

Southern Packaging Group Limited



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

Southern Packaging Group Limited
Sustainability Report 2023

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About This Report

Scope

Southern Packaging Group Limited's (together with its subsidiaries, the "**Group**", "**we**", "**our**", "**us**") sustainability report (the "**Report**") focuses on the Group's sustainability efforts and strategies for the period from 1 January 2023 to 31 December 2023 ("**FY2023**"). Our production facilities are located at economically vibrant regions in China, namely, Foshan Nanhai, Foshan Gaoming, and Jiangsu Changzhou. Our headquarters are at 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619.

Reporting Framework

This Report was prepared with reference to the reporting principles and requirements of the Global Reporting Initiative ("**GRI**") Standards 2021. The GRI Standards were selected as they represent the best global practices for reporting on an organisation's economic, environmental, and social impacts. We also adopted the Task Force on Climate-Related Financial Disclosures ("**TCFD**") recommendations as it represents the best global set of comparable climate-related disclosures. We are incorporating all TCFD recommendations in this Report. In compliance with Rule 711A and 711B of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section A: Mainboard Rules, this Report includes the primary components of a sustainability report on a 'comply or explain' basis.

Data Assurance

We have not sought external assurance for this sustainability report. We have relied on internal verification to ensure the accuracy of all information presented in this Report and will consider seeking external assurance in the future. An internal review of our sustainability reporting processes was also conducted by our internal auditor, pursuant to Rule 711B (3) of the Singapore Exchange Listing Rules.

Feedback

We welcome and value all feedback on this Report. For any queries, comments, or suggestions, please contact us through email at: public@southern-package.com. This Report can be downloaded from the Group's corporate website at <http://www.southern-packaging.com/en/index.aspx>.

Board Statement

Dear Stakeholders,

The Board of Directors (the “**Board**”) of Southern Packaging Group Limited is pleased to present our seventh sustainability report which details our sustainability progress and performance for the financial year ended 31 December 2023.

The Group’s plastic packaging customisation and processing industry is currently navigating through dynamic changes attributed to shifts in environmental policies, heightened consumer demand for sustainable products, and technological advancements enhancing production efficiency. These factors are ushering the industry into an era of fierce competition and rapid evolution.

Looking ahead to the year ahead, we anticipate that fluctuations in raw material prices, alterations in international trade policies, technological advancements, and swift changes in market demand will significantly influence our Group's performance. In response, we are devising flexible procurement strategies, bolstering investments in research and development, and diligently monitoring market dynamics. Despite the challenges, we are confident that through strategic adaptations and relentless innovation, we can capitalize on industry opportunities and achieve sustainable growth.

Furthermore, despite subdued market conditions, the Group successfully divested certain units of Apex Tower during the year. We are committed to continued efforts in marketing Apex Tower and enhancing sales performance across our remaining property portfolio.

The Board is overall in charge of sustainability issues and integrating sustainable practices into the Group’s business strategy and operations. The Board is also responsible for overseeing the Group’s overall corporate governance practices, determining the material topics and overseeing the management and monitoring of material topics. The Board also holds regular meetings to review and approve major strategic plans on a sustainability front.

The Board recognises that the effective integration of sustainability policies and practices will be integral to the long-term success of our operations. We are committed to reducing our environmental footprint and conducting business responsibly to create long-term value for our stakeholders. We would like to convey our gratitude to all stakeholders involved for their support and efforts in the Group’s sustainability journey. We look forward and value the continuation of this support in the forthcoming years.

Sincerely,
Board of Directors
Southern Packaging Group Limited

Corporate Profile

Southern Packaging is a manufacturer specialising in the production of flexible and rigid packaging products utilised across diverse industries, including global food and beverages, pharmaceuticals, household, and personal grooming. The Group is an important member of the global plastic packaging industry and is well-known around the world.

The Group is dedicated to expanding its presence in the Chinese market and catering to the demands of the fast-moving consumer goods packaging industry. By consistently exploring new production processes and product innovations, the Group aims to utilise advanced technology to offer customers pollution prevention, light-proofing and high sealing protection products. To achieve this, we have a highly qualified management team, supported by talented technical staff and a skilled workforce. Additionally, the Group strives to develop our automation capabilities to reduce internal cost and improve our operational efficiency. This is important for us to attain our long-term goals.

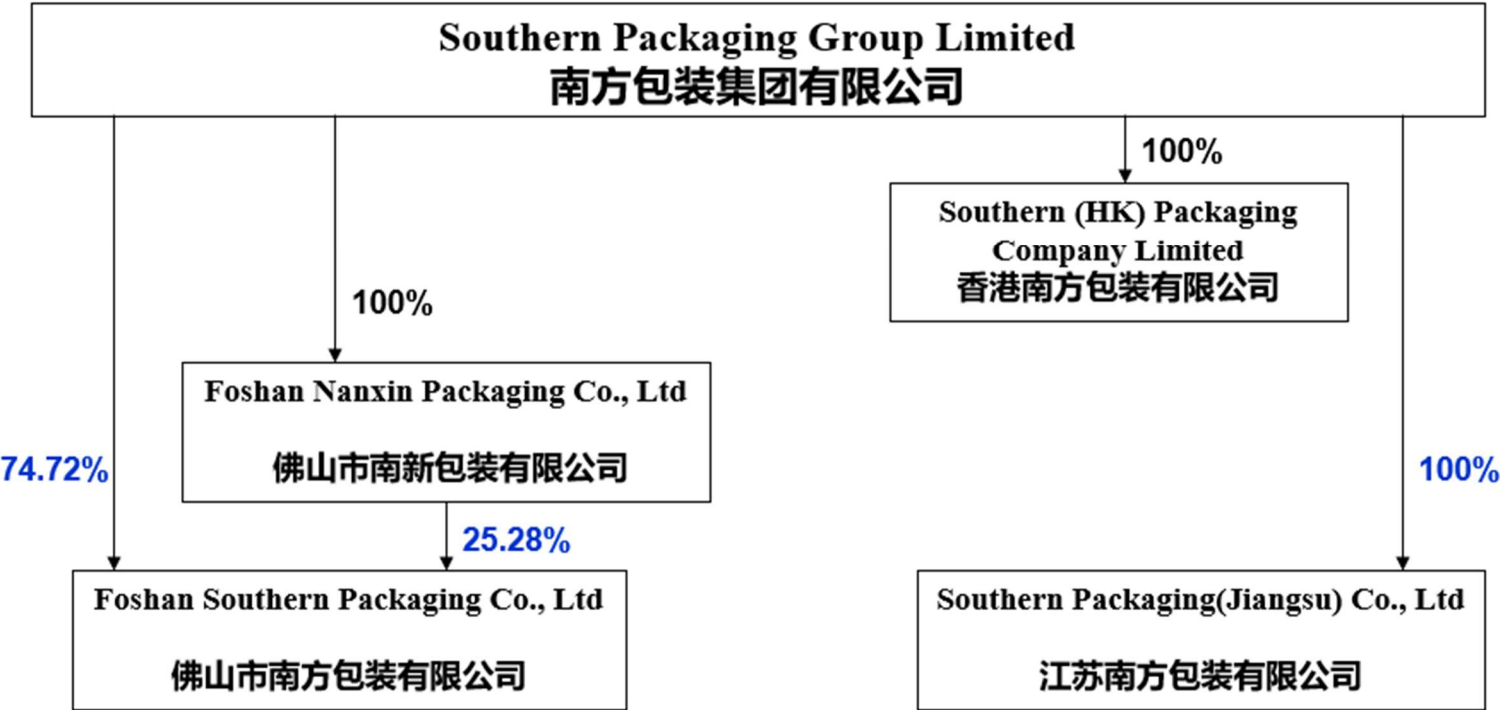
We strive to maintain our position as a prominent plastic packaging brand in China. Hence, we are dedicated to constantly invest in research and development (“**R&D**”), technology, and equipment, to continually enhance the quality of our products.

