



2023 Environmental, Social and Governance (ESG) Report

Shanghai Ailu Package CO., Ltd.

Listed on the Growth Enterprise Board of the
Shenzhen Stock Exchange (stock code: 301062)



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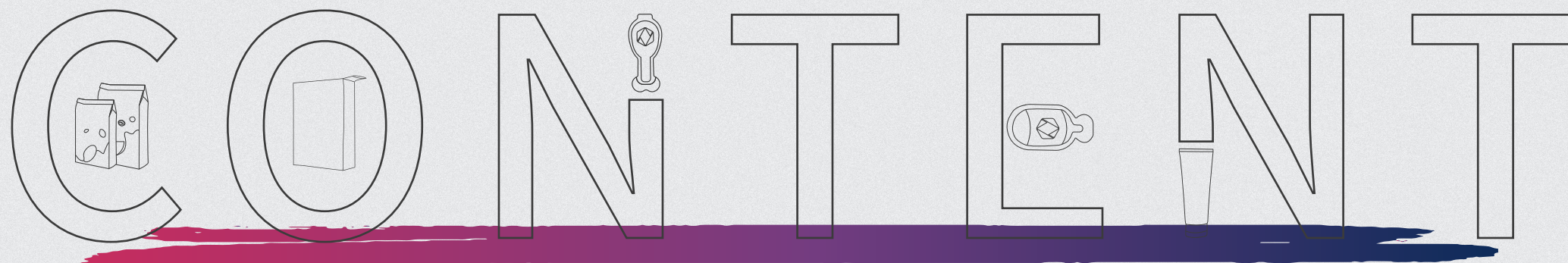
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About the Report

About the Report

The Report is the third Environmental, Social and Governance Report (hereinafter referred to as the “ESG Report” or “Report”) of Shanghai Ailu Package CO., Ltd. (hereinafter referred to as the “Shanghai Ailu” or “Company”). For internal and external stakeholders of the Company, the Report comprehensively discloses the measures and performance of the Company in implementing the ESG concept and advancing the sustainable development of the economy, environment, and society.

Reporting Scope

The Report is an annual report, covering the period from January 1, 2023, to December 31, 2023, and focuses on Shanghai Ailu Package CO., Ltd. (excluding subsidiaries). To enhance the comparability and completeness, certain contents and data in the Report may extend beyond the specified timeframe.

Publication

As an independent ESG report, the Report is released in Chinese and English version and in electronic form.

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Reporting Standard

The Report is prepared following the Guidelines on Social Responsibility of Listed Companies on Shenzhen Stock Exchange and the Self-regulatory Guidelines for Listed Companies on Shenzhen Stock Exchange No. 2 - Standardized Operation of Listed Companies on the Growth Enterprise Market. It also refers extensively to the Global Reporting Initiative's GRI Sustainability Reporting Guidelines, the Sustainability Accounting Standards Board (SASB) Packaging Industry Standard, the China Academy of Social Sciences' China Corporate Social Responsibility Report Preparation Guide (CASS-ESG 5.0), the Environmental, Social and Governance Reporting Guide of Stock Exchange of Hong Kong Limited and other relevant guidelines and requirements.

Reporting Principles

The Report was reviewed and approved for release by the Company's Board of Directors. The Company assures that the Report is free from false records, misleading information, or material omissions. The Company is accountable for ensuring the authenticity, accuracy, and completeness of the Report's content.

Access to the Report

To view or download the Report online, please visit the website of Shanghai Ailu Package CO., Ltd. (<http://www.ailugroup.com/>) and the Company's designated information disclosure platform Juchao Information Website (<http://www.cninfo.com.cn/new/index>).



Message From The Chairman



The core of new quality productive forces is innovative R&D, intelligent manufacturing and sustainable development. By taking sustainable development as the Company's core value and responsibility over the years, Shanghai Ailu has driven the development and growth of the low-carbon industry segment. The Company has made continuous efforts in technological and product innovation, integrated the overall development of the upstream and downstream supply chain ecology, and explored the breakthrough of sustainable and high-speed growth in the packaging industry.

Improving the efficiency to raise the bar of development.

Faced with the uncertainties brought by the global economic environment, we insist on long-term investment and prioritize the development of high-quality products in alignment with our core values of "quality, innovation, and customer orientation." We actively invest in the construction of intelligent and digital production capabilities, including research and development projects focused on the creation of green, environmentally friendly, low-carbon emission, recyclable packaging materials, as well as new photovoltaic products and materials. These investments are aimed at bolstering our competitive edge and positioning us to enter the high-end packaging market on a global scale, while enhancing efficiency and elevating our position in the market. In 2023, following the Company's structural adjustments and industrial upgrades, Shanghai Ailu embarked on further capacity expansion by laying the foundation stone for its new smart factory. Once operational, the factory will be capable of producing 600 million industrial paper bags annually and 240 million linear meters of new composite plastic packaging materials from 46 sets of intelligent packaging equipment production lines. This milestone marks a significant step forward in the realization of our development blueprint, propelling us towards a new chapter of growth and success at Shanghai Ailu.

Embracing sustainability to unleash development potential.

Since the establishment, we have been dedicated to minimizing the environmental impact of our operations. Our efforts begin with reducing pollutant emissions in accordance with regulations, followed by the conservation and recycling of raw and auxiliary materials, optimizing process technology, enhancing the energy efficiency of equipment, and integrating green eco-design principles into product development. We prioritize continuous improvement and consistently implement sustainable practices. Leveraging innovative materials and products, we introduced the AiTop™ Plastic Free Paper Valve Bag and the ESpeed™ Plastic-to-Paper Packaging in 2023, which embed the principles of sustainable development throughout our products' life cycle, contributing to the advancement of low-carbon green technology.

Showing love to expand the development scope.

We actively promote the construction of subsidiaries to create a win-win ecology in the industry. Additionally, we participate in domestic and international exhibitions to broaden the influence of the brand among clients and consumer groups. Our aim is to provide employees with a healthy and safe working environment, thereby creating a broad platform for professional growth. Furthermore, we gather the power of love to convey the idea of public welfare to the community. By utilizing our own abilities, we strive to help promote the development of the community.

Looking forward, Shanghai Ailu will accelerate technological innovation and automation substitution, optimize the product matrix and process, seize the policy trend of emerging industries, upgrade the corporate governance mode, and build the professional talent team, so as to continuously strengthen its new quality productive forces and promote the sustainable development.

Shanghai Ailu Package CO., Ltd.

 Chairman
 Ankang Chen

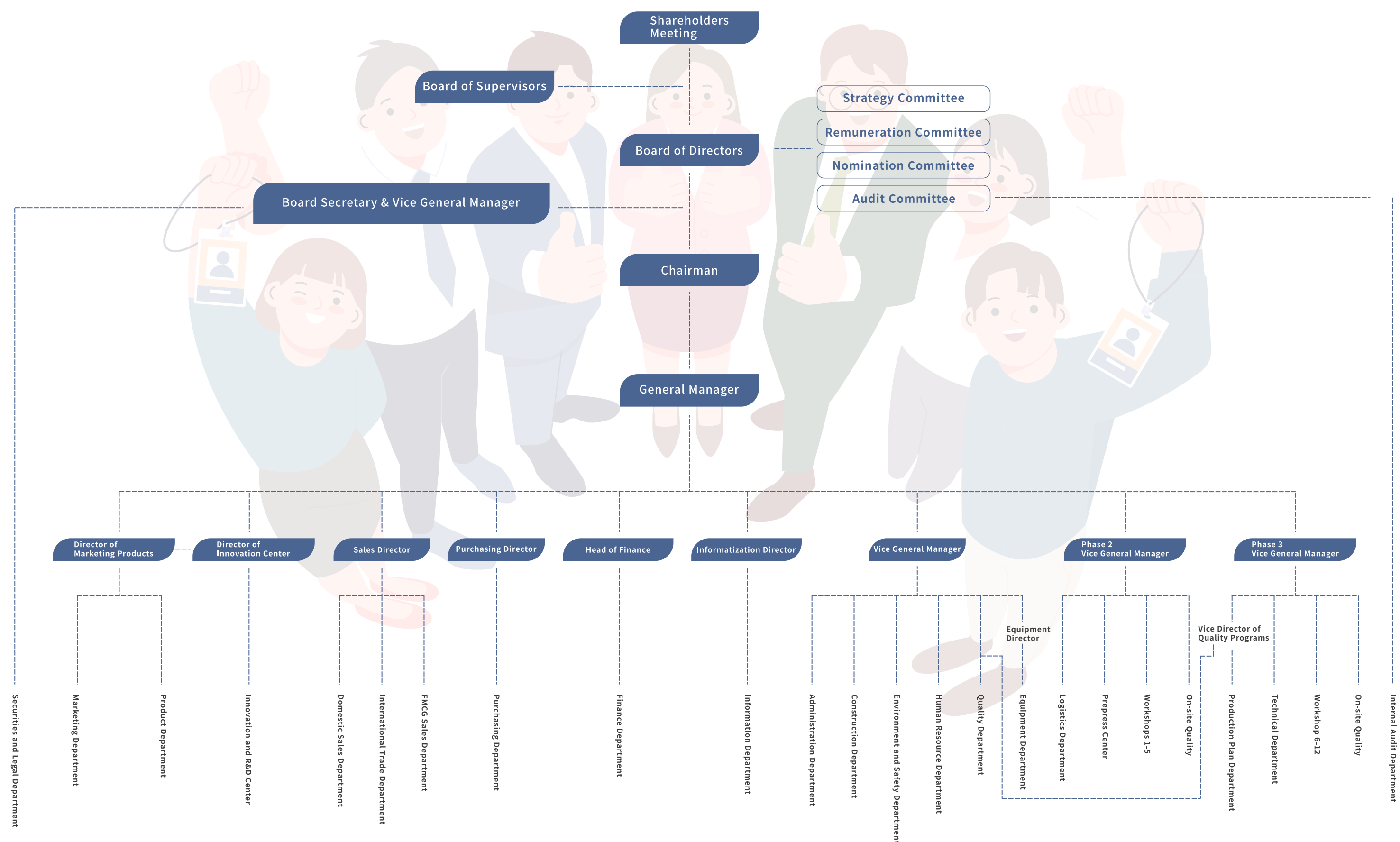
About Shanghai Ailu

1. Company Profile

Established in 2006, Shanghai Ailu Package CO., Ltd. is a prominent domestic integrative packaging solution provider specializing in industrial paper packaging. The Company was listed on the Shenzhen Stock Exchange GEM on September 14, 2021, under the Securities Code: 301062. Its main activities involve research and development, design, production, sales, and service of industrial paper packaging, plastic packaging, and intelligent packaging systems. After years of continuous operation and exploration, the Company has mastered the core technology of R&D and production of industrial paper packaging materials and packaging machinery for powders and granules, forming the products portfolio mainly of valve bags, square bottom bags, pinch bottom bags, sewn open mouth bags, robot packaging and palletizing equipment. The Company has established a stable customer base by providing high quality packaging products for customers in various industries such as food, chemical, building materials, medicine and dairy products, serving as the packaging supplier for numerous domestic and foreign famous industrial product manufacturers. By December 31, 2023, the parent company of Shanghai Ailu had a total of 712 employees, with three automated and intelligent production bases in Shanghai Municipality (1 base under construction).



2. Organizational Structure

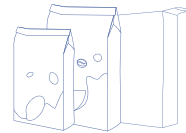


3. Business Layout

3.1 Main Products

Specializing in integrated packaging solutions, Shanghai Ailu handles the R&D, design, production, sales and service of industrial paper packaging, plastic packaging, intelligent packaging systems and various new packaging materials.

1 Industrial Bag Packaging



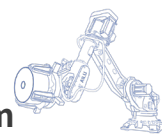
The industrial bag packaging products of the Company are mainly used for packaging powder and granular products, widely applied in various industries including food, chemical, building materials, medicine intermediates, and additives. These products are characterized by an optimized structure, reasonable barrier properties, high-speed filling capability, leakage and moisture-proof features, use of environmentally friendly materials, and visually appealing appearance, which are tailored to the specific requirements of different products and cater to the large-scale and intelligent production needs of downstream customers. Based on the format and manufacturing process, the industrial paper bag products of the Company are categorized into four main types: valve bags, square bottom bags, pinch bottom bags and sewn open mouth bags.

2 Plastic Packaging



The Company specializes in producing customized plastic packaging products tailored to the specific needs of consumer goods such as dairy products and daily chemical products. The product range includes composite plastic packaging designed for dairy products and flexible plastic packaging for daily chemical products, as well as injection molding packaging and other types. The composite plastic packaging products excel in packaging gelatinous dairy items, offering high plasticity, excellent barrier properties, and effective preservation of flavors and freshness. Furthermore, the Company stands out for its innovative approach in developing injection molding packaging solutions, such as the "welding soft tube," the "second generation ampoule" for dual-component material storage, and pump-press toothpaste tubes for daily chemical products. These product innovations serve multiple functions, including protecting the products, enhancing brand image, and supporting marketing efforts in collaboration with downstream customers.

3 Intelligent Packaging System



The intelligent packaging system for powder and granular materials encompasses various modules, such as valve bag robot automatic bag gripping, metering and filling, conveying and automatic inspection, automatic palletizing and automatic film sleeve. The system finds widespread application in industries such as chemical, food, building materials, and medicine, particularly where powder and granular materials are involved, enabling the accomplishment of clean, high-precision filling and ensuring a highly automated operation across the entire process. It serves as a crucial component within the Company's integrated packaging solution, where it complements the existing industrial paper packaging and plastic packaging products to cater to the diverse packaging requirements of customers, thereby fostering positive synergy among the various functions.



Building Materials



Animal Nutrition



Chemicals & Minerals



Agriculture



Coffee Industry



Dairy Industry



Food Industry



Animal & Pet Care



Pharmaceutical Industry



3.2 Brands

 上海艾录 SHANGHAI AILU Shanghai AILU	 REVOPAC INNOVATIVE SOLUTIONS DELIVER VALUE REVOPAC
 IKKO LUXURIES IKKO	 Shanghai AiChuang
 Fbraind FBRAIND	AILU Nantong New Energy AINA Nantong New Energy

3.3 Market Layout

The customer cluster of the Company covers a wide range of fields, such as the chemical industry, building materials industry, food industry, food additives industry and medicine industry. Leveraging its intelligent, flexible, and customized production capacity, the Company offers packaging solutions for well-known domestic and overseas industrial and consumer customers, which contributes to the continuous enhancement of the Company's market reputation and brand influence, and facilitates the establishment of enduring partnerships with key industry players across different sectors.

After several years of rapid development, the customer base of the Company has expanded to encompass 30 provinces, municipalities directly under the Central Government, and autonomous regions. At the same time, the Company has actively participated in the global market competition at local and international markets. As the packaging products provider to global top 500 enterprises and various renowned domestic and foreign companies, our products have successfully penetrated markets in Southeast Asia, South America, the European Union, and other regions. At present, the Company boasts a global clientele exceeding 700 customers.

4. Culture of Company

Mission

Consistently offer customers competitive advantages by delivering reliable packaging products.

Vision

Be the leading company in the industry, improve quality of life with high-quality products, and ensure Shanghai Ailu's widespread protection.

Core Values



5. Social Influence

Shanghai Ailu has achieved numerous prestigious recognitions. It was recognized as the National-level Green Factory, the Shanghai Smart Factory, the Shanghai Science and Technology Little Giant, the Shanghai City-level Enterprise Technology Center, the Shanghai High-tech Enterprise, and the Specialized and Sophisticated Small- and Medium-sized Enterprises (SMEs). Moreover, the brand "Ailu Packaging" was notably acknowledged as the Shanghai Famous Trade Mark. Its renowned product, the kraft paper bags for food packaging, earned the designation of Shanghai Famous Brand Product. In 2019 and 2020, the Company received accolades as one of the "Shanghai Top 100 Private Manufacturing Enterprises". In consecutive years, from 2018 to 2023, the Company has been consistently ranked as one of the "China Top 100 Printing and Packaging Enterprises" by the Printing Manager magazine, an authoritative industry media.



Shanghai Top 100 Private Manufacturing Enterprises



China Top 100 Printing and Packaging Enterprises



ESG Management

ESG Concept

Method: Advocate for sustainable development and foster a balanced relationship between humans and nature.

Slogan: Always pack with care for your understanding.

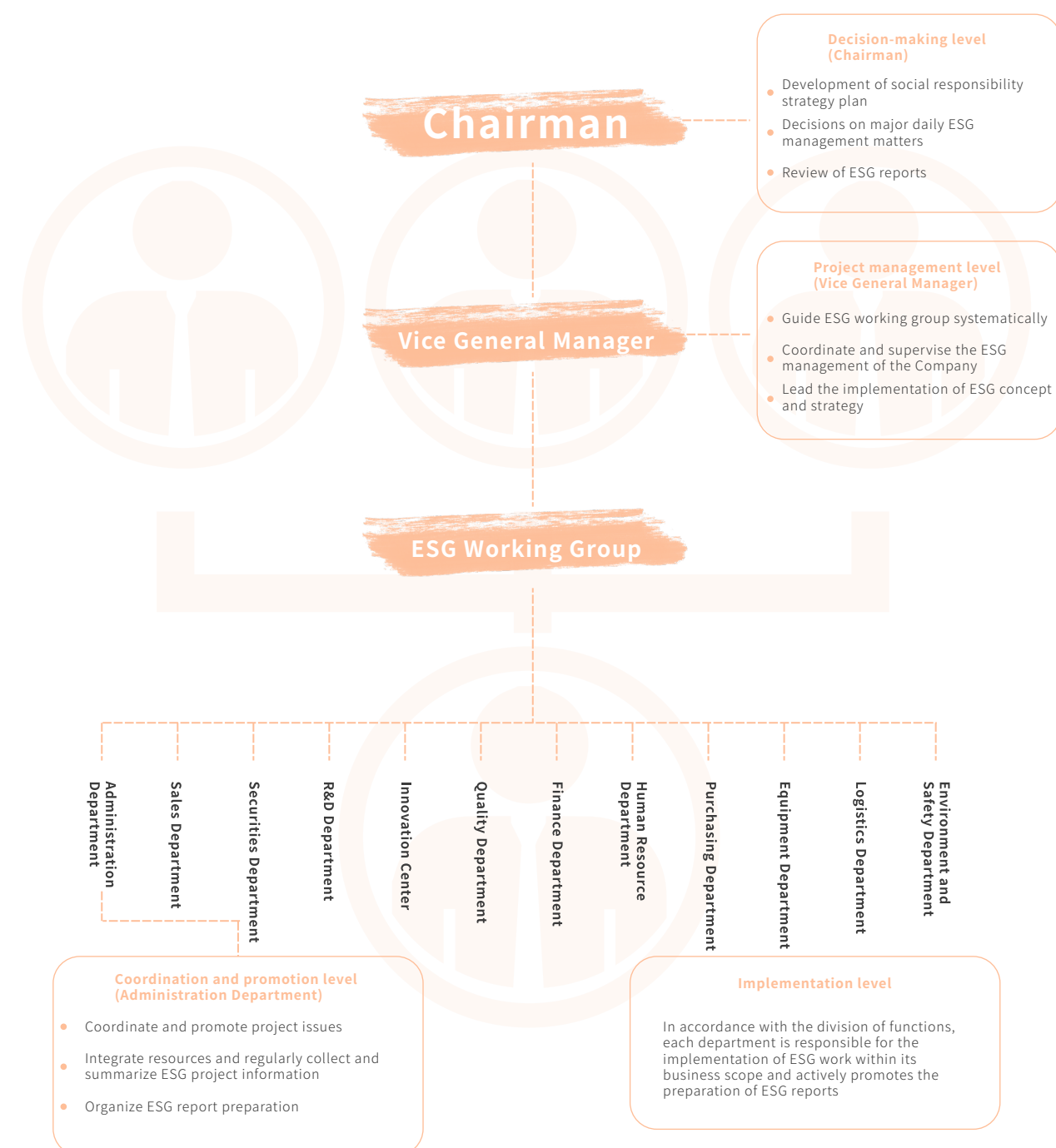
Vision: Enhance product eco-friendliness and human safety.



