



南方包装集团有限公司
Southern Packaging Group Limited

Southern Packaging Group Limited
Sustainability Report 2022

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About This Report

Reporting Scope and Framework

Southern Packaging Group Limited (the “Company” or “Southern Packaging”, together with its subsidiaries, the “Group”, “we”, “our”, “us”) presents the Sustainability Report which focuses on the Group’s sustainability efforts and strategies for the period from 1 January 2022 to 31 December 2022.

This report has been prepared with reference to the Global Reporting Initiative (“GRI”) Standards 2021, and Rules 711A and 711B of the Singapore Exchange Securities Trading Limited (“SGX-ST”). This report includes primary components of a sustainability report on a “comply or explain” basis.

Southern Packaging has opted not to include climate-related disclosures in FY2022 as the Company is currently completing the preliminary assessment of the climate-related risks and opportunities that may affect our business. We will regularly review and assess the need to incorporate climate-related disclosures which conform with the recommendations of the Taskforce for Climate-related Financial Disclosures (“TCFD”) in future sustainability reports.

Data Assurance

We have not sought external assurance for this sustainability report. We relied on our internal processes and verification to ensure that the data and information reported are accurate. An Internal review has also been conducted by our internal auditor on the Company’s sustainability reporting processes, pursuant to Rule 711B (3) of the SGX Listing Rules.

Feedback

We value your feedback in shaping our sustainability policies, practices and initiatives. You may share with us your insights and suggestions to: public@southern-packaging.com.

As part of our sustainability initiatives, the digital format of this Report can be found on the SGXNet.

Board Statement

Dear Stakeholders,

The Board of Directors (the “Board”) of the Group is delighted to present our sustainability report which encapsulates our sustainability journey in enhancing the development and achieving our Economic, Environmental, Social and Governance (“EESG”) goals while constructing our business model and meeting our stakeholders’ growing needs.

The Board acknowledges the importance of implementing the best sustainability practices to strengthen our operational performance and establish a flexible and robust business. We are dedicated to integrating sustainability into our operations and strategy and we diligently supervise the handling and observation of relevant EESG aspects which we have identified to be material to the Group’s business and key stakeholders in FY2022.

Following the emergence of the Omicron variant of COVID-19 in Shanghai in February 2022, the Chinese government implemented tighter lockdown measures until June 2022. As a result of the lockdown in Shanghai and surrounding areas, the Group’s production and delivery plans were heavily affected.

Despite the ongoing struggle for economic recovery after the lockdown was lifted in June 2022, the Group remains optimistic that market demand and daily operations will gradually recover in FY2023 as COVID-19 management measures are relaxed further.

The Board remains committed to collaborating with our stakeholders in developing a sustainable business model while creating long-term value for our stakeholders. We wish to express our appreciation to our stakeholders for their unwavering support, particularly during these challenging and unprecedented times. We eagerly anticipate your continued participation and support as we strive towards creating a sustainable future.

Sincerely,
Board of Directors
Southern Packaging Group Limited

Corporate Profile

Southern Packaging is a manufacturer of flexible and rigid packaging products used in various industries such as global food and beverages, pharmaceutical household and personal grooming.

The Group was listed on the Singapore Stock Exchange (“SGX”) Mainboard on 12 November 2004. It is incorporated and headquartered in Singapore at 80 Robinson Road, #02-00, Singapore 068898. Our production facilities are strategically located in Foshan Nanhai, Foshan Gaoming, and Jiangsu Changzhou.

The Group is committed to developing its business in the Chinese market and meeting the demands of the fast-moving consumer goods packaging industry. Through continuous pursuit of new production processes and product innovation, the Group aims on using advanced technology to provide customers with pollution prevention, light-proof and high sealing protection products. With automated production and information technology in place, the Group has optimised its internal cost control and production efficiency while maintaining a strong focus on achieving its long-term goals.

Apart from equipping with a highly qualified management team, talented technical staff and a skilled workforce, the Group has also developed capabilities with automated equipment to pursue production automation and intelligent information operations. This improves operational efficiency while staying committed to the Group's long-term goals and business model.