Vision, Mission and Core Values

| Vision | |
|--|--|
| Decorate the world and strive for perfection | |
| Mission | |
| <ul style="list-style-type: none"> • To continuously invest in technology in order to meet the emerging needs of the market • To strengthen our quality capability to satisfy different customer needs • To produce safe and environmentally friendly products that would benefit the society • To ensure long term value for our investors • To create a platform for all employees to do their best and ensure constant development | |

| Core values | |
|---|--|
| Quality First, Safety First | We have a comprehensive quality management programme in place, including quality management system maintenance, process quality control, project quality management and testing centres. This guarantees the quality and safety of the whole supply chain from upstream suppliers, manufacturing, to end customers. |
| Technology Innovation, Sustainability | The key to the breakthrough development of an enterprise is endlessly innovation. We improve our competitiveness through technological and product innovation. We are committed to promote the environmental protection development of the global plastic packaging industry, to achieve sustainability and creating a better life for our stakeholders. |

Our Group Structure



Supply Chain Management

Our products are exported to over 30 countries, with our primary clientele consisting mainly of multi-national companies. Raw materials, including plastic film, resins, adhesive, and printing ink, are crucial for our production. In the Group's procurement policy, it is a requirement that we have a minimum of two suppliers for each raw material we use, with allocation based on factors such as pricing and quality. The Group also conducts regular evaluations and assessments of our suppliers based on factors such as environmental impact, price competitiveness, delivery time, product quality, and after-sales service. Emphasising sustainability, we assess the recyclability of raw materials and prioritise suppliers adhering to rigorous quality standards.

In FY2023, our trade purchases from suppliers amounted to approximately RMB 570 million, reflecting a notable 11% increase compared to the RMB 513 million recorded in FY2022. This growth aligns with the similar increase in the Group's generated revenue too.

The quality of the products we distribute is paramount to the reputation and success of our business. Our automated inspection line, equipped with high-tech auxiliary tools, advanced control systems, and IT applications, ensures seamless coordination across various production areas. Additionally, our ISO 9001 and ISO 22000/FSSC 22000 certifications from Lloyd's Register of Quality Assurance ensures that we meet legal standards while delivering safe and high-quality products that meet our customers' needs.

Our Sustainability Governance

The Board acknowledges the pivotal role of a robust governance framework in safeguarding stakeholder interests and ensuring the Group's growth. Corporate governance processes, transparency, and accountability are deemed essential for protecting long-term shareholder value.

In adherence to Rule 710 of the Listing Manual of the SGX-ST, our corporate governance practices align with relevant regulations, notices, and guidelines issued by SGX-ST. The Board is responsible for the oversight of the Group's sustainability strategies and commitments. With support from the Audit Committee, Nominating Committee and Remuneration Committee, the Board develops the Group's plans for the integration of sustainability initiatives in our operations. The Board also reviews all sustainability matters and will provide timely updates to stakeholders. Open and frequent communication is recognised as a key factor for the continued growth and development of the Group, with the expectation that all directors and employees act in good faith and in the best interest of the Group. To ensure that the Board is sufficiently equipped to discharge its sustainability-related responsibilities effectively, all members of the Board have undergone the required SGX-approved sustainability training for directors of listed companies.

The Group has a formalised policy with outlining its detailed approach to sustainability. This policy elaborates on various issues, including supply chain management, environmental protection, and employee management. Approved by the Board, this policy is communicated to all subsidiaries. According to the policy, the management is responsible for supporting the Board by executing their decisions and plans, monitoring the effectiveness of the initiatives implemented, and ensuring that the Group's operations consistently align with the policy.

The Group's commitment to good corporate governance is reflected in implemented policies and procedures on Conflict of Interest, Whistleblowing, and Code of Business Conduct. Internal control systems were established to manage financial, operational, compliance, and information technology risks, while risk management systems protect shareholder investments and the Group's assets.

We are delighted to report that in FY2023, there were no instances of non-compliance with environmental laws and regulations. We are committed to maintaining this achievement by actively monitoring the latest developments in environmental laws and regulations across the regions where we operate in.

Stakeholder Engagement

The Group places significant importance on incorporating stakeholders' insights into the formulation of corporate strategies aimed at fostering long-term growth and development. Through ongoing interactions with a diverse range of stakeholders, including customers, employees, investors, suppliers, and regulatory bodies, the Group actively seeks to understand and address their interests and concerns. This collaborative engagement not only allows for the effective management of expectations but also serves as a cornerstone for sustaining business operations over the long term.

