

# 2022

## Esquel UNSDGs Progress



## BACKGROUND



In 2019, Esquel Group was one of the four corporations (alongside Alibaba Group, Yili Group and China Three Gorges Corporation) to lead the Initiative for Sustainable Development Actions from Businesses during the first Sustainable Development Forum co-organized by the Chinese Ministry of Foreign Affairs and the Development Research Center of the State Council, Beijing's municipal government and United Nations. A total of 17 companies joined the initiative.



Same year, we also shared our ambitions in alignment with the UNSDGs with our peers during Integral Conversation, our annual sustainability conference.

We recognize the enormity of our vision to Making a Difference by tackling climate change and narrowing the wealth gap. These are ambitious goals that cannot be achieved alone. To gain a solid grasp of the global environment and enter wider partnerships with broader reach, we have decided to share our insights under the universally recognized UNSDG framework. We want to encourage others to join us in our sustainability journey.

## ABOUT THIS REPORT

Actions speak louder than words, and that is never truer than it is for sustainability goals. Therefore, we compile this report to highlight our actions and relevant impacts as inspiration and reference for others in the industry and beyond. We aim to keep this report as transparent, concise and readable as possible.

The 2022 report focuses on Esquel's initiatives from the past year and takes the perspective of our operations around the globe. More details can be found on Esquel's sustainability webpage, where you will be able to read the most updated information about our efforts and progress.

## THE 9 OUT OF 17 UNSDGS

While the 17 UNSDGs form a comprehensive set of objectives for everyone, every organization should identify their part, starting with recognizing where their priorities should be.

We have reviewed the strategic alignment of each UNSDG to our vision of Making a Difference through tackling climate change and narrowing the wealth gap. We also assess our ability to actually make a difference by each goal's relevance to our existing business operations.

The result is a selection of 9 goals, which we have determined to be Esquel's priorities in our sustainability pursuit and where we can bring the most significant impact.







## 2021 UNSDGS PROGRESS AT A GLANCE



Our motto “fun people serving happy customers” starts with a healthy and happy workforce, which is why we take an active role in caring for our employees. This means providing for their basic health and safety needs well as their psychological well-being.

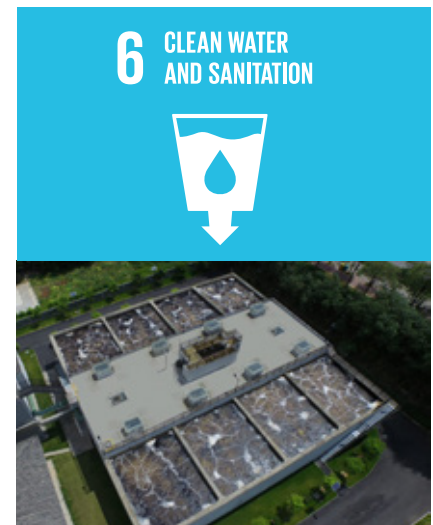
Alongside regular health checks and fitness classes, Dining 2.0 is one way in which we commit to doing this. The initiative is not only about renovating the dining space and improving food options, but about educating workers about their nutritional needs too. Our accompanying app allows employees to order their meals to reduce food waste and queue times, while also teaching about the nutritional contents of foods and optimal diets to help them make better choices.

In addition, we take care of the wellbeing of the communities around us through our foundation’s free vision screening and treatment program which serves kids in rural areas. We recognize doing so is key to growing and thriving together.



We believe that learning never stops, regardless of age or occupation, which is why we encourage our employees to keep doing so. In 2022 alone, our employees clocked in over 115,401 learning hours on Esquel University — our education initiative comprising of online and offline materials in subjects ranging from health and safety to blockchain.

We also believe in the power of education to create a better future for the community around us. Our foundation works with NGOS to offer both support for formal education in the form of scholarships from our Hongzhi Students Program, as well as avenues of informal education such as the Ecomobile Program — which has provided environmental education to over 150,000 students in China through exhibitions, videos, games, quizzes and teaching materials.



The level of pollution caused by the textile industry poses significant threat to access to clean water and sanitation, which is why Esquel prioritizes responsible water stewardship.

The foremost priority is to reduce clean water use at the source. Since 2010, we’ve reduced water consumption per unit of production by 44.9% through enhancing operation efficiency and innovating to create waterless or water-saving solutions.

