



2023

SUSTAINABILITY AND ESG REPORT

PYLON TECHNOLOGIES CO., LTD.

◎ About the Report

This is the Sustainability and ESG Report ("this Report" or "Sustainability Report") of Pylon Technologies Co., Ltd.(hereinafter referred to as "Pylontech" or the "Company"), which describes the environmental, social and corporate governance practices and performance of Pylontech in 2023 for open communication with stakeholders on relevant contents and response to various issues of concern thereof. In case of any inconsistency or discrepancy, the simplified Chinese version of this Report shall prevail, while the English translation is used for reference only.

Scope of the Report

The reporting timeframe is from January 1, 2023 to December 31, 2023, and some of the information therein may go beyond the aforementioned timeframe to ensure report completeness.

Reporting Boundaries

The reporting boundaries cover Shanghai Pylon Technologies Co., Ltd. and its subsidiaries; whereby Anhui Pylon Technologies Co., Ltd., one of the subsidiaries, has not been formally put into operation during the reporting period, thus excluded from this Report.

Report Release Cycle

This Report is issued annually, alongside the Company's annual report, with the issuance timing subject to change each year.

Reporting Standard

The standards, frameworks, principles and related requirements that informed the preparation of this Report are set out below:

·Sustainability Reporting Standards of Global Reporting Initiative (GRI) Version 2021 (this Report follows GRI standards)

·United Nations Sustainable Development Goals (UN SDGs)

Sources of Information and Data

The information and data disclosed in this Report are extracted from the internal official documents, statistical reports and periodic reports of Pylontech and its subsidiaries. Unless otherwise stated, financial information in this Report is all expressed in RMB.

Report Acknowledgement and Disclaimer

The contents of this Report have been reviewed by the board of directors to be free from false statements, misleading statements or material omissions. However, this Report contains some forward-looking statements that are subject to external variables, meaning that future developments or trends may differ from relevant statements.

Report Verification

This Report has been verified by TÜV SÜD Certification and Testing (China) Co., Ltd. Shanghai Branch, an independent third party, with Verification Statement attached.

Report Access & Response

The Chinese and English versions of this Report can be downloaded from the Company's website (<https://www.pylontech.com.cn>).

Please contact the Company for any suggestions or comments on this Report:

Contact person: Xu Chuang

Tel: 18018593038

E-mail: xu.chuang@pylontech.com.cn

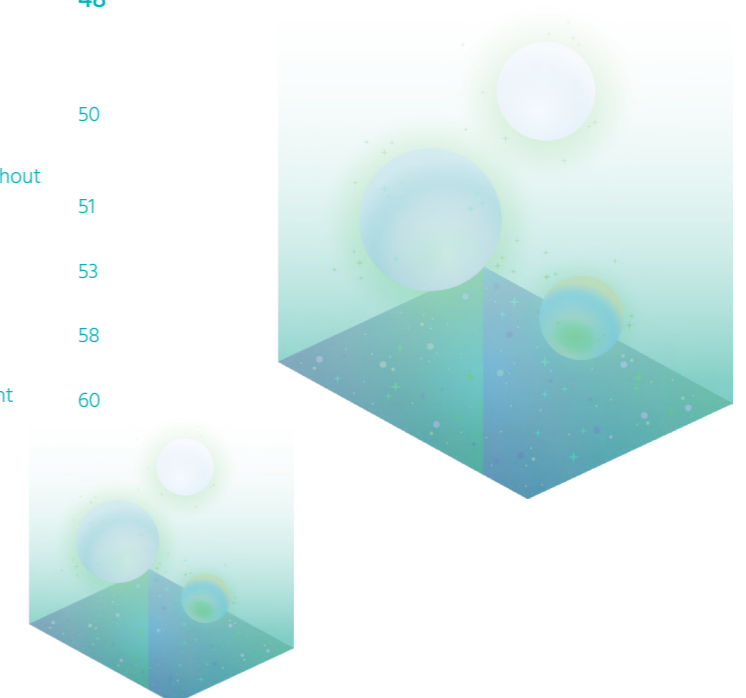
CONTENTS

About the Report	01
Message from CEO	04
About Pylontech	06
Company Honors	06
2023 Performance Highlights	08
Company Profile	10
Company Culture	11
Milestones	11
Business Presence	12
Sustainability Management	14
Architecture of Sustainability Management	14
SDGs Actions	15
Communication with Stakeholders	16
Materiality Analysis	17

Protecting the Environment for A Greener Future	18
Addressing Climate Changes	20
Environmental Management Compliance	22
Energy Management	23
Water Management	25
Waste and Hazardous Emissions Management	25
Biodiversity Conservation	27
People-oriented Mindset for a Bright Future	28
Protection of Employees' Rights and Interests	30
Human Capital Development	32
Occupational Health and Safety	33
Community Contribution & Charity and Public Welfare	36

Robust Corporate Governance for A Solid Responsibility Basis	38
Corporate Governance	40
Business Ethics & Compliance Management	41
Risk Management	43
Supply Chain Management	46
Information Security	47
Leading Energy Transformation with Innovative Products	48
Clean Energy Opportunities	50
Sustainability Management Throughout the Product Lifecycle	51
R&D and Innovation	53
Quality and Safety	58
Customer Relationship Management	60

Independent Verification Statement	62
Appendix	64
ESG Performance Data	64
Index Sheet	66
Feedbacks From Readers	74





◎ Message from CEO

The world is accelerating its progress towards sustainability. In 2023, the COP28 climate summit agreement formulated a historic energy transformation goal, i.e. by 2030, the global installed renewable energy generation capacity shall be tripled and the global average annual energy efficiency shall be doubled. As there are still some gaps between the contractual agreement and actual delivery, collaboration is more crucial than ever before. Relying on its core technology of the whole industrial chain from material to systems, Pylontech remains committed to providing innovative energy storage solutions with its partners, leading the way to a sustainable future for hundreds of millions of people across the world.

Green manufacturing against climate change. Pylontech undertakes grand responsibilities and takes timely actions. The Company has set up a greenhouse gas emission accounting system across the whole value chain, and effectively controls and manages greenhouse gas and pollutant emissions in modules. The Company has taken various carbon reduction and pollution reduction measures such as setting up grid-connected photovoltaic power stations, introducing intelligent equipment production lines, recycling NMPs, and electrifying carriers. In addition, the Company has implemented "cradle-to-gate" carbon footprint accounting, verification and declaration for 17 products, including the Force series, Powercube series and US series. Meanwhile, Pylontech is well aware of significant opportunities in energy transition, whereby a system for identifying and transforming clean energy opportunities has been established with supporting operation standards, and a cross-departmental collaborating structure and process has been set up for greater R&D efforts across the whole value chain. In 2023, the investment in R&D amounted to RMB 385.3 million, resulting in 191 patents obtained, enabling a more reliable and sustainable energy system transition.

Pylontech has taken multiple measures to manufacture sustainable and safe products. Pylontech strictly controls the raw material selection process focusing on eco-friendly materials, and has established a hazardous substance control system. The Company constantly optimizes thermal management and structural design, develops and applies lithium replenishment technology, and embeds intelligent scheduling algorithms in the BMS, significantly improving the energy density of the battery cell and the whole product lifecycle. The Company safeguards full product safety through the distributed lithium battery management system for energy storage, early warning of abnormal battery cell, and the innovative application of electrochemical modeling and neural networks. With its excellent R&D capacity in sodium battery technology, Pylontech has successfully developed low-cost, low-temperature and safe sodium batteries alternative lead-acid batteries and sodium energy storage batteries, which have won multiple evaluation and certification reports and have been applied in commercial scenarios.

Robust corporate governance for a solid responsibility basis. Adhering to the corporate values of "Integrity, Responsibility, Accountability, Cohesion, Devotion and Accomplishment", Pylontech enhances its social responsibility management system to strengthen the protection of employees' rights and interests and ensure occupational health and safety, while fully evaluating and controlling potential risks in the operation process in terms of labor, health and safety, the environment, business ethics and the supply chain to improve relevant measures and monitor their implementation constantly.

Given the crucial importance of safeguarding the future of humanity and the Earth, Pylontech will actively respond to the SDGs, uphold sustainability philosophy, and foster innovation and collaboration, shaping a prosperous, inclusive and resilient world in a wise and elaborate manner alongside stakeholders.

Mr. Tan Wen
CEO of Pylon Technologies Co., Ltd.

About Pylontech

Company Honors

Awards and honors received by Pylontech in 2023



2023 Performance Highlights

Environment

Honored as a National Green Factory in 2023

generated from owned PV

3,319,136^{KWh}

All operation sites are

100¹
% covered by greenhouse gas verification

generated from outsourced green resources

368,660^{KWh}

Excluding Anhui base

certified for carbon footprint

17
products

Reduced solid waste generation

50.1%

Greenhouse gas emission reductions in scope 1 and 2

38.4%

Recycling rate for non-hazardous solid waste

71.9%

Greenhouse gas emission reductions in scope 3

57.6%

Reduced water consumption

10.8%

Social

Awarded

EUPD Research TOP BRAND PV-STORAGE EU

Awarded

Top 50 Globalized Companies in China: The Representative of Technology

Ordering over

150,000^{sodium}
electric products

Annual R&D investment of RMB

385.3^{million}

Number of patents granted over the year

191

number of work-related casualty

0

All operation sites are 100% covered by ISO 45001 certification

Governance

Coverage of new employee business ethics training

100%

Business ethics litigation cases

0

Major administrative penalties/accidents with major internal defects

0

Coverage of information security training for new employees

100%

Company Profile

Pylontech (stock code: 688063), founded in 2009, is an industry-leading battery energy storage system provider, and was listed on the A-share market in 2020 as the first energy storage stock. The Company organizes vertical integration of the industrial chain, and is one of the few domestic enterprises with independent R&D and production capacities for core components of energy storage such as battery cells, modules, battery management systems, energy management systems, etc., as well as the capability to design energy storage system integration solutions. The Company focuses on the development and application of energy storage systems for over 10 years, placing its product as the core and quality as the cornerstone. It provides a full range of voltage levels from 5V to 1500V all-scenario energy storage systems and customized solutions. Corporate products can be widely applied across the power system of power generation, transmission, distribution, and usage, as well as communication base stations, vehicle energy storage, mobile energy storage and other scenarios. The Company stands out as one of the most comprehensively certified energy storage manufacturers in the industry. Its main products have received certifications from international standards such as IEC, EU CE, European VDE, American UL, Australian CEC, JIS, and UN38.3, as well as Chinese national standards including GB/T 36276, GB/T 34131, etc. Over a decade of market application, the Company has delivered over one million sets of energy storage systems, reaching more than 80 countries and regions worldwide, with the quality of its products tested and accepted by customers all around the world. In 2022, the Company ranked the world's No.1 in terms of shipment (volume) in the residential energy storage systems market. Its capacity reached 13GWh by the end of 2023.



10 years+

Focusing on the development and application of energy storage systems for over 10 years



1 million+

A cumulative shipment volume of 1 million+ sets



Full-scenario application

Portfolio satisfies full-scenario application of 5V-1500V



Vertical integration of the industry chain

Mastering core technologies of the whole industry chain



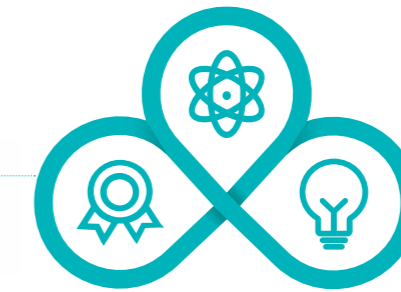
Global certification

Obtained certifications from China, the European Union, North America, Australia, and Japan.

Company Culture

Corporate vision

To Energize Billions With Smarter Power



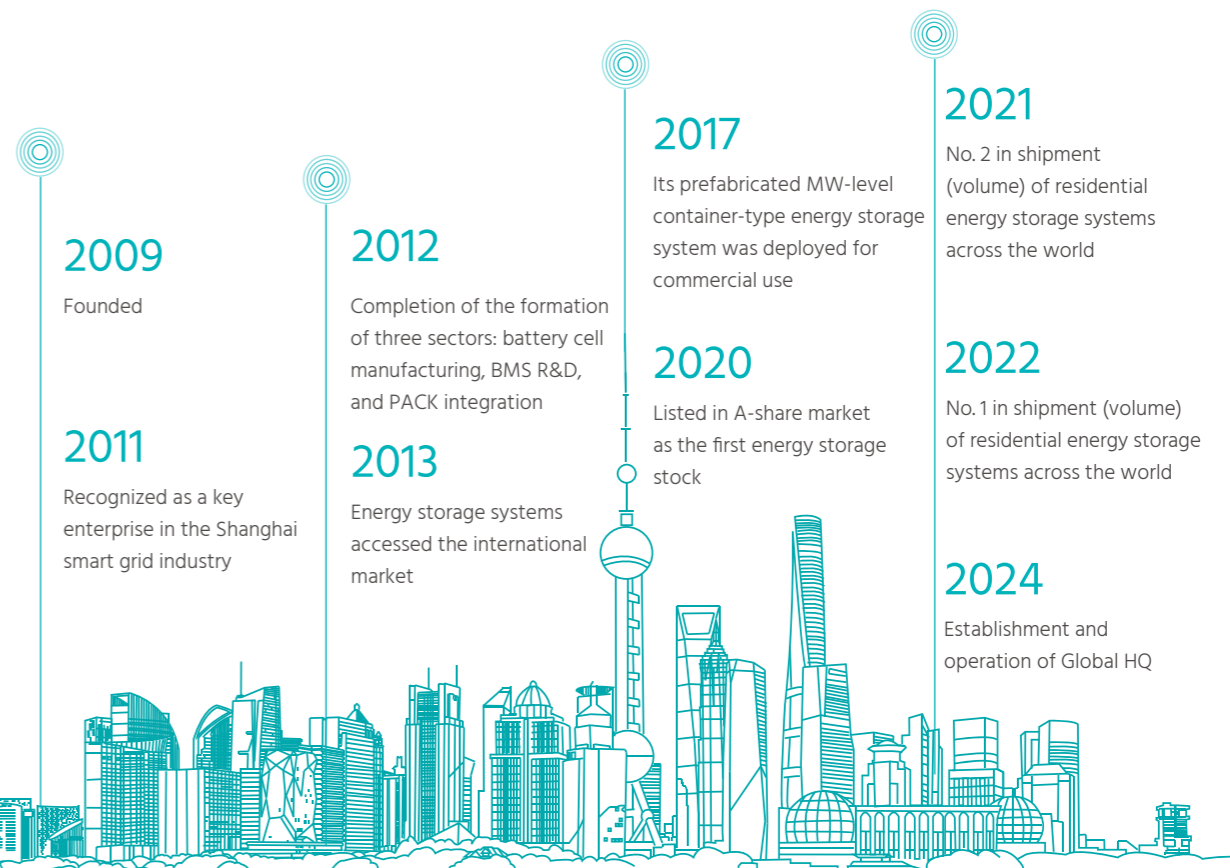
Corporate mission

Liberating Your Energy Sustainably

Core values

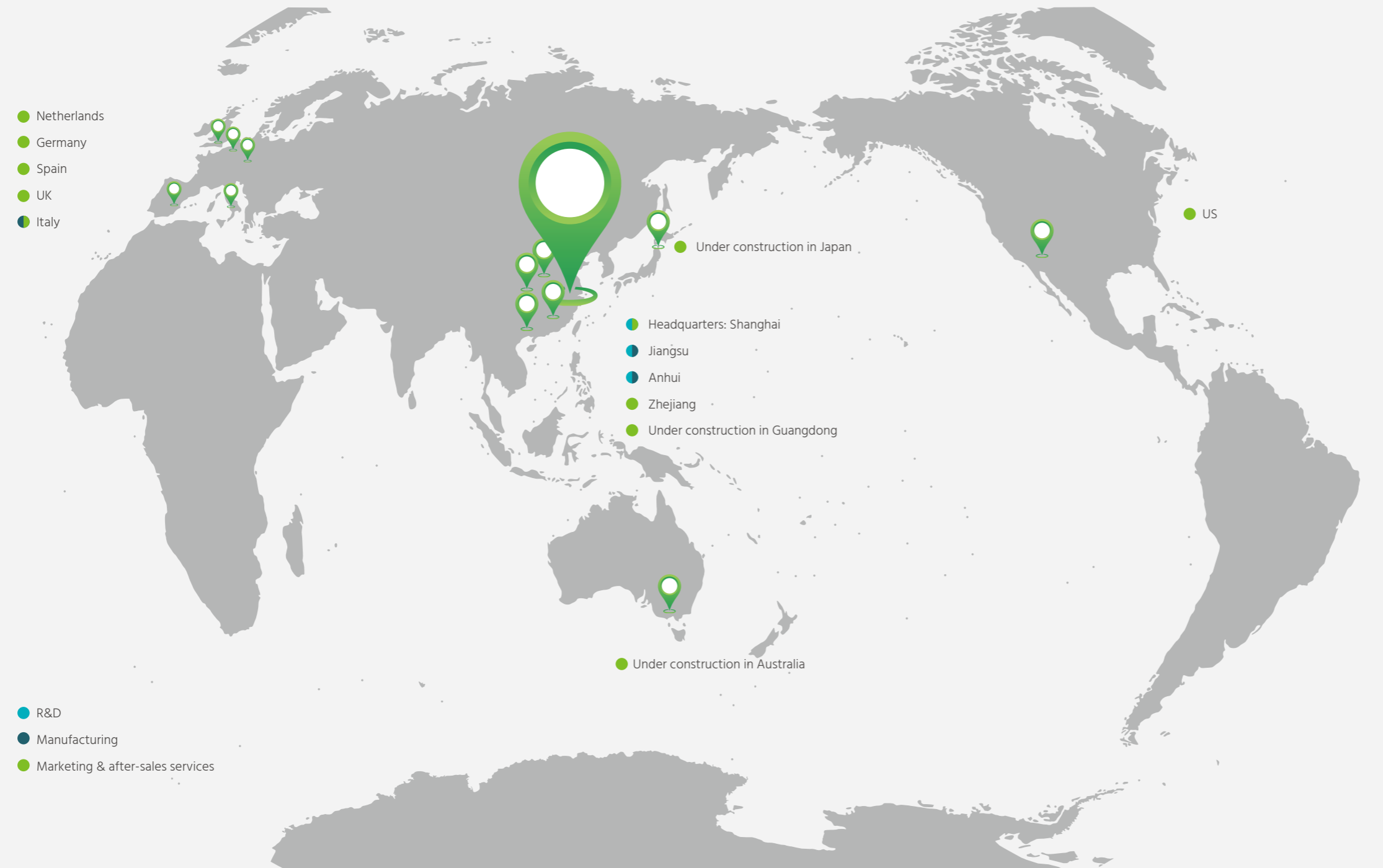
Integrity, Responsibility, Accountability, Cohesion, Devotion and Accomplishment

