

Northann Corp

Environmental Social Governance

DISCLOSURE REPORT

Baseline ESG Report

Report generated on 21 June.
Powered by Socialsuite ESG.

 SOCIALSUITE

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[ESG Report Data Disclaimer](#)

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Foreword

Environmental, Social, and Governance (ESG)

Northann Corp (“Northann” or the “Company”) is committed to the principles of ESG as the most effective means of creating long-term enterprise value and addressing the societal priorities enshrined in the United Nations’ Sustainable Development Goals. In June of 2023, we made a commitment to commence reporting on the Environmental, Social, and Governance (ESG) disclosures of the Stakeholder Capitalism Metrics (SCM) of the World Economic Forum (WEF).

We are in the process of making ESG disclosures in the form of a set of universal, comparable ESG metrics focused on people, planet, prosperity and principles of governance that organizations can report on regardless of industry or region. This report represents our reporting against the 21 core metrics, being reviewed quarterly and updated periodically.

We use this universal ESG framework to align our mainstream reporting on performance against ESG indicators. By integrating ESG metrics into our governance, business strategy, and performance management process, we diligently consider all pertinent risks and opportunities in running our business. We continue to look for opportunities for further transparency on the topics which are material to our business.

To track our disclosure progress and demonstrate our sustainability performance against the WEF SCM framework we utilize Socialsuite’s ESG Go disclosure platform. ESG Go enables us to demonstrate our ongoing commitment to ESG by providing a dedicated solution to track, report, and share our ESG disclosures. With ESG Go we have started the journey of building robust ESG credentials.



Governance

GOVERNING PURPOSE

Setting purpose

Code: GO-01-C1

At Northann Corp, our purpose extends beyond profit. We believe in creating shared value – for our shareholders, customers, employees, and society at large. We aim to be a leading provider of decorating solutions while making a positive impact on the environment and society at large.

We seek to prioritize eco-friendly practices and find ways to reduce waste and minimize our carbon footprint. By offering cutting-edge decorating solutions, we aim to provide a seamless and personalized experience that meets the diverse needs of our customers while maintaining our commitment to sustainability.

[Overview](#)

[Vision](#)

QUALITY OF GOVERNING BODY

Governance body composition

Code: GO-02-C1

We recognize the crucial role that a diverse board of directors plays in ensuring Northann's success. By assembling a board with varied experiences, perspectives, and knowledge, we empower ourselves to make informed decisions, proactively manage risk, and capitalize on emerging opportunities.

Furthermore, although we are a privately held company, we understand the importance of voluntarily disclosing information about our board to promote transparency, accountability, and stakeholder confidence. By openly sharing details about the composition, qualifications, and expertise of the board, we demonstrate our commitment to strong governance practices. This fosters trust among investors, partners, and customers.

As of June 2023, our board is comprised of six members. All our board members (100%) are male, half of our board (50%) is considered to be independent, and five of our six members (83%) self-identify as members of under-represented social groups.

The biographies of our board are as follows:



LIN LI

Chairman of the Board,
Chief Executive Officer,
President, Secretary,
and Treasurer

- Lin is the founder of Northann Corp and has a Bachelor's degree in English from Sichuan International Studies University in China. Prior to founding Northann Corp, Lin Li served as the general manager of Changzhou Winslon International Trading Co. Ltd.
- Tenure of 10 years on the Northann Board of Directors as of June 2023.



**DAVID M.
KRATOCHVIL**

Chief Financial Officer

- David is the founder of Vista Capital Advisors and brings extensive experience from his role as Managing Director in the Investment Banking department at Kenmar Securities, LLC. He holds an MBA in finance and international business from the University of Chicago's Booth School of Business.
- Tenure of 2 months on the Northann Board of Directors as of June 2023.



KURTIS W. WINN
Director

- Kurtis has been a Director of Northann Corp since June 2022. He currently serves as the Chief Operating Officer of National Wood Products, Inc. in Salt Lake City, UT. Kurtis holds a Bachelor of Science in Business Management from Arizona State University.
- Tenure of 10 years on the Northann Board of Directors as of June 2023.