The table below elaborates on the channels through which the Group has engaged with our key stakeholders in FY2023.

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

Materiality Assessment

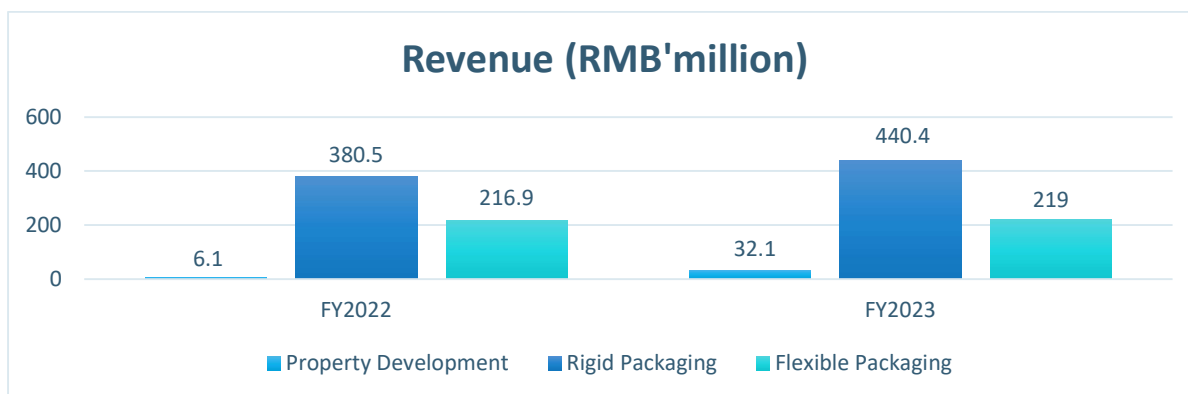
The Group has performed a review of our material topics with feedback gathered through our stakeholder engagements. In FY2023, we have assessed that the four (4) material topics disclosed in FY2022 are still material to our business and stakeholders. There are no new topics added for FY2023.

| | |
|--|--|
| <ul style="list-style-type: none"> Economic Performance | <ul style="list-style-type: none"> Environmental Protection |
| <ul style="list-style-type: none"> Employment | <ul style="list-style-type: none"> Training and Education |

Economic Performance

Performance

The Group's revenue increased by RMB 88.1 million (14.6%) from **RMB 603.5 million in FY2022** to **RMB 691.6 million in FY2023**. The increase of sales is mainly due to the increased orders from an existing packaging customer and the increase in sales of properties also contributed a significant portion of the revenue increase. In line with the targets established for FY2022, we successfully achieved them by actively pursuing new sales opportunities and meeting our revenue objectives. Further details and breakdown of our economic value generated by business segments for both FY2022 and FY2023 are stated in the table below.



| Total Operating Income (RMB' Million) | FY2022 | FY2023 |
|---------------------------------------|--------------|--------------|
| Revenue | 603.5 | 691.6 |
| Add: Other operating income | 7.6 | 12.5 |
| Total | 611.1 | 704.1 |

The Group's breakdown of economic value distributed for both FY2022 and FY2023 are stated in the table below.

| Expenses (RMB' Million) | FY2022 | FY2023 |
|------------------------------------|--------------|--------------|
| Operating costs and employee wages | 637.3 | 696.4 |
| Interest expense | 19.9 | 21.5 |
| Tax expense (credit) | (9.9) | (0.3) |
| Total | 647.3 | 717.6 |

The Group's interest expense increased by RMB1.6 million, primarily attributable to a rise in loan borrowings. In both FY2023 and FY2022, the Group did not incur income tax expense, but received tax credits.

Taking the difference between economic value generated and economic value distributed, the Group's economic value retained is stated below.

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| Economic Values (RMB' Million) | FY2022 | FY2023 |
|--------------------------------|---------------|---------------|
| Economic Value Generated | 611.1 | 704.1 |
| Economic Value Distributed | 647.3 | 717.6 |
| Economic Value Retained | (36.2) | (13.5) |

The Group will strive to build more strategic partnerships with new multi-national corporation clients. Concurrently, we remain focused on the development of novel products and an expansion of production capacity in the foreseeable future. Furthermore, a continuous pursuit of operational efficiency is underway, with a dedicated effort to minimise costs and enhance production efficiency through the strategic utilisation of our technology and R&D capabilities.

Our Targets:

The Group has the following targets for improving our economic performance.

| | |
|------------------------------|--|
| Short-term | We aim to improve our revenue in FY2024 by at least 3%, through meeting customers' needs and expectations, as well as explore new markets/ customers base. |
| Medium- and Long-term | Enhance our core competitiveness, focus on strengthening R&D development with leading brands in the market as well as explore potential packaging demand. |

Employment

Our employees play a crucial role in maintaining the Group's competitive edge and delivering top-tier products. We have a comprehensive human capital strategy, consisting of policies and practices that promote talent retention and attraction. In line with our commitment to diversity, the Group actively seeks to hire individuals of varying ages and genders, fostering a dynamic and inclusive workforce. Equal employment opportunities are ingrained in our employment policies, serving as a fundamental element in our broader employee retention strategy.

The Group provides its employees with competitive compensation packages that equal or surpass the industry averages in the regions where we operate in. These packages encompass benefits such as social and health insurance, healthcare coverage, parental leave, and annual leave.

A safe and hygienic environment is paramount for the health and well-being of our employees. Hence, we continue to enforce our action plans against COVID-19 which was previously described in our 2022 Sustainability Report.