Milestones



Business Presence

About Pylontech's Global Presence



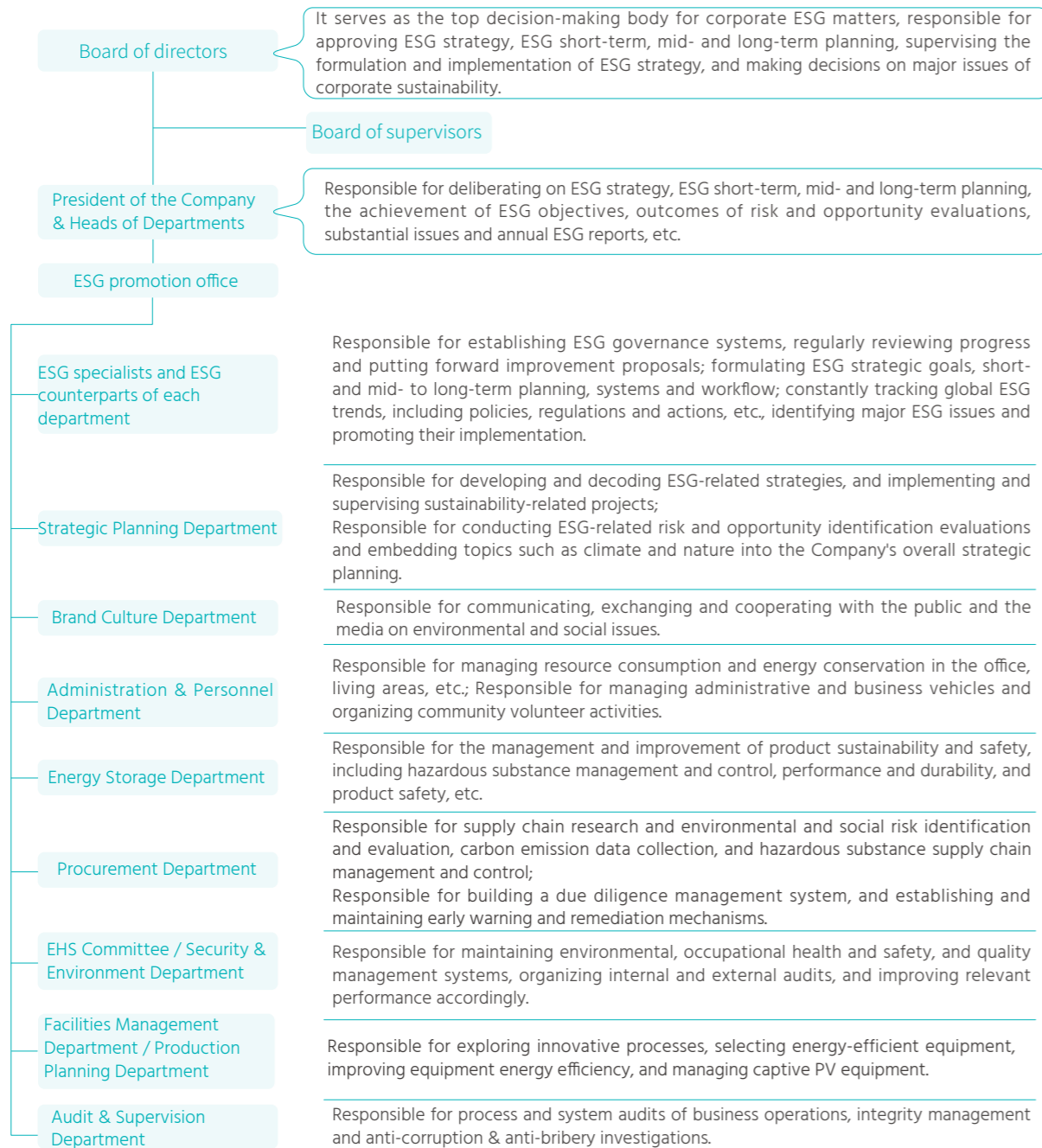
With a strong global strategic presence, Pylontech's global business has expanded to more than 80 countries and regions as of the end of the reporting period, establishing a significant market share and brand recognition in key global markets. In the future, the company will continue to promote its localized presence and enhance the sales network, service system and brand, enhancing corporate brand image and further expanding its global market.

Sustainability Management

Architecture of Sustainability Management

To constantly enhance Pylontech's ESG management capacity and performance, the Company continued to improve its ESG organizational structure and management system during the reporting period, building a governance structure composed of the board of directors, the board of supervisors, the ESG Promotion Office and key departmental counterparts for supervision, management, coordination and implementation of its ESG efforts.

Pylontech's ESG governance structure



SDGs Actions

Scope	Response to SDGs	Pylontech's action
Environmental Explore a new era of environmental protection		Pylontech actively responds to climate change by constantly monitoring its carbon emissions and product carbon footprint, performing climate change risk identification, evaluation and management, seeking opportunities for climate transformation, and progressively conducting the analysis and management of climate impact throughout the entire product life cycle.
Social Construct a new paradigm of responsibility		Pylontech remains committed to promoting the harmonious development of its employees, the Company and society, by complying with international conventions and laws and regulations, adhering to the principle of equality, treating employees with different backgrounds in a fair and equal manner, providing equal development opportunities, establishing a smooth communicating mechanism, and implementing a sound compensation and welfare policy.
Governance New empowerment of robust governance		Pylontech focuses on the development and application of lithium battery energy storage products, continues to track industry trends, adheres to the industry's cutting-edge technology reserves, increases investment in R&D and innovation, and promotes cooperation between domestic and foreign industry-university-research, so as to provide new energy storage solutions for more customers at home and abroad; Meanwhile, the Company abides by business ethics, complies with international conventions and the laws and regulations of the countries where it operates, opposes any form of corruption, bribery and unfair competition, and complies with trade controls, by maintaining a "zero-tolerance" stance towards unethical behaviors, continually enhancing supplier awareness of business ethics and management capabilities, and establishing and implementing necessary internal controls in response to highly fraudulent scenarios. Additionally, the Company practices a risk-based due diligence policy to establish a mechanism for evaluating new suppliers and audit all suppliers with relevant systems accordingly.

Communication with Stakeholders

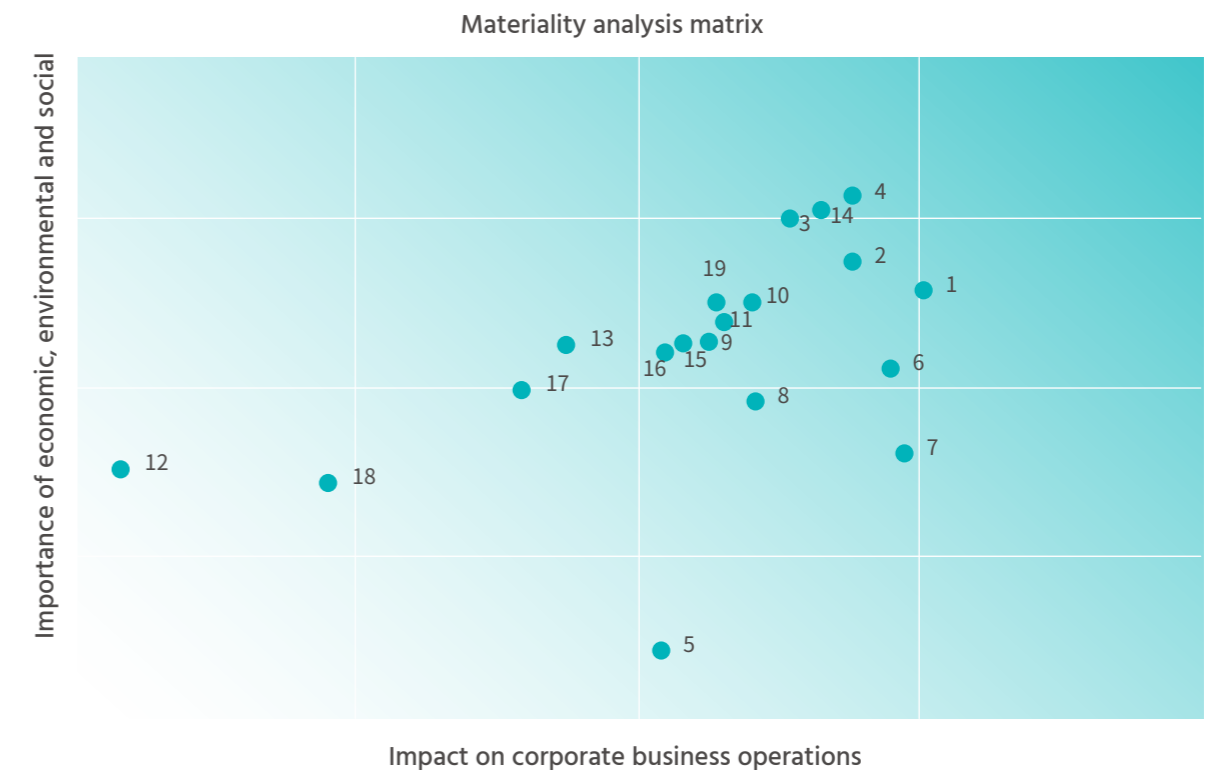
Collaboration and support of all stakeholders is a key component of Pylontech's sustainability practices. The Company attaches importance to communication with stakeholders, and establishes a multi-channel communication mechanism for various stakeholder groups, and carries out regular and irregular communication, in order to more efficiently and comprehensively receive the demands and expectations of stakeholders, respond in a timely manner and establish a win-win and mutual trust relationship.

Primary stakeholders	Expectations and demands	Primary communication methods
Shareholders and investors	Economic performance Corporate governance Business ethics & compliance Risk management R&D and innovation	Shareholders' meeting Periodic reporting & public disclosure Performance presentation Securities dealers conferences Investor interaction platform On-site research Daily communication (phone, email and meetings)
Governments and regulators (including exchanges)	Economic performance Corporate governance Business ethics & compliance Environmental management compliance Energy management Employee rights and interests protection	Announcements and circulars Disclosures Compliance training Questionnaire research
Customers	Customer privacy and information security Customer service Product quality and safety Product lifecycle & sustainability	Global service platform Customer visit Quarterly operation communication meeting Customer satisfaction survey
Suppliers, contractors and other partners	Sustainable procurement Business ethics Supply chain management	Periodic evaluation audit Supplier conference Daily communication (phone, email and meetings)
Community, public society and media	Charity and public welfare Employee rights and interests protection Environmental management compliance Biodiversity conservation Water management Hazardous waste & hazardous emissions management	Community project collaboration Charity and public welfare activities Daily communication (phone, email and meetings)
Personnel	Protection of employees' rights and interests Human capital development Occupational health and safety Diversity, equality & inclusion	Labor contract Employee Handbook Trade Unions Training Performance appraisal Complaint and feedback Employee satisfaction & employee engagement survey
Industry associations and peer companies	Economic performance Clean energy opportunities Intellectual property protection Technology innovation	Exhibitions Daily communication (phone, email and meetings)

Materiality Analysis

Topic identification: In alignment with international initiatives and standards, investment and rating agencies, outstanding corporate practices of peers and corporate development objectives, 19 highly relevant issues were identified and various stakeholder groups and members of the Company's governance body were invited to research on these issues.

Issue analysis: The questionnaires were distributed at each project location via online research, with 156 valid questionnaires collected. Based on the results of stakeholders' scoring of relevant topics, a cross-analysis of the financial impact on the Company and its environmental, social and economic impact is conducted and a materiality matrix is ultimately worked out for Pylontech.



High materiality	Medium materiality	Low materiality
<ul style="list-style-type: none"> [1] Corporate governance [2] Business ethics & compliant operation [3] Supply chain management [4] Risk management [6] R&D and innovation [14] Clean energy opportunities [19] Waste & hazardous emissions 	<ul style="list-style-type: none"> [7] Protection of employees' rights and interests [8] Human capital development [9] Occupational health and safety [10] Product quality and safety [11] Customer relationship management [13] Response to climate change [15] Product life cycle management [16] Environmental management compliance [17] Energy management 	<ul style="list-style-type: none"> [5] Information security [12] Community contribution & charity and public Welfare [18] Water resources management

04

Protecting the Environment for A Greener Future

Addressing Climate Changes / 20 •

Environmental Management Compliance / 22 •

Energy Management / 23 •

Water Management / 25 •

Waste and Hazardous Emissions Management / 25 •

Biodiversity Conservation / 27 •

Addressing Climate Changes

Pylontech fully recognizes that climate change is a pervasive and escalating issue, impacting every corner of the Earth. At the moment, it is humanity's responsibility to tackle climate change by taking action to limit the increase in global average temperature to an acceptable range. Therefore, with the mission of "Liberating Your Energy Sustainably", the Company has set up a greenhouse gas emission accounting system to cover the Company's value chain (including scopes 1, 2 and 3), the GHG data for 2022 and 2023 have been verified by the certification body, and effectively controls and manages greenhouse gas emissions by bases and modules. Meanwhile, the Company is gradually building a climate change governance structure and adopting scenario analysis and other methods to analyze and evaluate climate change risks and opportunities, formulate strategies, and implement strategic measures. In 2023, Pylontech demonstrated a greenhouse gas emission intensity of 21.3 tCO₂-eq/MWh, achieving a reduction of 38.4% in total Scope 1 and 2 greenhouse gas emissions, and a reduction of 57.6% in Scope 3.