Our objective is to sustain our position as one of China's leading plastic packaging brands. To achieve this objective, we are committed to investing in research and development (R&D), as well as technology and equipment, to continuously improve the quality of our products.

Vision, Mission and Core Values

Vision

- Decorate the world and strive for perfection

Mission

- To continuously invest in technology in order to meet the emerging needs of the market
- To strengthen our quality capability to satisfy different customer needs
- To produce safe and environmentally friendly products that would benefit the society
- To ensure long term value for our investors
- To create a platform for all employees to do their best and ensure constant development

Core Values

- Quality First, Safety First
- Technology Innovation, Sustainability

Corporate Profile (Cont'd)

Vision, Mission and Core Values (Cont'd)

Quality First, Safety First	Comprehensive quality management programme in place, including quality management system maintenance, process quality control, project quality management and testing centres
	Ensure the quality and safety of the whole supply chain from upstream suppliers, manufacturing to our end customers
Technology Innovation, Sustainability	Promotes endless innovation as the key to breakthrough development
	Improves its competitiveness constantly in the global and China markets with technological and product innovation
	Promotes the environmental protection development of the global plastic packaging industry
	Achieves sustainability goals
	Creates a better life for our stakeholders

Supply Chain Management

Our core business of the production and distribution of both rigid and flexible packaging products are sold worldwide, with exports reaching over 30 different countries where our primary customers are mainly Multi-National Companies (“MNC”).

We require a considerable amount of raw materials, such as plastic film, resins, adhesive and printing ink for the production of packaging products. To ensure a continuous supply, our Group’s policy mandates that we maintain at least two suppliers for each raw material with the allocation of order quantity depending on various factors such as pricing and quality. The total value of our trade purchases from suppliers in FY2022 was approximately RMB 513 million (FY2021: RMB 627 million), a decrease of 18% which is consistent with lower revenue generated. Apart from monitoring our suppliers, we also consider the recyclability of the products for supplying raw materials for the production of packaging products.

We place a high priority on ensuring that our suppliers also adhere to rigorous quality standards. We conduct regular evaluations and assessments of our suppliers based on various factors, including but not limited to environmental impact, price competitiveness, delivery time, product quality, and after-sales service.

We prioritise quality as our key differentiating factor and strive for continuous improvement of our products. Our quality management system, including certifications such as ISO 9001 and ISO 22000/FSSC 22000 from Lloyd’s Register of Quality Assurance, demonstrate our commitment to meeting rigorous legal and regulatory requirements, delivering safe and high-quality products, and enhancing customer satisfaction.

We have integrated advanced technology and equipment into our supply chain for better efficiency and quality. Our inspection line is automated with high-tech auxiliary equipment, advanced control systems and IT applications, enabling coordination across different areas of our production line.

Our Sustainability Approach

Governance

The Board recognises the importance of a robust governance framework in protecting stakeholder interests while ensuring the growth and development of the Group. The significance of corporate governance processes and systems, as well as transparency and accountability are critical in safeguarding long-term shareholder value.

In light of the above, we ensure that our corporate governance practices are aligned with Rule 710 of the Listing Manual of the SGX-ST. This includes complying with any other relevant regulations, notices and guidelines that may be issued by the SGX-ST.

The Board, which plays a vital duty to oversight over the sustainability programme, strategies and commitments, collaborates with the Audit Committee, Nominating Committee and Remuneration Committee to foster the sustainability initiatives throughout the organisation.

The Board has also attended the Director Sustainability Training to equip themselves with basic knowledge on sustainability matters in compliance with the enhanced SGX sustainability reporting rules that mandate sustainability training.

The Board reviews relevant matters and provides timely updates to ensure effective communication with shareholders and stakeholders. We understand that open and frequent communication is the key for the growth and development of the Group. All the directors and employees are expected to act in good faith and in the best interest of the Group.

