

2022 Environmental, Social and Governance (ESG) Report

Shanghai Ailu Package Co.,Ltd.



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About the Report



2021



2022

About the Report

The Report is the second 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 fully discloses the measures and performance of the Company to implement ESG concept and promote sustainable development of economy, environment and society.

Reporting Scope

The Report is an annual report, it takes Shanghai Ailu Package CO., Ltd. as the main body, covering the period from January 1, 2022, to December 31, 2022. In order to enhance the comparability and completeness of the Report, some contents and data may exceed the above period.

Publication

As an independent Environmental, Social and governance (ESG) report, the Report is released in English version and in electronic form.

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Reporting Standard

The Report is prepared mainly 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-CSR 4.0), 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 guarantees that the Report is free from false records, misleading representations, or material omissions, and the Company is responsible for the authenticity, accuracy and completeness of its 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



Looking back to 2022, in the face of uncertainties brought about by the global economic environment, Shanghai Ailu always takes "quality, innovation and customer demand orientation" as its core competitiveness, relies on stable supply strength and high quality products, adheres to the steady development strategy, insists on long-term investment, regards sustainability as the cornerstone of development, laying the foundation of both hard and soft strength to enter the global high-end packaging market, and takes a step forward in the creation of economic, social and environmental values.

Be smarter to improve the quality and efficiency of governance.

From the environment-friendly industrial paper packaging to the professional provider of food packaging, we insist on technological innovation and self-transcendence in each field of segments to build core competitiveness and drive performance growth, as well as continuously optimize the corporate governance mechanism, focus on compliance management and risk prevention and control, improve corporate operation in all aspects, in order to escort the Company's business to a new level. In 2022, the Company further improved corporate governance, and accelerated the construction of digital factory, promoting intelligent factory expansion, efficiency and quality, to achieve a win-win situation of economic benefits and social responsibility.

Be greener to protect the sustainable environment.

Be greener and protect the sustainable environment.

We uphold the concept of energy saving and consumption reduction, refuse excessive packaging, make full use of the environmental advantages of innovative materials, follow the trend of environmental protection and health, optimize environmental management, save resource use, promote energy saving and emission reduction, actively respond to climate change, facilitate green production and operation, promote green life, to create more possibilities for the earth and the environment, and let the responsibility continue indefinitely. In 2022, the Company launched the new environment-friendly recyclable cheese packaging materials, integrating the concept of sustainability into the whole life cycle of products to advocate green low-carbon recycling development.

Be better to build a harmonious society together.

We insist on sharing the fruits of development with all stakeholders, internally create a healthy and safe working environment, provide a broad platform for career growth, care for employees' lives and enhance their happiness; externally promote diversified cooperation, provide customers with high quality products and services, work together with the supply chain, strive to create a win-win ecology for the industry, participate in community construction, gathering love and contributing to people's well-being.

In the future, Shanghai Ailu will continue to accumulate energy, cooperate with the upstream and downstream of the industry chain to seek co-development, promote industrial upgrading with innovation, empower the development of the packaging industry, continuously improve the comprehensive strength, strive to achieve the strategic goal of "green, environmental protection and low-carbon" development, and continue to fulfill the commitments in integrity management, technological innovation, product services, safety production, environmental protection, employee rights and interests, community development, etc.

Shanghai Ailu Package CO., Ltd.

Chairman

1. Company Profile

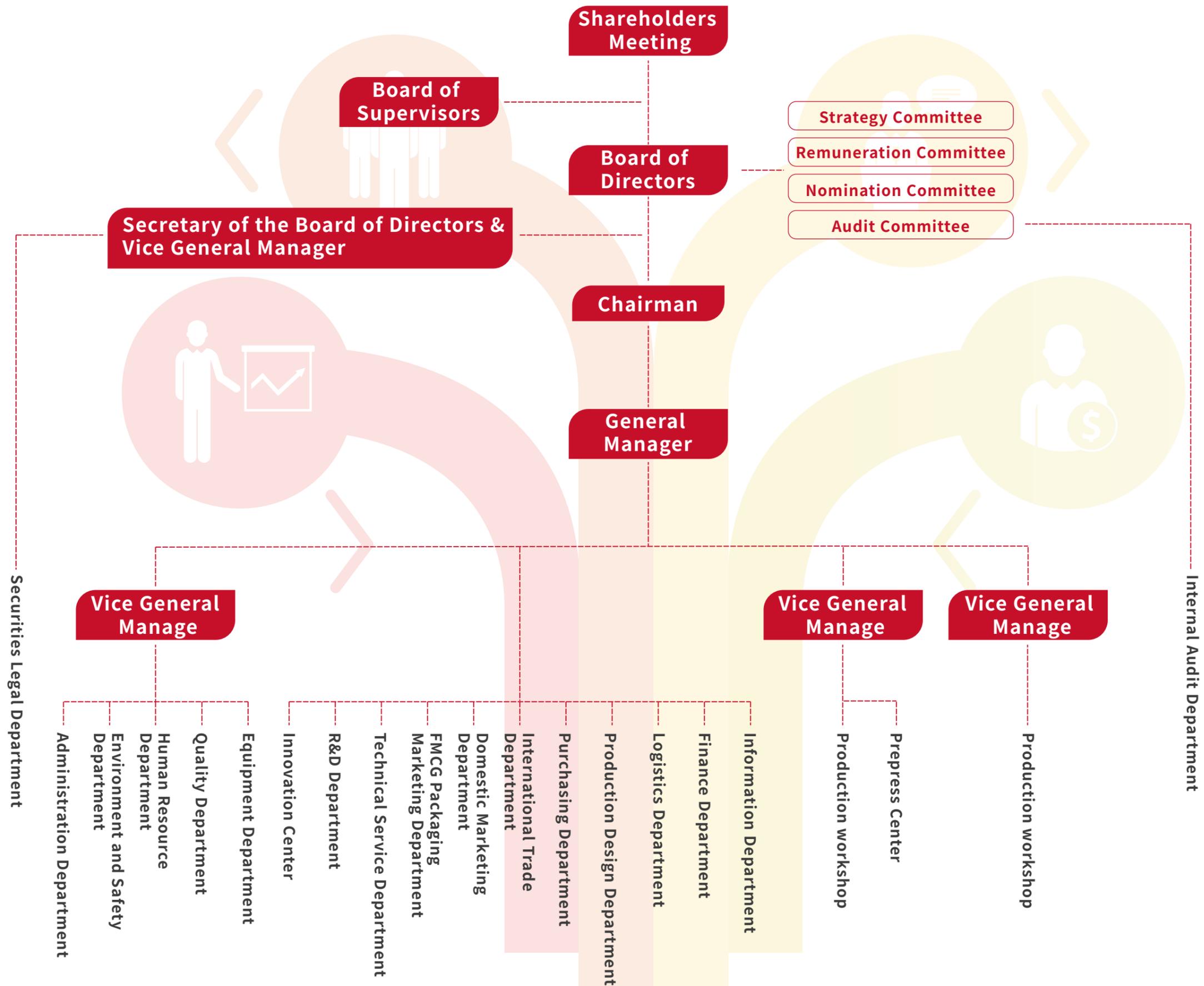
Shanghai Ailu Package CO., Ltd. was established in 2006 and listed on the Shenzhen Stock Exchange GEM on September 14, 2021 (Securities Code: 301062). As a leading domestic integrative packaging solution provider of industrial paper packaging, the Company is mainly engaged in research and development, 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, and formed the products structure mainly of valve bags, square bottom bags, pinch bottom bags, sewn open mouth bags, robot packaging and palletizing equipment. The Company has established 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, 2022, the parent company of Shanghai Ailu had a total of 735 employees and two highly automated intelligent production bases in Shanghai.

About Shanghai Ailu



2. Organizational Structure





3.1 Main Products

Focusing on integrated packaging solutions, Shanghai Ailu has laid out 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

Industrial bag packaging products are mainly used for packaging of industrial enterprises' powder and granular products, widely applied in food, chemical, building materials, medicine intermediates, additives and other industries. The industrial bag packaging of the Company is characterized by reasonable structure, barrier and freshness, high speed of filling, leakage and moisture-proof, environmental protection of materials and beautiful appearance based on the demand of different products, and adapts to the large-scale and intelligent production requirements of downstream customers. According to the form and process, the products of the Company are mainly divided into four categories: valve bags, square bottom bags, pinch bottom bags and sewn open mouth bags.

2 Industrial PE Packaging

The PE packaging of the Company is capable of developing customized products that meet the characteristics of consumer products such as dairy products and daily chemicals, mainly divided into composite plastic packaging for dairy products and plastic packaging products for daily chemicals, injection molding packaging and others. The composite PE packaging products of the Company are mainly used for content packaging of gelatinous dairy products with the characteristics of high plasticity, good barrier and strong preservation of taste and freshness. The Company develops innovative and creative products in the field of injection molding packaging such as "welding soft tube", two-component material preservation storage "second generation ampoule" and pump-press toothpaste tubes for daily chemical products, to achieve multiple purposes such as product containment, image shaping and marketing with downstream customers.

3 Intelligent Packaging System

The intelligent packaging system for powder and granular materials includes modules for valve bag robot automatic bag gripping, metering and filling, conveying and automatic inspection, automatic palletizing and automatic film sleeve, etc., widely applied in chemical, food, building materials, medicine and other industries where the output is powder and granular materials to achieve clean, high-precision filling and highly automated operation of the whole process. The intelligent packaging system is a significant part of the integrated packaging solution of the Company, complementing the industrial paper packaging and plastic packaging products to serve the diversified packaging needs of customers and form positive synergy between the products.

3. Business Layout



Building Materials Chemical Powder Dairy Products



Food Additives The Pharmaceutical Industry

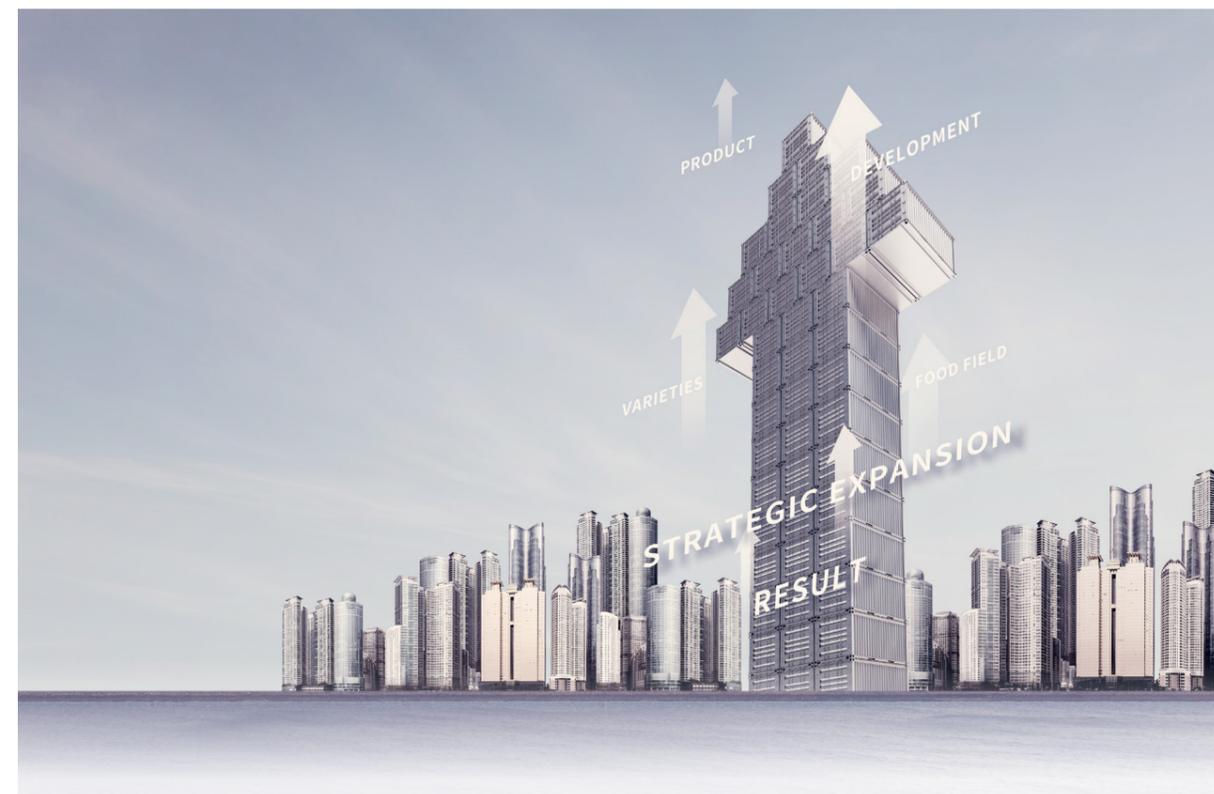
3.2 Brands

 上海艾录 SHANGHAI AILU	 INNOVATIVE SOLUTIONS DELIVER VALUE
Ailu Packaging	Ruipai Packaging
 IKKO LUXURIES	
Aikun New Material	Aichuang Technology
 Fbrand	 AILU GROUP
Aifu Design	

3.3 Market Layout

The downstream market 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. Through intelligent, flexible, and customized production ability, the Company provides packaging solutions for well-known industrial and consumer customers at home and abroad, and its market reputation and brand influence continue to grow, forming stable partnerships with leading companies in various fields.

After several years of rapid development, the main business of the Company has covered 30 provinces, municipalities directly under the Central Government and autonomous regions, at the same time, based on local and international markets, actively participating in the global market competition, as the packaging products provider of the global top 500 enterprises and numerous well-known enterprises at home and abroad, achieving sales coverage in Southeast Asia, South America, the European Union and several other regions. At present, the Company has served more than 700 customers.



Mission

4. Culture of Company

Continuously provide customers with competitive advantages and consumers with reliable packaging products.

Vision

Be the industry benchmark company, enhance the life quality with good products, and let Ailu's guarding everywhere.



Core Values

 **Integrity**

The promise should be done to the best of the ability.

 **Innovation**

Innovate continuously to give life and creativity to the Company.

 **Responsibility**

Make products more friendly to the environment and safer for human beings.

 **Gratitude**

Be grateful, show kindness and respect to others.

5. Social Influence

Shanghai Ailu is recognized as Shanghai Science and Technology Giant, Shanghai Certified Technology Center and Shanghai High-tech Enterprise in Shanghai. The brand "Ailu Packaging" was evaluated as the Shanghai Famous Trade Mark and the product kraft paper bags for food packaging was recognized as Shanghai Famous Brand Product.

In 2019 and 2020, the Company was rewarded with honor as one of the **"Shanghai Top 100 Private Manufacturing Enterprises"**, and from 2018 to 2022, the Company was ranked as one of the **"China Top 100 Printing and Packaging Enterprises"** for five consecutive years by Printing Manager magazine, an industry authoritative media. On January 21, 2022, the National Ministry of Industry and Information Technology issued the Notice on the Announcement of 2021 Annual Green Manufacturing List, and the Company was awarded the title of **National-level Green Factory**.