2. ESG Organizational Structure

Shanghai Ailu is guided by the vision of making products more environmentally friendly and safer for human beings. In this pursuit, the Company places great emphasis on incorporating ESG management as a fundamental component of its core competitiveness, and prioritizes the practical implementation and efficacy of economic, environmental, and social responsibilities. The dedication is demonstrated through the continuous refinement and exploration of ESG management approaches. By integrating ESG principles into its decision-making processes, operational strategies, and overall development, the Company aims to generate comprehensive value that fosters sustainable development.

The Company establishes a four-level ESG organizational structure, designed with a defined authority and responsibility framework to ensure efficiency. It consists of the decision-making level, project management level, coordination and promotion level, and implementation level. By establishing this hierarchical structure, the Company creates a practical closed loop that encompasses decisions, guidance, supervision, communication, implementation, and reporting processes. The organizational foundation is pivotal for the effective management of non-financial risks related to environmental, social, and corporate governance.

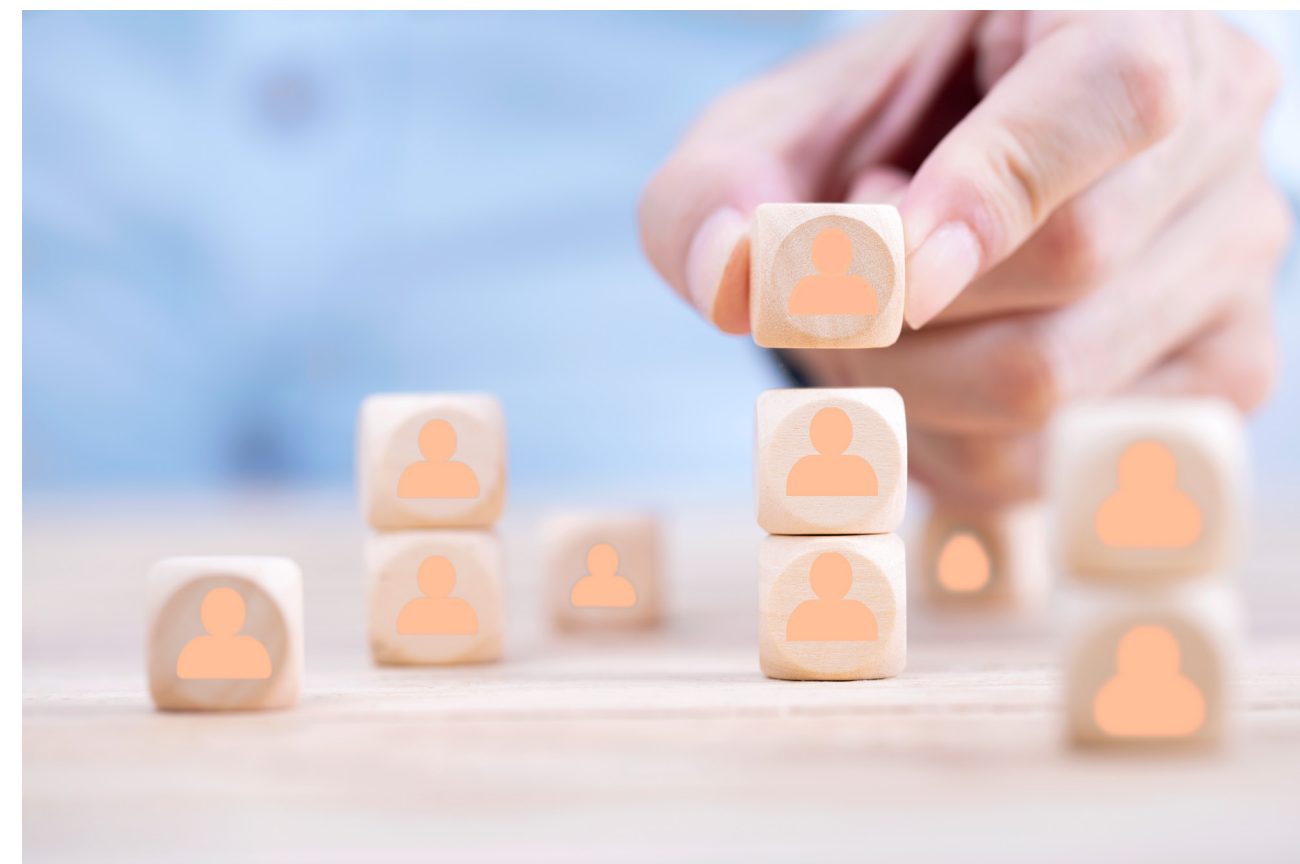


At Shanghai Ailu, the Chairman takes direct involvement in the development of corporate social responsibility strategies and decisions on major daily ESG management issues.

The Company sets up a dedicated ESG working group led by the Vice General Manager as the manager's representative, primarily tasked with coordinating and supervising the ESG management of the Company, ensuring the implementation of ESG concepts and strategies, and facilitating the integration of ESG issues into the responsibilities fulfilled at different levels.

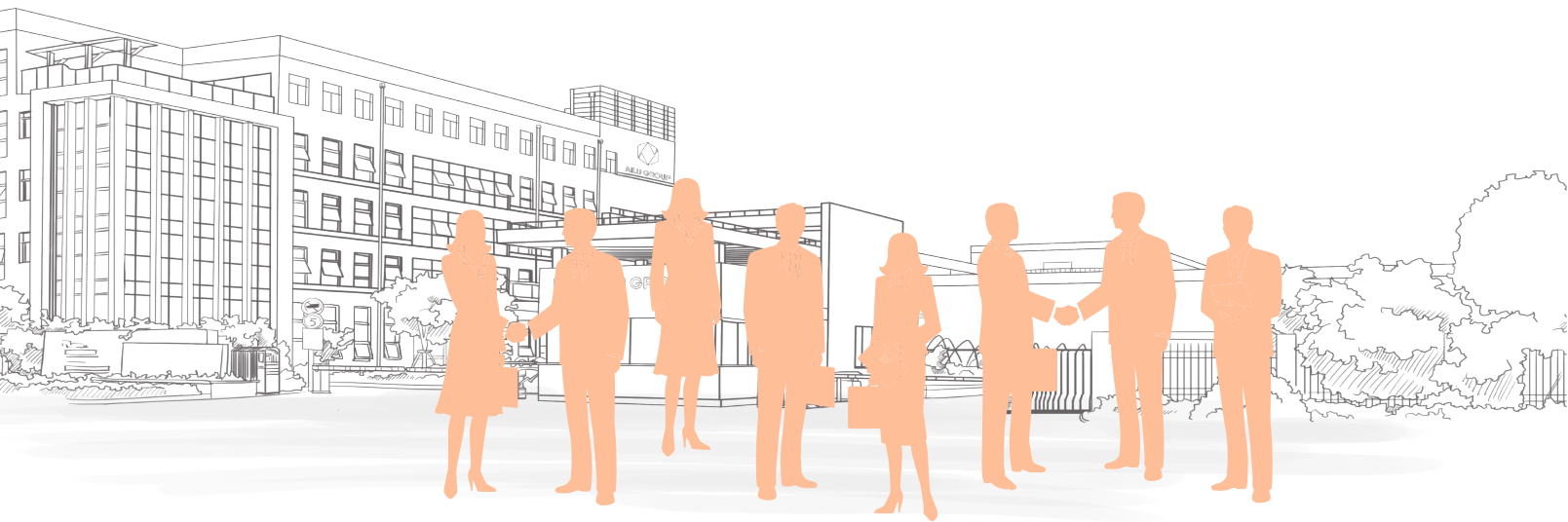
Furthermore, the ESG Working Group, under the leadership of the Administration Department, mainly responsible for the coordination and promotion of specific issues, integration of internal resources, ESG report preparation and publication, as well as communication and internal and external promotion.

The business departments fully participate in ESG management by being responsible for the specific communication, implementation, and execution of ESG-related issues within their business scope in accordance with their functional division of work. This collaborative effort aims to jointly improve the Company's ability to fulfill its responsibilities in safety, environmental protection, business ethics, community relations, supply chain, product quality, labor relations, and other areas. They actively promote the preparation of ESG reports, collecting ESG data and submitting ESG report information as required, to achieve effective communication with diversified stakeholders.



3. Stakeholder Engagement

The Company values the communication with stakeholders and emphasizes the establishment of diversified communication channels. By listening to the opinions and suggestions of key stakeholders such as government and regulatory authorities, shareholders, employees, customers, partners/suppliers, and communities, the Company is able to gain a comprehensive insight, which helps in understanding and responding effectively to their expectations and demands. The Company is dedicated to collaborating with stakeholders to achieve mutual benefits, aiming to create a sustainable industrial ecosystem that enhances social value.



4. Material Topics Management

The Company takes the analysis of material issues as the basis for carrying out ESG management and disclosure. With a focus on the three major areas of environment, society and business and governance, the Company identifies and analyzes material issues in multiple dimensions. By considering five aspects including national policy, company development, disclosure standards, capital market, and industry benchmarking, the Company conducts stakeholder research through online questionnaires covering both internal and external stakeholders. The results of the material issues analysis provide important references for the Company to carry out various ESG work and serve as the key disclosure items in the ESG report.

In 2023, the Company reviewed the Materiality Matrix for Material Issues based on stakeholder communications and management analysis, with a total of 22 material issues and 2 moderately material issues identified. These issues are detailed in subsequent sections of the Report in response to stakeholder requests.

Stakeholders	Expectations and demands	Response approaches
Government and regulatory authorities	Operate in compliance with the law Implement national policies Support industry development	Operate in good faith and pay taxes according to the law Respond to national policies and regulations Participation in industry cooperation
Shareholders/Investors	Sustainable investment value Transparent corporate disclosure Optimized corporate governance Earnings Growth Share Price Performance	Create sustainable operational value Make scientific decisions and improve governance Publish regular reports and disclose information timely Hold shareholders' meetings and strengthen investor relations management Investor open days, earnings presentations, online and offline roadshows
Employees	Protect legal rights and interests Value career development Care for employees physically and mentally	Conduct regular staff training and promotion Provide a healthy and safe working environment Perform the role of trade union Improve employee benefits Conduct employee care activities and employee satisfaction surveys
Customers	Provide quality products and services Protect customer rights and privacy	Optimize quality management system Conduct product innovation and research Improve after-sales service network Strengthen information security management Implement customer satisfaction survey
Partners/Suppliers	Ensure fair competition Win-win for both sides	Carry out sunshine procurement to eliminate commercial bribery Develop supplier assessment and evaluation mechanism Carry out cooperation and communication Sign environmental health and safety agreements
Communities	Serve community development Engage in public charity Protect the ecological environment Respond to climate change	Participate in community building Participate in social donation Identify environmental risks and enhance environmental information disclosure
Media/NGOs	Disclose information Interact with the media	Disclose information timely through official websites, newspapers, online media and other channels Establish complete media communication mechanisms



"Ai" Cultivation -

Build the Roots of Governance

- Corporate Governance
- Compliance and Disclosure
- Steady Operations

1. Corporate Governance

Shanghai Ailu adheres rigorously to laws, regulations, and rules mandated by securities authorities. The Company establishes the governance structure encompassing the Shareholders Meeting, the Board of Directors, the Board of Supervisors, and the Management Team, delineating clear lines of authority and responsibility. The Shareholders Meeting, the Board of Directors, the Board of Supervisors, and the General Manager's Office each fulfill their designated roles, exercising rights diligently and collaborating synergistically to facilitate decision-making, implementation, and oversight of various aspects of the Company's operations, such as business activities, strategic planning, and investments. These concerted efforts continuously enhance the corporate governance framework of Shanghai Ailu.



Shareholders Meeting

The Shareholders Meeting is the authority of the Company. The Company strictly adheres to the provisions and requirements of the Rules for the Shareholders Meeting of Listed Companies, the Articles of Association, the Rules of Procedure for the Shareholders Meeting and other relevant documents to convene and conduct the Shareholders Meeting in compliance with legal regulations. In 2023, the Company held 1 Shareholders Meeting and 2 Extraordinary Shareholders Meetings.

Protection of Shareholders' Legal Rights and Interests

- ▲ Adopt the combination of on-site voting and Internet voting to ensure that the shareholders can exercise their rights equally and fully.
- ▲ Separate disclosure of the voting results of small and medium-sized investors for motions concerning significant matters impacting these investors, so as to protect the legitimate interests of the shareholders, particularly small and medium-sized ones.
- ▲ In the case of major decision-making matters requiring special voting, approval by 2/3 of the shareholders present at the Shareholders Meeting is necessary, following legal and effective voting procedures to ensure the legitimacy of the outcomes.
- ▲ Involve lawyers in the Shareholders Meeting to witness the proceedings and provide legal opinions on the meeting's convening and voting procedures, to enhance transparency and legality. This step serves to uphold and safeguard the legitimate rights and interests of the shareholders.

Board of Directors

The Board of Directors of the Company operates with standardized practices, meets the requirements of relevant laws and regulations, to ensure effective decision-making in the consideration of daily matters, major business decisions, and the formulation of company rules and regulations. This approach is aimed at protecting the legitimate rights and interests of the Company and its shareholders. In 2023, the Company held eight board meetings.

Independence and Diversity of the Board of Directors

- ▲ The Board of Directors comprises 8 directors, with a composition of 5 non-independent directors and 3 independent directors. The directors bring a wealth of experience in various fields, such as public welfare, charity, financial auditing, and strategic development. Notably, the Board includes a total of 4 female directors, representing 50.00% of the Board.
- ▲ In 2023, the Company made corresponding agreements on matters such as connected transactions, waiver commitments, acquisitions, and mergers under the amended Independent Directors' Work System. The Company also set up a special meeting of independent directors to assist them in fulfilling their responsibilities.

Name	Ankang Chen	Xueqi Chen	Qin Zhang	Shu Chen	Chunyan Lu	Jie Chen	Yufeng Dai	Yaoyun Xia
Title	Chairman, General Manager	Secretary of the Board of Directors, Director, Vice General Manager	Director, Vice General Manager	Director	Director, Head of Finance	Independent Director	Independent Director	Independent Director
Gender	Male	Female	Female	Male	Female	Male	Female	Male
Age	60	34	45	58	47	38	41	49
Education	College	Bachelor	Master	Master	Bachelor	Bachelor	Bachelor	Master

Under the Board of Directors of the Company, four dedicated committees have been established: the Strategy Committee, the Remuneration and Appraisal Committee, the Audit Committee, and the Nomination Committee. These committees have specific roles and responsibilities. The Strategy Committee focuses on analyzing and recommending key long-term development strategies and major investment decisions for the Company. The Remuneration and Appraisal Committee is responsible for studying, formulating, and reviewing the Company's remuneration policies and programs for directors and senior managers. The Audit Committee oversees and verifies the Company's internal and external audits. Lastly, the Nomination Committee is tasked with making recommendations on the selection of candidates, selection criteria, and procedures for the directors, General Manager, and other senior managers of the Company. Each committee plays a vital role in enhancing communication, supervision, and verification within the Company's governance structure.

Board of Supervisors

The Board of Supervisors of the Company consists of 3 supervisors, including 1 employee representative supervisor. The primary responsibility of the Board of Supervisors is to independently supervise the daily affairs of the Company, major business decisions, as well as the legality and compliance of the performance of duties by the Company's directors, managers, and other senior managers, in accordance with the law. In 2023, the Company held 8 meetings of the Board of Supervisors.

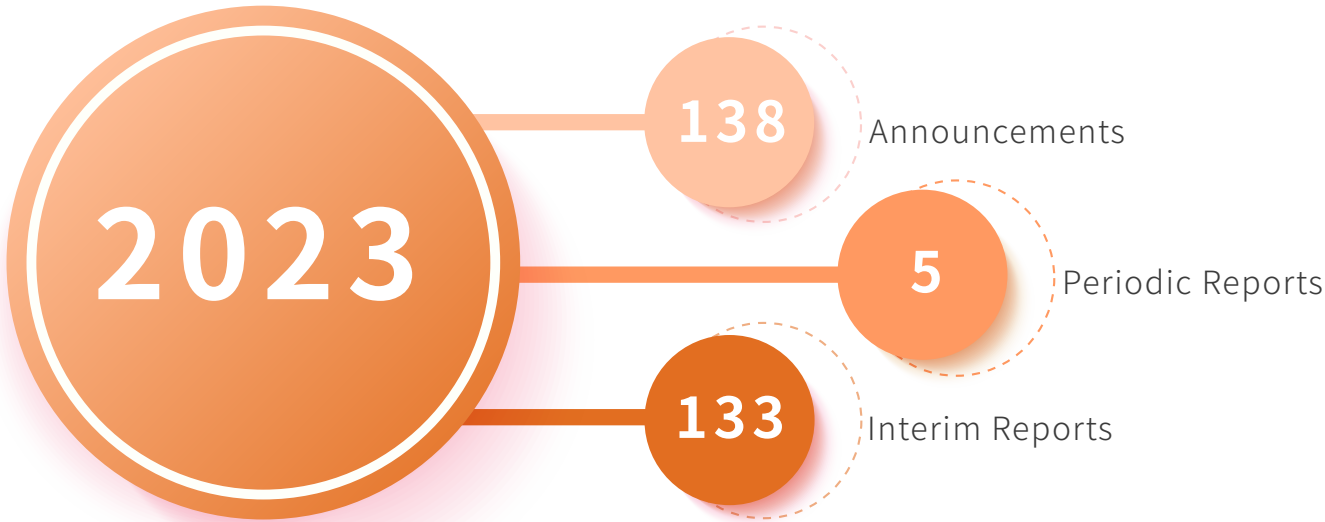
Management Team

The Management Team of the Company , consisting of 1 General Manager and 4 Deputy General Managers, is responsible for implementing the resolutions of the Board of Directors of the Company, presiding over the production, operation and daily management of the Company and accountable to the Board of Directors. In 2023, the Management Team of the Company was diligent in performing its duties with no ultra vires decisions.

2. Compliance and Disclosure

The Company adheres strictly to the principle of fair information disclosure in accordance with the Management Measures for Information Disclosure of Listed Companies and the Self-regulatory Guidelines for Listed Companies on Shenzhen Stock Exchange No. 2 - Standardized Operation of Listed Companies on the Growth Enterprise Market, etc. It involves transparently, accurately, timely, and comprehensively disclosing information about the Company’s operation and management status, as well as its future development strategies, to promote investors' understanding and recognition of the Company and enhance the transparency. In addition to information disclosure, the Company engages in various channels of communication and interaction with investors, including online phone calls, the Shenzhen Stock Exchange's "Interactive Platform", offline investor receptions and other forms in compliance with the law. Through the communication efforts, the Company conveys its business philosophy and values to investors and to establish a two-way feedback channel between the capital market and the Company.

In 2023, the Company issued a total of 138 announcements, 5 periodic reports and 133 interim reports.



3. Steady Operations

3.1 Internal Control Compliance System

The Company continuously strengthens the construction of its compliance management system by strictly adhering to the guidelines set forth in laws, regulations, and regulatory documents, and aligning with the Company's internal control system requirements. It involves regularly collecting and adhering to applicable laws, regulations, and industry specifications, while enhancing employee compliance awareness.

The scope of compliance system evaluation and key high-risk areas covers the major aspects of the Company's operation and management.

In 2023, the scope of compliance system evaluation covered a wide range of matters. It encompassed governance structure, organizational structure, development strategy, human resources, corporate culture, fund raising and use, procurement and payment, sales and collection, asset management, production management, research and development, internal and external information and communication, internal auditing, contract management, connected transactions, external guarantees, external investment, information disclosure, and use of raised funds. Notably, the key high-risk areas of focus mainly included: connected transactions, contract management, external investment, external guarantees, information disclosure, and use of raised funds.

To prevent internal control failures, the Company conducts risk assessments in accordance with its internal control environment, business and specific work processes, identifies risk factors in the implementation of the internal control system and then implements targeted countermeasures.

In 2023, the Company maintained effective internal control over financial and non-financial reporting in material respects. It was achieved in alignment with the requirements of the Basic Standard for Internal Control of Enterprises, the Evaluation Guidelines for Internal Control of Enterprises and other pertinent laws and regulations. The Company's internal control system played a pivotal role in this regard, facilitating daily and special supervision of internal control activities.



3.2 Risk Identification and Management

The Company establishes a complete internal risk monitoring system, implementing risk identification, assessment and management in line with its internal control environment, business operations, and specific work processes. It adopts targeted risk response measures and sets up information and communication mechanisms to ensure the timely transmission and resolution of existing or potential risk points, to enhance the level of risk prevention and control, thereby supporting the Company's sustainable and stable operation.