**BRADLEY C.
LALONDE**

Independent Director
Appointee and Chair of
Audit Committee

- Bradley is a partner and co-founder of Vietnam Partners. He brings extensive experience from his role as the Director of Citicapital Audit and Risk Review at Citigroup from 2001 to 2023. Bradley holds a Master's degree in International Affairs with a concentration in international economic development from Columbia University.
- Tenure of 1 month on the Northann Board of Directors as of June 2023.



**CHARLES JAMES
SCHAEFER IV**

Independent Director
Appointee and Chair of
Compensation
Committ

- Charles is the President of the American Chamber of Commerce of the Bahamas and holds a Master of Business Administration from the Harvard Business School.
- Tenure of 1 month on the Northann Board of Directors as of June 2023.



SCOTT POWELL

Independent Director
Appointee and Chair of
Nomination Committee

- Scott is the President and Chief Executive Officer of Skyline Corporate Communications Group, LLC. He holds a Ph.D. and a Master of Arts from Brown University.
- Tenure of 1 month on the Northann Board of Directors as of June 2023.

STAKEHOLDER ENGAGEMENT

Material issues impacting stakeholders

Code: GO-03-C1

As a small company, Northann Corp has yet to conduct a formal materiality assessment with its stakeholders. While we recognize that such an assessment is an essential step in understanding the matters most material to our operations and stakeholders, there have been resource constraints and limited capacity for such an extensive undertaking at this stage. However, we firmly recognize the significance of engaging our stakeholders and acknowledging their perspectives in shaping our sustainability initiatives.

ETHICAL BEHAVIOUR

Anti-corruption practices

Code: GO-04-C1

At Northann Corp, we are committed to conducting our business with the highest standards of integrity and in full compliance with all applicable laws and regulations. We have a zero-tolerance approach towards corruption, bribery, and unethical practices. We firmly believe that maintaining a transparent and ethical business environment is crucial for our long-term success and the trust of our stakeholders.

We have recently drafted an Anti-Corruption Policy – currently for internal use only – with the intent to prevent, detect, and mitigate any risks associated with corruption. This policy has been made accessible to employees in both Chinese and English, and we are actively working to establish a formal training for all employees on the policy and its content.

The key principles of the policy include the prohibition of bribery and corruption, compliance with laws and regulations, due diligence and risk assessment, guidelines for gifts, entertainment, and hospitality, reporting mechanisms, and training initiatives on these principles. We strictly prohibit any form of bribes, kickbacks, or improper payments and expect full compliance with all anti-corruption laws.

We are committed to enforcing this policy throughout our organization and holding individuals accountable for any violations. Any breach of this policy may result in disciplinary action, including termination of employment or contractual relationships, as well as legal consequences. We did not have any reported instances of corruption in 2022.

Mechanisms to protect ethical behaviour

Code: GO-04-C2

In May of 2023, Northann established an internal Whistleblower Policy to provide a mechanism for employees, stakeholders, and other individuals to report ethical concerns or potential violations related to ESG matters or otherwise. Reports can be made to management, via email (whistle@northann.com) or by telephone (+1 (916) 594-6256).

This policy aims to ensure the confidentiality, protection, and proper investigation of such reports, promoting transparency, accountability, and ethical practices within our organization. This policy is made available to all employees, and we intend to include a section on the Whistleblower Policy in the anti-corruption training that we are developing.

RISK AND OPPORTUNITY OVERSIGHT

Integrating risk and opportunity into business process

Code: GO-05-C1

Northann Corp is dedicated to implementing a robust risk management system to identify, assess, mitigate, and monitor risks that may impact the organization's objectives and operations. Our most recent list of risks and opportunities – currently available for internal use only – was drafted in May of 2023.

Our aim is to identify risks across various business aspects through internal assessments, stakeholder feedback, and industry analysis. These risks would then be assessed based on severity, likelihood, and potential impact. Mitigation strategies and controls would then be developed and implemented to minimize risks, including policies, procedures, and risk-specific measures. Ongoing monitoring and regular reviews would ensure the effectiveness of the risk management system in adapting to changing business environments, industry trends, and regulatory requirements.



