

Planting Seeds of Sustainability Growing Dreams for Tomorrow

XTL Packing Group
Climate and Nature Report



Contents

About This Report

This report covers our activities in response to climate change and nature at all our business bases in China (Wuxi, Baoshan, Minhang, Wuhu, Chongqing, Wuhan) and overseas production bases (Malaysia, Thailand, and Vietnam).

In this report, "XTL Packing" and "we" refer to "Shanghai Xingtonglian Packing Co., Ltd." and its subsidiaries.

This report is the first Climate and Nature Report of Xingtonglian, drafted with reference to the Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD), covering governance, strategy, risk management, and metrics and targets.

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Sustainable Future Blueprint



Cao Wenjie

Shanghai XTL Packing Group
Founder

Shanghai Xintonglian Packing Co., Ltd. (hereinafter referred to as "XTL Packing") has a history of over twenty years since its establishment. Guided by the business philosophy of "Leading Design, Tailor-Made, And Superior Service," XTL Packing has evolved from a small factory specializing in the production of wooden boxes to a professional manufacturer of traditional packing products. Through continuous innovation and development, we have grown into a comprehensive logistics packing service enterprise that integrates a comprehensive service matrix and global deployment, with our business operations extending across Central, East, South China, and Southeast Asia. Looking back on XTL Packing's journey, three significant milestones deserve special attention. In 1999, XTL Packing was officially established, shifting its focus from wooden boxes to wooden pallets and cartons, and became the first wooden product company in China to achieve ISO 9000 quality system certification. In 2006, XTL Packing became a supplier to top multinational clients, achieving annual sales revenue exceeding 100 million. In 2015, XTL Packing reached another milestone by going public, providing "one-stop logistics packing services" to Fortune Global 500 companies.

“Evolving with the Times

In the late 1990s, as China embraced Reform and Opening up, Fortune Global 500 companies flocked to the Shanghai market, bringing unprecedented business opportunities and challenges. XTL Packing seized this chance and became the first company in the industry to attain ISO 9000 certification, unlocking collaboration opportunities with foreign enterprises, and propelling rapid growth. Subsequently, in response to governmental calls and proactively adhering to international standards, XTL Packing introduced advanced fumigation processes for wooden packing and gained acknowledgment from international clients. Faced with stricter ecological regulations

in China in 2016 and escalating China-US trade tensions in 2019, XTL Packing demonstrated resilience in crisis and foresight, further solidifying its leadership position in the industry.

Securing Industry Leadership

In the fiercely competitive global market, XTL Packing recognizes the significance of cultivating global partnerships to gain a competitive advantage. The company seizes every collaboration opportunity with clients and aims to meet their high standards. Notably, XTL Packing established in-depth collaboration with the Japanese company Konica Minolta. This collaboration not only played a critical role in enhancing XTL Packing's industry influence but also provided essential insights for the company's long-term development. Renowned for its exceptionally high product quality standards, Konica Minolta has set a benchmark with a 99.99% qualification rate for its packing products. This high standard significantly elevated both product quality and corporate management at XTL Packing, leading to further professionalization and systematic management, effectively addressing various challenges in production and operations. The pursuit of high standards and quality not only doubled XTL Packing's sales revenue but also elevated its management capabilities to a higher standard, gradually evolving into a leading enterprise in the industry.

Embracing Sustainability Transformation

In the current era of global warming, XTL Packing, as a company focused on paper and wood packing processing, fully acknowledges our strong connection with forest resources. We recognize that

wood packing represents not only a low-carbon choice but more of a vital solution for promoting sustainable development. In adhering to our core principles, XTL Packing has proactively explored innovative approaches to wood recycling and implemented a standardized pallet recycling and sharing program, to demonstrate our commitment to low-carbon practices. In November 2021, XTL Packing achieved a significant milestone by formally joining the Task Force on Climate-related Financial Disclosures (TCFD), marking our distinction as the pioneering enterprise in the Chinese packing industry to engage in this prestigious international initiative. Concurrently, aligning with the frameworks of the United Nations Global Compact (UNGC) and the United Nations Sustainable Development Goals (UN SDGs), XTL Packing has developed a comprehensive 2030 ESG strategy development plan. These initiatives underscore XTL Packing's leadership position and unwavering commitment to global climate issues and sustainable development. Moving forward, XTL Packing is actively considering the establishment of a Net Zero target in alignment with the Science Based Targets initiative (SBTi). This represents not only a technical challenge but also a steadfast commitment to our principles of sustainable development. Achieving Net Zero goals and navigating the Net Zero pathway, necessitate the continuous propagation and implementation of environmentally conscious practices throughout our entire value chain. We are prepared to contribute our modest efforts and wholeheartedly engage in global climate action.

Reflecting on the two decades of XTL Packing's journey, each instance of innovation and transformation has laid a solid foundation for our history while illuminating the path for our future endeavors. As we embark on this new phase of history, we remain dedicated to fostering collaboration with our valued partners, resolutely advancing, and embracing the responsibilities that come with being an industry leader. We embrace challenges with courage, reaffirming our dedication to sustainability, unwavering innovation, and our leadership role in propelling the industry toward greater heights.

Planting Seeds for Tomorrow

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Towards Responsible
Forest Management

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Our Mission for
Nature Conservation





Towards Responsible Forest Management

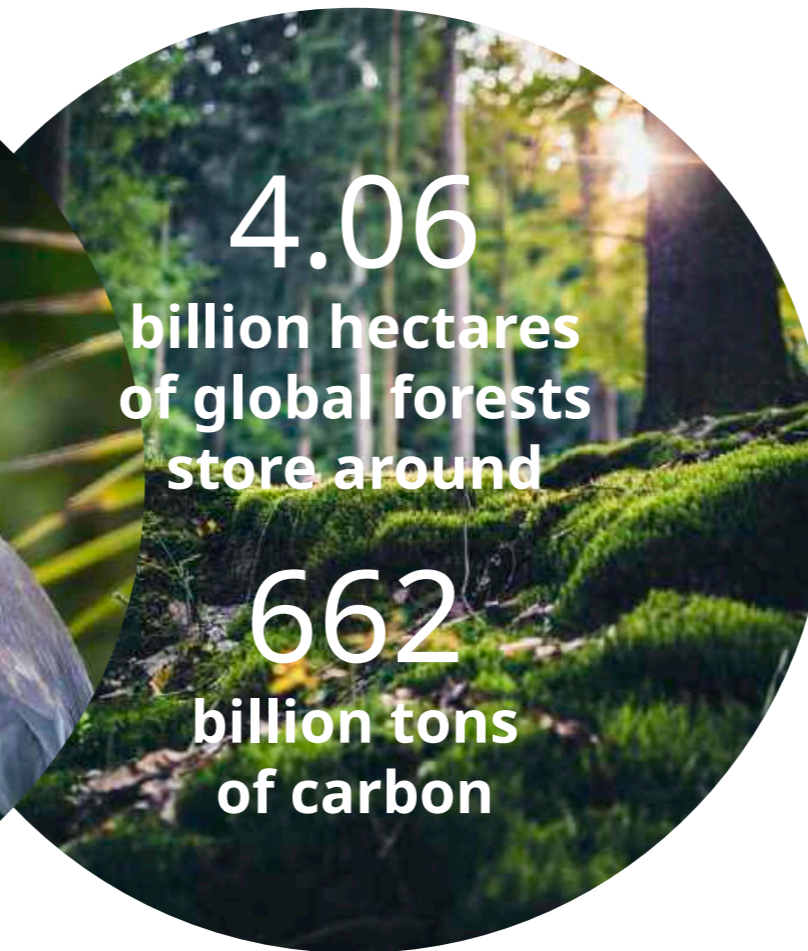
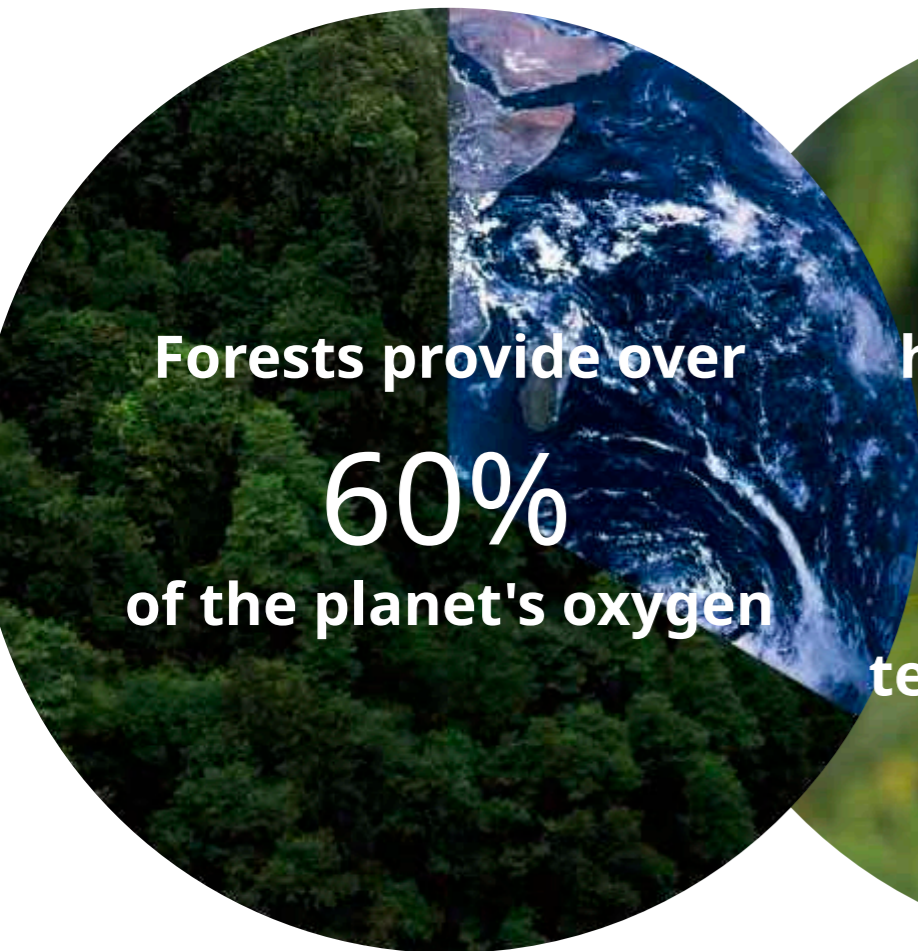
In the contemporary world, timber, characterized by its high strength, elegant appearance, and ease of processing, occupies an indispensable position in both daily life and economic undertakings. Particularly, its qualities of being easily processed, renewable and recyclable serve as a vital resource

Earth, providing over 60% of the planet's oxygen, making them essential for sustaining life; they stand at the core of diverse ecosystems, offering habitats to over two-thirds of the world's terrestrial species; furthermore, forests are the planet's largest carbon storage areas. By 2020, global forest

essential in improving the carbon cycle, and the direct use of wood as material results in almost no carbon emissions. As a result, wood packing is one of the most carbon-efficient packing methods, significantly surpassing other materials in terms of ecological environment protection. XTL Packing is deeply aware that there is no conflict between the use of resources and ecological protection, and the key lies in the sustainable use of tree resources through rational planting and recycling.

We have adopted scientific and rational management methods for the sustainable use of forests. These include ensuring strict compliance with the Forest Stewardship Council (FSC) for all timber sources, responsibly managing forest resources to maintain the health and stability of ecosystems, utilizing recycling processes to address inefficiencies and resource wastage in traditional timber industries, and implementing regulated harvesting to ensure the continuous availability of forest resources. Furthermore, XTL Packing places great significance on recycling wood by-products, through 100% recycling wood chips and sawdust, we continue to be dedicated to recycling resources. We have set the "by-product recycling rate" as one of the performance indicators for our "2030 ESG Strategic Plan," and the recycling rate of wood products in the manufacturing process has already achieved 100%. These initiatives successfully reduced greenhouse gas emissions throughout the entire lifecycle of wood products, and they also optimize the use of wood through efficient process design and recycling models, leading to a smooth transition to a circular economy.

At XTL Packing, our focus extends beyond mere business growth; we are deeply invested in fostering global green and sustainable practices, with a strong emphasis on low-carbon development. By leading the charge in low-carbon innovation within our industry, we aim to pave the way for a brighter and more sustainable future.



for supporting global sustainable development. As a key player in the heavy packing industry, XTL Packing depends on timber for production, recognizing it as an essential natural resource pivotal for our business expansion. Consequently, aligning our operations with sustainable timber usage has become a fundamental strategic objective.

Forests are crucial for the sustenance of life on

coverage encompassing approximately 4.06 billion hectares has stored around 662 billion tons of carbon, playing an important role in maintaining the stability of the global climate and the balance of ecosystems. Forests are a renewable resource that, when used responsibly, both protect the environment and minimize harm to the natural world. Considering trees absorb and sequester carbon dioxide during their growth, they are

Our Mission for Nature Conservation

In recent years, the rise of catastrophic weather globally indicates that the problem of climate change has become increasingly severe. Given this, the challenge of maintaining sustainable development while addressing global challenges has become a common concern for businesses. As a leading company in the Chinese packing industry, XTL Packing has been a pioneer in elevating the concept of sustainable development to the strategic level, and actively responded to the global warming control target of the Paris Agreement and China's "30/60" dual-carbon targets. In line with this, XTL Packing has formulated the "2030 ESG Strategy."¹

The company has integrated climate risk management into its core strategy. Under the guidance of "Simulating Circular Economy, Building Green Planet" XTL Packing is actively responding to climate change and contributing to global climate action.

At the 27th Conference of the Parties (COP27) to the United Nations Framework Convention on Climate Change, nations worldwide committed to transforming their nationally determined contributions into tangible policies and actions. In response to this global initiative, XTL Packing took immediate action to establish a comprehensive set of targets. Our strategy integrates multiple perspectives for holistic sustainability: in terms of procurement, we source raw materials from areas practising environmentally responsible timber harvesting and forest management. From a design perspective, we employ innovative techniques to enhance the efficiency of raw material use and energy efficiency of equipment, thereby considerably lowering the carbon footprint of our products. Technologically, we embrace green energy solutions, guiding our entire production process towards a low-carbon model. Furthermore, by advocating for wood recycling, we align our practices with the principles of a circular economy.

In pursuit of achieving carbon neutrality in operations by 2030, XTL Packing has developed a series of strategies aligned with the technical



criteria of the Science Based Targets initiative (SBTi). These strategies are designed to ensure our carbon emissions are in line with the global goal of limiting global warming to 1.5°C.

In 2023, the Global Risks Report published by the World Economic Forum identified the loss of biodiversity and ecosystem degradation as one of the top five threats humanity will face over the next decade. Over half of the global economy is highly or moderately dependent on nature and its services, placing

an increasingly heavy burden on natural resource ecosystems. According to the World Benchmarking Alliance, "Although the value chains of many major businesses contribute to biodiversity loss, only 5% of 389 companies analysed have carried out a science-based assessment to show how their operations impact on nature and biodiversity."

Owing to the far-reaching impact of climate change on humanity and the environment, Xingtonglian has not only incorporated climate risk management and natural resource preservation into our core strategic planning but also ensures alignment with evolving global paradigms. According to The Taskforce On Nature-Related Financial Disclosures (TNFD), we have developed strategies to manage



the ecological challenges and potential risks confronting our production facilities worldwide, ensuring a balanced approach to environmental sustainability. XTL Packing's sustainability strategy also considers the impact of forestry on climate change, biodiversity, soil health, water resource protection, and social contributions. We aim to maintain supply chain stability while minimizing negative impacts on the environment and society.



