

Zhongshan Huali Industrial Group Co., Ltd.

Biodiversity Conservation & Zero-Deforestation Policy

1. Policy Purpose

Huali Group recognizes the critical importance of biodiversity conservation and zero-deforestation. In alignment with the UN Sustainable Development Goals and the vision of harmonious coexistence, we commit to establishing management systems and taking concrete actions to balance operational development with ecological protection, thereby contributing to reversing biodiversity degradation trends.

2. Scope of Application

This policy applies to Huali Group headquarters and all subsidiaries, and extends to suppliers, service providers, contractors, and other business partners, encouraging collective adherence.

3. Policy Commitments

3.1 Our biodiversity commitments are embedded within the ESG governance structure:

- **Board of Directors:** Oversees policy implementation
- **ESG Committee:** Develops strategies and target roadmaps
- **ESG Team (Compliance & Sustainability Dept.):** Executes operational plans

We pledge to:

- ✓ Strictly comply with local laws and international standards (e.g., FSC, LWG), ensuring operation compliance and legitimacy
- ✓ Integrate biodiversity protection into corporate strategy to minimize biodiversity impacts and protect ecosystem integrity.
- ✓ Prohibit all deforestation-linked activities
- ✓ Maintain transparent communication on biodiversity management and forest conservation
- ✓ Commit to achieving 'No Net Loss' (NNL) of biodiversity by conducting deforestation-free operations, compensating for any unavoidable impacts through forest restoration or afforestation

initiatives, therefore maintain and enhance on-site biodiversity to deliver a 'Net Positive Impact' (NPI), aligning with our 2050 net-zero targets.

3.2 Action Plan

(1) Compliance & Risk Management

- **Legal Adherence:** Strictly abide by all applicable local laws and regulations, and implement avoidance, mitigation, and restoration measures for operational impacts that are in reality or potential
- **Risk Assessment:** Assess, evaluate and manage all nature-related impacts and risks in the whole operation process, regularly monitor and evaluate the impact/dependency, risks/opportunities of operation on biodiversity, and integrate the finding into strategic planning and governance decisions.

(2) Impact Reduction

- **New Facilities:** Conduct mandatory biodiversity assessments for site selection, protecting aquatic ecosystems, endangered species habitats, and soil health
- **Existing Sites:** Implement sustainable land maintenance (e.g., native plants, reduced pesticides)
- **Responsible Sourcing:** Ensure all materials are purchased in compliance with applicable requirement and from sustainable sources.
 - Use **FSC-certified** wood/paper packaging
 - Purchase leather and other material from sustainable sources, like **LWG-certified** leather
 - Ban materials linked to deforestation
- **Waste Management:** Optimize methods of production to reduce waste, adopt eco-friendly material and promote circular economy, ensuring efficient resources utilization and maintain **zero-landfill/incineration** of waste
- **Forest Conservation:** Actively participate in or support forest conservation initiatives, such as afforestation and forest restoration programs, to offset potential impacts on forest ecosystems and contribute to sustainable forest management and biodiversity preservation.

4. Communication & Reporting

We encourage suppliers, contractors, and stakeholders to monitor policy compliance and report any violations. All reports will be handled confidentially, with zero tolerance for retaliation.

Group Grievance & Reporting Email: anti.corruption@huali-group.com