During risk assessment, various internal factors are taken into account to evaluate the potential impact. It includes personnel quality factors, such as the professional conduct of senior management, the professional competence of employees, and the cultivation of team spirit. Additionally, management factors, such as operational methods, business process design, the preparation of financial reports, and the disclosure of information play a crucial role in the assessment process. Basic strength factors, including the financial position, operating results, and cash flow, are also considered. Furthermore, technological factors, such as investment in research and development and the effective utilization of information technology, are examined to assess competitiveness and innovation capabilities. Lastly, environmental factors, such as operational safety, employee health, and environmental safety, are evaluated to identify potential risks and ensure compliance with relevant regulations and standards.



3.3 Business Ethics and Anti-corruption

The Company establishes the System of Preventing Commercial Bribery to strengthen integrity in business activities and deter disciplinary and illegal acts aimed at obtaining improper benefits. Through this system, the Company and its representatives are committed to conducting themselves professionally, honestly, and fairly in their dealings. Moreover, employees of the Company are required to adhere to this principle, further ensuring the culture of ethics within the Company.

Major risks

Significant production risk



Significant trade secret risks



Significant disclosure risks



Response mechanisms

In case of significant production risks, each department shall promptly report any accidents to the Company's Environment and Safety Department, while ensuring their own safety and protecting the environment. The Environment and Safety Department is charged with the responsibility of deciding and executing specific response plans and measures, as well as reporting to the Deputy General Manager of the Company and, if needed, to relevant governmental authorities. Regular assessments of the Company's production safety status are conducted by the Environment and Safety Department, to determine the Company's overall safety risk level. The inspection frequency and critical areas are adjusted promptly in response to changes in safety risks, thereby enabling the implementation of targeted and precise dynamic supervision.

To effectively mitigate the substantial risk of trade secret leakage, the Company establishes the Trade Secret Committee. The committee is comprised of the Chairman of the Board of Directors and the General Manager as the convenor, with the Director and the Deputy General Manager serving as the general director. The main responsibilities of the convenor and general director include overseeing the protection of the Company's trade secrets, making decisions on important matters, and liaising with the governmental departments. Operating at the executive level, the committee instituted the Internal Audit Department, the Trade Secrets Management Executive Team, and the Trade Secrets Management Implementation Department, tasked with internal auditing, decision-making processes, and the filing and secure storage of trade secrets, respectively. Each department is responsible for its specific functions and operates autonomously, yet they also engage in mutual monitoring and regulation.

The Securities and Law Department of the Company holds a pivotal role in managing the Company's external information disclosure matters. It oversees information disclosure activities, investigates potential illegal disclosure issues, and offers recommendations to address them. To mitigate the risk of premature leakages of significant information, it limits the scope of communication for matters that involve public information but have not yet been disclosed in the designated media and cannot be avoided. Additionally, it establishes the system encompassing registration, confidentiality, and recourse for individuals involved in drafting and reviewing reports. In case of material omissions, errors or risks of leakage during the information disclosure process, the department promptly notifies the Management or higher authorities of the Company and takes immediate action to manage the risks. This may involve corrections, holding explanatory meetings, issuing apologies, engagements in public opinion control and other appropriate methods, to minimize potential risks and maintain the Company's reputation.

Supervision Process: clearly delineate the anti-bribery duties of each department, stipulate prohibited behaviors and objects related to giving and receiving bribes, including customers and government law enforcement agencies. Supervise and manage each aspect of the Company's capital utilization to prevent bribery in various operations, specifically during product process inspection, auditing, procurement, sales, and the acceptance of equipment and projects.

Directors' Responsibilities: include anti-corruption and anti-bribery provisions as directors' duties and obligations in the Letter of Appointment Agreement signed with directors.

Commitment Signing: require to sign the Commitment on Anti-bribery with employees. In 2023, the actual percentage of managers of the Company necessary to sign the Commitment on Anti-bribery was 100%, and the percentage of anti-bribery commitments with sales and purchasing personnel was 100%.

Employee Training: for sales and purchasing personnel, carry out trainings on the management of the employee code of conduct, and strictly prohibit the acceptance of gifts, presents, banquets, and various types of entertainment and consumption activities that could potentially influence their decision-making, to ensure the impartial execution of their official duties.

3.4 Protection of Intellectual Property

The Company respects intellectual property protection and strictly complies with the requirements of the Trademark Law, Patent Law, Anti-Unfair Competition Law, and other relevant laws and regulations to ensure intellectual property rights are safeguarded. Besides, the Company establishes a comprehensive intellectual property protection process covering intellectual property development, authorization, use, confidentiality, transfer, cooperation, and other activities. This process includes the formulation of intellectual property strategies and policies, enhancement of the intellectual property management system, promotion and training on intellectual property policies, daily protection application, inspection, and filing, as well as regular maintenance and updates. Additionally, the Company actively participates in infringement defense, promotion of intellectual property use and transfer. To support these efforts, the Company regularly conducts information security and intellectual property protection training for relevant personnel. The training aims to equip employees with the necessary knowledge and skills to prevent data leakage and mitigate intellectual property risks effectively. Furthermore, the Company integrates patent strategy considerations into the planning stage of each project to further safeguard the intellectual property rights of relevant parties and proactively address potential infringement issues.

In 2023, the Company signed Non-Compete Agreements with 133 employees as necessary.

3.5 Promotion of Fair Competition

The Company upholds fair competition principles, adheres to the Anti-Unfair Competition Law, the Anti-Monopoly Law, and other relevant regulations, thereby fostering a healthy competition environment within the industry. Meanwhile, the Company actively participates in establishing industry standards, group standards, and enterprise standards to regulate product quality standards in the packaging industry and drive industry growth. Notably, the Company collaborated on the development of the Green Packaging Evaluation Guidelines (T/CIET 074-2023), officially published on April 20, 2023.

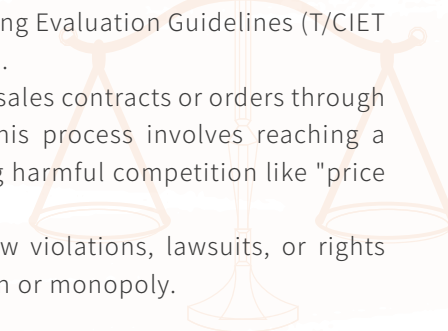
The Company sets product prices and finalizes sales contracts or orders through negotiations, bidding, and other methods. This process involves reaching a consensus with customers, effectively reducing harmful competition like "price wars" among competitors.

In 2023, the Company was not involved in law violations, lawsuits, or rights infringements resulting from unfair competition or monopoly.

Reporting Mechanism: implement measures to enhance the Company's whistleblower reporting system, including channels such as hotlines and e-mails for employees to report concerns. Record, investigate, and report details to the management or the Board of Directors in a timely manner. Additionally, hire external auditors as needed to assist in investigations. Follow the principle of confidentiality and protection of the legitimate rights and interests, strictly prohibiting the disclosure of whistleblower information and the content of complaints and reports. In 2023, no reports were submitted within the Company.

Supplier Management: require the suppliers to sign the Supplier Integrity Commitment Letter and strictly comply with business ethics and market rules. In 2023, the Company had a total of 348 suppliers, 100% of which signed the Supplier Integrity Commitment Letter.

Supplier Training: annually provide anti-corruption training for suppliers to enhance their understanding of anti-corruption importance, promote integrity and self-discipline in business cooperation, and foster an environment of integrity and fairness.



"Ai" Protection -

Contribute to Environmental Sustainability

- Comprehensive Environmental Management
- Resource Use
- Emissions Management
- Response to Climate Change
- Green Operation



1. Comprehensive Environmental Management

Committed to establishing a long-term mechanism of environmental management, Shanghai Ailu is guided by the principles of green and low-carbon development. In accordance with state and local government laws, regulations, policies, and environmental standards pertaining to environmental protection, the Company develops comprehensive environmental protection management procedures and systems, including specific documents outlining basic duties, on-site facilities, pollutant management, environmental monitoring management, and environmental protection file management. It fully implements the environmental protection responsibility system, integrating pollution prevention and environmental protection throughout the production and operational processes. Furthermore, Shanghai Ailu was certified with ISO 14001 Environmental Management System, demonstrating its commitment to environmental sustainability.



ISO 14001
Environmental Management System Certificate

Environmental Risk Identification and Prevention: identify and categorize sources of environmental risks, followed by fortifying preventive measures throughout the production and operational stages. Establish a systematic framework for environmental risk prevention and control, emergency response protocols, as well as a structured maintenance and inspection accountability system. Furthermore, implement the information reporting mechanism for environmental emergencies, which clearly designate responsible individuals and organizations for key roles in the prevention and control of environmental risks.

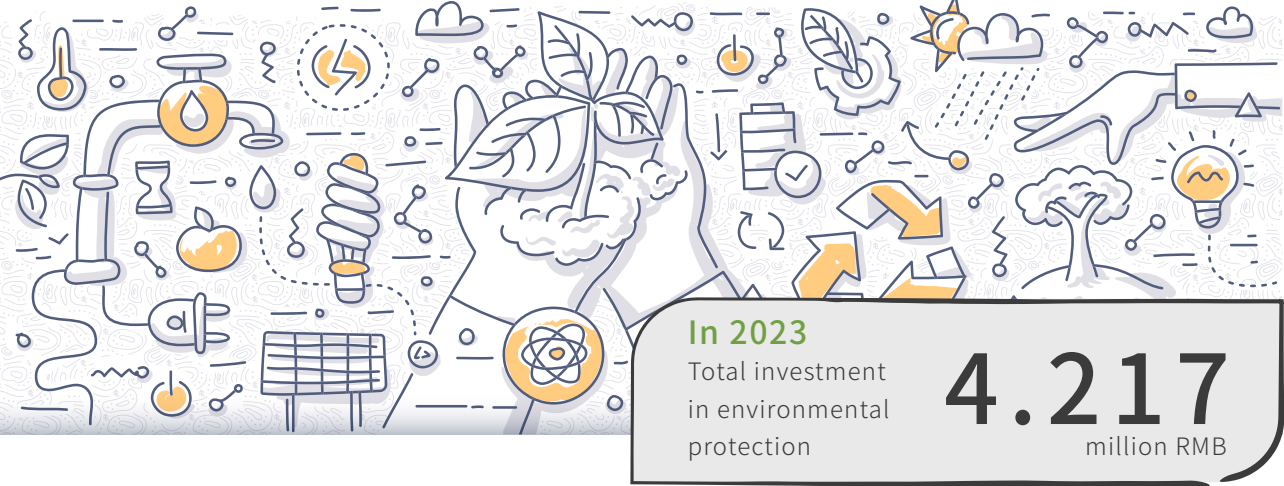
Environmental Hazard Identification and Management: regularly commission third parties to monitor wastewater, exhaust gas, and other environmental factors to ensure environmental compliance; require sewage stations to conduct routine testing of outlet data, and consolidate the results into daily reports; incorporate environmental protection facilities into the management of production equipment; inspect environmental protection facilities, systems, and equipment for hidden dangers. For issues identified, implement immediate rectification measures to guarantee the completion and normal operation of the environmental protection facilities. To maintain accountability, establish operational ledgers and maintain detailed records of its environmental protection efforts.

Environmental Emergency Drill Program: formulate the Emergency Management System for Environmental Emergencies, supported with a well-prepared Emergency Response Plan that outlines specific protocols and actions to be taken in the event of environmental emergencies. Establish standardized emergency rescue procedures to address different types of environmental emergencies efficiently. Additionally, equip personnel with the necessary personal protective devices, emergency communication systems, fire-fighting equipment, and emergency monitoring tools to ensure their safety and the effectiveness of the response efforts. Furthermore, conduct regular emergency drills and training exercises to enhance the preparedness and response capabilities of involved parties.

Project Construction Environmental Management: implement the environmental impact assessment system and the three simultaneous management system during project construction, to ensure simultaneous design, construction and commissioning of new pollution prevention and control facilities along with the main works of new projects. The systems aim to guarantee that after project completion, its environmental aspects conform to national or local environmental standards and the pertinent requirements for environmental protection.

Environmental Performance Assessment Scheme: implement the responsibility system for environmental protection, conduct supervision, inspection, and assessment related to environmental protection, and offer spiritual and material incentives to employees with outstanding achievements in environmental protection. By providing recognition and rewards, the Company motivates employees to actively contribute to environmental protection through concrete actions. The multifaceted measures not only promote environmental stewardship within the company but also foster a culture of environmental responsibility among employees.

In 2023, the Company invested a total of 4,217,000 RMB in environmental protection, without environmental pollution accidents and environmental administrative penalties.



Case: Acceptance of Clean Production Project Completion Audit

In 2023, the Clean Production Project of Shanghai Ailu passed the audit and acceptance. The Company focuses on utilizing clean energy and raw materials, eliminating toxic chemicals in both the main raw materials and auxiliary materials utilized in the project, and ensuring that project products do not contain any toxic or hazardous substances. To achieve this, advanced technology is adopted, along with the strategic selection of energy-saving equipment. This includes the use of products equipped with energy-saving motors for conveying pumps, as well as the incorporation of an effective heat insulation layer for heating and cooling equipment, as well as pipelines. In addition, measures are implemented to control processes releasing pollutants during production to minimize pollutant generation from the source. The guiding principle of clean production is manifested through efficient utilization of resources and energy, as well as strict control over pollutant emissions. Moreover, the output's energy and water consumption adhere to the relevant national clean production standards.

Case: Conduct the Emergency Drill for Chemical Leakage Disposal

In late 2023, Shanghai Ailu organized 2 emergency drills for chemical leakage disposal to continuously improve the ability to dispose of emergencies. The drills simulated the scenarios of ink liquid leakage and chemical spillage and leakage, aimed to sort out the processes of accident reporting, personnel evacuation, area warning, leakage source control, leakage area blocking, and leakage disposal. Following the drill, the Company evaluated personnel placement, material placement, coordination, and organization ability, as well as the practice effect. The evaluation further enhanced employees' awareness of environmental protection.



2. Resource Use



2.1 Water Resource Management

Water is essential as it is the source of life, the key to production and the foundation of ecology. The Company is committed to sustainable water management practices, aimed at conserving, efficiently utilizing, and sustainably managing resources in its business operations. This dedication ultimately enhances the benefits of water conservation. In recognition of its efforts, the Company was honored with the title of Shanghai Water-saving Enterprise in 2023.

Solidify the Institutional Foundation: Establish the water use management system based on the actual water consumption within the Company. Put water saving management regulations and systems in place, such as water use measuring, inspection tours, and regular maintenance of equipment, to enhance water conservation efforts. In 2023, the Company revised the Wastewater Station Safety Management System to support the proper development and implementation of water use and conservation management.

Reinforce the Dedicated Responsibility: Establish the water conservation organization, set up the full-time role of water consumption and conservation management, and regularly conduct dynamic analysis of water consumption in alignment with the Company's water use.

Build the Scientific Basis: Conduct regular water balance technical tests to analyze the current status of water use, water source structure, drainage and water consumption, etc., so as to provide a basis for the formulation of water conservation planning and scientific water conservation management.

Emphasize Inspection and Rectification: Arrange relevant personnel to regularly inspect the Company's water supply pipe network and water supply facilities, and timely repair of running, bubbling, seepage and leakage of water.

Promote Consciousness in Action: Regularly carry out water conservation publicity and education theme activities, conduct thematic training, lectures and other publicity and education activities, and post water-saving signs in major water-using places to constantly remind employees to save water.

Case: Completion of the Water Balance Test

In 2023, Shanghai Ailu commissioned the third-party organization to conduct on-site investigations and relevant surveys for the purpose of carrying out a water balance test. The organization compiled the Water Balance Test Report in compliance with the **General Rules for Water Balance Test GBT 12452-2022** and other applicable regulations and standards, indicating the current state of the unit's water consumption, the composition of the water source, water discharge, and consumption. The findings from the test were aimed at facilitating the development of future water conservation planning by providing a scientific and rational basis for water conservation management.

Indicator	Unit	2021	2022	2023
Total water consumption	tons	112,248	152,852	123,300
Total water consumption per ten thousand RMB revenue	tons/ten thousand RMB	1.00	1.36	1.16



2.2 Energy Use and Saving

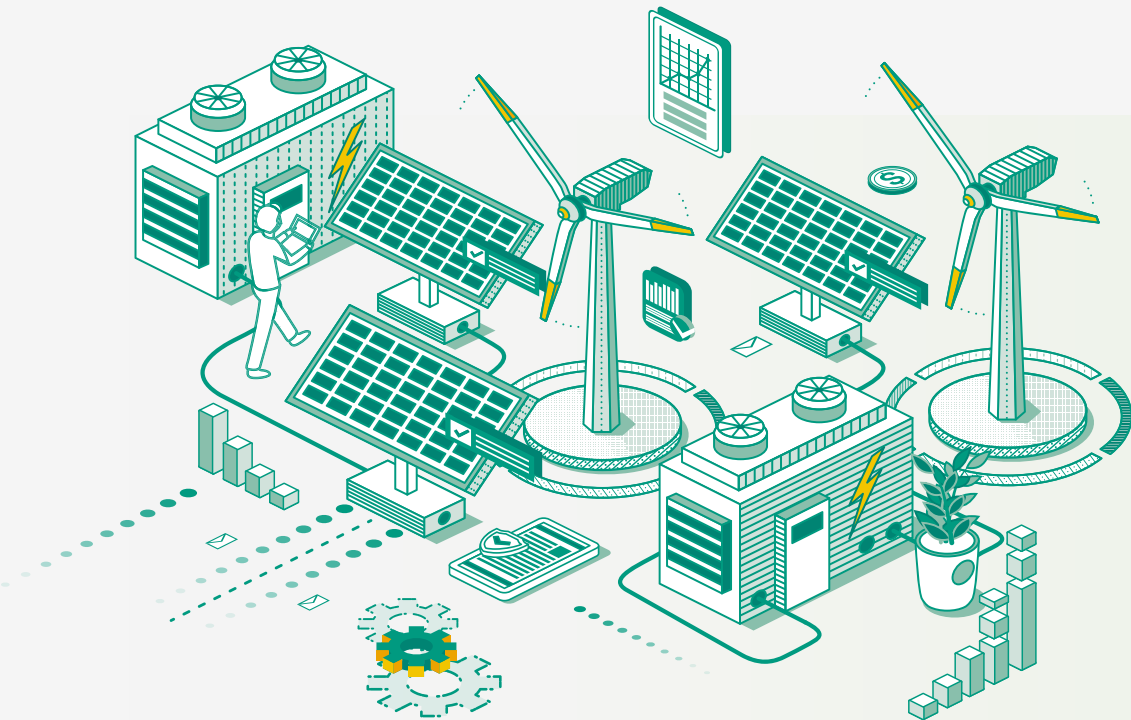
The Company places great emphasis on energy management as it recognizes energy as the foundation of industry, the driving force of the economy, and essential for human livelihood improvement and the advancement of civilization. By adhering to national regulations and policies, the Company insists on the principle of saving and efficiency unification, establishing the energy management system that integrates energy-saving practices into its operational framework. Furthermore, the company actively implements power-saving measures to contribute to energy conservation, emission reduction, and environmental protection. This commitment is demonstrated by the Company's attainment of ISO 50001 Energy Management System Certification.



ISO 50001
Energy Management System Certificate

In 2023, the Company's total energy consumption was 8.5 thousand tons of standard coal equivalent. This energy consumption consisted of 32.68 tons of gasoline, 53.46 tons of diesel, 264.15 tons of natural gas, 14.41 tons of LPG, and 25.3717 million kWh of purchased electricity. Furthermore, the comprehensive energy consumption per ten thousand RMB revenue was calculated to be 0.080 ton of standard coal equivalent.

Renewable Energy		Non-renewable Energy	
Data in 2023		Data in 2023	
Photovoltaic power	3.1165 million kWh	Liquefied Natural Gas (LNG)	264.15tons
Total electricity consumption	25.3717 million kWh	Diesel	53.46tons
The proportion of green electricity	12.28%	Gasoline	32.68tons
		Liquefied Petroleum Gas (LPG)	14.41tons



Energy Management Structure: Establish the Energy Management Leading Group to decide on energy management and implement a four-level energy management system across the company, departments, workshops, and teams to create a comprehensive energy management network.