2030 Xingtonglian Environmental, Social and Governance (ESG) Strategy

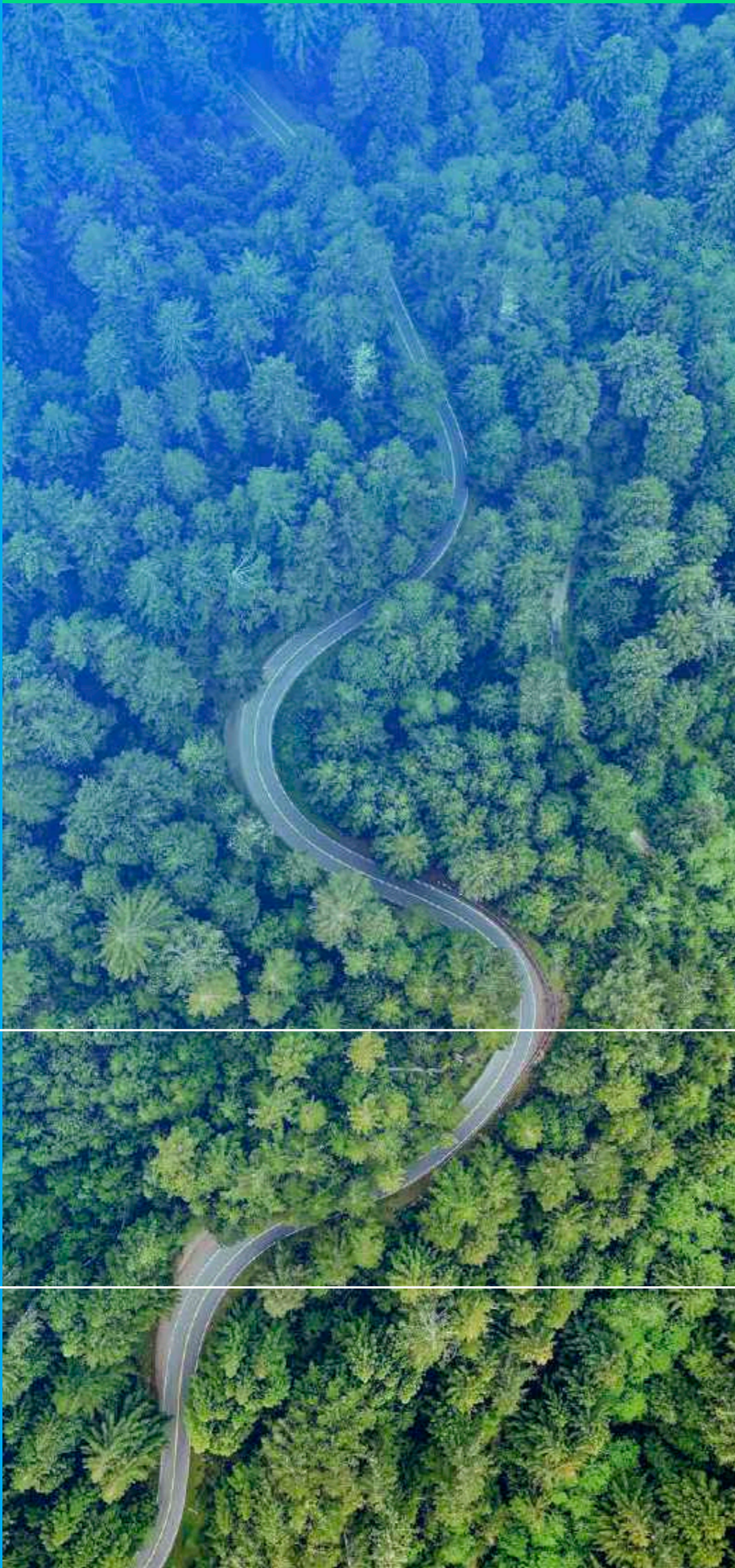
1. See "2030 Xingtonglian Environmental, Social and Governance (ESG) Strategy," 2020.

XTL Packing, as a leading logistics packing enterprise in China, maintains close collaborations with many global industry leaders and their supply chain partners.

In the face of challenges posed by climate change, we, alongside our clients and suppliers, recognized our shared responsibility in sustainable development. Thus, our goal surpasses business success; we are committed to contributing to the global ecological balance and the advancement of societal sustainability.

Embracing the philosophy of cooperative success, we are determined to join hands with our customers and suppliers to address the challenges of climate change. Together, we strive to reduce greenhouse gas emissions and contribute to the creation of a green and sustainable future.

Climate Action in the Heavy Packing Industry



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Eco-Friendly Packing
for the Future



Climate Action in the Heavy Packing Industry



COP28 UAE

In December 2023, the 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change was held in Dubai, United Arab Emirates, marking a pivotal event for global collaboration in addressing climate and environmental challenges. At COP28, countries have demonstrated more ambitious Nationally Determined Contributions (NDC), highlighting their resolute commitment to achieving climate goals. The conference reached a consensus, emphasizing the critical necessity of achieving the 1.5°C target outlined in the Paris Agreement. For the first time, the agreement incorporated the commitment to "transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, so as to achieve net zero by 2050 in keeping with the science." This historic decision reflected unprecedented global attention to climate change and environmental conservation.

The United Nations Environment Programme highlighted in the "2023 Emission Gap Report" that businesses, individuals, and governments must collectively strive to drive energy transition and enhance climate resilience. As a leading enterprise in the Chinese logistics packing industry, XTL Packing actively engaged in COP28. Over the years, the company has integrated sustainable development principles into its business operations and has undertaken a series of initiatives in response to climate change and natural resource conservation. We sincerely appreciated the opportunity to participate in this international summit, as it recognized our achievements in sustainable practices and climate action, hence motivating the company to continuously enhance our sustainable performance. Leveraging COP28's international platform, XTL Packing collaborates with leading enterprises, governments, and non-governmental organizations to explore how eco-friendly packing contributes to the fight against climate change.

In response to the climate action consensus of COP28 and China's commitments to mitigate

climate change, XTL Packing, building upon our ESG strategy "Simulating Circular Economy, Building Green Planet," continues to expand our climate actions by adopting advanced scientific carbon reduction methods. In 2023, the company formally submitted the Science-Based Targets initiative (SBTi) application and established short-term targets aligned with the 1.5°C goal, aiming to reduce our Scope 1 and 2 emissions from operational activities by 42% by 2030.



Additionally, considering that forest is the primary source of raw materials, the company has set Scope 3 FLAG² targets to align with SBTi FLAG's carbon reduction requirements for forestry-related emissions by 2030, and have developed a carbon reduction pathway. As a low-carbon leader in the industry, XTL Packing has proactively used the TCFD framework to identify a range of climate risks in the face of globally escalating extreme weather events, and has formulated tailored risk management strategies.

Alongside assessing climate risks, XTL Packing

addresses the pressing challenges of biodiversity loss and ecosystem degradation. In response to COP28's advocacy for nature conservation as an essential element of climate action, XTL Packing has taken decisive steps. Following the issuance of the TNFD framework, we have become the first in China's heavy packing industry to commit to identifying nature-related risks and opportunities. This commitment extends throughout our business and operational processes, aligning with the guidelines of the TNFD framework. Recognizing the

dependence of our operations on natural resources, and the potential impact of the use of wood as a raw material, we are committed to creating more positive value for environmental conservation through our actions. We aim to contribute actively to the protection of natural resources and the maintenance of ecological balance.

2. FLAG: Forest, Land, and Agriculture. Scientific carbon targets for industries like agriculture, food, and forestry processing, with guidelines for carbon objective setting.



Eco-Friendly Packing for the Future

In 2021, XTL Packing officially launched the "2030 XTL Packing ESG Strategy White Paper," clearly defining the key areas dedicated to propelling business development while achieving sustainable development goals. We are committed to continuous innovation in operations, advancing the development of a circular economy, and realizing goals of low resource consumption, minimal emissions, and high efficiency. The circular economy philosophy permeates XTL Packing's operational cycles, encompassing procurement, production, and sales. To achieve these objectives, the company has implemented specific measures in supply chain management, product design, and operations.

XTL Packing focuses on sustainable supply chain, minimizing raw material usage, and enhancing product recyclability, to strengthen product lifecycle management, thereby mitigating the environmental impact of packing products throughout their lifecycle. The company is committed to increasing investment in research and development to enhance independent innovation capabilities. While growing the business in a sustainable pattern, XTL Packing continuously reduces per-unit resource consumption, providing customers with eco-friendly packing products and solutions. Additionally, the company advocates for green production and green office practices, pledging to combat climate change through initiatives such as improving energy efficiency, enhancing equipment electrification, optimizing logistics management, and afforestation projects.

XTL Packing's sustainability strategy not only serves as a guide for our daily operations but also acts as a central driver in shaping corporate decisions. As an eco-friendly company, we believe that progressing along the path of sustainable development is the key to fostering the harmonious growth of both society and the natural environment. XTL Packing believes that, to achieve long-term sustainable development, we must integrate robust profitability with leading practices in environmental, social, and governance (ESG) aspects.

XTL Packing's business model integrates with its sustainability strategy, dedicated to making contributions to global climate initiatives and the preservation of ecosystems while delivering sustainable and efficient solutions for our clients. Through collaborative partnerships with customers who share our values, we continuously drive our sustainable development and make significant contributions to global sustainability goals. Furthermore, we require our supply chain partners to maintain a continual focus on the environmental and social impacts of their operations, jointly establishing a sustainable development framework for the entire industry.

Progress in Climate and Nature Commitments:

XTL Packing's Carbon Reduction Commitment:

Under the "25/30" carbon target, we aim to reduce greenhouse gas (GHG) emissions generated by our own operations by **50%** in 2025, compared to 2021 levels. By 2030, we aim to achieve carbon neutrality across all our operations.

SBTi:

At Xingtonglian, we have officially committed to joining the SBTi, signing and submitting our commitment letter and setting a short-term carbon target in line with the 1.5°C increase in temperature: By the year 2023, reducing GHG emissions from our own operations (Scope 1 and Scope 2) by **42%** relative to the 2020 levels, and to reduce emissions related to forestry (Scope 3).

TCFD:

XTL Packing adopts the TCFD framework to enhance transparency in managing climate-related risks and opportunities. This helps us assess and disclose the financial impact that climate change may have on our business, thereby better preparing for the transition to **a low-carbon economy** and ensuring our long-term stable development in a changing market environment.




TNFD:

Following the TNFD framework guidelines, Xingtonglian gains a deeper understanding of operational and supply chain dependencies and impacts on ecosystems, while evaluating the financial risks associated with natural degradation. **Protecting and restoring natural resources** is an action we are undertaking to ensure sustainable development over the long term and, in the meantime, potentially generate new opportunities for expansion.

XTL Packing officially commits:

We adhere to forest-related laws and mandatory standards at all our production base locations, with the goal of achieving **no gross deforestation**³. By 2025, we aim to completely eliminate any deforestation activities related to production, trade, or sales processes, as part of our broader strategy to promote a healthy and sustainable development of forests.

³. No Gross Deforestation: The commitment to halt the overall reduction of forested areas, aiming to prevent the net loss of forests.

 <p>SCIENCE BASED TARGETS <small>DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</small></p>	<p>The Science Based Targets Initiative (SBTi) is a collaborative organization established by the World Wildlife Fund (WWF), the United Nations Global Compact (UNGC), the World Resources Institute (WRI), and CDP (formerly the Carbon Disclosure Project). This organization is dedicated to promoting science-based GHG emission reduction targets within the private sector. These targets are designed to limit global temperature rise to well below 2°C and strive to keep it within 1.5°C, aligning with the ultimate goals of the Paris Agreement.</p>
 <p>TCFD <small>Task Force on Climate-related Financial Disclosures</small></p>	<p>The Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB) in 2015, aims to develop a voluntary framework for the disclosure of climate-related financial information. This is intended to assist companies and organizations in reporting climate-related risks to investors, creditors, and other stakeholders.</p>
 <p>TNFD <small>Task Force on Nature-related Financial Disclosures</small></p>	<p>The Task Force on Nature-Related Financial Disclosures (TNFD) is a global initiative that aims to provide a framework for businesses and investors to disclose and evaluate financial information related to nature and biodiversity. The TNFD focuses on the reciprocal relationship between corporate operations and environmental health.</p>

Our Approach to the Changing Climate and Nature

In 2021, XTL Packing launched its "2030 XTL Packing ESG Strategy White Paper," signaling a firm level commitment to integrate sustainable development principles into core business strategies. This approach aligns with the ambitious target of the Paris Agreement to cap the global temperature increase at 1.5°C. Under the guidance of the TCFD framework, XTL Packing has undertaken a comprehensive approach to significantly reduce its carbon emissions, addressing the urgent challenges posed by climate change. Key initiatives include enhancing energy efficiency, incorporating renewable energy, and adopting groundbreaking low-carbon technologies in manufacturing processes. Moreover, XTL Packing is dedicated to promoting environmentally friendly products and services, continuously reducing the carbon footprint of our entire supply chain. The "Building Green Planet" strategy not only demonstrates our deep commitment of climate action but also provides fundamental guiding principles for

efforts in ecosystem protection and restoration.

Research indicates that over half of the global Gross Domestic Product (GDP) is closely linked to natural resources. However, the ongoing degradation of biological systems, the reduction in forest areas, and the increasing severity of climate change issues are leading to a threat of extinction for many species. These phenomena not only forewarn the loss of biodiversity and the collapse of ecosystems but also signify an unprecedented crisis facing the natural world.

In this context, XTL Packing explicitly focuses on the reliance on wood as a key raw material in the business activities, viewing ecological conservation as a central responsibility in our development. Xingtonglian is deeply committed to balancing climate change mitigation with an enhanced emphasis on protecting and revitalizing ecosystems. In response to the launch of the TNFD framework

in 2023, XTL Packing quickly aligned itself with this new directive, emerging as one of the earliest adopters among leading businesses to register and adhere to TNFD disclosure requirements. This decision underscores our proactive engagement in environmental protection and sincere dedication to sustainable development principles. Through the integration of the TNFD framework, XTL Packing has gained a more nuanced understanding of our business practices on the environment and natural resources. This approach has been instrumental in identifying and evaluating risks and opportunities related to nature, facilitating a comprehensive response to the global ecological challenges, and steering towards the attainment of sustainable development objectives. Beyond this, XTL Packing has also established a trust-based partnership to promote ecological protection with our supply chain partners in the interest of our customers, in an effort to promote the harmonious coexistence between humanity and nature.

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Climate & Nature
Governance Structure

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Response to Climate-
related Risks

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Response to
Nature-related Risks

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Comprehensive Risk
Management Approach

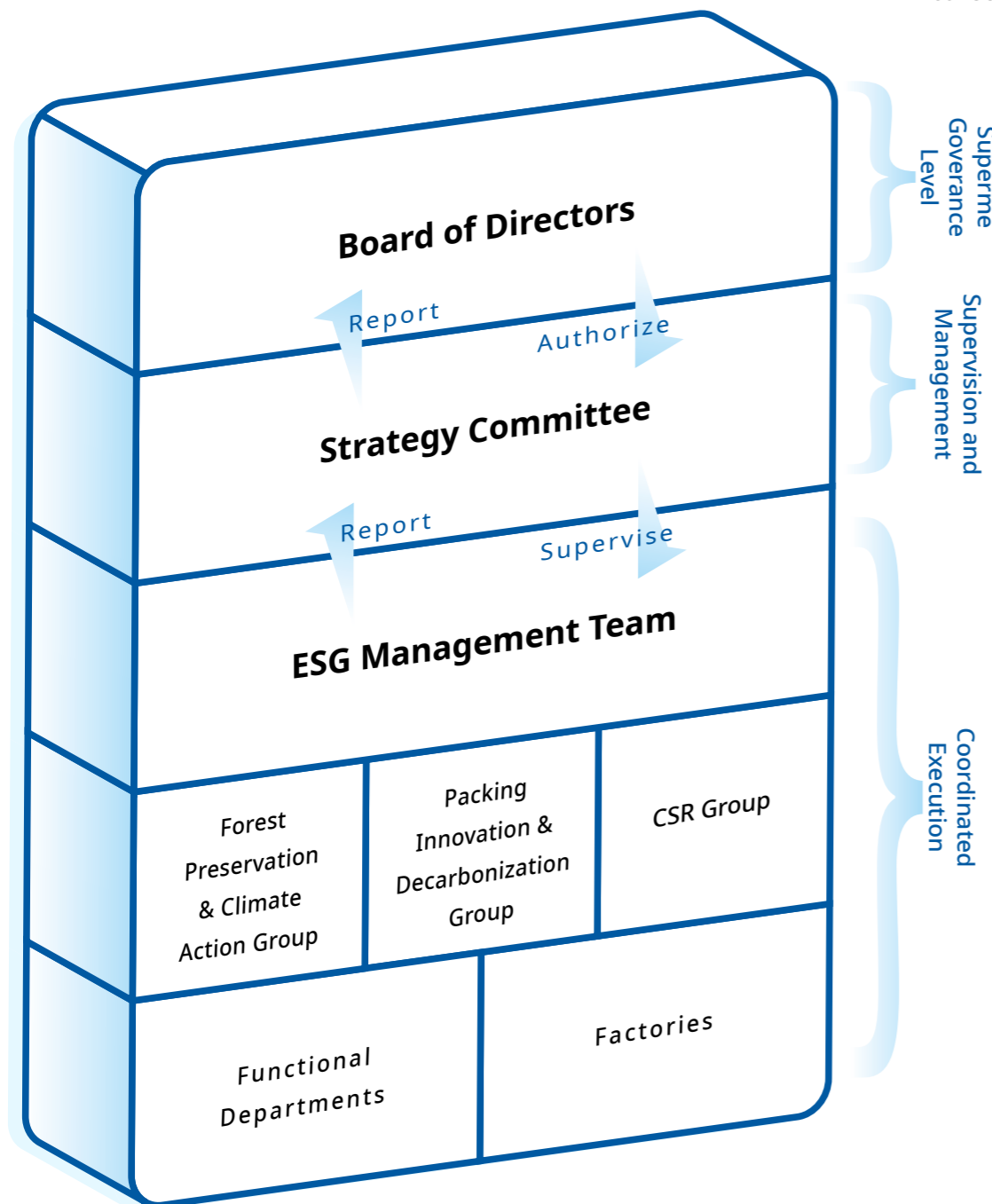
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Targets and
Commitments



Climate & Nature Governance Structure

ESG Governance Structure



XTL Packing has always adhered to the principle of altruistic business practices, embodying core corporate values of "Heartful service, Truthful standards, Creating values, Love oneself and others, Co-growth". With the vision of becoming a leader in the heavy packing sector in Asia, XTL Packing is fully aware that realizing this ambition is closely linked to a solid foundation in sustainable development governance.