ESG Management

ESG Concept

Method:

Insist on sustainable development and promote the harmonious coexistence of humans and nature

Slogan:

Understand you at all times, pack with care

Vision:

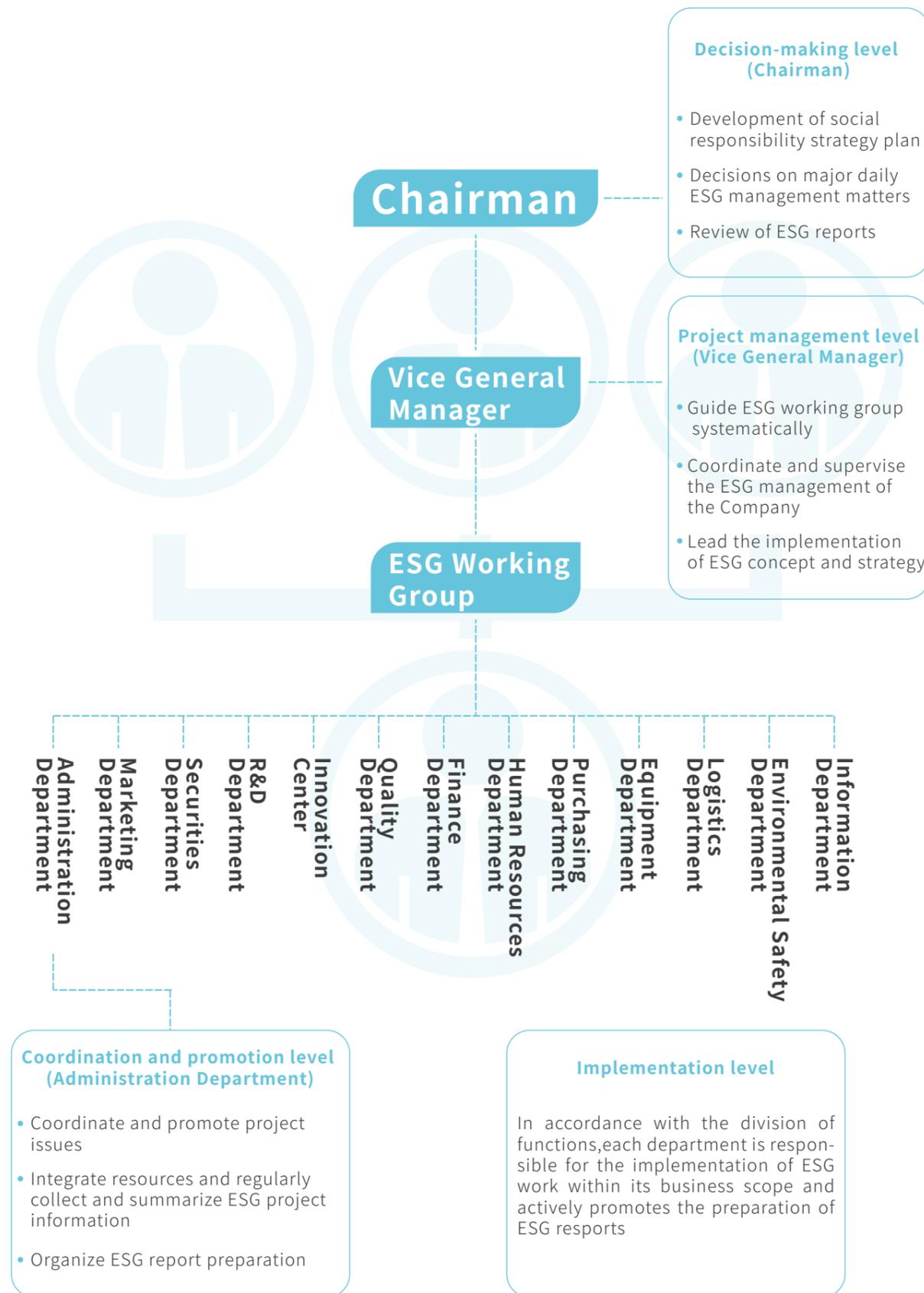
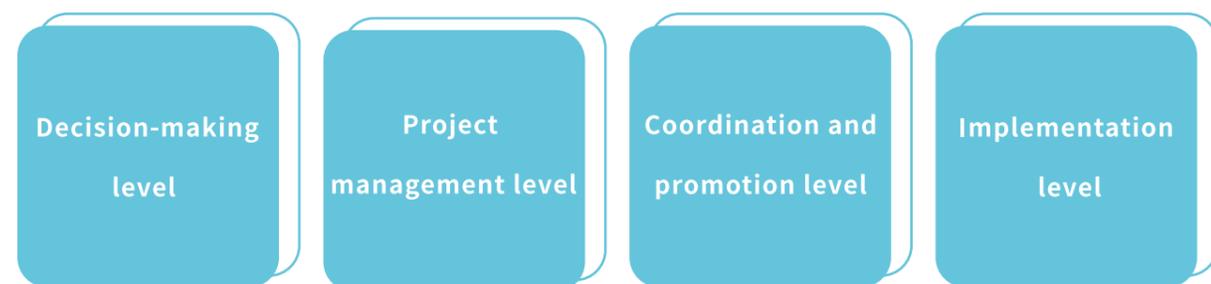
Make products more friendly to the environment and safer for human beings



2. ESG Organizational Structure

Shanghai Ailu always adheres to the ESG concept of "make products more friendly to the environment and safer for human beings", takes ESG management as the essential part of building enterprise core competitiveness, attaches great importance to the practice and effectiveness of economic responsibility, environmental responsibility and social responsibility, continuously explores and improves ESG management methods, and combines ESG management with the decision-making, operation and development of the Company to continuously create comprehensive value.

The Company has set up a four-level ESG organizational structure consisting of decision-making level - project management level - coordination and promotion level - implementation level, forming the practical closed loop from decisions, guidance, supervision, communication, implementation and reporting, to lay a solid foundation for effective management of non-financial risks such as environmental, social and corporate governance.



At Shanghai Ailu, the Chairman is directly involved in the development of corporate social responsibility strategies and decisions on major daily ESG management issues.

The Company set up a dedicated ESG working group with the Vice General Manager as the manager's representative to lead the working group, mainly responsible for coordinating and supervising the ESG management of the Company, leading the implementation of ESG concepts and strategies, to ensure that ESG issues are integrated into the process of fulfilling responsibilities at different levels.

The ESG Working Group is led by the Administration Department, mainly responsible for the co-ordination, coordination and promotion of specific issues, integration of internal resources, ESG report preparation and publication, as well as responsibility communication and dissemination.

The business departments fully participate in it, and are responsible for the specific communication, implementation, and execution of ESG-related issues within their business scope in accordance with their functional division of work, and jointly improve the Company's ability to fulfill its responsibilities in the areas of safety, environmental protection, business ethics, community relations, supply chain, product quality, labor relations, etc. Besides, they actively promote the preparation of ESG reports, collect ESG data and submit ESG report information as required, to achieve effective communication with diversified stakeholders.

3. Stakeholder Engagement

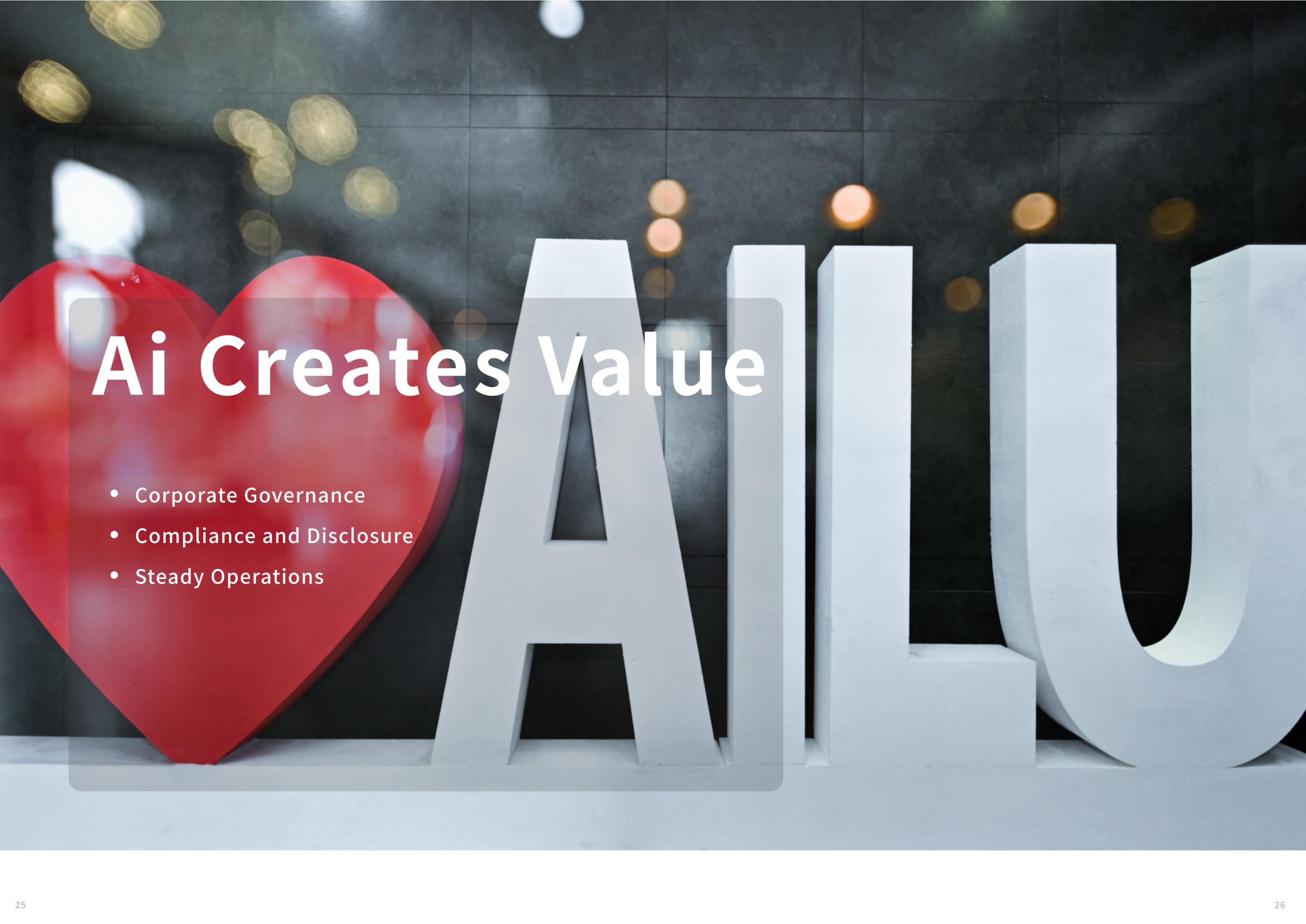
The Company attaches great importance to the daily communication with stakeholders, enhances contact with stakeholders through effective communication, understands in depth the opinions and suggestions from important stakeholders such as government and regulatory authorities, shareholders, employees, customers, partners/suppliers and communities, and strives to actively respond to the expectations and demands of stakeholders to jointly promote the sustainable development of all parties.

4. Material Topics Management

The Company takes the analysis of material issues as the basis for carrying out ESG management and disclosure, and commits to working together with stakeholders to build a sustainable industrial ecosystem to enhance social value. With a focus on the three major areas of environment, society and business and governance, the Company identifies and analyzes material issues based on its own development strategy, through industry benchmarking and analysis of regulatory requirements, combined with relevant domestic and international standards and stakeholder research, as well as the key disclosure items in the ESG report.

In 2022, the Company reviewed the Materiality Matrix for Material Issues based on stakeholder communications and management analysis, with no significant changes as a result.

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 Participation in the preparation of Green Packaging Evaluation Guidelines Compilation of Super High Barrier Food Contact Composite Sheet Participation in the preparation of the national standard of Quality Guidelines for Multilayer Coextruded Film and Bags for Food Packaging
Shareholders	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
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 Creates Value

- Corporate Governance
- Compliance and Disclosure
- Steady Operations

1. Corporate Governance

The Company highly valued the standardized operation of the company and established the governance structure of "Shareholders Meeting, the Board of Directors, the Board of Supervisors, and the Management Team" with clear authority and responsibility. The Shareholders Meeting, the Board of Directors, the Board of Supervisors, and the General Manager's Office performed their respective duties, carefully exercised their rights, and complemented each other to make decisions, implement, and supervise the Company's business activities, strategic planning, investments, etc., so as to continuously strengthen the corporate governance and jointly promote the healthy and sustainable development of the Company. The Shareholders Meeting is the authority of the Company. The Company strictly followed 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 call and hold the Shareholders Meeting in accordance with the law, fully respecting, safeguarding and protecting the legal rights and interests of all shareholders.

The Company scientifically and reasonably selected and appointed directors to ensure independence and diversity. The Company scientifically and reasonably selected and appointed directors to ensure independence and diversity. The Board of Directors consisted of 9 directors, including 6 non-independent directors and 3 independent directors, with 4 female directors, accounting for 44.44%. Details of the structure of the Board of Directors of the Company are as follows:

Name	Title	Gender	Age	Education	Years of service in Shanghai Ailu
Ankang Chen	Chairman, General Manager	Male	59	College	17
Xueqi Chen	Secretary of the Board of Directors, Director, Vice General Manager	Female	33	Bachelor	9
Qin Zhang	Vice General Manager	Female	44	Master	17
Shu Chen	Director	Male	57	Master	12
Zhiqi Wang	Director	Male	45	Master	8
Chunyan Lu	Director	Female	46	Bachelor	17
Lihui Yu	Independent Director	Female	58	Master	3
Qinyuan Yin	Independent Director	Male	48	PhD	3
Jie Chen	Independent Director	Male	37	Bachelor	3

Four dedicated committees, namely the Strategy Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Nomination Committee, were established under the Board of Directors of the Company to perform their duties in the consideration of daily matters, major business decisions, formulation of company rules and regulations, internal and external audit communication, etc. in accordance with the relevant regulations to form effective decisions. The Board of Supervisors of the Company has three supervisors to independently supervise the Company's daily matters, major business decisions and the legality and compliance of the Company's directors, managers and other senior management in performing their duties in accordance with the law.

One General Manager and four Vice General Managers were appointed at the management level, responsible for implementing the decisions of the Board of Directors, hosting the production, operation and daily management of the Company, and being responsible to the Board of Directors.

In 2022, the Company held one shareholders' meeting, one interim shareholders' meeting, seven board meetings, and seven supervisory meetings.

2. Compliance and Disclosure

The Company strictly followed the principle of fair information disclosure to disclose information truthfully, accurately, timely and completely 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. so as to help investors better understand the operation and management status of the Company and future development information, maximizing the Company's value and shareholders' interests. The Company interacted with investors through online phone calls, the Shenzhen Stock Exchange's "Interactive Platform" and offline investor receptions to disseminate the Company's business philosophy and values in accordance with the law and to showcase its development achievements in all aspects.

In 2022, the Company responded to 123 questions from investors through the Shenzhen Stock Exchange's "Interactive Ease", achieving a 100% response rate and 0% response timeout rate; issued 70 special announcements through the Shenzhen Stock Exchange's business platform; and greeted more than 30 institutions.