Production Energy Savings Measures: Adopt energy-saving equipment for key energy-consuming equipment, such as fans, to effectively reduce energy consumption. Control the starting and stopping time of major power-consuming equipment, aimed to improve the loading rate while reducing unit power consumption. Arrange the power consumption of major production equipment in a unified manner according to the production plan and balance the power load of the entire company. Furthermore, strengthen pre-maintenance and equipment overhauls to minimize equipment downtime. Collaborate with workshops to enhance the management of the mill's gradation and optimization of technological parameters, reducing failures, enhancing operational efficiency, increasing output per unit hour, and decreasing power consumption during the work process.



Encourage Employee Engagement: To encourage and motivate employees to engage in energy conservation and make concerted efforts to carefully plan and monitor energy usage, provide incentives to units or individuals who meet specific criteria. These incentives are aligned with the relevant guidelines and regulations, recognizing significant accomplishments in advancing energy-saving technologies, processes, equipment, materials, and innovative energy-saving management practices.

Energy Recycling: To improve energy efficiency, implement various technological solutions. Firstly, invest in the factory roof photovoltaic power generation system to generate clean energy. The system helps reduce reliance on conventional energy sources. Additionally, utilize the waste heat recovery device of the air compressor, allowing for the recovery of heat equivalent to saving nearly 500,000 kWh of electricity annually. Moreover, adopt magnetic levitation centrifugal chiller units that reduce electricity consumption by nearly 50% compared to conventional equipment of the same type. Furthermore, incorporate ground-source heat pump units, leveraging geothermal energy and soil thermostat technology to achieve efficient cooling in summer and heating in winter, resulting in over 40% energy savings.



Magnetic Levitation Centrifugal Chiller

2.3 Raw Material Management

The Company actively integrates the concept of sustainable development into its raw materials and auxiliary materials management, emphasizing green, low-carbon, and recycling practices as part of its sustainable management approach. Efforts in environmental protection and sustainability are key priorities for the Company. By prioritizing the maintenance of product characteristics of paper bags, the Company expands its use of recycled kraft paper and reduces the PE content in its formula. This strategic move not only boosts resource recycling rates but also effectively cuts down carbon emissions. Consequently, the Company plays a significant role in promoting environmental conservation and sustainable growth, with a notable impact on addressing the global climate change challenges and fostering a green, low-carbon lifestyle.

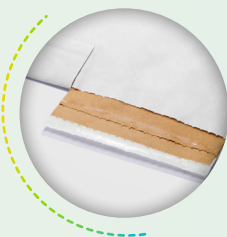
Number	Category	Unit	Procurement in 2021	Procurement in 2022	Procurement in 2023
1	Paper	tons	51887.49	42106.55	43614.9
2	Water-based inks	tons	489.2	358.93	546.3
3	Solvent-free glue	tons	126.09	80.82	73.2
4	Starch glue	tons	683.7	551.78	667.8
5	Total purchase	tons	53186.48	43098.08	44902.2
6	Total consumption of materials	tons	64040.54	59430.03	59419.85
7	Percentage of environmentally friendly raw materials	%	83.05	72.52	75.57

Raw Material

Use 100% full wood pulp biodegradable kraft paper as the main raw material for the production of paper bag products.



Use environment-friendly biodegradable starch adhesive in production to reduce the emission of harmful substances.



Through accurate digital spot color formulation system and scientific ink distribution management, effectively improve the using rate of ink.



2.4 Packaging Material Management

The Company implements various actions to promote waste recycling of packaging materials, such as selling and disposing of discarded packaging materials and commissioning recycling companies to carry out the recycling process. By doing so, the Company aims to achieve the recyclability and sustainability of packaging materials. Processes implemented to achieve this goal include the unified recycling and reuse of scrap iron, the crushing and pelletizing of PE/plastic products for reuse, and the recycling of waste paper after baling. The waste paper is sent to paper mills for crushing, pulp production, and reuse in paper making.

Indicator	Unit	2021	2022	2023
Total packaging material consumption	tons	46,409.68	50,205.65	51,106.13
Packaging material consumption per ten thousand RMB revenue	tons/ten thousand RMB	0.414	0.447	0.479

RECOVERY

3. Emissions Management

3.1 Exhaust Gas Emission Management

The Company establishes the complete Three Waste Management System, strictly complies with national laws and regulations, and meets the requirements of the environmental protection department. The Company establishes the complete Three Waste Management System, strictly complies with national laws and regulations, and meets the requirements of the environmental protection department. To ensure compliance, the Company commissions qualified third-party testing units to regularly inspect the exhaust gas produced by production workshops and at the factory boundary. Subsequently, reports on the compliance with standards are issued to guarantee emissions align with regulatory requirements. The primary objective of implementing these measures is to mitigate the environmental impact of exhaust gas emissions.

Continuous Improvement of Exhaust Gas Treatment

Process exhaust from production workshops: In 2023, the Company incorporated the design of a new exhaust gas treatment facility, featuring a localized key collection and an overall extraction air collection system, achieving a collection efficiency of nearly 100%. The treatment processes effectively control pollutants emanating from production activities, employing distinct methods tailored to different types of exhaust gases. High-concentration exhaust gases undergo combustion treatment in the RTO furnace to meet emission standards, yielding an exhaust gas purification efficiency exceeding 95%. Conversely, large air volume and low-concentration exhaust gases are subject to treatment utilizing a "low-temperature plasma cracking + UV photolysis oxidation reduction + activated carbon adsorption" process to ensure compliance with emission standards. Notably, integrating organic waste gas treatment leads to superior purification efficiency compared to using photo-oxygenation or plasma equipment separately, with an organic waste gas treatment efficiency surpassing 40%. The activated carbon adsorption phase achieves an organic waste gas treatment efficiency exceeding 50%.

Cafeteria fumes: The Company extracts air from range hoods, treats it with oil smoke purifiers, and discharges it through exhaust pipes on the roof, achieving 100% collection efficiency and 90% treatment efficiency.

Wastewater treatment station exhaust gas: The Company centrally collects and extracts the gas sealed as a whole, using the "water spraying + UV photolysis" method. The gas is then discharged through exhaust pipes, with a collection efficiency of 95% and a treatment efficiency of 80%.

Indicator	Unit	2021	2022	2023
Nitrogen oxide (NOx) emissions	tons	0.2875	0.9504	3.1031
Sulfur oxide (SOx) emissions	tons	0.0017	0.0013	0.0014
Volatile organic compounds (VOCs) emissions	tons	1.3759	1.962	5.9344*
Total reduced sulphur (TRS) emissions	tons	0.0180	0.0314	0.0341
Suspended particulate emissions	tons	0.0237	0.0177	0.0165

* Data for 2023 is provided in accordance with the annual discharge data in the system due to the change of the Discharge Permit.



Settings of Early Warning System

To ensure readiness for abnormal conditions during equipment operation, overhauls, and process equipment operation, the Company installs non-methane total hydrocarbon online monitoring devices at process exhaust gas discharge outlets. These devices are equipped with early-warning systems that trigger alerts when emission concentrations exceed standard values. In case of abnormal monitoring data, production is promptly halted to sustain the continuous operation of the exhaust gas treatment device and wastewater treatment station. The proactive measure prevents emissions from being generated under abnormal working conditions.

Strict Emission Requirements

The Company sets emission requirements for managing volatile organic compounds (VOCs) exhaust at a level not exceeding 30mg/m³, which is more stringent than both the national standard and the emission standard for air pollutants in the printing industry (executive standard value 50mg/m³). Meanwhile, the Company's on-line monitoring system is designed to provide early warnings in case of the emission concentration surpasses the 30mg/m³ threshold.



3.2 Wastewater Discharge Management

The Company formulates operating procedures for wastewater treatment to enhance the wastewater treatment capacity. It arranges for the wastewater treatment station to be responsible for the standardized treatment and discharge of wastewater from the entire factories. Wastewater generated in the production process is gathered into a collection pond and then directed to the wastewater treatment station for treatment. This strict protocol ensures that harmful wastewater is not disposed of arbitrarily, allowing the Company to achieve zero discharge of hazardous wastewater.

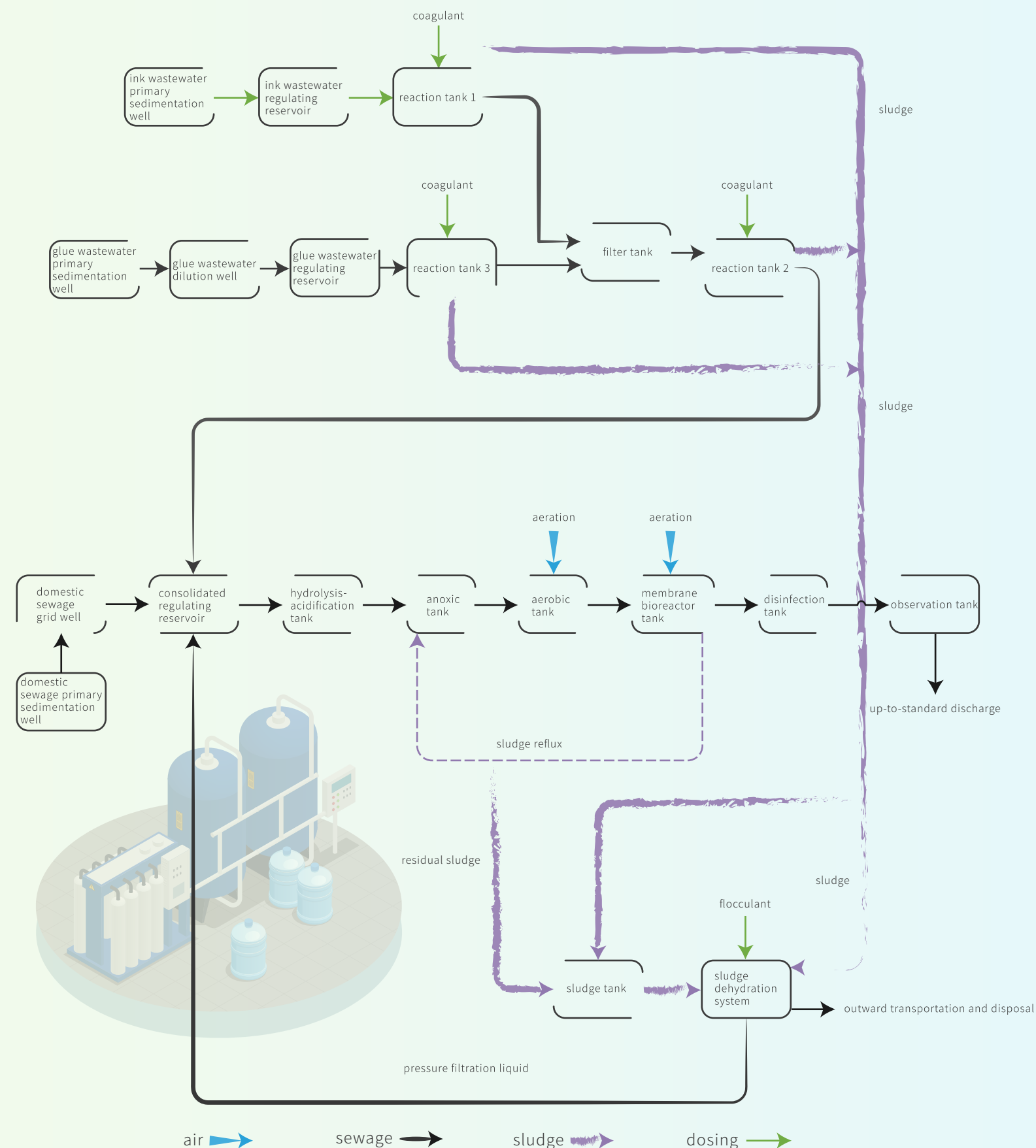
Project management: Implement sewage and wastewater diversion for new projects and upgrade sewerage and stormwater networks as needed for existing projects.

Regular monitoring: Include ammonia nitrogen and suspended solids as wastewater indicators in the quarterly monitoring program. Commission testing organizations with monitoring qualifications to inspect the Company's wastewater outlets on a quarterly basis.

Emission requirements: Require the quality of water treated by facilities to meet national or local discharge standards before discharge or recycling, and regularly commission third-party testing units to test the drainage water.

Improved wastewater treatment processes: Expand and renovate the existing sewage treatment station in the factory, with the design capacity expanded from 40m³/d to 70m³/d. The treatment process is overhauled to include the following steps: "grille, adjustment, sedimentation, hydrolysis acidification tank, anoxic tank, aerobic tank, MBR membrane tank, and disinfection tank", improving the efficiency of comprehensive pollutant removal in the wastewater. Within this process, the cafeteria wastewater is initially treated by the grease trap, then mixed with domestic sewage and production wastewater. The combined wastewater is sent to the sewage treatment station for further treatment before being discharged to relevant companies for centralized treatment.

Indicator	Unit	2021	2022	2023
Total wastewater discharge	tons	24,320	24,897	20,411



Process Flow of Wastewater Treatment at Sewage Treatment Stations

3.3 Solid-waste Management

The Company formulates the Hazardous Waste Pollution Prevention and Control System, the Hazardous Waste Packaging Management Specification, and the General Industrial Solid Waste Prevention and Control Management System, following the principles of minimization, resourcefulness, and harmless treatment. It establishes the Hazardous Waste Management Plan, appoints professional environmental pollution prevention and control specialists, and forms a management network for hazardous waste environmental pollution prevention and control work. Moreover, the Company conducts separate collection and classification, and achieves 100% harmless disposal of solid waste.

Hazardous Wastes

The Company ensures strict compliance with relevant laws and regulations throughout the process of generating, collecting, storing, transporting, and disposing of waste by implementing a comprehensive management system.

- **Collection and storage:** After generation in factories, hazardous wastes go through classification, collection, and are placed in specified drums or bags. The containers are sealed with lids and moved to the hazardous waste temporary storage room using forklifts, with stringent measures in place to prevent seepage and leakage during transportation. Furthermore, the hazardous waste temporary storage room is appropriately labeled with hazardous waste markings conforming to regulatory norms.
- **Transportation:** Specialized personnel load and unload goods on reinforced, impermeable floors along established transportation routes.
- **Disposal:** Consistently involve certified units for disposal.

General Industrial Solid Waste

The Company sets up diversion channels, leachate collection pools, facilities, and measures at the storage place to prevent rain, leakage, dispersion, and loss. To ensure proper waste management, the Company enforces a strict policy prohibiting the mixing of hazardous waste and domestic garbage. Furthermore, the recycling units are entrusted to comprehensively utilize the raw materials and hand over waste starch glue to third-party companies for regular transportation.

Domestic Garbage

The Company tasks the sanitation department with coordinating transportation and treatment, and provides kitchen garbage and grease trap waste to a third party for proper disposal.

Waste Disposal Solutions

Name of Solid Waste	Major Components	Disposal Solution
Waste Packaging Drums	Drum liners with raw material residues	Collect by category, temporarily store in the hazardous waste storage room, regularly entrust qualified units for treatment and disposal
Waste Rags	Rags contaminated with ink, glue and cleaning agents	
Waste Ink Cartridge	Ink cartridges contaminated with inkjet ink	
Waste UV Lamps	Waste UV lamps	
Waste Activated Carbon	Activated carbon for adsorption of organic waste gas	
General Waste Packaging Materials	Packaging drums with raw material residues	Sort by category, temporarily store in the general solid waste storage room, and regularly deliver to the recycling unit for comprehensive utilization
Edge Material	Plastic packaging film	

In 2023, the Company disposed of its waste in compliance through qualified third-party companies without waste leaks or water/soil contamination.

Indicator	Unit	2021	2022	2023
Total disposal of hazardous waste	tons	138	182	107
Hazardous waste disposal per ten thousand RMB revenue	tons/ten thousand RMB	1.23×10^{-3}	1.62×10^{-3}	1.00×10^{-3}
Total disposal of non-hazardous waste	tons	8,900.6	7,674.2	5,360.5
The amount of recyclable non-hazardous waste	tons	7,945	6,925.6	4,585.8
Non-hazardous waste disposal per ten thousand RMB revenue	tons/ten thousand RMB	7.95×10^{-2}	6.17×10^{-2}	5.03×10^{-2}
Non-hazardous waste recycling rate	%	89.26	90.24	85.55

Waste Management



4. Response to Climate Change

In the current global context with a growing focus on sustainability, the Company proactively implements measures to address climate change by formulating a sustainable development strategy centered on "Green and Environmental Protection." The Company is committed to reducing the environmental impact of its operations through initiatives such as reducing pollutant emissions, conserving raw and auxiliary materials through recycling, optimizing process technologies, enhancing equipment energy efficiency, and incorporating green ecological design into its products. These efforts foster a more environmentally responsible operation to achieve green and low-carbon development.

- Starting from the source, insist on promoting and utilizing responsible raw materials, by adopting environmentally friendly practices such as utilizing 100% full wood pulp biodegradable kraft paper and biodegradable starch adhesive. Use environmentally friendly water-soluble ink and solvent-free adhesive to further reduce the emission of harmful substances. Additionally, install non-stop reel change devices to achieve raw material reduction.
- Apply advanced technology, energy-saving facilities and equipment. Monitor energy consumption to identify areas of improvement and enhance electrification in daily operations. Collect data on energy consumption during production to analyze consumption patterns and identify opportunities for optimization. By reducing the consumption of external resources through process or equipment optimization, it can effectively enhance the overall energy efficiency.
- Implement a waste heat recovery system utilizing ground energy and heat recovery technology to capture excess heat from equipment operation. This surplus heat can be utilized for floor heating and air conditioning to achieve energy savings and reduce emissions through technological solutions.
- Adopt clean and renewable energy, incorporate solar energy utilization devices, undertake rooftop distributed power generation projects, as well as carport and logistics platform distributed power generation projects. By utilizing the electricity generated by photovoltaic power stations as supplementary power, the Company further optimizes its utilization of clean energy.

Strategies to Address Climate Change

- Evaluate the compliance with carbon emission policies and analyze the environmental impact of the Company's carbon emissions.
- Regularly account for greenhouse gas emissions and continuously improve information disclosure on climate change management and carbon emission reduction.
- By gradually incorporating the impact of climate change into the Company's development planning and strengthening proactive response, Shanghai Ailu commits to adopt new technologies, materials and designs, and achieve its packaging products to be environmentally friendly and essentially recyclable or reusable by 2025, contributing to the goal of reaching carbon peak by 2030.

Based on the greenhouse gas verification reports and product carbon footprint assessment reports in recent years, the Company analyzes the potential for carbon reduction. The analysis enables the Company to identify opportunities to improve internal operations, save energy, reduce emissions, and lower costs. By exploring the carbon reduction potential across the entire life cycle of products, the Company actively pursues the path towards green operations and sustainable development, thus empowering enterprises to make significant strides in environmental responsibility.

Case: Greenhouse Gas Inventory for 2023

Shanghai Ailu actively works on greenhouse gas emission inventory and control by formulating the Greenhouse Gas Inventory Control Procedure and establishing the Greenhouse Gas Inventory Team, to fully understand its own carbon emission situation and assess the potential for emission reduction. The Greenhouse Gas Inventory Team effectively deals with greenhouse gas inventory and other related matters, annually conducting the greenhouse gas emission inventory of the previous year.

According to the inventory, the Company's greenhouse gas emission inventory for 2023 covers seven greenhouse gases, including carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆), and nitrogen trifluoride (NF₃). The Company commissioned the third party to verify the greenhouse gas emissions in 2023 and obtained the verification statement.

Indicator	Unit	2021	2022	2023
Total greenhouse gas emissions	tCO ₂ e	13,158.72	15,193.37	107,772.22
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	2,067.31	4,397.25	3,798.17
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	11,091.42	10,796.12	103,974.05
Greenhouse gas removal	tCO ₂ e	0	0	0
Greenhouse gas emissions per ten thousand RMB revenue	tCO ₂ e//ten thousand RMB	0.117	0.135	1.01

Case: Upgrading of Devices Helps Factories Reduce Carbon

During the upgrading process of the sewage station in 2023, Shanghai Ailu’s factory on Yangda Road significantly reduced carbon emissions by increasing the input of low-temperature sludge drying equipment. Initially, the sludge moisture content was at an overwhelming 80%, posing challenges due to the volume of sludge. After treatment with the sludge drying equipment, the water content of the sludge was effectively reduced and controlled within the range of 20% to 40%. This successful reduction in water content facilitated the sludge reduction treatment, allowing for the treated wastewater from the press filtration to be redirected back to the sewage station for further processing. Consequently, this innovative approach led to a substantial decrease in both the amount of sludge treated and the frequency of transportation, ultimately achieving the outcome of reducing carbon emissions.