Accordingly, XTL Packing regards climate change and natural resource conservation as key issues in our sustainable development agenda.

We have established a well-defined ESG governance framework, structured around a "Board-Management-Department" model, to thoroughly address issues related to climate change and natural resources. This framework is instrumental in identifying relevant risks and opportunities, formulating corresponding strategies and measures, and effectively managing the potential influences of climate and natural resources on our business operations.

Board of Directors

Guided by the Board of Directors, XTL Packing formally launched its "2030 ESG Strategy" in 2021, focusing on climate change, natural resource management, and a range of associated issues. The Board has the primary responsibility of overseeing the execution and completion of the company's ESG goals and regularly assessing progress towards climate change and natural resource objectives.

Strategy Committee

The Strategy Committee, operating as an executive committee under the Board of Directors and under the direction of the Chairman, is responsible for identifying, assessing, and managing risks and opportunities related to climate change and nature resources. Additionally, the Strategy Committee is tasked with regularly reporting to the Board on the latest developments and accomplishments concerning climate change and natural resources.

ESG Management Team

To effectively drive the implementation of the sustainable development strategic goals at Xingtonglian, the Strategy Committee has established an ESG Management Team, which is specifically responsible for implementing sustainable development-related goals, action planning, and task assessment. Managing climate and natural resources is central to achieving Xingtonglian's 2030 ESG strategic goals. Under the ESG Management Team, three key working groups have been set up: the "Forest & Climate Group," the "Sustainable packing Group," and the "Corporate Social Responsibility (CSR) Group." These groups are committed to multi-faceted tasks to ensure significant progress for the company in climate, natural resources, social responsibility, and corporate governance.

Forest Preservation & Climate Action Group

This Forest & Climate Group focuses on driving the company to achieve its short-term and long-term carbon targets, ensuring procurement of paper and wood raw materials meets sustainable standards, and promoting healthy forestry management through responsible sourcing. The group also introduces measures such as renewable energy to help the company achieve its carbon emission reduction targets.

Packing Innovation & Decarbonization Group

This group is dedicated to promoting innovative paper packing solutions, reducing the use of raw materials, and increasing the recycling rate of materials to decrease the consumption of natural resources and the generation of waste. It also aims to optimize production processes to improve production efficiency and energy utilization efficiency.

CSR Group

The CSR Group is tasked with the responsibility of overseeing social responsibility and business ethics, including community engagement and employee welfare. It is committed to ensuring that the business activities of Xingtonglian align with ethical standards and maintaining a high level of transparency in information disclosure, hence establishing a strong foundation for the company's sustainability and success.

Collaboration is the key between various functional departments and manufacturing departments, with regular updates provided to the ESG management team regarding the execution of ESG initiatives and related data. This cooperative approach is essential to meet our ESG objectives and monitor our progress effectively.



Response to Climate-related Risks



The impact of climate change on the ecological environment and socio-economic activities is increasingly pronounced. Particularly in the packing industry, climate change threatens the stable supply of raw materials, directly affecting the daily operations of businesses. Recognizing the urgency and significance of addressing climate change, we consider it a paramount driver of our corporate's decision-making and influencing the long-term trajectory of our business model. Therefore, we actively engage with customers, suppliers, and stakeholders to collaboratively confront the challenges associated with climate change. We are committed to contributing our efforts towards reducing greenhouse gas emissions and actively participating in the establishment of a sustainable and green planet.

In 2021, XTL Packing officially released the "2030 XTL Packing ESG Strategy White Paper," incorporating the challenge of climate change into the company's core strategy. It articulates the 2030 strategic goal of 'Building Green Planet,'

encompassing measures such as enhancing energy efficiency, promoting equipment electrification, implementing carbon-reduction management in logistics, and afforestation to mitigate climate change. Concurrently, XTL Packing has established the "25/30" carbon target, pledging a 50% reduction in greenhouse gas emissions from its own operations by 2025 compared to 2021 and achieving operational carbon neutrality by 2030. These strategies and action plans clearly demonstrate XTL Packing's resolute commitment and profound understanding of addressing climate change.

Simultaneously, XTL Packing, referencing the technical guidelines and methodologies of SBTi, has formulated internationally recognized science-based carbon targets. We have also devised decarbonization pathways adhering to the technical requisites of these targets to guide effective climate change mitigation. SBTi, recognized globally for its authority and stringent standards since its inception in 2015, aims to ensure emission reduction aligns with the climate goals of the Paris Agreement to limit global temperature increases to below 2°C, with an ambition to restrict it further to 1.5°C.

In 2023, XTL Packing, building upon the established "25/30" carbon target, has further intensified decarbonization ambitions. We officially submitted an SBTi application and set short-term goals in alignment with the 1.5°C target. Additionally, XTL Packing actively explores setting long-term goals according to SBTi standards, taking a forward-looking perspective on the risks and opportunities of low-carbon transition, surpassing the limitation of conventional greenhouse gas reduction solutions.

In summary, XTL Packing has exemplified a sense of responsibility and foresight as an industry leader in our actions and strategies to address climate change. By actively taking concrete measures, we have not only achieved notable progress in reducing greenhouse gas emissions and promoting sustainable development but has also set a commendable precedent for the entire packing industry in tackling climate change. XTL Packing's efforts represent a substantial contribution to the preservation of our Earth.

**25/30
Carbon
Target**

2025

50% reduction in greenhouse gas emissions from its own operations compared to 2021

2030

operational carbon neutrality

**SBTi
Climate
Target**

**Short-term
Goals**

officially submitted an SBTi application and established short-term goals in alignment with the 1.5°C target

**Long-term
Goals**

actively explores setting long-term goals according to SBTi standards



Climate-related Risks and Opportunities

Climate-related Risks and Opportunities

Risk and Opportunity Evaluation Matrix

XTL Packing recently completed a prospective climate scenario analysis, not only refining the climate governance framework but also formulating a comprehensive strategy to address climate risks and opportunities.

Leveraging industry trends, business models, stakeholder demands, and a range of internal and external indicators, XTL Packing conducted a thorough assessment of the climate-related risks and opportunities faced by the company.

Throughout this process, we identified 11 key issues, each encompassing multiple aspects of climate change, including our broad impact on the economy and society.

Seven of these issues focus on the transition impacts, addressing potential challenges in political changes, laws and regulation adjustments, technology innovations, and market shifts during the transition to a low-carbon economy. The remaining two aspects focus specifically on the physical impacts of climate change, including extreme weather events and long-term shifts in climate trends. Identifying these risks and opportunities represents a crucial step in our climate governance and strategy formulation, laying a solid foundation for addressing future climate risks.



- Transition Risks**
- 1. Policy and Legal Risks
 - 2. Technological Risks
 - 3. Market Risks
 - 4. Reputation Risks

- Physical Risks**
- 5. Acute Risks
 - 6. Chronic Risks

- Climate-related Opportunities**
- 7. Resource Efficiency
 - 8. Renewable Energy
 - 9. Products/Services
 - 10. Market
 - 11. Adaptiveness



Climate-related Risks and Opportunities

Risk and Opportunity Evaluation Matrix

Transition Risks

Policy and Legal risks

As climate policies in the operational regions of XTL Packing become more stringent, the governments encourage a shift towards green and low-carbon production. The implementation of emission quotas or carbon taxation on the company's carbon emissions may raise the cost of goods.

Market risks

XTL Packing's customer base prioritizes ESG management and performance within the supply chain. The lack of a climate change and ecological risk control system reduces XTL Packing's competitiveness and customer loyalty in downstream markets. Meanwhile, the growing demand for sustainable products from consumers and corporate clients increases the market's need for environmentally friendly, low-carbon packing materials and solutions. Failure to meet market expectations in the long term poses a risk of losing market share.

Technological Risks

The rapid technical development could impact XTL Packing's existing manufacturing process and product lines. With the emergence of new materials and production technologies, we need to keep updating our technologies to keep pace with the market. This requires significant investments in research and upgrades of existing equipment.

Reputation Risks

Global climate action and increased attention to nature-related subjects emphasize the importance of proper production practices and sufficient information disclosure. Companies not actively involved in climate change and ecological conservation risk would erode the confidence of key stakeholders, potentially affecting the profitability of the company.

Adaptiveness

Improving our adaptability to the impacts of climate change can help XTL Packing mitigate the potential adverse effects of extreme weather events and long-term climate changes on our business. For instance, we can reduce operational

disruption and financial losses caused by natural disasters by strengthening infrastructure resilience, optimizing supply chain layout, and formulating disaster response plans.

Physical Risks

Acute risks

Acute physical risks primarily refer to risks arising from extreme weather events, such as floods, typhoons, and heavy rainfall. For XTL Packing, these extreme weather events could result in production interruptions, facility damage, and supply chain disruptions, directly impacting the company's operations. For instance, heavy rainfall may cause delays in raw material transportation, while typhoons could temporarily halt production activities.

Chronic risks

Chronic physical risks are associated with the risks caused by long-term climate trends, such as rising sea levels and global warming. These prolonged changes may lead to shifts in the production patterns and geographical distribution of raw materials, thereby affecting XTL Packing's raw material supply. For example, continuous warming and fluctuations in extreme temperatures, particularly during the summer, may contribute to an increased demand for electricity in urban areas, causing strain on regional energy consumption.

Climate-related Opportunities

Resource efficiency

Resource efficiency involves XTL Packing's optimization of raw material and resource utilization to lower cost and minimize environmental impacts. In the packing industry, where raw material costs constitute a significant portion of the total costs, improving resource efficiency is pivotal for reducing operational costs and the environmental footprint. For example, by optimizing packing design to decrease material usage or adopting more efficient production technologies to reduce waste generation, XTL Packing can significantly enhance resource utilization efficiency. Additionally, by recycling

and reusing raw materials, we can decrease the demand for new materials and foster a sustainable and environmentally friendly brand image in the industry. In the long term, this approach positions XTL Packing for a mutually beneficial outcome in cost control and environmental preservation.

Renewable Energy

XTL Packing reduces its carbon footprint and operational costs by investing in renewable energy and improving energy efficiency. We increase the proportion of renewable energy and lower our dependence on traditional fossil fuel by installing distributed photovoltaic systems or adopting other renewable energy sources.

Products/Services

Developing environmentally friendly packing materials and recyclable products helps XTL Packing gain a competitive edge in the market and meet customer demands for environmentally friendly solutions. By innovating reusable packing solutions, we not only efficiently leverage resources through the circular economy model but also attract customers who prioritize sustainable development principles.

Market

XTL Packing is facing important opportunities to enter the new market, especially under the background of a globally increasing focus on environmental protection and sustainable development. As businesses and consumers increasingly prefer to choose the sustainable packing options, XTL Packing can leverage its expertise and experience in the field of sustainable packing to explore the new markets and customer bases. This can bring not only the opportunity to increase sales and market share, but also enables us to establish our brand image as a leader in sustainable packing on a global scale. Entering new markets also means building relationships with more customers and partners, expanding business networks, and enhancing our influence.



Climate-related Risks and Opportunities

■ Scenario Analysis Processes

Climate-related scenario analysis enables organizations to proactively assess the climate-related risks they face, guiding corporate strategic planning and risk management. Climate change is anticipated to impact our business operation in the short-term (2025), medium-term (2030), and

long-term (2050). Adhering to the TCFD disclosure framework, XTL Packing conducted the analysis based on climate change scenarios provided by the Intergovernmental Panel on Climate Change (IPCC) and the Network for Greening the Financial System (NGFS). This analysis aims to assess the potential

impacts of physical and transition risks on the company's operations under different assumptions.





Climate-related Risks and Opportunities

Scenario Selection

In identifying and analyzing physical and transition risks, we distinguish between low-carbon and high-carbon emission scenarios. The low-carbon emission scenario aligns with the 1.5°C temperature control target of the Paris Agreement.

Under the low-emission scenario, the world would immediately implement stringent climate policies to achieve the ambitious 1.5°C temperature control target set in the Paris Agreement.

In this scenario, every country and region will actively reduce emissions, develop renewable energy sources, and ensure a smooth low-carbon transition for high-carbon industries.

This scenario emphasizes controlling global warming to below 1.5°C, relying on advanced carbon capture technologies, and significantly reducing dependence on traditional energy sources for a greener and more sustainable economic development.

The high-carbon emission scenarios, which are RCP 8.5 and NDC scenarios, assume a lower global response to climate change, with a lack of enhanced measures to mitigate climate change effects. Considering the severe physical impacts of climate change due to global temperature rise compared to pre-industrial levels, the high-carbon emission scenario focuses on the physical impacts of climate change. This includes a rise in both the frequency and severity of extreme weather events such as high temperatures, increased precipitation, floods, droughts, and sea levels rise.

Given the high uncertainty associated with climate change, analyzing multiple climate scenarios becomes an essential instrument to aid businesses in understanding and addressing this challenge. These scenarios provide various reference

frameworks, assisting organizations in assessing climate-related risks and opportunities. They facilitate effective planning and decision-making across a spectrum of possibilities, enabling better adaptation to the continuously evolving climate

challenges and laying the groundwork for achieving long-term sustainability goals. In this context, XTL Packing has defined 4 climate change scenarios:

	Transition Risks		Physical Risks	
	Net Zero 2050	NDC	RCP 2.6	RCP 8.5
Scenario Description	Assuming that stringent climate policies are introduced immediately to expedite decarbonization, By 2050, it is projected that the world will achieve net-zero carbon emissions. Every country and region will reduce emissions, foster low-carbon energy sources, and support economic growth. This scenario emphasizes maintaining global warming below 1.5°C, relying on sustainable negative emission technologies, and significantly reducing dependence on traditional energy sources, to achieve a greener and more sustainable economic development model.	Assuming the current Nationally Determined Contributions (NDCs) continues, a global temperature increase of 2.6°C is anticipated. In this scenario, while countries and regions are gradually reducing greenhouse gas emissions, the pace and intensity of climate actions are insufficient for achieving more ambitious temperature control targets, resulting in moderate to severe physical risks, with relatively lower transition risks. To efficiently respond to climate change, it is necessary to strengthen climate policies and increase the intensity and consistency of actions taken.	RCP 2.6 represents the low-emission pathway aligned with the 1.5°C or 2°C goals of the Paris Agreement. Global greenhouse gas concentrations are projected to peak between 2010 and 2020, followed by a sharp decline, reaching a 50% reduction by 2050. Achieving this target requires a reduction in the demand of energy sources, agricultural decarbonization, pervasive electrification, reduced demand for high-emission products, and carbon removal. While temperature is effectively controlled, there is a slight increase in extreme temperatures, precipitation, and drought, albeit to a lesser extent.	RCP8.5 represents the worst-case scenario, depicting a situation where no actions are taken to mitigate climate change. This scenario focuses on the physical impacts of climate change, anticipating a temperature rise exceeding 4°C compared to pre-industrial levels, leading to heightened threats of extreme weather events. It is characterized by increasing greenhouse gas concentrations, rising energy demands, prolonged reliance on coal, and technological stagnation. The consequences of extreme weather events become more frequent and severe, such as extreme heat, intensified precipitation, floods, droughts, and sea-level rise.
Risk Trends	High transition risk	Low transition risk	Low physical risk	High physical risk
Anticipated Temperature Rise	1.5°C	2.6°C	0.3°C - 1.7°C	2.6°C - 4.8°C
Reference	NGFS	NGFS	IPCC	IPCC



Climate-related Risks and Opportunities

Potential Impacts of Climate-related Risks and Opportunities

Climate-related Risks

To thoroughly understand the impacts of climate change on our business operations, we conducted a comprehensive risk and opportunity assessment across our entire value chain (including direct operations, upstream, and downstream). This assessment covers short-term (2025), mid-term

(2030), and long-term (2050) stages. Our evaluation process strictly adheres to the corporate's sustainable development framework, climate risk assessment standards, and risk management strategies. It focuses on both financial impact assessment and deep considerations of the

strategic and overall business-level impacts. Additionally, we mindfully reviewed the strategic adaptability of our company in the face of various climate-related scenarios to ensure that our business strategies can effectively address the challenges posed by climate change.