CLIMATE CHANGE

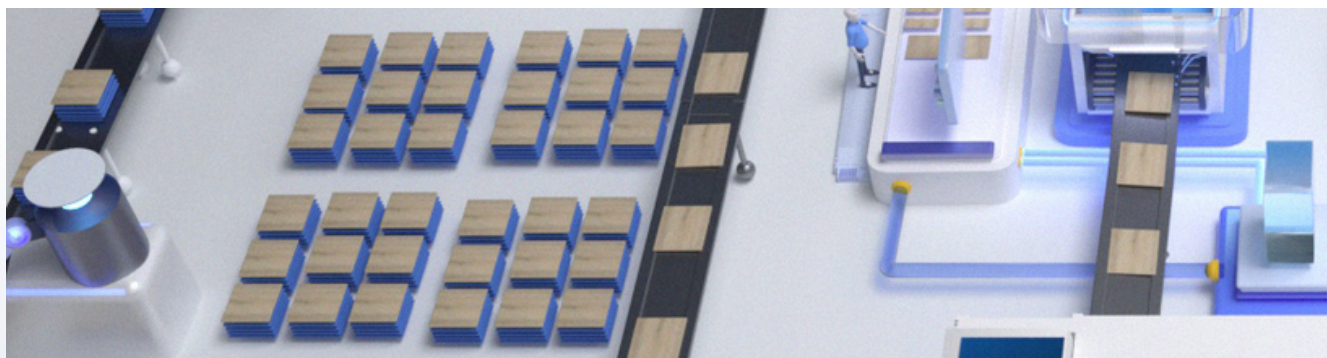
GHG emissions

Code: PL-01-C1

Northann recognizes the importance of environmental sustainability and aims to provide transparency regarding its greenhouse gas emissions. When first establishing our operations in China, we conducted a GHG emissions inventory on the facility to receive permitting. This has provided us with a rough approximation of our Chinese facility's baseline carbon footprint. Although we have yet to do so, we intend to continue to measure and monitor our carbon footprint.

Beyond monitoring emissions, Northann Corp is committed to reducing emissions through various initiatives. This includes implementing energy-efficient technologies and practices to lower Scope 1 emissions, optimizing manufacturing processes, and adopting cleaner fuels. To decrease Scope 2 emissions, the company procures renewable energy sources when feasible. Northann also intends to collaborate with suppliers to assess and minimize Scope 3 emissions by promoting sustainable transportation and waste management practices. These emission reduction efforts demonstrate the company's commitment to environmental sustainability and its contribution to addressing climate change.

A specific example of this commitment is Northann's carbon neutral initiative, which aims to revolutionize packaging practices. As part of this initiative, we are committed to replacing traditional packaging materials with biodegradable, compostable, or recycled alternatives. Additionally, the Company implements minimal packaging designs that minimize material usage while ensuring the protection of its products. Through these initiatives, Northann promotes responsible packaging practices that prioritize both environmental conservation and product integrity.



