 and reach net zero by 2050.

How can net zero be achieved?

Transitioning to a net-zero world is one of the greatest challenges humankind has faced. It calls for nothing less than a complete transformation of how we produce, consume, and move about. The energy sector is the source of around three-quarters of greenhouse gas emissions today and holds the key to averting the worst effects of climate change. Replacing polluting coal, gas and oil-fired power with energy from renewable sources, such as wind or solar, would dramatically reduce carbon emissions.

Is there a global effort to reach net zero?

Yes, a growing coalition of countries, cities, businesses and other institutions are pledging to get to net-zero emissions. More than 70 countries, including China, the United States, and the European Union, have set a net-zero target, covering about 76% of global emissions. More than 3,000 businesses and financial institutions are working with the Science-Based Targets Initiative to reduce their emissions in line with climate science. And more than 1000 cities, over 1000 educational institutions, and over 400 financial institutions have joined the Race to Zero, pledging to take rigorous, immediate action to halve global emissions by 2030.



How do we ensure commitments are turned into action?

The growth in net-zero pledges has been accompanied by a proliferation of criteria with varying levels of robustness. To develop stronger and clearer standards for net-zero emissions pledges by non-State entities such as businesses, investors, cities and regions, and speed up their implementation, UN Secretary-General António Guterres in March 2022 established a High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities. The Expert Group presented its recommendations at COP27 on 8 November 2022.

Are we on track to reach net zero by 2050?

Commitments made by governments to date fall far short of what is required. Current national climate plans – for 193 Parties to the Paris Agreement taken together – would lead to a sizable increase of almost 11% in global greenhouse gas emissions by 2030, compared to 2010 levels. Getting to net zero requires all governments – first and foremost the biggest emitters – to significantly strengthen their Nationally Determined Contributions (NDCs) and take bold, immediate steps towards reducing emissions now. The Glasgow Climate Pact called on all countries to revisit and strengthen the 2030 targets in their NDCs by the end of 2022, but only 24 new or updated climate plans were submitted by September 2022.