3. Steady Operations

3.1 Internal Control Compliance System

With strict reference to the guidelines of laws, regulations and regulatory documents, and in conjunction with the requirements of the documents of the Company's internal control system, the Company continuously strengthened the construction of its compliance management system, regularly combed through and strictly complied with all applicable laws, regulations and industry codes, incorporated the major aspects of the Company's operation and management into the scope of the evaluation of the compliance system and the high-risk areas of focus, and enhanced the compliance awareness of all employees. In 2022, the Company maintained effective internal control over financial and non-financial reporting in all material respects in accordance with the requirements of the Basic Standard for Enterprise Internal Control, the Guidelines for Evaluation of Enterprise Internal Control and other relevant laws and regulations, in conjunction with the Company's internal control system, based on routine and special supervision of internal control.

The Company prepared the Internal Audit Report for 2022 and the Self-Evaluation Report on Internal Control for 2022. After review, the Company established complete internal control in accordance with the Basic Standard for Enterprise Internal Control in 2022, basically covering each business process and each operational step in each department, formed an internal control system appropriate to the scale of operation, business scope and risk characteristics of the Company, and maintained effective internal control related to financial reporting in all material aspects (external investment, external guarantee, connected transactions, management of proceeds).



3.2 Risk Identification and Management

The Company established the complete internal risk monitoring system, implemented risk identification, assessment and management in accordance with the internal control environment, the Company's business and specific work processes, and adopted targeted risk response measures, as well as established information and communication mechanisms to ensure the timely transmission and communication resolution of existing or potential risk points to enhance the level of risk prevention and control and help the Company's sustainable and stable operation. The Company prevented corporate legal risks based on the documents formulated such as Contract Management System, Contract Signing Process Management System and Technical Confidentiality Process, and also enhanced the Company's risk control ability in the financial field based on a series of system documents such as Strategic Management System, Fund Raising Management System and Investment Management System.

Risk Category	Risk Analysis	Risk Prevention and Control
Strategy Risks	<ol style="list-style-type: none"> The development strategy is out of line with the company's reality, which may cause the company to over-expand or stagnate Lack of clear development strategy positioning may lead to blind development of the company, making it difficult to form competitive advantages The development strategy is frequently changed for subjective reasons, which may lead to waste of resources Inadequate implementation of strategic deployment, business direction deviates from the established development strategy, resulting in loss of development opportunities and momentum Lack of timely adjustment of strategy and lack of adaptability 	<ol style="list-style-type: none"> Set up the corresponding department responsible for strategic information collection, strategic planning and preparation The preparation and adjustment of strategic planning should be fully researched and considered by the board of directors, and reported to the strategy committee for the record Formulate the implementation plan of development strategy, specify the responsible departments and the completion time of each planning target, and formulate the annual operation plan Regularly conduct statistical analysis of the business situation and prepare analysis reports on economic activities Evaluate the implementation of the development strategy every year and make necessary adjustments according to the external economic environment and the actual internal production and operation situation
Funding Risk	<ol style="list-style-type: none"> Failure to formulate the Company's fund raising strategy in accordance with the development strategy, resulting in fund raising that does not meet or deviate from the Company's business development objectives Fund raising activities are not properly justified and approved or exceeded the authorized approval, which may lead to losses due to material errors, fraud, or fraud 	<ol style="list-style-type: none"> Scientifically determine the strategic objectives and planning of fundraising, and evaluate the strategic and economic aspects of fundraising programs Strengthen the centralized management of fundraising activities, clarify the responsibility and authority of each link of fundraising and the requirement of separation of positions

	<ol style="list-style-type: none"> Inadequate control of the fund-raising process, resulting in investment risks or economic losses Failure to meet the requirements of relevant national laws and regulations or relevant regulatory agencies for fund-raising activities, which may result in external penalties, economic loss and reputation loss Failure to identify potential risks in fundraising activities in a timely manner, which may result in subsequent fund-raising losses 	<ol style="list-style-type: none"> Strengthen the management of dedicated accounts for fundraising funds and dedicate them to specific purposes Legal documents such as contracts and agreements signed in the process of fund raising and reviewed by legal affairs Regular or irregular inspection and evaluation of fundraising activities and implementation of accountability system to avoid inefficient operation of funds
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<p>Investment Risk</p>	<ol style="list-style-type: none"> Failure to formulate the company's investment strategy according to the development strategy, resulting in investment failing to meet or deviating from the company's business development objectives Lack of feasibility study for project investment and improper decision making, which may lead to difficulties in achieving expected benefits or project failure Investment behavior violates national laws and regulations, which may lead to external punishment, economic loss and reputation loss Investment business without proper approval or beyond authorized approval, which may lead to losses due to major errors, fraud, and fraud Lack of strict custody and accounting records of investment assets, which may lead to losses due to failure to safeguard investment security and investment income, or cause discrepancies in the accounts and distortion of financial statements 	<ol style="list-style-type: none"> Strategic and economic evaluation of investment proposals to assess whether they are in line with the company's strategy Conduct adequate research and demonstration before investing in the project, analyze the feasibility and risk tolerance of the project investment and prepare project investment proposal and feasibility study report Investment behavior should be legal and compliant, comply with national laws and regulations; sign an investment contract with the investee, specifying the time, amount, method of capital contribution and the rights and obligations of both parties as well as the terms of liability for breach of contract Clearly approve the standard division of responsibilities, scope of authority and authorized approval procedures Establish a strict asset custody system, clear custodial responsibilities, establish a sound bookkeeping system, strict bookkeeping records, detailed and dynamic reflection and control of investment assets
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<p>Contracts Risks</p>	<ol style="list-style-type: none"> No contract, unauthorized contracting, failure to meet the requirements of the subject qualification of the other party to the contract, significant omissions and fraud in the content of the contract Contracts do not undergo strict and effective approval, and contracts are signed beyond authority Contracts are not fully performed or improperly monitored, which may lead to the failure of litigation and damage to the economic interests of the company Contract disputes are not handled properly, which may damage the company's interests, reputation and image 	<ol style="list-style-type: none"> Important matters in the negotiation process and the main opinions of the participants should be recorded and properly kept; the contract should be reviewed by legal affairs to avoid legal risks arising from unfavorable terms Contracts should undergo strict and effective approval to avoid major errors, fraud and other damages to the company's interests Contract performance should be tracked and managed; contract changes and modifications should be reviewed in accordance with approval authority The company shall improve the contract management assessment and responsibility investigation system, and hold the relevant institutions or personnel responsible for any illegal or irregular behavior in the process of contract formation and performance
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3.3 Business Ethics and Anti-corruption

In order to prevent bribery in business activities and stop the export of benefits, the Company established the Prevention of Commercial Bribery System, clearly delineated the anti-bribery responsibilities of each department, supervised and managed the daily behavior of the employees, clarified the boundaries of behavior, and at the same time, through the effective reporting system, followed the principles of confidentiality and protection of the whistleblower's legitimate rights and interests from infringement, clarified the reporting investigation and processing process, and comprehensively regulated corporate business ethics. The Company signed anti-corruption agreements with the management, with 50% signed.

The Company required all suppliers to sign the Commitment to Prevent Commercial Bribery, with 100% of suppliers signed, and designated the Human Resources Department Head to conduct investigation and supervision of commercial bribery and related behaviors. When signing contracts with partners, the Company clearly stipulated anti-commercial bribery related contents in the contract terms and required the signing of the Integrity Agreement to ensure mutual compliance by both partners.

3.4 Protection of Intellectual Property

The Company respected intellectual property protection, strictly complied with the requirements of the Trademark Law, Patent Law, Anti-Unfair Competition Law and other laws and regulations, and established a complete intellectual property protection process in intellectual property development, authorization, use, confidentiality, transfer, cooperation and other activities, including the establishment of intellectual property strategies and policies, improvement of the intellectual property management system, intellectual property policy promotion and training, daily protection application, inspection and filing, regular maintenance and update, promotion of intellectual property use and transfer, infringement maintenance, etc., to protect all relevant parties from intellectual property infringement, and passed the intellectual property standards certification.



Confirmation Certificate of Intellectual Property Management System for 2022

3.5 Promotion of Fair Competition

The Company insisted on fair competition, complied with the Anti-Unfair Competition Law, the Anti-Monopoly Law and other relevant laws and regulations, contributing to the creation of a healthy competition pattern in the industry. At the same time, it actively initiated and participated in the writing and formulation of industry standards, group standards and corporate standards, such as the industry standard of Composite Material for Food Contact, the group standard of Single Polyolefin Packaging Material, and the corporate standard of Kraft Paper Bag for Food Packaging, to regulate the product quality standards of the packaging industry and promote the development and progress of the industry.

The Company set product prices and signed sales contracts or orders in the process of product pricing by various means such as business negotiations and bidding, and ultimately by consensus with customers, in order to promote fairness in the development of the industry, without malicious bidding or monopolistic competition.

In 2022, the Company did not involve in any illegal, lawsuit-related or infringement cases due to unfair competition and monopoly matters.

Ai Continues Nature

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

1. Comprehensive Environmental Management

The Company reflected the concept of green, intelligent and sustainable development in the product life cycle, and established the environment management system according to the laws and regulations such as **the Environmental Protection Law of the People's Republic of China**, including environmental factor identification and review, environmental operation management control, solid waste management, environmental behavior monitoring and control, etc., and formulated the Environmental Protection Management System, the Three Waste Management System, the Hazardous Waste Environmental Pollution Prevention and Control Responsibility System and other internal policy documents. From basic supervision, on-site facilities management, pollutant management, environmental monitoring management, environmental protection file management, etc., the Company stipulated the responsibilities of each department in detail according to the classification of environmental factors and responsibility zoning and has passed ISO 14001 Environment Management System Certification.



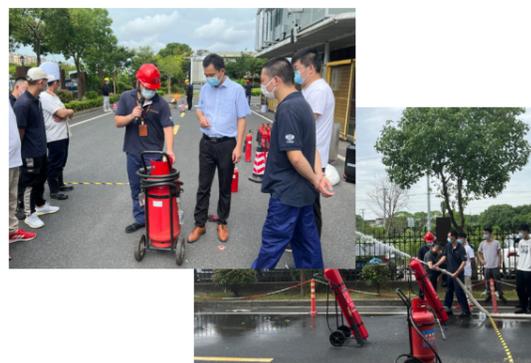
ISO 14001 Environment Management System Certificate

In 2022, the Company's total investment in environmental protection was

5,032,000 RMB.

The Company prepared the Emergency Plan for Environmental Emergencies, standardized the emergency rescue actions for various types of environmental emergencies, systematically analyzed environmental risks and possible environmental emergencies, implemented targeted environmental risk prevention and control measures, established an internal warning mechanism, configured corresponding emergency resources, set up professional emergency rescue teams, clarified the response process and disposal measures for leaks, fire and explosion, air pollution, water pollution and other incidents to comprehensively improve the Company's

ability to prevent environmental risks and respond to environmental incidents, so as to avoid and reduce the damage and harm caused by environmental emergencies. In addition, the Company regularly organized environmental emergency drills and provided systematic environmental emergency training for emergency commanders and employees.



2. Resource Use

2.1 Water Resource Management

As the basic natural resource and strategic economic resource, water is closely related to the development of society. With the goal of building a water-saving company, the Company consistently established a series of management systems and carried out various water-saving rectification activities aimed at striving to improve the unit's water-saving efficiency.

System Guarantee: Based on the actual water consumption situation within the Company, formulate the Water Consumption Management System and arrange for the Administration Department to supervise and implement it, so as to ensure the proper operation and implementation of water consumption and water conservation management from the system.

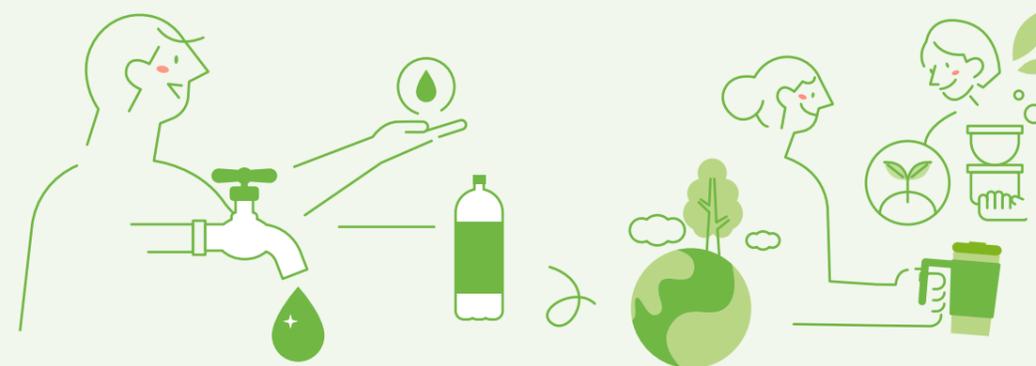
Water Balance Test: Regularly carry out water balance technical tests and analyze the current situation of water consumption, water source structure, water discharge and consumption, etc., so as to provide a basis for water conservation planning and efficient water conservation management.

Project Promotion: Implement RO wastewater utilization and bathroom deactivation projects and put in rainwater utilization projects to achieve water saving effect. After data analysis, the water saving of RO wastewater utilization project reaches 2m³/d, and the water saving of bathroom deactivation project reaches 20m³/d. 达20 m³/d。

Dedicated Management: Dedicated Management: Set up dedicated positions for water use and water conservation management, and regularly conduct dynamic analysis of rationalized water use based on the water use situation of the Company.

Regular Inspection: Arrange regular inspections of the water supply network and water facilities in the Company, and repair any running, bubbling, seepage or leakage in time.

Publicity and Education: Regularly carry out publicity and education activities such as water conservation theme education activities, special training and lectures, and post water conservation signs at major water-using places to remind the employees to save water at all times.



In 2022, the Company conducted activities to create a "Water-saving Company", set up a working group, regularly reported on the recent water-saving management, checked the Company's water meters, water supply network and valves in all aspects through self-examination and rectification, clarified the responsibilities of water-saving departments, implemented dynamic management of water-using equipment, integrating water-saving into the Company's daily energy-saving management, established and improved water-using system data collection and filing, and timely supplemented the new pipe network system for rectification, renovation and expansion. In 2022, the total water consumption of the Company was 152,852 tons, and the water consumption per ten thousand RMB revenue was 1.36 tons/ 10,000 RMB.

2.2 Energy Use and Saving

Energy is the important material basis of human civilization and a strategic issue in economic development. The Company seriously implemented the national strategic policy of giving equal importance to the development and conservation of energy, rationally utilized energy and reduced energy consumption, and formulated the Energy Management System, which covered the daily management of electricity and vehicle gasoline use, etc., and clarified the work functions and requirements of energy management in each department.

