

Sustainable Development Report of Shandong Santao Food Co., Ltd.



I. Shandong Santao Food Co., Ltd. and Its Commitment to Sustainable Development

Shandong Santao Food Co., Ltd. is a professional company specializing in sustainable development of frozen fruit and vegetable. Located in Anqiu City, Shandong Province known as the "hometown of vegetables" in China, the area is rich in agricultural products and abundant in labor resources. Since its establishment in 2003, the company has been dedicated to producing and providing high-quality traditional and organic frozen fruit and vegetable products for global consumers. Our product range is extensive, including frozen edamame, onions, spinach, broccoli, corn, carrots, peas, strawberries, mixed vegetables, etc., to meet the needs of various customers. We are practitioners of the concept of sustainable development. We believe that through relentless efforts and continuous innovation, we can ensure a more prosperous and healthier planet for future generations.

1. Our Mission

"Our mission is to lead the industry, create value, and build a professional, healthy, and safe food industry base." We nourish life through convenience, health, and sustainability. We believe that access to quality food is a right, not a privilege, and we strive to create products that are both accessible to people and minimize our environmental footprint.

2. Our Philosophy

"Integrity, Struggle, Innovation" are our philosophy and core values, and also the cornerstone of our business operations. We operate with a commitment to integrity, responsibility, and the pursuit of excellence. Our philosophy is to balance profitability with environmental protection and social responsibility, ensuring a better future for the planet and our communities.

3. Sustainable Development Approach

Our approach to sustainability is comprehensive, covering all aspects of our operations. From farm to table, we implement practices to reduce waste, protect resources, and promote biodiversity. We use the most advanced technology to minimize our carbon footprint and ensure that our practices meet the highest environmental and social governance standards.

4. Stakeholder Engagement

We actively engage with stakeholders including customers, employees, suppliers, and community members to understand their needs and expectations. This collaborative approach helps us refine our sustainability goals and build strong partnerships for collective impact.

5. Technology and Innovation

Our company utilizes efficient supply chain management and the latest quick-freezing technology to ensure that vegetables are rapidly frozen in their freshest state, maximizing the retention of nutrients and flavor. Our R&D team continuously innovates, seeking more effective preservation methods and ways to enhance product diversity to meet the ever-changing demands of the international market.

6. Commitment to Sustainable Development

As a responsible food manufacturer, our commitment to sustainable development permeates every level of our business. We recognize that protecting the environment is vital for ensuring food safety and quality, and is part of our social responsibility.

6.1 Environmental Responsibility: We implement various measures to reduce the environmental footprint in our production process, including using energy-efficient equipment, optimizing production processes to reduce energy consumption, and using environmentally friendly materials and recyclable packaging.

6.2 Social Responsibility: We value the health and development of our employees, providing them with a safe and beneficial work environment. Additionally, we support local agricultural development and social welfare projects through cooperation with local communities, promoting economic co-prosperity.

6.3 Economic Responsibility: By improving operational efficiency and innovating products, we are committed to achieving sustainable economic growth without sacrificing environmental and social responsibilities.

6.4 Transparency and Compliance: We comply with all applicable laws and regulations and strive to achieve transparency throughout our supply chain, ensuring that all business activities meet the highest ethical standards.

In the future, Shandong Santao Food Co., Ltd. will continue to expand our sustainable development programs, including investing in renewable energy projects, developing more organic product lines, and strengthening sustainable partnerships with our suppliers and customers. We are committed to continuing as a leader in the industry, dedicated to achieving a greener and healthier future.

II. Review of Shandong Santao Food Co., Ltd.'s Achievements in Sustainable Practices

Since its establishment, Shandong Santao Food Co., Ltd. has been committed to environmental and social responsibility, achieving significant milestones in sustainable development.

1. Continuous Introduction of New Organic Product Lines:

1.1 Successfully launched multiple organic frozen vegetable products, using cultivation methods free of chemical fertilizers and pesticides.

1.2 Established strong partnerships with organic farms, ensuring the purity and high quality of raw materials.

1.3 Promoted organic products, enhancing consumer awareness of healthy eating

and sustainable agriculture.

2. Environmental Protection Equipment and Energy Saving and Emission

Reduction:

2.1 Invested in low-energy-consumption freezing equipment, significantly reducing electricity consumption during production.

