

ZJLD Group Environmental Protection Policy

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Reviewed by: General Manager

Approved by: Board of Directors

Chapter 1 Overview

Article 1 ZJLD Group Inc (hereinafter referred to as the “Company”) was established in 2021 together with its subsidiaries including but not limited to: Guizhou Zhenjiu Brewing Co., Ltd., Jiangxi Lidu Liquor Industry Co., Ltd. and Hunan Xiangjiao Liquor Industry Co., Ltd., (hereinafter referred to as the “Group” or “we”) is a group of companies that produce a variety of baijiu products across the range of sauce aroma, strong aroma and mixed aroma favours. We are committed to be one of the world-leading Chinese baijiu brand.

Article 2 This Policy applies to the Company and its subsidiaries and covers the upstream and downstream of the value chains, including production and operations, products and services, distribution and logistics, waste management, due-diligence, mergers and acquisitions and other business operations. We also encourage our suppliers, service providers, contractors, licensees and other stakeholders in the value chain to comply with this Policy.

Article 3 This Policy ascertains the Group’s environmental commitments and strategies in order to effectively promote the Group’s sustainable development. It also sets out the methods for identifying and managing climate change risks and opportunities, as well as specific environmental protection requirements.

Article 4 This Policy is developed with reference to the following including but not limited to laws & regulations, guidelines and standards:

- (1) *The Environmental Protection Law of the People’s Republic of China*
- (2) *The Law of the People’s Republic of China on the Conservation of Energy Resources*
- (3) *The Water Law of People’s Republic of China*
- (4) *The Main Board Listing Rules of the Stock Exchange of Hong Kong Ltd. - Appendix 27 Environmental, Social and Governance Reporting Guide*

(5) The *Paris Agreement*

(6) IFRS Sustainability Standards that incorporate recommends of the Task Force on Climate-Related Financial Disclosures (TCFD)

(7) United Nations Sustainable Development Goals (UN SDGs)

(8) The Kunming-Montreal Global Biodiversity Framework

Chapter 2 Targets and Commitments

Article 5 As a leading baijiu producer, ZJLD Group is committed to protecting the ecological environment and effectively responding to climate change risks throughout business operations and the industry value chain. We formulate strategies based on best practices and jointly promote pollution reduction, carbon emission reduction and water conservation. Our commitment aims to mitigate the impact of environmental challenges and climate change on our business, promote sustainable brewing practices, and accelerate the development of a green and low-carbon industry.

Article 6 ZJLD Group has set the following targets:

- (1) In response to China's national call, we set forth more aggressive carbon emission reduction targets: we strive to reach the peak of carbon emission by 2028 and achieve carbon neutrality by 2050 (hereinafter referred to as the "2850 Targets"). In doing so, we investigate into all possible paths to achieve "carbon peaking" and "carbon neutrality". In addition to the 2850 Targets, we also set science-based targets that aligned with the "1.5°C climate control requirement" of the *Paris Agreement* i;
- (2) Commitment to 100% renewable energy by the increase of coverage of renewable electricity in our total electricity consumption from 10% in 2023 to 50% in 2024 and 100% in 2025 by implementing PV projects and green electricity certificates;

- (3) Reduction of Scope 3 emission intensity by exercising our influence on our supply chains and our carbon emission reduction experiences to assist our key suppliers in energy conservation and emissions reduction
- (4) From the 2021 baseline we intend to reduce water withdrawal intensity per unit by 20% before 2025;
- (5) Continue to replace non-recyclable packaging materials and increase the share of eco-friendly packaging materials to 95% by 2025;
- (6) Work to achieve net positive impact (NPI) on biodiversity in our priority areas such as upstream agricultural production and our own operations by 2050.

Article 7 We have made the following commitments:

- (1) Compliance with relevant environmental laws and regulations of the regions in which we operate, strive to continuously improve our environmental performance and set environmental targets and objectives to further reduce environmental impacts.
- (2) Our Board of Directors oversees our implementation of the Environmental Protection Policy and our progress in improving environmental performance.
- (3) On public policies related to climate change, we are committed to aligning the Group's position with the *Paris Agreement* and not funding climate-denial or lobbying against climate regulations. We have relevant supervision and management systems in place for lobbying activities and trade association memberships. Our CEO leads the Group in public policy engagement with clear accountabilities for the Group's acts in this respect, and monitor and review to assess whether our trade associations and public policy engagement are aligned with the climate change related requirements outlined in the *Paris Agreement*. If there exists

misalignments between climate change policy positions of a trade association and our own climate position, we will consider withdrawing this trade association. In addition, we regularly report on our climate policy positions and activities of trade associations, climate-related direct lobbying activities, public policy engagement and other information.