Electricity Saving: Establish the Electricity Saving Management Regulations, enhance the management and maintenance of electricity-using equipment, and designate personnel to implement off-point inspection and confirmation of electrical appliances and lighting for holiday breaks. Use low-energy air-conditioning systems, and strictly regulate the use conditions and temperature settings of air-conditioners in summer and winter to reduce equipment electricity consumption. Fully use LED energy-saving lamps throughout the Company and apply efficient energy-saving lighting products to reduce power consumption



Fuel Saving: Require recording the amount of gasoline, amount of money and kilometers driven each time, turn off the engine when stopping, and also make appropriate arrangements for the use of the vehicles in the factory, carpool out reasonably according to the outgoing route to reduce the use of gasoline.



Efficient Energy Use: Invest in solar energy utilization devices and establish solar photovoltaic power generation systems, with an average annual power generation capacity of 3.25 million kWh. Adopt waste heat recovery system, apply ground energy and heat recovery technology, collect surplus heat from equipment operation for use in floor heating and air conditioning system, to achieve the energy-saving effect with the help of technical force.



In 2022, the Company's gasoline consumption was 19.21 tons, diesel consumption was 49.14 tons, natural gas consumption was 335.61 tons, LPG consumption was 14.45 tons and purchased electricity consumption was 25.705 million kWh. The Company's total energy consumption was 0.84 ten thousand tons of standard coal equivalent, and the comprehensive energy consumption per ten thousand RMB revenue was 0.075 ton of standard coal equivalent/ten thousand RMB.

Renewable Energy

Data in 2022

Photovoltaic power

Average annual power generation capacity of 3.25 million kWh

Total electricity consumption

25.705 million kWh

The proportion of green electricity

11.22%

Non-renewable Energy

Data in 2022

Liquefied Natural Gas (LNG)

335.61tons

Diesel

49.14tons

Gasoline

19.21tons

Liquefied Petroleum Gas (LPG)

14.45tons



2.3 Raw Material Management

The Company insisted that the green and low-carbon road starts from raw materials, preferentially selected green raw and auxiliary materials, and continuously increased the proportion of environmentally friendly raw materials procurement.

- 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.
- Self-develop non-stop reel change device, with double-station non-stop material change.
- Through accurate spot color data formulation and scientific ink distribution system management, effectively improve the recycling rate of ink and reduce the emission of waste ink disposal.



Number	Category	Procurement in 2021 (tons)	Procurement in 2022 (tons)
1	Paper	51887.49	42106.55
2	Water-based inks	489.2	358.93
3	Solvent-free glue	126.09	80.82
4	Starch glue	683.7	551.78
5	Total purchase	53186.48	43098.08
6	Total consumption of materials	64040.54	59430.03
7	Percentage	83.05%	72.52%

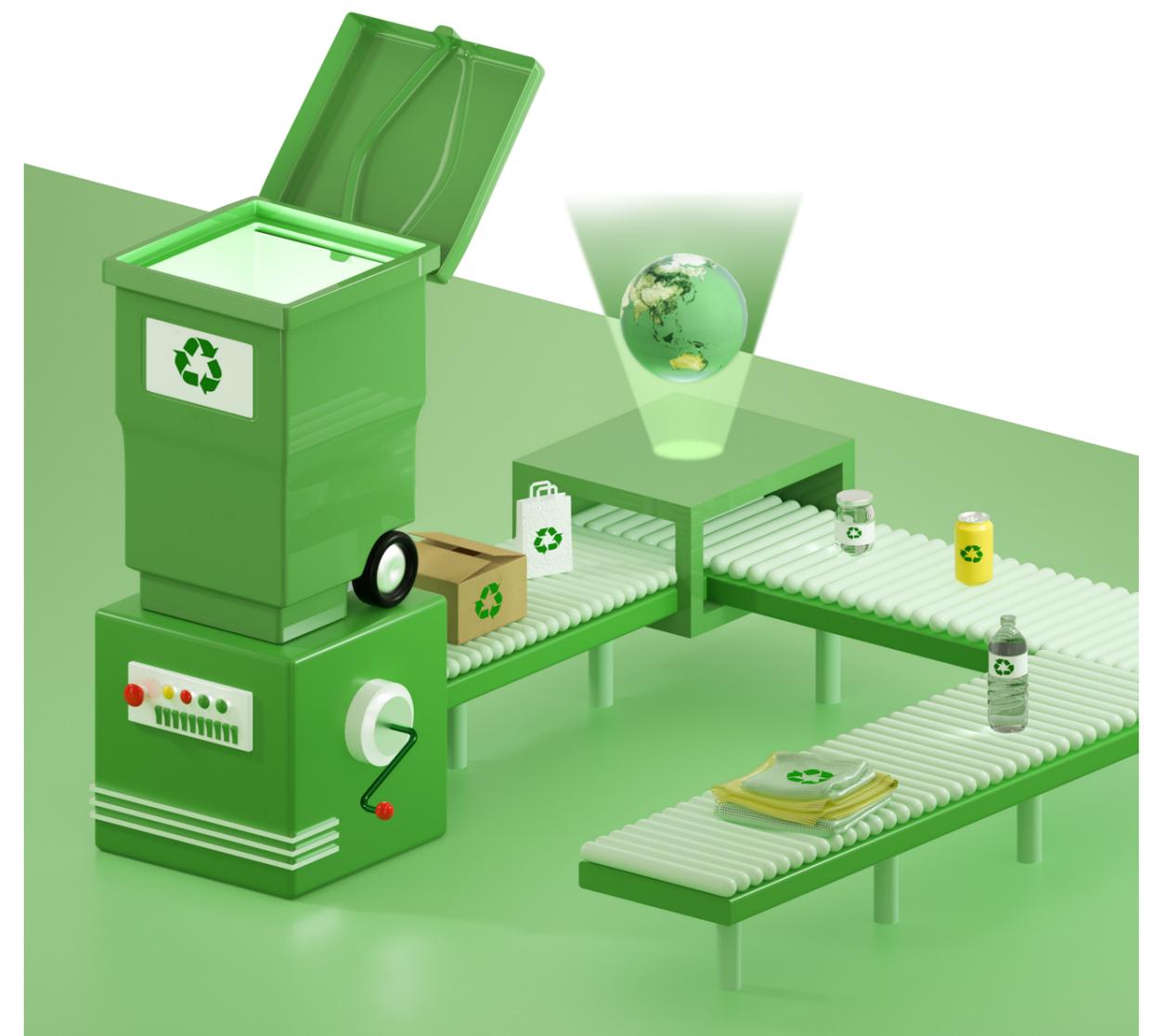
In 2022, the Company's total consumption of raw materials was 59430.03 tons, and environmental protection raw materials accounted for about 72.52% of total purchase.

2.4 Packaging Material Management

The Company promoted the green management of packaging materials, sold and disposed of waste packaging materials, commissioned recycling companies to recycle packaging materials to achieve recycling and sustainability of packaging materials.

- Collect scrap iron for reuse in a uniform manner.
- Crush, granulate and pack PE/plastic products for reuse
- Collect waste paper for baling, send to paper mill for crushing, make pulp and then make paper for reuse.

In 2022, the Company's total consumption of packaging materials was 50205.65 tons, the amount of packaging materials consumption per ten thousand RMB revenue was 0.447 ton/10,000 RMB.



3. Emissions Management

3.1 Exhaust Gas Emission Management

The Company strictly complied with the national laws and regulations and the requirements of environmental protection departments to reduce the impact of exhaust gas on the environment and ensure that the exhaust gas is discharged in accordance with the standards. The exhaust gas of the Company is mainly generated from the production process, the water treatment process of the sewage station and the oil smoke of the canteen.

- Mechanism Guarantee:** Establish and improve the Three Waste Management System, clarify the Environment and Safety Department as the comprehensive management agency for wastewater, waste gas and solid waste pollution prevention and control, and require the regular commissioning of third-party testing of waste gas generated from production workshops and issuance of emission reports to meet the standards.
- Strict Requirements:** Set emission standards for the management of volatile organic compounds (VOCs) waste gases stricter than national standards and air pollutant emission standards for the printing industry, from 50mg/ m³ to 30mg/ m³.
- Process Improvement:** Constantly update the waste gas treatment facilities, including low-temperature plasma purification facilities and equipment, photocatalytic oxidation treatment, activated carbon adsorption equipment, rotary + RTO combustion treatment, etc., to further improve the efficiency of waste gas purification. In accordance with the self-inspection requirements of the discharge permit, commission the third-party qualified inspection unit to inspect the required discharge every year, and the third-party inspection values are lower than 30mg/m³ under normal operation (the implementation standard value: 50mg/m³). In addition, install online monitoring equipment at the discharge, network with the Ecological Environment Bureau.
- Basic Management:** Install the exhaust system inside the workshop, treat the exhaust gas generated from the workshop by the exhaust gas treatment facilities, purify the fumes from the canteen by the fume purifier, and discharge to the atmosphere after reaching the standard.
- Equipment Inspection:** Arrange the Equipment Department to be responsible for the normal operation of the exhaust gas treatment facilities and the achievement of the standard emission, and also implement daily spot checks and records for the exhaust gas treatment facilities in time.
- Monitoring and Supervision:** Monitor the purification efficiency of the exhaust gas disposal device, regularly replace activated carbon to maintain the purification ability and purification capacity of the exhaust gas disposal device, and regularly conduct environmental monitoring of the exhaust gas discharge port.

In 2022, the volatile organic compounds (VOCs) emission of the Company was 1.962 tons, an increase of 42% compared with 2021, mainly due to the commissioning of new projects; nitrogen oxides (NOx) emission was 0.95043 tons; total reduced sulfur (TRS) emission was 0.03144 tons; sulfur oxides (SOx) emission was 0.001319 tons, a decrease of 22% compared to 2021; suspended particulate matter emissions of 0.01772 tons, a decrease of 25% compared to 2021, mainly due to the reduction in the use of fuel vehicles and the use of gasoline.

3.2 Greenhouse Gas Emission

The Company actively engaged in greenhouse gas emission inventory and control, fully understood its carbon emission situation and evaluated its emission reduction potential, formulated the Greenhouse Gas Inventory Control Procedures in accordance with the standard of ISO 14064-1, established a greenhouse gas inventory team to handle greenhouse gas inventory and other related matters, clarified the division of responsibilities among team members and departments, standardized the greenhouse gas management inventory process, required annual inventory of greenhouse gas emissions for the previous year, the preparation of greenhouse gas inventory report and certification by a third party at a reasonable assurance level. Meanwhile, the Company saved energy and resources through effective management, to contribute to the mitigation of global warming trends and maintain the sustainable development of global ecological environment.

According to the inventory, the greenhouse gas emissions of the Company in 2022 covered seven greenhouse gases, including carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFC_s), perfluorocarbons (PFC_s), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).

Emission Scope	Category	Emission Source	Facility
Scope 1 Direct Emission	Stationary combustion	LNG combustion	RTO stove
		LPG combustion	Canteen stoves
	Process emissions	Organic waste gas combustion - carbon dioxide	RTO stove
		Organic Exhaust Combustion - methane	RTO stove
	Mobile combustion	Diesel combustion	Diesel forklift
Gasoline combustion		Gasoline truck	
Refrigerant filling (R134a)		Sludge drying equipment	
Fugitive emissions	Carbon dioxide fugitive	Carbon dioxide fire extinguisher	
	Heptafluoropropane fugitive	Heptafluoropropane fire extinguishment system	
		CH4 fugitive	Anaerobic tank
Scope 2 Indirect Emission of Input Energy	Purchased electricity	Purchased electricity	Electrical equipment

In 2022, the total GHG emission of the Company was 15,193.37 tCO₂e, including direct emissions of 4,397.25 tCO₂e, indirect emissions of input energy of 10,796.12 tCO₂e, direct GHG removal of 0 tCO₂e, and GHG emissions per ten thousand RMB revenue 0.135tCO₂e/10,000 RMB.



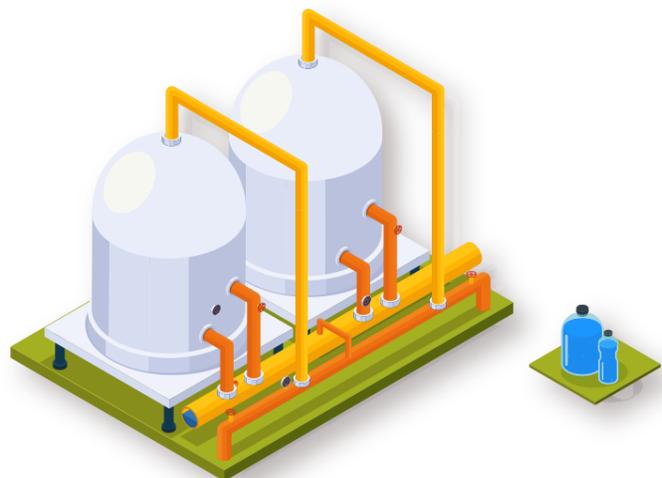
3.3 Wastewater Discharge Management

The Company enhanced the wastewater treatment capacity, arranged for the wastewater treatment station to be responsible for the standardized treatment and standardized discharge of wastewater of the whole factory, formulated the operating procedures for wastewater treatment, gathered the wastewater generated in the production process into the collection pond and then into the wastewater treatment station for treatment, not to be dumped at will, to achieve zero discharge of harmful wastewater. For new projects, the Company implemented clearing and sewage diversion and wastewater classification; for built projects, the sewage and rainwater pipeline networks were renovated as required. In addition, the Company also conducted regular monitoring of wastewater, incorporated wastewater indicators such as ammonia nitrogen and suspended solids into the quarterly monitoring indicators, and commissioned testing organizations with monitoring qualifications to monitor each wastewater discharge port of the Company on a quarterly basis.

The Company clearly stipulated that the water quality after treatment by the facilities shall meet the national or local discharge standards before discharge or recycling, and also raised the discharge standard of chemical oxygen demand (COD) from 500mg/L to 300mg/L to strictly manage the wastewater discharge. The Company commissioned the third-party testing unit to inspect the drainage water four times a year in accordance with the discharge permit requirements, and the inspection values were all below 300mg/L.

The Company continuously improved the wastewater treatment process, upgraded the wastewater treatment station equipment, and set up the white glue wastewater treatment station and the ink wastewater treatment station. The ink cleaning wastewater and white glue wastewater was respectively treated in the sewage treatment stations, and then discharged combined with domestic sewage. The Company also implemented RO wastewater utilization project to collect wastewater for cleaning water of product turnover transportation liner.

In 2022, the Company's total production wastewater discharge was 24,897 tons.



3.4 Solid-waste Management

The Company followed the principles of reduction, resourcefulness and harmless treatment, complied with the national and local regulations issued for environmental protection, formulated the Industrial Solid Waste Management System, the Hazardous Waste Environmental Pollution Prevention and Control Responsibility System and other systems, handed over harmless waste to third parties for recycling, formulated management plans and emergency plans every year, and implemented unified supervision and management of hazardous waste pollution prevention and control.