Transition Risk	Risk Type	Short	Medium	Long	Net Zero 2050	NDC
Policy and Legal	Carbon pricing/ carbon tax		✓		Goods exported to Europe are subject to stringent Carbon Border Adjustment Mechanism (CBAM). Although the European Union's carbon tariff system currently does not explicitly include specific requirements for the packing industry, and XTL Packing does not directly serve European local companies at present, the company may face more stringent environmental compliance requirements in the future. These could include disclosing the carbon emissions and environmental impacts of products, as well as ecological compliance. Such requirements may lead to the increase of business operation costs.	With the gradual implementation of carbon emission rights management and regulation mechanisms worldwide, the increase in carbon pricing and carbon taxes will impose additional financial costs on businesses. The packing industry, in which XTL Packing operates, is not a high-energy-consuming sector, making it less likely to be included in these controls in the short term. However, considering China's drive towards green and low-carbon transformation in companies, it is plausible that in the long run, China's carbon market may expand to encompass a broader range of industries.
Market	Increased cost of raw materials		✓	✓	Although the probability of having extreme weather events caused by climate change is relatively low, the potential impact on XTL Packing's timber production and yield should not be underestimated.	With the climate conditions becoming more unpredictable and unstable, the timber yields and quality may face disturbances. XTL Packing needs to take proactive measures, investing in innovative technologies and designs to improve raw material utilization efficiency to reduce the potential supply chain risks.
Market	Changing customer behavior		✓	✓	In Europe and the United States, leading corporates in the packing industry are continuously driving the industry's decarbonization acceleration and have accumulated rich experiences in the recycling and reusing of wooden and paper pallets. This trend sets higher standards for pallet recycling in the Chinese market and may pose challenges to XTL Packing's current service profitability.	The recycling of wooden pallets in China is at an early stage, lacking comprehensive planning and structure. However, prioritizing customers' benefits and adopting the principle of circular economy will undoubtedly gain favor in the market.
Reputation	Shifts in consumer preferences	✓	✓		In the context of global climate action, consumers are increasingly valuing the connections between brands and their low-carbon sustainability. Particularly in the European market, weak environmental awareness and delayed adoption of sustainable practices of brands will affect consumers' brand perception and loyalty.	XTL Packing's primary operating location is China, where the company has effectively positioned itself as a proactive practitioner in the field of sustainable development.
Reputation	Increased stakeholder concern or negative stakeholder feedback		✓		Regulatory bodies, investors, clients, and consumers are imposing stricter requirements on climate risk disclosure and the developments of low-carbon products. Failure to comply with regulations and a delay in climate action could lead to reputational harm to cause stock price decline and financing challenges for XTL Packing, ultimately affecting our business operations and revenue.	Although there is no specific guidance on greenhouse gas accounting and emissions from China's regulatory markets at present, and there seems to be no immediate compliance risk, it is expected that carbon emission guidelines and requirements will become clearer and more stringent over time, leading to increased compliance costs for companies.



Climate-related Risks and Opportunities

Climate-related Risks

Physical Risk	Risk Type	Short	Medium	Long	RCP 2.6	RCP 8.5
Acute	Typhoon	✓	✓	✓		In summer, coastal areas may face the threat of floods due to typhoons and heavy rainfall, potentially leading to manufacturing shutdowns.
	Extreme Heat	✓	✓	✓		Cities where XTL Packing is located, such as Chongqing, Wuxi, and Shanghai, are susceptible to high temperatures in the summer. In these cities, businesses have voluntarily reduced electricity consumption during peak hours to ensure residential electricity supply. This may affect the delivery cycles of various XTL Packing manufacturing facilities.
Chronic	Flood			✓	The escalating global temperatures are causing more frequent "El Niño" events, leading to increased precipitation in the Northern Hemisphere. XTL Packing sources its timber primarily from the Northern Hemisphere, and the prolonged precipitation could impact the timbers' moisture content and resilience, reducing the quality of the wooden raw material.	XTL Packing's factories in Southeast Asia face the risk of floods, posing a threat of asset stranding to the facilities and production equipment.

Opportunities	Opportunity Type	Short	Medium	Long	Financial Impacts
Resource Efficiency	Use circular economy solutions	✓			<ul style="list-style-type: none"> Reduced operation costs: By efficiently using raw materials and minimizing waste generation, overall operational costs could be reduced. Increased revenue: Recycling and reusing raw materials decrease the demand for new materials and foster a sustainable and environmentally friendly brand image—this enhancement in market competitiveness results in increased revenue.
Energy Source	Use of renewable energy		✓	✓	<ul style="list-style-type: none"> Reduced operational costs: Adopting clean energy technologies such as solar and wind energy could reduce the dependence on traditional fossil fuels and lower our energy costs.
Products and Services	Customers' increasing demand for low-carbon products and services	✓	✓		<ul style="list-style-type: none"> Increased revenue: By developing and sales of eco-friendly packing materials and recyclable products, XTL Packing could attract customers with a demand for sustainable solutions, thereby increasing its revenue. Increased market share: The research and development of recyclable packing solutions are anticipated to contribute to expanding the company's market share in sustainability-focused market segments.

Climate-related Risks and Opportunities

Climate Strategy Resilience

Despite the unique challenges faced by the packing industry in the decarbonization process, XTL Packing's climate strategy planning demonstrates robust risk resilience. Our strategic agility enables effective responses to climate challenges within our existing business model, while addressing the short-term responses and long-term sustainable development objectives. This balanced strategic framework ensures our competitiveness and stable growth across diverse market environments. Through systematic climate risk management and strategic exploitation of associated opportunities, XTL Packing is proactively mitigating the impact of climate change on our operations. Moreover, we are actively addressing climate issues to meet stringent policy requirements and consistently uphold long-term commitments to sustainable development.

As a pioneer in the pursuit of the strategic imperative of "Simulating Circular Economy,

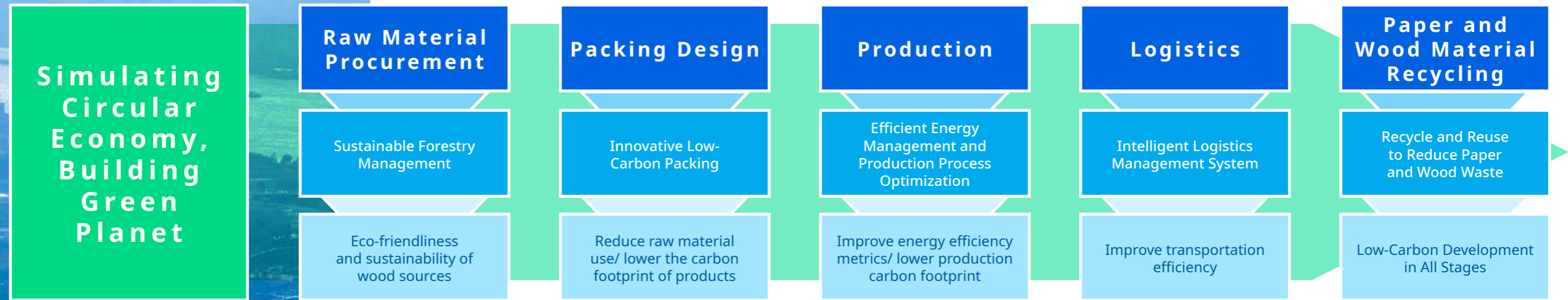
including a SBTi 1.5°C Science-Based Carbon Target. Through decarbonization initiatives and risk management practices, we are dedicated to realizing this objective, mitigating climate-related risks and taking a leadership role in shaping a low-carbon value chain.

In raw material procurement, we ensure the environmental and sustainable nature of our timber sources through sustainable forestry management. We strictly adhere to the environmental standards announced by Forest Stewardship Council (FSC) from the source to production and promoting healthy forestry development. In packing design, XTL Packing innovated low-carbon packing solutions to reduce raw material usage through innovative design, and have also reduced the carbon footprint of products through advanced process design optimization concepts. In the production stage, we continuously enhance

recycle and reuse of resources and the reduction of paper and wood waste, achieved low-carbon development from raw material procurement to all stages of product lifecycle, fully implementing the ESG strategy of "Building a Green Planet."

These comprehensive measures not only showed XTL Packing's firm steps towards sustainable development but also demonstrated the company's determination and ability to implement green practices throughout our production process and supply chain. After comprehensively assessing the impact of climate change across the entire value chain, XTL Packing identified various transition risks, such as the risks from policy changes, regulatory updates, market dynamics, and reputation management.

We also focus on acute and chronic physical risks caused by typhoons, extreme high temperatures,



Building Green Planet," XTL Packing has integrated a diverse green practices into our sustainable development strategy. It covers all the perspectives from raw material procurement to product lifecycles, demonstrating our comprehensive commitment to ecological protection and low-carbon development. XTL Packing has established an ambitious sustainable development strategy,

energy efficiency indicators and reduce carbon emissions through efficient energy management and optimized production processes. In logistics, we introduced intelligent logistics management systems, integrate resources, and optimize product transportation routes to continuously improve transportation efficiency. In the paper and wood material recycling stage, we addressed the

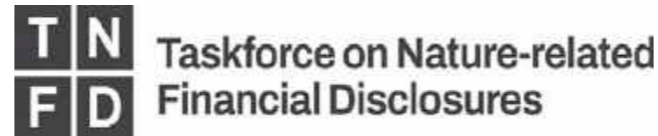
and flooding from heavy precipitation. We have also explored significant potential opportunities in improving resource efficiency, adopting renewable energy, and developing products and services that meet the market's growing demand for low-carbon solutions.



Response to Nature-related Risks

XTL Packing clearly recognizes that our business operations heavily depend on natural resources and ecosystems. The stable supply of wood raw materials, healthy forestry management, water resource conservation, sensible land use, and biodiversity are critical factors for our business operations. We utilize the TNFD framework to comprehensively assess how our daily operations rely on, impact on, and risks and opportunities associated to the natural environment.

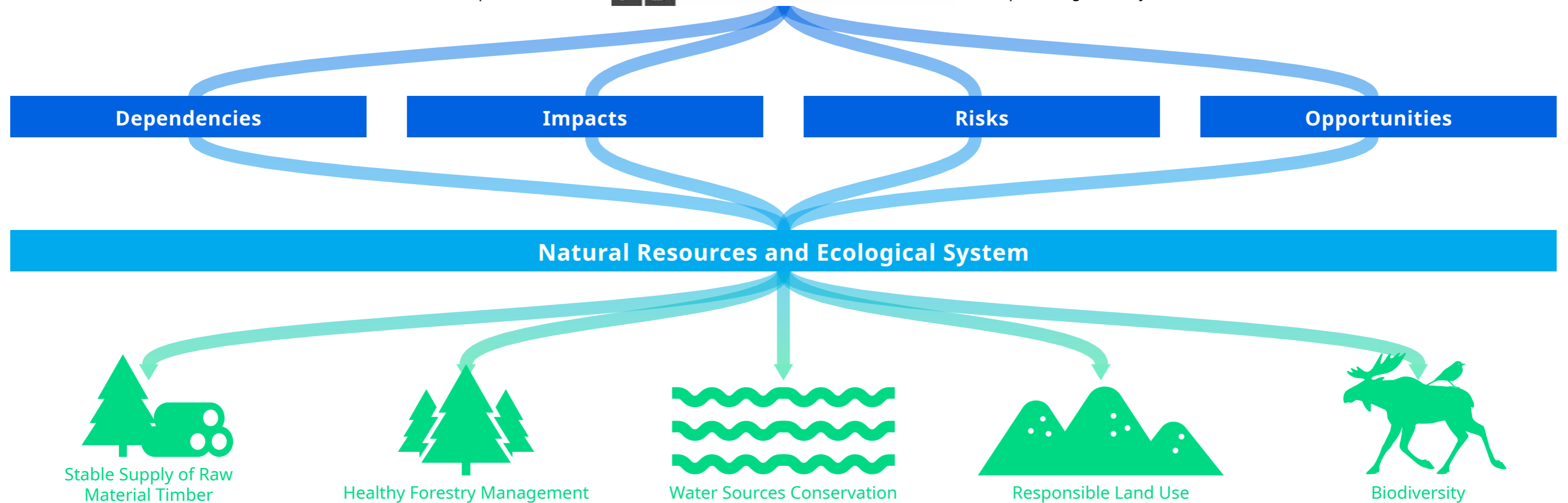
Utilizing the TNFD framework enables us to identify and assess risks and opportunities associated with the natural environment more accurately. This not only helps us better explore new opportunities for harmonious coexistence between our development and



the nature but also ensures that considerations of nature conservation and sustainable development are effectively integrated into our business decisions and strategic planning, aiming for a mutually beneficial outcome that promotes both economic growth and environmental protection.

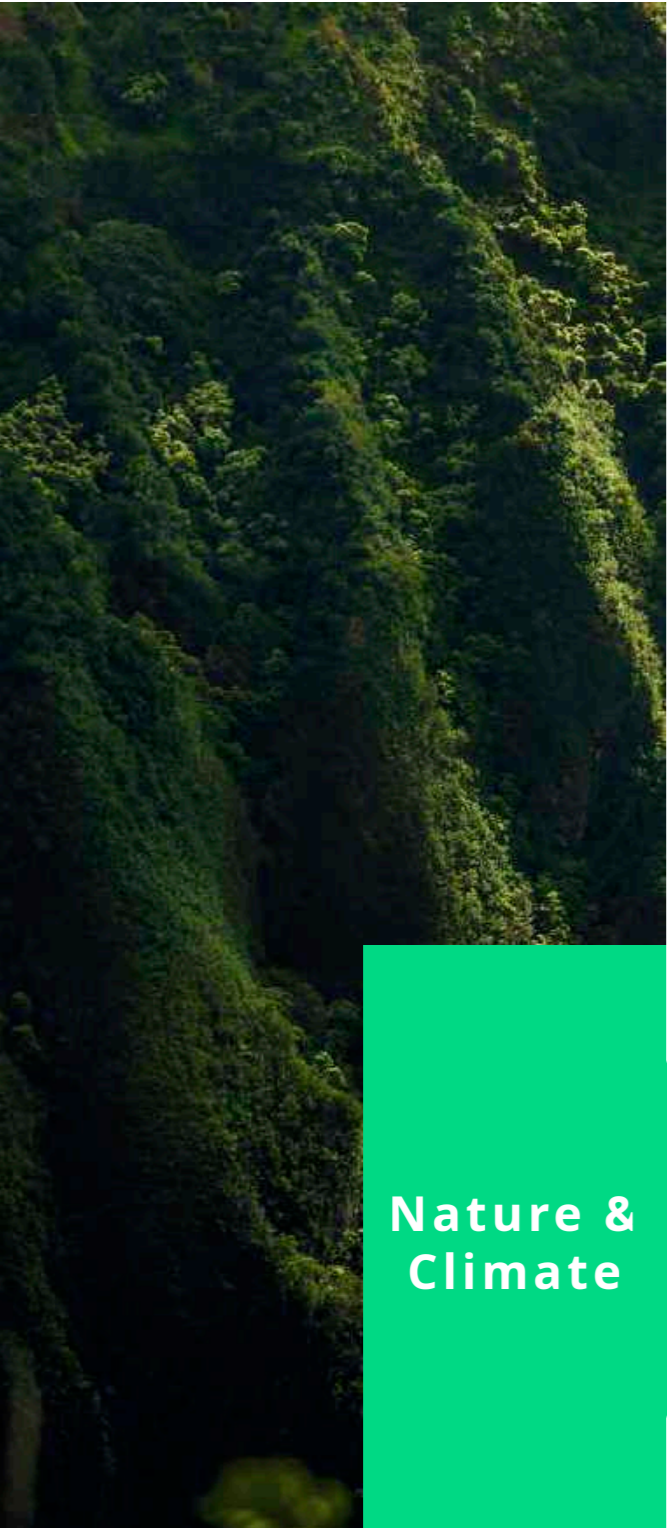
XTL Packing bears an inescapable responsibility in protecting ecosystems, especially in promoting sustainable forest harvesting and healthy forestry management. To achieve this, XTL Packing has committed to zero deforestation: adhere to forest-related laws and mandatory standards at all our production base locations. By 2025, we aim to completely eliminate any deforestation activities related to production, trade, or sales processes, thus promoting a healthy

and sustainable development of forests. XTL Packing is dedicated to ecological conservation with a focus on stringent and transparent supply chain management. We collaborate closely with our suppliers to ensure the sustainability of our raw materials and continually improve our monitoring and assessment systems for better environmental outcomes. Our commitment extends to preserving forests and supporting biodiversity, positioning us as a leader in environmental stewardship.





