派能科技
PYLONTECH

2022

ESG Report

Pylon Technologies Co., Ltd.

Contents

About the Report

To pursue better ESG practice and strengthen the capability in ESG areas, Pylon Technologies Co., Ltd. hereby prepared this 2022 CSR & ESG Report, to truthfully disclose the Company's ESG management actions and achievements while addressing concerns of stakeholders.

Organizational Scope of the Report

The headquarters, branches and subsidiaries of Pylon Technologies Co., Ltd.

Time Range of the Report

The Report mainly covers the period from January 1 to December 31, 2022, and may traces back to previous years in virtue of comparability and continuity.

Report Release Cycle

The report is released annually together with the Company's annual report. Both reports are usually released around the end of April.

About Company Names in the Report

In this Report, Pylon Technologies Co., Ltd. is also referred to as the “Company” or “Pylontech” for convenience of expression.

About Information Sources

The information in the Report is gathered from relevant statements, files and interview with staffs and stakeholders of the Company.

Preparation References

The Report was prepared in accordance with the “core” requirements of *GRI Standards, UN SDGs 2030, the Guidelines for Environmental Information Disclosure of Listed Companies released by Shanghai Stock Exchange,* and other relevant guiding documents.

Disclaimer

The Report contains predictive statements based on current data analysis. Except of actual facts and information, any event and statement that may or will occur in the future (Including but not limited to premises, objectives, evaluations or business plans) should be treated as predictive statement, which may deviate from the future results or tendency due to a myriad of potential changes.

Message from the President

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

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In 2022, global energy security and climate change required more urgent solutions due to unexpected incidents known as "Black Swan" or "Gray Rhinos". However, amidst this uncertainty, the booming renewable energy industry has the potential to offer humanity a green future with sufficient amount of renewable power and energy freedom. Therefore, we must take the opportunity to strive for a sustainable future.

As a company that advocate sustainable development, Pylontech help the world achieve carbon reduction by delivering 1 million energy storage systems to users worldwide. In 2022, we recognized the importance of ESG (Environmental, Social and Governance), and stepped up ESG management in all aspects. For example, we strengthened carbon emission monitoring, renovated equipments, and decreased electricity consumption per unit of output (KWh/ RMB 10,000) by 41.3% compared to last reporting period. Moreover, to meet Pylontech's sustainability goals sooner, we are actively pushing the installation of roof- top PV panels in each of our manufacturing plant and increased the proportion of green power usage in our operations. Adhering to corporate values of Integrity, Responsibility, Accountability, Cohesion, Devotion and Accomplishment, wemade many efforts in employee cultivation, improvement of organizational structure and implementation of our ESG strategy guided by specialists. These strategic maneuvers will prepare us better for future challenges and enable us to make more environmental protection contributions.

In our future development, Pylontech will keep exploring and innovating, seeking to combine the concept of "green manufacturing" and "digitalization" within our operations.The combination of the two concepts will be illustrated through the digitalization of our plants and making our products more sustainable. Keeping the original aspiration in mind, we are confident in our capabilities to generate more values for our customers, shareholders, employees and the society.

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About Pylontech

Company Profile

Established in 2009, Pylon Technologies Co., Ltd. is a globally leading manufacturer of lithium (LFP) battery energy storage systems. The Company was appraised as a SRDI (specialized, Refinement, Differential and Innovation) Enterprise by the State in 2022, and was listed on the STAR Market of the A-share market (stock code: 688063. SH) in 2020.

Dedicated to the development and application of lithium battery products, Pylontech provides advanced solutions for lithium battery-based energy storage. The Company not only has the R&D and manufacturing capabilities of both lithium batteries and BMS. Also, we have the core technology needed to integrate self-manufactured BMS and battery cells into a compact system. With technology at our core and guided by market needs, we focus on providing customers with safe and high performance BESS products. At present, the Company is capable of offering energy storage systems with the voltage range from 5V to 1,500V, covering diverse application scenarios such as renewable power generation, power grid auxiliary service, micro-grid, industrial and business parks, charging stations, data centers and 5G telecom auxiliary stations. Moreover, with certifications in China, the EU, North America, Australia, Japan, etc., our energy storage products have remarkable market shares in the industry.

1,000,000+
energy storage systems delivered

10+
years dedication to energy storage

The World's No.1
residential energy storage system provider

Global cooperation in
80+
countries and regions

238
self-developed patents

8.5 GWh
outputs of energy storage products

Note: self-developed patents include invention patents, utility model patents, design patents and international patents.

Company Strategy

In a new round of technological revolution, the world is witnessing a profound change in the energy consumption structure. While the rate of renewable energy generation increases, intelligent power grid and energy Internet is making energy storage an important part of a green, clean and efficient grid structure. With Lithium iron phosphate battery as the Company's foundation, Pylontech will improve customer service capabilities by further exploring digital transformation, green supply chain and research on new battery technologies to make the Company one of the global top providers of lithium battery systems and smart energy solutions.

Mission
Liberating your energy sustainably

Vision
To energize billions with smarter power

Core value
Integrity, Responsibility, Accountability, Cohesion, Devotion, Accomplishment

History

The Company has been focusing on lithium battery-based energy storage since its inception. Our products series has been constantly evolving while the fields of application for BESS solutions expands continuously. We have undergone the following three stages of development:

Established in 2009, the Company specializes in the development of lithium battery storage system, and we believe independent research and development (R&D) of key technologies paired with on-site manufacturing of most of our product will bring our customers maximum user convenient with added benefit of saving cost. So far, we have established research site that covers the R&D of battery cells, raw materials and battery system integration from different regions of China aiming to constantly improve the performance of lithium batteries and the reliability of battery management systems. Through continued R&D input and accumulation of technologies, the Company is able to industrialize the critical procedures involved to manufacture high quality battery cells and systems. In 2010, the Company launched the first 5G telecom auxiliary station. In 2012, Pylontech achieved the capability to independently develop and manufacture LFP battery cells, modules and large energy storage systems, thus becoming a supplier with vertical manufacturing capabilities.

2009-2012

Vertical business deployment across the industrial chain

2013-2016

Building a complete energy storage product line

Since 2013, the Company has been working to build a complete energy storage production line. The Company is committed to covering energy storage applications ranging from residential KWh-level to grid MWh-level while meeting the site dependent capacity and voltage requirements.. Meanwhile, the Company has continued to increase its research and development investments of cells, modules and battery management systems, which contributes to the products' breakthroughs in long cycling life, high safety and reliability. In 2013, its first residential energy storage system has been delivered to the European market. In 2016, our M-Series large grid-level energy storage system was commercialized. So far, the Company storage system has been utilized in residential, business, grid, telecom auxiliary and multiple other scenarios across different markets in Europe, Asia etc.

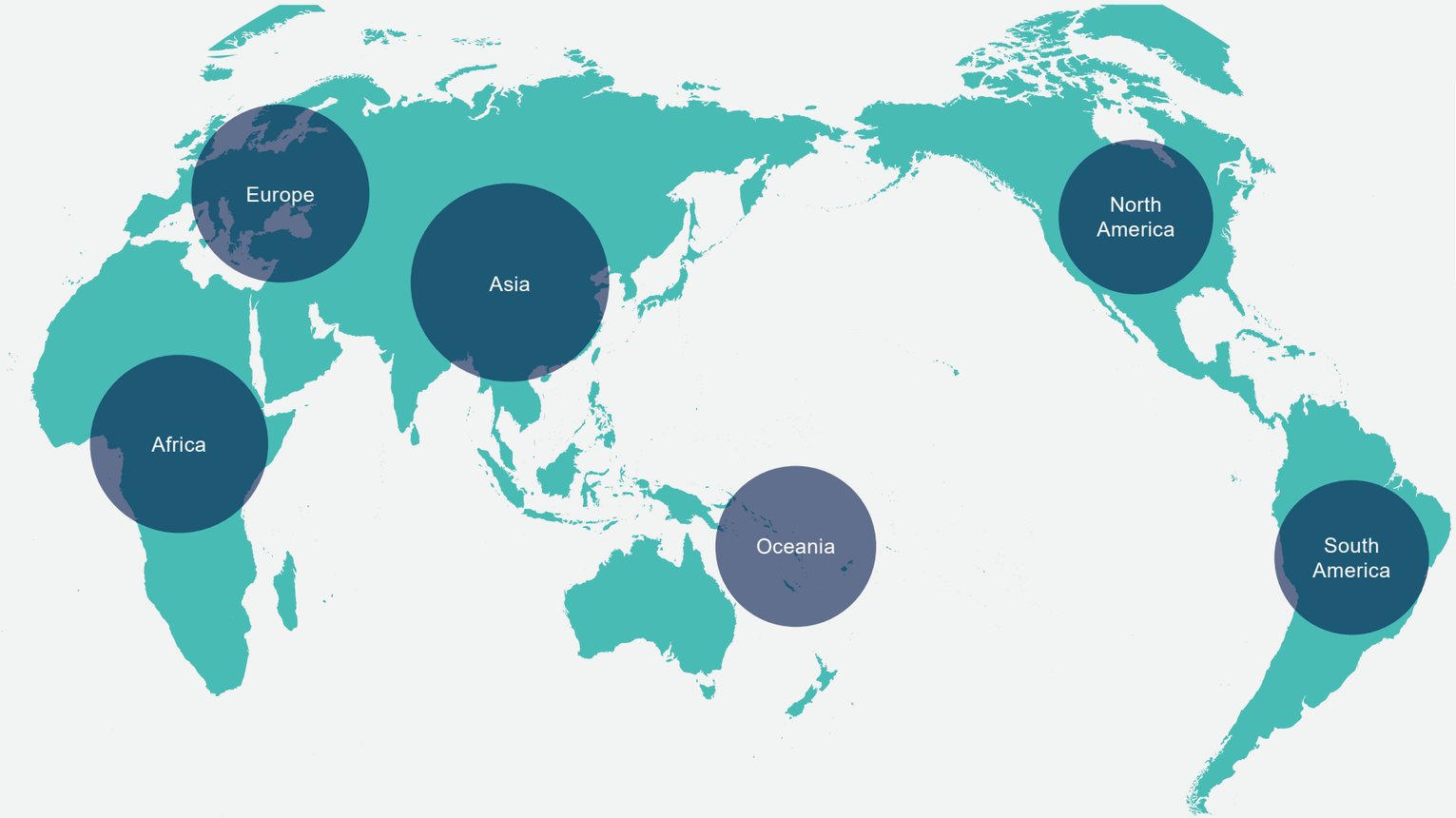
2017 - present

Leading the residential energy storage market and deploying energy storage solutions comprehensively

In 2017, while improving product performance, quality and cost competitiveness, the Company acquired more market share from oversea markets by utilizing the benefit our vertical production chain bring to our oversea customers. As a result, the Company achieved fast business growth, doubled sales income for three consecutive years, and became a leader in the world's residential energy storage market. While the Company fortified its position in the foreign residential BESS solutions market, we also foresaw battery energy storage system has multi-scenario usage potential. Thus, the Company increased R&D investment in energy management and energy storage system integration technologies, and developed a series of efficient, convenient and reliable energy storage solutions for customers from different application scenarios. In addition, to meet the global trends of energy reform, the Company also directed more funds in the research of energy Internet, energy management systems and grid frequency regulation algorithm, to lay the technical foundation for the Company's long term strategic development.

Business Presence

The Company has a well-established global marketing system, with domestic and international sales& marketing divisions responsible for sales in their respective markets. The Company currently has a presence in over 80 countries worldwide and enjoys strong market share and brand awareness in Europe, North America, Africa, and Asia. To further build on this growth, the Company plans to adopt a localized approach by enhancing its sales networks, service systems, and brand recognition. It will also leverage its technological, product, and brand advantages to expand into new global markets. In the domestic market, the Company has partnered with many industry-leading enterprises to achieve commercial-scale applications in energy storage projects such as those in renewable energy storage, utility energy storage, and telecom backup energy storage for 5G telecom auxiliary stations. The Company has successfully diversified its energy storage providing, catering to the needs of vehicle mobile energy storage, charging station energy storage, and various industrial and commercial energy storage market segment. With this approach, the Company has accumulated large numerous high-quality customers and built strong channel resources.



Footprints in

80 countries worldwide

Milestones

2009

Pylon Technologies Co., Ltd. was established.

2010

Launched 12V, 24V and 48V backup energy storage for 5G telecom auxiliary stations, and became an official supplier of China Mobile, China Telecom and China Unicom.

2011

Became a key enterprise in Shanghai's smart power grid industry; launched pilot projects of providing backup energy storage for 5G telecom auxiliary stations for a dozen of provincial-level companies of China Mobile, with products fully commercialized; completed the firs 200KWh PV energy storage project.

2012

The subsidiary Jiangsu Pylon Battery Co., Ltd. (Battery Plant) was established; participated in the national 863 programs: research on process technology for the whole battery industrial chain and localized equipment and the technology of cascade utilization and recycling

2013

Certified as a high-tech firm; exported products to overseas market; launched the batteries with excellent high-rate performance under a low temperature

2014

Realized large-scale shipments in Europe and Australia

2017

Its prefabricated MW- level container-type energy storage system was deployed for commercial use; the first PV power generation- side energy storage system was put into use

2018

1 GWh energy storage system shipped globally

2019

New production capacity of 1.5GWh was built; the total installed capacity of lithium battery systems exceeded 2GWh.