Waste Category	Processing
● General industrial solid waste: raw material edges	● Integrated use
● General industrial solid waste: waste starch glue	● Hand over to third-party companies for regular cleaning and transportation
● Hazardous waste (including raw material drums, waste ink, oily waste wipes, sludge, waste activated carbon)	● Appoint qualified units to handle, temporary storage in the hazardous waste storage area
● Domestic waste	● Commission sanitation departments to unified transport treatment, among which kitchen waste, grease trap waste grease to a third party for reasonable disposal

The non-hazardous wastes of the Company were recyclable and were handed over to qualified third-party collection units for recycling after being packed in the factory. The Company strictly complied with the Hazardous Waste Storage Pollution Control Standard (GB 18597-2001), which stipulates the collection, storage, transfer, utilization and disposal of hazardous waste, requiring the hazardous solid waste generated in the production process to be stored in designated locations, with corresponding hazardous waste labels posted, stating the name, number, hazard, date and quantity, and not to be discarded or misappropriated at will. Meanwhile, the Company kept records according to the type, quantity, destination and disposal of hazardous wastes, classified them according to their characteristics, and commissioned qualified units to dispose of hazardous wastes such as waste activated carbon, dewatered sludge and waste ink drums, so as to deal with hazardous wastes in a timely and effective manner. The hazardous waste storage warehouse of the Company was established with rain-proof, leak-proof and fly-proof facilities, equipped with fire-fighting and other emergency safety precautionary facilities, and posted with eye-catching hazardous waste warning signs.

In 2022, 100% of the Company's solid waste was disposed of, the total amount of hazardous waste disposed of was 182.385 tons, the amount of hazardous waste disposal per ten thousand RMB revenue was 0.00162 ton per ten thousand RMB. The total amount of non-hazardous waste disposed of was 7,674.239 tons, of which the amount of recyclable non-hazardous waste was 6,925.579 tons, the amount of non-hazardous waste disposal per ten thousand RMB revenue was 0.0617 ton per ten thousand RMB, the recycling rate of non-hazardous waste reached 90.24%. In 2022, the Company's wastes were treated by qualified third-party companies for compliant disposal, with no waste leakage incidents and no water and soil pollution.

4. Response to Climate Change

In response to climate change, a common global challenge, the Company actively took measures to mitigate and adapt to climate change, developed the sustainable development strategy with the theme of "Green - Environmental Protection", committed to reducing the impact of its own operations on the environment, and started from the reduction of pollutant emissions, the conservation and recycling of raw and auxiliary materials, the optimization of process technology, the improvement of equipment energy efficiency, the green ecological design of products, etc., to promote a more responsible way of operation and achieve green low-carbon development.

- Insist on starting from the source, promote and use responsible raw materials, adopt 100% all wood pulp biodegradable kraft paper, environmentally friendly and biodegradable starch adhesive, use environmentally friendly water-soluble ink and solvent-free adhesive, reduce the emission of harmful substances, and install non-stop reel change devices to achieve raw material reduction.
- Build waste heat recovery system, apply ground energy and heat recovery technology, collect surplus heat from equipment operation for use in floor heating and air conditioning system, to achieve energy saving and emission reduction through technical means.
- Adopt clean and renewable energy, input solar energy utilization devices, build rooftop distributed power generation projects, carport and logistics platform distributed power generation projects, and use the electricity generated by photovoltaic power stations as supplementary electricity for the Company to continuously improve the utilization rate of clean energy.

Ailu Commitment:

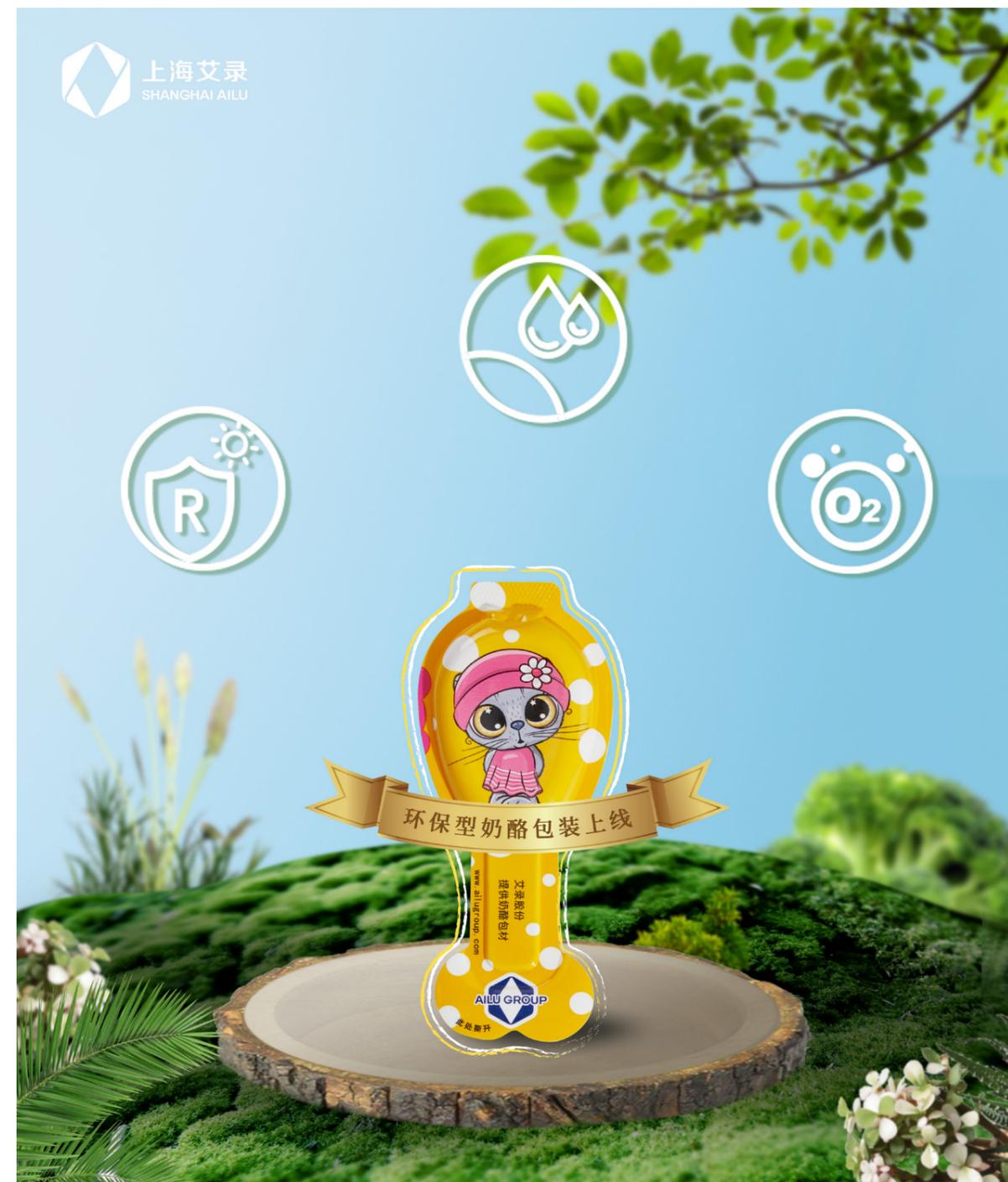
Through the adoption of new technology, new materials and new design, all packaging products will be environmentally friendly by **2025** and fundamentally recyclable or reusable, contributing to the goal of reaching the carbon peak by **2030**.



5. Green Operation

5.1 Green Packaging Products

The Company incorporated green and sustainable genes into every stage of product innovation and production, developing "biodegradable all-paper valve pockets" and "recyclable cheese packaging". The Company launched the new eco-friendly cheese packaging material, using single-material packaging that is easily recyclable and more eco-friendly than multi-layer composite plastic designs with different material combinations. The new eco-friendly cheese packaging material is made of the single material of more than 90% to 95%, with the high barrier (light, water and oxygen barrier) and other functions, no difference with ordinary materials in performance, appearance and touch, but the weight is about 8% less. The material satisfies the growing demand for recyclable packaging from society and consumers and incorporates environmentally sustainable concepts into more and more households through the product.



Through the light weighting of materials, the Company used less packaging to produce its products, ensuring consistent quality and effectively reducing its impact on climate change with environmentally friendly cheese packaging materials.

5.2 Green Logistics

The Company optimized logistics transportation process, improved transportation routes and tools, selected reasonable transportation methods, reduced the impact of transportation on the environment such as noise and air pollution, and scientifically reduced carbon emissions. Increase the usage rate of national V and VI vehicles of third-party logistics, advocate new energy vehicles of logistics

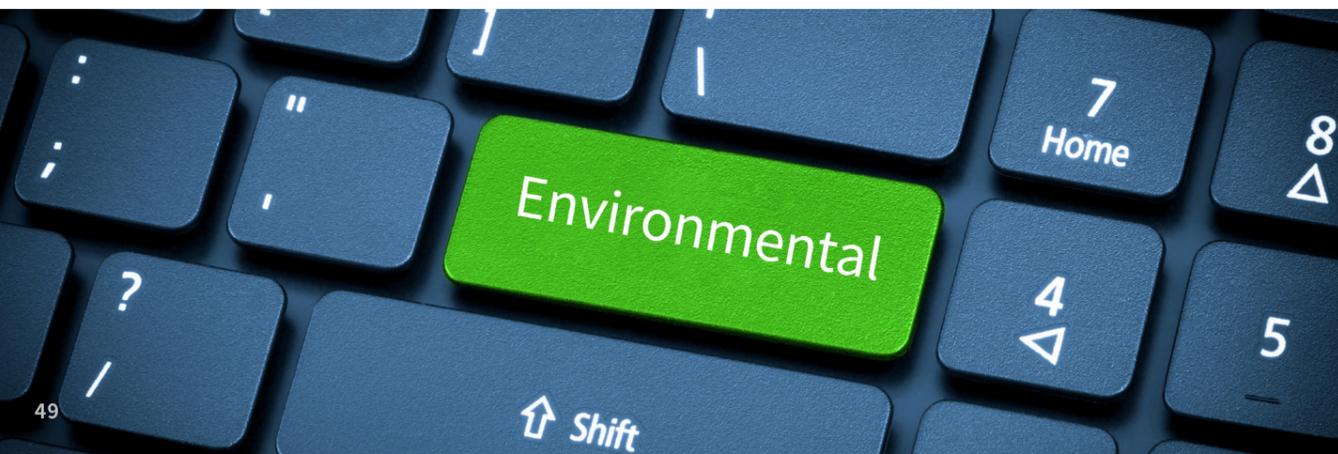


companies for shipping, reduce pollutant emissions during transportation; optimize logistics routes, reduce turnover, improve transportation efficiency and reduce environmental pollution; recycle part of the pallets, improve the recycling and reuse of packaging waste and reduce resource consumption.

5.3 Green Office

The Company applied the concept of environmental protection to the daily office, established saving rules, and continuously improved the awareness of energy saving, emission reduction and green development among employees, so as to guard the green home hand in hand with employees.

- **Paper Saving:** Promote double-sided printing, reduce the use of color printers, avoid wasting resources, promote paperless office, and use office system or e-mail to deliver documents.
- **Electricity Saving:** Promote the concept of electricity saving, post energy-saving signs, use natural light as much as possible in offices, conference rooms and other places, and advocate turning off the power by hand to prevent standby power consumption.
- **Water Saving:** Develop the awareness of water saving, advocate turning off the tap after use, and avoid "long running water".
- **Waste Reducing:** Develop the Office Supplies Management System, set strict requirements for the use of office supplies that some office supplies to be exchanged for new ones, reduce waste, and implement garbage classification and disposal.



5.4 Environmental Protection Promotion

The Company strengthened the publicity and education of low-carbon concept, encouraged employees to participate in green travel, integrated environmental protection education into the three-level safety education and training for new employees, and joined hands with employees to contribute to low-carbon green life.



In 2022, the Company launched the low-carbon travel initiative and held the "Energy Saving and Consumption Reduction Month" activity in the Company, calling on employees to protect the environment and jointly guard the green mountains by rewarding them with punch cards and other forms.





Ai Enjoys Harmony

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

1. Products and Services

1.1 Product R&D Innovation

Science and technology innovation is the inexhaustible power of the development of enterprises. The Company always insisted on the development strategy of "strengthen the company with science and technology", attached importance to product innovation and technology research and development, regarded the Innovation Center as the core technology department, focusing on the research and development of new packaging materials in various industries and forms, adapted to the trend of diversified consumption, drove technological innovation, product innovation and process innovation through system and management innovation, established the 2022 R&D Project Plan, developing new technologies, new materials and new products through various ways such as independent R&D, cooperative development, commissioned development and technology introduction to continuously improve the technological level and market competitiveness of products.

(1) Core Technology Development

The Company built intelligent manufacturing bases, with 3 production segments of industrial paper packaging, plastic packaging and intelligent packaging system, equipped with domestic and foreign advanced equipment for cast blown film, extrusion sheet, printing, bag making, tube making and laminating, etc. It was equipped with complete scientific research facilities, high level technical center, dustproof and anti-static test room, pilot workshop, pilot test equipment and complete sets of testing equipment. The Company paid attention to the cultivation of talents, continuously



increased investment in R&D, built a high-quality R&D team and R&D laboratory, forming the culture of encouraging innovation, to drive the continuous development and growth of the Company with innovation.

The Company had strong innovation and scientific research achievements in heat sealing, forming and leakage prevention of paper bags, development and forming of food-grade plastic packaging materials, and development of intelligent filling systems, and was one of the few companies in China that could provide the integrated solutions for industrial paper



packaging from design, production to automated filling for powder and granule product type customers, providing high quality products for various industries such as building materials industry, chemical industry, food industry, dairy products industry, food additives industry and pharmaceutical industry.

By December 31, 2022, the Company had 68 patents authorized and still valid, including 17 invention patents and 51 practical new-type patents and design patents. In 2022, the Company invested 39,678,300 RMB in R&D, accounting for 3.54% of operating revenue, with 4 new patent applications and 3 new patents authorized.

(2) Digital Transformation and Upgrading

The Company achieved data transparency, visualization and immediacy on the basis of advanced automatic terminal equipment and system software platform, and through customized production information system and equipment IOT transformation, systematic coverage of the whole scene and business, promoting informatization, digitalization and processing, gradually forming flexible configuration of industrial chain and supply chain, further promoting intelligent factory to expand capacity, increase efficiency and improve quality, and realizing the transformation from "traditional manufacturing" to "green intelligent manufacturing".

ERP System



Integrated ERP for group business and finance, covering technology R&D, sales, work orders, material planning, procurement, outsourcing, production, inventory, financial management, etc.

MES System



Apply MES system in all workshops, covering production scheduling, dispatching, material calling, ESOP, work reporting, data collection, labeling, traceability and other production management processes.

WMS System



Integrated management of vertical warehouse, flat warehouse and line warehouse, covering all warehouse logistics operations, incorporating PDA terminal operation and visualization of warehouse logistics management.

BI System



Business intelligence analysis system to realize real-time, transparent and visualized operation data, and drive business operation decision through data.



Visualization of Production Data



Refinement of Inventory Management



Automation of Quality Control Monitoring

In order to achieve efficient production with less manpower and partial unmanned, the Company introduced production equipment from the international leading fully automated assembly line in the production line. In terms of warehousing and logistics, the Company laid out intelligent warehouses to achieve intelligent warehousing and delivery without human intervention, and used full-scene AGV handling in the workshop to create the efficient and collaborative digital factory.