Response to Nature-related Risks



Nature & Climate

Scoping a LEAP Framework

To better recognize and manage climate-related risks and opportunities, XTL Packing has actively implemented the Locate, Evaluate, Assess, and Prepare (LEAP) approach, a concept proposed by the TNFD framework. Employing the LEAP method not only enhances the company's understanding and management of nature-

related risks and opportunities but also propels it towards increased sustainability and environmental consciousness. In response to the risks and opportunities that have been identified, XTL Packing has established targeted strategies aimed at increasing resource efficiency, promoting a sustainable supply chain, and developing

eco-friendly products and services. We are dedicated to continually monitoring and evaluating the effectiveness of these strategies, ensuring they effectively minimize negative environmental impacts while enhancing the company's overall performance in sustainable development.



Integrate information across the value chain to build an understanding of substantial natural issues.

We conduct a comprehensive review of nature-related key aspects in our business and value chain, recognizing the significance of natural resources in our operations. Timber, being the foundational raw material for XTL Packing's products, is directly connected to forest health, soil use, and water resource utilization within our business model.



At each operation location, recognize the environmental assets, ecosystem services, and impact drivers to assess major risks and opportunities.

XTL Packing is posed with the risk of biodiversity loss, forest degradation, and water resource depletion, which affect the availability and cost of its raw materials. Additionally, extreme climate disasters such as floods and droughts directly impact the stable supply and quality of raw timber.



Determine the potential severity of risks and opportunities.

Dependencies and impacts could result in to nature-related risks due to changes in natural conditions, shifts in ecosystem services, and social effects caused by company's interactions with and impact on the nature. XTL Packing prioritizes opportunities to avoid and reduce negative impacts while regenerating and restoring natural systems through our business model aligned with our sustainable development strategy, contributing to a positive future for nature.



Proactively respond and prepare for disclosure

We acknowledge the criticality of synchronizing our climate and nature disclosures with broader business and sustainability communications. This inaugural report, leveraging TCFD and TNFD frameworks, concisely articulates the influence of climate change and natural ecosystems on our operations. It includes governance, strategy, risk and opportunity assessment related to environmental impacts and dependencies, and outlines our targeted commitments and proactive initiatives.



Response to Nature-related Risks

Scenario Analysis For Nature-Related Risks

The TNFD framework emphasizes the importance of scenario analysis in understanding nature-related risks, underlining how crucial it is for businesses to customize and utilize these scenarios effectively. Such analysis is invaluable as it prepares businesses to navigate and mitigate potential environmental risks and seize opportunities, particularly those arising from natural disasters and climate change, by contemplating a range of possible future scenarios. In addition, analysis of nature-related scenarios allows businesses to deeply understand the potential impact of these changes on their strategy and financial planning, thus guiding companies towards informed and strategic decision-making. This

ensures adaptability and foresight in facing market uncertainties and complexities in the future.

In response, XTL Packing has implemented a "bottom-up" approach consistent with the TNFD framework to deeply explore nature scenarios related to timber. This method begins by examining specific and localized risks, gradually expanding its analysis to broader aspects, such as initially concentrating on the sustainability and steady supply of wood. This approach enables XTL Packing not only to adapt to the evolving natural risks but also to incorporate new information and modify its strategies when needed.

We adopt the bottom-up approach which leads to a continuous updating of the risk scenarios with its detail orientation and flexibility. Beginning with essential operational and environmental factors, businesses could conduct comprehensive assessments of diverse potential risks. As environmental conditions evolve, new risks and opportunities emerge, and this approach allows organizations to adjust and respond at different levels. Continuous monitoring, analysis, and integration of the latest data and information enable businesses to adjust their strategies, ensuring risk management remains closely aligned and effective with their overarching business goals.

Nature-Related Risks And Opportunities

XTL Packing has thoroughly explored the nature-related risks and opportunities we may face, ensuring that our development is aligned with the protection and restoration of global ecosystems. Given the high dependency on timber in our operations, we prioritize forest-related concerns at every stage of our production and supply chain. It involves our impacts on forest ecosystem health, biodiversity protection, and how sustainable forestry practices can reduce our negative environmental impacts on the nature.

We aim to provide a comprehensive perspective, reflecting how natural factors affect our raw material supply, production efficiency, and long-term sustainability.

The biodiversity section focuses on how biodiversity reduction impacts forest ecosystems and timber quality, thus affecting XTL Packing's business operations.

The water resource section explores the adaptability of coniferous forests to water scarcity and this feature provides potential positive impacts to raw

material supply stability.

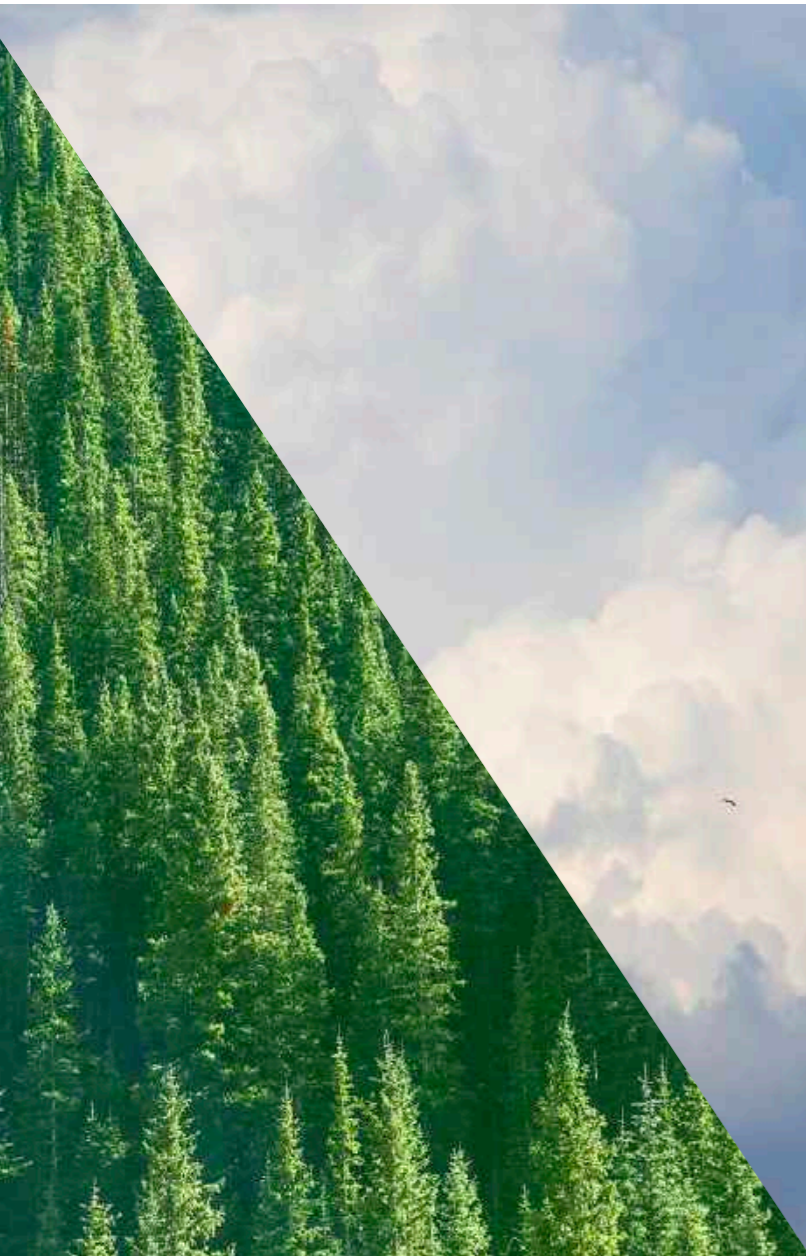
The land resource section discusses how soil degradation affects timber yields and quality, and the potential risks this poses to supply chain stability.

Through this report, XTL Packing aims to better identify and manage the risks and opportunities in the natural environment, thereby developing more effective strategies and action plans to support our long-term sustainable development.

Through a detailed analysis of nature-related risks and opportunities, it is clear that ecological diversity, water resources, and land resources have significant influences on the long-term viability of our businesses. These factors are influential in maintaining the quality and consistency of raw materials and have direct impacts on the overall production efficiency and economic success of our company.

Therefore, regular and comprehensive identification with effective management of these risks is an integral part of XTL Packing's strategic planning and decision-making.

Furthermore, our commitment to sustainable development drives us to deepen our research and initiatives in areas including biodiversity, water resource management, and land preservation. Our focus on environmental protection is vital for ensuring the long-term sustainability and maintaining a competitive advantage for the company.



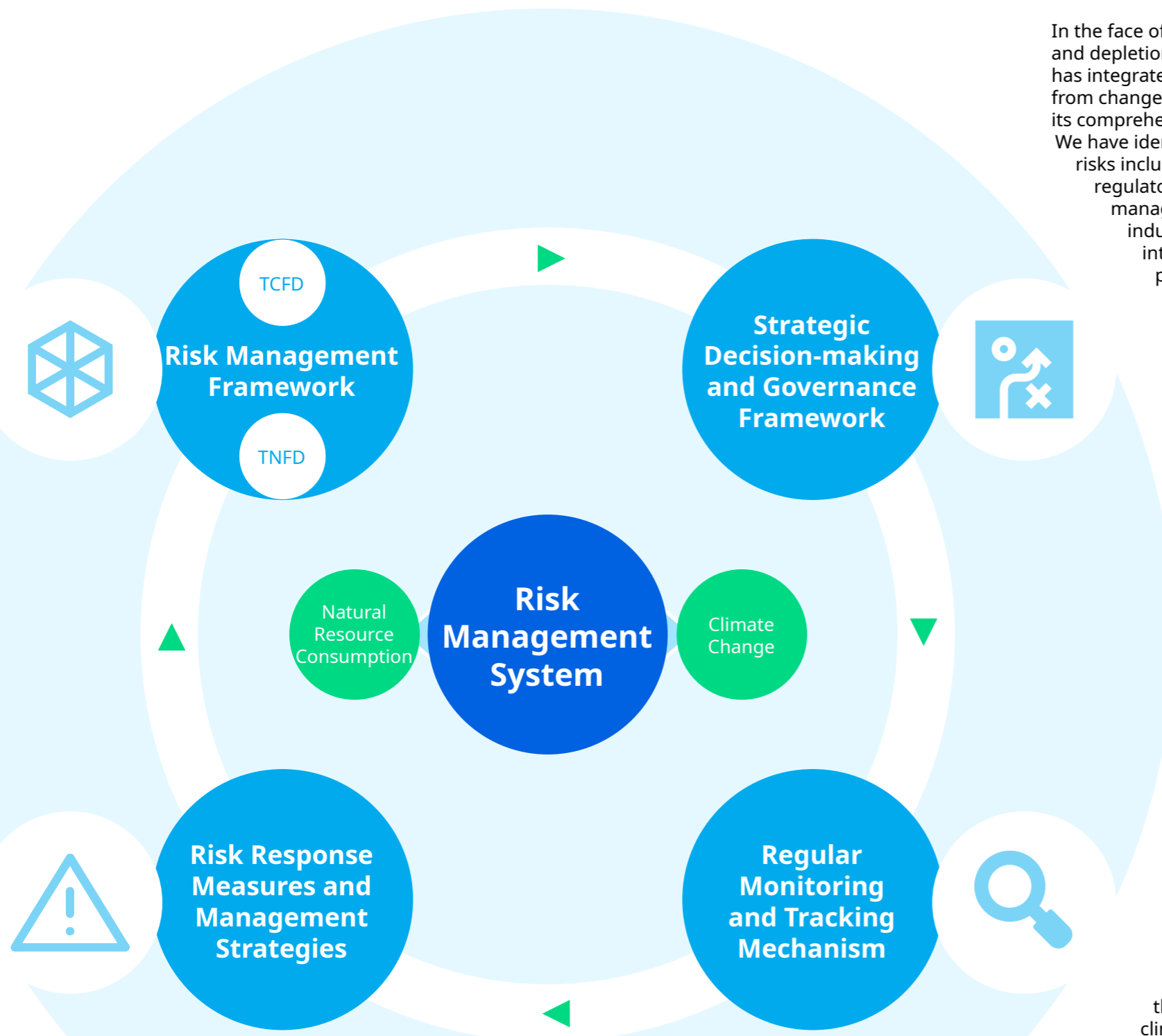


Response to Nature-related Risks

Nature-Related Risks And Opportunities

Theme	Scenario	Scenario Driver	Types of Risks & Opportunities	Time Frame		
				Short	Medium	Long
Biodiversity	The main types of timber XTL Packing purchases are European Silver Fir (<i>Abies alba</i>) and Grand Fir (<i>Abies grandis</i>). In the ecological chain of the fir (genus <i>Abies</i>) in the Pinaceae (pine family), each level is interdependent and fulfills different ecological functions. A reduction in biodiversity at any level can trigger a chain reaction affecting other levels, leading to the breakdown of the food chain and subsequent degradation of the ecosystem. This can impact woods' moisture, density, hardness, and resistance to decay.	XTL Packing's upstream forests are experiencing a loss of biodiversity, which affects tree growth and hence reduces the quality of the raw materials.	Physical Risk and Transitional Risk	✓		✓
	Biodiversity is concerned with the distributional changes and dynamics of species. Due to climate change, the phenomenon of tree populations migrating northward to adapt to new environmental conditions not only alters the ecosystems of both original and new forest areas but also significantly impacts the economies of timber-dependent industries. Such environmental changes could modify the fundamental properties of timber, such as its hardness and texture, which in turn, impacts the quality of the final packing products produced. XTL Packing faces challenges beyond just variations in raw material types; when the required tree species become scarce locally, the company might be forced to source raw materials from farther away, thereby incurring higher transportation costs. Therefore, to mitigate supply chain instability and the economic pressures of dealing with inferior wood quality due to tree migration, the company needs to strengthen the tracking and inspection of forests where the timber originates.	XTL Packing's upstream timber sources are experiencing biodiversity loss. The migration of trees impacts ecosystem stability, which indirectly leads to instability in the quality of raw materials.	Physical Risk and Transitional Risk	✓		
	Biodiversity, which is critical to the stability of ecosystems, exhibits heightened sensitivity to even minimal climatic shifts. Slight increases in temperatures can lead to dire repercussions for natural ecosystems. A case in point is the northern forests in Canada, a key source of raw materials for XTL Packing, where warmer climates have precipitated massive outbreaks of pine beetles, leading to significant forest mortality. Such events not only markedly diminish the diversity and quantity of trees but also severely compromise the ecological equilibrium of these forests. Disturbances of this magnitude disrupt the diversity of both species and tree populations, casting extensive impacts across the forest's ecosystem. In light of these challenges, it is imperative for XTL Packing to amplify its ecological surveillance at the sites of its raw material extraction and to meticulously evaluate the health of forests within its supply chain. This vigilant approach is crucial to averting ecological degradation and the consequent loss of resources at these sites, thereby ensuring the preservation of biodiversity.	One of XTL Packing's main timber sources is Canada, where global warming is leading to an increase in pine beetles. This rise in forest pests poses a threat to the consistent supply of timber materials.	Physical Risk	✓	✓	✓
Water resource	Coniferous forests, as an important forest resource, can grow well even in conditions of scarce water resources. These forests are mainly composed of coniferous tree species such as pine and fir, which can thrive in relatively dry environments. Therefore, the future shortage of water resources will have minimal impact on the raw material supply of XTL Packing. Thus, choosing these tree species is a key strategy for XTL Packing to ensure the stability of their raw material supply.	The timber selected by XTL Packing primarily originates from coniferous forests, where the tree species demand less water and exhibit greater adaptability to future water scarcities.	Opportunity	✓	✓	
Soil resource	Soil degradation represents a significant environmental challenge, characterized by the continuous decline in soil quality and productivity, often attributed to excessive logging and improper forestry management practices. The reduction of forest cover leads to various adverse environmental impacts, such as intensified soil erosion and diminished water retention capacity, further exacerbating soil quality degradation. Given these considerations, XTL Packing must carefully assess the forestry management conditions of its timber sources during procurement. It is crucial to source timber from regions that adhere to sustainable forestry practices, thereby avoiding indirect support for forestry activities that contribute to forest and soil degradation and mitigating the escalation of environmental issues.	XTL Packing's supply chain is impacted by forest soil degradation, which poses a threat to the stability of raw material supply.	Physical Risk and Transitional Risk			✓
	Compared to other tree species used for manufacturing wood packing, the European Silver Fir (<i>Abies alba</i>) has specific requirements for its growing environment. This species is highly sensitive to soil quality, water supply, and temperature fluctuations. When faced with soil degradation or extreme climate conditions, its survival can be severely impacted.	The European Silver Fir (<i>Abies alba</i>) demands specific conditions for growth, particularly in terms of soil quality, and is particularly sensitive to environmental changes	Physical Risk and Transitional Risk	✓	✓	

Comprehensive Risk Management Approach



In the face of the pressing issues of climate change and depletion of ecological resources, XTL Packing has integrated the management of risks arising from changes in the natural environment into its comprehensive risk management framework. We have identified and assessed nature-related risks including those related to policy and regulatory shifts, market dynamics, reputation management, as well as physical risks induced by climate disasters, and integrated these risk management processes into our overall risk strategy. Employing advanced analytical tools and methodologies, we not only assess the likelihood and impact of these natural risks but also delve into effective strategies to mitigate their potential effects on our operations.