The Group has implemented policies and procedures on Conflict of Interest, Whistleblowing and Code of Business Conduct as part of good corporate governance. There are established internal control systems to manage financial, operational, compliance and information technology risks, as well as risk management systems to safeguard shareholders' investment and protect the Group's assets.

Please refer to our Corporate Governance Report, published as part of the FY2022 Annual Report, for more details on our governance structure and composition, nomination and selection processes and remuneration policies for Board members, as well as Southern Packaging's overall risk management framework and Whistleblowing Policy.

Our Sustainability Approach (Cont'd)

Stakeholder Engagement

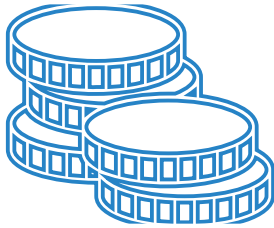
The Group values stakeholders' input in formulating corporate strategies for long-term growth and development. Regular engagement with stakeholders, such as customers, employees, investors, suppliers, as well as government and regulators, enables the Group to address their interests and concerns, manage their expectations, ultimately to sustain business operations in the long run.

Key Stakeholders	Engagement Channels	Key Interests of Key Stakeholders
Customers	<ul style="list-style-type: none"> Regular interactions Enquiry and feedback channels Strategic partnership on products recyclability and degradability 	<ul style="list-style-type: none"> Top-notch customer service Timely delivery After-sales service
Employees	<ul style="list-style-type: none"> Annual employee performance appraisal Regular team meetings Employee training 	<ul style="list-style-type: none"> Staff rights and welfare Safe working environment Opportunities for personal and career development
Investors	<ul style="list-style-type: none"> Regular investor meetings Annual and interim reports Circulars to shareholders 	<ul style="list-style-type: none"> Revenue growth and profitability Sustainable shareholder returns Responsible allocation of capitals to ensure sustainable growth
Suppliers	<ul style="list-style-type: none"> Product presentations Quote and contract discussions Delivery updates Strategic partnership on products recyclability 	<ul style="list-style-type: none"> Timely payments and fair terms High integrity and ethical standards
Government and Regulators	<ul style="list-style-type: none"> Participation in industry meetings with regulators Regular reports Participation in discussions 	<ul style="list-style-type: none"> Compliance with regulations Timely reporting and resolution of issues

Our Sustainability Approach (Cont'd)

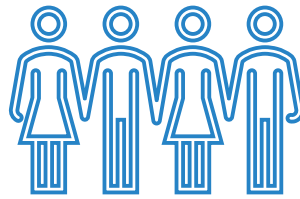
Materiality Assessment

The Group has engaged with stakeholders to evaluate and shape their materiality assessment approach and has identified four material sustainability topics that are deemed vital and relevant to the business. The assessment was based on feedback gathered from both internal and external stakeholders, indicating a focus on these topics which are of the highest priority to the Group.



Prosperity and Growth

- Economic Performance



Our People

- Employment
- Training and Education



Our Environment

- Environmental Protection

In view of the discontinuation of GRI 307 - Non-compliance with environmental laws and regulations, the reporting of the Environmental Compliance is no longer required to be included in current year's sustainability report. Hence, we have removed said topic accordingly.

Nevertheless, we are pleased to inform that there were no incidents of non-compliance with environmental laws and regulations, resulting in significant fines or non-monetary sanctions in FY2022. We aim to maintain this record in the years to come by closely monitor the latest changes to the environmental laws and regulations in the jurisdictions we operate in.