2020

Became the first listed company in China's energy storage industry, ranked second in the world's residential energy storage market.

2021

Ranked second in the world by the shipments of residential energy storage systems; Its subsidiary Shanghai Pylon Renewable energy Technology Co ., Ltd . was established

2022

Included in MSCI; listed among Forbes China Most Innovative Companies; ranked first in the world's residential energy storage market; 10GW Hefei plant was put into operation.

Honors and Awards

The major owners and awards received by the Company and its subsidiaries over the last three years:

2022 Forbes China Most Innovative Companies	Forbes China
MSCI China A Onshore Index	MSCI
MSCI China All Shares Index	MSCI
2022 "Top PV Energy Storage Brand"	EuPD Research
2021 China's Best Energy Storage Battery Supplier	CIES Organizing Committee, escn.com.cn
2021 China's Most Influential Energy Storage Enterprise	CIES Organizing Committee, escn.com.cn
2021 China's Top 10 Energy Storage Battery Producers	Organizing Committee of the Energy Storage International Conference
2021 Most Influential Enterprise Award	EESA
Second Prize of 2021 CNLIC Technological Invention Award	China National Light Industry Council
2021 Best Lithium Battery Supplier in Spanish and Italian markets	EuPD Research
2020 China's Best Energy Storage Battery Supplier	CIES Organizing Committee, escn.com.cn
2020 Top 10 Energy Storage Battery Suppliers	EESA
SOLAR STORAGE AWARDS	Global Solar Council
2020 Best Lithium Battery Supplier in Spanish and Australian markets	EuPD Research

Key ESG Performance

Operating Performance

Economic

	Amount	Unit
Total operating revenue	60.13	RMB 00'000'000
Total assets	80.90	RMB 00'000'000
Net profits attributable to the shareholders of the listed company	12.73	RMB 00'000'000
Tax paid to the government	1.93	RMB 00'000'000
Remuneration paid to employees	4.32	RMB 00'000'000
Loan interests paid to banks and other creditors	2,396.70	RMB 0'000
External donations	110.00	RMB 0'000
Social cost of environmental pollution	0.00	RMB 0'000

R&D and innovation

Indicator	Unit	2022
Number of patents applied for	Piece	154
Number of patents approved	Piece	92
Growth of the number of applications	%	120
Number of invention patents	Piece	35
Number of utility patents	Piece	179
Number of design patents	Piece	24

Corporate governance

Regulated corporate governance

Indicator	Number of meetings (time)	Reviewed proposal (piece)
Shareholders' meeting	3	25
Board of Directors	13	61
Board of Supervisors	10	33

Business ethics

Indicator	Unit	2022
Senior management training coverage	%	100
Employee training coverage	%	100
Dispatched employee training coverage	%	100
Supplier communication coverage	%	100
Confirmed corruption cases	Piece	0
Cases of unfair competition and violation against anti-monopoly laws	Piece	0

Information security

Indicator	Unit	2022
Complaints about infringement upon customer privacy	Piece	0
Confirmed cases of customer information leakage, theft or loss	Piece	0

Environmental performance

Carbon emissions

Indicator		Unit	2022
By emission scope	Scope 1	Ton	27,354.14
	Scope 2	Ton	60,347.23
	Scope 3	Ton	645,585.89
	Total	Ton	733,287.26
By operation location	Shanghai Pylontech (Headquarters)	Ton	861.91
	Jiangsu Pylon Battery (Yangzhou Plant)	Ton	231,274.42
	Huangshi Pylontech (Huangshi Plant)	Ton	493,472.37
	Jiangsu Pylontech (Kunshan Plant)	Ton	7,678.56
	Total	Ton	733,287.26

Waste discharge

Indicator	Unit	2022
Generated waste	Ton	2,799.00
Recycled waste	Ton	2,632.00
Treated waste	Ton	167.00

Energy consumption

Indicator	Unit	2022
Gasoline	L	12,258.25
Natural gas	m³	5,933,399.00
Power consumption	KWh	85,781,430.00

Social performance

Employment

Indicator		Unit	2022
Number of in-service employees at the parent company		Person	283
Number of in-service employees at major subsidiaries		Person	1757
Combined number of in-service employees		Person	2040
Number of retirees the cost of whom needs to be taken by the parent company and main subsidiaries		Person	25
By jobs	Production staff	Person	1248
	R&D staff	Person	590
	Functional staff	Person	202
	Total	Person	2040
By educational background	Master and above	Person	137
	Bachelor	Person	411
	Below	Person	1492
	Total	Person	2040

Employee training

Indicator	Unit	2022
Average hours of training received by employees	Hour	56.5
Per capita hours of safety training	Hour	1.5
Per capita training hours for new employees	Hour	7
Percentage of employees who regularly receive performance and career development assessment	%	100
Coverage of training among new employees	%	100

Employee maternity leaves

Indicator	Unit	Male employees	Female employees
Number of employees entitled to maternity leave in 2022	Person	15	18
Number of employees taking maternity leave	Person	15	18
Number of employees who should return to work after the end of the maternity leave in 2022	Person	15	18
Number of employees who returned to work after the end of the maternity leave in 2022	Person	15	18
Return rate	%	100%	100%
Number of returned in-service employees at the end of the reporting period	Person	15	18
Retention rate	%	100%	100%

Occupational health and safety

Indicator	Unit	2022
Number of work-related death of the Company's own employees	Person	0
Incidence of occupational disease	%	0
Pre-job occupational health exam	%	100
In-job occupational health exam	%	100
Post-job occupational health exam	%	100
Total input in employee health and safety	RMB 0'000	480

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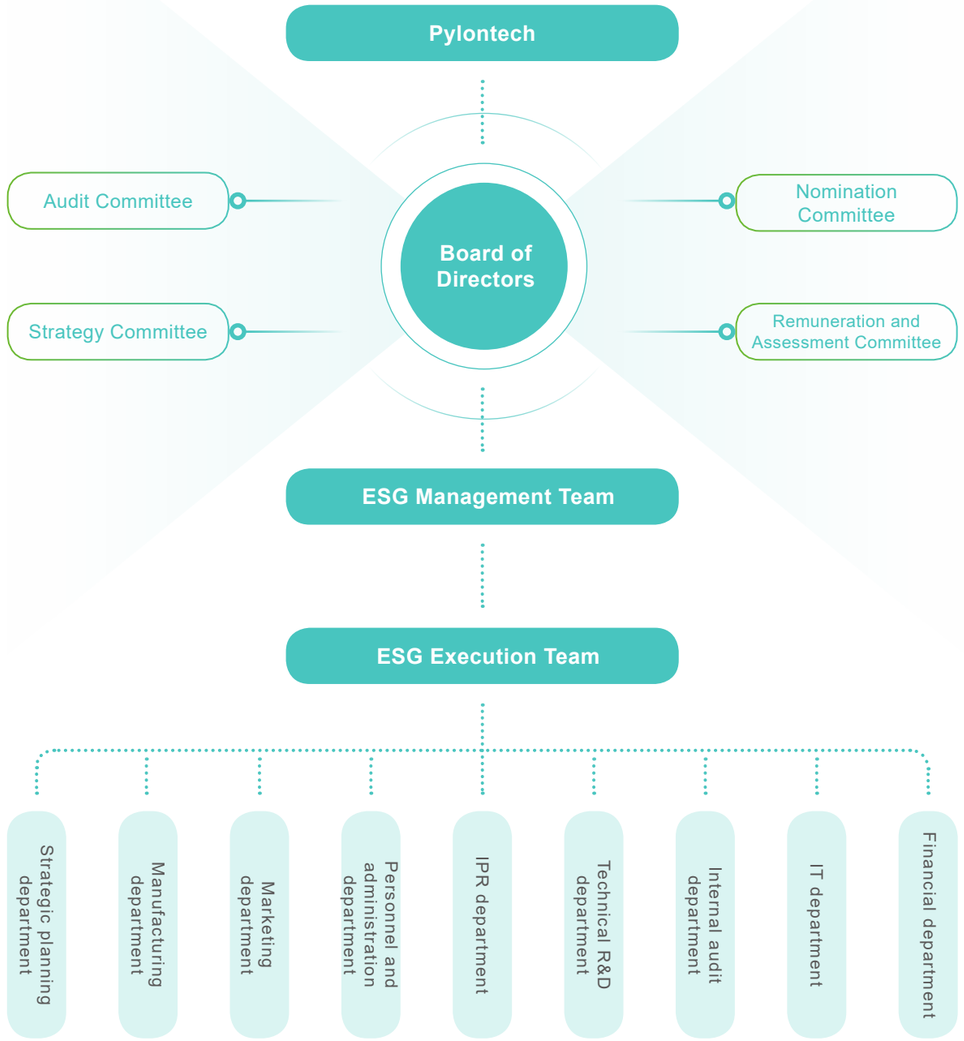
Sustainability Management

ESG Management Structure

To systematically improve the ESG management at Pylontech, the Company has gradually established a triple layer ESG management structure involving the decision-making layer, management layer and execution layer. Led by the Board of Directors, the decision-making layer supervises the Company's ESG and sustainability-related matters. The ESG Management Team which was set up at the management layer is responsible for the planning and management of ESG-related strategies. The ESG Execution Team which was set up at the execution layer coordinates efforts of functional departments, branches and subsidiaries to implement various ESG strategies across the Company.

Management structure



Triple Layered Management

Decision-making layer

At Pylontech, the Board of Directors is the decision-making layer of ESG work and the supreme decision-making body. It formulates ESG strategies and guidelines, reviews and makes decisions on major ESG matters, regularly supervises and inspects progress of ESG related matters, fulfills the ESG requirements put forward by listing regulators to the Board of Directors, and provides support for ESG decisions by the Board of Directors

Management layer

The ESG Management Team is the management layer of ESG work. Consisting of the Company's president and heads of relevant departments, it develops ESG management systems, supervises execution of ESG work, advances ESG progress, and regularly reports to the Board of Directors on ESG work.

Execution layer

The ESG Execution Team is the execution layer of ESG work. Consisting of full-time employees dispatched by various departments, branches and subsidiaries, it takes charge of the implementation of ESG management to ensure the realization of ESG objectives.

ESG Action

Pylontech responds to UN SGDs 2030 with concrete ESG actions:

The Company dedicated to the development and application of lithium battery, providing more customers with energy storage solutions for new power generation

The Company promises not to discriminate because of gender, respects all the employees' human rights and labor rights through a a comprehensive human resources management system, and commits to create a fair workplace.

The Company cherishes employees' wellbeing, and works to provide employees a comprehensive path to growth and career development.

The Company has internal programs in place to protect employees' rights, and provides all employees with comprehensive welfare support with a constant focus on their actual demands. Furthermore, the Company works to create a high-quality working environment for employees through an occupational health and safety management system built on ISO 45001.

Pylontech supports the UN sustainability agenda, and promotes the realization of UN SGDs2030 through its own actions.

The Company advocates fair and non-discriminatory employment policies, and signs a written labor contract with each employee to protect his or her personal information and privacy. The Company promises that it will never discriminate because of nationality, race, gender, age, religion, culture, physical conditions or marriage status. The Company upholds equal pay for equal work, and bans child labor, forced labor, restrictions on employee freedom or any other labor use that may be illegal.

All of the Company's 9 projects under research take a leading position in domestic and international markets. Also, the Company takes active part in the preparation of national standards, industrial standards and organization standards.

The Company has established QESH procedure to routinely screen both new and existing suppliers. Procurement team of the Company has the responsibility to make sure all new and existing suppliers pass the QESH system review. In 2022, social or environmental factors were used for the screening of all suppliers. Meanwhile, the Company secured service quality in terms of product quality, product safety and customer satisfaction.

The Company aims to provide green and low-carbon renewable energy solutions to worldwide customers. While leading industrial transformations, the Company also pays attention to greenhouse gas emissions from its own operations. We examined the greenhouse gas emissions in 2022 and plans to expand the coverage step by step.

In 2022, both the coverage of anti-corruption training and coverage of supplier communication among employees reached 100%. Meanwhile, the Company covered all operation locations with corruption risk evaluation.

While pursuing its own development, the Company also values relations with its customers, suppliers, communities and other partners. Pylontech actively communicates with external associations and works with partners to drive sustainable development together

Communication with stakeholders

Pylontech pays attention to the concerns and demands of stakeholders of the Company. By putting in place effective channels and mechanisms for communication with stakeholders, we disclose information that stakeholders are concerned about on time and listen to their feedback and suggestions.

Through comprehensive analysis and surveys, Pylontech has identified its main stakeholders as shareholders and investors, regulators, trade management and rating agencies, customers, suppliers, contractors and other partners, communities, public society and media, employees, NGOs, and industrial associations.