To tackle the specific climate and ecological challenges faced by the packing industry, XTL Packing has woven a robust risk management framework into its core business activities. This framework is aligned with the TCFD's risk management suggestions and is enriched by the innovative insights from the TNFD framework, ensuring our preparedness against evolving climate and natural risks while fostering resilience and sustainability. Beyond managing risks, we actively seek to convert challenges into opportunities. Through the execution of the "2030 Xintonglian ESG Strategy," we are dedicated to enhancing governance, advancing technological innovation, and collectively addressing the risks presented by changes in climate and the natural environment along our entire value chain.

Following a thorough identification and assessment of climate and nature-related risks, as

well as potential threats to our business, XTL Packing has determined the varying degrees of impact these risks have on our operations and devised specific risk response measures and management strategies. These strategies are designed to lessen our exposure to climate and nature-related risks, diminish our vulnerability to climate hazards, and propel our sustainable growth. We place special emphasis on distinguishing between transition risks, physical risks, and risks related to natural resources, adopting appropriate measures for each category to enhance our resilience to various risk scenarios.

To prioritize climate and nature-related risk management effectively, XTL Packing has incorporated risk management into its strategic decision-making and governance framework. This ensures the integration of climate and nature risk management in financial, strategic planning, investment, and risk management processes, guaranteeing that climate and natural factors are comprehensively considered in decision-making and operations.

A systematic monitoring and evaluation mechanism is established to track the effectiveness of our climate and nature-related risk management initiatives. Setting specific indicators and goals allows us to continuously improve and adapt to changing environmental conditions. Additionally, we regularly conduct industry risk research and assess our risk management system, optimizing based on findings to enhance our approach. These developments are reported to our board and stakeholders periodically, maintaining transparency and accountability in our risk management achievements.



Targets and Commitments

As a leader in the packing industry, we actively support China's carbon reduction pledge and the broader objectives of global climate agreements, aiming for carbon peak by 2030, carbon neutrality by 2060, and upholding the Paris Agreement's ambition to limit global warming to 1.5°C. Acknowledging the critical nature of these commitments, our initial steps involve formulating explicit long-term objectives and compiling a comprehensive greenhouse gas emissions inventory to meet these environmental targets.

Our commitment to globally recognized carbon

accounting practices is reflected in our adherence to standards such as the ISO 14064 Greenhouse Gas Verification System and the Greenhouse Gas Protocol for systematic emissions calculations. In 2023, we solidified our dedication through the submission of the SBTi 1.5°C commitment letter, vowing to reduce our Scope 1 and Scope 2 greenhouse gas emissions by 42% by 2030 relative to 2020, and aligning our forestry-related Scope 3 emissions with the SBTi FLAG guidance. Establishing science-based carbon targets underscores our dedication to climate change mitigation and our prioritization of

environmental stewardship in our operational decisions. Given our close ties to forestry, we are also committed to a zero-deforestation policy.

Despite the challenges associated with data collection and analysis, we have yet to finalize the specific calculations for Scope 3 greenhouse gas emissions. However, this task is now a key component of our climate strategy action plan. We pledge to persistently oversee and minimize greenhouse gas emissions throughout our supply chain, making a significant contribution to a sustainable future.

GHG Emissions

ISO 14064 Greenhouse Gas Verification System
Greenhouse Gas Protocol

Scope 3



Employee commuting



Business Travel



Purchased goods and services

Scope 2



Purchased Electricity
3153.58



Purchased Steam
538.79

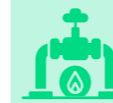
Scope 1



Diesel fuel
700.41



Gasoline
156.45



Natural Gas
815.96

2030

42% reduction

in Scope 1 and Scope 2 greenhouse gas emissions relative to 2020

Aligning forestry-related Scope 3 emissions with the SBTi FLAG guidance

Unit: tons CO₂e



Transportation and Distribution (downstream)



Waste Generated in Operations



Transportation and Distribution (upstream)



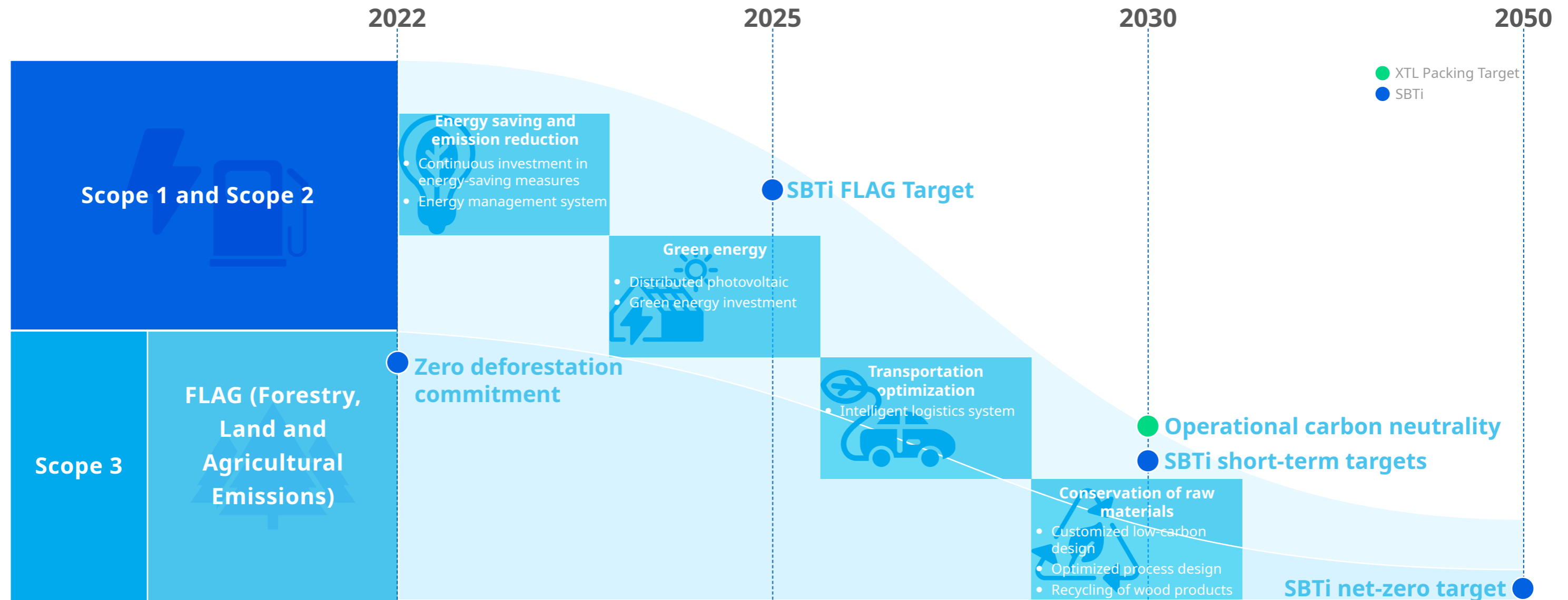
Targets and Commitments

Carbon Target Pathway

In confronting the severe challenges of climate change, we have set a short-term carbon target for 2030 and actively submitted our commitment to the SBTi's 1.5°C near-term target. This pledge not

only expands the ambit of our carbon objectives but also serves to highlight our unwavering resolve in tackling climate-related challenges. Additionally, we are actively exploring the setting of

long-term carbon targets based on SBTi standards, aiming to further underscore our dedication to sustainable development and climate action initiatives.



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Our Low Carbon Journey



Sustainable Forest Management

At XTL Packing, we fully recognize the challenges and opportunities posed by climate change. It poses a critical test for the survival and growth of our businesses and acts as a catalyst for our transition to greener and more sustainable business practices.

Circular economy, as an economic model that emphasizes resource conservation and recycling, not only aligns with our philosophy in addressing climate change but also provides crucial guidance for XTL Packing's sustainable development. We endeavor to address the various challenges posed by climate change through the exploration and implementation of circular economy models.

Our ESG strategic goal of "Simulating Circular Economy, Building Green Planet" integrates the concept of a circular economy into our company's daily operations.

By optimizing product design, energy usage, and logistics management, we continuously reduce greenhouse gas emissions, alleviating our impact on the ecological environment.

Meanwhile, we emphasize efficient resource utilization and waste management to minimize timber logging and maintain the ecological balance of forestry.

Following the planned decarbonization path and action plan, XTL Packing proactively takes action to strengthen business resilience, optimise energy and raw material efficiency, and promote technological innovation. These efforts have yielded significant achievements: energy conservation, emission reduction, and enhanced operational efficiency. Furthermore, they have strengthened our ability to address the uncertainty and potential risks associated with climate change.

The 2030 ESG strategy of XTL Packing guides us towards a greener and more carbon-efficient development path. Against the backdrop of global climate action, we are committed to transforming this challenge into an opportunity. Through continuous efforts and innovation, we are progressively advancing towards an authentic circular economy, thereby making our contribution to environmental protection and climate change mitigation.

Sustainable Forest Management

XTL Packing recognizes the crucial interdependence of business and ecosystems, with sustainable forestry being key to both ecological health and our long-term profitability. Guided by the core philosophy of "Source of Green-Wood," XTL Packing strictly screens wood sources during the raw material sourcing process, giving preference to countries renowned for stringent forest management and ecological conservation. The

transportation and processing of wood adhere strictly to the environmental standards set by the Forest Stewardship Council (FSC). From sourcing to manufacturing, continuous efforts are made to improve production chain efficiency, minimizing the company's impact on the natural environment. Moreover, through the implementation of the "Xingdaoshu Project", XTL Packing consistently make positive contributions to the forest

ecosystem, reinforcing its unwavering sustainability commitments and action. Through these measures, XTL Packing is dedicated to minimizing its impact on the natural environment, and implementing sustainable development practices. This underscores the company's deep respect for and responsibility towards ecological conservation.

Sustainable Sourcing

At XTL Packing, our core business – the processing of paper and wood packing – is intrinsically connected to the sustainable use of forest resources, underscoring the critical nature of our operations in relation to environmental stewardship.

As XTL Packing continues to grow, we give high priority to harmonious coexistence with the natural ecosystem, taking on the responsibility for sustainable resource utilization and nature conservation. Recognizing forests as a renewable resource, we understand that their judicious and sustainable use can be beneficial to the environment, rather than detrimental. Trees play a crucial role in improving carbon cycling by sequestering carbon during their growth process. Moreover, choosing wood as a packing material proves to be an effective method of reducing product carbon footprint.

To ensure the sustainability of its raw materials, XTL Packing globally sources wood, specifically focusing on countries with stringent forest protection regulations and strict forest management practices. The company prioritizes the procurement of wood materials from countries such as Sweden, Canada, New Zealand, and Japan, which are widely recognized for their strict forest management and ecological conservation practices.

- Sweden is renowned for its stringent forest management regulations, sustainable development, and commitment to ecological conservation. The country maintains a continuous increase in forest stock, with a significant portion of its forest area certified by FSC⁴ or PEFC⁵. In efforts to protect biodiversity, Sweden has implemented various measures to ensure that all harvested timber undergoes forest regeneration through either artificial or natural means.
- Canada stands as a global leader in sustainable forest management and innovation. With forests covering over 50% of its land area, and 93% of these forested lands under public ownership. Canada plays a significant role in the global forestry landscape. The Canadian government has established a series of laws and regulations to protect forest resources, maintaining its world-leading position in forest management.
- New Zealand's forest resources are categorized into natural forest industry (native forests) and plantation forest industry (artificial forests). The government has developed various national parks and conservation areas to protect natural forests. There are also incentives for the cultivation of artificial forests

to promote economic growth and sustainable development, effectively achieving the need for the conservation of natural forests.

- Japan maintains the health and productivity of its forests through effective forest management strategies, encompassing planning, planting, thinning, and nurturing. The country is a global leader in research on forest therapy theory and practice. Japan is actively engaged in forest restoration and reforestation projects, aiming to enhance forest coverage and ecosystem integrity.

Through these measures, XTL Packing demonstrates firm support for the development of a healthy forestry industry. By choosing wood from areas with strict forest management and sustainable forest protection, the company ensures not only the sustainability of its business activities but also reflects its commitment to global forest conservation and restoration.

This strategy contributes to maintaining the health and stability of forest ecosystems, showcasing XTL Packing's industry leadership in sustainable business practices.

4. FSC® Certification: Forest Stewardship Council (FSC) certification. The Forest Stewardship Council is a global non-profit organization that sets standards for responsible forest management in environmental and social aspects.

5. PEFC Certification: The Programme for the Endorsement of Forest Certification Schemes (PEFC) is an independent certification system dedicated to promoting international forest certification for sustainability.



Sustainable Forest Management

FSC® Certification



XTL Packing is committed to achieving the sustainable use of forest resources and has pledged to cease all activities that may lead to forest destruction in production, trade, or sales by 2025. To accomplish this goal, the company strictly adheres to forest-related laws and mandatory standards in each production base location, promoting the health and sustainable development of forests. XTL Packing adheres to a business ethos centered on sustainability and regeneration, committing not just to eco-friendly practices and balanced consumption, but also to the protection and maintenance

of forest ecosystems' health and balance.

To ensure the sustainability of timber sources, XTL Packing has obtained FSC® certification for ten of its factories. This certification signifies that the entire process of the company's wooden product packing, from sourcing in the forest to transportation and processing, meets FSC®'s stringent environmental protection requirements. Additionally, XTL Packing actively encourages its supply chain partners to obtain FSC® certification. By emphasizing the importance of sustainable forestry management

and its role in combating climate change and protecting biodiversity, the company contributes to the awareness of these crucial aspects. Annual risk assessments of suppliers are conducted to ensure strict oversight of paper and wood raw materials. These measures not only demonstrate XTL Packing's commitment to sustainable development but also establish a benchmark for the sustainable utilization of forest resources within the industry.

Xingdaoshu Project



In 2021, XTL Packing donated 5 million Chinese Yuan to the Laiyifen Fund and established the "Xingdaoshu" special welfare fund, dedicated to helping disadvantaged and vulnerable groups and continuously supporting tree planting projects. In 2022, utilizing this fund, the company initiated the "Xingdaoshu Project", focusing on afforestation.

Up to 2023, the project has been implemented in Shizong County, Yunnan Province, and five hundred thousand fir trees were planted, covering an area of one million square meters. It is estimated that these tree-planting activities will sequester approximately 254 tons of carbon dioxide annually. Looking ahead, XTL Packing intends to engage in selective logging and replanting as the trees reach maturity, ensuring the ongoing ecological health and vitality of the forested areas.

Afforestation contributes to carbon sequestration and climate change mitigation and plays a crucial role in biodiversity conservation. Forest ecosystems provide a habitat for numerous species, enhancing biodiversity by offering food, shelter, and breeding grounds, fostering interactions and symbiosis among species.

Through the "Xingdaoshu Project", XTL Packing not only embodies its commitment to the sustainable forestry management philosophy of "From the Forest, For the Forest", but also actively addresses associated nature-related risks. This initiative demonstrates XTL Packing's environmental conservation actions and commitments. Through active participation in tree planting and afforestation activities, the company is actively engaged in the restoration and protection of ecosystems.

Investments in natural capital contribute to carbon sequestration and biodiversity protection, and further reflect the company's proactive stance in addressing global climate change and environmental degradation.

We firmly believe that each tree represents a vibrant green, forming a world of greenery that will continuously thrive and renew in the cycles of growth and regeneration.

Green Design in Packing

To realize the vision of a circular economy and sustainable development, XTL Packing is redefining traditional packing with innovative, eco-friendly solutions, revolutionizing design, materials, and production processes. Committed to 'Green Design,' this ethos is woven through every stage of our

product development. We focus on optimizing structures and incorporating sustainable materials from the outset to final production. Our material selection favors sustainable wood and paper, reflecting our dedication to environmental stewardship. In managing production, we have

implemented carton replacement strategies and upgraded our equipment, enhancing both efficiency and sustainability in our operations. These initiatives underscore our commitment to green design, demonstrating a deeply considered strategy to integrate sustainability at the core of our business.