ISO 14067
Carbon Footprint Assessment Report for Products



ISO 14064
Greenhouse Gas Verification Statement

5. Green Operation

5.1 Green Packaging Products

From product raw materials to product design, the Company maximizes the environmental benefits of innovative materials and integrates sustainable development principles throughout the product life cycle, to promote green, low-carbon, and recycling practices.

Farewell to plastic laminates or films, Easy to recycle and regenerate

Plastic-free - no plastic laminates or films on the surface of the paper base

Easy to regenerate - recyclable in regular channels for direct pulp and paper production

Compatible - adaptable to existing models with seamless changeover

Fast speed - ultra-low-temperature heat sealing for fast packaging

Beautiful - high-precision water-based flexographic printing for beautiful brand presentations



ESpeed™ Plastic Free Paper-Based Packaging



Plastic-free



Easy to regenerate



Compatible



Fast speed



Beautiful

Customer value: overall solution for clean packaging

Peelable, Food grade, High cleanliness, Safer

100% PE composition, Single ingredient, Fully recyclable



Double-layer Peelable FFS Packaging Bags



Double Peelable



Food Grade



100% PE



AiSheet™ Performance Composite Sheets



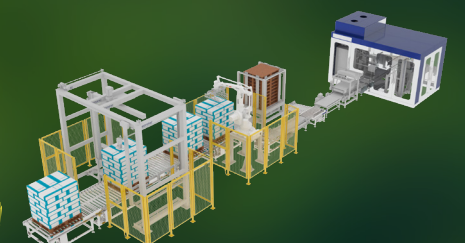
Light resistance



Water resistance



Oxygen resistance



Powder Intelligent Filling Line



Integrative



Intelligent

Case: Continuous Introduction of Recyclable Packaging Products

The Company launched the Environmental Protection Recyclable Cheese Packaging in 2022, and introduced the **AiTop™ Plastic Free Paper Valve Bag** and the **ESpeed™ Plastic Free Paper-Based Packaging** in 2023. The Company innovated the development of plastic-free moisture-proof paper bags, to replace the previous use of industrial heavy-packaging paper bags that contained plastic PE film. The transformation simplifies the recycling and regeneration process of the packaging paper bags after use. As assessed by the international organizations, the new plastic-free paper bag product reduces the carbon footprint from cradle to grave by 26.83%.

AiTop™ Plastic Free Paper Valve Bag possesses the attributes of "high quality, easily regenerable, conducive to plastic reduction, and promoting carbon reduction." The entire bag can be recycled directly into the pulp system at paper mills. This process effectively eliminates the plastic component within the product's 3-paper, 1-film structure, thereby diminishing the carbon footprint resulting from the utilization of non-renewable materials.

Recyclable Packaging Products



ESpeed™ Plastic Free Paper-Based Packaging



AiTop™ Plastic Free Paper Valve Bag

5.2 Green Logistics

The Company advocates for green logistics by promoting the optimization of logistics and transportation processes. It involves improving transportation routes and tools while selecting environmentally friendly modes of transportation to minimize noise and air pollution, as well as methodically reducing carbon emissions. Furthermore, the Company supports the use of new energy vehicles for delivery among third-party logistics companies to decrease pollutant emissions during transportation. By optimizing logistics routes to reduce turnover, transportation efficiency is enhanced, leading to a decrease in environmental pollution. Additionally, the Company implements recycling measures for pallets, thereby increasing the recycling and reuse rate of packaging waste and reducing resource consumption.

5.3 Green Office

Internally, the Company promotes green office practices by applying the concept of environmental protection to daily office operations. It establishes saving rules and continuously improves employees' awareness of energy saving, emission reduction, and green development. The Company works collaboratively with employees to safeguard the environment and create a green workplace.

Paper Saving: promote double-sided printing, minimize the use of color printers, and encourage the adoption of a paperless office approach. Use harnessing office systems and email for document delivery to reduce paper consumption and wastage.

Electricity Saving: foster a culture of electricity saving throughout the workplace. Display energy-saving signs, maximize natural light usage in offices and conference rooms, and ensure that electronic devices are manually switched off to prevent standby power consumption.

Water Saving: develop the awareness of water saving, encourage employees to turn off taps promptly and avoid unnecessary water wastage.

Waste Reducing: integrate waste reduction strategies into the Office Supplies Management System, with strict guidelines on office supplies usage to minimize waste generation. Implement a system where certain office supplies are exchanged for new ones, along with enforcing effective garbage classification and disposal procedures.



SAVE
PAPER



5.4 Environmental Protection Promotion

The Company promotes the awareness of low-carbon concepts and encourages employees to engage in green travel. It incorporates environmental education into employee training programs and collaborates with employees to promote a low-carbon green lifestyle.



Specialized Training on Environmental Protection

Case: Every Action Counts as a "Tree" in Protecting the Planet

Activity 1: Shanghai Ailu First Clean Forest Charity Walk on Tree Planting Day in 2023

Green and Zero Waste, Gleaners in Action.



Activity 2: An Environmental Class on Tree Planting Day in 2023

In the Company, Shanghai Ailu and Jinshan J-team "2029 Excellence Brigade" organized a lively environmental protection class, using the tree as a symbol of connection and planting the seeds of environmental consciousness in the hearts of the children. During the environmental class, Shanghai Ailu exhibited the Company's eco-friendly products such as "Biodegradable All-Paper Valve Bags" and "Recyclable Cheese Packaging". Additionally, Shanghai Ailu highlighted its recent efforts in implementing low carbon and consumption reduction measures to raise the children's environmental awareness and educate them on the importance of tree planting.



Activity 3: Low Carbon Clock-in Action on Tree Planting Day in 2023

“Save energy and reduce emissions to welcome the arrival of spring, low-carbon environmental protection we go first.” Shanghai Ailu promoted green living among its employees by encouraging them to record and document their environmentally friendly actions in a visual format. It raised awareness and fostered a collective effort in identifying and adopting sustainable behaviors in daily lives.



Case: Ai Protects the Planet Together on the 54th World Earth Day

In 2023, the 54th World Earth Day focused on the theme "the Earth of all beings." Shanghai Ailu took the initiative to organize various activities under the theme "Ai Protect the Earth Together," such as signing banners, showcasing science videos, and sharing environmental protection tips on Earth Day. These activities were aimed at enhancing public awareness among employees and fostering environmental sustainability.

Activity 1: Banner Signing on Earth Day

Earth Day banners were displayed in the Company's cafeteria for employees to sign, demonstrating their commitment to environmental protection.



Activity 2: Educational Science Video Viewing on Earth Day

In the cafeteria, a series of scientific videos were shown on the TV screens, covering themes such as the greenhouse effect, energy, water resources, and the ecological environment. These videos were designed to educate employees on the current state of the Earth's environment and strategies to safeguard it, deepening their understanding of environmental protection and sustainable development.

Activity 3: Promotion of Environmental Protection Tips on Earth Day

The Company promoted environmental protection knowledge among employees through the EHS Knowledge Classroom. It included information on Earth Day's origins, the significance of environmental protection, and practical ways to incorporate it into work and personal life. Employees were encouraged to actively engage in learning these concepts.



"Ai" Benefits -

Create a Better Society Together

- Products and Services
- Sustainable Supply Chain
- Employee Responsibility
- Community Development



1. Products and Services

1.1 Product R&D Innovation

Shanghai Ailu sets up the innovation and R&D department, comprised of a well-educated R&D team and equipped with the R&D laboratory. The Company formulates the innovation and development strategy, allocating no less than 3% of its sales towards R&D annually. Through various methods including independent research and development, cooperative development, entrusted development, and technology introduction, Shanghai Ailu focuses on developing new technologies, materials, and products. The strategic approach elevates the scientific and technological sophistication of the Company's products, thereby enhancing its market competitiveness.



(1) Product Technology Innovation
The Company promotes the declaration of its innovations and achievements through various awards, winning the honors of the Shanghai City-level Enterprise Technology Center, the Shanghai High-tech Enterprise, the Shanghai Specialized and Sophisticated Enterprises, etc., and the title of Advanced Standardization Organization in 2023 by Shanghai Packaging Technology Association.

As a leader in cheese packaging composite sheet, the Company's thermoforming composite sheet for cheese packaging holds a high market share. In 2023, the Company's innovation and R&D department collaborated with customers to develop and optimize the product design. Ensuring product quality and stability, the collaboration simultaneously reduced material usage per unit of the finished product through thinning the material and streamlining the production process to minimize waste, leading to substantial economic and social benefits. The Company also initiated a project to develop single-material composite sheets, which facilitate easier recycling of packaging materials post-consumption, thereby mitigating plastic pollution and carbon emissions. Furthermore, the Company launched the PTP (Plastic to Paper) Innovation Project to promote paper instead of plastic packaging solutions with downstream customers. By upgrading and optimizing product packaging, it reduces plastic usage and minimizes white pollution.

In 2023, the Company invested 39.5858 million RMB in annual R&D, accounting for the ratio of operating income of 3.71%. The Company's total number of patents as of December 31, 2023, reached 76, with 57 patents within the validity period and 19 patents under processing. Furthermore, the Company had 77 R&D personnel, conducted 27 annual process improvement and new product trial projects, and submitted 5 new patent applications during the year.



Product Highlights



NO.1 ESPEED™ Plastic Free Paper-Based Packaging



NO.2 AiTOP™ Plastic Free Paper Valve Bag



NO.3 AiSheet™ Performance Composite Sheets

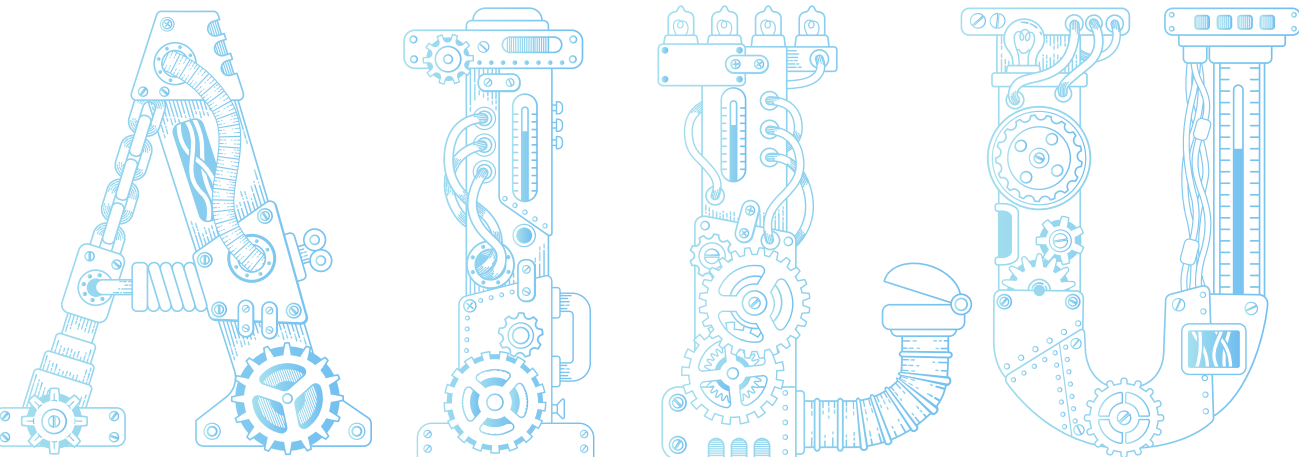


AiFilm™ Performance Composite Film/Bag

(2) Digital Transformation and Upgrading

The Company develops a sophisticated intelligent warehousing and logistics system with data as its central component. The system incorporates data sources from multiple systems like MES, ERP, CRM, and WMS to enable smooth cross-system integration. Subsequently, the collected data is analyzed and processed for visualization in the Visualization and Intelligence Center within the factories. The center provides various functionalities including factory statistical reports, factory decision analysis reports, workshop billboards, and visiting screens. Through these tools, real-time information on production, orders, equipment, shipments, inventory, and other relevant aspects is displayed, enhancing efficiency in production management activities.

- **Process Rebuilding:** Taking the opportunity of building the information system, reorganize key business processes for continuous improvement in standardization, normalization, and operational efficiency of internal operation processes.
- **Communication Costs Reduction:** Through the enhancement of the management system, timely and accurate exchange of data online is achieved. The unified processing system facilitates standardization of data across different departments within the Company, which not only simplifies communication, but also greatly reduces communication costs.
- **On-site Digital Operation:** To avoid manual errors, standardized on-site digital operating procedures are formed using the manufacturing execution system, which aligns with the bill of materials provided by the call for material instructions. Automatic guided transport vehicles are then utilized to distribute the necessary materials to the machine lineside warehouse, enhancing operational efficiency and accuracy.
- **Management Refinement:** The PDA Barcode System follows the principle of "one item, one code, one label" and incorporates serial number management for most materials, to achieve quality traceability throughout the production process.



Case: Honored as the Shanghai Smart Factory, Accelerating Digital Transformation

In February 2023, Shanghai Municipal Commission of Economy and Informatization released the List of 100 Smart Factories in Shanghai, with Shanghai Ailu being recognized as one of the enterprises on the list. The Company earned this distinction due to its comprehensive digital industry scale and advanced digital development concepts, positioning it as a leading enterprise in the intelligent manufacturing sector.

Based on advanced automated terminal equipment and system software platforms, the Company establishes a robust data connectivity framework, ensuring data transparency, visualization, and real-time access. The data connectivity framework facilitates the formation of a well-integrated industrial chain and flexible supply chain, driving the smart factory to enhance its production capacity, operational efficiency, and product quality. Shanghai Ailu's production line is anchored by state-of-the-art fully automated assembly technology, enabling highly efficient production processes with minimized manual intervention and partial unmanned operations. In terms of warehousing and logistics support, the Company utilizes approximately 10,000 smart warehouses to automate warehousing and delivery processes without human intervention. Within its workshops, Shanghai Ailu applies full-scene AGV handling systems to build efficient and collaborative digital factories.



Case: "Black Light Factory" in Public

Shanghai Ailu not only pursues high quality printing colors, but also raises higher requirements on the environmental protection of ink usage. In Shanghai Ailu, every package shall go through the levels of inspection by the intelligent system. From raw material to finished package, every production process is an intelligent journey.

Digital and Reality Integration", to Promote the Speed and Shift of the Manufacturing Packaging Development

Driven by the continuous innovation of technology, the future development trend of the manufacturing industry moves towards "less manned and unmanned" workshops. In its pursuit of highly intelligent transformation, Shanghai Ailu takes the lead by integrating the principles of "digitalization, intelligence, automation, and flexibilization" into its production bases. The integration involves the utilization of ERP, MES, WMS, BI, and other informatization systems to infuse the concepts of "intelligence, transparency, and high efficiency" throughout the entire manufacturing process. In response to the accelerated evolution of the new round of global technological and industrial revolution, Shanghai Ailu aims to accelerate the integration of the packaging manufacturing industry with digitization. It involves creating internationally competitive digital packaging industry clusters and intelligent supply chains through its "Black Light Factory." The Factory integrates "Digitalization, Intelligence, Automation and Flexibility" to enable highly automated production, even in the absence of personnel after lights out. By incorporating intelligence and digitization into production equipment, systems, and processes, the Company achieves more accurate production and enhances output efficiency. Through these efforts, the Company is exploring a new path of sustained growth and development in alignment with the changing technological landscape.



1.2 Product Quality and Safety

The Company emphasizes enhancing product quality by meeting both regulatory and customer requirements. Quality control procedures are implemented throughout the entire production-to-sales process, resulting in obtaining international management system certificates in the fields of quality, forest and food safety such as ISO 9001:2015, ISO 22000:2018, BRCGS, FSC, HACCP, HALAL, etc., as well as the relevant qualification for entering the international market.

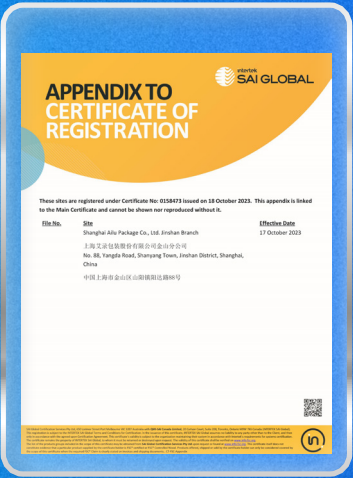
In 2023, the qualification rate of the Company's products reached 100%.

Product Qualification Rate 100%

- Product Production Front-end:** In the product development process, the focus is on safety and environmental protection requirements, including health and safety indicators stipulated by national standards. Raw materials are carefully assessed and disposed of to prevent unqualified ones from entering the production process.
- Product Production Process:** Production Safety and Health Control Procedures are developed, to enhance safety and health performance in material storage, equipment operation, and production personnel. The Company also prepares the Hazard Analysis Worksheet and formulates Hazard Analysis Control Procedures to analyze biological, chemical, and physical hazardous factors in processing steps. It Implements technological modifications for major hazardous factors and formulates effective control measures. Besides, it establishes Product Monitoring and Measurement Control Procedures for both semi-finished and finished products. The procedures are designed to monitor and measure the quality attributes of the products throughout the production process, thereby ensuring product quality control. Unqualified Product Control Procedures are also formulated to address unqualified products identified during monitoring. The procedures aim to prevent the use, transfer, or shipment of unqualified products, thus maintaining the overall quality standards of the Company's output.
- Quality Control Back-end:** It formulates system documents such as Product Identification and Traceability Procedures, Notification and Recall Control Procedures, Improvement Control Procedures, etc., to establish a complete product identification system and ensure the traceability of each product. In case of problematic products identified through self-inspection or customer feedback, the after-sales service personnel review the customers' opinions, initially judge the nature of the quality problems, and, when necessary, analyze and identify the reasons in collaboration with relevant departments to propose root causes and improvement measures. Subsequently, they conduct cause verification and confirm the improvement measures. Within the system process, responsible departments are mandated to complete and respond to the relevant information within 24 hours to ensure the smooth progression of the online complaint process. If required, the Company recalls the products and implements control measures while also creating health and safety complaint files. Additionally, the Company regularly conducts product recall simulation exercises to evaluate and validate the recall procedure's effectiveness, investigate and analyze existing or potential non-conformities, and carries out continuous improvement, as well as tracking and verification of quality issues.



The BRCGS Global Standard for Packaging and Packaging Materials sets the standard for the production of safe and suitable packaging materials for food and consumer products and provides specific guidance for packaging materials with high hygiene requirements that come into direct contact with food or other hygiene-sensitive products. Through hazard and risk analysis thinking, it focuses on on-site hygiene standards, printing and packaging controls, product inspection and foreign object control to increase the confidence of certified organizations and their customers in packaging that meets its intended use and free of potential contamination risks.



FSC Forest Certification

FSC Chain of Custody Certification promotes responsible forest management by ensuring the traceability of wood and wood-based materials and their products throughout the processing and marketing process. The certification guarantees that the commercialized wood-based products originate from certified forests and tracks their journey from the certified forest to the end consumer.



1.3 Customer Service

The Company continually meets customers' needs by attaching great importance to product development and upgrades. It establishes a complete customer service and communication mechanism to improve product and service experiences. In response to customers' complaints, the Company actively provides rationalized solutions from various perspectives including product design, supporting processes, and process optimization. Moreover, the Company works on enhancing the efficiency of packaging operations and reducing overall packaging costs, to offer customers high-quality services and create value.

In 2023, the Company established the Market Product Center, in charge of offering customers green and low-carbon products, organizing customer training, and managing appointments for visits. Besides, it actively engaged in customer supplier meetings, industry conferences, and global sustainability forums. Through these activities, the Company proactively sought to understand customer needs and market demand, laying the groundwork for future product upgrades.