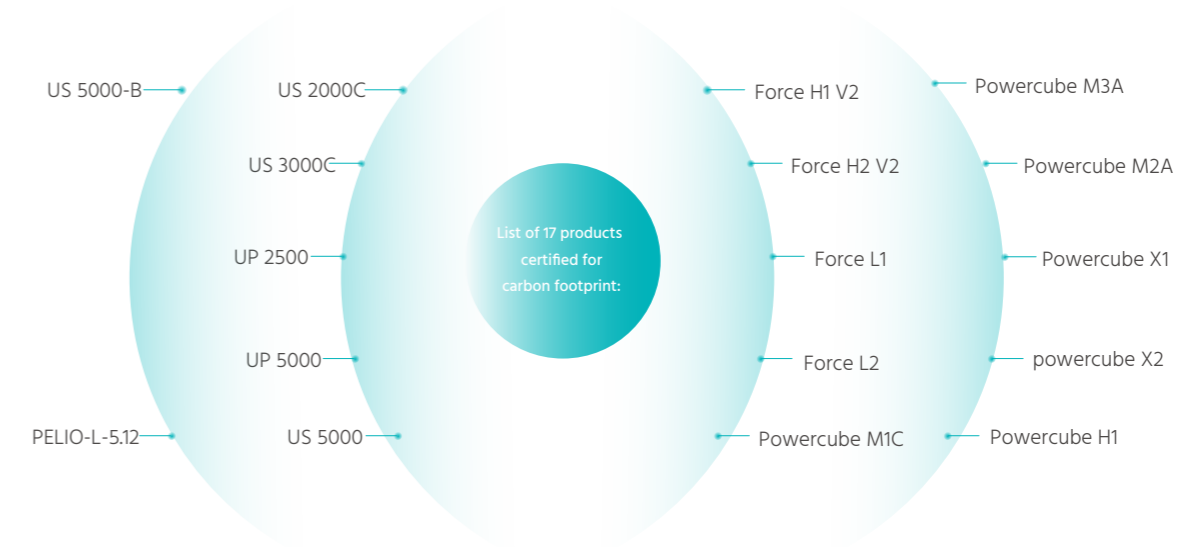
GHG inventory and performance in Pylontech

Category	2022	2023	Change
Scope 1	14625.7	11192.4	-23.5%
Scope 2 (location-based)	47932.1	27348.1	-42.9%
Scope 1 and 2 in total	62557.8	38540.6	-38.4%
2022 2023 Change			
Scope 3			
Purchased goods and services	155308.8	63472.1	-59.1%
Fuel and energy-related activities (excluded from scopes 1 and 2)	8312.3	4995.1	-39.9%
Upstream transportation & distribution	3183.7	897.6	-71.8%
Waste generated in operations	1536.43	1584.1	+3.1%
Business travel	60.3	410.3	+580.2%
Downstream transportation & distribution	1301.2	618.9	-52.4%
Scope 3 in total	169702.8	71978.1	-57.6%

The report's statistics have been adjusted and retroactively updated for 2022.

Construct a product carbon footprint management system

Based on the LCA methodology, the Company has performed "cradle-to-gate" carbon footprint accounting for 17 products, including the Force series, Powercube series and US series, in accordance with the requirements of ISO14040:2006, ISO14044:2006 and ISO14067:2018. The specific data within the boundaries of the manufacturing process has been traced back to the positive and negative electrode active materials, collector and electrolyte, with a high degree of assurance, and has been verified and acknowledged by a third-party organization.



To meet the carbon footprint requirements of the countries where each product is launched, the Company has compiled an exhaustive product life cycle inventory and is tracing its supplier partners throughout the supply chain and re-evaluating its functional units, aiming at establishing a carbon footprint management system for its product life cycle with a clear system boundaries, a high degree of quality assurance and a clear path to emission reduction.



Environmental Management Compliance

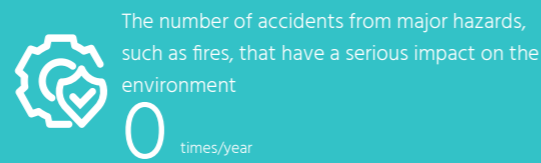
Environmental Management

Adhering to the environmental management principle of "green and sustainable development" and in accordance with the Environmental Protection Law of the People's Republic of China, ISO 14001:2015 Environmental Management System Requirements and Guidelines, other laws, regulations and relevant standards, Pylontech has prepared a series of system documents such as Pylontech Management Manual, Environmental and Occupational Health and Safety Operation Procedures based on the actual situation of each operation site, aiming at improving its environmental management system, defining the environmental management responsibilities and authority of various corporate levels, ensuring environmental management efforts on each site, and improving its environmental management and environmental performance capacity. Meanwhile, to safeguard corporate environmental compliance across the board, the Company constantly strengthens its daily control of pollutants, energy, toxic and hazardous substances and dynamic tracking of various types of pollutant emissions during the production and operation processes. During the reporting period, the Company's main operating sites obtained ISO 14001 environmental management system certification, with no major environmental pollution accidents occurring and no penalties imposed by regulatory authorities for environmental violations.



Excluding Anhui Base

Pylontech's environmental management objectives in 2023



Emergency Response Mechanism for Emergent Environmental Incidents

To improve the Company's emergency response mechanism against environmental emergencies, effectively prevent, promptly control and eliminate the hazards of sudden new environmental pollution incidents, and improve the Company's capacity to address environmental emergencies, and minimize the impact of environmental pollution and ecological damage caused by the incident. All of the Company's production bases have formulated emergency response plans for environmental emergencies that clearly define emergency procedures, management responsibilities and safeguard measures against emergencies. All production bases have established emergency command organizations and perform regular environmental emergency plan exercises as well as environmental emergency management publicity and training.



Energy Management

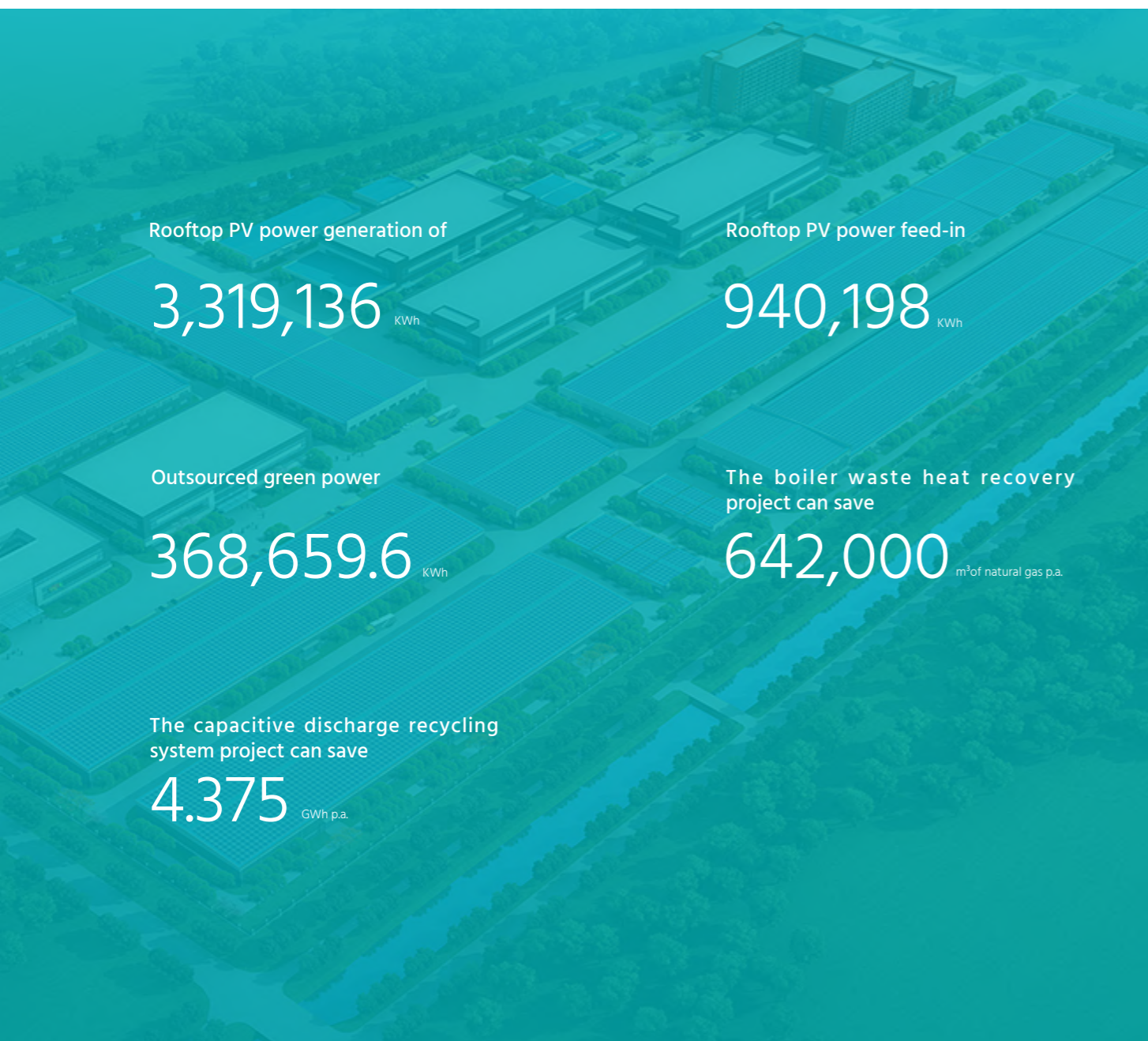
To effectively manage and control its resources and energy, based on the Energy Management System Requirements and Guidelines (GB/T 23331: 2020) and other guideline requirements, Pylontech has formulated the Energy Management Manual applicable to all manufacturing bases and the Energy Consumption and Greenhouse Gas Emissions Management Procedures applicable to the Yangzhou base, aiming at strengthening its energy management system and system construction, ensuring reasonable utilization of resources and energy and consumption reduction, enhancing its green manufacturing capacity, and satisfying its customers' demand for green products. During the reporting period, the Yangzhou production base obtained ISO 50001 energy management system certification and was equipped with an energy consumption monitoring and management system to constantly monitor energy resource utilization for effective energy resource management.



Yangzhou base's energy monitoring and management system interface

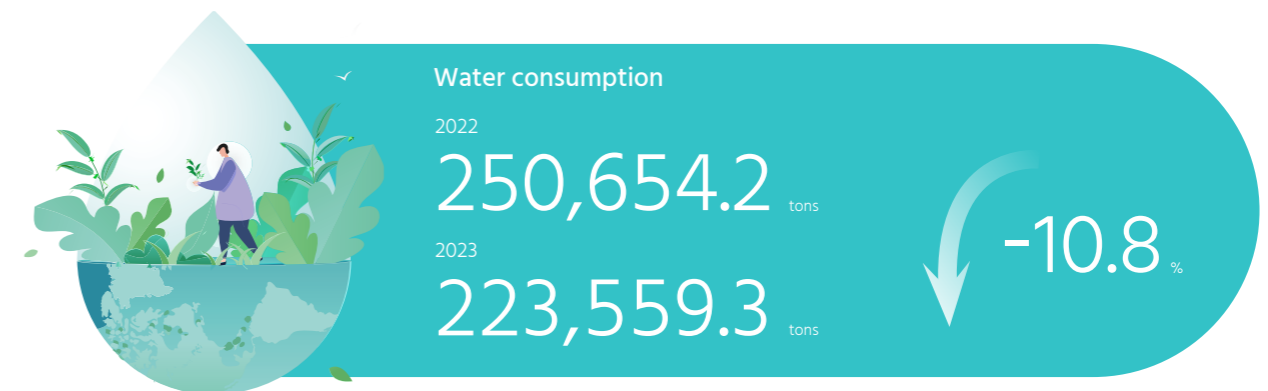
Under the guidance of the energy management system and institutional documents, the Company actively explores green energy consumption and energy conservation & consumption reduction patterns. During the reporting period, the Company constructed a PV generation system on the idle roof of its Yangzhou base and adopted the operation mode of "self-generation for self-consumption, with residual power feed-in", in conjunction with outsourced green power, to minimize greenhouse gas emissions during production and operations.

Meanwhile, to reduce its energy and resource consumption indicators, the Company has rolled out a series of energy-conserving and consumption-reduction projects such as the boiler waste heat recovery project and the split-capacity discharge recovery system project. As of the end of the reporting period, Pylontech's unit revenue energy consumption stood at 0.032 tons of standard coal per 10,000 yuan.



Water Management

To implement the green operation concept, Pylontech constantly enhances its water resource management by ensuring regular maintenance and repair of water supply pipes to prevent water wastage and providing water conservation awareness education for employees to save water and reduce water consumption. During the reporting period, the Company sourced water from municipal water supplies and did not extract water from water-stressed areas, ensuring zero negative impact on the local community where it operates.



Waste and Hazardous Emissions Management

Pylontech has formulated documents such as Waste Management Procedures and Wastewater, Exhaust Gas, and Boundary Noise Management Procedures, based on the actual production and operation situation of each production base and in strict compliance with the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes, as well as laws and regulations of the location where the Company operates. To improve the waste and hazardous emissions management system and ensure full management of wastewater, waste gas and solid waste generated during production and operations.

Wastewater Management

At Yangzhou Base, the domestic wastewater after treatment at the septic tank, the equipment cleaning water and the workshop floor cleaning water after pre-treatment at the plant sewage treatment station merge with the tailwater of soft water preparation, the regular drainage of boilers, the drainage from the indirect circulating cooling water system. They are then transferred to the Shikang Wastewater Treatment Plant for treatment after meeting the indirect discharge standard and take-over standard set out in the "Emission Standard of Pollutants for Battery Industry" (GB30484-2013). In addition, the Yangzhou base also formulates "Management and Control Measures for Storm Water" to prevent pollutants from being flushed into the stormwater pipe network, resulting in the spillage of untreated wastewater; the Kunshan base and Shanghai Headquarters have no production wastewater but domestic sewage, which is discharged to the sewage treatment plant where it will be then discharged after being treated to meet standards.

Exhaust Gas Management

The Company treats its hazardous waste gases generated in the course of its production and operation in strict accordance with the Emission Standard of Pollutants for Battery Industry (GB30483-2013), Emission Standard of Odor Pollutants (GB415554-93), Emission Standard of Air Pollutants for Boiler (GB13271-2014) and other relevant standards and discharges them after they meet the standards.

During the reporting period, at the Yangzhou Base, the non-methane hydrocarbon and other exhaust gases generated from coating process, after being collected, are treated by a level-2 activated carbon adsorption device and then discharged through a high exhaust funnel after meeting standards; the non-methane hydrocarbon and other exhaust gases generated from spreading process, after being collected, are treated by an NMP recycling system and a level-3 water absorption system and then discharged through a high exhaust funnel after meeting standards; the non-methane hydrocarbon and other exhaust gases generated from the injection process, after being collected, are treated by a dehumidification process and a level-2 activated carbon adsorption device and then discharged through a high exhaust funnel after meeting standards. In addition, the Equipment Department of Yangzhou Base carries out daily spot checks on the exhaust gas treatment facilities to ensure their normal operations to avoid the discharge of waste gases without meeting the standards due to equipment failure. All exhaust gas generation and treatment facilities are equipped with power monitoring devices in accordance with the regulatory requirements, and the Safety and Environment Department of Yangzhou Base checks the power monitoring network on a daily basis to further ensure that the waste gas treatment facilities are operated in synchronization with the waste gas generation equipment. At Kunshan Base, exhaust gases mainly stem from the non-methane hydrocarbon generated from the wiping section. These exhaust gases enter the activated carbon box through collector pipes for adsorption and purification, which are then discharged after meeting standards, with a small amount of welding fume being discharged after treatment at the dust collectors.



Exhaust gas treatment facility at the Yangzhou base



Exhaust gas facilities point inspection records at the equipment department of the Yangzhou base

Solid Waste Management

In strict compliance with the Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001) and the Management Measures for Hazardous Waste Transfer Lists, the Company collects and transfers hazardous solid wastes (hazardous wastes) generated in the course of production and operation, ensuring that the wastes generated thereby will not harm the environment. In terms of hazardous waste storage, the Company has set up facilities such as hazardous waste labeling, anticorrosive and impermeable floors, infiltration trenches, emergency supplies, and management system bulletin boards in the hazardous waste warehouse. In terms of hazardous waste transportation and disposal, all hazardous wastes generated by the Company (WAC, hazardous waste generated in the process etc.) are handed over to qualified agencies for transportation and disposal. During the reporting period, no hazardous waste leakage incidents were reported.

Non-hazardous solid wastes (general wastes), domestic wastes, and recyclable general wastes (such as paper, plastics, metals, foaming materials and wood), are collected and sorted by internal organizations, manufacturers, service providers and scrap stations to facilitate resource recycling and proper disposal. General waste and garbage with no scrap value are handed over to municipal sanitation agencies for disposal.

Indicator	2022	2023	Change
Amount of hazardous solid waste	99.97 tons	166.83 tons	+66.88%
Disposal amount of hazardous solid waste	99.97 tons	166.12 tons	+66.17%
Amount of non-hazardous solid waste	9493.82 tons	4616.53 tons	-51.37%
Recycled amount of non-hazardous solid waste	8064.12 tons	3318.90 tons	-58.84%
Disposal amount of non-hazardous solid waste	1429.70 tons	1297.62 tons	-9.24%

The report's statistics have been adjusted and retroactively updated for 2022.

Biodiversity Conservation

Pylontech attaches great importance to biodiversity conservation and has always been committed to maximizing the protection of biodiversity and species habitats. The Company performed a biodiversity impact evaluation for each of its operating sites. According to the evaluation results, none of the Company's operating sites is located in or adjacent to a biodiversity conservation area. There are no IUCN or RCB endangered animals, nor animals protected by the Wildlife Protection Law of the People's Republic of China within a radius of 3 KM near the production base or within a radius of 1 KM near the office premises or R&D center. Furthermore, the production and operation activities have been found to have no adverse impacts on the biodiversity in the vicinity of the operation sites.