Prosperity and Growth

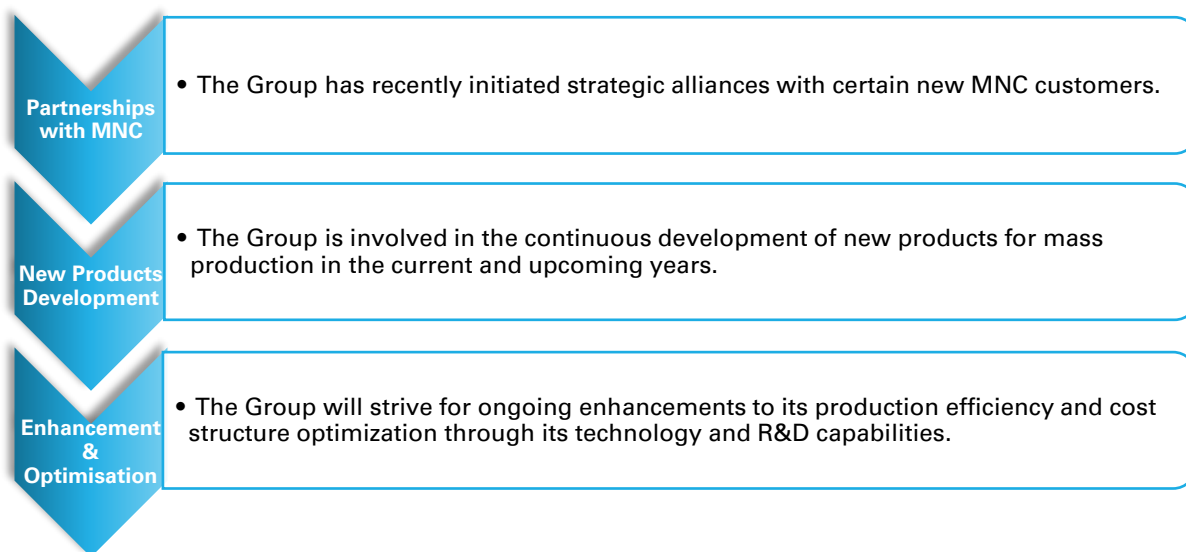
Economic Performance

Our business was impacted adversely by the lockdown in Shanghai in early FY2022, resulting in an overall decline of the Group’s economic performance. In overview, there was a decrease of 21.5% in the Group’s revenue, from RMB 769.2 million in FY2021 to RMB 603.5 million in FY2022.

The disposal of parts of the Apex Tower was delayed during FY2022, the revenue of property development decreased from RMB 71.8million in FY2021 to RMB 6.1million in FY2022. The sales revenue of rigid packaging decreased by 15.4% from RMB 449.8million in FY2021 to RMB 380.5million in FY2022. The sales revenue of flexible packaging decreased by 12.4% from RMB 247.6million in FY2021 to RMB 216.9million in FY2022.

The Group’s production and delivery plans were affected and the revenue declined due to the lockdown. Consequently, the Group’s gross profit decreased by RMB 50.8 million (35.8%) to RMB 91.0 million in FY2022, compared to RMB 141.8 million in FY2021. Additionally, the gross profit margin declined to 15.1% in FY2022 from 18.4% in FY2021 due to the increase in purchase prices of raw materials, labour expenses, and energy expenses.

Despite the decline in the economic performance, the Group expects the market demand and daily operations to recover gradually during FY2023 in view of the relaxation of restrictions in China. As part of the initiatives to boost the Group’s performance in FY2023 and beyond, the Group has undertaken several actions as below:



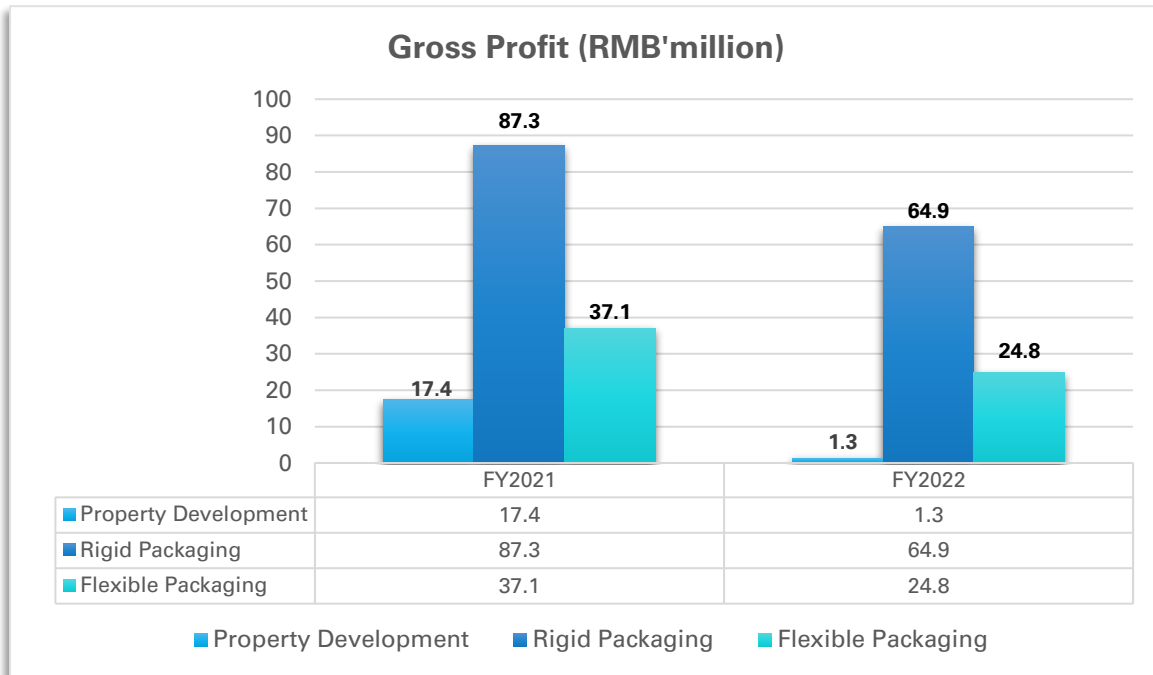
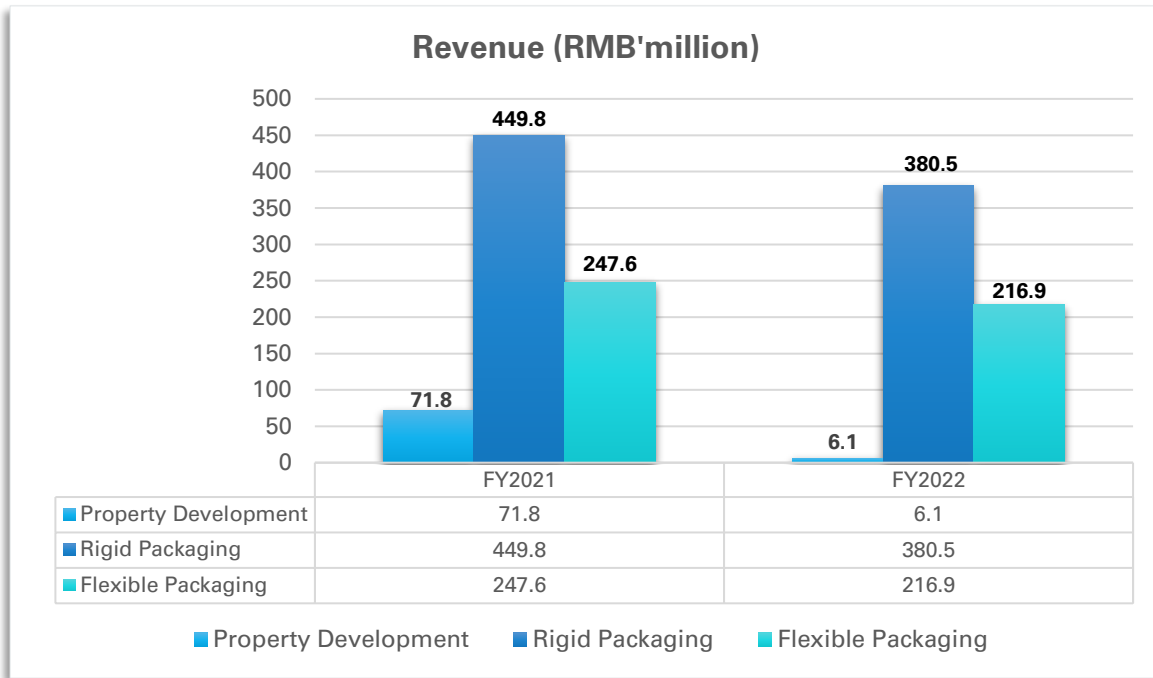
Our Targets:

We target to improve our economic performance by leveraging the following targets:

Short-term	Benefit from market recovery by constantly exploring sales opportunities
Long term	Enhance our core competitiveness, focus on strengthening R&D development with leading brands in the market as well as explore potential packaging demand

Prosperity and Growth (Cont'd)

Economic Performance (Cont'd)



Our People

Employment

We recognise the importance of our employees in sustaining our competitive advantage and delivering high-quality products. To retain and attract talent, the Group has established a holistic human capital strategy which includes policies and practices for employee retention and talent attraction.

The Group believes in hiring a diverse group of employees, including individuals of different ages and genders in creating and sustaining a dynamic workforce. Providing equal employment opportunities to all employees is part of the Group's employment policies and is a key component of its employee retention strategy.

The Group offers competitive remuneration packages to employees that are either equal to or above the industry average in the countries where it operates. This is inclusive of social and health insurance, health care, parental leave and annual leave.

These strategies focus on creating a harmonious and diverse working environment where all employees are treated with respect and equality and provided with equal opportunities and benefits. As a result, we managed to attract more talents during the FY2022 with a very minimum number of employees who resigned. The total number of employees for FY2022 has remained relatively stable with 1,032 employees compared to 1,022 employees as at FY2021.

The Company has also emphasised the importance of providing a safer and more hygienic environment for our employees and the production of packaging products.

Action Plans against COVID-19 Pandemic

Prevention and Control Response Plan

- Establish preventive and control response plan to raise employee's awareness on prevention measures

Employee Screening

- Keep track of travel history to minimise risk of infection and transmission
- Set up quarantine rooms to employees with symptoms to be quarantined
- Capture temperature screening records for visitors

Adequate Personal Protective Equipment

- Provide prevention kit (e.g. face masks, hand sanitiser) to the employees as part of prevention action against COVID-19

Internal Control

- Implement various protective measures in accordance to the preventive and control response plan (e.g. temperature screening, site ventilation, personnel and site disinfection, trainings to all employees on epidemic prevention knowledge, requirements for wearing personal protective equipment and safety production knowledge)

Our People (Cont'd)

Employment (Cont'd)

We have summarised the key metrics of our employee data as below:

Function	FY2021 Number of Employees	FY2022 Number of Employees
Management and Supervisory	252	250
Research and Development	40	54
General Worker	730	728
Total	1,022	1,032

Gender	FY2021 Number of Employees	FY2022 Number of Employees
Male	571	612
Female	451	420
Total	1,022	1,032

Age Range	FY2021 Number of Employees	FY2022 Number of Employees
Under 30 Years Old	180	155
30 – 50 Years Old	755	793
Over 50 Years Old	87	84
Total	1,022	1,032

Region	FY2021 Number of Employees	FY2022 Number of Employees
Singapore	10	10
Southern China	773	754
Eastern China	239	268
Total	1,022	1,032

Total number of employees entitled to parental leave by gender	FY2021 Number of Employee ^{*Note 1}	FY2022 Number of Employee
Male	8	7
Female	7	6
Total	15	13

**Note 1: The information for FY2021 has been restated as the basis used in the data collection in previous year was inaccurate. The original data of 116 male and 136 female employees have been revised to 8 male and 7 female employees.*