- (4) In terms of public policies on water resources management, we are committed to aligning the Group's position with the UN SDG 6 on Clean Water and Sanitation, in order to contribute to the fulfillment of the associated targets and indicators.
- (5) Regarding public policies on biodiversity, we are committed to aligning the Group's position with the *Kunming-Montreal Global Biodiversity Framework*, to support the fulfillment of the four long-term goals for 2050.
- (6) We require our value chain partners to protect biodiversity, avoid operational activities near sites containing globally or nationally important biodiversity, and ensure that our operations do not have a negative impact on biodiversity-sensitive areas.
- (7) We adopt a mitigation hierarchy that involves several sequential steps, including avoiding, limiting/minimizing impacts on biodiversity, and restoring areas and ecosystems affected by our operations.
- (8) Where it's technically possible, we conduct biodiversity risk assessments of our operations.
- (9) We engage with our employees, suppliers, customers, local communities, non-governmental organizations and other stakeholders to empower each other and work together to protect biodiversity, respond to climate change and other environmental issues.

- (10) We are committed to end all deforestation (no gross deforestation) in our business value chain.

Chapter 3 Management Structure and Mechanism

Article 8 The management and supervision on environmental matters is an important part of good corporate governance. To smoothly carry out environmental management, effectively implement environmental strategic objectives, and continuously promote sustainable and high-quality development of the Group, the Group has formed an environmental governance structure consisting of the governance layer, the management layer, and the executive layer in accordance with external regulatory requirements and its own business development.

Article 9 The Group's Board of Directors and CEO shall oversee and assume overall responsibility for the Group's water resources management, climate change response and biodiversity issues and strategic planning. Their main responsibilities are as follow:

- (1) Overseeing the setting of strategic environmental targets, monitoring environmental matters including water resources management, climate change response and biodiversity protection, and incorporating environmental considerations into Board discussions and strategic planning;
- (2) Reviewing and approving the Group's environmental policies and commitments, including environmental management policies, strategies, issue priority, objectives and action roadmap;
- (3) Overseeing and guiding the development of our business strategies, including overseeing and guiding acquisitions, mergers, divestitures and major capital expenditures, and integrating environmental considerations into business strategies;
- (4) Overseeing and guiding environmental scenario analysis, identifying

environmental risks and opportunities that have a significant impact on the Group's operations, and reviewing and guiding assessment processes for environmental dependencies, impacts, risks, and opportunities;

- (5) Overseeing and guiding the development of climate transition plan, and monitoring the implementation of climate transition plans;
- (6) Ensuring that appropriate and effective environmental risk management mechanisms and internal control systems are in place to address environmental related risks;
- (7) Regularly monitoring the Group's environmental performance and reviewing the progress towards the Group's environmental targets each year;
- (8) Overseeing and guiding public policy engagement for environmental issues;
- (9) Approving and overseeing the implementation of employee incentives related to environmental performance.

Article 10 The Board of Directors has a ESG Management Committee to assist it in all ESG matters, including water resources management, climate change response, and biodiversity protection, as detailed below:

- (1) Setting the Group's environmental targets and measuring the progress towards these targets;
- (2) Reviewing and monitoring the Group's performance in environmental compliance;
- (3) Implementing the Group's business strategies related to environmental issues, and managing acquisitions, mergers, divestitures, and major capital and operational expenditures related to these issues;
- (4) Conducting environmental scenario analysis, assessing

environmental dependencies, impacts, risks and opportunities, and providing suggestions for managing risks and opportunities of strategic importance to the Group;

- (5) Assessing key climate risks and opportunities, developing and implementing climate transition plans, regularly reviewing work progress, and reporting work progress and results to the Board of Directors;
- (6) Managing public policy engagement related to environmental issues;
- (7) Providing employee incentives related to environmental performance;
- (8) Providing a channel of communication for the Board of Directors and management on environmental matters; and
- (9) Other matters authorized by the Board of Directors.