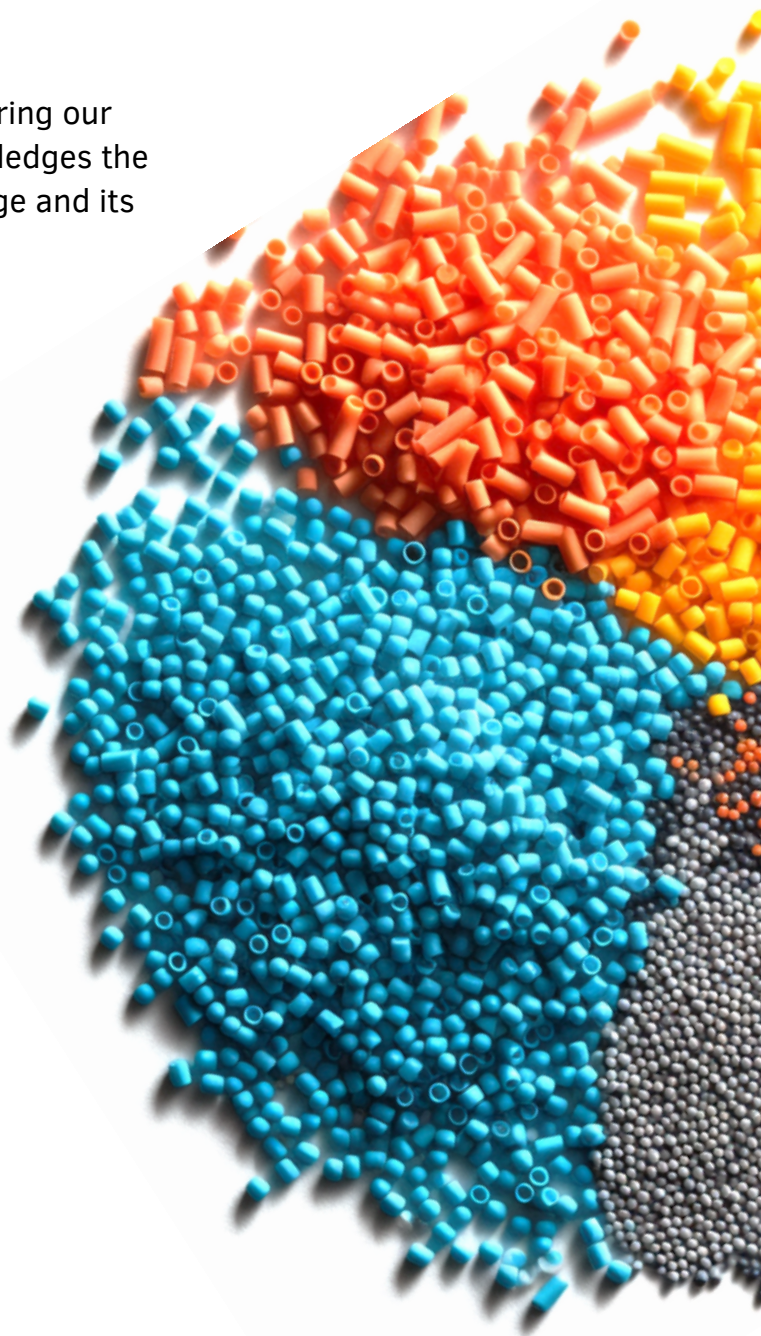
Initiatives

TCFD implementation

Code: PL-01-C2

As shown by our intention to continue measuring our greenhouse gas emissions, Northann acknowledges the intricate and pressing nature of climate change and its effects on our stakeholders and the global community. We are dedicated to contributing to the mitigation of this threat and actively supporting the transition towards a sustainable, low-carbon economy.

Recognizing the importance of transparent climate-related disclosures, we value the standardized framework provided by the Task Force on Climate-Related Financial Disclosures (TCFD). As part of our commitment, Northann management and the board intend to review the TCFD recommendations to gain a comprehensive understanding of the framework and assess its materiality to our business. This evaluation will ensure that we are well-equipped to disclose our climate-related risks and opportunities effectively in the future.



NATURE LOSS

Land use and key biodiversity areas

Code: PL-02-C1

We prioritize environmental stewardship and recognize the importance of preserving hotspots of biodiversity, also known as Key Biodiversity Areas (KBAs). For that reason, we are proud to disclose that neither our facility in California nor in China are located within or directly beside any KBAs.

FRESHWATER AVAILABILITY

Water consumption

Code: PL-03-C1

As a leading manufacturing company, we recognize the importance of responsible water management and aim to provide transparency regarding our water consumption. We are in the process of assessing how to best measure and monitor our water consumption.

Northann is especially dedicated to responsible water management because both of our facilities are located in what the WRI Aqueduct Water Risk Atlas considers to be areas of high water risk. As a result, we are actively working to reduce our water consumption by adopting efficient practices and technologies. This may include implementing water recycling and reuse systems, closely monitoring water usage, and continuously seeking opportunities for improvement. We may consider offering employee training programs to promote water conservation awareness and best practices in the future.



DIGNITY AND EQUALITY

Diversity and inclusion

Code: PE-01-C1

At Northann Corp, we believe that diversity and inclusion are essential for fostering innovation, creativity, and sustainable growth. We are committed to cultivating an inclusive and equitable workplace where all employees are valued, respected, and provided equal opportunities to thrive.