Performance

We had a total of 1,145 employees as of the end of FY2023 (FY2022: 1,032 employees). Further breakdown of our employees is listed below.

| Gender | FY2022 | FY2023 |
|--------------|--------------|--------------|
| Male | 612 | 659 |
| Female | 420 | 486 |
| Total | 1,032 | 1,145 |

| Region | FY2022 | FY2023 |
|----------------|--------------|--------------|
| Singapore | 10 | 10 |
| Eastern China | 268 | 271 |
| Southern China | 754 | 864 |
| Total | 1,032 | 1,145 |

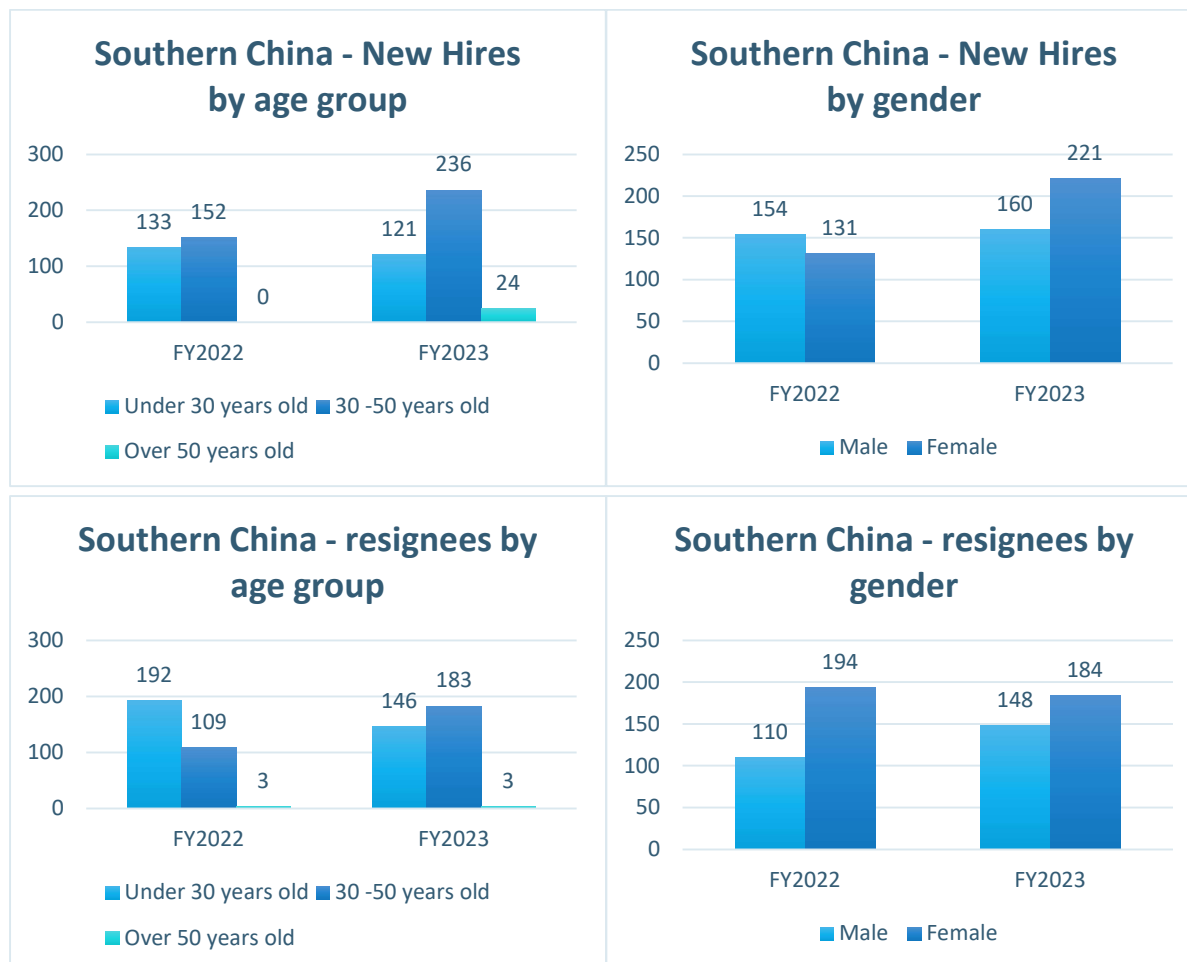
| Functions | FY2022 | FY2023 |
|----------------------------|--------------|--------------|
| Management and Supervisory | 250 | 234 |
| Research and Development | 54 | 30 |
| General Workers | 728 | 881 |
| Total | 1,032 | 1,145 |

| Age group | FY2022 | FY2023 |
|--------------------|--------------|--------------|
| Under 30 Years Old | 155 | 181 |
| 30 – 50 Years Old | 793 | 856 |
| Over 50 Years Old | 84 | 108 |
| Total | 1,032 | 1,145 |

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New Hires and Employee Turnover

In Southern China, our new hire rate¹ increased from 37.8% in FY2022 to 44.1% in FY2023, and our employee turnover rate² decreased from 40.3% in FY2022 to 38.4% in FY2023. A breakdown of our employee new hires and employee turnover by gender and age group are as follows:



¹ Computed based on number of new hires for the reporting period divided by headcount as of the end of the reporting period

² Computed based on number of resignees for the reporting period divided by headcount as of the end of the reporting period

In Eastern China, our new hire rate increased from 48.1% in FY2022 to 65.7% in FY2023, and our employee turnover rate increased from 37.3% in FY2022 to 43.9% in FY2023. A breakdown of our employee new hires and employee turnover by gender and age group are as follows:



The high turnover rates for Southern and Eastern China are mainly due to the majority of new hires and resignees being temporary/contract employees.

Our Targets:

The Group has the following targets for improving our labour force.

| | |
|-------------------|---|
| Short-term | To maintain the employee turnover rate at or below 38% moving forward. |
| Long term | To improve employee welfare and provide a platform for employees to achieve their full potential and contribute to the Group’s success. |