Sustainable Packing Design Optimization

At XTL Packing, efficient resource utilization and environmental protection are central to our innovative development. Our design team, driven by customer needs, engages in every step from

initial design to prototyping, and onto the final mass production process. We are committed to transforming traditional heavy packing products into more eco-friendly and cost-effective sustainable packing solutions. This shift represents not only a deeper exploration into the economic value of traditional heavy packing but also an unwavering pursuit of ecological value in our products.

In 2022, our Luojing factory made significant strides in the design of sustainable packing solutions. We achieved numerous successful design optimizations in various packing categories, including wooden pallets, wooden box, and cartons. For instance, our design team, while ensuring the load capacity of a wooden pallet product, finely adjusted the specifications and structure of each component, resulting in a reduction of 33% in fiberboard, 15% in wood board, and 10% in wood battens. This optimization has effectively reduced the usage and cost of raw materials, decreased the consumption of natural resources, and improved the ecological impact of our packing, further representing an advancement in economic efficiency and environmental sustainability.

While successfully designing diverse sustainable packing solutions for clients, XTL Packing continuously accumulates practical experience and actively fosters the development of innovative



capabilities. Currently, the company has secured 110 packing patents, with 50 of these patents effectively improving the efficiency of packing material utilization. These patents not only demonstrate innovative thinking in packing structure design but also significantly reduce raw material consumption, further mitigating our environmental impact.



Design Optimization Helps Reduction in Usage of Raw Materials

Fiberboard ▶▶▶▶▶ 33%

Wood Board ▶▶▶▶▶ 15%

Wood Batten ▶▶▶▶▶ 10%

Green Design in Packing

Exploring Innovation in Green Raw Materials

In addition to innovative packing structure design, XTL Packing is committed to using greener and more low carbon packing materials, further contributing to sustainable packing solutions.

Drawing upon 20 years of experience in wooden packing design and processing, XTL Packing actively explores the potential and applicable scenarios of eco-friendly packing materials, primarily paper and wood, to reduce the use of environmentally negative materials such as metal and plastic.

While promoting the adoption of environmentally friendly packing materials, XTL Packing has also



As a demonstration, following thorough evaluation and redesign, the packing solution for a lift project was modified from a complete reliance on metal to a combination of wood pallet and carton. This not only reduced material costs by 61%, but more importantly, the carbon emissions of the new packing edition reduced by more than 90%, significantly alleviating the environmental burden. The use of paper-based casing significantly reduced energy consumption and carbon emissions during

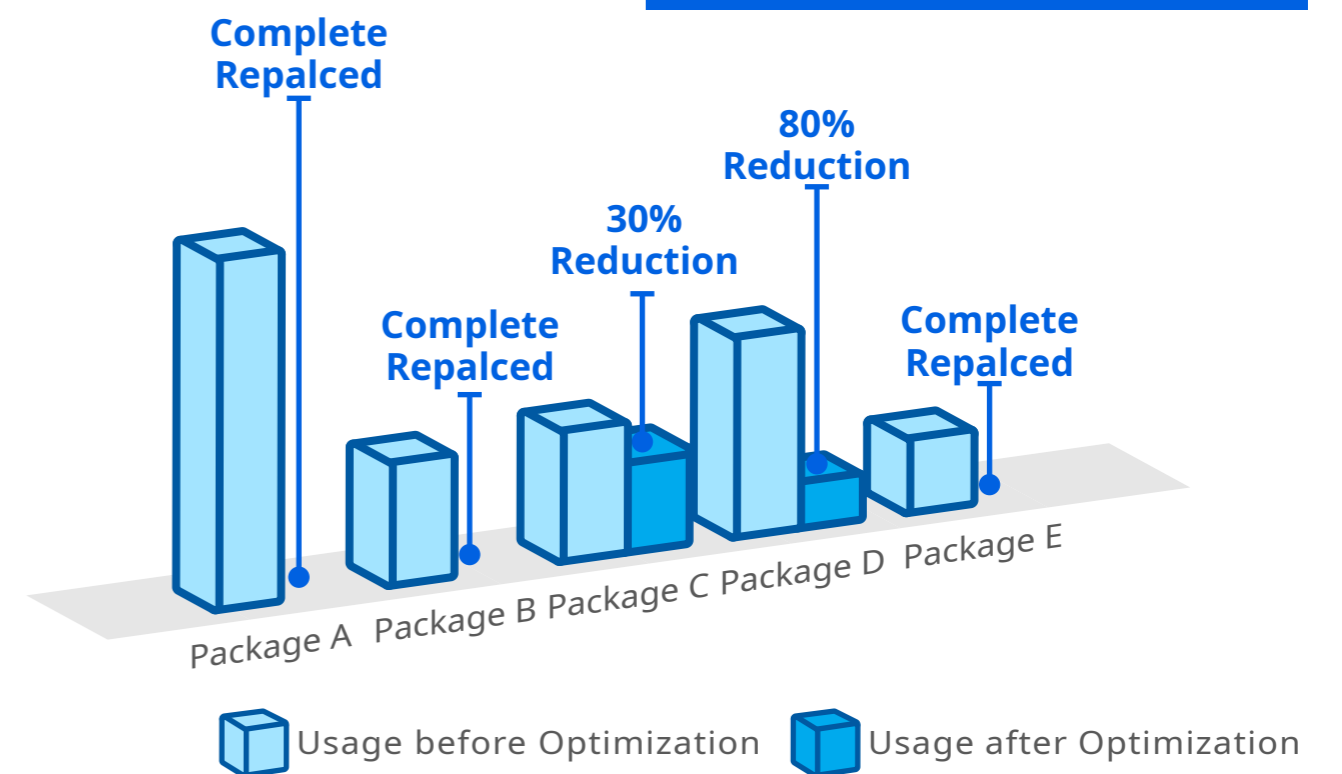
the production process, while also improving the recyclability of packing materials. These are crucial strides towards our green and low-carbon goals.

been optimizing the structural application of existing packing materials to further enhance the sustainability of its packing products. Compared to wood, corrugated fiberboard used in packing offers advantages such as cost-effectiveness, lightweight for easy transportation, and high recyclability, leading to significant benefits in both environmental friendliness and cost-efficiency. In 2000, XTL Packing established a carton factory with the aim of replacing heavy wooden boxes with cartons and wooden pallets with paper pallets. This strategic shift towards lightweight and recyclable packing aligns with the company's commitment to sustainability.

At the Wuhan factory, in the production of 5 packing solutions for a specific customer, the overall use of wood has been reduced to 15% of the original amount through optimization. In three of these packing solutions, all wooden materials were replaced, and in the remaining two, the use of wood was reduced by approximately 80% and 30% respectively.

Each attempt serves as an indication of our dedication to sustainable development and the commitment to environmental preservation. XTL Packing is convinced that we can offer greener packing solutions to the global market through continuous effort.

Wuhan Factory: Packing Optimization Imp



Green Design in Packing

Green Transition through Efficient Raw Material Use



XTL Packing has actively invested in advanced and more efficient production equipment to reduce material waste during production. The introduction of these machines not only enhances the automation level of production lines but also minimizes raw material waste through precise control. For instance, at Wuxi factory,

While optimizing packing structures and adopting green raw materials, XTL Packing is committed to enhancing the utilization rate of raw materials and reducing material waste in the production process through refined production management and technological innovation. We have conducted a comprehensive review and implemented a series of innovative measures across all stages of the production process, from optimizing the details of the production flow to the deployment of advanced equipment and careful management of the

transportation process. Owing to the raw material management strategies, Xingtonglian has effectively reduced raw material consumption, hence setting an exemplar for resource conservation and environmental protection in the packing industry.

■ Production process refinement

XTL Packing has effectively reduced the waste of raw materials by continuously improving our production processes. The company has implemented a series of optimization measures, including the adoption of lean production techniques, improved material management methods, and enhanced employee operational efficiency. These initiatives have increased production efficiency and reduced raw material wastage, making our production processes more economically justified and environmentally friendly. In the Wuhan factory, responding to high-quality demands from customers, the company has implemented a series of improvements in a specific production process.

The improvements have successfully reduced the number of defective products by 40%, hence contributing to production efficiency. By improving the process of corrugated board, the company has significantly reduced misalignment issues in finished products; by adding guide wheels, it has decreased rate of defective products; and by introducing positioning marks in the printing process, it has reduced printing misalignments. These improvements span across various stages of the production process, leading to a substantial increase in the efficiency of printing. They also effectively controlled the rate of production defects, resulting in reduced consumption of raw materials.

■ Application of advanced equipments

there was a significant annual loss of up to 860 tons of raw paper in the paperboard trimming process, leading to increased production costs, strain on natural resources, and higher GHG emissions per unit product. After a detailed analysis by the technical team, the main causes of raw paper loss were identified as variations in paperboard specifications and inefficient operation of the paperboard line equipment.

carbon footprint of cardboard products, XTL Packing has replaced equipment in the cardboard line, adopting more efficient machinery. This significantly reduced raw paper loss by nearly 10 tons monthly and cumulatively saving about 50 tons of raw paper. This reflects XTL Packing's achievements in both enhancing raw material use efficiency and reducing input, as well as demonstrating our progress in minimizing the carbon footprint of our products during production.

To optimize resource utilization and reduce the

Enhance Production Performance

XTL Packing's dedication to reducing carbon emissions in the production process stands as a crucial step towards its sustainable development aspiration of "Building Green Planet". The company has implemented an efficient energy monitoring system to precisely manage and optimize factory energy consumption, with a particular emphasis on restructuring the company's energy consumption structure.

Substantial efforts have been dedicated to electrifying internal transport vehicles. This not only reduces reliance on fossil fuels but also accelerates the company's transition to green energy.

Remarkable headway has been achieved in XTL Packing's advocacy for renewable energy, such as photovoltaic power generation, and implementing energy-saving technologies, including improving

the efficiency of waste heat utilization.

These initiatives reflect the company's comprehensive commitment and actions in energy conservation, emission reduction, efficient energy utilization, and the application of green technologies.



Energy Management System: Precise Identification and Optimization

XTL Packing has made substantial progress in energy consumption optimization and conservation by introducing advanced energy management systems. This system conducts real-time monitoring and analysis, accurately identifying energy-intensive areas and equipment, enabling the company to formulate and implement more effective energy utilization strategies.

In the Wuxi factory's pilot application, this system has proven its significant operational effectiveness. Building on this successful case, XTL Packing plans to extend this energy management system to other factories within the group, substantially enhancing the overall energy efficiency of the entire corporation and assisting in realizing the company's carbon targets.

Wuxi Factory Case Study

For the application at the Wuxi factory, the effectiveness of the energy management system is particularly evident. Especially the air compressor, one of the highest energy-consuming devices in the factory, which was causing significant electricity wastage due to improper management. To address this issue, we developed a closed-loop management function for the air compressor, incorporating features such as timed automatic shutdowns and fixed-time interval automatic

shutdowns. This helped prevent energy waste resulting from management issues.

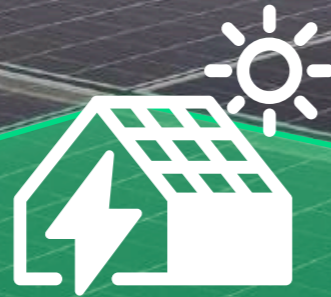
In 2022, our systematic energy management achieved a total energy saving ranging between 128,000 to 192,000 kilowatt-hours, and a 10%-15% reduction in electricity consumption reduction. This energy-saving achievement not only validates the effectiveness of the energy management system but also showcases XTL Packing's steadfast commitment to achieving energy optimization.

Enhance Production Performance

In 2023, annual
electricity generation
1,323,560kwh

In 2024, annual
electricity generation
2,627,880kwh

In 2025, annual
electricity generation
4,227,240kwh



Introduction of Renewable Energy

As an industry pioneer, XTL Packing consistently enhances its efforts in optimizing energy structure. By investing in photovoltaic projects and procuring renewable energy certificates, the company continuously advances its strategy towards clean energy, clearly defining goals in reducing greenhouse gas emissions and promoting energy transition.

To achieve energy self-sufficiency and enhance the proportion of clean energy utilization, the company plans to establish solar energy systems in five factories. The annual electricity generation is projected to reach 4,227,240 kilowatt-hours. The photovoltaic systems at the Luojing and Minhang factories are now operational, signifying the beginning of the company's shift in energy structure. Presently, plans for photovoltaic projects are underway at other factories, highlighting a firm level commitment to a sustainable energy transition.

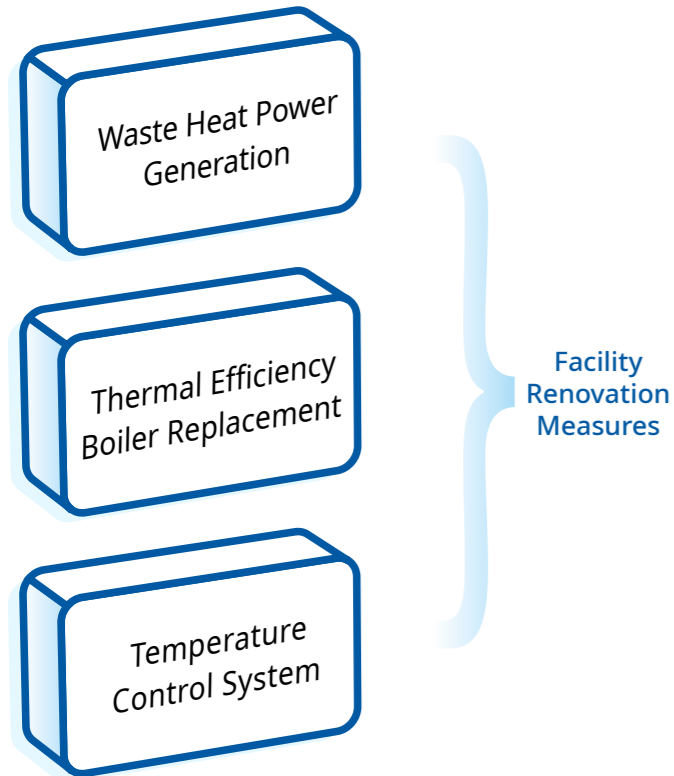
In actively pursuing carbon reduction goals and driving global renewable energy development, XTL Packing is committed to procuring clean electricity. We have established long-term partnerships with numerous clean energy suppliers to ensure the stability and reliability of green power supply. Exploring a diversified portfolio of clean energy sources such as wind and solar energy, we aim to enhance energy security and supply stability. We are gradually transitioning to an energy system

primarily based on renewable sources and investing in related technological innovation and research and



development. These initiatives not only optimize our energy structure but also contribute to the advancement of the global renewable energy industry, significantly enhancing our environmental responsibility performance and brand image.

Enhance Production Performance



Facility Renovation

XTL Packing has undertaken a series of facility upgrades aimed at enhancing energy efficiency and reducing greenhouse gas emissions. These renovations are based on the comprehensive assessment of existing facilities, seeking to maximize available resources and identify opportunities for efficiency improvements and emission reductions.