2.2 Introduced a water recycling system, reducing water wastage.

2.3 Implemented waste sorting and recycling plans, making production and packaging processes more environmentally friendly.

3. Employee Welfare and Training Programs:

3.1 Implemented comprehensive employee health and safety plans, ensuring workplace safety.

3.2 Provided regular professional training and development opportunities, supporting employee growth and career advancement.

3.3 Established an employee feedback mechanism, involving staff in the company's sustainable development agenda.

4. Social Responsibility and Community Involvement:

4.1 Actively participated in local community building and support through donations and volunteer activities.

4.2 Established a special fund to support local food safety and education projects.

4.3 Collaborated with local schools to promote food science knowledge and awareness of nutrition and health.

5. Sustainable Management of the Supply Chain:

5.1 Conducted rigorous sustainability assessments of suppliers to ensure their operations meet environmental and social responsibility standards.

5.2 Promoted supply chain transparency, sharing our sustainable procurement practices with consumers.

These achievements reflect Shandong Santao Food Co., Ltd.'s unwavering commitment to sustainable development. We believe that through continuous efforts and innovation, we can make a greater contribution to the sustainable development of society, the environment, and the economy.

III. Sustainable Development Strategy and Governance

Sustainable Development Vision and Strategic Goals of Santao Food:

1. Environmental Protection:

1.1 Reduce Carbon Emissions: By using more efficient freezing technology and energy management systems to lower overall energy consumption.

1.2 Sustainable Packaging: Research and implement recyclable, renewable, or biodegradable packaging materials.

1.3 Waste Management: Minimize food waste and optimize waste recycling in the production process.

2. Sustainable Procurement:

2.1 Collaborate with local and organic farms to support sustainable agricultural practices.

2.2 Ensure supply chain transparency and adhere to environmental and social responsibility guidelines.

3. Social Responsibility:

3.1 Provide a safe and healthy work environment, ensuring employee welfare and development.

3.2 Support local community sustainable development through educational programs and community involvement.

4. Economic Sustainability:

4.1 Maintain competitiveness through innovation and efficiency improvements while ensuring financial stability.

4.2 Explore new markets and sustainable product lines to increase revenue sources and market share.

5. Technological Innovation:

5.1 Invest in research and development to improve product quality and production efficiency.

5.2 Explore the use of sustainable energy and resources, such as solar and wind power.

Through these strategic goals, Shandong Santao Food Co., Ltd. can not only enhance the sustainability of its business but also bring positive impacts to customers, employees, the community, and the environment.

IV. Governance Structure Overseeing Sustainable Development Efforts

Shandong Santao Food Co., Ltd. has established a Sustainable Development Committee within its Board of Directors. This specialized committee, comprised of board members, is responsible for formulating the company's sustainable development strategies and policies. It regularly reviews the progress of sustainable development goals to ensure alignment with the company's overall strategy. The committee also oversees significant sustainable development issues and reports on related matters to the Board of Directors.

Shandong Santao Food Co., Ltd. has a Sustainable Development Management Team, a cross-departmental group led by the company's Director of Sustainable Development. This team is responsible for implementing the strategies and policies set by the Board's Sustainable Development Committee. It coordinates sustainable development activities across different departments to ensure a

cohesive effort throughout the company. The team includes the following departments:

1. Environmental Management Department: Manages the company's environmental impact, including energy saving, emission reduction, waste management, and water resource protection. Conducts environmental risk assessments and develops corresponding mitigation measures.
2. Social Responsibility Department: Manages the company's social impact, including employee welfare, community engagement, and supply chain management. Ensures the company follows best practices in social responsibility and promotes these values across the company.
3. Monitoring and Compliance Department: Monitors the company's sustainable development activities to ensure compliance with internal and external regulations. Regularly provides compliance reports to the management team and the Board of Directors.
4. Communication and Reporting Department: Responsible for communicating with stakeholders, including investors, customers, employees, and the community. Prepares annual sustainability reports, showcasing the company's achievements and challenges in sustainable development.
5. Research and Development Innovation Team: Explores and develops new technologies and processes to enhance sustainability and the company's competitiveness. Seeks partnerships to jointly research new opportunities in sustainable development.