Stakeholders	Expectations and demands	Communication channels
Shareholders and investors	• Economic performance • Risk management • Management structure • Operation compliance • R&D innovation	• Shareholders' meetings • Regular reports • Daily communication (telephone, email and business meetings)
Regulators, exchanges and rating agencies	• Compliant management • Legal employment • Business ethics	• Information disclosure • Compliance training • Questionnaire surveys
Customers	• Customer privacy and Information security • Customer service • Product quality and safety • Product performance	• Global service platform • Customer visits • Quarterly operation meetings • Customer satisfaction surveys
Suppliers, contractors and others partners	• Sustainable procurement • Business ethics • Responsible production	• Regular assessment and review • Supplier meetings • Daily communication (telephone, email and business meetings)
Communities, public society and media	• Charity and public welfare • Protection of employees' rights • Protection of the ecological environment • Resources recycling and waste treatment	• Community project cooperation • Charitable and public welfare activities • Daily communication (telephone, email and business meetings)
Employees	• Employee health and safety • Protection of employees' welfare and rights • Employee training and development	• Employee chat groups • Complaint mailbox • Public account for complaints and feedback • Employee satisfaction surveys
Environment	• Water resources management • Energy management • Response to climate change • Waste management • Waste discharge	• Regular monitoring and compliant disposal • Information disclosure • Holding or participating in environmental protection activities
NGOs	• Water resources management • Energy management • Response to climate change • Waste management • Legal employment	• Information disclosure • Daily communication (telephone, email and business meetings)
Industrial association	• Technological innovation and IPR protection • Product management	• Exhibitions • Formulation of international standards • Academic exchanges • Industrial association meetings

Materiality Evaluation

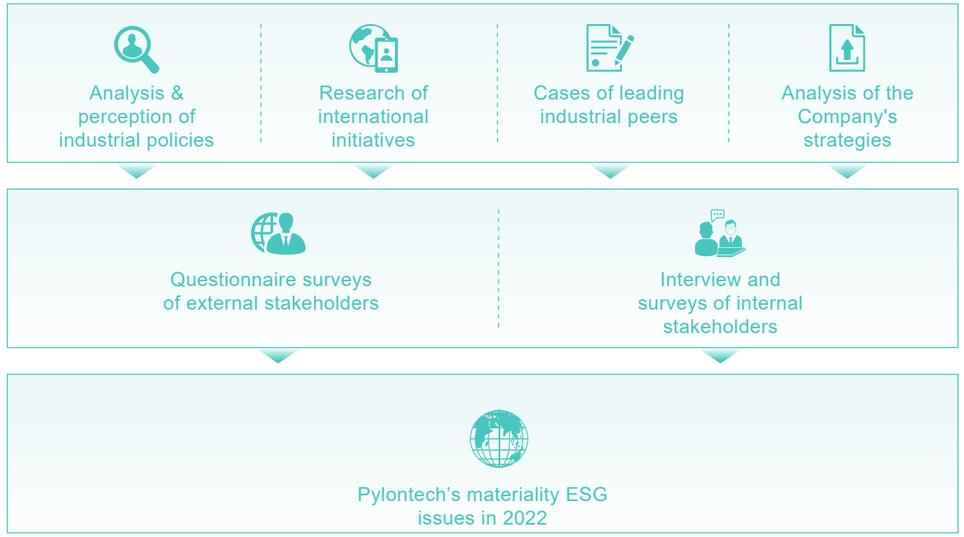
To better tap stakeholders' core expectations and demands and make the ESG report more pertinent and substantive, the Company carried out preparation by three stages, i.e. identification, surveys and screening of issues:

Identification of issues »
Based on the analysis & perception of industry policies, research of international initiatives, benchmarking with cases of leading industrial peers and analysis of its own strategies, the Company developed the list of ESG issues related to its operations;

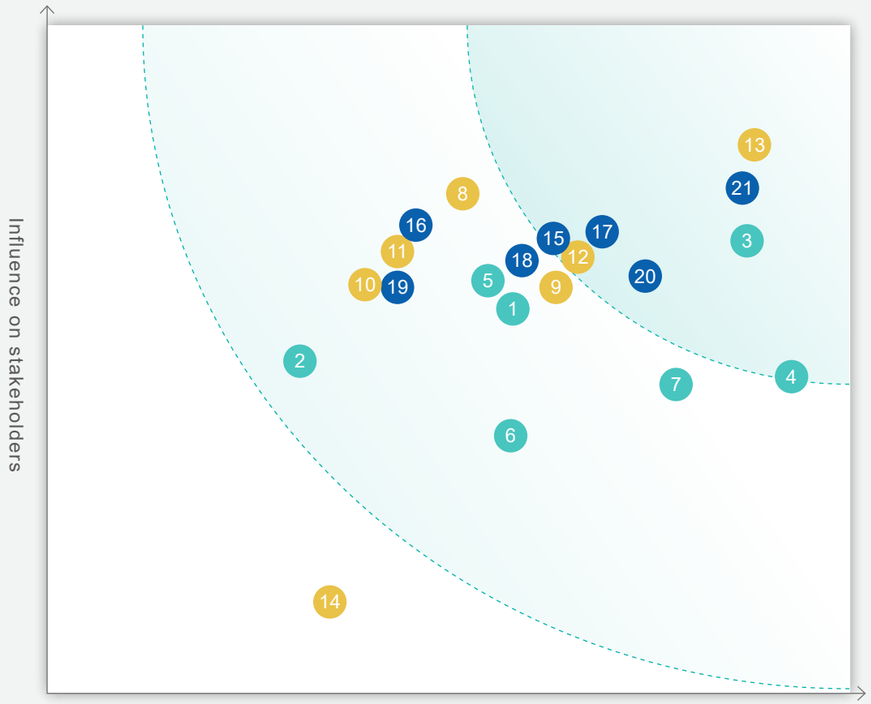
Surveys about the issues »
By distributing ESG materiality questionnaires to and recovering them from various stakeholders, and communicating with a dozen of major functional departments of the Company including the Strategic Planning Department, Personnel and Administration Department, Market Department and Procurement Department etc., the Company conducted comprehensive surveys and analysis both internally and externally;

Screening of issues »
By collecting opinions from both internal and external stakeholders, the Company examined the influence of different issues on the Company's operations and the stakeholders, built a materiality matrix and finally identified 22 ESG issues with varying priority levels.

Materiality Issue Evaluation Process



Materiality issue evaluation matrix



Materiality issues

Environmental

1. Waste discharge and management
2. Water resources management
3. Energy management
4. Clean technology-related opportunities
5. Clean production
6. Response to climate change
7. Greenhouse gas emissions

Social

8. Labor management
9. Employee health and safety
10. Employee training and career development
11. Care for employees
12. Supply chain management
13. Product quality and safety
14. Charity and public welfare

Corporate governance

15. Corporate governance
16. Risk management and internal control
17. Operation compliance
18. Anti-corruption
19. Privacy and data security
20. IPR protection
21. R&D and innovation

Evaluation results

Degree of disclosure	Issues
Important disclosure	Product quality and safety, R&D and innovation, energy management, operation compliance, IPR protection, corporate governance, supply chain management, clean technology related opportunities
Relatively important disclosure	Labor management, anti-corruption, employee health and safety, greenhouse gas emissions, risk management and internal control, clean production, waste discharge and management, care for employees, employee training and career development, privacy and data security, response to climate change, water resources management
General disclosure or non- disclosure	Charity and public welfare

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Creating Long-Term Values

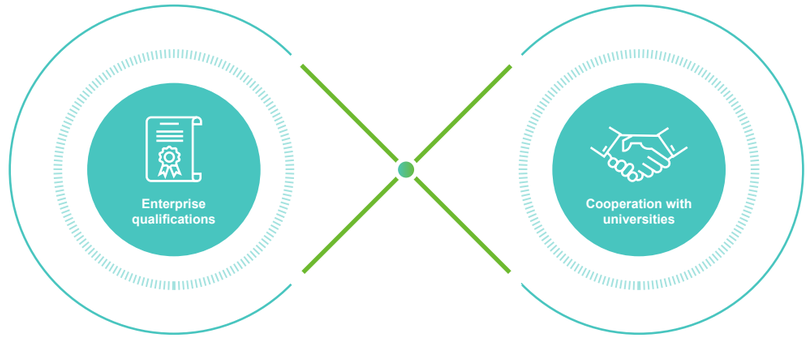
R&D and Innovation

At Pylontech, R&D and innovation is mainly carried out by the kinetic energy system department, research institute and Jiangsu Pylon Battery Co., Ltd. Specifically, the kinetic energy department and research institute focus on the R&D of modules, BMS, new materials for system integration, mechanism simulation and other frontier technologies, while Jiangsu Pylon Battery is responsible for the R&D of cells and modules. In the future, Pylontech will accelerate the integration of R&D resources by creating a research center that could study multiple fields of battery cells, modules and BMS at the same time, which would enable the Company to achieve higher output of innovated design. Moreover, the Company plan to strengthen internal cooperation on the R&D of cells, modules and integrated BMS to further enhance the performance and user experience of our product. As the Company's technological infrastructure develop and its operation scale expands, Pylontech will invest in more R&D sites and equipment to reach its strategic goal for long-term development.

As one of the few enterprises that can independently develop and manufacture core components for energy storage, including battery cells, modules, battery management systems and energy management systems, Pylontech adopts module-based design which can be installed and scaled easily. Its intelligent battery management system can be automatically adapted to the electrical environment ranging from 5 V to 1,500 V, meeting the demand for energy storage both at residential (KWh-level) and in grid-based scenarios (MWh-level), and supporting one-stop energy storage solutions for various scenarios, such as residents, businesses, power grids and vehicles.

Innovation & Accumulation

Dedicated to lithium iron phosphate battery systems, Pylontech has insisted on independent innovation and R&D. Thus, the Company has processed the core technological knowledge to take charge of the entire product manufacturing process. Pylontech and its subsidiary Jiangsu Pylon Battery are both national high-tech enterprise, while the latter is also the research center of lithium phosphate battery cell technologies in Jiangsu Province.



National high-tech enterprise, engineering technology research center in Jiangsu Province, postdoctoral innovation base, key laboratory in Yangzhou, ISO-17025 verified laboratory.

Shanghai Jiao Tong University, Soochow University, Shanghai Institute of Microsystem and Information Technology of CAS, and University of Wollongong, Australia, etc.

As of the end of 2022, Pylontech had over 590 researchers from various fields, with main researchers having more than 10 years of experience in the lithium battery field. The Company has put in place a complete R&D system, and established a sound mechanism for technological innovation. The R&D capabilities cover critical links across the industrial chain like cells, modules, battery systems and system integration. While insisting on independent R&D, the Company also collaborated with well-known research institutes including Shanghai Advanced Research Institute of CAS, Shanghai Jiao Tong University, Soochow University and University of Wollongong, Australia to integrate R&D resources.

590-plus researchers of various kinds as of the end of 2022.

Main researchers have more than **10** years of experience in the lithium battery field.

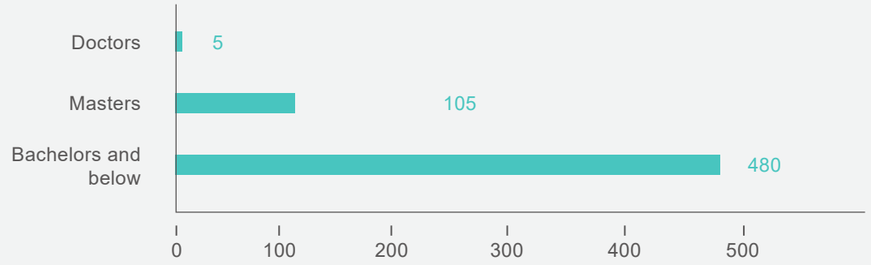
Number of researchers:

590

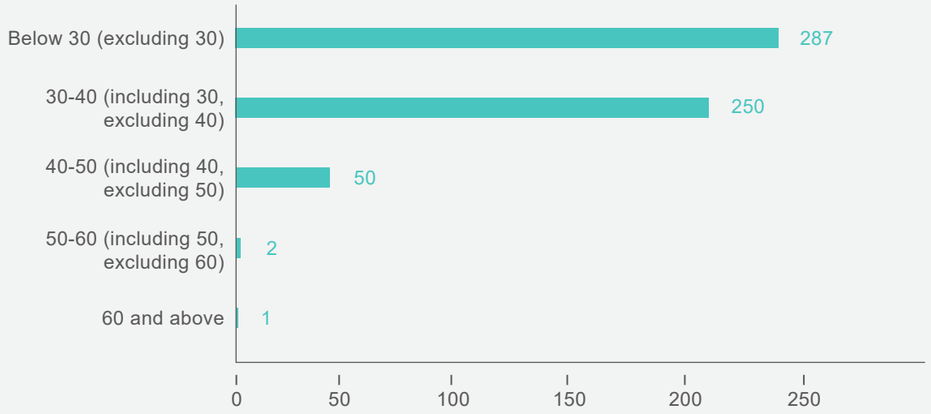
Proportion of researchers to the Company's total employees (%):

28.92

Researchers by educational background



Researchers by age



Since inception, the Company has successively participated in a number of important research projects at the state and local level, including the *Performance Requirements on the Secondary Lithium-Ion Single Batteries and Battery Systems for Electric Energy Storage Systems and the Safety Requirements on the Secondary Lithium-Ion Single Batteries and Battery Systems for Electric Energy Storage Systems* as a leading organization.

Directions for R&D and Innovation

Pylontech adheres to a demand-driven approach, strategically promoting product technological innovation with a vision of global industry. We closely follow the forefront of the industry's technology and focus on R&D innovation in lithium-ion energy storage technology, including battery cells, modules, BMS, energy storage system integration, production processes, and equipment. We aim to establish a technology innovation system with the Company as the main entity and guided by market demand, Pylontech aim to combine manufacturing and innovative research into one integrated system. Through this system, we continuously upgrade our products, equipment, and solutions while consolidating the company's core competitiveness. The specific directions are as follows:

1. Tracking industrial trends and taking active part in key technological projects

Pylontech actively takes part in industrial forums, international communications, industrial trends , and ensures timely acceptance of such information by internal researchers. Meanwhile, the Company plays an active part in provincial or ministerial-level research projects, increases collaboration with competent authorities, enhances technological capabilities, and closely follows China's major strategic demands to advance R&D innovations.