Training and Education

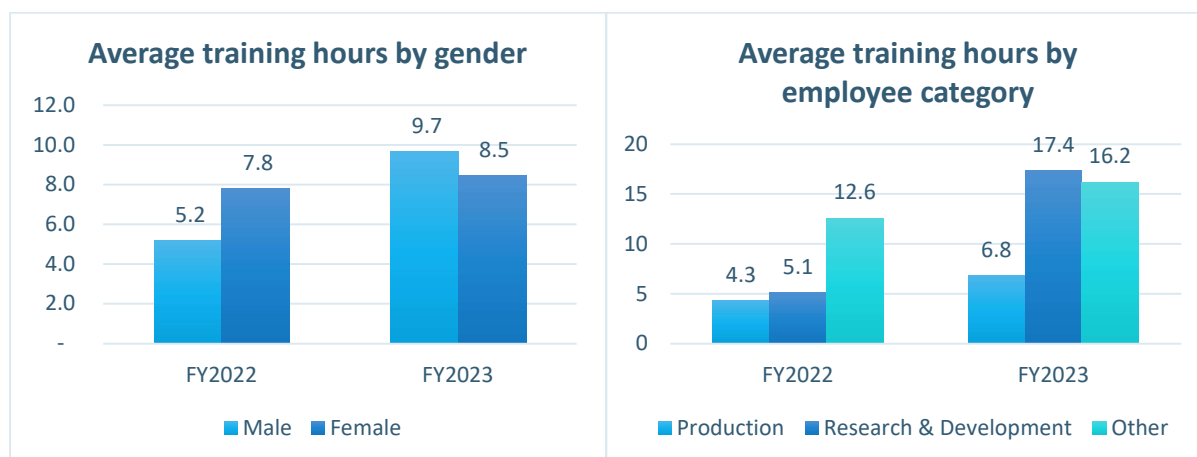
The Group regards its workforce as a fundamental asset essential for driving and sustaining business success. Our competitiveness and the delivery of high-quality services to customers hinge on the expertise and skills of our employees, emphasising the importance of staying abreast of the latest developments.

In our continuous commitment to augment the skills and competencies of our workforce, we cultivate a work environment that fosters inclusivity and collaboration. This includes the provision of internal courses and on-the-job training, encompassing classroom sessions, product safety protocols, and updates on emerging market trends and technologies. These initiatives are designed to ensure that employees are equipped with relevant and up-to-date skills, aligning with the Group's dedication to professional development.

Performance

In FY2023, there was an increase in our training hours by 58.7% for our workforce as compared to last year, from 6,453 hours in FY2022 to 10,238 hours in FY2023. With an average of 9.0 training hours per employee, we also met the FY2022 target of at least an average of 8.0 training hours per employee. The breakdown of our training hours is stated below.

| Category | Total training hours | | Total headcount | |
|------------------------|----------------------|---------------|-----------------|--------------|
| | FY2022 | FY2023 | FY2022 | FY2023 |
| By Gender | | | | |
| Female | 3,284 | 5,540 | 420 | 654 |
| Male | 3,169 | 4,698 | 612 | 491 |
| Total | 6,453 | 10,238 | 1,032 | 1,145 |
| By Employee Category | | | | |
| Production | 3,114 | 6,016 | 728 | 881 |
| Research & Development | 276 | 521 | 54 | 30 |
| Other | 3,153 | 3,701 | 250 | 234 |
| Total | 6,453 | 10,238 | 1,032 | 1,145 |



Our Targets:

The Group has the following targets for improving our efforts in training and education.

| | |
|-------------------|--|
| Short-term | To provide regular training sessions for all employees with a minimum of average training hours of 9.0 hours per employee |
| Long term | To develop a comprehensive training program which covers all essential skills required for employees at different levels in the organisation |

Environmental Protection

The Group is dedicated to playing a pivotal role in advancing towards a decarbonised world through the enhancement of internal processes and a concerted effort to minimise its carbon footprint. This commitment is in harmony with the Government's vision for a low-carbon economy, driving the Group's pursuit of operational efficiency to align with broader environmental goals.

Energy

In response to the ecological consequences of electricity consumption, the Group has implemented energy conservation initiatives across its offices and production facilities. These encompass the utilisation of energy-efficient equipment, the installation of state-of-the-art Volatile Organic Compounds ("VOC") treatment machines imported from Europe, and the display of energy-saving tips for employees.

An advanced VOC treatment machine effectively manages VOC emissions attributed to the production of flexible packaging while adhering to the Guangdong Provincial Standard (DB844-815-2010), which mandates compliance at 120 mg/m³.

Water

The Group recognises the significance of minimising both water consumption and pollution without compromising production quality. Given the substantial volume of water utilised in the production process, the Group has instituted strategies aimed at mitigating water pollution and investigating alternative water sources. The primary objective is to safeguard the quality of water to ensure its suitability for production purposes.

Performance

The Group's total consumption and usage comparison of electricity, water and natural gas for FY2022 and FY2023 are stated in the following table. We have met our FY2022 target of including quantitative energy intensity disclosures for FY2023.

| Resources | FY2022 | FY2023 | Changes between FY2022 and FY2023 |
|---|------------|------------|-----------------------------------|
| Consumption of electricity (kWh) | 67,647,471 | 68,253,543 | Increase by 0.9% |
| Consumption of natural gas (m ³) | 1,433,938 | 1,342,649 | Decreased by 6.4% |
| Consumption of water from public water utilities (tonnes) | 250,130 | 271,849 | Increase by 8.7% |
| Revenue generated (RMB'million) ³ | 597.4 | 659.5 | Increase by 10.4% |
| Intensity Ratios | | | |
| Electricity intensity ratio ⁴ | 113,236.5 | 103,492.9 | Decreased by 8.6% |
| Natural Gas intensity ratio ⁵ | 2,400.3 | 2,035.9 | Decreased by 15.2% |
| Water intensity ratio ⁶ | 418.7 | 412.2 | Decreased by 1.6% |

³ The sales of property development did not attribute to the changes in the consumption level of electricity and water. Hence, this value excluded revenue from the sales of property development.

⁴ Ratio is calculated by consumption of electricity (kWh) divided by revenue generated (RMB'million)

⁵ Ratio is calculated by consumption of natural gas (m3) divided by revenue generated (RMB'million)

⁶ Ratio is calculated by consumption of water from public water utilities (tonnes) divided by revenue generated (RMB'million)

Our Targets:

The Group has the following targets for improving our efforts in environmental protection.

| | |
|-------------------|---|
| Short-term | Please refer to the Metrics & Targets section of the TCFD report. |
| Long term | To gradually reduce overall electricity, water and natural gas consumption by establishing the energy utilisation mechanism to optimise emissions reduction |

TCFD Report

Climate change is considered a priority issue for the Group. In FY2023, the Group will be publishing our first TCFD report, demonstrating our commitment to provide transparency to stakeholders on how we are managing climate risk and addressing the transition to net-zero within our operations.