We have created an internal Diversity and Inclusion Policy that outlines this commitment and sets the foundation for promoting diversity, inclusion, and belonging within our organization. The policy promotes equal opportunities for all employees, prohibits discrimination based on protected characteristics, and ensures a workplace that embraces diversity and fosters inclusivity. Employee engagement and education initiatives help to promote awareness and understanding, and recruitment practices focus on attracting diverse talent. Employee Resource Groups (ERGs) are encouraged to provide support and contribute to diversity and inclusion initiatives.

Supplier diversity is also promoted, and the company holds itself accountable by measuring progress and addressing concerns through reporting mechanisms. Continuous improvement is emphasized through policy updates and feedback from employees and stakeholders. Ultimately, the policy aims to create a workplace where every individual is respected, valued, and empowered to contribute their best.

Pay equality

Code: PE-01-C2

At Northann Corp, we are committed to promoting pay equality and ensuring that all employees are compensated fairly and without discrimination. Our internal Pay Equality Policy reflects our commitment to eliminating pay disparities and promoting a culture of equity and transparency in compensation practices.

Our compensation philosophy is guided by the principle of equal pay for equal work, market competitiveness and internal equity. Job evaluations and classifications are conducted objectively, and pay transparency promotes understanding of compensation factors.

Wage level

Code: PE-01-C3

Northann recognizes the fair compensation and benefits are vital for the economic well-being of employees, as equitable income distribution plays a pivotal role in addressing inequality and poverty. Our entry-level employees in China earn 500 USD each month, 1.38 times the local minimum wage of 363 USD per month as of 2023. Our entry-level employees in the United States earn a wage comparable to the local minimum wage.

Child, forced or compulsory labour

Code: PE-01-C4

At Northann Corp, we are committed to combatting modern slavery and human trafficking in all its forms. We recognize that these illegal practices undermine human rights, dignity, and social justice. In May of 2023, we drafted an internal Modern Slavery Statement that reflects our dedication to conducting business responsibly and ethically, ensuring that our operations and supply chains are free from any form of modern slavery.

HEALTH AND WELL-BEING

Health and safety

Code: PE-02-C1

The health and safety of our employees is a fundamental aspect of our organizational culture. In 2022, we reported zero work-related injuries or fatalities. We intend to maintain strong health and safety standards to ensure that this continues to be the case.