05

People-oriented Mindset for A Bright Future

Protection of Employees' rights and Interests / 30

Human Capital Development / 32

Occupational Health and Safety / 33

Community Contribution & Charity and Public Welfare / 36

Protection of Employees' Rights and Interests

Human Rights and Anti-modern Slavery

Pylontech has always adhered to the "people-oriented" guiding principle in accordance with the Universal Declaration of Human Rights, the Labor Law of the People's Republic of China and other international conventions, laws and regulations, and constantly improving the HR management system and related systems to protect employees' rights and interests. The Company explicitly states in the Pylontech Employee Handbook that it does not employ child labor, ensures timely payment of labor remuneration, arranges reasonable working hours, and promises to resist all forms of involuntary labor. In addition, the Company has signed a social responsibility commitment with all suppliers that requires them to protect their employees' human rights, promoting the management of human rights and anti-modern slavery in joint efforts.

Fair Employment & Equal Workplace

The Company advocates fair employment and opposes employment discrimination in strict accordance with the Labor Law of the People's Republic of China and the laws and regulations of operation locations across the globe. Pylontech Employee Handbook explicitly mentions that the Company adopts the principle of open recruitment and meritocracy to ensure equal employment and provide equal promotion opportunities for employees of different nationalities, races, genders, ages, religious beliefs, cultures, physical conditions and marital statuses.

During the reporting period, the number of female employees was 694 with a proportion of 36.7%. The Company has developed and improved the Protection System for Female Employees to better address special difficulties and problems during production and work, prevent all forms of discrimination, and care for female employees in their daily work and personal lives.



Employee Communication & Satisfaction Survey

The Company maintains an open communication attitude by constructing open and official communication platforms and channels for employees to offer feedback and suggestions and seek solutions to problems encountered. Meanwhile, during the reporting period, the Company added an employee satisfaction survey and communication program on a biennial basis, aiming at collecting the voices of employees and optimizing the management mechanism based on survey results, so as to enhance their sense of well-being.

Employee Care & Compensation and Benefits

The Company firmly believes that a happy and harmonious workplace is a key driving force for sustainable development. During the reporting period, the Company fulfilled its contractual obligations by providing statutory holidays and paying social insurance and provident funds for its employees in accordance with the laws and regulations. In addition, the Company provides its employees with free meals, accommodation and other benefits, and arranges accident insurance and overseas insurance for employees traveling both domestically and internationally, aiming at safeguarding their rights and interests while enhancing their overall well-being.

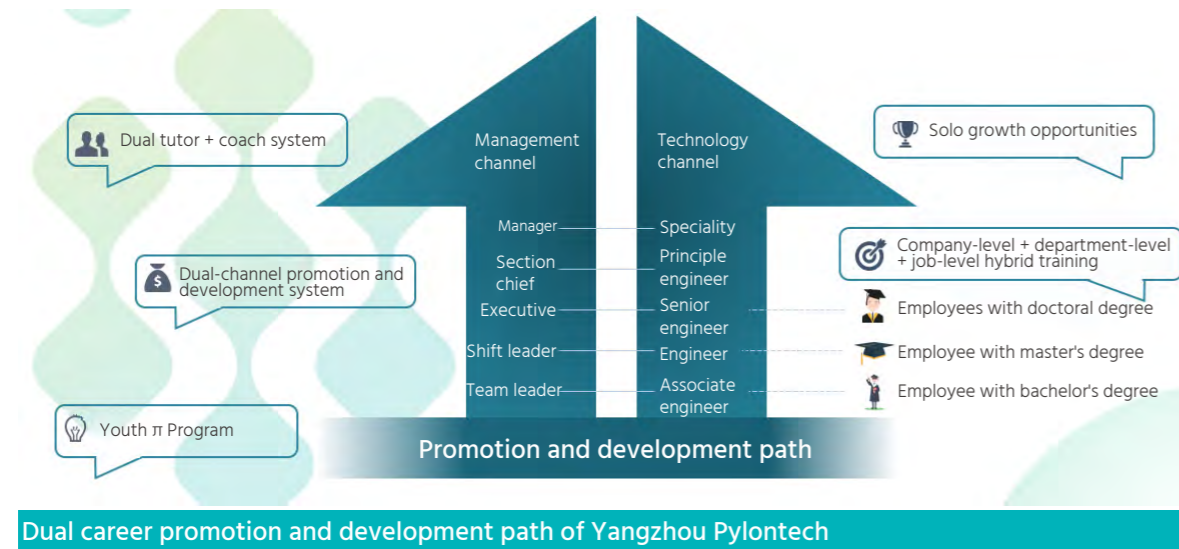
By advocating the compensation management philosophy centered on talents, performance and cost efficiency, the Company is committed to providing its employees with a well-defined and fully competitive comprehensive compensation and benefit system while formulating long-term incentive plans such as equity incentives for outstanding talents.



Human Capital Development

Employee Training and Development

Pylontech has formulated a well-defined training management and talent development management system to standardize and promote its training and talent development efforts for better performance. For training, according to Pylontech Training Management Regulations, the Personnel Administration Department is responsible for the development of an annual training plan, internal training (including new employee training, general force training, leadership development training and professional skills training) and external training (according to the demand of relevant positions). For talent development, the Company formulates career development plans with its employees, helping achieve their personal development goals. In addition, Yangzhou Pylontech created dual career promotion and development channels during the reporting period, namely the management channel and technology channel, in accordance with the development needs of its employees to ensure their career success.



Dual career promotion and development path of Yangzhou Pylontech

Employee promotion & performance appraisal

The Company adopts the concept of strong performance and incentives, evaluating employee performance in a fair and equal manner, acknowledging employee value, and motivating employee morale. The Company also focuses on positive incentives to ensure employee performance is rewarded with equivalent salary and promotion, and provides excellent employees with unlimited career development opportunities.

The proportion of appraised employees
59.48 %

Occupational Health and Safety

Occupational Health and Safety Management System

Adhering to the occupational health and safety management policy of "people-oriented, safety first" and in accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and other relevant laws and standards, Pylontech has formulated the occupational health and safety management system for each base according to the actual production and operation thereof and appointed safety and environmental protection working group of each base, aiming at ensuring production safety and fire safety responsibilities, strengthening industrial hygiene efforts, mitigating occupational hazards, and safeguarding employees' health. Meanwhile, the Company has actively organized occupational health and safety training to instill safety knowledge and enhance skills in this regard. During the reporting period, the Company's main operating sites were certified by the ISO 45001 Occupational Health and Safety Management System.



Excluding Anhui Base

Priority Processes & Measures

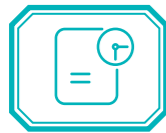


Occupational disease hazard monitoring

Monitoring occupational disease hazards in the workplace to meet the requirements of occupational health and hygiene.

Occupational health examination

Arranging annual physical check-ups for employees and maintaining their health records. For workers in hazardous positions, an Occupational Health File has been established to monitor their occupational health.



Occupational health and safety supervision

Properly arranging employees working in hazardous workplaces and avoiding arranging employees with occupational contraindications to work in the corresponding hazardous workplaces. Strictly enforcing special protection provisions for female workers.

Emergency supplies & PPE

Workplaces where acute occupational injuries (e.g. toxic and hazardous chemical jobs) may happen are equipped with on-site first-aid supplies, flushing equipment, etc. Occupational disease protection equipment and occupational disease protection supplies for personal use are regularly maintained, repaired, and tested for normal operation and effectiveness. Meanwhile, employees are instructed and supervised to ensure proper use of labor protection supplies.



Occupational health and safety education and training

New employees shall attend occupational health education arranged by the Company before reporting duty, and can only start work after passing the examination. The Company provides regular occupational sanitation training every year, instills occupational health knowledge, urges its employees to comply with the Law on Prevention and Control of Occupational Disease and relevant operating procedures, and provides employees with guidelines to ensure correct use of occupational disease protection equipment and supplies. For workplaces where occupational disease injuries are likely to occur, the Company formulates an emergency response plan and arranges regular drills.



Occupational health and safety for contractors

When the relevant party personnel work in the Company's factory, the Procurement Department should communicate with the relevant parties about occupational health in advance, and the Reception Department will conduct on-site supervision to ensure that they comply with relevant occupational health protection requirements.



Fire emergency drill



Themed safety training sessions

Emergency management

To prevent and control potential accidents or emergencies, improve the ability of emergency response, and mitigate the adverse effects of emergencies to the greatest extent possible, the Yangzhou production base has formulated the Emergency Preparation and Response Management Procedures, Incident Investigation and Handling Management Procedures, while Kunshan production base has formulated the Accident/Incident Reporting, Investigation and Handling Control Procedures and other procedural documents, aiming at improving emergency preparedness and management system, and enhancing emergency management capacity.

Community Contribution & Charity and Public Welfare

Pylontech has always taken "dedication to charity as a corporate citizen" as its mindset by actively participating in charitable causes for social harmony and progress. During the reporting period, the Company constantly engaged in social welfare by supporting disadvantaged groups and responding to the needs of society, which demonstrated its commitment as a role model.

Case: Earthquake strikes without mercy, but humanity shows love by offering care to the affected.

On December 18, 2023, an earthquake hit Jiesshishan County, Linxia Prefecture, Gansu Province, resulting in substantial loss of life and property damage. Embracing the ethos of "One party in trouble, eight parties support," Pylontech's HQ in Shanghai donated 200,000 RMB to the Red Cross Society of Shanghai Pudong New Area. These funds were earmarked for targeted disaster relief efforts, aimed at providing warmth and care to those affected.



Case: Proactively responding to the needs of society by making donations to support poor families.

From May 18th to 19th, 2023, the Yangzhou base proactively responded to the needs of society by donating RMB 100,000 to the Yizheng Red Cross for targeted support to poor families in the Yizheng area. Those donations served as light and hope to the poor families, demonstrating the Company's deep concern for disadvantaged groups and its firm determination to assume social responsibility at its best.



Case: Addressing social needs by organizing blood donation activity

On December 28, 2023, in active response to the call for social welfare, the Yangzhou base organized a blood donation activity. Employees actively participated in the activity and reached out with their practical actions, demonstrating corporate compassion and a sense of social responsibility. This activity not only provides valuable blood to those in need, but further enhances the Company's social image and influence.

Looking ahead, the Company will remain committed to assuming more social responsibility, making greater contributions to building a harmonious society.



06

Robust Corporate Governance for A Solid Responsibility Basis

Corporate Governance / 40

Business Ethics & Compliance Management / 41

Risk Management / 43

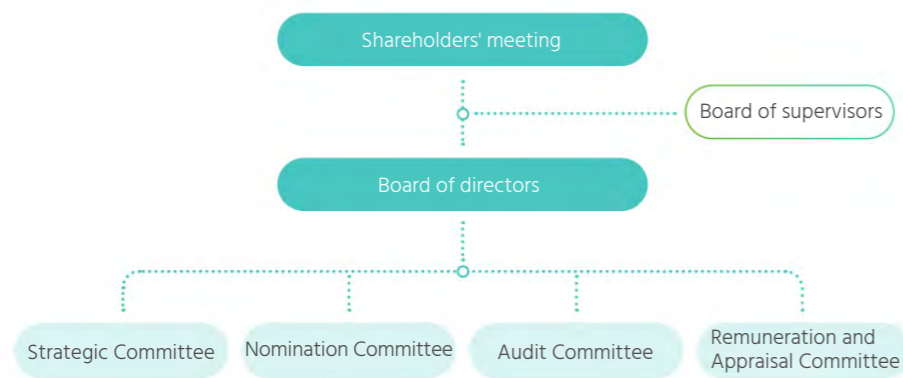
Supply Chain Management / 46

Information Security / 47



Corporate Governance

In strict accordance with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other laws and regulations, Pylontech constantly improves its internal corporate governance structure, establishes and improves the internal control system, clarifies the responsibilities and authorities of the shareholders' meeting, the board of directors, the board of supervisors and the senior management team, and sticks to the principle of independent segregation of the decision-making, implementation and supervision procedures, ensuring an effective balance mechanism to safeguard the legitimate rights and interests of investors of the Company.



Pylontech's governance structure

Pylontech fully understands the importance of an independent and diversified board in corporate decision-making mechanisms. An independent board ensures the impartiality and objectivity of corporate decision-making results, while a diverse board brings a wealth of experience and unique perspectives across the board. The board of directors is composed of 8 members with academic backgrounds and practical experience in various fields such as lithium batteries, energy storage systems, law, accounting and financial management, of which 37.5% are independent directors.

Meeting name	Number of meetings (frequency)	Consideration of resolutions (pieces)
Shareholders' meeting	3	12
Board of directors	9	40
Board of supervisors	7	22
Specialized Committee	10	19
of which Audit Committee	6	14
Strategic Committee	3	4
Compensation and Assessment Committee	1	1

Investor Relations

Pylontech attaches great importance to the protection of investors' rights and interests by formulating the Investor Relationship Management System and the Information Disclosure Matters Management System in this regard to protect investors' right to be informed, the right to benefit from assets, the right to participate in major decision-making and the choice of managers, etc. Pylontech has also strictly fulfilled its disclosure obligations in accordance with the requirements of the Shanghai Stock Exchange, ensuring the timeliness, completeness, accuracy and fairness of information disclosure.

In 2023, Pylontech released periodic reports

4

Internal reports

62

In addition to disclosure through periodic reports, the Company also actively utilizes SSE e-interaction, phone calls with investors, performance briefing sessions and other communicating methods for direct communication with investors, providing investors with diversified channels for a more intuitive and full understanding of the Company's basic situation, development direction and core strengths.

In 2023, Pylontech organized a total of 3 performance briefing sessions.

Business Ethics & Compliance Management

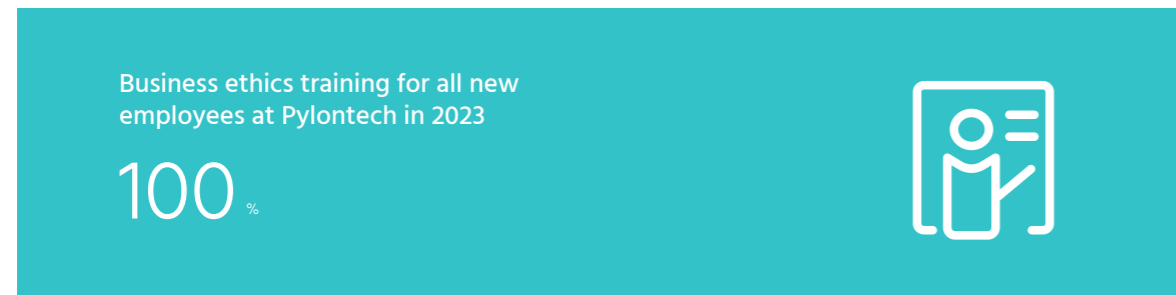
Compliance Operation

During the reporting period, Pylontech established a comprehensive management system internally centered on compliance guidelines such as laws and regulations, data security and intellectual property protection, constantly improving corporate compliance capacity. Pylontech also strengthened the construction of the legal system and laws externally on a constant basis to ensure that all major investments and projects are fully supported by the Legal Department throughout the process. In addition, to further strengthen compliant operations and promote healthy development, the Company conducts internal reviews on a regular basis and invites customer/certification body audits to strengthen internal controls and ensure transparent operations.

Business Ethics

Since its foundation, Pylontech has established its core values of "honesty, trustworthiness and commitment", which have been fully implemented throughout the Company. The Company maintains a "zero tolerance" policy by firmly opposing any form of corruption, bribery or unfair competition. Meanwhile, the Company is committed to building a sound internal management system and monitoring and reporting mechanism, constantly optimizing the compliance management system, regularly organizing compliance education activities for all employees, strengthening the culture of integrity, and striving to create an honest and transparent business environment.

The Company has formulated an Employee Handbook in accordance with the Foreign Corrupt Practices Act (FCPA) and other laws and regulations at home and abroad to clarify the code of conduct for employees and enhance their awareness of integrity practices, avoiding engagement in corrupt practices such as offering and accepting bribes and abuse of authority in the course of management. Meanwhile, the Company has formulated the Anti-Corruption and Anti-Bribery Control Procedures to clearly regulate the behavior of employees with contractors, suppliers, customers and third-party partners, and covering key areas such as corruption, conflict of interest, gifts and donations, as well as the use and protection of the Company's assets, aiming at preventing abuse of authority and corruption and further promoting integrity and transparency across the Company. In addition, the Company requires newly recruited employees to sign an Onboarding Statement, declaring that there are no disputes related to intellectual property rights prior to joining the Company and that they do not infringe the intellectual property rights of any related party during their employment.