1.2 Product Quality and Safety

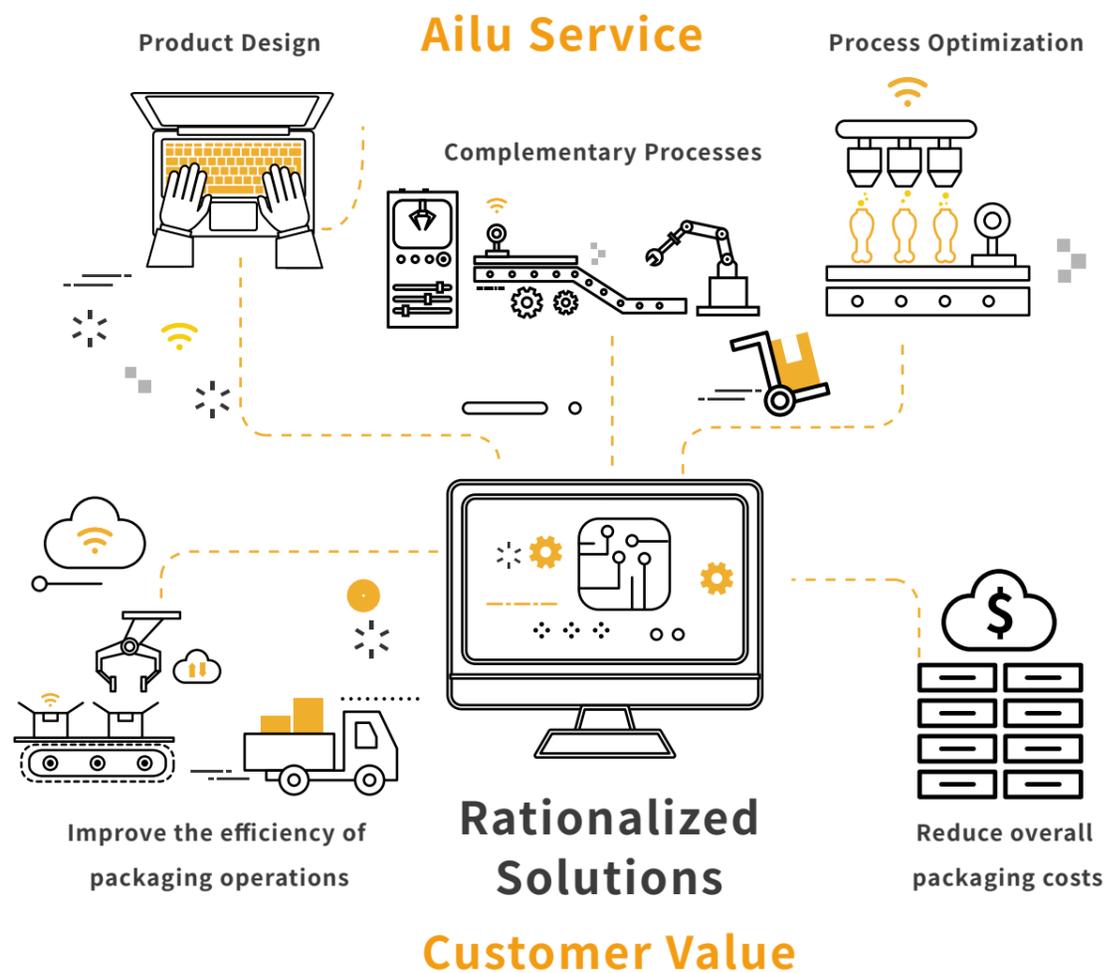
Quality is the cornerstone of the product's basis and the foundation of the enterprise's survival and development. The Company always insisted on quality as the root, strengthened quality management, carried out the whole process quality control of products from production to sales, successively passed ISO 9001:2015, ISO 22000:2018, BRCGS, HACCP, HALAL and other international management system certification in the field of quality and food safety, obtained the relevant qualifications to enter the international market, and regularly checked and updated the systems and standards. In 2022, the product qualification rate of the Company reached 99.98%.

- **Product Production Front-end:** Develop the Incoming Material Inspection Operation Standards and the Unqualified Raw Material Handling Process, monitor and measure the raw materials, and take corresponding measures in case of unqualified raw materials to prevent them from flowing into the production process.
- **Product Production Process:** Develop the Production Safety and Health Control Procedures to ensure the safety and health performance of storage materials, ensure the safety and normal operation of equipment and the safety and health of production personnel, and ensure the environmental health of production workshops; develop the Hazard Analysis Control Procedures prepare the Hazard Analysis Worksheet, analyze biological, chemical and physical hazards in processing steps, and implement technical transformation of significant hazard factors and establish effective control measures; develop the Product Monitoring and Measurement Control Procedures to monitor and measure semi-finished and finished products; develop the Unqualified Product Control Procedures to curb the processing of unqualified products found by monitoring and ensure that unqualified products are not put into use, not transferred to processing and not shipped.
- **Quality Control Back-end:** Develop system documents such as the Product Identification and Traceability Procedure, Notification and Recall Control Procedure and Improvement Control Procedure, establish a complete product identification system to ensure the traceability of each product; when problem products are found in self-inspection and customer feedback, after-sales service personnel review customer opinions, initially determine the nature of the quality problem, analyze and find the cause together with relevant departments if necessary, and the responsible departments propose root causes and corresponding improvement measures, and QA of the Quality Department verifies the causes and confirms the improvement measures. Each responsible department is required to fill in and reply relevant information within 24 hours within the system process to ensure effective flow of online complaint process, and if necessary, recall the product, take control measures, and establish health and safety complaint files. Meanwhile, the Company conducts a product recall simulation drill once a year to evaluate and verify the effectiveness of the recall procedure; investigates and analyzes the existence or potential unqualified matters, and conducts continuous improvement and tracking verification.



1.3 Customer Service

The Company committed to making the most suitable packaging for customers' products, understanding the needs of customers, and was determined to provide customers with innovative packaging solutions for products based on the future. The Company established complete customer service and communication mechanisms, focused on customer demand fit, actively responded to customer complaints and continuously improved customer satisfaction, to provide customers with high quality service protection and create value.



(1) After Sales Service System

In order to ensure timely and smooth customer communication and timely feedback of customer opinions, the Company established the Customer Opinion and Complaint Handling Procedures to listen to customers' opinions on the Company's work, product usage and quality information, provide timely feedback to relevant departments on complaints received related to product quality or technical problems, form complaint quality reports, analyze the causes and propose corrective measures, and issue formal After-Sales Service Reports. In addition, the Company conducted annual satisfaction sample survey on customers and communicated the opinion items to relevant departments for improvement. In 2022, the Company's complaint resolution rate was 100% and customer satisfaction rate was 96.89%.

(2) Customer Information Protection

The Company established the Confidentiality Management System to clarify the scope of confidential information and the confidentiality responsibilities of each department of the Company and signed the Confidentiality Agreement with relevant personnel to ensure that the information and privacy of customers and suppliers would not be damaged and leaked, so as to guarantee information security.

(3) Responsible Promotion

The Company focused on the popularization of technical knowledge of products and processes through regular customer training, providing product and service knowledge dissemination and popularization, including but not limited to process introduction, technology demonstration, product features, advantage comparison, health effects, energy efficiency, and safe use, maintenance, storage and disposal of products and packaging.

To convey product safety information, the Company provided chemical safety technical instructions for products to warn of chemical risks and ensure the safety of customer use as well.



2. Sustainable Supply Chain

2.1 Responsible Procurement

The Company strictly observed the laws and regulations such as the Bidding and Tendering Law and the Implementing Regulations of the Bidding and Tendering Law, prepared the document of Supplier Evaluation Control Procedures for assessing and approving the supply capability of suppliers, and selected high quality suppliers whose products and services meet the requirements with responsible procurement as the starting point.

The Company clarified the responsibilities of supplier assessment, with the General Manager as the overall person in charge of procurement, determining the principles of material procurement, responsible for approving the purchase price and supplier supply ratio, and making decisions on major issues in the procurement process, with the Manager's Representative responsible for reviewing and approving qualified suppliers, and the Purchasing Department, Quality Department and Technical Service Department jointly responsible for supplier screening, assessment and technical process evaluation.

- **New supplier assessment:** Through sample inspection, test samples and confirmation, verify the corresponding material technical indicators, fill out the Supplier Basic Information Questionnaire for basic information filing, conduct formal on-site audits and scoring by the relevant departments, and register in the qualified supplier list after passing the assessment and being confirmed by the management representative.
- **Current supplier review:** Based on the assessment level of suppliers and daily quality status, take comprehensive consideration of factors such as acceptance rate and defective rate of use in the process, develop annual audit plan for suppliers, and judge the qualification of suppliers through on-site audit and surprise audit.
- **Qualified supplier reassessment:** Define different assessment frequencies and methods according to product categories. Clear evaluation criteria, 75 points or more for qualified, 65 points -75 points for observation, need to find out the reasons for active improvement; 65 points below for unqualified, stop procurement and require rectification within a period of time, and cancel the qualification of its supply if the rectification is ineffective.

Supplier Reassessment Statistics Results for 2022

Number	Item	Total
1	75 points or more for qualified	121
2	65 points -75 points for observation	0
3	65 points below for unqualified	0

In addition, the Company signed the Clean Agreement with all suppliers to prevent supplier corruption and commercial bribery, resolutely prevent employees from soliciting and accepting bribes in product procurement, set up a channel for reporting complaints, and encouraged suppliers to report to the relevant leaders or supervisory departments of the Company to enhance the ability of suppliers to fulfill their responsibilities.



2.2 Collaborative Development

The Company signed the Environment, Health and Safety Agreement with its suppliers, requiring them to comply with national laws and regulations related to environment, health and safety and to ensure labor safety. Furthermore, the Company incorporated the dimensions of product quality, after-sales service, product safety and environmental protection control into the assessment and evaluation of suppliers, and conducted a number of qualification reviews on environmental safety, such as ISO 14001 environmental management system certification, MSDS chemical safety management, RoHS hazardous substance management and use, factory hygiene management, pollutant emission monitoring, personnel training, etc., to regulate the behavior of suppliers in environmental protection and safety management, and promoted the optimization and improvement of supplier management system to create sustainable supply chains.

In order to promote the co-development of the industry chain, the Company actively participated in industry exchanges to promote complementary advantages and win-win cooperation. In 2022, the Company attended the 25th China International Food Additives and Ingredients Conference (FIC2022) and the 24th China International Bakery Exhibition to showcase its highlight products and innovative technologies to empower the development of the industry.



3. Employee Responsibility

3.1 Employment Policy and Rights Protection

(1) Compliance Employment

The Company adhered to the people-oriented approach, strictly abided by the Labor Law, the Labor Contract Law and other relevant laws and regulations, established the internal management policy of Labor and Human Rights Management System, and comprehensively protected the legal rights and interests of employees in recruitment, promotion, working hours, remuneration and benefits, and rights maintenance.

The Company regulated employment management, opposed forced labor, and ensured sufficient rest time for employees; prevented the use of child labor, and strictly screened the age of recruited employees; registered underage workers aged 16-18 with the local labor department, and implemented in accordance with the Special Protection Provisions for Juveniles; and protected female employees during the three periods (pregnancy, maternity, and breastfeeding) in accordance with national laws and regulations.

As of December 31, 2022, the parent company of Shanghai Ailu had a total of 735 employees, with 100% labor contract signing rate and no child labor or forced labor.

(2) Diversity and Inclusion

The Company followed the fair and just employment policy, opposed any form of discrimination, and established the Management System of Prohibition of Discrimination, which stipulates no discrimination on the basis of race, nationality, origin, religion, age, gender, marital status, pregnancy, association tendency, etc. in various employment-related aspects such as recruitment, subsidy, training, promotion, termination of contract, retirement, etc., and took protective measures for special employees (female workers during the "five periods", disabled persons, etc.) according to relevant regulations to provide equal employment rights for employees and create equal workplace environment and diversified corporate atmosphere.

Employment Philosophy

Bring in professionals who are motivated and creative to achieve value sharing

- Innovation is the spark of progress. Think comprehensively about global challenges and changes, and strive to cooperate for them

- Promote the steady and sustained development, practice the learning down to earth and focus on the facts



- With highly collaborative teamwork spirit, gather outstanding talents with different backgrounds from different industries

- Convince people with virtue, credit first

(3) Remuneration and Benefits

The Company adhered to the principles of organizational management and established the complete compensation and benefit management system to further enhance the sense of belonging of the Company's employees, increasing their satisfaction and recognition of the Company.

- **Remuneration Mechanism:** Develop the Remuneration Management System, follow the principle of "distribution according to work", and adopt various incentive methods such as job salary, performance salary and seniority salary according to job duties, work performance, work ability and working years to provide competitive salary and rewards for employees.

- **Benefit System:** According to the Employee Benefit Management System, the Company provided several benefits, including statutory benefits, uniform benefits and special benefits, and paid social insurance for employees in accordance with the law, with 100% social insurance coverage in 2022. Besides, the Company also provided free working meals, paid annual leave, year-end bonuses, holiday gifts, etc. for employees, and set up the allowance system, including communication allowance, wedding gift, maternity gift, high temperature allowance and other kinds of special subsidies.