Governance

The Board oversees all matters related to climate. The senior management team bears the responsibility for identifying, assessing, and managing climate-related risks and opportunities. Additionally, the senior management team convenes with the Board quarterly to provide updates and engage in discussions regarding climate-related matters.

Senior management has established a dedicated climate risk management committee. This committee is tasked with supporting the board's decisions on climate risk management and ensuring their efficient execution. It is responsible for formulating and supervising the implementation of climate risk management strategies, which involves regularly identifying and assessing climate-related risks faced by the Group. Clear, specific climate risk management objectives will be set, and a monitoring framework will be implemented to systematically track progress. Furthermore, climate risk management strategies and measures will be continuously refined based on insights from monitoring outcomes and changes in the external sustainability landscape.

Strategy

In FY2023, to align with the TCFD recommendations, we have identified and assessed our climate-related risks and opportunities that are significant and relevant to our business operations. To effectively discuss these climate-related risks and opportunities, we have determined the appropriate durations used to define short-, medium-, and long-term, as follows:

Short-term: within 1 – 2 years

Medium-term: within 3 – 5 years

Long-term: more than 10 years

These timeframes were carefully chosen following an evaluation of the Group's operations and factoring in the understanding that climate issues frequently unfold over medium and long-term horizons.

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Climate-related risks

| Type and Name of Climate Risk | Scope (by sector) | Timeframe | Risk Description | Potential (Financial) Impacts | Risk Mitigation |
|--|---|--------------------------|---|--|---|
| <p>Transition Risk – Market</p> <p>Poor management of electricity usage</p> | By sector; All sectors are evenly affected. | Short term and Long-term | <p>Poor electricity management presents an increased risk of operational disruptions. The need to make changes for operational hours can directly impact worker productivity and overall output. Furthermore, the risk of not adhering to laws and regulations governing maximum and minimum energy usage levels may bring about potential legal and operational impacts.</p> | <p>Operational disruptions and failure to comply with regulations will result in increased productivity, monetary, and manpower costs. Over time, the necessity of investing in automation or energy storage systems will further increase the Group’s operational expenses.</p> | <ul style="list-style-type: none"> • Conduct thorough audits to identify the most energy-intensive processes to find measures to effectively reduce electricity usage. • Invest in energy-efficient machinery and energy storage technologies capable of operating effectively during off-peak hours. • Optimize production processes to be more flexible in energy usage. • Engage with energy providers to negotiate better rates for off-peak usage and to understand any potential incentives. • Careful management and clear communication regarding electricity usage policies are imperative to maintain smooth operations and regulatory compliance for employees. |

| Type and Name of Climate Risk | Scope (by sector) | Timeframe | Risk Description | Potential (Financial) Impacts | Risk Mitigation |
|--|---|---------------------------|--|---|--|
| <p>Transition Risk – Market</p> <p>Production of poor-quality recycled plastic products</p> | By sector; All sectors are evenly affected. | Medium-term and Long-term | <p>In striving to meet the evolving demand for recycled plastic products, the Group faces several risks. These include potential inconsistencies in the quality and availability of recycled raw materials, which could significantly disrupt production processes and compromise the final product's quality. Furthermore, adopting new processing technologies or modifying existing equipment poses transition risks due to unfamiliar processes. Additionally, ensuring compliance with environmental and safety standards for recycled plastic products presents a significant challenge.</p> | The cost of the transition to utilise recycled materials to produce recycled products may result in various additional costs when compared to current operations costs, impacting profit margins. | <ul style="list-style-type: none"> • Establish stable partnerships with suppliers to ensure the quality and supply of recycled materials. • Strengthen production process control to ensure that the performance of recycled plastic products meets standards. • Analyse the costs of recycled plastics against traditional plastics to set clear cost control targets. |

Climate-related opportunities

| Type and Name of Climate opportunity | Scope (by sector) | Timeframe | Opportunity Description | Potential (Financial) Impacts | Management Approach |
|---|--|---------------------------|--|---|---|
| Resource efficiency Effective Electricity Use | By sector; All sectors are evenly affected. | Short-term and Long-term | The group can effectively manage electricity usage by making use of more off-peak hours (typically around 12 am – 6 am). Additionally, the Group can prioritise investments in energy-efficient technologies and processes. Demonstrating our commitment to energy conservation not only aligns with sustainability goals but also enhances the Group's brand reputation as a leader in environmental stewardship. | Using electricity during off-peak hours and utilising more energy-efficient technologies and processes more effectively can significantly reduce energy costs. | <ul style="list-style-type: none"> • Train employees to adapt to new operational schedules and to understand the importance of energy management. • Prioritise investments in energy-efficient technologies |
| Products and services Increased consumer demand for more recycled plastic | By sector; All sectors are evenly affected. | Medium-term and Long-term | By offering recyclable plastic products, the Group can effectively distinguish itself from competitors while meeting the growing demand for environmentally friendly solutions in the market. In the long term, optimised recycling processes have the potential to significantly reduce raw material costs, provided that innovative processes are developed and implemented effectively. Moreover, there are promising opportunities for collaboration with both | We may receive tax benefits or subsidies from the government to support measures promoting sustainable practices. The ability to meet shifting consumer demands will improve our revenue and profitability. | <ul style="list-style-type: none"> • Educate customers on the value and benefits of recyclable plastics and enhance product recognition through marketing campaigns. • Continuously monitor relevant environmental regulations and policies to ensure compliance and capitalize on opportunities arising from policy changes. |

| Type and Name of Climate opportunity | Scope (by sector) | Timeframe | Opportunity Description | Potential (Financial) Impacts | Management Approach |
|--------------------------------------|-------------------|-----------|---|-------------------------------|---------------------|
| | | | upstream and downstream enterprises within the supply chain to explore and develop applications for recyclable plastics, further enhancing the company's sustainability efforts and market competitiveness. | | |

Scenario Analysis

The resilience of organisational strategy is demonstrated by its ability to adapt to and address various climate-related scenarios, ensuring the Group's continued growth in the face of challenges. Strategic resilience is described in the following aspects considering a 2-degree or lower climate scenario:

1. **Adaptability:** The Group can adjust its operational strategies and production processes in a timely manner based on climate change trends and policy guidance. This may involve using more environmentally friendly materials and technologies, reducing carbon emissions and energy consumption, and enhancing product sustainability.
2. **Risk Management:** The Group can effectively identify and assess the risks posed by climate change, including physical risks (such as the impact of extreme weather events on production and supply chains) and transitional risks (such as changes in carbon taxes and environmental regulations). By establishing emergency plans and risk mitigation measures, the Group can reduce the impact of these risks on its operations.
3. **Innovation Drive:** The Group continually invests in research and development to develop new environmentally friendly materials and packaging solutions to meet market demand for sustainable products. Through innovation, the Group can maintain a competitive edge and provide added value to customers.
4. **Market Adaptability:** With increasing consumer and corporate emphasis on environmental protection and sustainability, the Group can promptly follow this trend, adjust its product lines and market strategies, meet the needs of different customers, and enhance market competitiveness.
5. **Collaboration and Partnerships:** The Group collaborates closely with suppliers, customers, government agencies, and non-governmental organisations to address the challenges of climate change together. Through the various partnerships, the Group can access more resources and support, thereby enhancing its ability to address climate change.

In response to different climate-related scenarios, the Group's mitigation measures are outlined as follows:

Scenario One: Global Warming Worsens

Mitigation Measures:

- Increase research and development investment to develop heat-resistant packaging materials to adapt to higher temperature transportation and storage conditions.
- Improve energy efficiency in the production process and reduce greenhouse gas emissions.
- Increase the use of renewable energy sources such as solar energy, wind energy, etc., to reduce reliance on fossil fuels.

Scenario Two: Frequent Extreme Weather Events

Mitigation Measures:

- Strengthen the resilience of the supply chain by establishing diversified supply channels to reduce reliance on a single supplier.
- Establish emergency plans, including backup production lines, temporary storage facilities, etc., to address sudden weather disasters.
- Strengthen cooperation with governments, industry organisations, etc., to share risk information and jointly address challenges posed by extreme weather.

Scenario Three: Tightening Carbon Taxes and Environmental Regulations

Mitigation Measures:

- Proactively adapt to policy changes, actively reduce carbon emissions to avoid cost increases due to carbon taxes.
- Strengthen monitoring and research on environmental regulations to ensure that the Group's production and business activities comply with the latest legal requirements.
- Promote the development of the circular economy, increase the use of recyclable and biodegradable materials to reduce environmental impact.

Scenario Four: Increasing Consumer Demand for Sustainable Products

Mitigation Measures:

- Strengthen research and development, as well as promotion of sustainable packaging materials to meet market demand for environmentally friendly products.
- Strengthen communication with customers to understand their demand and expectations for sustainable packaging and provide customised solutions.
- Highlight the Group's commitment to sustainable development in marketing and brand promotion to attract more environmentally conscious consumers.

In summary, by enhancing adaptability, strengthening risk management, driving innovation, adapting to market changes, and strengthening collaboration, the Group's organisational strategy can demonstrate strong resilience in the face of a 2-degree or lower climate scenario, ensuring long-term sustainable development. Through the above mitigation measures, the Group can effectively respond to different climate-related scenarios, reduce risks, seize opportunities, and achieve sustainable development.

Risk Management

The Group has formalised a climate risk management policy (“气候风险管理制度”), which states that the climate risk management committee is responsible for regularly identifying and assessing the climate-related risks faced by the Group, including physical risks and transition risks.

The policy states that each subsidiary company shall formulate its climate risk management measures with consultation from the climate risk management committee and in conjunction with its own actual operating conditions. Each subsidiary will adopt its own appropriate measures to reduce energy consumption and emissions, such as improving energy efficiency and using renewable energy.

On a Group level, the policy emphasises strengthening supply chain management by evaluating and selecting suppliers that meet environmental protection standards. Additionally, it aims to develop and promote low-carbon products to meet the market demand for sustainable solutions. Moreover, the policy seeks to enhance the ability to respond to extreme weather events by strengthening disaster prevention capabilities of facilities and establishing emergency plans. Furthermore, it includes the establishment of a climate risk management indicator system to regularly collect and analyse relevant data, ensuring proactive management of climate-related risks.

The policy outlines that the Group will regularly report the status of its climate risk management to external agencies in accordance with relevant requirements.

Metrics and Targets

Scope 1 and 2 carbon emissions

FY2023 is the first year we are publishing quantitative data on our GHG emissions. Hence, there is no comparative data for FY2022. We have selected FY2023 as the baseline year for us to monitor and assess improvements to our GHG emissions performance moving forward. To compute our GHG emissions, we utilised the GHG Protocol Corporate Standard, established by the World Resources Institute and the World Business Council for Sustainable Development. The following table illustrates the total GHG emissions produced by the Group for FY2023. We adopted the operational control method for our consolidation approach. Scope 1 emissions are attributable to the usage of natural gas for our operations. Our Scope 2 emissions are attributable to the purchase of electricity for our operations.

| GHG Emissions (Scope 1) produced in FY2023 | |
|--|--|
| Non-Renewable Fuel Consumption | Amount of GHG Emissions in tonnes of CO ₂ equivalent (tCO ₂ e) |
| Natural Gas | 2,533.3 |
| Total | 2,533.3 |

| GHG Emissions (Scope 2) produced in FY2023 | |
|---|--|
| Total Electricity Consumption | Amount of GHG Emissions in tonnes of CO ₂ equivalent (tCO ₂ e) |
| Purchased electricity from national grid ⁷ | 38,925.0 |
| Total | 38,925.0 |

| GHG Emissions intensity | |
|--|-------------|
| Metric used for intensity ratio calculations | Amount |
| Total Scope 1 and 2 GHG Emissions (tCO ₂ e) | 41,458.3 |
| Revenue (RMB 'millions) | 691.6 |
| GHG Emissions intensity ratio (tCO₂e / RMB' million) | 59.9 |

Considering the global emphasis on addressing climate change, there is a rising demand from countries and consumers for corporations to measure and mitigate their greenhouse gas (GHG) emissions. Consequently, we recognise the crucial need to determine our carbon footprint and to undertake measures to manage it. We have set our targets to address our climate-related risks and opportunities in the table below. We have considered the practicality and feasibility of these targets, while ensuring that the company can gradually achieve progress in climate control.