Execution of agreement	
Employees	Employee Handbook Onboarding Statement Anti-bribery/Anti-corruption Agreement
Corporate executives and above, or those engaged in external business dealings	Employee Integrity Agreement
Suppliers	Integrity Commitment Letter

Reporting Channels & Whistleblower Protection

Pylontech has established a comprehensive reporting mechanism to safeguard corporate interests and promote fair reporting. The Employee Handbook specifies transparent and efficient whistleblower investigation steps and communicating mechanisms, as well as clear incentives and penalties, encouraging employees, customers and partners to report any misconduct with their real identity. The Company is committed to keeping the identity and information of the whistleblower strictly confidential and ensuring the fairness of the reporting process.



Compliance reporting hotline

021-31599520
021-31599521



Compliance reporting email

fanwubi@pylontech.com.cn

In 2023, no lawsuits or cases involving corruption or violation of business ethics occurred in Pylontech.

Risk Management

Risk Management and Control

Pylontech constantly monitors changes in its operations and the industry, accurately identifies key risks, and refines its prevention and control responsibilities at all levels. By strengthening the risk responsibility of the management team, and clarifying the responsibilities of the Business Units, Audit Department and Legal Department, Pylontech has built a risk control system in full coverage for efficient operation, significantly enhancing its risk prevention and control capacity.

Prevention and control responsibilities of main bodies at all levels

Business Units

Identifying and reporting on potential market risks, competitive risks, and operational risks, and assisting in developing risk mitigation strategies accordingly

Audited Department

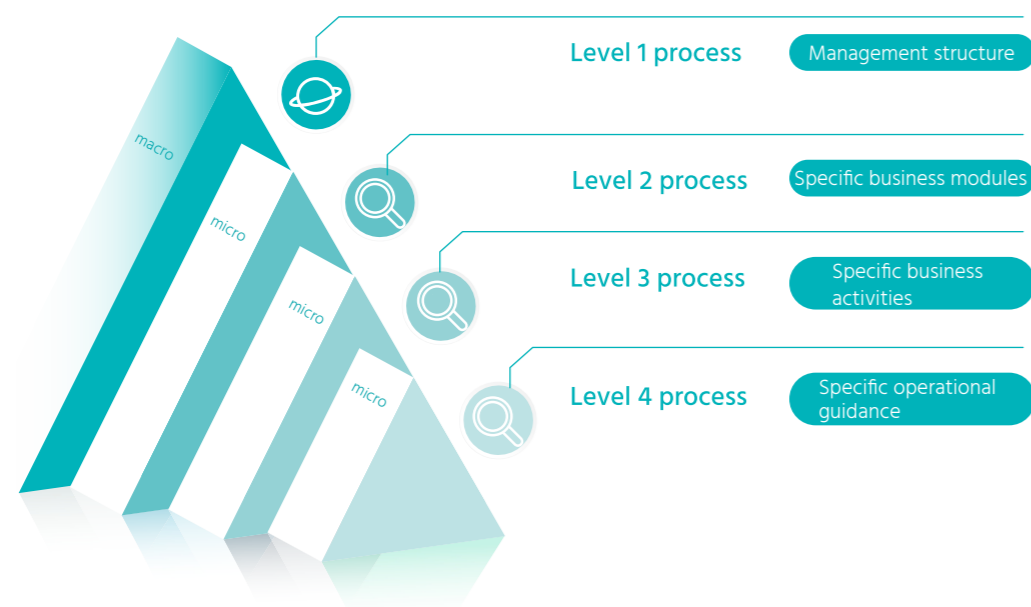
Auditing financial and business operations, evaluating the effectiveness of internal controls, revealing risks in financial reporting and operations, and providing recommendations for improvement to enhance risk awareness and management capabilities throughout the organization.

Legal Department

Identifying risks associated with legal compliance, providing legal counseling to the Company to avoid contractual, regulatory, and litigation risks, and ensuring corporate operations comply with laws and regulations.

Internal Control

In compliance with the Company Law and other laws and regulations, the Company has formulated 18 governance systems, including the Articles of Association and the Contract Management System of Pylontech, to clarify the responsibilities and workflow of each governance body, ensuring that the decision-making process is in accordance with legal and regulatory requirements. In addition, a full internal management and control system has been formulated, ensuring the management process covers both micro and macro aspects. The system serves key functions such as financial budget, material procurement, sales, foreign investment and personnel management, and coordinates the smooth operation of the whole cycle of the production process, effectively mitigating potential operational risks and promoting the standardization of corporate management and operation efficiency.



Internal Audit

Pylontech constantly optimizes its internal audit process, formulates an Internal Audit Management System and Internal Audit Workbook, strictly follows the supervision and guidance of the Audit Committee, and takes standardizing operations and enhancing corporate risk-resistant capacity as its core goals, regularly identifies internal risk factors, builds a risk control matrix, and constantly expands the scope of internal audit. At present, the Company has established a risk matrix covering 16 key areas, such as organizational structure, corporate culture, social responsibility, human resources and contract management, clearly defining the duties of each responsible department to guarantee the effective control and management of all kinds of risks across the board.



In 2023, no operational violations or other liabilities were reported in Pylontech.

During the reporting period, the Company performed a total of 16 internal audits, identifying 105 issues in business operations that did not comply with the established system and process specifications, and managed to urge the business units to complete 105 effective rectification measures, with a rectification completion rate of 100%. To avoid the recurrence of the same issues, the Company promotes the revision of systematic business management and ensures that improvement measures are standardized and implemented.

During 2023, no significant administrative penalties were imposed, nor major defective accidents in internal control occurred in Pylontech that should be disclosed.

External Audit

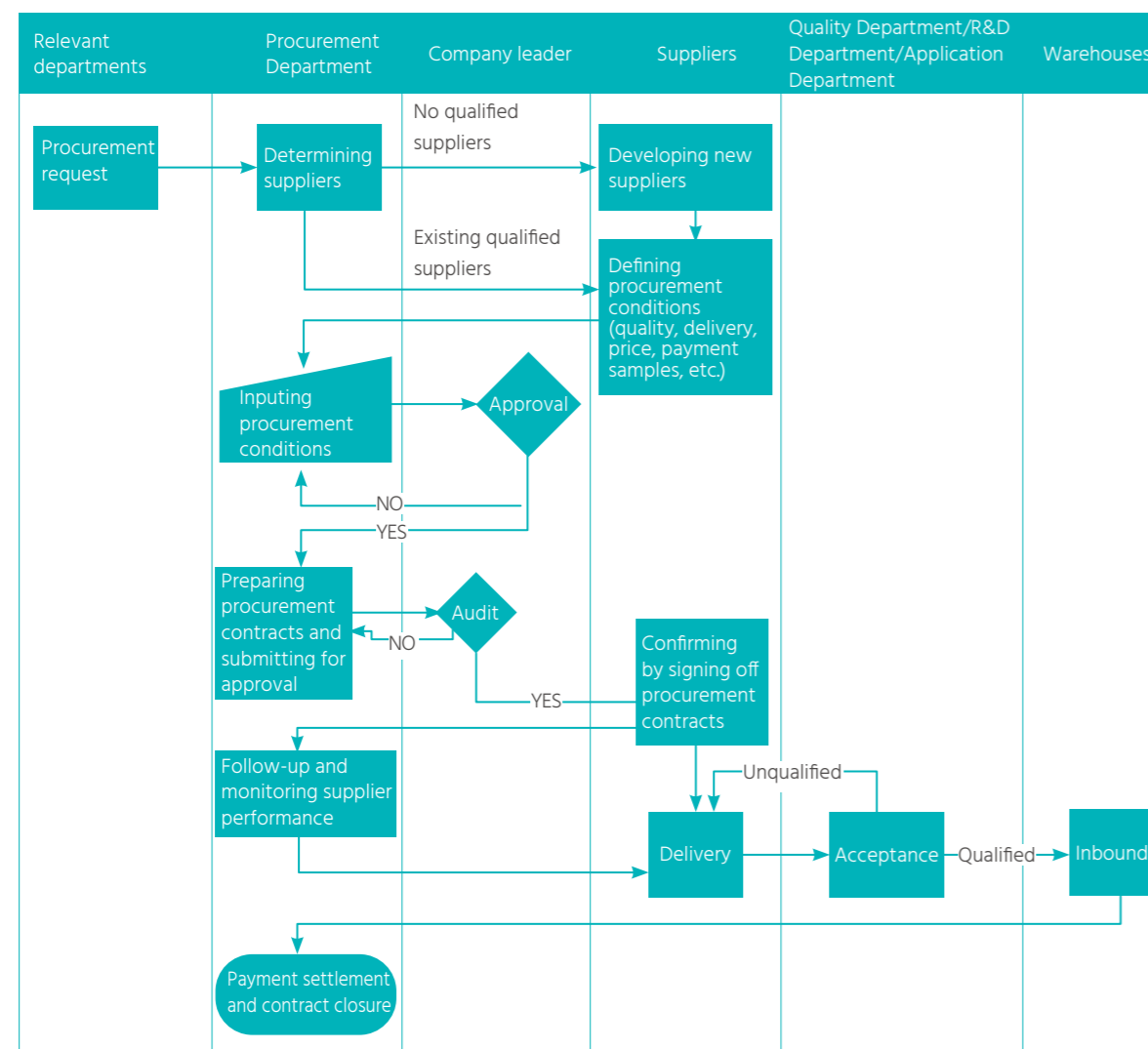
During the reporting period, the Company invited a third-party organization to perform on-site audits (SMETA-4P) of the Yangzhou and Kunshan bases, which evaluated the risks of the two bases in labor, health and safety, the environment, business ethics and the supply chain. Corrective measures were taken against the risks identified thereafter with continuous monitoring of the corrective measures to mitigate and prevent adverse impacts thereof.

Supply Chain Management

By strictly following the supplier development process, Pylontech has formulated the Supplier Questionnaire, Supplier Preliminary Evaluation Form, Supplier On-site Audit Form, and Supplier Development Capability Evaluation Form to perform a full review of key areas such as technology strength, collaborating performance, and quality management of the suppliers through a joint evaluation across multiple departments.

To meet the international standards and specific requirements of the supply chain, Pylontech performs on-site audits of the Supplier QESH System based on the standards of ISO9001, ISO14001, SA8000, ISO45001, etc., and proposes corresponding corrective and preventive measures against the identified problems for continued improvement and conformity.

Procurement workflow chart



Supplier management statistics for 2023

Number of newly introduced suppliers	Number of eliminated suppliers	Total number of suppliers	Supplier evaluation (frequency)
30	5	195	4

Supplier Sunshine Program

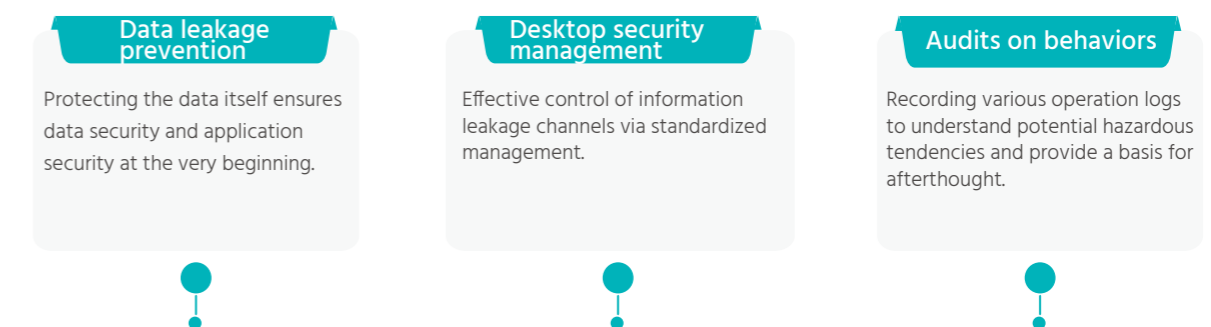
Pylontech adheres to the philosophy of sustainable procurement, and actively rolls out the Supplier Welfare Program. Pylontech requires all core suppliers to sign the Integrity Commitment Letter, EHS Agreement, Corporate Social Responsibility Commitment Letter, and Guarantee Letter of Non-Use of Conflict Minerals, in order to fully ensure the suppliers follow high standards of environmental protection as well as employees' rights and social responsibility in the production and service process. Meanwhile, the Company clearly stipulates that conflict metals produced from conflict mineral regions such as the Congo and its neighboring countries and regions shall not be used, to constantly improve supply chain risk management capabilities.

Meanwhile, in order to ensure supervision and enforcement, the Procurement Department performs on-site supplier reviews at least once a year, evaluating key areas such as labor and human rights, environmental protection, occupational health and safety, and business ethics. Based on the results of on-site audits, the Company evaluates the supplier's performance and requires them to develop and submit a corrective action plan in writing within 7 working days. The Company will immediately terminate cooperating contracts with suppliers who have committed serious violations or breaches of the law to mitigate supply chain risks.

Information Security

To safeguard data asset security and fully protect commercial secrets and customer privacy, Pylontech has developed the Employee Handbook and Confidentiality Management System in strict accordance with the Personal Information Protection Law of the People's Republic of China, Data Security Law and other domestic and international laws and regulations, clarifying employees' code of conduct in terms of information security while implementing a series of stringent security measures to protect data security of the Company and its customers.

In its daily management, the Company has implemented a multi-level data encryption and access control mechanism by analyzing the business status quo, and utilized key encryption systems, cloud disk software and other technologies to ensure sensitive information is adequately protected in storage and transfer.



For network maintenance, Pylontech has taken multiple effective measures. First, the Company meticulously identifies internal operation specifications and constantly controls operational vulnerabilities to ensure a stable and secure network layout. In addition, the Company appoints three dedicated network operation and maintenance personnel to perform full inspections every six months for identification and resolution of security risks in a timely manner. Meanwhile, the Company has adopted a variety of innovative threat detection technologies to quickly monitor and block threats, significantly enhancing safety testing and prevention and control capabilities of the network boundary. With these measures in place, the Company can effectively protect the organizational network from intrusion, safeguarding its business security and availability.

During the reporting period, the Company provided regular information security training for its employees to improve their security awareness and ability to deal with potential threats. All new employees have attended information security training without exception.

07

Leading Energy Transformation with Innovative Products

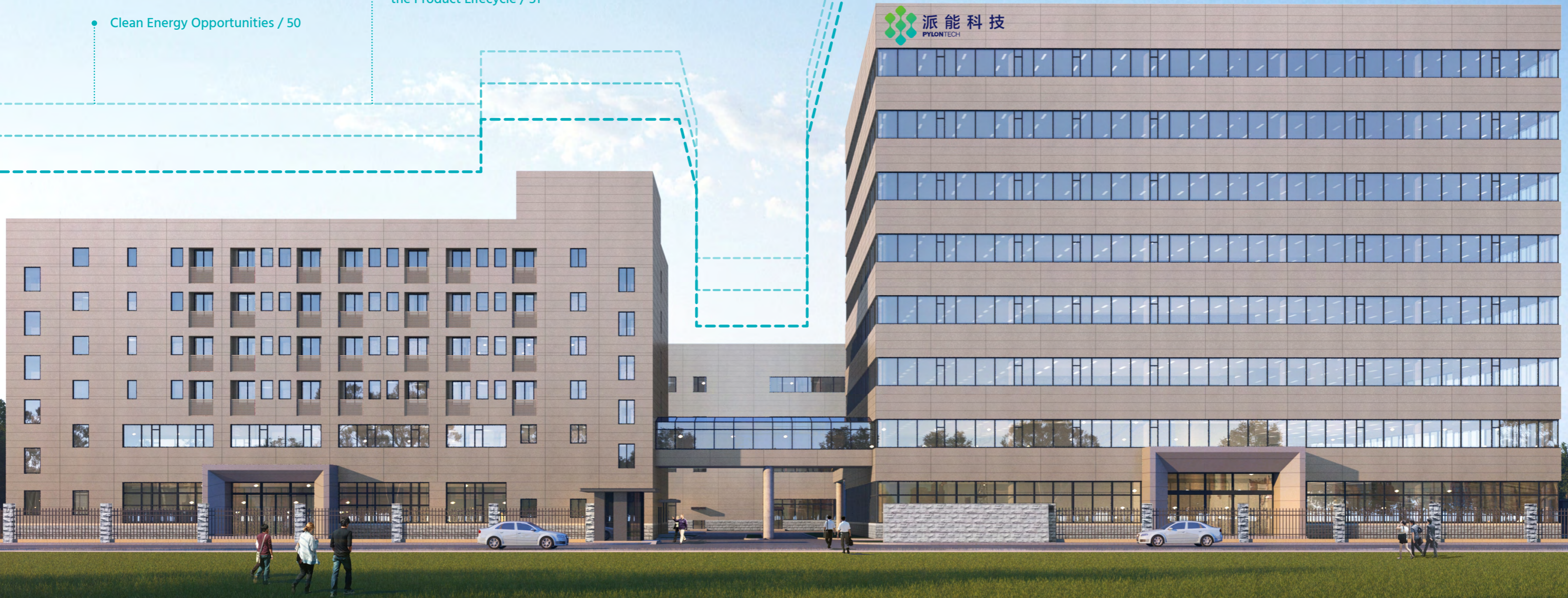
Clean Energy Opportunities / 50

Sustainability Management Throughout the Product Lifecycle / 51

R&D and Innovation / 53

Quality and Safety / 58

Customer Relationship Management / 60



● Clean Energy Opportunities

With the rapid advancement of global energy transformation, energy storage technology has served as a key solution for balancing energy supply and demand and improving the stability and flexibility of power systems. Meanwhile, a full electrification era has rolled out, raising the bar for the comprehensive performance of battery products. Under such circumstances, Pylontech maximizes the opportunities presented by the current era and market conditions, providing innovative clean energy storage solutions for the value chain and the whole society, and creating a green energy world with its global customers and partners.