(4) Democratic Management

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

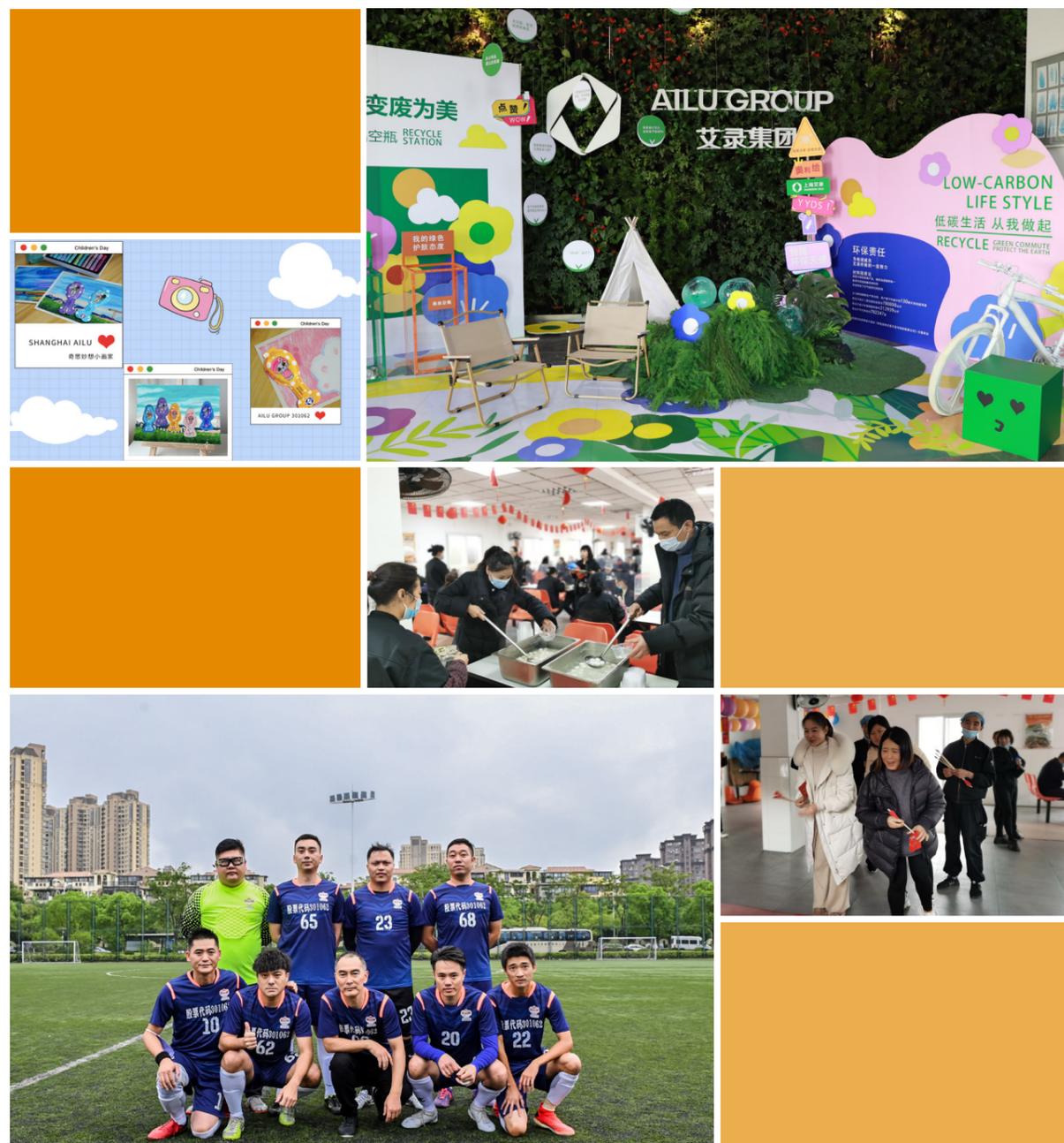
The Company established the Free Association Management Procedures to effectively safeguard the rights of each employee of the Company to freely associate, join trade unions and participate in collective bargaining in accordance with the law. Reports, suggestions, and opinions submitted by employees shall be responded to by the management agent in writing or in person within 10 days and made public in accordance with the opinion of the General Manager.

The Company established the Employee Grievance Management System to ensure that employees have access to functional departments and the Company's management, so as to identify and deal with hidden problems in a timely manner and promote harmonious labor relations. The Company formed the Grievance Handling Committee, which composed of the General Manager, Human Resources Manager, the manager of the complainant's department and the complainant, and the grievance matters were required to be investigated, evidenced, etc. and final concluded within 10 days.

In addition, the Company established the Regulations on Employee Suggestion Box Management System, installed employee suggestion boxes inside and outside the Company and added safety protection measures to obtain employees' suggestions and opinions on the Company's establishment of quality, environmental and occupational health and safety management systems. After classification, summary and analysis of the suggestions and opinions of the employees, the dedicated report would be formed and submitted to the management to ensure the appropriateness, adequacy and effectiveness of the management systems of the Company and to achieve the purpose of continuous improvement.

(5) Employee Care

In order to enrich employees' spare time, the Company widely held various entertainment activities, further training and set up reading areas, concerned about employees' physical and mental health, ensured the balance between work and life, and enhanced employees' happiness and satisfaction with attentive care. In 2022, the Company organized a variety of employee activities, including the fun and interactive games for the Lantern Festival, the special online activity "Wonderful Collage DIY" for Children's Day, and the annual soccer friendly match with long-term partners to create the relaxing and happy working atmosphere.



3.2 Occupational Health and Safety

The Company attached great importance to the safety and health of employees, adhering to the policy of "safety first, prevention primarily, comprehensive management", following the laws and regulations such as the Safety Production Law, the Fire Law, the Production Safety Accident Response Law, etc., compiled and issued the Production Workshop Site Emergency Disposal Plan, the Production Safety Accident Emergency Plan, the Dedicated Emergency Plan, the Occupational Disease Hazard Prevention and Control Responsibility System and other safety management systems. The Company was certified as the three-level company of production safety standardization, fully implemented the mechanism of production safety responsibility, strengthened occupational health and safety management, and built a solid foundation of safety. In 2022, the Company carried out activities related to Production Safety Month in June and Fire Safety Month in November, with the investment in production safety of 2,089,100 RMB.



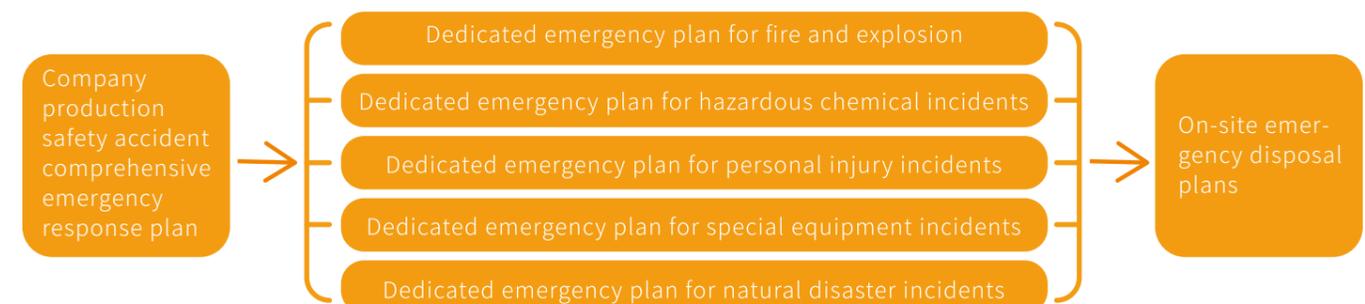
ISO 45001证书

(1) Hazard Source Monitoring and Prevention

The Company continuously strengthened the control of hazard sources, carried out hazard source identification and risk analysis, incorporated the safety risks of the relevant business into the control scope, conducted regular inspection and assessment, enhanced hidden danger investigation and treatment, and carried out the whole process control in terms of safety duties, target management, supervision and assessment, building the prevention mechanism for fire accidents, electric shock accidents, mechanical injury accidents, object strikes, fall from height accidents, scalding accidents and vehicle injury accidents, in order to prevent the occurrence of safety accidents.

(2) Safety and Emergency Management

The Company established the emergency organization system, formed the casualty rescue, alert and evacuation, site command, fire rescue and other groups to jointly carry out emergency rescue matters, prepared and released the Production Safety Accident Emergency Response Plan system, including a comprehensive plan, ten dedicated plans, a site disposal plan, which comprehensively included fire incidents, personal injury incidents, environmental emergencies, vehicle injury incidents and other types of safety emergencies in the emergency scenario. The plans were interlinked to improve the ability of the Company to cope with risks and prevent accidents. The emergency plan was revised every three years, and the revision of the plan was recorded and filed.



The Company regularly organized emergency plan training and drills, with an annual training cycle, at least one comprehensive emergency plan drill or special emergency plan drill each year, and at least one on-site disposal plan drill every six months. In 2022, the Company carried out emergency drills for sewage station leakage disposal and emergency drills for flood control at sewage stations to enhance the ability to deal with emergencies, improve the emergency management system, expand environmental and safety emergency publicity and education training, and at the same time evaluate the Company's emergency preparedness and timely modify the deficiencies in the implementation procedures of the emergency plan so as to ensure the appropriateness and operability of the emergency plan.



(3) Occupational Health Prevention and Control

The Company strictly implemented the Law on Prevention and Control of Occupational Diseases, the Regulations on Supervision and Management of Occupational Health in Workplaces and other laws and regulations, with the EHS Management Committee in overall charge of the management of occupational disease prevention and control, organizing the establishment of complete rules and regulations and operating procedures related to the prevention and control of occupational disease hazards, strengthening the management of the Company's prevention and control of occupational disease hazards, improving the level of prevention and control of occupational disease hazards, and effectively protecting the health and safety of employees in the work process.

From various aspects such as occupational health testing, occupational disease hazard prevention, publicity and education, the Company established a series of systems such as the Occupational Hazard Monitoring and Evaluation Management System, the Occupational Disease Hazard Accident Disposal and Reporting System, the Occupational Disease Protective Equipment Management System, the



Occupational Health Publicity and Education Training System, etc., to provide employees with necessary labor protection equipment, focused on safety education and training, and provided employees with trainings on occupational health laws and regulations, knowledge, operating procedures, the correct use and maintenance of occupational disease hazard prevention equipment and personal use of occupational disease hazard protective equipment, to help employees firmly establish safety concepts, improve employee safety awareness, and protect employee health and safety.



242 batches of safety education training in 2022, with a total of **2,969** people trained

A total of 366 employees in the Company were involved in occupational disease positions, and the results of the medical examination in 2022 showed 0 occupational diseases and 0 suspected occupational diseases.

- Three levels of safety education for new employees

- Departmental morning meeting for safety promotion

- Comprehensive training for all staff: safety training for all staff, fire safety month training, comprehensive evacuation drill for all staff, safety month knowledge competition, hidden danger investigation activities for all staff

- Special equipment education and training: special equipment forklift and crane dedicated training

- Dedicated training: hazardous chemical use dedicated training, Red Cross first aid training, occupational health dedicated training, radiation source dedicated training, firefighting dedicated drills and training, team safety operation procedures training

- Training for external construction personnel entering the factory



3.3 Development of Employees

(1) Promotion Mechanism

The Company valued the personal development of each employee, understood the desire for growth of employees and gave them respect. According to the Management System of Internal Transfer, Promotion and Demotion of Personnel, the Company supported employees to become excellent management talents and professionals through internal talent flow and performance assessment, providing them with space for career development and giving full play to their values.

Regular assessment and evaluation of employees were conducted by the Company, with job performance as the main basis and comprehensive reference to job-related knowledge and skills, qualifications and experience, adaptability, and potential. For employees who achieved performance expectations and met the assessment requirements, the salary and benefits were adjusted according to the positions or ranks applied by the employees.

(2) Training System

The Company established the Training Management System, set up a complete system of training programs to enhance employees' working ability and understanding of corporate culture, and organized trainings according to business needs in different levels and classifications, covering from company management to new employees, to fully explore employees' potential.

For new employees, the Company provided training contents such as job design and workflow, standard operation skills, project management process and intensive training for production line, technical line and marketing line according to the professional and technical categories of employees, in addition to the regular contents.



The Company adopted a combination of internal and external training for the whole staff, including practical contents such as professional and technical knowledge, sales skills, management methods, leadership skills, business philosophy, as well as further training of personal ability such as MBA and professional and technical certification. For employees who have upgraded their education or obtained national qualification certificates, the Company also offered subsidies for further study. "Ailu MOOC" online training system provided employees with abundant learning resources, covering product knowledge, production process, safety training, professional skills and other aspects, with multi-dimensional analysis function, following up the learning situation in time to help employees and the Company grow together.

In September 2022, the Company organized the Safety Production Training with 80 actual participants, 100% training coverage and 100% assessment pass rate. Knowledge of production safety for practitioners, safe production requirements for hazardous materials, and safety requirements for eight major operations was included in the training. It greatly improved the safety awareness of employees and cultivated them to master safety-related skills to prevent production safety accidents.



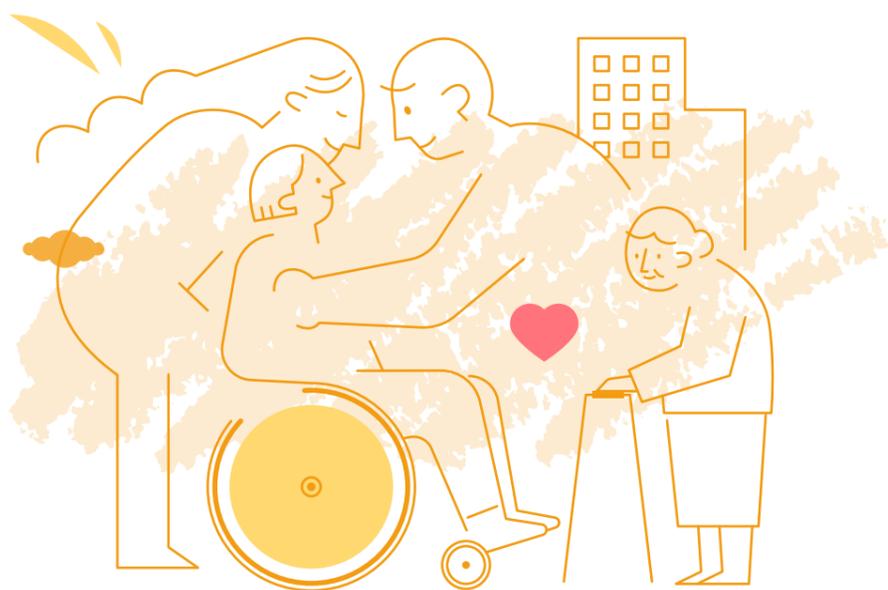
4. Community Development

4.1 Public Charity



At the same time of its own development, the Company never forgot to fulfill its corporate citizenship responsibilities, encouraged employees to participate in community construction, and enthusiastically participated in charity and volunteer activities to promote the harmonious development of society.

In 2022, the Company contributed back to the society with practical actions and the total amount of charity donations exceeded 275,000 RMB, organizing charity activities to provide heat protection supplies for workers in high temperature, caring for the elderly groups and donating nursing beds to homes for the elderly, and donating vegetables to health centers to promote public health.



Never Forget the People Past "Lu", Send Cool in the Summer

Shanghai Ailu started two stations of charity activities, in gratitude to the city guardians.

The first stop, "a bottle of water relay", was set up in front of the Company to provide free drinking water for workers in the heat.



The second stop was to provide "cool packs" for delivery workers.



Self-produced Brand Charity Campaign Short Film: Ai Charity | Hello, City Guardian

4.2 Epidemic Prevention and Control

During the epidemic, the Company strictly implemented the measures for epidemic prevention and control, performed closed-loop management and factory disinfection, etc. The employees were tested daily for body temperature and participated in nucleic acid screening, while important positions were tested daily for antigens. The Company provided effective support to achieve modular and refined management of epidemic prevention and control and safety production by adopting internal shift transfer and working from home of part of the staff.



In 2022, the Company invested **672,420.1** RMB in epidemic prevention and control.

The Company carried out grid-based management, setting up four zones of red, yellow, blue and green according to staff positions, and staggered staff commuting to and from work; divided parking areas according to different workshop departments and personnel of different color zones, and set up logistics transit areas to ensure that personnel do not come into contact with each shift; configured temporary dining points, and set up hand disinfection points in workshops and warehouses.

In the closed-loop management, the Company formulated 14 system programs including express delivery and receipt, logistics in and out, safety and security of employees stationed in the factory, and nucleic acid screening to protect the daily life and work of employees in all aspects. In order to further meet the needs of employees, the Company upgraded the food standard of employees, purchased sleeping bags, quilts and other materials, counted the needs of employees once a week to protect their clothing, food, housing and transportation, and carried out a number of cultural and sports activities during break time to enrich spare time and build a strong defense line together with employees.