(1) After-sales Service System

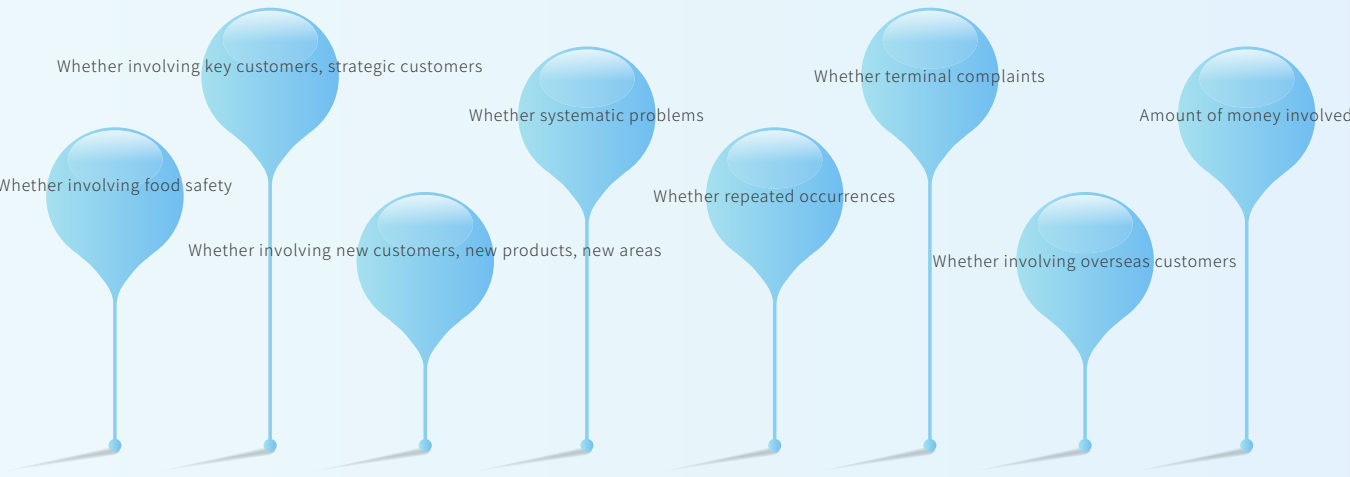
The Company formulates the Procedures for Handling Customer Opinions and Complaints for timely and efficient customer communication and feedback. It listens to customers' opinions on the Company's operations, product usage, and quality, promptly relaying complaints concerning product quality or technical issues to the relevant departments. Subsequently, the Company generates a comprehensive complaint quality report, conducts root cause analysis, proposes corrective actions, and issues the formal After-sales Service Report. Moreover, the Company regularly conducts annual customer satisfaction surveys on a sample basis to gauge customer sentiment. The survey results are communicated to relevant departments for improvement initiatives.

In 2023, a customer satisfaction survey was conducted with 50 questionnaires collected, achieving a customer satisfaction rate of 96.05%. The customers surveyed accounted for 53% of its total sales, covering industries such as food, pharmaceuticals, chemicals, and building materials. Notably, the rate of customer complaint resolution hit 100%, with a corresponding satisfaction rate also reaching 100%.

Customer Satisfaction 96.05%

Customer Complaint Resolution Rate 100%

Complaint Categorization Dimension ✓



Categorize Quality Complaint Issues to Resolve Important Complaints as Quickly as Possible

(2) Customer Information Protection

The Company implements various measures to protect the confidentiality of its information. Firstly, the Company formulates the Confidentiality Management System to define the scope of its confidential information and outline the specific confidentiality responsibilities of each department within the organization. Additionally, the Company signed Confidentiality Agreements with relevant personnel within the Company to prevent potential damage or unauthorized disclosure of customer and supplier information. Moreover, the Company also established Confidentiality Agreements with customers to ensure the security and privacy of their information. As a result of these measures, no incidents of customer information leakage was reported in 2023.

(3) Responsible Publicity

The Company conducts regular customer training to promote technical knowledge of products and processes. It includes but is not limited to the introduction of processes, technical demonstrations, comparisons of product advantages, discussions on health impacts, energy efficiencies, and guidance on the safe use, maintenance, storage, and disposal of products and packages. In particular, the Company conveys information on product safety among customers to guarantee their safety during use.



2. Sustainable Supply Chain

2.1 Responsible Procurement

The Company formulates the Supplier Evaluation and Control Procedures, screens suppliers with products and services that meet the requirements based on the principle of responsible purchasing, and strictly complies with the Civil Code, the Bidding and Tendering Law, the Regulations for the Implementation of the Bidding and Tendering Law, and other applicable laws and regulations.

- **New Supplier Evaluation:**After conducting sample inspections, confirming trial samples, and verifying the corresponding material technical indexes, the basic supplier questionnaire is filled out to record basic information. Following this step, on-site audits and scoring of suppliers are carried out by relevant departments from various perspectives including quality, safety, environment, and social responsibility. The results of these assessments are compiled into a supplier assessment report, highlighting non-conformities that need to be addressed by the suppliers. Suppliers are then encouraged to make necessary improvements and submit a detailed improvement report.

Supplier On-site Assessment Scoreline

Supplier Category	Qualified Scoreline	Conditional Acceptance Scoreline	Unqualified Scoreline
I	≥90	80-90	<80
II	≥80	70-80	<70



Safety Management Training for Suppliers

- **Qualified Supplier Maintenance:**To ensure the compliance of suppliers with established standards, several qualification documents are submitted as prerequisites for supplier access. Specifically, production licenses and product chemical safety technical specifications are required. In cases where suppliers offer food-grade related raw materials, additional documentation such as food-grade declaration of conformity and external inspection reports of conformity indicators is required.
- **Supplier Quality Assessment:** The Supplier Quality Assessment Method evaluates the quality of incoming materials, production processes, and the efficiency of handling complaints and implementing improvements. The assessment is categorized into low, medium, and high-risk levels.
- **Qualified Supplier Re-evaluation:** The supplier re-evaluation process encompasses 11 distinct items: VCAR response, incoming product quality, process product quality, delivery time, delivery mode, after-sales service, product inspection report, product marking, qualification documents, and price. The evaluation standard is specified, with over 75 points indicating qualification for maintaining the supply qualification. Scores between 65 and 75 points designate observers for active improvement, while those below 65 points lead to a suspension of purchasing, requiring rectification within a specified time frame. If rectification proves ineffective, the supply qualification is canceled. Additionally, an annual supplier social responsibility audit is conducted, with risk evaluations categorized as high, medium, and low risk. The supply qualification of low-risk suppliers is consistently maintained. For medium-risk suppliers, reasons for their status must be determined, and positive improvements should be made. High-risk suppliers prompt a cessation of purchasing, followed by a request for rectification within a given period. Ineffective rectification results in the cancellation of the supply qualification.
- **Regular Supplier Review:** The annual supplier review program is established and local Chinese suppliers are reviewed at least once every five years, including on-site, remote and data reviews.
- **Supplier Quality and Technology Exchange Meetings:** Annual supplier meetings are organized for discussion and exchange of ideas on quality improvement, technology upgrades and quality standard setting.
- **Environment, Health and Safety Agreement:** Environmental, Health and Safety Agreements are signed with suppliers, requesting compliance with national laws and regulations on environment, health and safety, and safeguarding labor and employment safety.

Code of Conduct for Suppliers

Shanghai Ailu requires its suppliers to sign the Supplier Code of Conduct, covering the principles of the prohibition of child labor, the fight against forced labor, the fight against discrimination, the freedom of association, health and safety, compensation and benefits, and environmental protection. In addition to its own strict adherence to relevant social responsibility and ethical standards, the Company also mandates compliance with the Ethical Trading Initiative (ETI) among its suppliers. Annually, the Company conducts supplier social responsibility audits and categorizes suppliers' social responsibility risk conditions as high risk, medium risk, or low risk. Low-risk suppliers have their supply qualifications maintained by the Company. Medium-risk suppliers are required to identify reasons for the risk level and implement positive improvements. High-risk suppliers face the consequences of a purchasing halt by the Company and are informed to rectify the issues within a specified timeframe. In cases where the rectification measures prove to be ineffective, the Company proceeds to cancel their supply qualification.

Enhance the Fairness and Transparency of Supplier Selection

The Company utilizes cross-departmental collaboration in selecting suppliers, in accordance with the Supplier Evaluation and Control Procedures, ensuring the involvement of multiple relevant departments in the evaluation process. To comprehensively assess supplier performances, the Company employs a combination of monthly and annual evaluations. The suppliers are required to undergo monthly assessments in quality, delivery, and after-sales service aspects. Annual evaluations are conducted by the Quality Department, Technical Department, Purchasing Department, and other relevant departments. The meticulous evaluation process guarantees the fairness and accuracy of decision-making. The Company operates in strict accordance with the Bidding Law and takes a series of measures to ensure the fairness of the bid opening process. Firstly, the Company ensures adequacy in personnel involved in the bid opening process by inviting relevant individuals to participate and supervise. It includes procurement personnel, representatives from the requisitioning department, and key leaders such as the Vice General Manager or General Manager. By having a diverse group overseeing the bid opening, the authority of the process is enhanced, ultimately guaranteeing fairness and accuracy in the selection results. Secondly, to enhance transparency and accountability, the Company adopts video recording and photography to document the entire bid opening procedure. The recordings serve as crucial evidence for future reviews or dispute settlements, ensuring the traceability and verifiability of the selection process. It safeguards against potential fraud or disagreements, thereby protecting the lawful rights and interests of involved parties. During the selection process, the Company adheres to the principles of objectivity and fairness to ensure the open, fair, and just evaluation of suppliers. The Company strictly follows the relevant provisions of the Bidding and Tendering Law, comparing products in line with selection criteria to ensure each supplier has an equal opportunity to showcase their strengths and capabilities.

Responsible Procurement

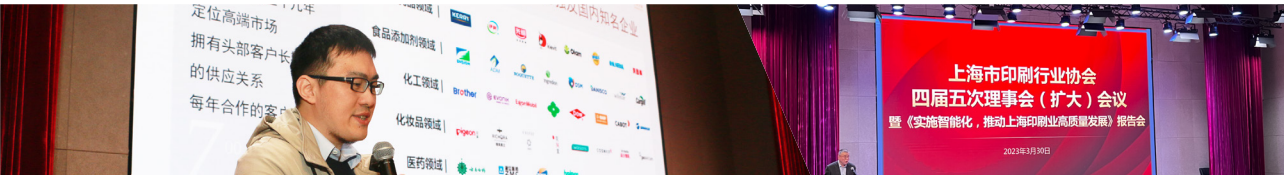
2.2 Industry Development

The Company, as the director unit of China Packaging Federation, and the drafting unit of the group standard Green Packaging Evaluation Guidelines, actively participates in industry exhibitions and exchange activities. The proactive involvement serves to enhance the Company's industry influence, lead the development of the industry, and promote industry exchanges and cooperation.

In 2023, the Company participated in 2 forum speeches and 18 exhibitions, showcasing sustainable packaging products at the China International Exhibition on Coatings, Printing Inks and Adhesives (CIECA), PROPAK ASIA 2023, the 14th China Packaging Innovation and Sustainable Development Forum (CPIS 2023), the 10th Chemical Packaging and Logistics Forum (CPLF 2023), etc., thereby demonstrating the Company's product highlights and innovative technologies and releasing industry influence.

Case: Together with Shanghai Printing Industry Association, Promoting the Development of Printing Industry

During the 5th Council Meeting of the 4th Session of Shanghai Printing Industry Association in March 2023, Shanghai Ailu presented on "Green Intelligent Factory Construction" and "The Development Status of Intelligent Hardware" as part of the theme "Implementing Intelligent, Promoting High-Quality Development of Shanghai Printing Industry." The Company expanded its perspective on the advancement of intelligent informatization within the printing sector during this event. It affirmed its commitment to supporting industry initiatives, enhancing collaboration with various stakeholders, and contributing to the industry's high-quality development, to reinforce the Company's role in shaping the industry's future direction.



Case: Share the achievements of smart factory development, Press the accelerator button of digital transformation

In August 2023, the 9th China International Printing Exhibition International Media Week series of activities took place in Shanghai, where the media delegation engaged in an in-depth exchange at Shanghai Ailu. During the event, the Company, renowned as the intelligent benchmark printing enterprise in Shanghai, presented the advancements achieved in smart factory development. The discussions focused on key topics such as digitalization and the imperative intelligent transformation that printing enterprises must undergo to remain competitive in the dynamic industry landscape.



Utilizing its rich practical experience in digitalization and in-depth insight into the packaging industry, the Company aimed to enhance the sustainable development of the industry through continuous innovation. By collaborating with a diverse range of enterprises across different industries, the Company anticipated leveraging digitalization to create value and strive towards future success.

Case: Attend the National Pre-mixed Mortar Industry Conference, Discuss the new development trend

In December 2023, the National Pre-mixed Mortar Industry Conference and the China Building Materials Federation Pre-mixed Mortar Branch took place in Beijing. Shanghai Ailu was invited to attend as the vice chairman of the China Pre-mixed Mortar Branch.

At the conference, several honors for the industry in 2023 were presented to recognize the member units and individuals who made remarkable contributions to the advancement of the ready-mixed mortar industry. Shanghai Ailu received the prestigious title of Influential Brand of Pre-mixed Mortar Industry in 2023. Furthermore, the Chairman of the Board of Directors of the Company was recognized as the Leading Person of Pre-mixed Mortar Industry in 2023, while the Director of the Innovation Center of the Company was honored as the Outstanding Worker of Pre-mixed Mortar Industry in 2023.



For the topic sharing session, the Company's marketing product director chose the theme "Cross-Border FMCG Packaging Thinking: Empowering the Building Materials Industry with New Ideas". During the session, the director engaged participants in the discussion exploring the potential application of FMCG thinking in the building materials industry, approached from three dimensions relevant to the building materials industry: long-term perspective, emphasis on decision-making, and a focus on being ready to serve. It was aimed to consider how digital marketing could empower new retailing through the analysis and sharing of cross-border marketing cases.



In the future, Shanghai Ailu, as a leading brand in high-end packaging, is committed to enhancing its innovative packaging solutions for the building materials industry. The primary focus lies in delivering products of superior quality and stability. This effort is aimed at bolstering the competitiveness of China's building materials industry and aligning Shanghai Ailu with global development trends.

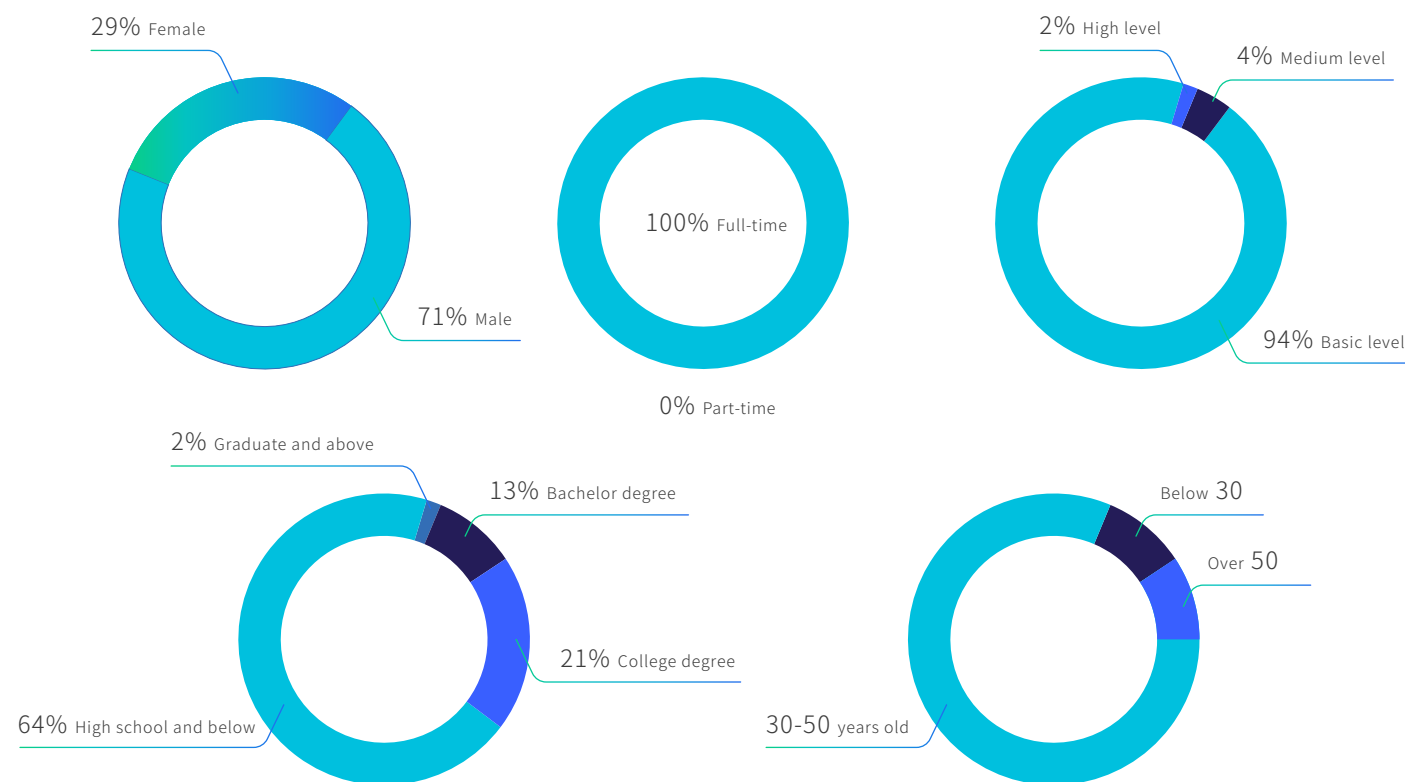
3. Employee Responsibility

3.1 Labor Employment and Caring

(1) Employment Compliance

The Company formulates the Labor and Human Rights Management System and the Anti-Discrimination Management System as its internal management policies, adhering to a people-oriented approach. These policies ensure compliance with relevant laws and industry social responsibility requirements in various aspects of employee management, including hiring, remuneration, training, promotion, and termination of employment. By providing fair and reasonable employment and competition opportunities, the Company upholds its commitment to promoting a supportive and equitable work environment for its employees. The Company eliminates the use of child labor and strictly examines the age of recruited employees, regulates labor management, opposes forced labor, and ensures sufficient rest time for employees. It takes protective measures for special employees, such as "five-period" female workers and disabled individuals, in compliance with relevant laws and regulations. According to the measures, the Company strives to create an equal working environment and foster a diversified corporate atmosphere. As of December 31, 2023, the parent company of Shanghai Ailu had a total of 712 employees, with 100% labor contract signing rate and no child labor or forced labor.

Labor Contract Signing Rate 100%



Employee Composition of the Company in 2023

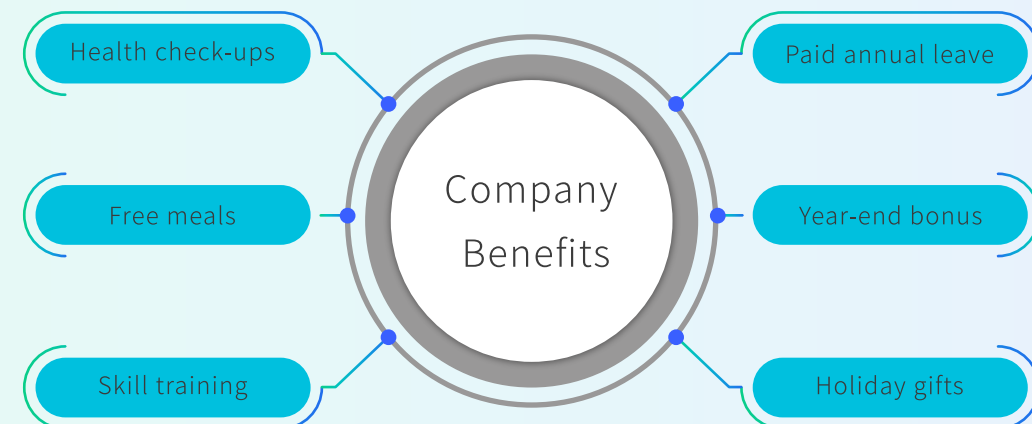
Case: Expansion of Employment Capacity and Social Responsibility

The growth of the business enables Shanghai Ailu to contribute to the employment opportunities in its region. In 2023, the Company provided employment for 11 technical and R&D personnel, 5 core management positions, 55 administrative and auxiliary indirect personnel, and 19 frontline grassroots employees. Concurrently, the Company leveraged the current R&D platform, combined with its future development strategy blueprint. This fusion enhanced the recruiting, training, and management mechanisms for professional and technical talents. The ultimate goal was to drive sustainable growth in the Company's operations and business activities, consequently bolstering its core competitiveness. The Company also supported addressing the employment of the disabled that provided development opportunities for 10 disabilities.