2. Developing frontier technologies

Despite the technological renovations and updates in the electrochemical energy storage field, Pylontech, thanks to dedication to industrial technologies, has maintained its R&D advantages in frontier areas. The Company makes developing frontier technologies a major part of its development strategy, and vigorously develops new types of lithium battery technologies, products and processes through R&D either independently or in collaboration with partners. Right now, Pylontech has a wide range of projects under research, covering lithium battery cells, modules, system integration and energy Internet, while advancing the R&D of frontier technologies like sodium-ion batteries.

3. Building a stronger R&D team and advancing cooperation with research institutes at home and abroad

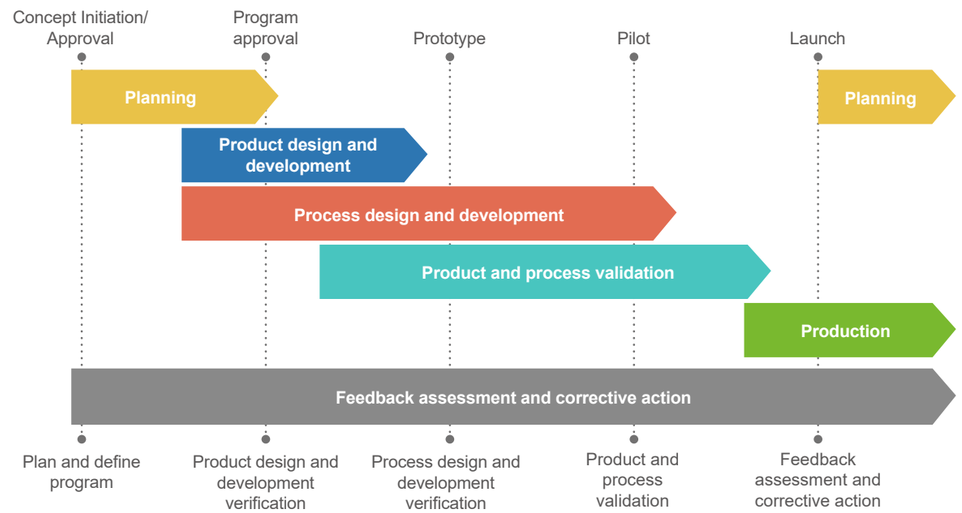
The Company values talents and tries its best to stimulate enthusiasm, initiative and creativity. It works to build an innovation-oriented R&D team and seek innovative individuals in specific fields. Pylontech attracts excellent talents by providing higher pays and publicizing research route. While improving its own R&D strength, the Company also pushes collaboration with research institutes both domestically and internationally to accelerate the R&D progress of core technologies and build a systematic innovation mechanism.

4. Increasing investment in R&D to stimulate more new innovations

Continued R&D input is critical to innovation. The Company has always prioritized investment in scientific research, and ensured a high proportion of R&D input to total expenditure. Going forward, the Company will increase funding to introduce researchers, purchase R&D equipment and improve the R&D environment. Also, it will refine the awarding mechanism for innovation, stimulate the enthusiasm and initiative for innovation among researchers through additional pays and promotions.

Case of Innovation Outcomes

The Company continues to advance the industrialization of core technologies to develop competitive products and integrated solutions. Below are some outcomes:



The process for the Industrialization of Core Technologies

1. Iterative R&D of High-Precision SOC Algorithm

As the capacity of an energy storage system decays over time with changing physical and chemical properties, accurate state of charge (SoC) estimates for longer periods of time are highly challenging, yet fundamental to customer experience. Pylontech continuously optimizes the model for SOC estimates and introduces an adaptive algorithm based on EKF to overcome the challenges posed by capacity decay/ battery aging to accurately portray SoC estimates. Moreover, to make the Company's products adapt to different use scenarios, Pylontech has customized the SoC algorithm for customers of different regions.

2. Adaptive Technology for Temperatures under All Working Conditions

The applications of lithium batteries have been expanded in various scenarios like outdoor energy storage and auxiliary communication power. As the temperatures in different scenarios vary greatly, how to improve the adaptability, service life and reliability of batteries in different environments is an issue that requires an intricate solution. To address the issue, Pylontech developed an adaptive technology for temperatures under all working conditions. Equipped with passive thermal-control uniform temperature components built on the phase-transition uniform temperature technology and Pylontech's mature battery system, the adaptive technology can reduce the highest temperature of cells and system temperature difference in varying degrees under different working conditions, and significantly improve the charging and discharging voltage and environmental boundaries of lithium battery modules.

3. Technology to Improve the Cycle Life

Built on existing core technologies like nano-coating, advanced water-based binders on cathode and functional electrolyte, Pylontech conducted in-depth research on the impact of electrochemical, mechanical and thermal factors on battery life decay at the mechanical level, and developed the model about battery decay throughout its lifecycle; at the pack application level, Pylontech developed the cell expansion in-situ monitoring technology to lengthen battery cycle life. So far, while maintaining an energy density of no less than 175Wh/kg, Pylontech has increased the cycle life of its long- life batteries to over 13,000 times, which is expected to top 15,000 cycles in the future with a service life of more than 20 years.

4. Development of Sodium-ion Batteries

To develop sodium-ion batteries, Pylontech makes vigorous efforts in material system R&D, optimize design parameters and improve processes. By far, its first-generation sodium-ion batteries have initially met the technical objectives regarding energy density and cycle life, and entered the stage of pilot testing and validation.

5. Launch of M Series

With the development completed, Pylontech's M series have been officially mass-produced and put into market, and can satisfy the demands for energy storage of different users from power plants to businesses. Integrating batteries, PCS, EMS, booster transformers, communication modules, power distribution and fire prevention facilities inside a prefabricated container is a general practice for grid scale energy storage facilities. With this knowledge, Pylontech successfully developed M series, container-based energy storage products. With the sizes ranging from 10 to 50 feet, the products are built on a module structure and a 3-leveled BMS, with the electric voltage at the DC side supporting a 1,500V platform, and allows customized configuration.

Supply Chain Management

Supplier Management

Pylontech follows the international guideline for responsible sourcing. The Company formulated the *Supplier Investigation Form, Initial Supplier Review Form, Onsite Supplier Inspection Form and Supplier Development Capability Review Form*. It organized multiple departments to fully review suppliers' technical capabilities, collaboration efforts and product quality thus to evaluate their capabilities in production, surveillance, quality assurance, process control and R&D. Based on ISO9001, ISO14001, SA8000 and ISO45001 standards and other related requirements, Pylontech conducts onsite review of suppliers according to the *Supplier QESH System*, and gave them correction guidelines/advices. In 2022, the Company introduced 22 new suppliers and eliminated 5 suppliers, bringing the total number of suppliers to 277.

Pylontech has tough quality control objectives for suppliers, and generates results based on monthly, quarterly and annual supplier performance assessments. In 2022, the Company conducted four rounds of supplier assessment, and required unqualified suppliers to rectify problems or risk potential termination of contracts based on the degree of noncompliance.

2022 Supplier Data

Number of newly introduced suppliers	Number of eliminated suppliers	Total number of suppliers	Supplier assessments (time)
22	5	277	4

Sunshine Supplier Program

Pursuing sustainable procurement, Pylontech launched the "Sunshine Supplier Program", to define suppliers' responsibilities through agreements and build a healthy and steady supply chain.

List of Agreements under the Sunshine Supplier Program

Letter of Commitment to Honesty and Integrity	*Letter of Commitment to CSR*
Agreement on Health, Safety and Environment,	*Assurance of Non-use of Conflict Minerals*

The Company reviews all suppliers, and requires all suppliers to sign the *Letter of Commitment to Honesty and Integrity, Agreement on Health, Safety and Environment, Letter of Commitment to CSR and Assurance of Non-use of Conflict Minerals,* by which they promise to reduce pollution to environment throughout product and service-related processes, care for employees' health and safety, fulfill CSR, state the metals contained in the products or components they deliver will not be minerals from conflict areas, and continuously improve the capability to manage supply chain risk.

The Company requires the procurement department to arrange at least one onsite inspection each year checking suppliers' performance in labor use & human rights assurance, environmental protection, occupational health and safety and business ethics. The procurement department will evaluate inspection results and provide a written plan for improvement within seven working days. If severe violations of laws or regulations are found, the Company will immediately terminate cooperation with the supplier concerned, to bring supply risk under control.

Product Quality and Safety

Quality Control System

With product quality at the core, Pylontech put in place a complete quality control system, which can identify possible risks throughout product lifecycles, and define detailed items of control on each node to monitor each process. Utilizing the manufacturing execution system (MES), the Company achieved real-time product & equipment monitoring, data collection & information traceability throughout the production process. As a result, response and decision-making was expedited and product quality was improved. The Company built an experienced onsite management team, and fostered a culture in which all employees work to continuously improve quality. Through these measures, the Company aim to tap each frontline employee's enthusiasm and promote the continued improvements of product quality.

In addition, the Company established a complete process management system, which incorporated design, confirmation, control and remediation into the entire product lifecycle. At the stage of product development, the Company designed and confirmed processes initially according to the procedures on development management. At the stage of mass production, the Company improved manufacturing efficiency and product quality, meanwhile targeting weak links of quality control in the production line. Moreover, Pylontech continued to d explore new design in process development, experimenting with new processes in an effort to develop distinctive processes and core technologies with IPRs.

The Company put in place a full set of quality management systems, with Shanghai Pylon Technologies Co., Ltd. and Jiangsu Pylon Battery Co., Ltd. both passing the ISO9001: 2015 quality management system and the IATF16949: 2016 quality management system for the auto industry. The Company exercised control in four aspects, i.e. technological R&D, production process, product inspection and customer satisfaction, and launched quality improvement projects.

Product Safety Assurance Measures

Strengthening research on the battery safety mechanism in the R&D process

In R&D, Pylontech increased research on battery safety mechanism, and used field emission scanning electron microscopes to observe the morphology of main and auxiliary anode and cathode materials to analyze element distribution. By studying the distribution evenness of each component, the thickness, pores, lithium precipitation and volume expansion of anode and cathode pieces, and the thickness, composition and electroconductibility of SEI film, the Company further analyzed the charging and discharging failures of anode and cathode pieces in tough application environments. Also, the Company used GC-MS to precisely quantify the organic solvent and additives in the electrolyte of lithium-ion batteries and analyze battery failures.

Replacing manual operation with customized automated equipment in the production process

In production, Pylontech adopted automated production equipment for the whole process from moving raw materials into warehouses to moving cells out of plants. Even in equipment assembly that involves more manual work, Pylontech increased the use of automated equipment and improved product quality and safety through customized automated equipment.

The Company's lithium cell and battery system production lines have one of the highest automation rates in the industry. To echo the "Made in China 2025" strategy and meet the growing demand for product quality of customers, the Company will introduce advanced equipment including the automated feeding & continuous homogenizing equipment, automated cutting & folding machine, automated baking line, three-dimensional stacking type automated formation & capacity grading system, automated separation equipment & automated welding and assembly lines. The Company will further automate production, reduce manufacturing cost, improve production efficiency, precision and consistency, and thus enhance product quality and intelligent manufacturing.




Photos: Advanced automation equipment in the production line

Product Quality Assurance

In terms of battery service life: The Company has kept improving the cycle life of lithium iron phosphate batteries over the last years by optimizing design, using quality materials, upgrading formulas and improving critical processes. The Company plans to increase battery cycle life to 15,000 times and energy density to 190Wh/kg by refining design to reduce battery polarization. Besides, the technology to evaluate the service life of lithium iron phosphate batteries developed by the Company enables faster evaluation of the service life of LFP and a shorter development cycle of long- life batteries, providing support for the Company to evaluate the design, service life and cost effectiveness of products more efficiently.

Regarding product safety: The Company has accumulated many safety technologies in the design, development and production of energy storage systems, such as the battery module design technology, distributed lithium battery management technology, lithium battery voltage adaptive technology, thermal management and design technology for the energy storage system, automated detection technology for the battery management system and battery security features recognition algorithm. The Company will develop more methods to warn against lithium battery related security accidents, explore adaptive technology and research the application of nervous system-like network to BMS to monitor SOH more effectively. Meanwhile, the Company will step up collaboration with universities and research institutes to resolve key problems and build a technological innovation chain. We will combine our industrialization advantage with the R&D advantage of research institutes to secure a leading foothold in advanced battery technologies.

Standards for lithium-ion battery or energy storage systems have been in place across the world's major energy storage markets to ensure the availability of safe and compliant energy storage products. Rigorous safety standards and certification procedures require enterprises to be strong in independent R&D and manufacturing. Built on a highly reliable structure and backed by a highly reliable, precise and intelligent battery management system, Pylontech's products have passed safety certifications including IEC, UN38.3, CE, VDE, UL, CEC and JIS, and met the requirements of environmental directives like REACH, RoHS and WEED, making Pylontech one of the most qualified independent battery manufacturers in the industry.