Through this governance structure, Shandong Santao Food Co., Ltd. ensures effective implementation of various sustainable development measures. This

allows both internal and external stakeholders to understand how the company organizes, manages, and reports its sustainability efforts. The company continuously improves its performance in environmental, social, and economic areas.

V. Environmental Impact

Shandong Santao Food Co., Ltd. has taken measures to reduce environmental impact and carbon footprint, including energy-efficient practices in freezing and storage processes.

1. Enhancing Energy Efficiency in Freezing and Storage Processes.

1.1 Invested in the latest freezing equipment, adopting more efficient insulation materials, significantly reducing energy consumption.

1.2 Implemented intelligent temperature control systems that adjust energy use based on real-time demand, avoiding unnecessary electricity waste.

1.3 Adopted a heat recovery system, reusing generated heat to provide heating for offices and employee areas.

2. Improvements in Coal-Fired Equipment in Daily Operations.

2.1 Upgraded original coal-fired boilers to more efficient, lower-emission natural gas boilers.

2.2 Introduced solar energy in certain processes to reduce carbon emissions through renewable energy use.

3. Use of Renewable Energy.

3.1 Installed solar photovoltaic panels on the factory roof to provide clean energy for production equipment.

3.2 Collaborated with local energy suppliers to ensure the purchased electricity comes from renewable sources.

4. Electrification of Transportation Tools.

4.1 Traditional locomotives within the factory have been replaced with electric vehicles, powered by electricity from solar photovoltaic panels.

4.2 Forklifts and other material handling equipment have also been switched to electric, reducing noise pollution.

5. Reduction of Carbon Footprint in Employees and Logistics.

5.1 Provided electric vehicle charging stations, encouraging employees to use electric vehicles.

5.2 Optimized the logistics network to reduce transportation distances and frequency, while using electric or natural gas-powered transport vehicles.

6. Environmental Education and Employee Participation.

6.1 Regularly conducted environmental protection training, raising employee awareness about energy efficiency.

6.2 Encouraged employees to propose ideas for energy saving and emission reduction, implementing effective suggestions, and rewarding those who make significant contributions.

Through these measures, Shandong Santao Food Co., Ltd. has not only reduced its own environmental impact but also set a sustainable development example for the entire industry. They demonstrate how to achieve environmental goals through innovation and technological improvements.

VI. Sustainable Initiatives for Water Resource Management, Waste Reduction, and Efforts to Reduce Wastage

1. Efficient Use of Water Resources.

1.1 Introduced a recycling water system for reusing water in the cooling process,

reducing overall water consumption.

1.2 Used water-saving nozzles in the vegetable washing process and implemented a multi-stage filtration system, allowing for the recycling of used water.

1.3 Reduced the diameter of water pipes to achieve water-saving goals.

2. Wastewater Treatment and Reuse.

2.1 Established wastewater treatment facilities to process wastewater generated during production, which is then used for irrigation after meeting environmental discharge standards.

2.2 Organic materials in wastewater are used to produce biogas as an energy source, reducing pollution and providing renewable energy.

3. Reduction and Recycling of Solid Waste.

3.1 All vegetable residues generated in the production process are collected and transformed into fertilizer, supporting the sustainable cycle of organic agriculture.

3.2 Non-organic waste is sorted for maximum recycling or safe disposal.

4. Sustainability of Packaging Materials.

4.1 Reduced the use of packaging materials, designing lighter and recyclable packaging.

4.2 Used biodegradable packaging materials to minimize long-term environmental impact.

5. Process Optimization and Employee Training.

5.1 Optimized production processes to reduce raw material wastage and discard rates.

5.2 Conducted regular environmental protection and resource conservation training for employees, enhancing their awareness of water saving and waste reduction.

6. Sustainable Supply Chain Management.

6.1 Cooperated with suppliers to ensure they adopt water-saving measures and prioritized purchasing their products.

6.2 Audited water resource management in the supply chain to ensure partners also focus on water conservation in their production processes.

7. Community Involvement and Education.

7.1 Collaborated with communities on water resource conservation projects, such as river cleanups and water efficiency education.

7.2 Created exhibition areas in the company and community to educate the public on how to save water in daily life.

Through these comprehensive measures, Shandong Santao Food Co., Ltd. has demonstrated its commitment to water resource conservation and made significant contributions to reducing waste in its production processes. These practices have not only set a good example within the industry but also promoted the concept of sustainable development in society.