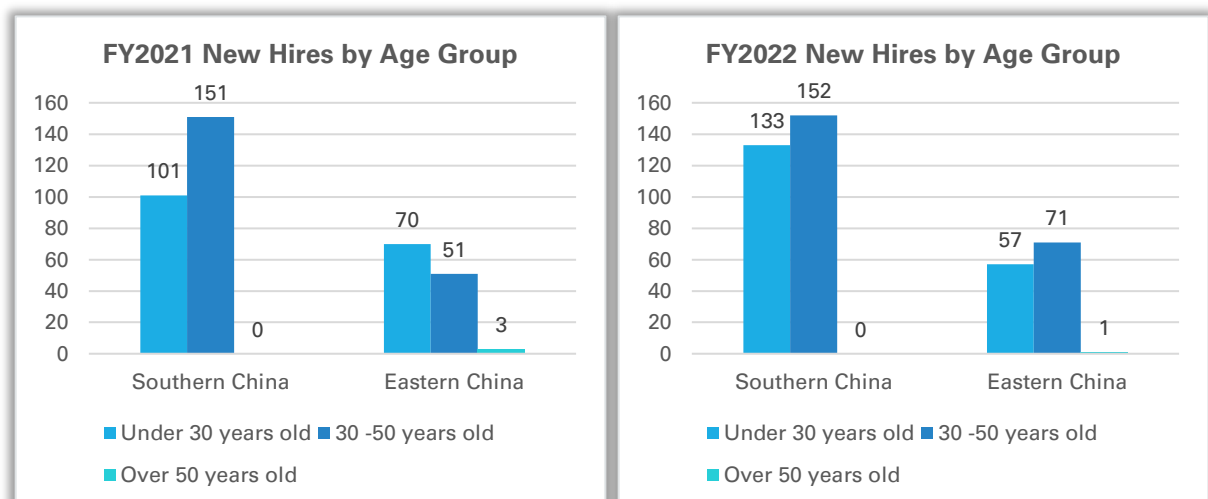
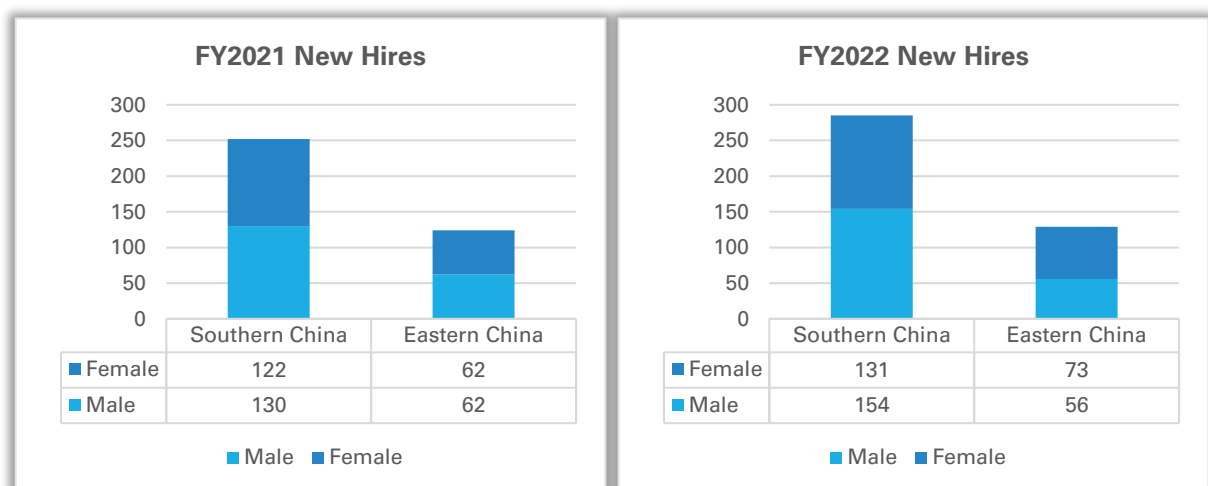
Our People (Cont'd)

Employment (Cont'd)

Total number of employees who returned to work after completion of parental leave and still employed within 12 months	FY2021 Number of Employee	FY2022 Number of Employee
Male	8	7
Female	7	6
Total	15	13

Employee turnover rate by gender	FY2021	FY2022
Male	16.70%	19.11%
Female	15.62%	20.57%

The employee turnover rate in FY2022 was higher than in FY2021 due to a higher number of retirements and increased operational demand upon the lockdown lifted.