Safety certifications	Contents of standards
IEC	IEC developed safety standards for lithium-ion batteries including IEC62619 and IEC62040, which have been widely adopted worldwide.
UL	UL released a series of standards, including UL1642, UL1973 and UL9540. UL1642 specifies standards for the safety of lithium batteries; UL1973 defines the requirements and testing methods for the electrical safety, battery safety and functional safety of battery systems; UL9540 poses clear requirements on the electrical safety, battery safety, functional safety and grid connection properties of energy storage systems, and was successively approved as the national standards of the US and Canada.
VDE	In May 2017, Germany released VDE-AR-E 2510-50, standards for energy storage systems, which specify rigorous technical requirements and testing conditions for energy storage systems in terms of electrical safety, battery safety, electromagnetic compatibility, functional safety, transport safety and environmental protection.
CE	CE is a safety control certification launched by EU. Products covered by 22 directives under EU's new legislative framework, including the lithium-ion batteries covered by the 2011/65/EU Directive, must be certified for CE. The CE certificates issued by EU designated agencies form part of market access conditions, and serve as the technical evidence from a juridical stand point.
JIS	Energy storage products should meet the technical requirements for electrical safety, performance, communication and earthquake resistance, etc. Only after being awarded certificates by the third-party certification agencies can businesses be put on the list as qualified applicants for government subsidies. In particular, batteries should meet JIS C 8715-2 or equivalent standards, and energy storage systems should meet JIS C 4412 or equivalent standards.
CEC	In Australia, the listing on CEC's website is a prerequisite for market access of energy storage products. To get financial support from Australia, energy storage products must be listed on CEC. In its official website, CEC details the conformity standards for energy storage systems in safety, safety regulation and grid connection.
UN38.3	Article 38.3 Part 3 of the United Nations Manual of Tests and Criteria for the Transport of Dangerous Goods, or UN38.3, requires lithium batteries to undergo high and low-temperature cycle, vibration test and impact test to ensure safe transport of lithium batteries. This is a compulsory certification.

Global Customer Service

Being one of the first companies with presence in lithium energy storage in China, Pylontech has long been focusing on lithium batteries. Thanks to quality products and services, the Company has built a sound brand image and reputation while maintaining a stable customer base.

In overseas market, Pylontech has become a leading provider of energy storage systems. Built on the Company's excellent system and cell design & manufacturing capabilities, Pylontech has partnered up strategically with leading distributors, integrators and project developers of energy storage systems in the world's major markets, while pursuing expansion in emerging markets.

In domestic market, the Company supplies auxiliary power storage solutions to globally leading manufacturers of communication equipment. Moreover, the Company also sold products to a number of industry-leading EPC enterprises. Also, the Company collaborates with several power equipment producers and integrators on mass supply of container energy storage systems and MWh-level battery systems. It commercializes energy storage systems in businesses, micro grids and other segments. Meanwhile, the Company is successful in the area of mobile energy storage, where it achieves mass shipments.

- Open a service email account to connect to end users worldwide and answer their technical questions;
- Set up comprehensive maintenance centers in major markets, and provide local product failure diagnosis and maintenance services;
- Keep updating spare parts, and equip all service centers and major sales channels with adequate spare parts to ensure timely services;
- Offer door-to-door commissioning, problem diagnosis and other local value-added services in some countries, and make hotline in local languages available to customers.

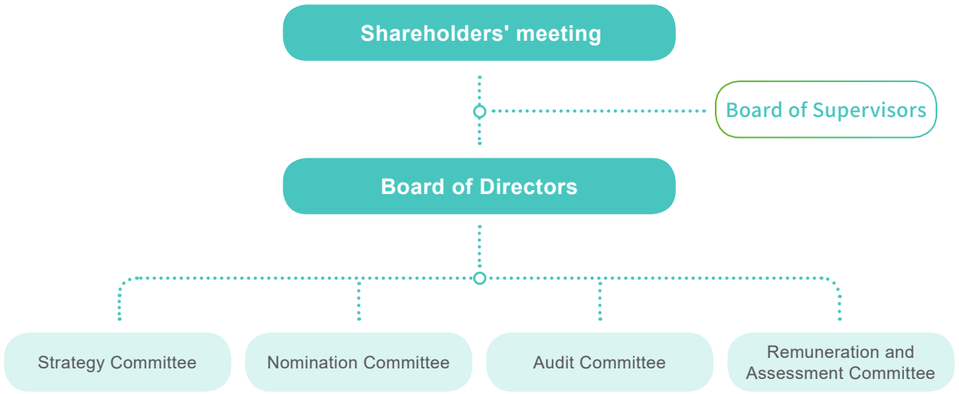
03

Practising Standard Governance

Corporate Governance System

In accordance with the *Company Law of the People's Republic of China ("Company Law"), Securities Law of the People's Republic of China ("Securities Law")* and other applicable regulations, Pylontech developed the Articles of Association, which specify the responsibilities and authority of shareholders' meeting, Board of Directors, Board of Supervisors and senior management. All the authorized bodies perform their duties in line with relevant rules and working procedures, to ensure there are check and balance in place for decision making. Additionally, the Company seek to uphold several rights for general investors and potential investors. These rights include but are not limited to the right to know, right of returns on assets, right to major decisions and right to voting management members, among other rights, of the Company's investors, particularly small and medium-sized investors and potential investors.

Governance Structure



About the shareholders' meeting

As the Company's body of authority, the shareholders' meeting performs its duty according to law and the Company's *Articles of Association*, convenes and holds shareholders meetings, decides on the Company's major matters, and allows shareholders to fully exercise their rights.

About the Board of Directors

The members of the Board of Directors are elected by the shareholders' meeting and answer to the latter. The Board of Directors of Pylontech consists of four separate committees which include: Strategic Committee, Nomination Committee, Audit Committee and Remuneration & Assessment Committee. The leader of each separate committee has expertise in the field and the individual is in charge of and answers directly to the board of directors. These separate committee leaders oversee the Company from four different perspectives and make sure the Company function in a harmonious and risk-free manner.

About the Board of Supervisors

The Board of Supervisors oversees the overall management sector of the Company and makes sure that the Company's operations abide by national and international regulations. The Board of Supervisors are also responsible for making sure that the Company's voting procedure follows the Articles of Association. At Pylontech, the Board of Supervisors consists of three supervisors, including shareholder representatives and at least one third of its employee representatives.

About other special committees

The Strategy Committee, Remuneration and Assessment Committee, Nomination Committee and Audit Committee are set up under the Board of Directors of the Company. The conveners of the Audit Committee, Nomination Committee and Remuneration and Assessment Committee are all independent directors, and more than half of their members are independent directors; the independent director who acts as the chairman of the Audit Committee is an accounting professional.

As of December 31, 2022, the Company had 8 directors, including 3 independent directors that represented 37.5% of the total and 5 non-independent directors that comprised 62.5%.

Information about the meetings held by the shareholders' meeting, the Board of Directors and the Board of Supervisor in 2022:

Meeting name	Times of meetings held	Proposals reviewed
Shareholders' meeting	3	25
Board of Directors meeting	13	61
Board of Supervisors meeting	10	33

Investor Relations

In accordance with applicable laws, regulations and regulatory documents including the *Company law, Security Law* and *the Guidelines on the Management of Investor Relations by Listed Companies,* as well as regulations including the Articles of Association, the Company developed the *System for the Management of Investor Relations*, and fostered the corporate culture that advocates the efforts to serve investors, respect investors, realize corporate values and maximize shareholders' interests. Also, the Company put in place open, fair, transparent and multi-dimensional channels for communication with investors, such as Shanghai Stock Exchange (SSE) e Interactions and investor hotline. In 2022, the Company regularly held operating results briefings to answer investor questions, protecting the right to know of various investors and sharing with investors the Company's development logic and highlights. Meanwhile, the Company follows a steady policy for profit distribution, values reasonable returns for investors, while pursuing sustainable development of the Company.

Compliance Information Disclosure

The Company attaches great importance to information disclosure, and strictly abides by the *Company Law, Securities Law* and other applicable laws, regulations and regulatory documents. Designating China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Securities Exchange as the channels for information disclosure, the Company faithfully performs its obligation in information disclosure, and discloses information in a trueful, accurate, complete and timely manner, to protect investors' right to know and right to participation. In strict compliance with the requirements on corporate ESG practice, the Company's Board of Directors promotes and guides ESG practice and information disclosure, contributing to the high-quality development of the capital market and the society at large.

Internal Risk Control

Risk Control

Risk control is a major aspect of corporate governance. Pylontech regularly evaluates its own operations and industrial changes, and identifies relatively significant risks for the time being. The Company allocates the responsibilities to prevent and control risks, establishes an accountability system in which heads of business units take overall charge and company leaders in charge of risk control report risks within respective areas, strengthenes the risk responsibility system of leaders at all levels, and fulfilles the responsibilities of business departments, audit department and legal department, so as to build a strong risk control system and improve risk control ability.

Internal Control

In accordance with applicable laws, regulations and regulatory documents including the *Company law, Security Law* and the *Guidelines on the Management of Investor Relations by Listed Companies*, the Company developed the *Articles of Association, Rules of Procedure for Shareholders' Meeting, Rules of Procedure for the Board of Directors, Rules of Procedure for the Board of Supervisors, Detailed Working Rules for President, Working System for Independent Directors* and *Detailed Working Rules for Board Secretary* as the basic systems for corporate governance, and defined the scope of responsibilities and authorities and working procedures for the shareholders' meeting, Board of Directors, Board of Supervisors and management. The convening and major decision-making behaviors of the shareholders' meeting, Board of Directors, Board of Supervisors are legal and compliant. Based on the Company's basic management system, the internal management and control system covers the whole production and operation process from financial budgeting, material procurement, sales, external investment and personnel management. This ensures all company operation abide by the rules set by the standard management system of the Company.

The Company took full account of industrial features and its management experience to build an internal control system that's aligned with its operating needs and effective in the control of operating risk. Since it was established, the internal control system has been effectively implemented, playing a positive role in tightening management, standardizing operation, improving economic benefits and driving the Company's sustainable development.

Internal Audit

In accordance with relevant requirements and plans on internal audit, Pylontech continues to refine the internal audit process while the Audit Committee faithfully supervises internal audits to meet relevant requirements on internal management. In pursuit of compliance operation and added values, the Company regularly identifies internal risk factors, forms a matrix for risk control, and keeps expanding the coverage of internal audit. Consisting of 16 detailed items, such as organizational structure, corporate culture, CSR, HR, and contract management, the Company's risk control matrix is designed to implement control objectives, identify risks and define the responsibilities of the departments in charge. In 2022, the Company saw no operations against rules or other cases that should be held accountable for.

In 2022, the Company saw
no operations
against rules or other cases that should be held accountable for.

Compliance Operation

The Company has observed the provisions of the *Corporation Law,* the *Securities Law,* the *Governance Code for Listed Companies,* the *Basic Norms of Internal Control of Enterprises* and other laws, regulations and normative documents relating to the location of business operation, and adhered to the values of the Company. Internally, it has built various management systems and continuously improved the enterprise compliance level. Externally, it has constantly strengthened the legal construction, and its legal department has provided legal support to all of major investments and engineering projects in the whole process. Specifically, the legal department has reviewed all of contracts/orders of the Company and subsidiaries before signing, and supervised the signing of contracts with the Company's contract templates.

In addition, the Company has formulated the *Employee Manual* to standardize the code of conduct of its employees, prohibited all behaviors in violation of the laws and regulations or business integrity and ethics, and held regular training for the employees to enhance their abilities to identify and control risks in the business process. Pylontech has required all new employees to sign the *Employment Statement*, which stipulated that all of new employees shall not have any controversies or disputes relating to intellectual property rights with their former employer or any third party before joining the Company and shall not infringe the intellectual property rights of any third party during the tenure.

In 2022, Pylontech was not subject to any major sanctions or heavy penalties due to the violation of any laws and regulations in the social, environmental and economic fields.

Business Ethics

The Company has observed the international conventions and the laws and regulations of the countries where its business is located, maintained good business ethics, set up special provisions on anti-corruption, and kept a clean, honest and conscientious working style among all employees, so as to prevent corruption. We have conducted regular internal reviews and accepted audits from customer or any third parties to ensure the compliance of company operations and its overall healthy development.

When joining the Company, its employees are required to sign the *Employee Manual*, while supervisors/supervisory positions on foreign trade-related positions are required to sign the *Employee Integrity Agreement*, so as to promise not to commit any unfair, fraudulent and corrupt behaviors which violate the laws, regulations and professional ethics. Besides, the Company has formulated the clauses on anti-corruption prevention, investigation and handling to enhance its employees' awareness of compliance operation. The Company has established the Anti-Corruption and Anti-Bribery Control Process. The process aims to prevent bribery or other corruptions in the process of management, strengthen the internal control mechanism of the Company, maintain integrity and trustworthiness, establish the business philosophy with legal compliance, integrity and high-quality services at the core, and strengthened the system supervision. The process covers all of the customers, suppliers, service providers and contractors that cooperate with the Company, and requires the employees to sign the *Anti-Bribery/anti-Corruption Agreement* to prevent and control corruption at the source and improve the construction of anti-corruption system.