In addition, the Company volunteered to undertake corporate responsibility and social responsibility by donating 300 sets of epidemic-proof clothing and 30,000 masks through relevant charitable foundations, and donating food supplies to the Shanyang Town Labor Union, Haiyun Neighborhood Committee, Shanyang Home for the Aged, Shanyang Police Station, etc.





Outlook

Work together and build dreams for the future. With the vision of "making products more friendly to the environment and safer for human beings", Shanghai Ailu always insists on practicing ESG concept, improving corporate governance, giving care to the earth with practical actions, coexisting with the green home, devoting to providing high quality products and services to customers, paying attention to the co-growth of employees and the Company, delivering love and warmth to the society, and joining hands with all parties to gather consensus and dedicate the strength to nurture a greater dream for the packaging industry.

Explore the new blueprint and set sail on a new journey. In 2023, Shanghai Ailu will expand the new intelligent digital factory, adding another important chapter to the development blueprint, and will actively promote the construction of subsidiaries, continue to expand the social influence of the brand, promote the development and growth of new segments of the low-carbon industry business, and upgrade the business model to achieve business structure improvement and optimization. The Company will also continue to make efforts in technology and product innovation, stand at the forefront of the world's packaging industry insight, through its own efforts to drive the overall development of the upstream and downstream supply chain ecology, explore a new path of sustainable high-speed growth in the packaging industry, take green and sustainable development as the important responsibility on the shoulders, and open a new journey with new materials, new models and new ecology.

Indicator	Unit	2021	2022	Indicator	Unit	2021	2022	Indicator	Unit	2021	2022
Governance				Social							
Total assets	billion RMB	16.67	18.95	Product qualification rate	%	99.98%	99.98%	Number of employees with high school education and below	person	523	502
Operating income	billion RMB	11.20	11.22	Annual R&D investment	ten thousand RMB	3,800	3,967.83	Number of employees under the age of 30	person	129	100
Total profit	billion RMB	1.65	1.18	Ratio of annual R&D investment to main operating revenue	%	3.39%	3.54%	Number of employees aged 30-50	person	521	538
Net income attributable to shareholders	billion RMB	1.45	1.06	Number of R&D personnel	person	75	80	Number of employees aged over 50r	person	94	97
Return on net assets	%	16.73	10.06	Annual process improvement and new product trial production projects	unit	15	18	Employee turnover rate	%	3.56%	2.22%
Gearing ratio	%	38.58	41.68	Number of patents applied	unit	5	4	Among them, male employee turnover rate	%	2.80%	1.78%
Total tax payment	ten thousand RMB	3,189.5	4,332.9	Number of patents granted	unit	5	3	female employee turnover rate	%	0.76%	0.44%
Environment				Total patents	unit	97	68	Turnover rate of employees under 30 years old	%	0.95%	0.69%
Total greenhouse gas emissions	tCO ₂ e	13,158.72	15,193.37	Annual acceptance of second-party audits	time	16	15	Turnover rate of employees aged 30-50	%	2.50%	1.37%
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	2,067.31	4,397.25	Annual acceptance of third-party audits	time	32	15	Turnover rate of employees aged over 50	%	0.11%	0.17%
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	11,091.42	10,796.12	Number of complaints	case	273	293	Duration of occupational safety and health training	hour	12,705.5	6107
Greenhouse gas removal	tCO ₂ e	0	0	Complaint resolution rate	%	100%	100%	Occupational safety and health training covered person-times	person-time	689	780
Greenhouse gas emissions per ten thousand RMB revenue	tCO ₂ e/ten thousand RMB	0.117	0.135	Customer satisfaction	%	96.20%	96.89%	Occupational safety and health training coverage	%	100%	100%
Total disposal of hazardous waste	tons	138	182	Number of suppliers	unit	345	339	Annual number of occupational diseases	case	1	0
Hazardous waste disposal per ten thousand RMB revenue	tons/ten thousand RMB	1.23x10 ⁻³	1.62x10 ⁻³	Among them, East China region	unit	298	293	Number of work-related deaths in each of the past three years (including the current year)	case	0	0
Total disposal of non-hazardous waste	tons	8,900.6	7,674.2	North China region	unit	9	7	Percentage of work-related deaths in each of the past three years (including the current year)	%	0%	0%
The amount of recyclable non-hazardous waste	tons	7,945	6,925.6	Northeast China region	unit	1	1	Working days lost due to injury	day	415	324
Non-hazardous waste disposal per ten thousand RMB revenue	tons/ten thousand RMB	7.95x10 ⁻²	6.17x10 ⁻²	Southeast China region	unit	18	21	Safety production input	ten thousand RMB	392.16	208.91
Non-hazardous waste recycling rate	%	89.26	90.24	Northwest China region	unit	1	1	Safety production accidents	case	54	4
Nitrogen oxide (NOx) emissions	tons	0.2875	0.95043	Southwest China region	unit	1	1	Total duration of employee training	hour	5,147.5	27,425.9
Sulfur oxide (SOx) emissions	tons	1.69x10 ⁻³	1.32x10 ⁻³	Central China region	unit	7	9	Average duration of training for male employees	hour	7.29	41.42
Volatile organic compounds (VOCs) emissions	tons	1.3759	1.962	Overseas	unit	10	6	Average duration of training for female employees	hour	6.05	27.63
Total reduced sulphur (TRS) emissions	tons	0.0180	0.0314	Proportion of women in management	%	32.56%	36.36%	Employees training covered person-times	person-time	1,352	2,947
Suspended particulate emissions	tons	0.0237	0.0177	Proportion of minority or other ethnic employees hired	%	1.88%	1.90%	Employee training coverage	%	99.56%	98.70%
Total energy consumption	ten thousand tons of standard coal equivalent	0.84	0.84	Proportion of disabled people employed	%	1.34%	1.36%	Among them, male employees training coverage	%	99.70%	98.50%
Gasoline consumption	tons	24.69	19.21	Labor contract signing rate	%	100%	100%	Female employees training coverage	%	99.55%	99%
Diesel consumption	tons	63.35	49.14	Social insurance coverage	%	100%	100%	Total public investment	RMB	241,000	275,505
Natural gas consumption	tons	341.82	335.61	Number of new jobs created	unit	150	27	Person-times of volunteers involved	person-time	0	7
Liquefied petroleum gas consumption	tons	13	14.45	Total number of employees	person	744	735	Employee volunteer hours	hour	0	490
Electricity consumption	ten thousand kWh	2,640.81	2,570.50	Among them, number of male employees	person	520	517	<h1>Appendix</h1> <h2>Annual Performance</h2>			
Comprehensive energy consumption per ten thousand RMB revenue	ton of standard coal equivalent/ten thousand RMB	0.075	0.075	Number of female employees	person	224	218				
Total water consumption	tons	112,248	152,852	Number of full-time employees	person	744	735				
Total water consumption per ten thousand RMB revenue	tons/ten thousand RMB	1.00	1.36	Number of part-time employees	person	0	0				
Total wastewater discharge	tons	24,320	24,897	Number of high-level employees	person	14	14				
Total raw material consumption	tons	64,040.54	59,430.03	Number of medium-level employee	person	29	30				
Environment-friendly raw material procurement ratio	%	84.20	72.52	Number of basic-level employees	person	701	691				
Total packaging material consumption	tons	46,409.68	50,205.65	Number of employees with master degrees and above	person	10	13				
Packaging material consumption per ten thousand RMB revenue	tons/ten thousand RMB	0.414	0.447	Number of employees with bachelor's degree	person	61	68				
Total investment in environmental protection	ten thousand RMB	1,136.8	503.2	Number of employees with college degrees	person	150	152				

Appendix

Annual Performance

Annual Awards



<p>Shanghai Brand Cultivation Demonstration Enterprises</p>	<p>2022 Shanghai Top 100 Growth Companies (No. 48)</p>
<p>Yangtze River Delta Regional Printing Industry Integration Development and Upgrading Key List</p>	<p>2022 Shanghai Top 100 Private Manufacturing Enterprises (No. 76)</p>
<p>ShanYang Town 2022 Outstanding Contribution Award</p>	<p>China Top 100 Printing and Packaging Enterprises</p>
<p>Influential Brand in Ready-Mixed Mortar Industry in 2022</p>	

No.	Awards	Awarded by
1	2022 Shanghai Brand Cultivation Demonstration Enterprises (2022-2025)	Shanghai Municipal Commission of Economy and Informatization
2	2022 Shanghai Top 100 Growth Companies (No. 48)	Shanghai Enterprise Federation, Shanghai Entrepreneur Association, Jiefang Daily
3	2022 Shanghai Top 100 Private Manufacturing Enterprises (No. 76)	Shanghai Enterprise Federation, Shanghai Entrepreneur Association, Jiefang Daily
4	Yangtze River Delta Regional Printing Industry Integration Development and Upgrading Key List	Shanghai Printing Innovation Center, Shanghai Press and Publication Bureau
5	2022 Demonstration Site Award for Trade Secret Protection	Shanghai Jinshan District Market Supervision Administration
6	ShanYang Town 2022 Outstanding Contribution Award	Shanyang Town People's Government
7	Influential Brand in Ready-Mixed Mortar Industry in 2022	China Building Materials Federation Ready-Mixed Mortar Branch
8	2022 China Top 100 Printing and Packaging Enterprises (No. 41)	Keyin Media



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CHAPTER	CASS-CSR4.0	GRI Standards	HKEx ESG指引
About the Report	P1.1/P1.2/P1.3	GRI 2-2/2-3/2-4	报告说明
Message from the Chairman	P2.1/P2.2/P3.2	—	董事会声明
About Shanghai Ailu	P4.1/P4.2/P4.3/P4.4/G1.1	GRI 2-1/2-6/2-7/2-9	—
ESG Management	G1.2/G2.1/G2.3/G3.1/G3.2/G3.3/G6.1/G6.2	GRI 2-14/2-1/2-29/3-1/3-2/3-3	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 Creates Value			
Corporate Governance	M1.1	GRI 2-11/2-12	—
Compliance and Disclosure	M1.4/M1.5	GRI 2-27	—
Steady Operations	S1.1/ M1.3/M1.8/ M3.3/ M3.5	GRI 205/206	B6.3; B7
Ai Continues Nature			
Comprehensive Environmental Management	E1.1	—	—
Resource Use	E2.2/E2.3/E2.8/E2.23	GRI 301-1/301-2/301-3/302-4/302-5/303-3/305	A2; A2.1; A2.2; A2.5
Emissions Management	E2.11/E2.13/E2.15/E2.17	GRI 303-3/305-6/305-7/306-2/306-4	A1; A1.1; A1.3; A1.4; A1.6
Response to Climate Change	E1.9/E2.6/E2.24	GRI 302-4/5	A4; A4.1
Green Operation	E1.5/E2.1/E2.19/E2.21/E2.22/E3.1/E3.6	GRI 302-4	A3.1
Ai Enjoys Harmony			
Products and Services	M2.2/M2.3/M2.4/M2.5/M2.6/M2.9/M2.13/M2.15	GRI 416-1/417-1/418-1	B6; B6.2; B6.3; B6.4; B6.5
Sustainable Supply Chain	M3.6/M3.10/M3.14	GRI 414-1	B5; B5.1; B5.2
Employee Responsibility	S2.1/S2.2/S2.3/S2.7/S2.8/S2.10/S2.11/S2.14/ S2.16/S2.17/S3.1/S3.2/S3.3	GRI 2-7/401/403/404/405/406/408/409	B1; B2; B2.3; B3; B4; B4.1; B4.2
Community Development	S4.6/S4.8/S4.10/S4.11	GRI 413-1/413-2	B8; B8.1; B8.2
Outlook	A1	—	—
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Annual Awards	A3	—	—
Index of indicators	A5	—	—
Comments and Feedback	A6	—	—



ASSURANCE STATEMENT

SGS -CSTC'S REPORT ON ENVIRONMENT、SOCIAL RESPONSIBILITY、CORPORATE GOVERNANCE (ESG) REPORT IN THE SHANGHAI AILU PACKAGE CO.,LTD. FOR 2022

NATURE OF THE ASSURANCE/VERIFICATION

SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD. (hereinafter referred to as SGS) was commissioned by Shanghai Ailu Package Co., Ltd. (Shanghai Ailu) to conduct an independent assurance of the 2022 ESG report.

INTENDED USERS OF THIS ASSURANCE STATEMENT

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

RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the directors or governing body.

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's stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance and standards, which including:

- The principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) as:
 - GRI 1: Foundation 2021, for report quality
 - GRI 2: General Disclosure 2021, for organization's reporting practices and other organizational detail
 - GRI 3: Material Topics 2021, for organization'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.

The assurance of this report has been conducted according to the following Assurance Standards:

- SGS ESG & SRA verification regulations (GRI reference)

The assurance of this report has been conducted according to the following Assurance Standards: SGS ESG & SRA Assurance Protocols (based on GRI reference).

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 that located at No.88 Yangle Road Shanyang Town Jinshan District, Shanghai; documentation and record.

Including:

- Collected relevant media information
- Communicate with senior management to understand the sustainability activities
- Through interviews with respresenatives of relevant dept to understand the management process

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 for assurance of report information were all from the Shanghai Ailu and the assurance process only involved interviews with Shanghai Ailu' relevant departments and certain employees and consultation with relevant documents didn't involve external stakeholder.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 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, 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 CCAA Registered ISO 9001 auditor, ISO 14001 auditor, ISO 45001 auditor and Service standard auditor.

FINDINGS AND CONCLUSIONS

Based on the methods described and the inspections conducted, the information and data contained in Shanghai Ailu's Environment, Society and Governance (ESG) Report 2022 are generally accurate and no systematic or material misstatements have been found. The report was made according to GRI standards and followed the relevant reporting principles.

ASSURANCE/VERIFICATION OPINION

Based on the above methodology and verification, the information and data contained in the ESG Report 2022 of Shanghai Ailu are confirmed to be accurate and reliable. Provides an unbiased and relevant presentation of sustainable development activities in the Shanghai Aillu 2022 Environmental, Social and Governance (ESG) Report, which the validation team believes can be used by all Shanghai Ailu's stakeholders.

Principles

Sustainability Context:

Shanghai Ailu considers these factors in terms of data disclosure by analyzing from the economic, environmental, and social stakeholders.

Accuracy:

Shanghai Ailu'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 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:

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 relevant performance indicators of Shanghai Ailu in 2022, including: total revenue, total tax payment, R&D investment, emergy consumption , social donations and other key indicators for two consecutive years, so that stakeholders can intuitively compare and understand its sustainable development performance.

Completeness:

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

Timeliness:

Shanghai Ailu discloses its sustainability performance timeliness. Stakeholders can obtain information to make a reasonable decision in a timely manner.

Verifiability:

The data and information can be traced and verified by internal collection, recording, compiling, analysis and disclosure to ensure the quality and materiality of information. In addition, an independent external organization also provides the reliability of the report.

Signed:



For and on behalf of SGS-CSTC

David Xin

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