During the reporting period, the Company established a system for identifying and transforming clean energy opportunities, standardized the operation of the supporting system, and set up a matrix-based cross-departmental collaborating structure and process to clarify corresponding responsibilities. Product package demands are categorized based on market opportunities, system characteristics and system requirements, and are managed in four phases: The RMT team is responsible for overall planning and control of key nodes of opportunities and requirements. The RAT team performs detailed analysis, while the RMT team handles requirements distribution. The PL-PMT team is responsible for the product project. The PDT team makes changes to the distributed requirements while responsible for the realization validation of opportunities and requirements. Lastly, the RMT team is responsible for realization status tracking and status feedback.



● Sustainability Management Throughout the Product Lifecycle

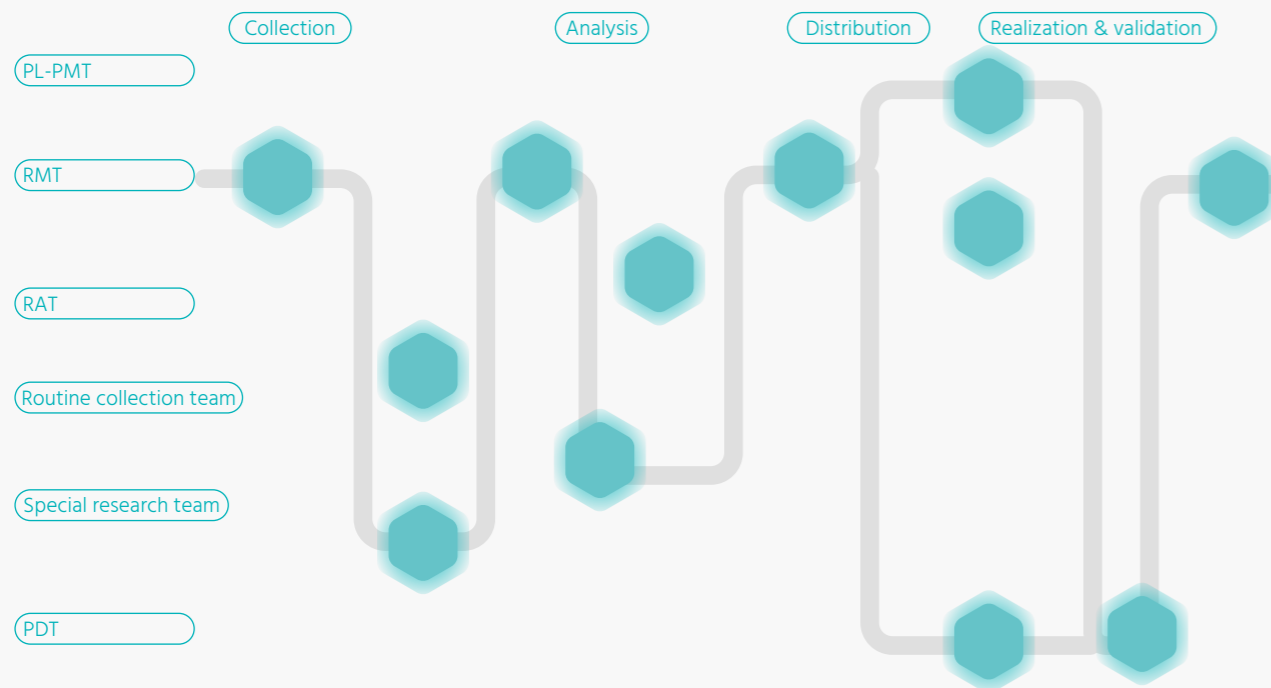
Pylontech always adheres to the sustainability philosophy of the whole product lifecycle and service lifecycle by exploring energy resource conservation and environmental footprint reduction solutions across the phases of raw material selection, package material utilization, product application and end-of-life recycling, in order to constantly promote the construction of a green and low-carbon ecosystem across the entire value chain.

During raw material selection, the Company has set up a dedicated management team to strictly control the selection of raw materials in accordance with the laws and regulations of the launched markets, and constantly improve the control system of restricted substances. Multiple measures are taken to establish a green supply chain: 1. Regularly reviewing the environmental qualifications of suppliers and ensuring rating management; 2. Establishing the control mechanism for hazardous substances in materials; 3. Reviewing the environmental compliance of material selection in product design; 4. All self-developed and self-produced battery products have obtained RoHS and REACH compliance reports from a third-party professional institution.

During package material utilization, the Company adopts reusable recycled package materials for incoming materials and finished product packaging, effectively avoiding the consumption of disposable packaging materials. Amongst all, the module packaging of M5 products was changed from disposable paper packaging to recycling iron racks. During the reporting period, a large number of iron racks have been recycled at least twice, saving 4,778.4 kg of disposable paper packaging, and the utilization as such will amount to 225 times in the next 3 years, saving a total of 814,500 kg of paper packaging in all; Recycling crates have been introduced to the incoming packaging of US portfolio, i.e., empty crates are sent back to the suppliers for reuse. The first batch of crates has been recycled 3 times, saving 205.8 kg of disposable paper packaging, and the utilization as such will amount to 120 times in the next 3 years, saving 20,160 kg of paper packaging in all.

During product application, the Company has developed and applied a series of energy-saving and consumption-reduction technologies for energy storage systems, helping customers achieve their carbon reduction goals and contributing to the "carbon neutrality" era throughout the entire value chain.

Pylontech clean energy opportunity management process



During the reporting period, a large number of iron racks have been recycled at least

2 times

saving disposable paper packaging

4,778.4 kg

In the next 3 years, the utilization as such will amount to

225 times

saving paper packaging in all

814,500 kg

Case: Air-cooled energy storage temperature control system with its power consumption reduction technology



Pylontech has developed a new dynamic energy storage thermal management temperature control technology, and optimized the current thermal management strategy for air-cooled containers and air-cooled outdoor cabinets in order to solve the problem of high energy consumption of the thermal management system.

This technology combines the battery charge and discharge rate, the maximum temperature of each Pack, the air conditioner return air temperature, etc. to adjust the air conditioner outlet air temperature and switch status in real time. Under the premise of ensuring that the batteries of the energy storage system operate at appropriate temperatures and temperature differences, the energy efficiency of the system's grid-connected point is increased by about four percentage points, which not only reduces corresponding energy losses but also reduces indirect GHG emissions.

At the final phase of the product lifecycle, the Company works closely with its partners to ensure open-loop recycling for some of its products thereof. A third-party professional institution is invited to evaluate the WEEE recyclability of the US portfolio, whereby the evaluation results of US5000 show that the theoretical recycling rate and reuse rate of the product has reached 94.09% and 94.57%, respectively.

◎ R&D and Innovation

Thanks to the close collaboration among the Energy Storage System Department, the Research Institute and the Yangzhou base. In 2023, Pylontech achieved important breakthroughs in cutting-edge technology sectors such as modules, BMS, new materials for system integration, mechanism simulation, and R&D of battery cells and modules. To better integrate R&D resources, the Company is actively preparing a comprehensive R&D center. Looking ahead, the center will cover various aspects such as cells, modules, BMS and system integration, and centrally configure experimental testing facilities. By optimizing the allocation of R&D resources, the Company aims to improve its R&D efficiency and output, ensuring a better product experience for its users.

With the continuous development of industrial technologies and the expansion of corporate business scale, the Company plans to further increase the investment in R&D venues, equipment and instruments, and other hardware and software in order to enhance the R&D environment and platform for more talents. Meanwhile, the Company will strengthen its internal R&D cooperating mechanism and promote collaborative R&D in the fields of battery cell, module, BMS and system to further enhance comprehensive product performance.

As one of the few domestic enterprises with independent R&D and manufacturing capabilities in terms of core energy storage components such as battery cells, modules, battery management systems, energy management systems, etc., the Company adopts a modular design concept for easier installation and scaling, and conforms to the principle of sustainable design. The Company's intelligent battery management system can automatically adapt to various electrical environments, satisfying energy storage needs of all kinds of scenarios. By providing "one-stop" energy storage solutions, the Company is committed to energy efficiency and carbon emission reduction.



Accumulation of R&D and Innovations

Pylontech always sticks to its technological strength by constantly investing in R&D projects in order to maintain a leading position in the field of science and technology. In the past year, the Company's R&D investment amounted to RMB 3853.46 billion. This remarkable growth not only fully demonstrates the Company's firm determination to technology innovation, but also serves as a constant and powerful drive for its sustained and steady development. Meanwhile, the Company values high-end science and technology talents in continuous innovation, sparing no effort to invest in the cultivation and introduction of top R&D talents in this regard. By the end of the reporting period, the Company employed an R&D team consisting of 793 elites, 12 owns doctoral degrees and 229 owns master's degrees, demonstrating its competitive strength. With the continuous increase of R&D investment and solid talent strategy, the Company has successfully ignited the motivation for innovation, building a highly competitive reserve force for future science and technology development.

Number of patents obtained

191

Software copyrights

22



Making the best of industry development and actively participating in various technical challenge overcoming projects. Strengthening synergistic cooperation with industry associations, universities and research institutes through in-depth industry exchanges and a full understanding of global research dynamics to jointly promote science and technology innovation for China's major strategic needs.



Prioritizing cutting-edge technology reserves as a strategic pillar of the Company. Actively laying out new lithium battery energy storage technology and related product processes, capturing future technology trends with agility, and quickly responding to the challenges of emerging technologies through independent R&D and in-depth integration with its partners.

The Company continues to optimize the structure of the R&D team, improve the overall team capacity, and actively cooperate with domestic and foreign research institutes to a great extent. Promoting the breakthrough and innovation of core technologies with integrated external R&D resources, building a systematic, efficient and synergistic innovation ecosystem.

Maintaining significant investment in R&D and innovation, and constantly improving the incentive mechanism. Fully stimulating the creativity and potential of R&D personnel, through a diversified salary system, promotion channel and other incentives, promoting the overall R&D strength of the Company.

Innovation Achievements

Continuous leadership in automated production levels

The Company has taken the lead in automated production of lithium batteries and battery systems. To adapt to the national strategy of "Made in China 2025" and meet the needs of domestic and foreign customers, the Company actively introduces cutting-edge equipment such as automatic feeding, continuous homogenizing, automatic cutting and stacking all-in-one machine, automatic baking line, etc., as well as three-dimensional stack-based fully automated ingredient capacity system and automated system welding and assembling line. Such initiatives not only help to significantly reduce manufacturing costs, but significantly improve the production efficiency, precision and consistency of the products, ensuring its product excellence and leading position in intelligent manufacturing.

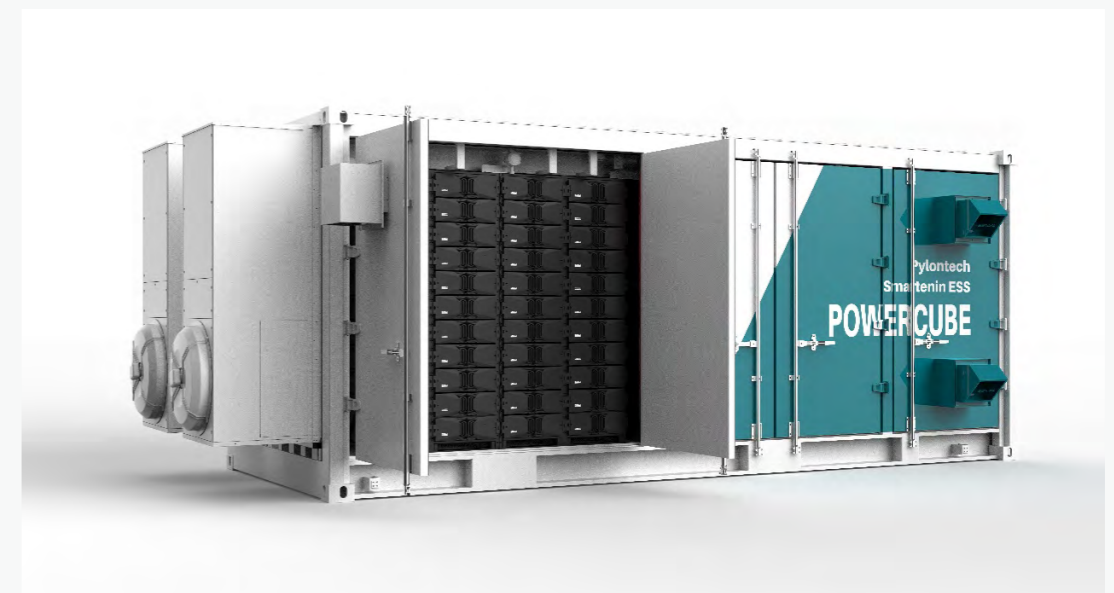
Continuous improvement of product life

The Company has significantly improved the life cycle of lithium iron phosphate batteries through continuous optimization of structural design, selection of environmentally friendly materials, improvement of key processes, and application of intelligent scheduling algorithms. The Company has set an ambitious goal for the future, i.e. increase battery life cycle to over 15,000 cycles.

Given that conventional battery material development is unable to meet the demand for ultra-long life, the Company has rolled out R&D with lithium replenishment technology, adding irreversible lithium-rich materials in the homogenization process so that the first cycle of charging can be released to the anode, so as to make up for the irreversible loss caused by the formation of the film. Meanwhile, excessive lithium can be reserved at the anode, to ensure slow release during the cycling process. This test has witnessed good results and will be applied to the product in the appropriate conditions for a longer product service life. The Company's development of lithium iron phosphate battery life assessment technology can significantly shorten the R&D cycle of long-life battery products, providing solid technical support for rapid and accurate evaluation of the design, life and economy of system products.

Full guarantee of product safety

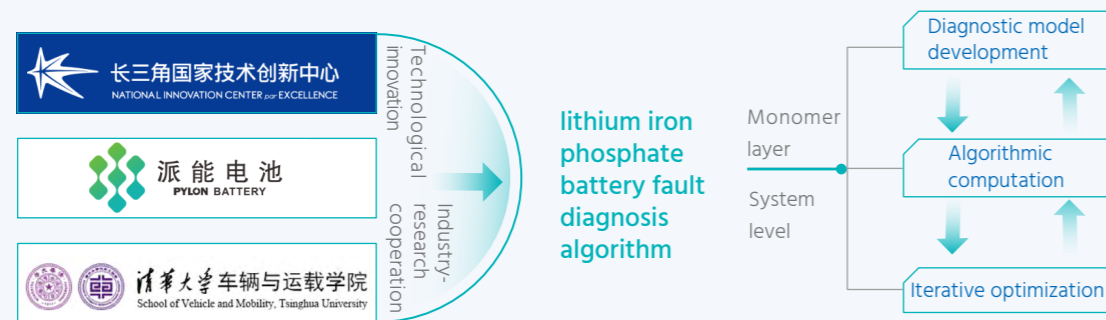
In terms of product safety, which is a crucial sector, the Company has accumulated rich experience in the development, design and production of energy storage battery systems, and mastered multiple key safety technologies, including battery module design, distributed energy storage lithium battery management system, and lithium battery voltage self-adaptation technology. The Company is exploring the innovative application of electrochemical modeling and neural networks in BMS by focusing on the research and development of advanced warning and diagnostic technology for lithium battery safety accidents to more accurately monitor the state of health (SOH) of batteries and provide advanced warning of abnormal cells. By strengthening industry-university-research cooperation, the Company has successfully constructed a technological innovation chain, combining its industrialization advantages with scientific research advantages of R&D institutions, thus ensuring continuous leadership in the technology sector.