Supplier Anti-corruption Management

The suppliers are required to sign the *Integrity and Anti-Corruption Commitment Letter* to prevent any corruptions. By means of the supplier meetings and manager guidance, the Company has advocated the compliance operation, and jointly combated the commercial bribery and unfair competition, to improve the business ethics of suppliers.

Corruption Reporting Channel

The Company has set up a corruption reporting channel to collect external and internal reports of corruption. Pylontech will keep the reporting individuals' information confidential. The reporting channel is as follows:

Telephone: 0086-21-31599521, 0086-21-31599520

Email: fanwubi@Pylontech.com.cn

The Company encourages real-name reporting. If the information provided by real-name reporting is verified by investigation, the informant will be given the corresponding reward based on the severity of the event.

Business Ethics Management Performance

Anti-corruption policy training and communication

Executive training coverage

100%

Employee training coverage

100%

Dispatched worker training coverage

100%

Supplier communication coverage

100%

Operating sites where the corruption risk assessment has been conducted

Conduct the corruption risk assessment for all operating sites, covering

100% of operating sites

Confirmed corruption cases

0 Cases

Improper competitive behaviors and anti-monopoly violations

0 Cases

IPR Protection

Pylontech has attached great importance to the protection of intellectual property rights and patents. The Company has set up the Intellectual Property Department to take charge of relevant work and it has formulated the *Intellectual Property Risk Management Process* to analyze the possible intellectual property risks and taken evasive measures to protect the interests of the enterprise and minimize the losses. The process defines the responsibilities of each department in the risk management process, which include: patent risk, trademark risk and other management contents, and provides risk emergency management measures. In addition, to protect the technical secrets within the Company, it has established the *Technical Secret Management Process* to protect the technical solutions with commercial value.

IPR-related Training Cases

In order to strengthen the construction of the Company's intellectual property protection capacity and improve the intellectual property protection business level of business personnel and senior executives, the Company has organized lectures on intellectual property for the two sectors, with the aim to emphasize the scope and value of intellectual property, the intellectual property work and management framework, the intellectual property reserve, the intellectual property risk control, the intellectual property rights protection and key foreign compliance risks.

Information Security

Information security and customer privacy protection are Pylontech's responsibilities. To improve the network and information security management, the Company has defined the code of conduct of the employees in the aspect of information security in the *Employee Manual*, which guides the employees to properly use the Company's systems and network, prohibits the use of network and computers for activities irrelevant with the Company's business, and requires the information department to conduct regular maintenance and inspection of the network equipment. In order to legally and reasonably protect the privacy and security of each partner, both parties sign the non-disclosure agreement (NDA) in an equal, voluntary, fair and just manner, to define the scope, permission, information return, liability applicability and other specific contents of confidential information. Any individuals or organizations in violation of the regulations will be held responsible.

2022 information security-related performance:

Complaints relating to violation of customer privacy	Confirmed leakage, theft or loss of customer data
0	0

In daily management, the Company has analyzed the security of the operation process based on the current business, adopted the compliant information security management system, strictly observed the *Basic Norms for Internal Control of Enterprises, the Administrative Measures for Information Security Level Protection (Trial Implementation)* and other relevant regulations, and ensured the information security in the business process using the key encryption system, cloud disk software and other technologies.

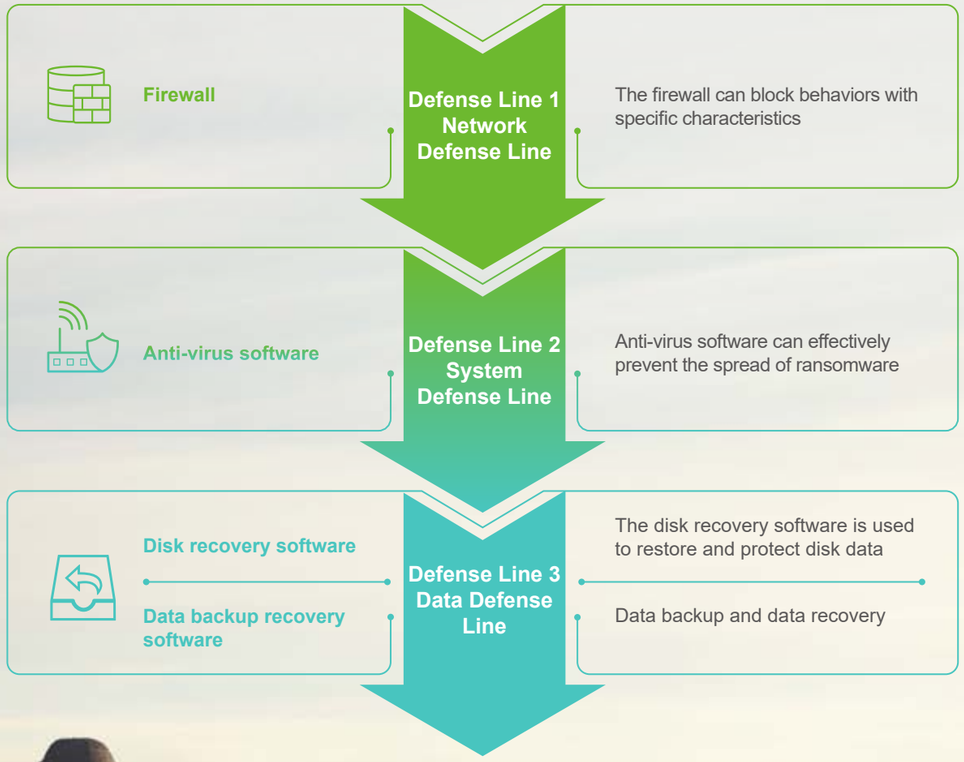
In the aspect of network maintenance, the Company has reduced the external threat intrusion risks by identifying the internal business and continuously controlling the business vulnerability. A variety of innovative threat detection technologies have been adopted to achieve the desired defense effect. The Company's system could quickly monitor and prevent threats, enhance security risk detection of network boundaries, prevent network virus invasion and ensure business security.

Business objective vulnerability management reduces the external threat intrusion risks

Innovated threat detection technologies provide active threat detection

Safe operation automation ensures the security incident response and handling efficiency

In the aspect of file security, the encrypted backup has been made to consolidate the three lines of information security defense. Two key considerations involve: multi-directory synchronous backup/ recovery and virus scan based on known virus types.



04

Protecting Environment

Environmental Management

Pylontech has adhered to the environmental protection principles of “environmental protection and sustainable development”, boosted the national "Carbon Peaking and Carbon Neutrality goals" ambition while continuously strengthening the top-level design of environmental management. Besides, it controlled pollution at its source and organized environmental impact assessments. Furthermore, the Company built a structured environmental management system in major business units and production activities which earned the ISO14001 environmental management system certification, in order to keep improving its internal environmental management level.

Environmental Compliance

Pylontech has actively conducted environmental monitoring and assessment in line with national and local environmental protection laws and regulations, and implemented the requirements of the environmental protection laws and regulations on energy conservation and consumption and waste reduction, and clean and safe production. In addition, it created a green environment, promoted the environmental management system faithfully, and carried out the environmental principles as expected by all stakeholders. During the construction, the Company kept environmental protection in mind during its construction by following environmental impact related assessment requirements. Multiple plants underwent several levels of noise, pollutant and impact assessment. Moreover, Pylontech protectively follow environment-related regulations and kept thorough records of different plants' environmental impact.

Pylontech has assessed internal environmental factors regularly, set appropriate environmental management goals, and formulated corresponding management schemes based on important environmental and risk factors, so as to ensure the realization of company goals.

Environmental management performance in 2022

Hazardous waste disposal rate	Waste discharge	Number of major hazards such as fire and accidents with serious environmental impact
100%	Up to standards	0 times/year

Pollution Management

Pylontech, as a battery energy storage system manufacturer, generates less pollutants during production and operation process, mainly including waste water, exhaust gas, noise and solid waste. The equipment and emissions involved in the production process have been controllable and met the requirements of regulations with the government’s permission. The vast majority of solid waste was recycled with the zero pollution. To ensure the Company do not pollute the soil and violate local laws, Pylontech formulated waste management procedures to control industrial and general waste.

Emergency Plan

In order to effectively prevent, timely control and eliminate the hazards of emergency environmental events, the Company has formulated the *Comprehensive Environmental Emergency Plan* according to the *Environmental Protection Law of the People’s Republic of China,* the *Law on Environmental Impact Assessment of the People’s Republic of China* and other relevant laws and regulations. According to the actual conditions, the environmental emergencies are divided into two categories in the document, namely environmental pollution incidents and ecological environmental destruction incidents. It is determined that the Company’s environmental risks mainly involve the production process, material storage and transportation process, public works and auxiliary systems, which provides specific guidelines for emergency response.

Addressing Climate Changes

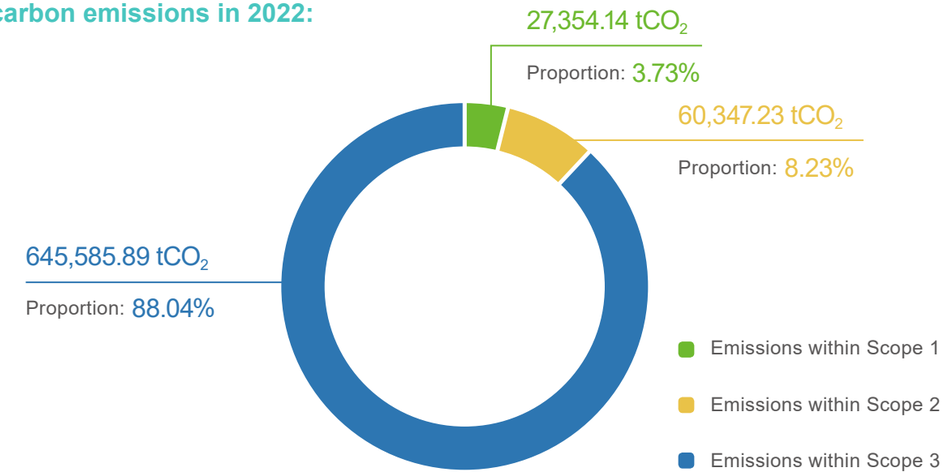
Pylontech has attached great importance to the potential impact of climate change risks on its business operations. In order to better manage the relevant indicators of climate changes, the Company conducted the greenhouse gas inspection for the production and operation activities of four operating sites according to ISO 14064- 1:2018 standards, and planned to strengthen the monitoring data management gradually in the future and devote itself to the national “Carbon Peaking and Carbon Neutrality” tasks actively.

In the early stage of the inspection, the Company’s organizational boundary and greenhouse gas emission sources became the two starting points of the inspection work. In terms of the organizational boundary, we set the operation control right as the boundary of the inspection scope, and confirmed the direct production system, the auxiliary production system and the ancillary production system directly serving the production contained in the scope. In terms of sources of GHG, whether the emission sources are complete (including source type, capacity, quantity, location, time of installation and time of removal) were the key focus of the GHG inspection of 2022. After the basic data such as emission factor, activity data and GHG emission had been calculated and verified, the Company gathered the result and got the 2022 GHG inspection result below:

Carbon emission data of Pylontech in 2022:

	Carbon emission (Ton)	Proportion (%)
Emissions within Scope 1	**27,354.14**	**3.73%**
Shanghai Pylontech (Headquarters)	113.40	0.02%
Jiangsu Pylon Battery (Yangzhou Plantt)	14,045.69	1.92%
Huangshi Pylontech (Huangshi PlantPlant)	12,518.46	1.71%
Jiangsu Pylontech (Kunshan PlantPlant)	676.59	0.09%
Emissions within Scope 2	**60,347.23**	**8.23%**
Shanghai Pylontech (Headquarters)	699.58	0.10%
Jiangsu Pylon Battery (Yangzhou Plant)	55,403.08	7.56%
Huangshi Pylontech (Huangshi PlantPlant)	1,220.06	0.17%
Jiangsu Pylontech (Kunshan PlantPlant)	3,024.51	0.41%
Emissions within Scope 3	**645,585.89**	**88.04%**
Shanghai Pylontech (Headquarters)	48.93	0.01%
Jiangsu Pylon Battery (Yangzhou Plant)	161,825.65	22.07%
Huangshi Pylontech (Huangshi PlantPlant)	479,733.85	65.42%
Jiangsu Pylontech (Kunshan PlantPlant)	3,977.46	0.54%
Total	**733,287.26**	**100%**

The distribution proportion of Pylontech’s carbon emissions in 2022:



Pylontech has firmly promoted green development and attached great importance to the implementation of green low-carbon strategy. Through the comprehensive inspection of the carbon emission data of each operating sites in 2022, the Company gained insight of its energy conservation work while also realizing future carbon neutrality path. Through inspection, it defined that the carbon emissions from its business operation (scope 1 and scope 2) were about 87,700 tons, accounting for about 11.96%; those from its value chain (scope 3) were about 645,600 tons, taking up about 88.04%.

The carbon emissions of Pylontech in 2022 decreased significantly compared with those in 2021, due to a series of emission reduction measures taken by the Company, such as increasing the use of electric forklifts to improve the operational efficiency and reduce the carbon emissions at its operational level. Additionally, Jiangsu Pylon Battery which previously only manufactured battery cell now have the production capacity of 90,000 sets of energy storage products, greatly reducing its dependence on other factories. The transfer of production capacity reduced the transportation mileage, enabling Pylontech to realize a significant reduction of carbon emissions in transportation while guaranteeing both quality and quantity.