VII. Sustainable Procurement Practices Focused on Local and Organic Vegetable Suppliers

1. Cooperation and Support with Local Suppliers

1.1 Prioritizes collaboration with local farms, reducing carbon emissions from transportation and supporting the local economy.

1.2 Establishes long-term relationships with local suppliers, providing technical and financial support.

1.3 Assists local suppliers in adopting sustainable farming methods.

1.4 Regularly holds supplier meetings to share best practices and jointly explore how to enhance the sustainability of agricultural products.

2. Promotion of Organic Products

2.1 Partners with certified organic vegetable suppliers to ensure products meet national and international standards.

2.2 Enhances consumer awareness of the value of organic vegetables through product labeling and marketing campaigns, driving market demand.

2.3 Sets higher purchase prices for organic products, reflecting their production costs and sustainability value.

3. Sustainable Procurement Policy

3.1 Develops and implements a comprehensive sustainable procurement policy to ensure purchasing activities meet the company's environmental and social responsibility standards.

3.2 The procurement policy includes protection of agricultural diversity, responsible management of water resources, and support for fair trade.

4. Transparency and Certification

4.1 Ensures complete transparency of the supply chain, allowing consumers to easily trace the origin and production process of products.

4.2 All organic products are independently certified to ensure compliance with international organic standards.

5. Supplier Assessment and Development

5.1 Ensures suppliers' operations and values align with the company's sustainable development goals.

5.2 Provides training and resources to help suppliers improve their environmental performance, such as enhancing water efficiency and soil management.

6. Community Involvement and Agricultural Education

6.1 Collaborates with local schools and non-governmental organizations to promote educational projects on sustainable agriculture.

6.2 Participates in community agricultural projects, supporting farmers in adopting sustainable agricultural practices, such as crop rotation and biodiversity conservation.

Through these comprehensive measures, Shandong Santao Food Co., Ltd. has made significant progress in sustainable procurement practices. These efforts have not only earned the company a good social reputation but also positively impacted environmental protection and social development.

Translation:

VIII. Social Impact

Shandong Santao Food Co., Ltd., a leader in the frozen vegetable industry, consistently places social responsibility at the core of its business strategy. Santao Food demonstrates its deep understanding and firm commitment to social responsibility by implementing comprehensive employee welfare programs, providing ongoing training and ensuring health and safety at the workplace, as well as actively participating in community support and sustainable agriculture projects.

1. Santao Food offers a comprehensive employee welfare program, which includes:

1.1 A comprehensive health insurance plan for employees.

1.2 An employee assistance program offering mental health support and counseling services to help cope with work and life stresses.

1.3 Extensive career training and development opportunities, supporting personal and professional growth of employees.

1.4 A special fund to support employees' further education and learning new skills, including tuition subsidies and flexible timing.

1.5 Safety production measures, including regular health and safety training and on-site safety upgrades.

1.6 Regular health and safety training, covering emergency response and accident prevention.

1.7 Employee health programs, including fitness facilities, healthy eating options, and free meals.

1.8 Flexible working hours and remote working policies, and support for family-friendly vacation arrangements.

1.9 Regular career skills and leadership development training, encouraging personal and professional growth.

1.10 Competitive maternity and paternity leave policies, supporting parents to bond with newborns.

1.11 An open communication platform where employee representatives can directly provide feedback to management.

1.12 Regular employee satisfaction surveys to ensure their opinions and needs are heard and considered.

2. In terms of community involvement, Santao Food has implemented the following programs:

2.1 Established community farm partnerships, supporting local farmers in adopting sustainable agricultural practices.

2.2 Conducted agricultural technology training and innovation funds to help enhance local agricultural productivity and sustainability.

2.3 Promoted healthy eating and food safety education through cooperation with community centers and schools.

2.4 Participated in and supported local environmental protection projects, such as tree planting and water source protection.

3. Sustainability of Facilities and Operations:

3.1 Adopted advanced energy-saving technologies and equipment, reducing energy consumption and carbon emissions.

3.2 Implemented waste management and recycling programs, reducing waste in

the production process.

3.3 Used eco-friendly packaging materials, reducing plastic usage and promoting product sustainability.

3.4 Conducted sustainability assessments of the supply chain to ensure all partners comply with respective social and environmental standards.