Article 10 The ESG Management Department of the Group is responsible for:

- (1) Counting the total amount and intensity of Scope 1 and 2 emissions from the Group and its distilleries on a semi-annual basis;
- (2) Counting the withdrawal proportion of fresh water, volume and intensity of water withdrawal, volume and intensity of water consumption, and volume and intensity of wastewater discharge of the Group and its distilleries on a semi-annual basis;
- (3) Monitoring Scope 1 and 2 carbon emissions intensities of the distilleries, and making improvement plans for those failing to meet the carbon emission reduction targets set by ZJLD Group;
- (4) Monitoring the water withdrawal volume and intensity of the distilleries, and making improvement plans for those failing to meet the water withdrawal intensity reduction targets set by ZJLD Group;
- (5) Calculating the total amount and intensity of Scope 3 emissions;

- (6) Coordinating with procurement department, production equipment department and other departments to visit major suppliers and assisting them in implementing energy saving, emission reduction and water conservation policies;
- (7) Conducting annual climate scenario analysis, identifying and assessing climate-related physical and transition risks and opportunities, and gaining a better understanding of the impact of climate change on the business operations and the industry chain, including any related resource and financial risks and opportunities; taking the lead in identifying climate change risks and opportunities each year, determining the nature of the risks or opportunities (physical or transition, acute or chronic) and their impact level (impact on the business operations, products, services, and the value chain), and quantifying assets or business activities already affected by climate-related risks (in amount and percentage);
- (8) Developing and implementing transition or mitigation plans for identified climate risks on an annual basis and monitoring the implementation of these plans;
- (9) Implementing strategies to capture the business and market opportunities presented by China's carbon peaking and carbon neutrality policies;
- (10) Gathering and sharing relevant information and resources to build resilience and monitoring the impact of climate change on the business and achieving the Group's greenhouse gas emission management objectives;
- (11) Timely disclosing the Group's climate-related risks and opportunities and its measures to manage these risks and opportunities according to the policy requirements for climate change response.

Article 13 The relevant departments of the Group's distilleries assume the

following responsibilities:

- (1) Prioritizing the use of green building technologies in their technical transformation and capacity expansion projects, and making the most of natural ventilation, energy-saving lighting and other measures to reduce energy consumption;
- (2) Reducing greenhouse gas emissions by using clean and renewable energy;
- (3) Working with supply chain partners to optimize and reduce energy consumption in projects and production, and collaborating on the recycle of waste and packaging materials;
- (4) Communicating with employees, suppliers and customers, encouraging them to minimize carbon emissions in their day-to-day operations and consumption, and providing training for crop suppliers in water-saving irrigation, thus raising the environmental awareness of internal and external stakeholders;
- (5) The Group's procurement department and each distillery's production equipment department visit major suppliers and assist them in identifying opportunities of energy conservation, emission reduction and water saving, in order to help them reduce carbon emission and water consumption intensity to the greatest extent;
- (6) Incorporating climate change considerations in procurement, shifting to low-carbon fuel and electric vehicles, and promoting the use of low-carbon and energy-efficient products and materials where possible and appropriate;
- (7) Carrying out an appropriate number of carefully selected carbon removal and avoidance projects to control the residual carbon emissions and thus balance environmental and social impacts. These projects are designed to maximize positive impact and transparency, with a high degree of scientific integrity;

- (8) Developing appropriate operational processes, measures and monitoring systems to prevent or reduce the damage that climate change may cause to the Group's existing businesses and to take advantage of the opportunities that climate change and related policies may present;
- (9) Continuing to develop the Group's resources and supplier reserves in response to climate change, in order to prevent or reduce the damage that climate change may cause to the Group's production and development;
- (10) Integrating climate change risks into the Group's risk management processes and business continuity plans;
- (11) Developing feasible production and operation plans and reserving an appropriate number of supplies to cope with increasingly frequent extreme weather events caused by climate change;
- (12) Communicating with internal and external stakeholders including employees, suppliers, and customers on environmental impacts as well as the Group's measures for environmental protection and climate change response indicated in this Environmental Protection Policy, raising their environmental protection awareness and risk resilience capacity;
- (13) Providing training for employees to get them better understand the impacts of their work activities on the environment and encouraging them to save electricity and water in their day-to-day work;
- (14) Expanding sewage treatment facilities to increase the volume of reclaimed water; initiating the pilot project of zero-sewage discharge facilities; using reverse osmosis and other technologies to recycle water, developing water-saving production technologies, and working with local farmers on water-saving practices in agricultural fields; Reducing water withdrawal and sewage discharge intensity in

production, office operations and other areas to increase water utilization;

- (15) Protecting the water ecosystem of the region where the distilleries locate by cooperating with local governments, communities, environmental protection organizations and other stakeholders on ecological environmental protection. Carrying out watershed ecological protection activities, including but not limited to afforestation, wetland restoration, river cleaning, and environmental education;
- (16) Supporting forest conservation projects, such as preventing illegal logging and protecting wildlife, to reduce the impact of our business operations on forests.

Article 14 This Policy is reviewed and approved by the Board of Directors and is reviewed from time to time or at least every three years.