However, where reduction is not possible, we utilize our wastewater treatment facility to ensure that water resources consumed are kept in cycle for longer and responsibly discharged. In 2022, 3.65 million tons of wastewater were reused and recycled by us and our COD discharge was 41.9mg/L — around 50% lower than state requirement.



Esquel provides decent jobs for all employees, with an aim towards fostering long-term and inclusive economic growth. As a starting point, workplace rights, from grievance mechanism to overtime guidelines, are codified in policy and handbook to ensure proper working conditions. In the past few years, we have placed a strong emphasis and made steady improvements in environmental health and safety as well with reportable incident rate per 200,000 working hours as low as 0.13 in 2022.

At the same time, all our frontline workers earn well above the legal minimum wage and are provided an array of subsidies and allowances for accommodation, travel, and other basic requirements to relieve economic burden. We also empower the workers through education and upskilling opportunities to encourage upward mobility and help increase take-home pay.



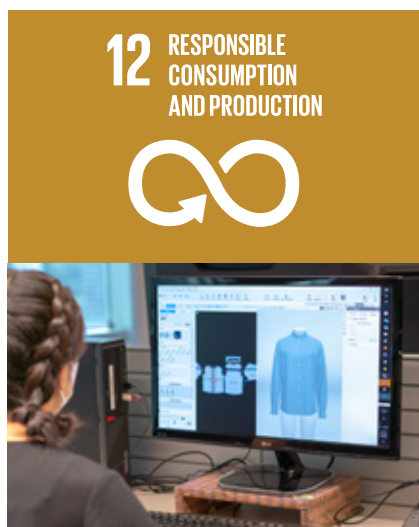
As a non-traditional player in a traditional industry, Esquel is committed to raising the standard across the board by innovating to tackle key issues in textile and apparel manufacturing.

Two of our key breakthroughs in the area of dyeing have been Salt Recovery System and Waterless Dyeing, which have the potential to greatly reduce environmental impact and help manufacturers survive against increasingly stringent national policies. Salt Recovery allows for a significant portion of dyeing salt to be removed from wastewater discharge and reused, reducing raw material extraction and soil degradation. Waterless Dyeing replaces water use in the dyeing process entirely with a reusable non-aqueous medium. As of 2022, Salt Recovery has been commercialized, while Waterless Dye remains in the scaling up process.



As our production grows more digitalized, the digital divide has become a crucial point of inequality. Esquel provides equal learning opportunities to keep employees tech-savvy, with training programs ranging from computer basics to advanced coding. As of 2022, We have sponsored 1,815 front-line workers through a 2.5-year university degree program, created in partnership with the Open University of China.

Another key area of inequality that Esquel is focused on is the gender pay gap. As a commitment to reducing gender inequality in our workplace, we became a signatory of UN's Women's Empowerment Principles (WEP) in 2021 and have been tracking our numbers to push for improvements.



To practice responsible consumption and production, Esquel prioritizes reducing at the source. In particular, digitalization has been a key way in which we have been able to save on valuable raw materials and resources. In 2022, we made over 8000 digital samples to reduce unnecessary physical production within our supply chain.

However, recognizing that as a textile manufacturer, our business model continues to rely on production, Esquel aims to extend the life cycle of resources consumed by bringing circularity into our operations.

In 2022, we launched the polo recycling program in order to close the loop with our uniform production. By collecting old uniforms, mechanically scrapping, and using the fiber to create new uniforms, we were able to reduce the use of virgin material and creation of waste.



In 2021, Esquel pledged towards Net Zero by 2050 — an ambitious target that keeps us focused on creating a sustainable business.

To reach this goal we are not only continuing to improve energy efficiency, which has resulted in a 24.5% decrease in energy consumption per unit of production since 2010, but also working to improve material utilization, as well as prioritizing clean energy. At present, our group GHG emissions have significantly reduced by over 22% since the baseline year, 2018.

As we take further steps towards our goals, we are not only increasing our action in factory operations but continuing to mobilize our employees, suppliers, customers, and partners towards this shared goal.



A successful development agenda requires inclusive partnerships in order to make any significant impact on a larger scale. At Esquel we engage with not only our customers and suppliers, but the larger community as well — from collaborating with universities on sustainable solutions research to cooperation with international organizations and regional governments to raise industry standards.

Since 2014, Esquel has also hosted Integral Conversation annually as an international platform to discuss sustainable development with key stakeholders. In 2022, over 300 guests, spanning 7 countries, attended the event to be a part of the dialogue on AI, health, and carbon neutrality in sustainability.

To know more  
about sustainability  
at Esquel:



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