Through these comprehensive measures, Santao Food not only enhances the quality of life and work for its employees but also has a positive impact on the community and environment. These practices of Santao Food have been recognized through various independent third-party social responsibility certifications, signifying the company's leadership in sustainable development. The company commits to continue advancing on the path of sustainable development, striving to create long-term value for shareholders, employees, customers, and the community.

IX. Economic Impact

Santao Food's economic impact in sustainable development practices is significant. By investing in sustainable technologies and improving process flows, adopting the most advanced quick-freeze freshness preservation techniques and product inspection equipment, the company has not only increased production efficiency but also optimized cost structure, positively affecting its financial performance.

1. Return on Investment:

1.1 Investment in energy-saving equipment and waste reduction technology increased capital expenditure in the short term, but in the long run, it significantly increased profit margins by reducing energy and raw material costs.

1.2 Adoption of renewable energy sources, such as solar and biomass, reduced dependence on external energy sources and lowered operational risks.

2. Operational Efficiency:

2.1 Introduction of advanced production management systems and automation technology reduced labor costs and error rates, improving production efficiency.

2.2 Implementation of sustainable strategies in supply chain management ensured stability and price advantages in raw material supply.

3. Market Competitiveness:

3.1 Sustainable product lines met the growing market demand for healthy and environmentally friendly products, increasing the company's market share.

3.2 A sustainable brand image attracted more consumers and partners, enhancing market competitiveness.

X. Challenges and Future Outlook

Santao Food faces a series of challenges on the path of sustainable development. These mainly include the impact of initial capital investment on cash flow. Santao Food must continuously keep up with technological developments to maintain production efficiency and environmental standards. There are complexities and challenges in implementing sustainable procurement standards in the global supply chain.

Looking to the future, Santao Food plans to continue investing in R&D, developing new sustainable products and solutions. The company aims to expand into global markets, especially in regions that highly value sustainable development.

Strengthening cooperation with governments, industry organizations, and non-governmental organizations to jointly promote sustainable standards in the industry. Further optimization of supply chain and production processes through intelligent technology and big data analysis.

In summary, Santao Food has achieved significant economic benefits in its

sustainable development practices and is committed to continuing to invest and innovate in this field to achieve long-term financial stability and market leadership.

XI. Challenges Faced by Shandong Santao Food Co., Ltd. in Implementing Sustainable Practices

1. Capital Investment:

Sustainable technologies and equipment often require significant upfront investment, which can put pressure on the company's short-term financial situation.

2. Technological Adaptability:

2.1 Continuous assessment and adoption of new technologies are necessary to maintain production efficiency and meet ever-increasing environmental standards.

2.2 Rapid technological iterations may lead to existing equipment and processes becoming quickly outdated.

3. Supply Chain Management:

3.1 Ensuring the sustainability of the entire supply chain requires strict supplier selection and management, which may limit supplier choices and increase procurement costs.

3.2 Effective monitoring of suppliers' sustainability performance may introduce additional management costs and complexities.

4. Regulatory Compliance and Market Access:

4.1 Diverse sustainability regulations in different markets necessitate varied strategies for different markets.

4.2 New environmental regulations may lead to increased operational costs or require changes in existing operational models.

5. Consumer Awareness:

5.1 Although demand for sustainable products is growing, consumer awareness and willingness to pay for sustainability value still vary.

5.2 There is a need to increase education and marketing efforts to promote consumer recognition of sustainable products.

6. Employee Involvement and Cultural Change:

6.1 Implementing a shift in organizational culture and behavior to encourage employee participation and support for sustainable development measures.

6.2 Regular training is needed to enhance employees' environmental awareness and involvement, which may require additional time and resources.

7. Sustainability Performance Assessment:

7.1 Continual tracking and assessment of the effectiveness of sustainability measures require establishing effective metrics and assessment systems.

7.2 Assessment results need to be transparent and credible, both internally and externally.

8. Long-term Commitment and Continuous Improvement:

8.1 Sustainable development requires long-term commitment, and significant economic returns may not be evident in the short term.

8.2 Continuous resource investment in improvements and innovations is necessary to adapt to the ever-changing environment and market demands.