(2) Remuneration and Benefits

The Company establishes a comprehensive compensation and benefit management system to further enhance employees' sense of belonging and improve their satisfaction and identification with the Company.

- Remuneration Mechanism:** Develop the Remuneration Management System, following the principle of "distribution according to work". Adopt various incentive methods to provide competitive salary and rewards for employees, such as job salary, performance salary, seniority salary, subsidies and allowances, according to job duties, work performance, work ability and working years.
- Benefit System:** According to the Employee Benefit Management System, provide several benefits, including statutory benefits, uniform benefits and special benefits. The Company paid social insurance for employees in accordance with the law, with 100% social insurance coverage in 2023.



To advocate continuous on-the-job learning and self-improvement for employees, the Company encourages senior and mid-level employees in core positions as well as those making special contributions to engage in on-the-job education and training, such as personal further education, training, and academic upgrading. Specific benefit was provided, such as reimbursing a certain amount of training expenses, to attract and retain core employees.

Give priority consideration to internships for the children of working employees to study as interns, and provide incentive policies for the children of employees to enter university.

Establish an allowance system for hazardous positions and adjust the allowance standard accordingly for frontline employees of existing occupationally hazardous roles.

(3) Democratic Management

Aiming to unblock the channels for the expression of employees' opinions, the Company develops a series of systems to fully collect employees' opinions and suggestions, listens to their voices, and solves their demands in a timely and efficient manner.

The Company formulates the Management Procedures of Free Association to effectively safeguard the rights of employees to enjoy free association, join trade unions and participate in collective bargaining in accordance with the law. Additionally, the Company establishes the Grievance Handling Committee through the formulation of the Management System of Employee Grievance. This committee plays a crucial role in facilitating communication between employees, functional departments, and management to timely identify and address hidden problems, so as to foster harmony in labor relations. Furthermore, the Company formulates the Provisions of Management System of Employee Opinion Boxes and sets up safety protection measures to ensure the understanding of employees' suggestions and opinions on the establishment of quality, environment, occupational health and safety management system of the Company. Special reports are prepared and presented to the Company's leaders to guarantee the suitability, adequacy, and effectiveness of the Company's management systems. The proactive measures are essential for achieving continuous improvement.

In September 2023, the Company held the second plenary meeting of the third session of the Staff Congress, voted by secret ballot, signed the Wage Special Collective Contract of Shanghai Ailu, and reported it to the General Union of Shanyang Town, Jinshan District, Shanghai Municipality for record.

Case: Build Harmonious Labor Relations, Write a New Honorable Chapter

The management of Shanghai Ailu attaches great importance to establishing a harmonious relationship between the employees and the Company. To effectively manage the relationship with its employees, the Company focuses on fostering a harmonious labor relationship during the process of promoting its development.

The Company was awarded the Shanghai Harmonious Labor Relations Compliance Enterprise by Shanghai Municipal Bureau of Human Resources and Social Security and was awarded the 2020-2023 Advanced Unit of Shanghai Factory Affairs Openness and Democratic Management Work in December 2023.



(4) Employee Care

The Company pays attention to the physical and mental health of employees, in order to ensure work-life balance and enhance employee happiness and satisfaction through attentive care. To enrich employees' spare time, various recreational activities, trainings, and further education opportunities are widely organized.

Case: Shanghai Ailu Lantern Festival Activity

In 2023, during the Lantern Festival, Shanghai Ailu organized an engaging Lantern Festival Parade for its employees. The event aimed to foster a harmonious and cozy corporate atmosphere by encouraging employees to participate in various activities, such as sharing delicious food, solving riddles, participating in lucky draws, engaging in games like lasso, paper cups, and bouncing balls. Through these activities, the Company demonstrated its strong cohesive and centripetal forces.



Case: Seventh "Ai Wei Cup" Friendship Soccer Match

In December 2023, the Seventh "Ai Wei Cup" Friendly Football Match commenced between football enthusiasts from Shanghai Ailu and Windmoeller & Hoelscher Machinery (Taicang) Co. Ltd.



On the field, the spirit of both players, beautiful defense, swift breaks, wonderful shot won the applause of the audience. After the fierce competition, Shanghai Ailu finally won the champion of the game with the score of 4:2.

3.2 Occupational Health and Safety

The Company adheres to the policy of "Full participation, Scientific management, Green development, Continuous improvement" by establishing the EHS Management Committee. It is compliance with laws and regulations such as the Work Safety Law, the Fire Safety Law, and the Law on Response to Production Safety Accidents. Moreover, the Company implements the responsibility system for production safety throughout various levels of employees, from top to bottom. Annual production safety responsibility letters are signed to underscore the commitment, alongside the enforcement of key points from the Occupational Health and Safety Management System. These measures enhance the management of occupational health and safety, thereby reinforcing the foundation of production safety.

In 2023, the Company recorded no general and large-scale production safety accidents throughout the year, no production safety accidents in external construction as well. The investment in production safety amounted to 2,149,100 RMB. Besides, it obtained the ISO 45001 Occupational Health and Safety Management System Certification.

Case: Achievement of Shanghai Ailu's Production Safety Dual Targets in 2023

The Company minimized safety hazards, enhanced timely rectification, established comprehensive monitoring management throughout the production process, and successfully met the annual safety production goals, namely:

- Incidents of non-disability recordable injuries < 1.2% of the average number of employees for the same period;
- Incidents with disability ratings < 0.8% of the average number of employees for the same period.

(1) Hazard Source Monitoring and Prevention

To improve the management of safety hazards, the Company conducts identification and risk analyses of hazardous and harmful factors, along with evaluating potential accidents. It integrates safety risks within its business operations into its management framework, conducting routine inspections and assessments to address potential risks. The Company emphasizes investigating and rectifying hidden dangers proactively to comprehensively control process safety. Additionally, it establishes preventive measures to mitigate the risks of object strikes, vehicle injuries, mechanical injuries, electrocution, fires, and scald injuries to prevent safety incidents. The whole safety control process comprises safety responsibilities, target management, supervision and assessment.

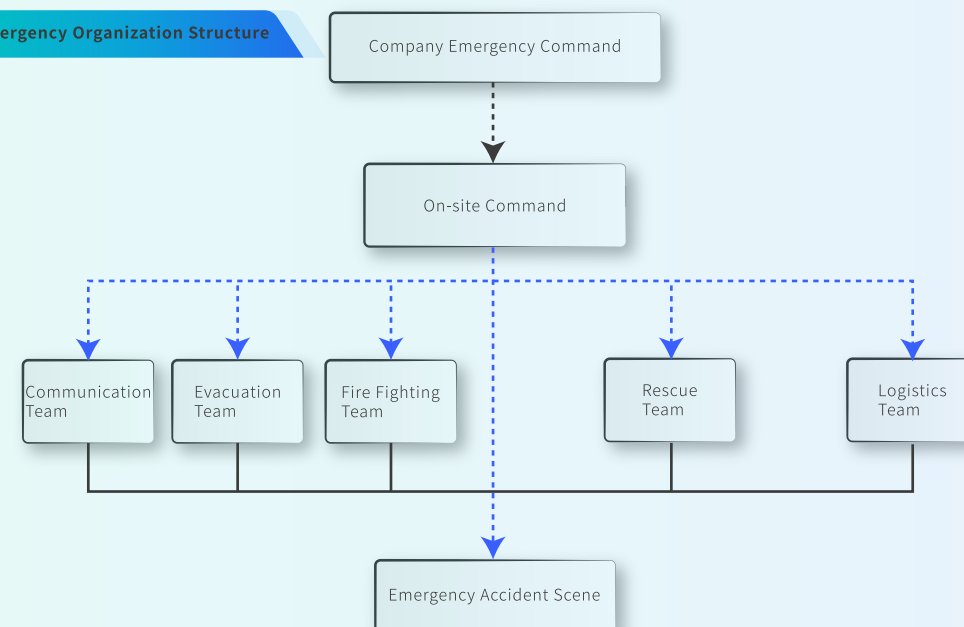
(2) Security Emergency Management

The Company establishes an emergency management organization and prepares the emergency plan system for production safety accidents. The system is released and undergoes government record approval. The emergency plan comprehensively covers various emergency management methods, including those for fire accidents, personal injury accidents, environmental emergencies, and vehicle injury accidents.

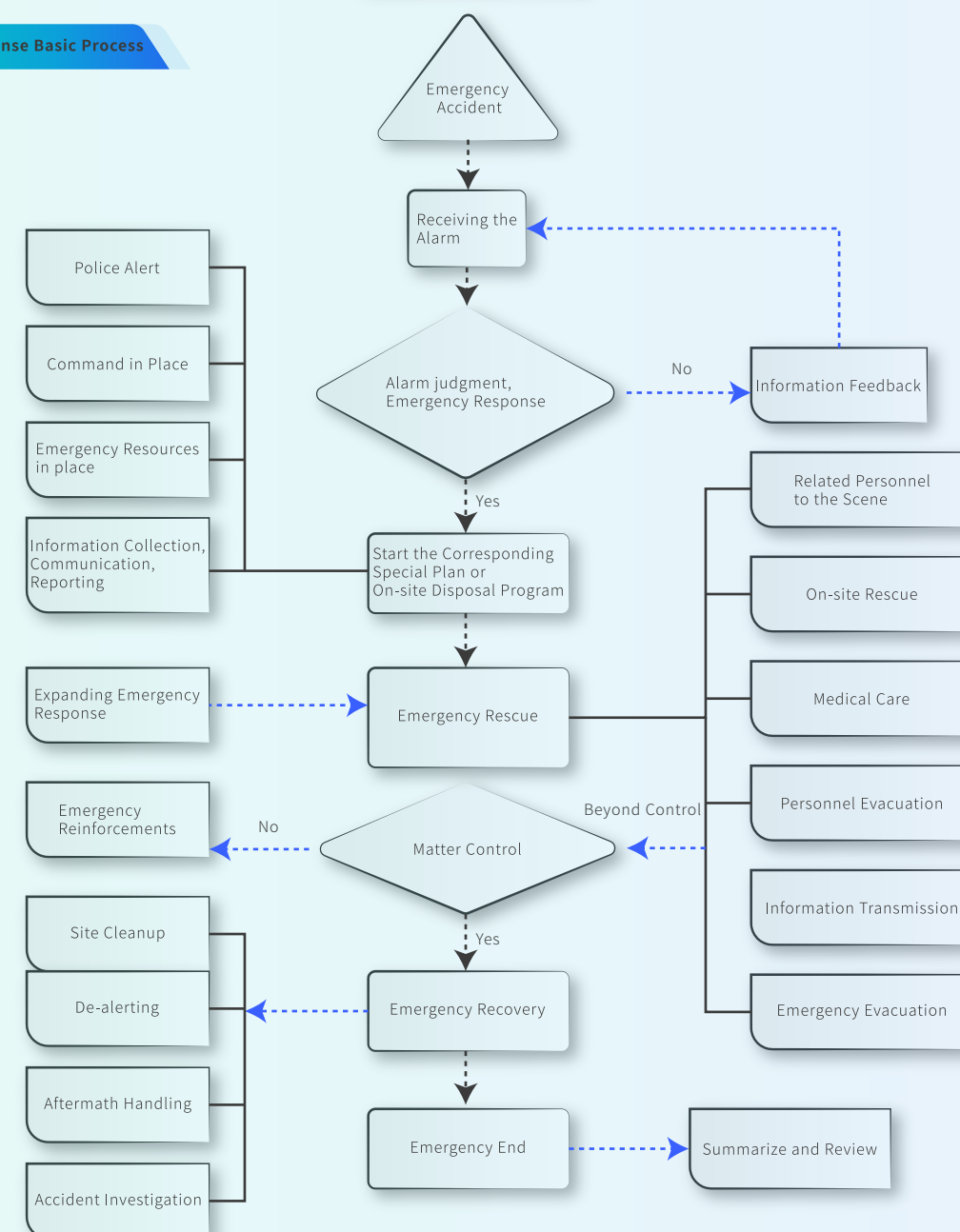


ISO 45001
Occupational Health and Safety Management System Certificate

Shanghai Ailu Emergency Organization Structure



Emergency Response Basic Process



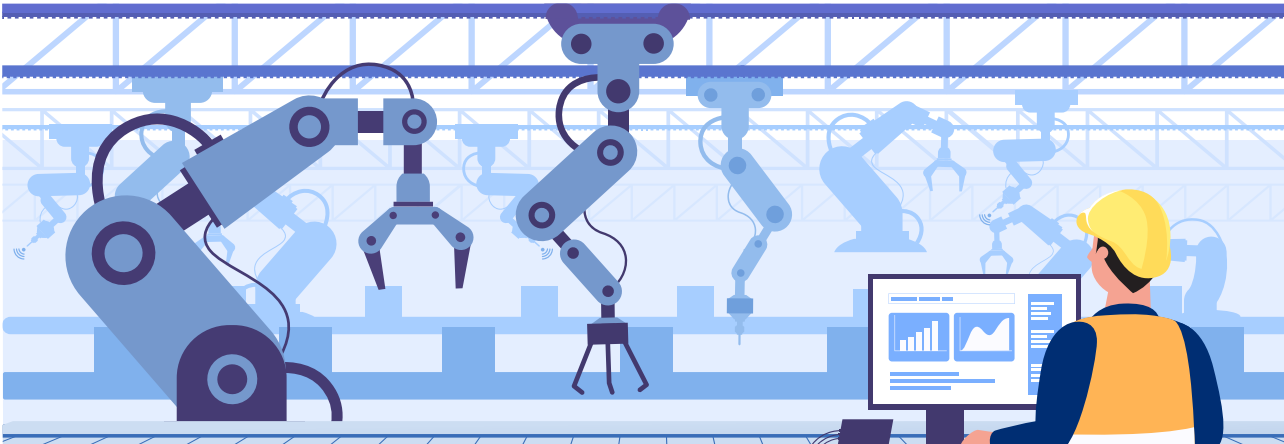
The Company regularly organizes emergency plan training and drills, with 13 emergency drills conducted in 2023. It included 4 emergency evacuation drills with employees, and 9 special emergency drills for emergency response teams, special equipment, limited space, fire facilities, etc., which enhanced the emergency response ability.



Special Emergency Drill for Operating Vehicles



Practical Drill of Emergency Response Team



(3) Occupational Health Prevention and Control

The Company strictly implements the Law on Prevention and Control of Occupational Diseases, the Provisions on Supervision and Management of Occupational Health in Workplaces and other laws and regulations. The EHS Management Committee is set up in charge of the comprehensive management of occupational disease prevention and control. As part of their responsibilities, the committee works to establish and enhance rules, regulations, and operational procedures related to occupational disease prevention and control within the Company. It also strengthens the overall management practices in this area. Employees are provided with essential labor protection equipment, and a significant emphasis is placed on safety education and training. Through the activities, employees are trained on various aspects, such as occupational health laws and regulations, operational procedures, and the correct usage and maintenance of personal protective equipment for occupational disease prevention. This focused training approach enhances the employees' knowledge and skills, ultimately boosting the effectiveness of preventing and controlling occupational disease hazards. Based on proper safety measures and practices, the Company effectively safeguards the well-being of its employees in work.

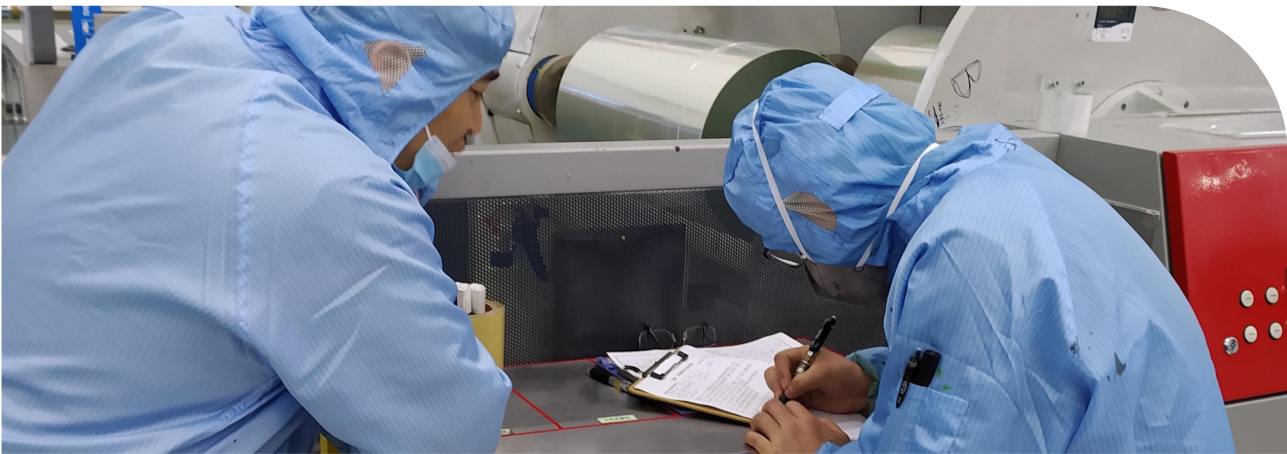
In 2023, no occupational diseases occurred in the Company.

In hazardous workplaces prone to occupational diseases, the Company improves the availability of medical first-aid medicines and facilities. It also equips these areas with necessary testing equipment, conducting regular assessments for toxic gases, noise levels, and other harmful factors. The findings are further validated in laboratories to ensure accuracy. The Company integrates occupational health and safety considerations into the design and evaluation of production projects at the initial stages, to timely identify potential safety risks and equipment flaws. To enhance safety, the Company employs technical solutions to boost the intrinsic safety of equipment and facilities. For instance, effective noise reduction measures are implemented, such as installing acoustic insulation and sound-absorbing covers in high-noise areas of production lines. Furthermore, shock-absorbing rings are added to equipment with significant vibration levels, demonstrating a tangible improvement in workplace safety conditions.

(4) Safety Education and Training

The Company enhances its safety education and training mechanism by enriching its content and adopting various forms of delivery to strengthen safety promotion. It includes specialized training on hazardous chemicals, special equipment, occupational health, radiation sources, and fire protection, to boost safety awareness and knowledge among the workforce. In 2023, the Company conducted a total of 235 safety education and training sessions, covering 3,941 person-times. Specifically, occupational safety and health training sessions totaled 2,465 hours, with 1,632 employees participating. Notably, the coverage of occupational safety and health training reached 100% of employees.

Training Topic	Number of Sessions	Participants
Three-level Safety Education for New Employees	34	144
Morning Safety Promotion	85	2261
General Safety Training for Employees	4	928
Specialized Safety Training	24	386
Training for External Personnel	88	222



New Equipment Safety Education Training



Specific Safety Training on Radiation

3.3 Employee Development and Training

(1) Promotion Mechanism

The Company emphasizes the personal development of every employee by providing a fair, equitable, and open internal competition mechanism. It is implemented based on the Internal Personnel Transfer, Promotion, and Demotion Management System, including internal talent flow and performance appraisal. These measures aim to nurture employees into exceptional management talents and professionals, offering them opportunities for career advancement and maximize their potential value within the organization.

The Company conducts regular assessment and evaluation of employees based on job performance as the main criteria. The evaluation process comprehensively considers job-related knowledge and skills, qualifications, experience, adaptability, and potential. Subsequently, the Company adjusts the remuneration packages of employees who meet performance expectations and assessment requirements, aligning with the positions or grades they applied for.

(2) Training System

The Company formulates the Trainings Management System and establishes the comprehensive training plan to enhance the employees' working abilities and familiarity with the corporate culture. The training sessions are organized at various levels and tailored to different categories in alignment with business needs. These training programs cover the Company's employees, ranging from the management team to newly recruited employees, with the overarching goal of fully exploiting their potential.

- **New Employee Orientation Training:** New employees receive training in two areas: general and professional technical subjects. The general training covers aspects such as the Company's corporate culture, introduction to its systems, safety guidelines, financial data security, anti-corruption policies, as well as anti-discrimination, anti-harassment, and anti-maltreatment regulations. On the other hand, the professional and technical training is tailored to the employees' specific roles, related to production line operations, technical procedures, market strategies, job responsibilities and workflows, standard operating procedures, project management protocols, and specialized training, among other relevant topics.
- **Internal Training:** The Company holds lectures, seminars and exchanges in the Company together with internal lecturers, covering a wide range of technical, marketing and management aspects, as well as amateur knowledge and information of interest to employees.
- **External Training:** The Company participates in external public lectures and exchange seminars, or invite external lecturers, covering practical content such as professional and technical knowledge, sales techniques, management methods, leadership skills, business concepts, leadership training such as corporate strategy development, as well as personal competence refresher courses such as MBA and professional and technical certifications.