Production line upgrade case:

Energy Management

Pylontech formulated *the Energy Conservation and Emission Reduction Management System* and the *Energy Consumption and Greenhouse Gas Emission Management Procedures.* The Company made reasonable use of energy and resources through effective management and control of its internal resources, energy and greenhouse gas emissions. Besides, it achieved the sustainable development goals of energy conservation, emission reduction, environmental protection, cost reduction and efficiency increase by reducing energy and resource consumption and minimizing greenhouse gas emissions.

The Company strengthened the control of electricity consumption, and established and improved the operation benchmarks of key electricity consumption equipment to standardize the operation of equipment. It carried out electricity saving publicity and education by means of slogans, status boards and training to improve the employees' saving awareness. Pylontech made reasonable production and operation plans to reduce equipment start-up frequency and idle equipment operation; strengthened equipment operation maintenance and spot inspection to avoid abnormal equipment operation; required the employees to turn off the light when leaving; controlled the operation time of air conditioning, and set the refrigeration (heating) temperature; made regular statistics of electricity consumption to check the implementation of the electricity saving measures.

Energy consumption control measures in production and operation in 2022:

Main energy conservation fields	Main control measures
Daily operation	Formulate reasonable operation procedures, use clean energy, reduce energy consumption of energy equipment, achieve the aim of reducing greenhouse gas emissions
Transportation system	Adopt reasonable transportation modes, advocate green travel, reduce the emissions of vehicles and equipment
Production and manufacturing	Make reasonable plans for the manufacturing process, improve the production efficiency and reduce greenhouse gas emissions per unit of products
Equipment maintenance	Strengthen equipment overhaul and maintenance to prevent the leakage of combustion gas

Pictures of part of energy conservation and consumption reduction facilities

B4NMP is the liquid waste produced during the processing of anode materials, which has certain toxicity and irritation but can be collected for recycling. Jiangsu Pylon Battery collected and processed B4 NMP for dilution through this system, and then entrusted a third party for recycling.

The cold water was heated with the hot steam by the boiler and returned to the boiler for heat recovery, achieving a more efficient and energy-saving boiler heating

Green Operation

Pylontech has adhered to the concept of clean production. According to the provisions of the *Energy Consumption and Greenhouse Gas Emission Management Procedures*, the Equipment Department is responsible for the reasonable use of energy resources in the production process, the inspection of energy consumption of main resources in production workshops, the measurement and statistical analysis of the Company's energy resources indicators, and the management of the use of energy resources in the living and office areas.

Resources and energy consumption control targets include:

- Electricity and water consumption of production equipment;
- Electricity consumption of lighting, heating and cooling equipment in production and office areas;
- Consumption of production and office paper and office supplies;

Pylontech set the *Control Procedures for Identification and Assessment of Environmental Factors* to identify and assess the environmental factors that can be controlled and limited in the Company's activities, products and services, determine important environmental factors, and update them in time, ensuring the important environmental factors under control.

When identifying the environmental factors, the Company included the consumption energy and of resources into the environmental factors, and included the energy and resources that occupy a big part in the cost into the important environmental factors.

According to the *Administrative Procedures for Identification and Assessment of Environmental Factors*, the Company established targets and indicators for energy and resource consumption items that were included into the important environmental factors. When necessary, Pylontech may formulate the environmental management scheme for implementation and control.

The Company actively advocated green operation, strengthened education and training to promote environmental protection and employees' awareness on environmental protection.

In order to improve the efficiency and reduce the costs, Pylontech has always carried out the concept of green production throughout the production process, and improved the level of production automation constantly, finally reducing the annual electricity consumption per KWh by more than 30% in 2022 compared with 2021.

Statistical comparison of electricity consumption per KWh of Pylontech

	Production yield (KWh)	Electricity consumption (KWh)	Electricity consumption per KWh produced (KWh)
2022	4,036,379	78,753,492	19.51
2021	1,710,724	47,406,415	27.71

Note: Jiangsu Pylon Battery is taken as an example to calculate the output and electricity consumption data.

Pollution Prevention and Control

The Company's cell production process produces waste water, exhaust gas, solid waste and noise, but does not induce heavy pollution. Its subsidiary Jiangsu Pylon Battery is engaged in cell and module production, with corresponding pollutant disposal facilities and pollution permits. In 2022, Jiangsu Pylon Battery's environmental protection facilities were in good operation, and major pollutants were properly disposed or discharged according to standards. The details are as follows:

Items	Main pollutants	Treatment methods, main facilities and operation conditions
Waste water	Production waste water, domestic sewage	The production wastewater was pretreated for precipitation and then treated through integrated wastewater treatment facilities. The domestic sewage was pretreated through septic tanks and then discharged to the sewage pipe network of the park. In 2022, the Company's sewage treatment facilities were in normal operation, with waste water discharge in line with the requirements of the *Pollutant Discharge Standard of Battery Industry* (GB30484-2013).
Exhaust gas	NMP exhaust gas, dust, boiler burning exhaust gas, etc.	The NMP exhaust gas was treated by the condensate recovery unit and emitted through the exhaust funnel to the air. The feeding dust was treated through the dust removal device of the dehumidifier before unorganized emission. The exhaust gas from boiler combustion was emitted through the exhaust funnel to the air. During the reporting period, the Company's exhaust gas treatment facilities operated normally, with exhaust gas emissions in line with the limits set forth in the *Pollutant Emission Standards of Battery Industry* (GB30484-2013), the *Odor Pollutant Emission Standard* (GB41554-93), and the *Boiler Air Pollutant Emission Standard* (GB13271-2014).
Solid waste	NMP liquid waste, waste materials, waste batteries, household waste, etc.	All kinds of solid waste were utilized comprehensively or disposed properly. The general solid waste was disposed as required by the *General Industrial Solid Waste Storage and Disposal Site Pollution Control Standards* (GB18599-2001). The hazardous waste was disposed in strict accordance with the *Hazardous Waste Storage and Pollution Control Standards* (GB18597-2001) and the *Administrative Measures for Joint Document for Hazardous Waste Transfer.*
Noise	Noise at plant boundary	The production noise was controlled by workshop sound insulation, reasonable arrangement of sound source, equipment vibration absorption and other measures. The noise at plant boundary met the class 3 limits of the *Emission Standard for Industrial Enterprises* (GB12348-2008).

Currently, Jiangsu Pylontech and Huangshi Pylontech are responsible for the assembly of the Company's energy storage battery system. The production process produces less pollutants, which have been properly disposed of or discharged according to the standards. The details are as follows:

Items	Main pollutants	Treatment methods, main facilities and operation conditions
Waste water	Domestic sewage	The domestic sewage was connected and discharge to the local municipal sewage treatment plant. The proper treatment of said sewage is entrusted to them.
Exhaust gas	Particulate matters, hot exhaust gas	The unorganized dust discharge and heated exhaust gas is directed to the sealed aging room via ventilation system where heat is recycled while dust is treated. The exhaust gas emission met the requirements in Table 2 of the *Comprehensive Emission Standards for Air Pollutants* (GB16297-1996).
Solid waste	Waste materials, domestic waste, etc.	All kinds of solid waste were utilized comprehensively or disposed properly. The general solid waste was disposed as required by the *General Industrial Solid Waste Storage and Disposal Site Pollution Control Standards* (GB18599-2001). The hazardous waste was disposed in strict accordance with the *Hazardous Waste Storage and Pollution Control Standards* (GB18597-2001) and the *Administrative Measures for Joint Document for Hazardous Waste Transfer.*
Noise	Noise at Plant boundary	Low-noise equipment, as well as sound insulation, vibration reduction and other noise reduction measures were adopted. The noise at plant boundary met the class 3 limits of the *Emission Standard for Industrial Enterprises Noise at Boundary* (GB12348-2008).

In 2022, the Company observed the laws and regulations on environmental protection, without any environmental pollution accidents in its production and operation or punishment by relevant administrative authorities for violating the laws and regulations on environmental protection.

05

Building Social Trust

Labor Management

Human Rights and Anti-modern Slavery

Pylontech has made continuous efforts to protect the rights and interests of its employees. The Company followed related international labor regulations such as, the *Universal Declaration of Human Rights*, the *International Labor Organization Convention*, the *Labor Law and other international conventions*. The Company has signed labor contracts with every employee, paid labor remuneration on time, arranged working hours reasonably, promised not to employ child labors in the *Employee Manual*, combated employment discrimination, and protected the health and safety of company employees.

The Company has also paid attention to labor management in the supply chain and signed a social responsibility commitment letter with each supplier. Pylontech's suppliers are bound by contract to ensure free choice of employment, no child labor, reasonable working hours, benefits, no discrimination/ harassment, occupational health and safety, and clean employment environment. The Company has conducted access/regular reviews for suppliers by a supplier review form, supervised the suppliers to formulate written performance objectives, indicators and implementation plans, and assessed the implementation progress of the objectives and plans regularly, in order to contribute to respecting human rights and combating modern slavery together with the suppliers.

Human Resource Management

Equal Employment

Pylontech has strictly observed the provisions of the *Labor Law,* the *Labor Contract Law* and global laws and regulations where its businesses operate during the personnel recruitment, ensuring an employee labor contract signing rate of 100%. The Company has advocated opportunity equality, and provided equal employment opportunities and labor security for employees of different nationalities, ethnic groups, races, genders, ages, religions and cultural backgrounds. Furthermore, it has strictly prohibited employment of children, and combated all forms of forced labors.

In 2022, Pylontech employed 773 female employees, accounting for 38% of all employees. The Company is committed to creating a respectful, healthy work environment free from prejudice and harassment, firmly combated any forms of sexual harassment and behaviors that harm women's physical and mental health, and resolutely protected the legitimate rights and interests of its employees.

773 female employees
were employed by Pylontech in 2022

Accounting for
38%
of all employees

Number of active employees of the parent company

283

Number of active employees in main subsidiaries

1757

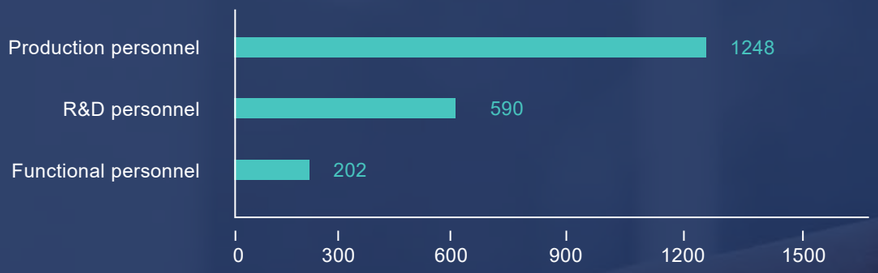
Total number of active employees

2040

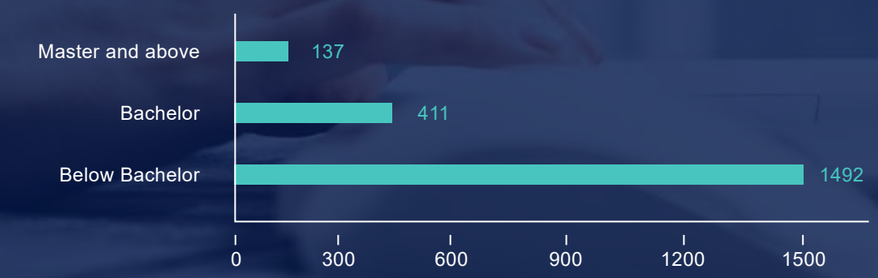
Number of retired employees whose expenses are borne by the parent company and its main subsidiaries

25

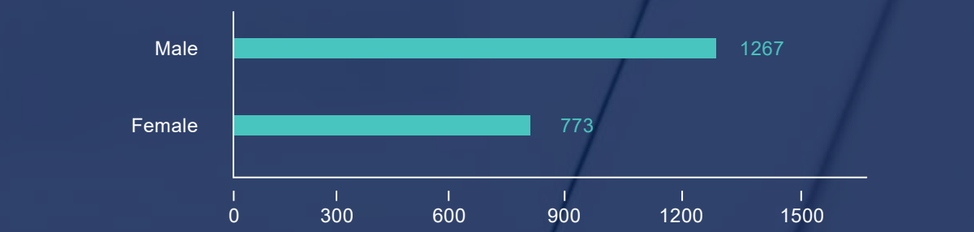
By profession (persons)



By educational background (persons)

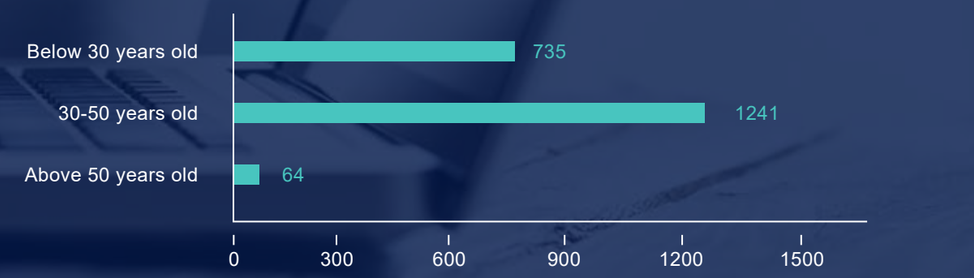


By gender (persons)



By ethnic group (persons)

By age (persons)



Staff Communication

The Company has respected employees' right of free association and regularly listened to the feedbacks and opinions of the workers' union and staff. In 2022, Pylontech paid attention to the physical and mental health of employees by organizing recreational sports and activities through communications with the workers' union and staff. To improve the employees' willingness to communicate with the Company, fully guarantee their rights to know, participate, express and supervise, the Company established communication mechanisms, such as online questionnaires and offline interviews. The Company accepted all of reasonable opinions or suggestions from employees, and gave appropriate rewards to the proposers, so as to stimulate employees' enthusiasm to participate in corporate management. The Company is committed to improving the underlying management problems fundamentally, and improving employee satisfaction, in a bid to boost common development between employees and the enterprise. Meanwhile, the Company has kept the identity of employees confidential strictly in the process of complaint handling, and strictly prohibited any retaliation or discrimination against the employees who complained, so as to fully protect the rights and interests of employees.