| Time Horizon | Targets |
|--------------|--|
| Short-term | <ul style="list-style-type: none"> Continue to review and refine our carbon emissions inventory: To periodically assess the direct and indirect carbon emissions of the Company and update our carbon emissions inventory. Develop detailed emissions reduction plans: Based on the carbon emissions inventory, formulate targeted emission reduction measures and action plans. |

⁷ Emission factor applied is derived from the China Ministry of Ecology and Environment published 2022 grid emission factor at <https://climatecooperation.cn/climate/mee-released-notice-on-the-management-of-ghg-emissions-reporting-for-power-generation-sector-from-2023-to-2025/>

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| | |
|-------------|---|
| | <ul style="list-style-type: none"> • Environmental training for employees : Ensure that over 80% of employees receive training on climate change and sustainable development. • Perform energy audit: Conduct an audit of the company's energy usage, identify, and implement at least 3 energy-saving measures. |
| Medium-term | <ul style="list-style-type: none"> • Reduce greenhouse gas emissions by 15% relative to the baseline year (FY2023). • Increase energy efficiency by 10% in production and operations processes to reduce energy consumption. • Ensure that 30% of the energy comes from renewable sources. • Ensure that 50% of the raw materials come from recycled resources. |
| Long-term | <ul style="list-style-type: none"> • Reduce greenhouse gas emissions by 30% relative to the baseline year (FY2023). • Ensure that 70% of products can be recycled after use. • Ensure that 80% of suppliers comply with the environmental standards set by the Company. |

GRI Content Index

| | |
|-------------------------|--|
| Statement of Use | Southern Packaging Group Limited has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards. |
| GRI 1 used | GRI 1: Foundation 2021 |

| GRI DISCLOSURES | | PAGE NUMBER |
|---|---|-------------------------------------|
| GRI 2: General Disclosures 2021 | | |
| The Organisation and its Reporting Practices | | |
| 2-1 | Organisational details | 3 |
| 2-2 | Entities included in the organisation's sustainability reporting | 3, 6 |
| 2-3 | Reporting period, frequency and contact point | 3 |
| 2-4 | Restatements of information | Nil |
| 2-5 | External assurance | 3 |
| Activities and Workers | | |
| 2-6 | Activities, value chain and other business relationships | 5 – 7 |
| 2-7 | Employees | 12 |
| 2-8 | Workers who are not employees | Not applicable |
| Governance | | |
| 2-9 | Governance structure and composition | Annual Report: 19 – 20 |
| 2-10 | Nomination and selection of the highest governance body | Annual Report: 24 – 26 |
| 2-11 | Chair of the highest governance body | Annual Report: 9 – 10 |
| 2-12 | Role of the highest governance body in overseeing the management of impacts | 8 |
| 2-13 | Delegation of responsibility for managing impacts | 8 |
| 2-14 | Role of the highest governance body in sustainability reporting | 8 |
| 2-15 | Conflicts of interests | Annual Report: 15 |
| 2-16 | Communication of critical concerns | Annual Report: 41 – 42 |
| 2-17 | Collective knowledge of the highest governance body | Annual Report: 16 |
| 2-18 | Evaluation of the performance of the highest governance body | Annual Report: 30 – 35 |
| 2-19 | Remuneration policies | Annual Report: 30 – 35 |
| 2-20 | Process to determine remuneration | Annual Report: 30 – 35 |
| 2-21 | Annual total compensation ratio | Confidentiality constraints |
| Strategy, Policies and Practices | | |
| 2-22 | Statement on sustainable development strategy | 4 |
| 2-23 | Policy commitments | 8 |
| 2-24 | Embedding policy commitments | 8 |
| 2-25 | Processes to remediate negative impacts | Respective material topic sections. |

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| GRI DISCLOSURES | | PAGE NUMBER |
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| Strategy, Policies and Practices | | |
| 2-26 | Mechanisms for seeking advice and raising concerns | 8 |
| 2-27 | Compliance with laws and regulations | 8 |
| 2-28 | Membership associations | Not applicable |
| Stakeholder Engagement | | |
| 2-29 | Approach to stakeholder engagement | 9 |
| 2-30 | Collective bargaining agreements | Not applicable |
| GRI 3: Material Topics 2021 | | |
| 3-1 | Process to determine material topics | 9 |
| 3-2 | List of material topics | 9 |
| GRI 201: Economic Performance 2016 | | |
| 3-3 | Management of material topics | 10 – 11 |
| 201-1 | Direct economic value generated and distributed | 10 – 11 |
| GRI 302: Energy 2016 | | |
| 3-3 | Management of material topics | 17 – 18 |
| 302-1 | Energy consumption within the organisation | 17 – 18 |
| 302-3 | Energy intensity ratio | 17 – 18 |
| GRI 401: Employment 2016 | | |
| 3-3 | Management of material topics | 12 – 14 |
| 401-1 | New employee hires and employee turnover | 12 – 14 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 12 |
| GRI 404: Training and Education 2016 | | |
| 3-3 | Management of material topics | 15 – 16 |
| 404-1 | Average hours of training per year per employee | 15 – 16 |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | 15 – 16 |

TCFD Content Index

| Disclosure Focus Area | Recommended Disclosure | Page Reference / Remarks |
|--|--|--------------------------|
| Governance | | |
| Disclose the organisation's governance around climate-related risks and opportunities. | a. Describe the board's oversight of climate-related risks and opportunities. | 19 |
| | b. Describe management's role in assessing and managing climate-related risks and opportunities. | 19 |
| Strategy | | |
| Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material. | a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term | 20 - 24 |
| | b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. | 20 - 24 |
| | c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | 25 - 26 |
| Risk Management | | |
| Disclose how the organisation identifies, assesses and manages climate-related risks. | a. Describe the organisation's processes for identifying and assessing climate-related risks. | 27 |
| | b. Describe the organisation's processes for managing climate-related risks | 27 |
| | c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. | 27 |
| Metrics and Targets | | |
| Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. | a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | 28 |
| | b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. | 28 |
| | c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | 28 - 29 |