Case: Online Training to Help Employees Achieve the Future

Shanghai Ailu developed a comprehensive online training system that provides employees with access to the Company's vast array of learning resources through web and mobile applications. These resources covered a wide range of topics including product knowledge, production processes, safety training, and vocational skills. Meanwhile, the system featured a multi-dimensional analysis function that enables both the Company and its employees to realize their learning progress effectively.



4. Community Development

The Company is passionate about promoting public welfare and contributing to community prosperity. It encourages its employees to engage in community development and voluntary initiatives by leveraging its strengths. Through these efforts, the Company aims to contribute to the betterment of society, conveying warmth and making a meaningful impact through acts of kindness.

In 2023, the total public welfare donations of the Company exceeded 30,000 RMB. These contributions included various actions, such as the Haixin Warmth Charity Program's Thanksgiving Action, donations of summer supplies and other materials to the Jinshan Second Fire Brigade and Shanyang Police Station, donations to support flood relief in Hebei Province, and condolences offered to the Shanyang Elderly Home during the Chongyang Festival. These efforts united the forces of compassion, positioning the Company as an active catalyst and promoter of social public welfare.

Case: Books in Exchange for Vegetables to Make Knowledge Sustainable

Knowledge is power. In August 2023, Shanghai Ailu organized a public welfare event named "Books in Exchange for Vegetables" where employees exchanged books for vegetables. The collected books were then sorted and placed in boxes filled with the love and generosity of the Company's employees. On August 16th, these books were sent to the Central Primary School of Huazhuang Township, Xincai County, Zhumadian City, Henan Province.

The aim of the event was to support students in impoverished mountainous areas, specifically aiding primary and middle school students. It was a part of the Company's contribution to rural education and exemplified the belief that knowledge is power.



Donation of Hematopoietic Stem Cells in Jinshan District



Donation of Summer Supplies to Fire Brigade



Visit to Elderly Homes on the Chongyang Festival

Together with "Ai", create the future. Shanghai Ailu always holds the vision of making products more environmentally friendly and safer for human beings, practicing the ESG concept, relying on stable supply strength and quality products, and adhering to a steady development strategy. Sustainability serves as the cornerstone of its development, as the Company aims to optimize its corporate governance mechanism, promote green development, conserve resources, advance energy-saving and emission reduction initiatives, and provide customers with quality products and professional services. Additionally, Shanghai Ailu collaborates closely with employees and engages in public welfare efforts, harmonizing economic benefits and social responsibilities for a win-win outcome.

Shanghai Ailu remains committed to exploring new paths for rapid growth in the packaging industry, from responding to changing consumer demands to revolutionizing the industrial structure. Through continuous technological and product innovations, the Company is looking forward to enhancing its market share both domestically and internationally. Positioned at the forefront of the packaging industry, Shanghai Ailu will drive insights into market trends, leading the upstream and downstream supply chain ecosystem to reduce costs and boost efficiency. By exerting efforts and taking practical actions, the Company aims to secure future markets and customers.

Outlook



Indicator	Unit	2021	2022	2023
Governance				
Total assets	100 Million RMB	16.67	18.95	27.06
Operating income	100 Million RMB	11.20	11.22	10.67
Total profit	100 Million RMB	1.65	1.18	0.80
Net income attributable to shareholders	100 Million RMB	1.45	1.06	0.75
Return on net assets	%	16.73	10.06	6.67
Gearing ratio	%	38.58	41.68	56.29
Total tax payment	ten thousand RMB	3,189.5	4,332.9	4713.25
Environment				
Total greenhouse gas emissions	tCO ₂ e	13,158.72	15,193.37	107,772.22
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	2,067.31	4,397.25	3,798.17
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	11,091.42	10,796.12	103,974.05
Greenhouse gas removal	tCO ₂ e	0	0	0
Greenhouse gas emissions per ten thousand RMB revenue	tCO ₂ e / ten thousand RMB	0.117	0.135	1.01
Total disposal of hazardous waste	tons	138	182	107
Hazardous waste disposal per ten thousand RMB revenue	tons/ten thousand RMB	1.23×10 ⁻³	1.62×10 ⁻³	1.00×10 ⁻³
Total disposal of non-hazardous waste	tons	8,900.6	7,674.2	5,360.5
The amount of recyclable non-hazardous waste	tons	7,945	6,925.6	4,585.8
Non-hazardous waste disposal per ten thousand RMB revenue	tons/ten thousand RMB	7.95×10 ⁻²	6.17×10 ⁻²	5.03×10 ⁻²
Non-hazardous waste recycling rate	%	89.26	90.24	85.55
Nitrogen oxide (NOx) emissions	tons	0.2875	0.95043	3.1031
Sulfur oxide (SOx) emissions	tons	1.69×10 ⁻³	1.32 ×10 ⁻³	1.35 ×10 ⁻³
Volatile organic compounds (VOCs) emissions	tons	1.3759	1.962	5.9344
Total reduced sulphur (TRS) emissions	tons	0.0180	0.0314	0.0341
Suspended particulate emissions	tons	0.0237	0.0177	0.0165
Total energy consumption	ten thousand tons of standard coal equivalent	0.84	0.84	0.85
Gasoline consumption	tons	24.69	19.21	32.68
Diesel consumption	tons	63.35	49.14	53.46
Natural gas consumption	tons	341.82	335.61	264.15
Liquefied petroleum gas consumption	tons	13	14.45	14.41
Electricity consumption	ten thousand kWh	2,640.81	2,570.50	2,537.17
Comprehensive energy consumption ton of standard coal per ten thousand RMB revenue	equivalent/ten thousand RMB	0.075	0.075	0.080
Total water consumption	tons	112,248	152,852	123,300
Total water consumption per ten thousand RMB revenue	tons/ten thousand RMB	1.00	1.36	1.16
Total wastewater discharge	tons	24,320	24,897	20,411
Total raw material consumption	tons	64,040.54	59430.03	59,419.85
Environment-friendly raw material procurement ratio	%	84.20	72.52	75.57
Total packaging material consumption	tons	46,409.68	50,205.65	51,106.13
Packaging material consumption per ten thousand RMB revenue	tons/ten thousand RMB	0.414	0.447	0.479
Total investment in environmental protection	ten thousand RMB	1,136.8	503.2	421.7

Note: The financial data herein comes from annual reports of Shanghai Ailu Package CO., Ltd.

Indicator	Unit	2021	2022	2023
Social				
Product qualification rate	%	99.98	99.98	100
Annual R&D investment	ten thousand RMB	3,800	3,967.83	3,958.58
Ratio of annual R&D investment to operating income	%	3.39	3.54	3.71
Number of R&D personnel	person	75	80	77
Annual process improvement and new product trial production projects	unit	15	18	27
Number of patents applied	unit	5	4	5
Number of patents granted	unit	5	3	0
Total patents	unit	97	68	76
Annual acceptance of second-party audits	time	16	15	44
Annual acceptance of third-party audits	time	32	15	16
Complaint resolution rate	%	100	100	100
Customer satisfaction	%	96.20	96.89	96.05
Number of suppliers	unit	345	339	348
Among them, East China region	unit	298	293	297
North China region	unit	9	7	5
Northeast China region	unit	1	1	0
Southeast China region	unit	18	21	26
Northwest China region	unit	1	1	1
Southwest China region	unit	1	1	3
Central China region	unit	7	9	9
Overseas	unit	10	6	7
Proportion of women in management	%	32.56	36.36	33.33
Proportion of minority or other ethnic employees hired	%	1.88	1.90	1.97
Proportion of disabled people employed	%	1.34	1.36	1.40
Labor contract signing rate	%	100	100	100
Social insurance coverage	%	100	100	100
Number of new jobs created	unit	150	27	90
Total number of employees	person	744	735	712
Among them, number of male employees	person	520	517	503
Number of female employees	person	224	218	209
Number of full-time employees	person	744	735	712
Number of part-time employees	person	0	0	0
Number of high-level employees	person	14	14	14
Number of medium-level employee	person	29	30	28
Number of basic-level employees	person	701	691	670
Number of employees with master degrees and above	person	10	13	15
Number of employees with bachelor's degree	person	61	68	92
Number of employees with college degrees	person	150	152	150

Appendix Annual Performance

Indicator	Unit	2021	2022	2023
Number of employees with high school education and below	person	523	502	455
Number of employees under the age of 30	person	129	100	90
Number of employees aged 30-50	person	521	538	525
Number of employees aged over 50	person	94	97	97
Employee turnover rate	%	3.56	2.22	2.03
Among them, male employee turnover rate	%	2.80	1.78	1.53
Female employee turnover rate	%	0.76	0.44	0.5
Turnover rate of employees under 30 years old	%	0.95	0.69	1.2
Turnover rate of employees aged 30-50	%	2.50	1.37	0.64
Turnover rate of employees aged over 50	%	0.11	0.17	0.18
Duration of occupational safety and health training	hour	12,705.5	6107	2,465
Occupational safety and health training covered person-times	person-time	689	780	1,632
Occupational safety and health training coverage	%	100	100	100
Annual number of occupational diseases	case	1	0	0
Number of work-related deaths in each of the past three years (including the current year)	case	0	0	0
Percentage of work-related deaths in each of the past three years (including the current year)	%	0	0	0
Working days lost due to injury	day	415	324	262
Safety production input	ten thousand RMB	392.16	208.91	214.91
Safety production accidents	case	54	4	4
Total duration of employee training	hour	5,147.5	27,425.9	6,458.5
Average duration of training for male employees	hour	7.29	41.42	4,630.6
Average duration of training for female employees	hour	6.05	27.63	1,827.9
Employees training covered person-times	person-time	1,352	2,947	2,491
Employee training coverage	%	99.56	98.70	97.80
Among them, male employees training coverage	%	99.70	98.50	97.26
Female employees training coverage	%	99.55	99	99.51
Total public investment	RMB	241,000	275,505	30,830

Annual Awards





Shanghai Water-saving Enterprise



Shanghai Smart Factory (Flexible Packaging Smart Factory)



Specialized and Sophisticated Small- and Medium-sized Enterprises (SMEs)



Innovative Small- and Medium-sized Enterprises (SMEs)



2020-2023 Advanced Unit of Shanghai Factory Affairs Openness and Democratic Management Work



2022 China Top 100 Packaging Enterprises



2023 Influential Brand in Ready-Mixed Mortar Industry



2023 Shanghai Top 100 Private Manufacturing Enterprises (No. 77)



2023 China Top 100 Printing and Packaging Enterprises (No. 35)



2023 Win-Win Collaboration Award

No.	Awards	Awarded by
1	Shanghai Water-saving Enterprise	Shanghai Municipal Commission of Economy and Informatization
2	Shanghai Smart Factory (Flexible Packaging Smart Factory)	Shanghai Municipal Commission of Economy and Informatization
3	Specialized and Sophisticated Small- and Medium-sized Enterprises (SMEs)	Shanghai Municipal Commission of Economy and Informatization
4	Innovative Small- and Medium-sized Enterprises (SMEs)	Shanghai Municipal Commission of Economy and Informatization
5	Shanghai Harmonious Labor Relations Compliance Enterprise	Shanghai Municipal Bureau of Human Resources and Social Security, Shanghai Federation of Trade Unions, Shanghai Enterprise Federation, Shanghai Entrepreneur Association, Shanghai Federation of Industry and Commerce
6	2020-2023 Advanced Unit of Shanghai Factory Affairs Openness and Democratic Management Work	Shanghai Municipal Factory Affairs Openness Work Leading Group Office
7	2022 China Top 100 Packaging Enterprises	China Packaging Federation
8	2023 Influential Brand in Ready-Mixed Mortar Industry	China Building Materials Federation Ready-Mixed Mortar Branch
9	2023 Shanghai Top 100 Private Manufacturing Enterprises (No. 77)	Shanghai Enterprise Federation, Shanghai Entrepreneur Association, Jiefang Daily
10	2023 China Top 100 Printing and Packaging Enterprises (No. 35)	Keyin Media
11	Outstanding Contribution Award	Bright Dairy
12	2023 Win-Win Collaboration Award	Oriental Yuhong

AA Grade in Wind ESG Rating, Ranked No. 1 in the Industry

In 2023, Shanghai Ailu was awarded AA rating by Wind ESG, a well-known financial information service provider, recognized as the highest level in the industry by the industry authority.



Index of indicators

Chapter	CASS-CSR5.0	GRI Standards	HKEx ESG指引
About the Report	P1.2	GRI 2-2/2-3	报告说明
Message from the Chairman	P2.1/P2.2	——	董事会声明
About Shanghai Ailu	P4.1/P4.2/P4.3/P4.4	GRI 2-1/2-6/2-7/2-9	——
ESG Management	G2.1/G2.2/G3.1/G3.2/G3.3/G3.5/G3.6/G3.7	GRI 2-12/2-13/2-14/2-16/2-29/3-1/3-2/3-3	ESG管治体系;企业社会责任战略;实质性议题与利益相关方沟通
"Ai" Cultivation - Build the Roots of Governance			
Corporate Governance	G1.1/G1.2	GRI 2-9/2-10/2-11	——
Compliance and Disclosure	G1.3/G1.10/G1.11	GRI 2-27	——
Steady Operations	G1.5/G1.6/G1.7	GRI 205-1/205-2/206-1	B6.3; B7
"Ai" Protection - Contribute to Environmental Sustainability			
Comprehensive Environmental Management	E1.1/E1.3/E1.4/E1.5/E1.6/E1.9	——	——
Resource Use	E2.1/E2.2/E2.3/E2.5/E2.6/E2.7/E2.9/E2.10/E2.11	GRI 301-1/301-2/301-3/302-1/302-3/302-4/302-5/303-5	A2; A2.1; A2.2; A2.5
Emissions Management	E3.1/E3.2/E3.3/E3.4/E3.5/E3.6/E3.8/E3.10	GRI 303-2/303-4//305-6/305-7/306-1/306-2/306-3/306-4/306-5	A1; A1.1; A1.3; A1.4; A1.6
Response to Climate Change	E2.4/E5.3/E5.4/E5.5/E5..6/E5..7/V4.1/V4.3	GRI 305-1/305-2/305-4	A4; A4.1
Green Operation	E1.7/E1.8/E2.14	GRI 302-4	A3.1
"Ai" Benefits - Create a Better Society Together			
Products and Services	S5.1/S5.2/S5.3/S5.5/S5.6/S5.7/S5.8/V2.1/V2.2/V2.3/V2.4	GRI 416-1/417-1/418-1	B6; B6.2; B6.3; B6.4; B6.5
Sustainable Supply Chain	S6.1/S6.2/S6.6/V2.5/V2.8	GRI 414-1	B5; B5.1; B5.2
Employee Responsibility	S1.1/S1.2/S1.3/S1.4/S1.6/S1.7/S1.8/S1.10/S2.1/S2.2/S3.1/S3.2/S3.4/S3.5/S3.6/S3.7/S3.8/S3.9/V3.1/V3.2	GRI 2-7/401-2/403-1/403-2/403-3/403-4/403-5/403-6/403-7/404-2/405-1/406-1/408-1/409-1	B1; B2; B2.3; B3; B4; B4.1; B4.2
Community Development	V3.4/V3.5/V3.6	GRI 413-1/413-2	B8; B8.1; B8.2
Outlook	A1	——	——
Appendix			
Annual Performance	E1.3/E2.2/E2.3/E2.7/E2.10/E2.11/E3.2/E3.4/E3.6/E3.8/E5.5/E5.6/E5.7/S1.3/S1.4/S1.5/S1.8/S2.4/S3.3/S3.8/S3.9/S3.10/S3.11/S3.12/S5.2/S5.7/S5.8/V2.3/V3.2/V3.6/A2	GRI 2-7/201-1/203-1/302-1/302-3/303-4/303-5/305-1/305-2/305-4/305-7/306-5/401-1/403-9/403-10/404-1/405-1	A1.1; A1.3; A1.4; A1.6; A2.1; A2.2; A2.5; B1.1; B1.2; B2.1; B2.2; B3.1; B3.2; B5.1; B6.2
Annual Awards	G3.11	——	——
Index of indicators	A4	——	——
Comments and Feedback	A5	——	——



ASSURANCE STATEMENT

SGS-CSTC'S REPORT ON ESG&SUSTAINABILITY ACTIVITIES IN THE SHANGHAI AILU PACKAGE CO.,LTD.'s ESG Report FOR 2023

SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD. (hereinafter referred to as "SGS") was commissioned by SHANGHAI AILU PACKAGE CO.,LTD. (hereinafter referred to as "Shanghai Ailu Package") to conduct an independent assurance of Shanghai Ailu Package's ESG report for 2023. (hereinafter referred to as "the Report").

INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all Shanghai Ailu Package's Stakeholders.

RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the Board of directors and the management of Shanghai Ailu Package.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all Shanghai Ailu Package's stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognised assurance guidance and standards including the principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) GRI 1: Foundation 2021 for report quality, GRI 2 General Disclosure 2021 for organisation's reporting practices and other organizational detail, GRI 3 2021 for organisation's process of determining material topics, its list of material topics and how to manages each topic, and the guidance on levels of assurance contained within the AA1000 series of standards and ISAE3000.

The assurance of this report has been conducted according to the following Assurance Standards: SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000) Assurance has been conducted at a moderate level of scrutiny. .

SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria: GRI Standards 2021 (Reference)

ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research, interviews with relevant employees (which located at No.88 Yangle Road Shanyang Town Jinshan District, Shanghai; documentation and record review.

LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

The data related to carbon emissions in the report which accounted by a third party or self-accounting without third-party verified, these data were only sampled verified during this assurance process.

The assurance scope only covered Shanghai Ailu Package office. The data for assurance of report information was from the above scope.

The assurance process only involved interviews with the heads of relevant departments and certain employees and consultation with relevant documents did not involve external stakeholders.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in multiple countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from Shanghai Ailu Package, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with CSR Lead Assuror, SAI Registered SA8000 auditor, CCAA Registered ISO 9001 auditor, ISO 14001 auditor, ISO 45001 auditor and ISO 14064 auditor.

FINDINGS AND CONCLUSIONS

ASSURANCE/VERIFICATION OPINION

Based on the above methodology and the validation conducted, the information and data contained in the Shanghai Ailu Packaging's ESG report of 2023 is accurate and reliable, and provides an unbiased and pertinent statement of Shanghai Ailu Packaging's sustainability activities for the year 2023. The assurance team is of the opinion that the report has referred GRI Standards 2021.

Principles

Accuracy

Shanghai Ailu Package's reporting process is objective and complete, which can disclose more information to stakeholders and reveal that the concept of social responsibility management is consistent with the expectations of stakeholders

Balance

Shanghai Ailu Package's actively discloses its own positive and negative performance based on the expectations of stakeholders, and gives stakeholders more objective performance of social responsibility performance.

Clarity

The Report was presented different ways with words, charts, graphics and pictures, also describe with actual cases as well to ensure the stakeholders understanding easily.

Comparability

The Report disclosed various relevant performance indicators of Shanghai Ailu Package in 2023, and this performances indicators disclose consecutive three year historical data, which allow stakeholders to visually compare and understand its ESG performance

Completeness

The Report included coverage of material aspects and boundaries, complete to reflect significant economic, environmental and social impacts and also remark and interpretation is marked in the report enable stakeholders to assess the organization's performance in the reporting period.

Sustainability context

Shanghai Ailu Package demonstrates its sustainability efforts from the economic, environmental and social perspectives, and puts these performances in the context.

Timeliness

The data and information of report are timely and valid for the reporting period.

Verifiability

The datas and informations can be traced and verified.

Management Approach

The report has clearly presented the management approach of identified material topics and evaluate the management approach effectiveness.

General Disclosures

The report has selected indicators in accordance with GRI 2: General Disclosure 2021.

Topic-Specific Disclosures

Topic-specific disclosures such as the importance of economic, environmental, and social impacts on the organisation and the substantive impact on stakeholder assessments and decisions can be described in detail

Finding and Recommendation

For the good practices found during this validation, the ESG report and its recommendations in the management process are described in the internal management report of the ESG report validation and submitted to the relevant management department of Shanghai Ailu Packaging for reference for continuous improvement.

Signed:



For and on behalf of SGS-CSTC

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