Our People (Cont'd)

Employment (Cont'd)

Our Targets:

We target to improve our efforts in retaining employees by leveraging the following targets:

Short-term	To maintain the employee turnover rate at or below 20%
Long term	Improve employee welfare and provide a platform for employees to achieve their full potential and contribute to the Company's success

Training and Education

The Group values their employees as one of their key assets in driving and sustaining their business. Our ability to remain competitive and provide high-quality services to our customers depends on the expertise and skills of our employees and remain up-to-date with the latest developments.

As part of our ongoing efforts to enhance the skills and competencies of our employees, we provide a conducive workplace that promotes inclusivity and collaboration, where the internal courses and on-the-job training such as classroom training, product safety protocol as well as updates on new market trends and emerging technologies, were offered to ensure employees are equipped with relevant and updated skills.

In FY2022, there was an approximate decrease of 26.0% in the total training hours over all employees located at the Eastern China and Southern China, from 8,716 training hours in FY2021 to 6,453 training hours in FY2022. The average training hours per employee were 8.5 hours and 6.25 hours in FY2021 and FY2022 respectively.

The decrease in overall and average training hours, particularly in the research and development category, was due to the resurgence of COVID-19. The pandemic has prohibited large assembly to reduce the risk of infection. We plan to resume our usual training programme for all employees in FY2023 to ensure they are up-to-date with the latest developments and trends in the industry and remain relevant.

Our Targets:

Overall, we aim to improve our approach in providing training and education to all our employees by leveraging the following targets:

Short-term	To provide regular training sessions for all employees with a minimum of average training hours of 8.0 hours per employee
Long term	To develop a comprehensive training program which covers all essential skills required for employees at different levels in the organisation

Our Environment

Environmental Protection

The Group aims to contribute to a decarbonised world by improving its internal processes and reducing its carbon footprint. It aligns with the government's ambition for a low carbon economy by making its operations more efficient.

Energy Conservation

To address the environmental impact of electricity consumption, the Group has adopted energy conservation measures in its offices and production facilities. These measures include using energy-efficient equipment, installing advanced Volatile Organic Compounds ("VOC") treatment machines and displaying energy-saving tips for employees.

In the FY2021 Sustainability Report, we have highlighted that the Group has imported an advanced VOC treatment machine from Europe to help control VOC discharge caused by the production of flexible packaging while complying Guangdong Provincial Standard (DB844-815-2010) that requirement at 120 mg/m³.

Water Management

The Group acknowledges the importance of reducing water consumption and pollution while maintaining the production quality. In view of the considerable amount of water consumed in the production process, the Group has implemented measures to reduce water pollution and explore alternative water supplies. The focus is to ensure that the water quality remains suitable for production purposes.

We have summarised the Group's total consumption of electricity, water and natural gas for FY2021 and FY2022 in the following table. The decrease in the consumption of electricity, water and natural gas in FY2022 compared to FY2021 is in line with the lower revenue and operation level in FY2022.

Resources	FY2021	FY2022	Changes between FY2021 and FY2022
Consumption of electricity (kWh)	75,076,637	67,647,471	(9.9%)
Consumption of water from public water utilities (tonnes)	284,547	250,130	(12.1%)
Consumption of natural gas (m ³)	1,511,934	1,433,938	(5.2%)
Revenue generated (RMB 'million) <i>*Note 2</i>	698.0	597.4	(14.4%)

**Note 2:*

a) The sales of property development did not attribute to the changes in the consumption level of electricity and water. Hence, the "Revenue generated (RMB 'million)" has excluded the revenue from the sales of property development.

b) The information for FY2021 has been restated to exclude the sales revenue of property development to allow a like-for-like comparison.

Our Environment (Cont'd)

Environmental Protection (Cont'd)

Our Targets:

We target to improve our efforts and initiatives in environmental protection by leveraging the following targets:

Short-term	To include quantitative information on energy intensity by FY2023
Long term	To gradually reduce overall electricity, water and natural gas consumption by establishing the energy utilisation mechanism to optimise emissions reduction

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