Faced with these challenges, Santao Food is committed to adopting proactive strategies and measures to ensure effective implementation of sustainable practices and long-term benefits. The company will continue to seek new solutions, collaborating with all stakeholders to overcome these challenges and achieve sustainable development goals.

XII. Shandong Santao Food Co., Ltd.'s Future Sustainable Goals and Initiatives in the Sustainability Certification Report

1. Short-Term Goals (within 1-2 years)

1.1 Resource Efficiency: Achieve a 10% reduction in energy consumption at all major production facilities; increase the waste recycling rate to 80%, reducing waste generation in the production process.

1.2 Sustainable Packaging: Use recyclable or biodegradable packaging materials for all new products; launch a product line with zero plastic packaging.

1.3 Employee and Community Development: Provide sustainable development training programs for all employees; initiate at least three projects supporting local community development and food security.

2. Medium-Term Goals (within 3-5 years)

2.1 Carbon Footprint: Achieve carbon neutrality in company operations as soon as possible, through investment in renewable energy and carbon offset projects; switch to electric or low-emission logistics vehicles to reduce carbon emissions in logistics.

2.2 Supply Chain Sustainability: All suppliers must meet sustainability certification standards; enhance the traceability of raw materials to ensure transparency.

2.3 Product Innovation: Develop new frozen vegetable products that minimize processing and retain nutritional value; promote functional and special dietary need frozen vegetable products.

3. Long-Term Goals (over 5 years)

3.1 Business Model Innovation: Explore and implement circular economy models, recycling and reusing products at the end of their life cycle; expand product lines, including plant-based protein products, to meet sustainable diet trends.

3.2 Social Responsibility: Establish a corporate fund to support global sustainable agriculture and food safety initiatives; become a leader in promoting sustainable

standards in the industry.

3.3 Technology Investment: Invest in smart manufacturing and automation technologies to increase efficiency and reduce waste; research and adopt biotechnology to enhance yield and sustainability in agricultural production.

3.4 Partnership: Collaborate with research institutions to develop new technologies and improved varieties; strengthen cooperation with government, industry organizations, and NGOs to jointly address food safety and climate change challenges.

3.5 Education and Advocacy: Enhance public education programs to raise consumer awareness of sustainable food; advocate for the importance of sustainable development at industry conferences and public forums.

Through these future goals and initiatives, Shandong Santao Food Co., Ltd. will further consolidate its position as a leader in sustainable development in the frozen vegetable industry, committed to bringing long-term benefits to shareholders, employees, customers, and the planet.

XIII. Conclusion

Shandong Santao Food Co., Ltd.'s journey in sustainable development is filled with firm commitments, innovative practices, and bold visions for the future. The company has made significant progress in enhancing employee welfare, supporting the community, protecting the environment, optimizing economic benefits, and technological innovation, setting a benchmark for sustainable corporate development in the industry.

Through in-depth employee training and comprehensive welfare programs, Santao Food has created a healthy, safe, and vibrant work environment, enhancing employee belonging and productivity. The company's community involvement and support for local agriculture not only strengthened ties with the community but also

promoted local economic prosperity.

Environmental protection measures such as improved energy efficiency, waste reduction, and the use of sustainable packaging reflect the company's determination to reduce its operational carbon footprint. Through investments in sustainable technology and processes, Santao Food has not only optimized its cost structure but also enhanced its market competitiveness, proving that economic benefits and environmental protection can go hand in hand.

Facing the many challenges of implementing sustainable practices, Santao Food has shown resilience. From capital investment to technological adaptability, from supply chain management to raising market and consumer awareness, the company has developed proactive strategies to effectively address these challenges.

On the path ahead, Santao Food has set a series of clear short-term and long-term goals that will guide the company towards a greener and more sustainable future. Whether it's achieving resource efficiency, promoting sustainable packaging, or establishing a corporate fund to support global sustainable agriculture and food safety initiatives, each step reflects the company's determination to bring long-term benefits to shareholders, employees, customers, and the planet.

In summary, Shandong Santao Food Co., Ltd.'s sustainability report is not just a record of the past and present but a clear plan for a sustainable future. The company's deep commitment to continuous improvement and sustainability will continue to lead its development in the frozen vegetable industry, creating lasting value for all stakeholders and leaving a more prosperous and healthy planet for future generations.