Breakthroughs in innovative cooperation projects

The Company is committed to the R&D and innovation of cutting-edge technology for lithium-ion energy storage systems, rolling out multiple research projects in this regard. Amongst all, the Company cooperated with Tsinghua University to perform research on battery safety performance. The project explored the thermal runaway mechanism and intrinsic safety in-depth, significantly improving the safety performance of the battery through the time-sequence regulation of electrolytes, materials and diaphragms. Meanwhile, the application of analog simulation technology serves as a strong support for thermal runaway and thermal spreading safety.

For the lithium iron phosphate battery fault diagnosis algorithm, the Company works closely with Tsinghua University and the Yangtze River Delta National Technology Innovation Center to ensure fault diagnosis at both the monomer and system levels, effectively identifying various types of faults and early warning while significantly improving the safety, reliability and stability of the battery system.



Pioneering innovative sodium battery technology

The Company demonstrated excellent sodium battery technology capacity in 2023, and successfully developed two portfolios, i.e. sodium-electric replacement lead-acid batteries and sodium-electric energy storage batteries, showcasing core advantages such as cost-efficiency, low temperature and safety. The Company has won multiple evaluation and certification reports in the industry, and owns a rich patent pool. The Company also takes the lead in drafting the industry standard, making a great contribution to the promotion and application of sodium battery technology.



Intellectual property protection

Pylontech fully understands that intellectual property is an indispensable part of the core competitiveness in the fierce market competition. Therefore, the Company established the Intellectual Property Department in 2021, responsible for seven major aspects of intellectual property rights, including reserves, risk control, protection, research, management, operation, and the application and implementation of governmental projects, building a solid IP protection wall for itself.

For the intellectual property management framework, the Company has issued and implemented a management framework covering the application, maintenance, transfer and enforcement of intellectual property rights, and has incorporated the monitoring of competitors' patents into the Company IP management framework to promote corporate development in this regard and to ensure that the Company maintains its leading position in market competition.

For intellectual property management measures, the Company regularly organizes intellectual property-related lectures and training for R&D personnel and senior management team to ensure employees fully understand the scope and value of intellectual property, the intellectual property work and the management framework, so that they can better apply and protect intellectual property in their daily work. Meanwhile, the Company has also established an Intellectual Property Risk Management Process. Through regular risk assessments, potential intellectual property risks are identified in a timely manner and preventive and responsive measures are taken on a prompt basis. In addition, the Company actively seeks legal support and establishes long-term cooperating relationships with law firms to resolve intellectual property disputes and defend its rights. The Company takes timely and effective measures in response to intellectual property challenges. Finally, the Company actively participates in industry associations and organizations to discuss industry trends and intellectual property issues with its peers. As a member of the Shanghai Intellectual Property Research Association, the Company keeps abreast of industry dynamics and market changes and shares experience and resources with peers, promoting cooperation and development.

Quality and Safety

Pylontech regards product quality as the cornerstone of corporate survival and development. To ensure that every battery meets the standard of excellence, the Company has built a quality management system that is highly compatible with its business characteristics, with a commitment to ensuring quality and preventing potential risks in all aspects. During the reporting period, the Company's major operating site have been certified by the ISO 9001: 2015 quality management system standard, of which the Yangzhou base obtained IATF16949: 2016 automotive quality management system standards.

The Company consistently focuses on the product lifecycle, from cradle to grave. The Company identifies potential risk points in all aspects with diversified quality control milestones accordingly, while formulating detailed quality inspection standards to ensure each step of the production process is closely monitored, thereby providing customers with excellent products.

To ensure products meet the highest safety standards, the Company has implemented a dual insurance system. The Company has a well-established in-house measurement system in place to ensure all measurements are carried out accurately for their intended application based on its measurement laboratory. The Company also actively promotes external performance ratings to evaluate the safety performance of its products in an objective and fair manner.

In addition, the Company fully examines and optimizes the entire life cycle management of the energy storage system to address the core challenges of safety and reliability in lithium battery energy storage projects during construction and operation management. The key elements of each link, from design, manufacturing, and installation to operation, maintenance and recycling, are carefully considered, while strict management standards are in place to promote the fine and systematic control of the entire process and elements.

During the reporting period, no major event was exercised due to product safety or health concerns.

Product certification

Product lines	Product	Certification
Power energy storage	Product A	IEC 62619, IEC63056, CE, UN38.3
	Product B	IEC 62619, IEC63056, CE, UKCA, VDE2510-50, UL1973, UL9540, UN38.3
	Product C	IEC 62619, IEC63056, CE, UKCA, VDE2510-50;UL1973, UL9540;UN38.3
	Product D	IEC 62619, IEC63056, CE, VDE2510-50;UL1973, UL9540, UN38.3
	Product E	IEC 62619, IEC63056, CE, UN38.3
	Product F	IEC 62619, IEC63056, CE, VDE2510-50, UL1973, UL9540, UN38.3
	Product G	IEC 62619, IEC63056, CE, JIS8715-2, UN38.3
	Product H	IEC 62619, IEC63056, CE, UKCA, VDE2510-50, UN38.3
	Product I	IEC 62619, IEC63056, CE, VDE2510-50, UN38.3
	Product J	IEC 62619, IEC63056, IEC 62040-1, CE, UKCA, VDE2510-50, UL1973, UL9540, UN38.3
	Product K	IEC 62619, IEC 62040-1, CE, UKCA, UN38.3
	Product L	IEC 62619, CE, UKCA, VDE2510-50, UL1973, UN38.3
	Product M	IEC 62619, IEC 62040-1, CE, UKCA, UN38.3
	Product N	JIS8715-2, UN38.3



Excluding Anhui Base

Product lines	Product	Certification
Systematic scheme	Product O	① Europe: IEC62619 IEC62471 ② America: UL2743 ③ Japan: PSE
	Product P	① Europe: IEC62619 IEC62471 ② America: UL2743 ③ Japan: PSE ④ UN38.3
	Product Q	① Europe: IEC62619 ② America: UL1973 ③ UN38.3
	Product R	UN38.3
	Product S	UN38.3
	Product T	UN38.3
	Product U	UN38.3
	Product V	UN38.3
	Product W	UN38.3
	Product X	UN38.3

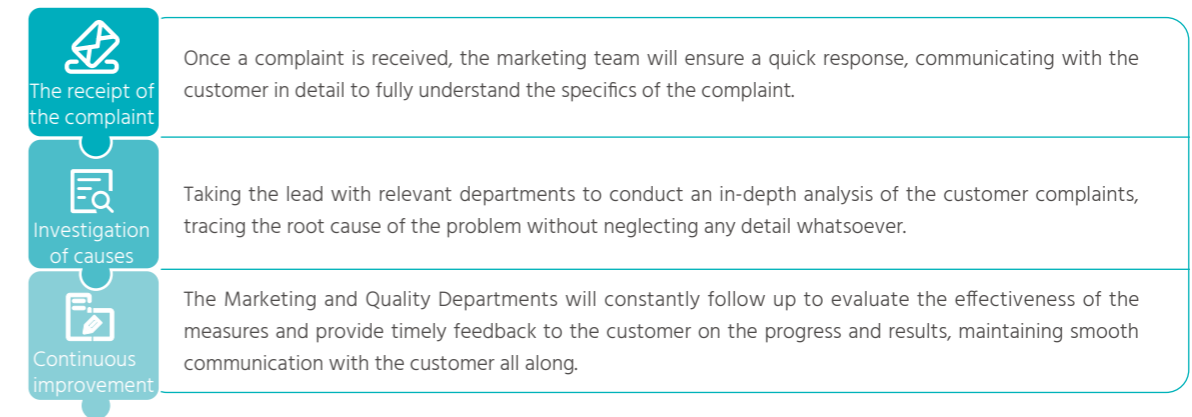
Customer Relationship Management

As a leader in the field of lithium-ion energy storage, Pylontech regards customer relationship management as the core of its business. On one hand, the Company has established a CRM system, service mailboxes and global localized repair centers to ensure immediate response to overseas customer needs. On the other hand, the Company digs into and satisfies customers' needs, becoming renowned for its personalized services. In both international and domestic markets, the Company has fostered long-term and stable strategic partnerships with leading companies by virtue of its excellent customer relationship management capacity. Looking ahead, the Company will continue to optimize customer relationship management and provide more intimate and professional energy storage solutions for global customers, creating a brighter future in joint efforts.

Customer Complaints

Pylontech has always been committed to improving the customer complaint handling process and measures, and has formulated business relationship management procedures to standardize the customer complaint handling process, ensuring that the problem is fundamentally solved and similar problems will not recur.

Customer complaints management process



Customer Satisfaction

To constantly improve customer experience, the Company has formulated customer relationship management procedures and rolled out a series of customer satisfaction survey initiatives. It aims to deeply understand the real evaluation and satisfaction of customers on the Company's product quality, delivery and service. Meanwhile, the Company carefully analyzes the results of the survey, performs an in-depth analysis of customer dissatisfaction, and draws up effective corrective and preventive measures to ensure that the quality of products, deliveries and services can constantly meet and even exceed customer expectations. During the reporting period, the Company was committed to continuous optimization and improvement, providing customers with a superior experience.



Optimizing customer service

The Company focuses on preventing bad impressions on customers by responding quickly to and correcting service defects, considering customers' actual needs and constantly optimizing the service system.

Enhancing the customer complaint handling process

Building a comprehensive complaint management system, enhancing employees' service awareness and skills, improving the complaint handling process and response mechanism, and strengthening customer relationship maintenance and complaint database construction, so as to enhance problem-solving capability, optimize customer experience, enhance customer satisfaction and loyalty, and establish a good brand image.

Improving the after-sales service system

Based on national laws and regulations, the Company optimizes resource allocation, clarifies responsibilities, improves work efficiency and service quality, and ensures customer satisfaction and loyalty through full-service content and standardized complaint-handling process, ensuring sustainable development and brand image of the Company.

Independent Verification Statement



To the management and stakeholders of Pylontech,

TÜV SÜD Certification and Testing (China) Co., Ltd. Shanghai Branch (hereinafter referred to as "TÜV SÜD") has been engaged by Pylontech Technologies Co., Ltd. (hereinafter referred to as "Pylontech" or "the Company") to perform an independent third-party verification of "2023 Sustainability and ESG Report" (hereinafter referred to as "the Report"). During this verification, TÜV SÜD's verification team strictly abided by the contract signed with Pylontech and provided verification regarding the Report in accordance with the provisions agreed by both parties and within the authorized scope stipulated in the contract.

This Independent Verification Statement is based on the data and information collected by Pylontech and provided to TÜV SÜD. The scope of verification is limited to the given information. Pylontech shall be held accountable for authenticity and completeness of the provided data and information.

Scope of Verification

Time frame of this verification:

- The Report contains the data disclosed by Pylontech during the reporting period from January 1st, 2023 to December 31st, 2023, including economic, environmental and social information and data, methods for management of material issues, actions/measures and the Company's sustainability performance during the reporting period.

Physical boundary of this verification:

- The on-site verification sampling took place at below listed location:
5/F, No.71-72, Lane 887, Zu Chongzhi Road, Pilot Free Trade Zone, Shanghai, China

Scope of data and information for the verification:

- The scope of verification is limited to the data and information of Pylontech and all companies under its operational control covered by the Report.

The following information and data are beyond the scope of this verification:

- Any information and contents beyond the reporting period of this Report; and
- The data and information of Pylontech's suppliers, partners and other third parties; and
- The financial data and information disclosed in this Report that have been audited by an independent third party are not verified again herein.

Limitations

- The verification process is conducted in the above scope and places. Sampling and verification are adopted for the data and information in the Report by TÜV SÜD, and only the stakeholders within the Company are interviewed; and
- The Company's standpoint, opinions, forward-looking statements and predictive information as well as the historical data and information before January 1st, 2023 are beyond the scope of this verification.

Basis for the Verification

This verification process was conducted by TÜV SÜD's expert team with extensive experience in the economic, environmental, social and other relevant areas and drew the conclusions thereof. The verification conform to the following standards:

- AA1000AS v3, Type 1 Engagement and Moderate level Assurance
- TÜV SÜD Procedure of Verification on Sustainability Report

In order to perform adequate verification in accordance with the contract and provide limited verification for the conclusions, the verification team conducted the following activities:

- Preliminary investigation of the relevant information before the verification;
- Confirmation of the presence of the topics with high level of materiality and performance in the Report;
- On-site review of all supporting documents, data and other information provided by Pylontech; sampling verification of key performance information;
- Special interview with the representative of Pylontech's management; interviews with the employees related to collection, compilation and reporting of the disclosed information; and
- Other procedures deemed necessary by the verification team.



Verification Conclusions

According to the verification, we believe that the data and information presented in Pylontech's report are objective, factual and reliable, without systematic problems, and can be used by stakeholders.

The verification team has drawn the following conclusions on this Report:

Inclusivity	Pylontech has fully identified the internal and external stakeholders such as shareholders and investors, governments and regulators, employees, customers, suppliers, surrounding communities and industry associations, etc., and established a stakeholder communication mechanism to collect the real demands of stakeholders on a regular basis.
Materiality	Pylontech has established the prioritization process of material topics determination, identified and assessed the priority of the sustainability topics which are highly related to the industry, the Company disclosed the strategy, management approach as well as sustainability performance in corporate operation, therefore the Report's adherence to materiality principle is guaranteed.
Responsiveness	Pylontech has disclosed the management approach and performance of high material topics that stakeholders concern, such as corporate governance, business ethics, supply chain management, risk management, R&D innovation, clean energy opportunities, etc., and has established a communication mechanism, to fully respond to the demands and expectations of stakeholders.
Impact	Pylontech continues to improve the ESG organizational structure and management system, and has established a governance structure composed of the Board of Directors, the Supervisory Board, the ESG Promotion Office and the key departments to supervise, manage, coordinate and implement ESG work and sustainability performance, and monitor and evaluate the economic, environmental and social impact of its business activities.

Recommendations on Continuous Improvement

- It is recommended that the Company establish a climate change-related risk identification mechanism gradually and disclose the impact of climate change on the Company's business.

Statement on Independence and Verification Capability

TÜV SÜD is a trusted partner of choice for safety, security and sustainability solutions. It specialises in testing, certification, auditing and advisory services. Since 1866, TÜV SÜD has remained committed to its purpose of enabling progress by protecting people, the environment and assets from technology-related risks. Today, TÜV SÜD is present in over 1,000 locations worldwide with its headquarters in Munich, Germany. TÜV SÜD has been committed to sustainable development and actively promotes environmental protection related projects. Over the years, TÜV SÜD has been actively expanding its performance in energy management, renewable resources, and electric automobiles, etc., helping its customers meet sustainable development needs.

TÜV SÜD Certification and Testing (China) Co., Ltd. Shanghai Branch is one of TÜV SÜD 's global branches and has an expert team whose members have professional backgrounds and rich industrial experiences.

TÜV SÜD and Pylontech are two entities independent of each other and both TÜV SÜD and Pylontech and their branches or stakeholders have no conflict of interest. No member of the verification team has a business relationship with the Company. The verification is completely neutral.

Signature:

On Behalf of TÜV SÜD Certification and Testing (China) Co., Ltd. Shanghai Branch

Zhu Wenjun
TÜV SÜD Sustainability Authorized Signatory Officer
March 15th, 2024
Shanghai, China



Note: In case of any inconsistency or discrepancy, the simplified Chinese version "Independent Verification Statement CN" of this verification statement shall prevail, while the English translation is used for reference only.

Appendix

ESG Performance Data

Economic performance

Performance indicator	2021	2022	2023	Unit
Gross revenue	20.63	60.13	32.99	10 ⁸ yuan (RMB)
Total assets	42.66	80.90	121.31	10 ⁸ yuan (RMB)
Net profit attributable to shareholders of listed companies	3.16	12.73	5.16	10 ⁸ yuan (RMB)
Taxes for the country	1.05	1.93	3.37	10 ⁸ yuan (RMB)
Salaries paid to employees	1.88	4.32	4.53	10 ⁸ yuan (RMB)
Loan interest paid to creditors such as banks	519.14	2,396.70	2,901.46	10 ⁴ yuan (RMB)
Outward donations	160.00	110.00	30.00	10 ⁴ yuan (RMB)
Social costs of environmental pollution	0.00	0.00	0	10 ⁴ yuan (RMB)

Economic performance aligns with the statistical caliber outlined in the Company's annual report.

Governance performance

Performance indicator	2021	2022	2023	Unit
Number of shareholders' meetings	/	3	3	Times
Number of board meetings	8	13	9	Times
Number of supervisory board meetings	/	10	7	Times
Motions considered at shareholders' meetings	/	25	12	pieces
Motions considered by the board of directors	38	61	40	pieces
Motions considered by the board of supervisors	/	33	22	pieces
Coverage of governance body member training	100	100	100	%
Coverage of anti-corruption training for employees	100	100	100	%
Coverage of anti-corruption training for dispatched workers	100	100	100	%
Coverage of anti-corruption communication with suppliers	100	100	100	%

Governance performance aligns with the statistical caliber outlined in the Company's annual report.