Key renovation measures include:

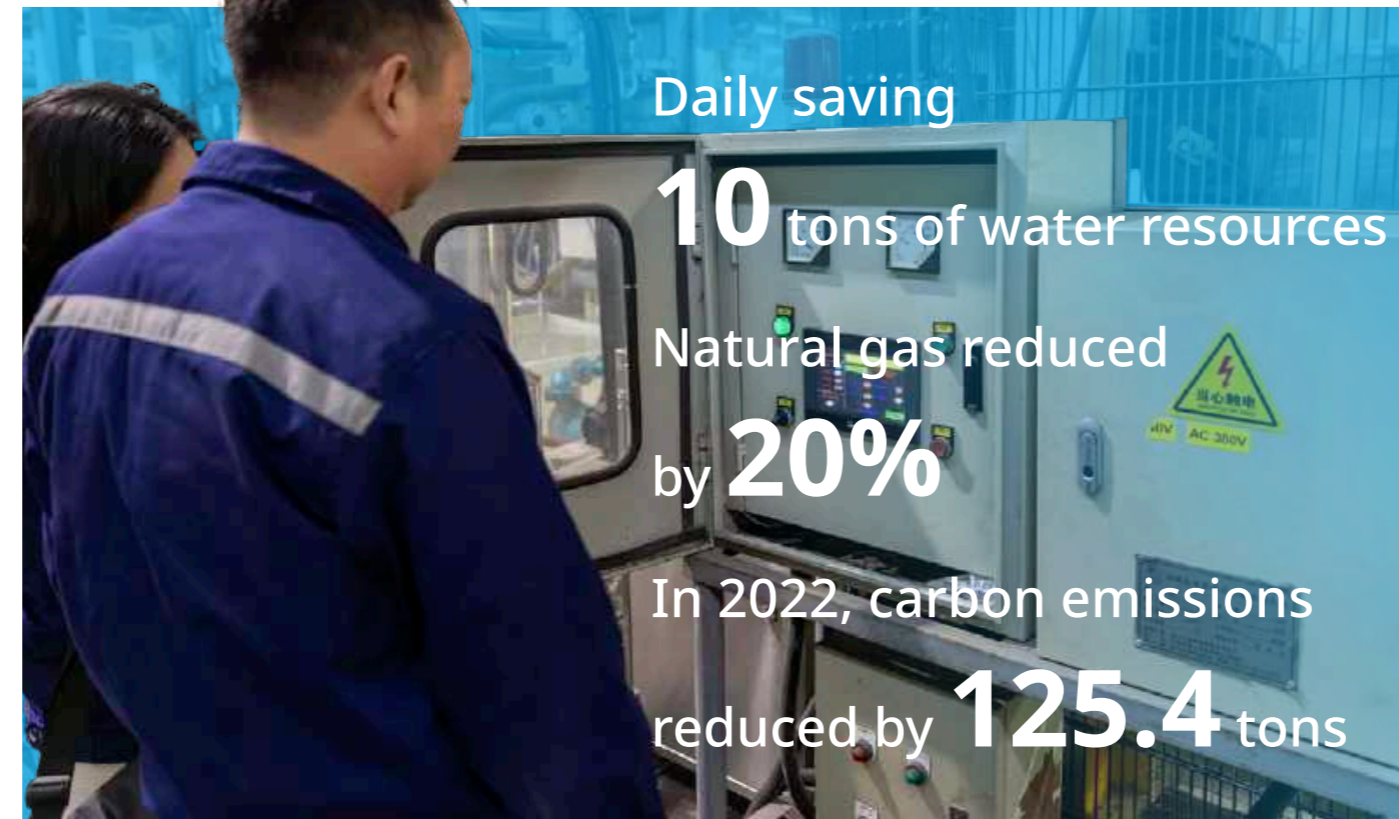
- Application of waste heat power generation technology: This technology efficiently harnesses excess heat generated during the production process, converting it into electricity, thereby reducing energy waste

and lowering greenhouse gas emissions.

- Replacement of boilers with higher thermal efficiency: By employing more efficient boiler equipment, XTL Packing can utilize energy more efficiently while achieving emission reduction.
- Introduction of temperature control systems: This system is used to precisely control adhesive temperatures, aiding in optimizing energy efficiency during the production process.

These measures demonstrate XTL Packing's ongoing commitment and innovative spirit in

energy management and environmental protection. Through these technological transformations, XTL Packing successfully reduced production costs, mitigated environmental impact, and enhanced overall energy efficiency and sustainability.



Heat Recovery Retrofit Case

The heat recovery retrofit project in the assembly line of the Wuxi factory stands as an exemplary demonstration of XTL Packing's technological and energy-saving innovations. In the water recycling system of the cardboard line at the Wuxi factory, we upgraded the existing water return valve.

This enhancement significantly improved the system's flexibility, allowing for the temperature to be adjusted according to the specific paper types, thereby reducing heat redundancy and natural gas waste. Following this retrofit, the system at the Wuxi factory now saves approximately ten tons of water resources per day, and natural gas consumption has been reduced by approximately 20%. Since its implementation in 2022, the project has collectively reduced carbon emissions by 125.4 tons.

Enhance Production Performance



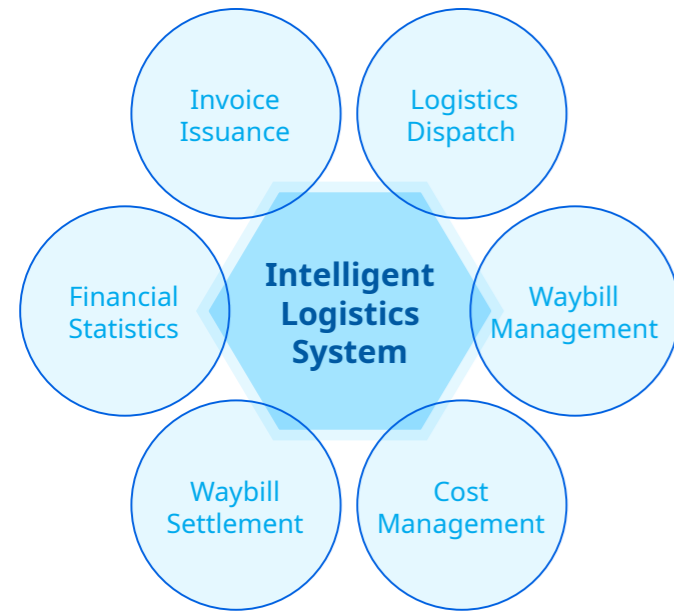
Energy Electrification Transformation

In pursuit of the company's commitment to green production, XTL Packing is advancing the shift towards energy electrification, one of the crucial steps is the gradual replacement of internal combustion forklifts with electric forklifts. This transformation is essential for reducing the company's dependence on fossil fuels, lowering operational costs, and minimizing carbon emissions.

As internal combustion forklifts constitute major energy-consuming equipment in the company's daily operations and generate larger carbon emissions and noise pollution compared to electric forklifts, this transition will significantly optimize the company's energy efficiency and environmental performance. Furthermore, by adopting electric forklifts, XTL Packing can effectively reduce operational costs, enhance the quality of the working environment, thereby improving employee work efficiency and satisfaction.

The introduction of electric forklifts is a pivotal step for XTL Packing in achieving its ESG goals, demonstrating the company's commitment to adopting clean and efficient technologies to drive green transformation. With the continuous advancement of electric vehicle technology and the gradual reduction in costs, electric forklifts are expected to play an increasingly significant role in corporate equipment, serving as a core driver for the company to achieve its environmental objectives.

Low Carbon Logistics



While actively engaging in a variety of climate actions, Xingtonglian also recognizes the importance of implementing low-carbon practices in the logistics and transportation sector to combat climate change. In 2023, XTL Packing successfully introduced an advanced intelligent logistics system, marking the beginning of a new era of "Green Transportation." This system integrates functions such as order processing, dispatching, and waybill management, effectively enhancing logistics efficiency and advancing the goal of low-carbon logistics.

The system uses algorithms to optimize transport routes, improve loading rates, and reduce fuel consumption and carbon emissions. Furthermore, by optimizing loading and unloading processes and reducing waiting times, XTL Packing has enhanced transportation speed and punctuality. These improvements are crucial for increasing market competitiveness and also contribute

positively to environmental conservation.

One of the key features of the intelligent logistics system is the optimization of transport routes. By employing algorithmic analysis and data models, the system can efficiently plan the most economical and effective transport routes. It analyzes historical transport data to predict and devise the best paths, reducing unnecessary detours, thus significantly cutting down on travel distance and time, as well as reducing fuel consumption and carbon emissions.

Improving the loading rate is crucial to decreasing the number of trips, saving energy, and reducing carbon emissions. The intelligent logistics system calculates the dimensions, weight, and destinations of goods precisely to maximize cargo loading.

Additionally, the consolidated shipping allows multiple orders to be combined on the same

transport route. This method enhances overall transport efficiency by reducing the number of trips and increasing the volume of goods transported per trip, thus effectively lowering transportation costs and carbon emissions.

XTL Packing's intelligent logistics system is set to refine the loading and unloading processes, reduce waiting and stopping times, and enhance the speed and punctuality of goods transport, significantly boosting overall transportation efficiency. By implementing comprehensive online management across all logistics aspects, XTL Packing is creating a more sustainable and environmentally friendly logistics system, actively addressing global climate challenges, and contributing to the achievement of our carbon targets.

Effective management of transport losses

XTL Packing has adopted a series of innovative and detailed strategies in transportation management to minimize raw material losses. By analyzing the causes of transportation losses in detail, we have implemented various technological innovations and management optimizations that have significantly reduced damage during the packing transportation process and decreased the frequency of logistics operations.

Firstly, we optimized the packing design to improve the structure, making it more suitable for handling and stacking during transit while also effectively reducing the space occupied by the cartons.

Secondly, by optimizing loading methods and transport routes, we have reduced the rate of damage during transit. In some factories, we have also introduced a "compressed-packing

transportation" mode, which ensures intact packing during transit and improves space utilization.

The implementation of these measures has reduced the product loss rate during transportation from 3.6% to nearly zero and decreased the frequency of dispatches by 20%.



Resource Recycling and Recirculation

XTL Packing adheres to our ESG strategic goal of "Simulating Circular Economy," adopting various measures to achieve sustainable and efficient use of natural resources. By improving processing techniques, we actively work to reduce

waste generated during product processing and effectively avoid wastage of resources in production. Meanwhile, we view waste generated during the manufacturing process as a renewable resource. Through systematic planning and

collection methods, we have achieved 100% recycling of production paper and wood waste. This not only prolongs the lifespan of wood but also reflects our understanding of and commitment to environmental protection.

Recycling and Utilization of Wastepaper and Sawdust

As we advance our recycling utilization model for paper and wood packing transportation products, we demonstrate our understanding and innovation within the circular economy. We are also dedicated to transforming the traditional "extract-manufacture-dispose" model. Through effective recycling and reuse of discarded wood, we have prolonged the life of sawdust, wood logs, and wastepaper during processing, thus

achieving resource recycling and markedly diminishing the strain on natural resources.

XTL Packing's packing products primarily utilize wood and paper as raw materials, both composed of recycled renewable materials. The wood materials include timber, sawn wood, and plywood, whereas the paper materials comprise kraft paper, corrugated paper, and corrugated cardboard. In

2022, the recycled fiber content in corrugated paper reached 100%, while kraft paper and corrugated cardboard had about 70% recycled fiber content. These achievements highlight our progress and innovation in resource recycling and utilization.

At XTL Packing, our efforts extend beyond technological innovation; they reflect a deep commitment to meeting customer needs and advancing low-carbon development. Central to our philosophy is the "Green Wood Renewal" concept, which guides our approach to wood waste management. This involves a sustainable strategy focused on reduction, reuse, and resource recycling, embodying the principles of a circular economy.

The company draws inspiration from the nature's own circular principles and adopts an integrated strategy in wood usage. This approach not only emphasizes the rational and economical use of wood but also aims to enhance its overall efficiency. Through this ecologically balanced methodology, XTL Packing has improved the efficiency of wood usage, aligning with the trend of efficient resource utilization, reducing environmental impact, and demonstrating our commitment to customer needs and low-carbon development.



Resource Recycling and Recirculation

Pallet Recycling

XTL Packing is well-versed in the operation model of the European Pallet Association (EPAL), which sets unified standards for pallets, forklifts, racks, and trailers in goods transportation. These standards not only facilitate the circular use of pallets but also establish clear quality standards for them. As one of the first companies in China

to receive a European standard pallet production license, XTL Packing has adopted the advanced experience of European shared pallet system. We have officially launched a standard pallet recycling service, centering around customer manufacturing hubs to provide standard pallet leasing services for suppliers and finished goods logistics, continually expanding throughout China. The recycling rate of wooden pallets in the Chinese market is relatively

low, leading to high wastage rates and contributing to persistently high logistics costs. As an industry pioneer, XTL Packing is at the forefront of leading China's pallet standardization, committed to promoting and establishing a unified pallet system across the nation. This pallet recycling model demonstrates the concept of environmentally friendly and sustainable development in modern industrial production and contributes significantly to the global sustainable development goals. It also sets a positive example for peers in the industry. Currently, hundreds of thousands of standard circular pallets are put into use each year, which are expected to reduce tens of thousands of cubic meters of raw timber consumption annually.

Wooden pallets can be directly recycled as products. We have begun recycling wooden pallets from our customers. In 2021, the average recycling rate of XTL Packing's wooden pallets was about 2.0%, with the recycling rate for the Shanghai Baoshan factory reaching 4.1%. In the future, other factories of XTL Packing will also gradually implement pallet recycling programs, and the recycling rate of pallets is expected to rise.

XTL Packing leads the standardized pallet sharing system in the Chinese logistics industry. This shared system provides information on the flow of pallets and offers services such as pallet leasing, circulation, and recycling, enhancing the interconnectivity of pallet usage among enterprises. By promoting the establishment of a standardized pallet sharing system and applying the circular economy to practice, XTL Packing has further increased the recycling rate of wooden pallets. We are actively setting standards for pallet standardization and green development through practical actions.

These recycling models not only provide our customers with solutions to reduce their carbon footprint but also achieve mutual benefits in economic and environmental protection. The promotion of this model demonstrates the feasibility and significant value of the circular economy in actual production, contributing to the harmonious coexistence of economic growth and environmental conservation.



Concluding Remarks

Aligned with global efforts to combat global warming, XTL Packing is committed to being a proactive participant in climate action. Recognizing the commitments of governments worldwide to achieve carbon neutrality, we are increasing our investments and efforts in supporting sustainable development.

At the recent COP28, XTL Packing stood out with its dynamic presence. We expect to further exchange and learn from world-leading companies on more international stages. Our goal is to be a pioneering force in the industry, embracing sustainable development insights and strategies. By integrating these green initiatives, we aim to infuse our industry with eco-friendly concepts and work alongside our value chain partners to foster low-carbon development.

On the path to green transformation, as a company specializing in paper and wood packing processing, we are dedicated to providing our customers with high-quality and environmentally friendly products. The release of the "XTL Packing Climate and Nature Action Report" demonstrates our commitment to sustainable development and lays out a concrete action plan. We are dedicated to minimizing the carbon footprint of our products at every stage – from raw material selection and product design to optimizing production processes and logistics. Our goal is to live in harmony with nature and contribute to the global objective of achieving carbon neutrality.

Moving forward, XTL Packing remains steadfast in our commitment to lead the packing industry, upholding excellence in natural resource management and the recycling of wood products. We are convinced that our persistent efforts and continuous innovation will significantly contribute to global environmental conservation. Together, we are dedicated to forging a greener and more sustainable future.





Appendix

Appendix 1 TCFD Index

	TCFD Recommended Disclosures	CDP	Index
Governance	a. Describe the board's oversight of climate-related risks and opportunities.	CDP_C1.1b	Climate & Nature Governance Structure
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	CDP_C1.2; C1.2a	Climate & Nature Governance Structure
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	CDP_C2.1a; C2.3; C2.3a; C2.4; C2.4a	Response to Climate-related Risks
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	CDP_2.3a; C2.4a; C3.1; C3.1b; C3.1d; C3.1e	Response to Climate-related Risks
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	CDP_C3.1a; C3.1b	Response to Climate-related Risks
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks.	CDP_C2.1; C2.2; C2.2a	Response to Climate-related Risks
	b. Describe the organization's processes for managing climate-related risks.	CDP_C2.1; C2.2	Comprehensive Risk Management Approach
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	CDP_C2.1; C2.2	Comprehensive Risk Management Approach
Metrics and Targets	a. Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	CDP_C4.1 C4.1b	Targets and Commitments
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	CDP_C6.1; C 6.3; C6.5	Targets and Commitments
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	CDP_C4.1; C4.1b	Targets and Commitments; Green Design in Packing; Enhance Production Performance; Low Carbon Logistics; Resource Recycling and Recirculation



Appendix

Appendix 2 TNFD Index

	TNFD Recommended Disclosures	CDP	Index
Governance	a. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	CDP_F4.1	Climate & Nature Governance Structure
	b. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	CDP_F4.1a; F4.1b; F4.2; F4.4; F4.5	Climate & Nature Governance Structure
Strategy	a. Describe the nature-related dependencies, impacts, risks and opportunities the organization has identified over the short, medium and long term.	CDP_F5.1	Response to Nature-related Risks
	b. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organization's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	CDP_F4.6; F5.1	Response to Nature-related Risks
	c. Describe the resilience of the organization's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	CDP_F5.1	Response to Nature-related Risks
Risk & Impact Management	a1. Describe the organization's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	CDP_F3.1	Comprehensive Risk Management Approach
	a2. Describe the organization's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	CDP_F3.1	Comprehensive Risk Management Approach
	b. Describe the organization's processes for managing nature-related dependencies, impacts, risks and opportunities.	CDP_F3.1; F3.1a; F3.1b; F3.2	Comprehensive Risk Management Approach
	c. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organization's overall risk management processes.	CDP_F3.1; F3.1a; F3.1b; F3.2	Comprehensive Risk Management Approach
Metrics & Targets	a. Disclose the metrics used by the organization to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	CDP_F6.1; F6.1a	Targets and Commitments
	b. Disclose the metrics used by the organization to assess and manage dependencies and impacts on nature.	CDP_F6.1; F6.1a	Targets and Commitments
	c. Describe the targets and goals used by the organization to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	CDP_F6.1; F6.1a; F6.2; F6.3; F6.11	Targets and Commitments; Sustainable Forest Management



Should you have any feedback or suggestions concerning this report, feel free to reach out to us.

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