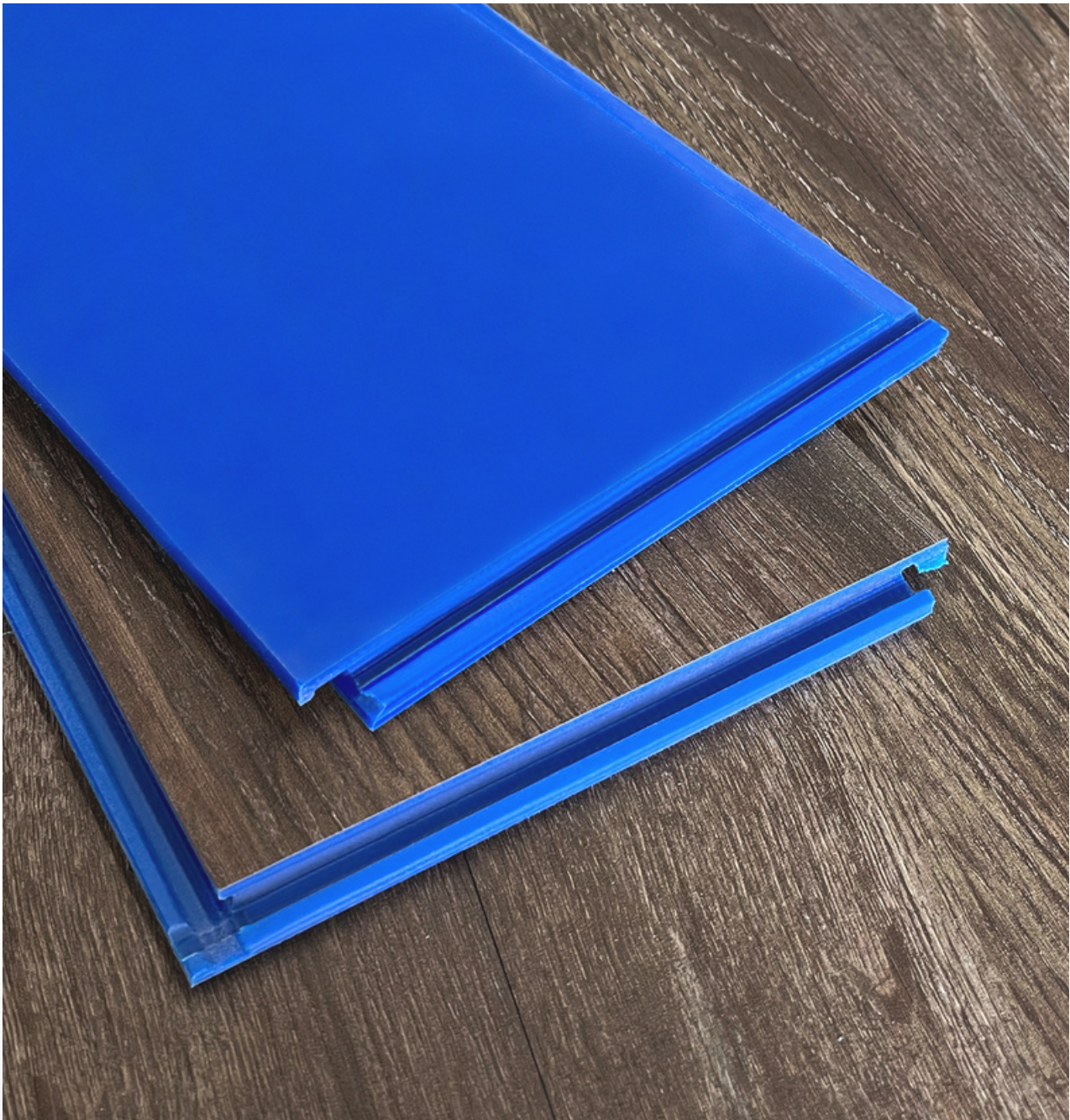
Part of our commitment to the health and safety of our employees is shown by our comprehensive benefits package. While the specific details may vary based on factors such as employment status, location, and local regulations, employees generally receive health insurance, paid time off, a retirement plan, and access to an Employee Assistance Program (EAP).

SKILLS FOR THE FUTURE

Training provided

Code: PE-03-C1

At Northann Corp, we believe in the continuous growth and development of our employees. We provide various training programs and opportunities to enhance their skills, knowledge, and professional capabilities. The specific training provided may vary based on job roles, departmental needs, and individual career goals.



EMPLOYMENT AND WEALTH GENERATION

Rate of employment

Code: PR-01-C1

We recognize that employment and job creation are vital indicators of our ability to attract and retain diverse talent. We are proud to report an employee turnover rate of 1% in 2022. At this time, however, we have not collected the data to report on the absolute number and rate of new employee hires.

Economic contribution

Code: PR-01-C2

We understand the importance of transparency and accountability in sharing information with our stakeholders. While we value the concept of economic value generated and distributed (EVG&D), we have made a strategic decision not to disclose our direct EVG&D while we remain a private company.

Financial investment contribution

Code: PR-01-C3

As a private company, we do not publicly disclose our capital expenditures or share buyback strategy at this time. By keeping these details confidential, we can protect sensitive information related to our investment plans and corporate actions. While we recognize the importance of transparency, our focus is on maximizing long-term value for our stakeholders and preserving our competitive position.

INNOVATION OF BETTER PRODUCTS AND SERVICES

Total R&D expenses

Code: PR-02-C1

At Northann, we highly value the role of research and development (R&D) in driving innovation and maintaining a competitive edge. While we do not disclose our specific research and development expenditures, we remain committed to investing in R&D, as it is integral to our long-term growth and success

COMMUNITY AND SOCIAL VITALITY

Total tax paid

Code: PR-03-C1

As a private company, we adhere to legal and regulatory requirements regarding financial disclosures while maintaining our commitment to responsible and ethical practices. We have chosen not to disclose our global tax paid at this time but will do so in the future as mandated by legal and regulatory requirements.