Performance indicator	2021	2022	2023	Unit
Confirmed incidents of corruption	0	0	0	pieces
Lawsuits regarding unfair competition practices and violation of antitrust and anti-monopoly laws	0	0	0	pieces
Complaints related to violation of customer privacy	/	0	0	pieces
Confirmed incidents of leakage, theft or loss of customer information	/	0	0	pieces

Social performance

Performance indicator	2021	2022	2023	Unit
Number of active employees	1,100	1,923	1,893	people
Number of new employees	774	1,469	1,612	people
Number of separated employees	409	657	1,642	people
Number of male employees	704	1,261	1,199	people
Number of female employees	396	662	694	people
Number of employees taking parental leave	/	/	82	people
Number of employees expecting to return to work after parental leave	/	/	82	people
Number of employees returning to work after parental leave	/	/	79	people
Number of employees still on duty 12 months after the end of parental leave	/	/	18	people
Returning rate of employees taking parental leave	/	/	96.34	%
Average number of training hours for employees	/	/	1.8	hours
Percentage of employees receiving regular performance and career development reviews	/	/	59.48	%
Proportion of employees covered by occupational health and safety management system	/	/	100	%
Number of severe employee injury at work	/	/	0	people
Number of employee casualty at work	/	/	0	people
Number of employees died of occupational diseases	/	/	0	people
Number of health issues related to occupational diseases	/	/	0	pieces
R&D investment	/	38,156.7	38,534.6	10 ⁴ yuan (RMB)
Number of researchers	/	590	793	people
Number of granted patents	/	92	191	pcs
Number of invention patents	/	14	12	pcs
Number of utility models	/	66	162	pcs
Number of exterior designs	/	12	17	pcs

Partial social performance (related to employees) encompasses Shanghai Pylon, Kunshan Base and Yangzhou Base, excluding Anhui Base. Partial social performance (related to R&D and patents) aligns with the statistical caliber outlined in the Company's annual report.

Environmental performance

Performance indicator	2021	2022	2023	Unit
Environmental violations & penalties	0	0	0	pieces
Consumption of gasoline	908.22	12,258.25	29,033.35	Liters
Consumption of natural gas	98,304.07	5,933,399.00	3,573,767.00	m ³
Outsourcing electricity	50,083,970.34	84,047,154.81	47,953,915.95	kWh
Total water consumption	/	250,654.2	223,559.30	tons
Amount of hazardous wastes	/	99.97	166.83	tons
Amount of non-hazardous wastes	/	9,493.82	4,616.53	tons
Scope 1 and 2 GHG emissions	/	62,557.8	38,540.6	tCO ₂ -eq
Scope 3 Greenhouse gas emissions	/	169,702.8	71,978.1	tCO ₂ -eq

Environmental performance encompasses Shanghai Pylon, Kunshan Base and Yangzhou Base, excluding Anhui Base. GHG and other data statistics for 2022 have been adjusted and updated retrospectively.

Index Sheet

GRI Sustainability Reporting Standards (GRI Standards) content index

Instructions	Shanghai Pylon Technologies Co., Ltd. compiled the report for the period from January 1, 2023 to December 31, 2023 in compliance with GRI Standard.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Industry Standards	None

Disclosure items	Position	Reasons for omitting
GRI 2: General Disclosure 2021 The corporate and its reporting practices		
2-1 Details of organization	P01, P10	/
2-2 Entities incorporated in the organization's sustainability report	P01	/
2-3 Reporting period, reporting frequency and contact	P01	/
2-4 Information restatement	P68	/
2-5 External verification	P65	/
Activities and workers		

Disclosure items	Position	Reasons for omitting
2-6 Activities, value chain and other business relationships	P10	/
2-7 Employees	P28-33	/
2-8 Workers other than employees	P47	/
Governance		
2-9 Governance structure and composition	P40	/
2-10 Nomination and selection of the highest governance body	P40	/
2-11 Chairman of the highest governance body	P40	/
2-12 Supervision role of the highest governance body in terms of management influence	P40	/
2-13 Authorization for management influence	P40	/
2-14 Role of the top governance body in sustainability reporting	P14	/
2-15 Conflict of interest	P40	/
2-16 Communication of key concerns	P16-17	/
2-17 Common knowledge of the highest governance body	P14	/
2-18 Performance evaluation of the highest governance body	/	Confidentiality restrictions, this section relates to private information
2-19 Remuneration policy	/	Confidentiality restrictions, this section relates to private information
2-20 Procedures for determining remuneration	/	Confidentiality restrictions, this section relates to private information
2-21 Annual gross compensation ratio	/	Confidentiality restrictions, this section relates to private information
Strategies, policies and practices		
2-22 Statement on sustainable development strategy	/	Lack of information. Sustainability strategy has not been developed during the reporting period, but it is planned to be developed and publicly disclosed in the future
2-23 Policy commitment	P15	/
2-24 Commitment of convergence policy	P15	/
2-25 Procedures for remediating negative impact	P23, P35	/
2-26 Mechanisms for seeking advice and raising concerns	P31, P43	/
2-27 Compliance with laws and regulations	P42	/
2-28 Membership of associations	P59	/
Stakeholder engagement		
2-29 Engagement approaches of stakeholders	P16	/
2-30 Collective negotiation agreements	P30	/
GRI 3: Materiality 2021		

Disclosure items	Position	Reasons for omitting
3-1 Process of identifying materiality	P17	/
3-2 Materiality list	P17	/
GRI 201: Economic Performance 2021		
3-3 Materiality management	/	This section is consistent with the annual report
201-1 Economic value directly generated and distributed	P66	/
201-2 Financial impacts of climate change and other risks and opportunities	/	Lack of information. Financial impacts and other risks and opportunities arising from climate change were not identified during the reporting period, but the organisation plans to identify and disclose climate change related financial impacts, risks and opportunities in the future
201-3 Defined benefit plans and other retirement plans	/	This section is consistent with the annual report
201-4 Financial subsidies granted by the government	/	This section is consistent with the annual report
GRI 202: Market Performance 2016		
3-3 Materiality management	/	This section is consistent with the annual report
202-1 Ratio of standard entry wage by gender compared to local minimum wage	/	Confidentiality restrictions, this section relates to private information
202-2 Proportion of senior management hired from local communities	/	Confidentiality restrictions, this section relates to private information
GRI 203: Indirect Economic Impact 2016		
3-3 Materiality management	P52	/
203-1 Infrastructure investment and support services	/	Not applicable. The company was not involved in investments in infrastructure and support services during the reporting period
203-2 Significant indirect economic impact	P52-54	/
GRI 204: Procurement Practices 2016		
3-3 Materiality management	P47	/
204-1 Proportion of procurement expenditure from local suppliers	/	Confidentiality restriction. The data will to some extent reflect the proportion of procurement expenditure, which is not conducive to the protection of the product's core trade secrets
GRI 205: Anti-corruption 2016		
3-3 Materiality management	P42	/
205-1 Operating locations for which corruption risk assessments have been conducted	P42	/
205-2 Communication and training on anti-corruption policies and procedures	P42	/
205-3 Confirmed incidents of corruption and actions taken	P43	/
GRI 206: Anti-competitive Behavior 2016		

Disclosure items	Position	Reasons for omitting
3-3 Materiality management	P42	/
206-1 Lawsuits against unfair competition, antitrust and anti-monopoly practices	P42	/
GRI 207: Taxation 2019		
207-1 Tax policy	/	Confidentiality restrictions, this section relates to private information
207-2 Tax governance, control and risk management	/	Confidentiality restrictions, this section relates to private information
207-3 Stakeholder engagement and management related to tax concerns	/	Confidentiality restrictions, this section relates to private information
207-4 Country-by-country reporting	/	Not applicable. Non-country reports
GRI 301: Materials 2016		
3-3 Materiality management	P53	/
301-1 Weight or volume of materials used	/	Confidentiality restriction. The data will to some extent reflect the proportion of procurement expenditure, which is not conducive to the protection of the product's core trade secrets
301-2 Feed used for recycling	P53	/
301-3 Renewable products and their packaging materials	P53	/
GRI 302: Energy 2016		
3-3 Materiality management	P23	/
302-1 Energy consumption inside the corporate	P68	/
302-2 Energy consumption outside the corporate	P68	/
302-3 Energy intensity	/	/
302-4 Reduce energy consumption	P24	/
302-5 Reduce energy demand for products and services	P53-54	/
GRI 303: Water resources and wastewater 2018		
3-3 Materiality management	P24	/
303-1 Interaction of organization and water as a shared resource	P24	/
303-2 Managing drainage-related impacts	P24	/
303-3 Water intake	P68	/
303-4 Drainage	/	Lack of information. This data was not captured during the reporting period and is planned to be captured and disclosed in the future.
303-5 Water consumption	/	Lack of information. This data was not captured during the reporting period and is planned to be captured and disclosed in the future.
GRI 304: Biodiversity 2016		

Disclosure items	Position	Reasons for omitting
304-1 Operation sites owned, leased, and managed by the organization located in or adjacent to the conservation area and the biodiversity-rich area outside the conservation area	/	Not applicable. The organisation does not have an operating site that owns, leases, manages biodiversity-rich areas located in or adjacent to protected areas and outside protected areas
304-2 Significant impacts of activities, products and services on biodiversity	P27	/
304-3 Protected or restored habitat	/	Not applicable. The organisation does not have protected or restored habitats
304-4 Species that are living in the habitat affected by operations and have been included by the International Union for Conservation of Nature (IUCN) in the red list and National Conservation Lists	/	Not applicable. The organisation does not have a habitat affected by operations.
GRI 305: Emission 2016		
3-3 Materiality management	P25	/
305-1 Direct (scope I) greenhouse gas emissions	P20	/
305-2 Energy indirect (scope II) greenhouse gas emissions	P20	/
305-3 Other indirect (scope 3) greenhouse gas emissions	P20	/
305-4 Intensity of greenhouse gas emission	P05	/
305-5 Reduction of greenhouse gas emission	P08	/
305-6 Emissions of ozone depleting substances (ODS)	/	Not applicable. The organisation does not have ozone-depleting substance (ODS) emissions
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant gas emissions	P25	/
GRI 306: Waste 2020		
3-3 Materiality management	P25	/
306-1 Waste generation and waste-related significant impacts	P25	/
306-2 Management of waste-related significant impacts	P25	/
306-3 Waste generated	P25	/
306-4 Waste diverted from disposal	P25	/
306-5 Disposable waste	P25	/
GRI 308: Supplier Environmental Evaluation 2016		
3-3 Materiality management	P47	/
308-1 New suppliers screened by environmental evaluation dimensions	P47	/
308-2 Negative environmental impact of supply chains and actions taken	P48	/
GRI 401: Employment 2016		

Disclosure items	Position	Reasons for omitting
3-3 Materiality management	P30	/
401-1 Hiring rate of new employees and employee turnover rate	P67	/
401-2 Benefits provided to full-time employees (not including temporary or part-time employees)	P31	/
401-3 Parental leave	P67	/
GRI 402: Employment Relations 2016		
3-3 Materiality management	P31	
402-1 Minimum notice period for operational changes	/	Lack of information. The information was missing during the reporting period, it is planned to count and disclose this part of the information in the future
GRI 403: Occupational Health and Safety 2018		
3-3 Materiality management	P33	/
403-1 Occupational health and safety management system	P33	/
403-2 Hazard identification, risk assessment and incident investigation	P34	/
403-3 Occupational health services	P34	/
403-4 Occupational health and safety services: Worker engagement, opinion solicitation and communication	P34	/
403-5 Occupational health and safety training for workers	P34	/
403-6 Health promotion for workers	P34	/
403-7 Prevention from and mitigation of occupational health and safety impacts directly related to business relationships	P34	/
403-8 Workers applicable to the occupational health and safety management system	P34	/
403-9 Work-related injury		
403-10 Work-related health issues	P24	/
GRI 404: Training and Education 2016		
3-3 Materiality management	P32	/
404-1 Average hours of training per employee per year	P67	/
404-2 Employee upskilling program and transition assistance scheme	P32	/
404-3 Percentage of employees who receive regular performance and career development appraisals		/

Disclosure items	Position	Reasons for omitting
GRI 405: Diversity and Equal Opportunities		
3-3 Materiality management	P30	/
405-1 Diversity in governance bodies and employees	P30, P40	
405-2 Ratio of basic wages and remuneration for men and women	/	Confidentiality restrictions, this section relates to private information
GRI 406: Anti-discrimination 2016		
3-3 Materiality management	P30	/
406-1 Incidents of discrimination and corrective actions taken	P30	/
GRI 407: Freedom of Association and Collective Bargaining		
3-3 Materiality management	P31	/
407-1 Operating locations and suppliers where freedom of association and collective bargaining rights may be at risk	/	Lack of information. There were no operating sites where freedom of association and collective bargaining rights may be at risk during the reporting period, but no identification of suppliers where freedom of association and collective bargaining rights may be at risk has been carried out, and there are plans to carry out such identification and disclose the relevant information in the future
GRI 408: Child Labor 2016		
3-3 Materiality management	P30	/
408-1 Operating locations and suppliers with significant risk of child labor incidents	/	Not applicable. There are no operating sites and suppliers with significant risk of incidents of child labour
GRI 409: Forced or Compulsory Labor 2016		
3-3 Materiality management	P30	/
409-1 Operating locations and suppliers with significant risks of forced or compulsory labor incidents	/	Not applicable. No operating sites and vendors with significant risk of incidents of forced or compulsory labor
GRI 410: Security Practice 2016		
3-3 Materiality management	P30	/
410-1 Security personnel trained in human rights policies or procedures	/	Lack of information. Information was missing during the reporting period and it is planned to compile and disclose some of this information in the future.

Disclosure items	Position	Reasons for omitting
GRI 411: Aboriginal Rights 2016		
3-3 Materiality management	/	Not applicable. There are no Aboriginal people in the communities surrounding the organisation's operating sites
411-1 Incident involving violations of aboriginal rights	/	Not applicable. There are no Aboriginal people in the communities surrounding the organisation's operating sites
GRI 413: Local Community 2016		
3-3 Materiality management	P36-37	/
413-1 Operating sites with local community engagement, impact evaluation and development plans	P36-37	/
413-2 Operating sites with actual or potentially significant negative impacts on local community	/	Not applicable. All operating sites do not involve actual or potential significant negative impacts on local communities
GRI 414: Supplier Social Evaluation 2016		
3-3 Materiality management	P48	/
414-1 New suppliers screened with social criteria	P48	/
414-2 Negative social impacts of the supply chain and actions taken	P48	/
GRI 415: Public Policy 2016		
3-3 Materiality management	/	Not applicable. No political contributions were made by the organisation
415-1 Political donations	/	Not applicable. No political contributions were made by the organisation
GRI 416: Customer Health and Safety 2016		
3-3 Materiality management	P60-63	/
416-1 Evaluation on the health and safety impacts of product and service categories	P60-63	/
416-2 Violations involving health and safety impacts on products and services	/	Not applicable. No relevant incidents of non-compliance during the reporting period
GRI 417: Marketing and identification 2016		
3-3 Materiality management	P53-54 P62-63	/
417-1 Requirements for product and service information and identification	P53-54	/
417-2 Violations involving product and service information and identification	/	Not applicable. No violations involving product and service information and labelling during the reporting period
417-3 Violation involving marketing communication	/	Not applicable. No violations involving marketing communications during the reporting period
GRI 418: Customer Privacy 2016		
3-3 Materiality management	P49	/
418-1 Substantiated complaints relating to infringement of customer privacy and loss of customer data	P49	/

Feedbacks from Readers

Dear readers,

Thank you for reading Pylontech's 2023 ESG Report. You are cordially invited to provide valuable comments and suggestions on this Report to help the Company constantly improve its ESG disclosure practices and ESG management efforts. We would appreciate your feedback by answering relevant questions in the following form:

Multiple choice questions (please tick in the appropriate place)

Options	Excellent	Good	Average	Poor
1. This Report is a full and accurate reflection of the Company's significant economic, social and environmental impacts				
2. The information, indicators and data disclosed in this Report are clear, complete and accurate				
3. The language description, content organization and graphic design of this Report are clear and accessible				

Open questions:

1. What is your overall opinion of this Report?
2. Which part of this Report are you interested in?
3. Is there any additional information you require that is not covered in this Report?
4. What are your suggestions for the Company's future ESG management and disclosure efforts?

If convenient, you are welcome to leave us your personal information for further contact

Name: Tel:

Work unit: Email:

To get more corporate information, please log in the Company's official website: <http://www.pylontech.com.cn/>

Feedback email: info@pylontech.com.cn