Employee satisfaction survey case

Employee satisfaction survey in 2022

Survey time	August 2022
Survey form	Electronic questionnaires
Survey reply rate	71%
Valid questionnaires	1212

The Company has attached great importance to the expectations and demands of employees. Through a biennial survey on the satisfaction of its employees, the Company have collected employees' job satisfaction and problems in work, mastered the status of staff management, and formed a specific analysis report, so as to provide reference and suggestions for the final optimization and improvement of the Company's management measures.

Employee Health and Safety

Health and Safety Management System

Pylontech has always adhered to the development objective of "putting people's health first", abiding the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, and continuously optimized the management mode. Plants in Kunshan and Yangzhou have obtained ISO45001 system certification. The Company has formulated the *Administrative Regulation on Occupational Health for Prevention and Control of Occupational Diseases*, the *Administrative Regulation on Environmental and Occupational Health and Safety Operation*, and organized publicity and training in an all-round way, so as to effectively prevent and control occupational diseases, strengthen industrial health work, eliminate and reduce occupational hazard factors, and guarantee the health of employees. In addition, Pylontech has established an online employee feedback channel to collect the opinions and feedbacks at work and offer official reply on time.

Safe Production

In order to improve the health and property safety of all personnel involved in business services, the Company has established *EHS Policies and Management Rules for Contractors* and required contractors and subcontractors to take measures to protect the health and safety of its employees, and obeyed the *Safety Production Law, the Labor Law*, the *Environmental Protection Law* and other relevant laws, protecting Pylontech from any losses. In addition, Pylontech has set a series of administrative regulations to ensure the safety of the workplace and standardize employees' operation of various equipment, such as the *Administrative Regulation on Safety and Environment of Warehouse*, the *Specification on Safe Operation of Forklift Vehicles*, the *Administrative Specification on Safety Management of Electrical Apparatus*, the *Administrative Regulation on Safety and Environment of Chemicals*, the *Regulation on Emergency Handling for Chemical Leakage*, the *Administrative Procedure on Equipment Safety and Machinery Protection*, the *Administrative Procedure on Firefighting Safety and Machinery Protection*, the *Administrative Regulation on Safety and Environment of Special Equipment and the Administrative Regulation on Safety and Environment of Laboratories*, so as to protect the health and safety of employees to the greatest extent.

Investments in Employee Health and Safety

In 2022, Pylontech invested a total of RMB 4.7956 million in employee health and safety, mainly including expenses in safety protection devices, alarm detection, emergency rescue equipment and apparatus, daily firefighting maintenance, personal labor protection equipment; special operation personnel and safety management personnel training and review fees, expenses in purchasing safety warning signs, publicity signs, special equipment test and maintenance fees, emergency plan compilation fee, occupational health factor test, and occupational health and physical examination fees, in order to control employee health and safety risks in production and operation.

Develop the production test system to prevent employees from accidental injuries due to high voltage system misconnection

RMB 4.7956 million

was invested in employee health and safety in 2022

Provide a Healthy Working Environment

Pylontech attaches great importance to the promotion of health and safety factors in the working environment and fulfills its responsibilities by providing a healthy working environment as follows:

Highlight the safety assessment mechanism, implement the safety production responsibility system;

Strengthen the safety and environment training, improve the safety awareness of all staff (organize 179 three-level safety education for a total of 4,373 new employees; organize 35 safety-related theme training sessions, with 1,362 participants);

Carry out emergency exercises on a regular basis to enhance the emergency response and handling capacity (organize 23 emergency exercises relating to safety and environment throughout the year, including 1 comprehensive emergency plan, 3 special emergency plans and 19 on-site handling plans);

Establish on-site fire stations, and appoint professional and voluntary personnel to be responsible for fire emergency. At present, the fire emergency response team has a total of 8 people, and regular training has been organized with full-time firefighters, including 35 trainings and exercises; special training has been conducted for voluntary firefighters of all departments, including 10 trainings and 14 exercises.

Organize regular emergency evacuation, firefighting exercises and professional trainings for all staff (including 10 emergency evacuation exercises, involving a total of 1,712 people; 20 firefighting and rescue exercises, involving a total of 1,673 people; and 5 professional fire safety training sessions, involving a total of 240 people);

Entrust the third party to help eliminate waste water, exhaust gas and noise non-conformities to obtain the pollution discharge permit.

Occupational Health Training

Number of employees taking physical examinations before service in 2022

155 people

Rate of physical examination

100%

Number of employees taking physical examinations during service in 2022

454 people

Rate of physical examination

100%

Number of employees taking physical examinations after demission in 2022

29 people

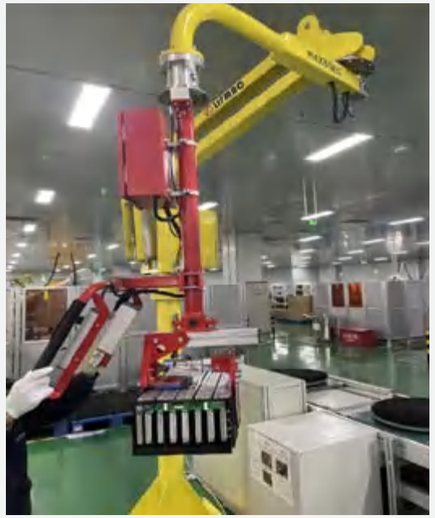
Rate of physical examination

100%

Occupational Hazard Supervision

The Company has set up occupational hazard signs as a warning for workplaces that may cause occupational injury, and identified and assessed occupational hazard factors regularly. The occupational hazard factors in production and operation include laser radiation, noise, tin dioxide and lead smoke. After verification, all hazard factors levels were confirmed to be below standard which ensure employees could work in a clean environment. Thus, it is not a surprise that incidences of occupational diseases among employees and the number of work-related deaths were also 0 in 2022.

Increase pneumatic transfer clamping equipment to reduce labor intensity of workers



Establish miniature fire stations

Emergency drills

Employee Training and Career Development

Pylontech regards talents as the most valuable property of the Company, and is committed to providing employees with training and development opportunities, helping employees to maximize their business potential and management ability, and gradually improving the employee training system and employee career development channels. In terms of training, the Company has arranged internal training and third-party training for employees, including new recruit training, general power development training, leadership development training, professional skill training. In terms of employee career development, the company will objectively assess each employee's comprehensive performance, formulate career development plans together with employees, and provide opportunities to help employees achieve their personal goals.

Participation training coverage (%) in 2022

98

Average annual training hours per employee in 2022

56.5

Performance Assessment and Promotion

Pylontech has carried out an enhanced performance incentive-oriented system and always rewarded proactive employees with unlimited possibilities for promotion. The Company has adopted fair performance assessment methods based on relative performance, and established a mature career development and ability improvement platform. Except for part of management positions and front-line employees, the performance assessment has been usually carried out on a quarterly basis, covering 100% of employees.

100%

of employees were assessed

Employee Caring

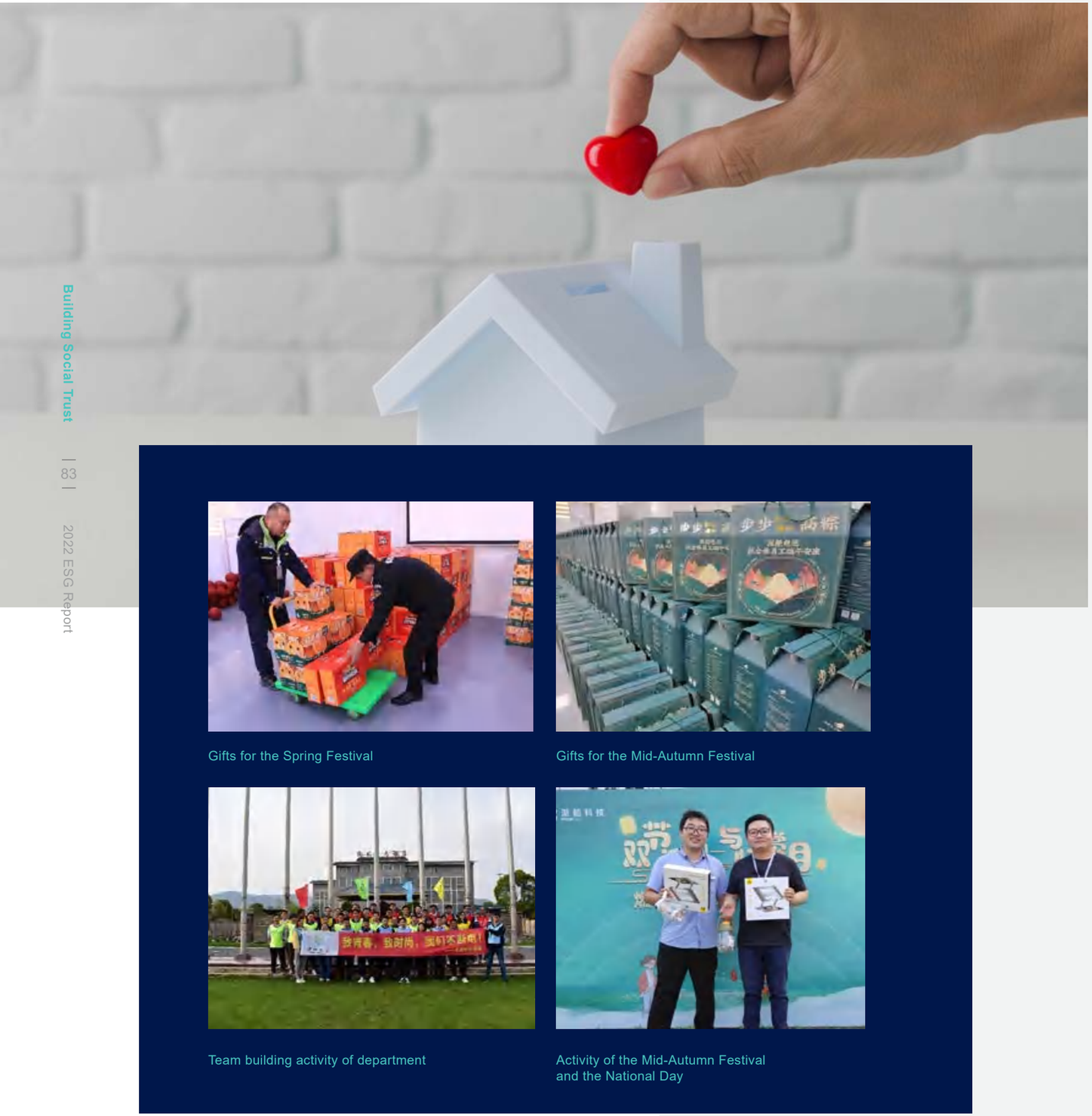
The Company has adhered to the people-oriented concept, and taken the happiness and passion of employees as the driving forces to make Pylontech a great company. The Company provides different types of leaves and holidays to employees in accordance with the provisions of regulations and contract, including statutory holidays, public holidays, work injury leave, sick leave, annual leave, marriage leave, pregnancy/maternity leave, breast-feeding leave, paternity leave and parental leave, funeral leave, personal leave. In addition to paying the five social insurances and housing fund for employees, providing welfare, such as free three meals, accommodation, birthday gifts, holiday gifts, high temperature subsidies and various recreational activities, the Company has also routinely bought accident insurance and overseas insurance for employees who have business domestically and abroad to effectively protect the employees' rights and interests. The Company has adopted a remuneration management concept that focuses on personal experience, overall performance of an individual and cost efficiency. Pylontech is committed to providing employees with an improved and competitive remuneration and welfare system. Besides, qualified outstanding talents have the opportunity to obtain long-term incentives, such as equity.

Parental Leave of Pylontech in 2022

	Male employees	Female employees
Total number of employees entitled to the parental leave (pregnancy/maternity leave) in 2022	15	18
Total number of employees taking maternity (pregnancy/maternity leave)	15	18
Total number of employees supposed to return after parental leave in 2022	15	18
Total number of employees returning to work after parental leave in 2022	15	18
Rate of return to work	100%	100%
Total number of employees still at work at the end of the reporting period	15	18
Retention rate	100%	100%

Note:1. Rate of return to work = Total number of male (female) employees returning to work after parental leave/Total number of male (female) employees supposed to return to work after parental leave * 100%;

2. Retention rate=Total number of male (female) returning to work still at work at the end of the reporting period/Total number of male (female) returning to work after parental leave during the reporting period *100%.



Gifts for the Spring Festival

Gifts for the Mid-Autumn Festival

Team building activity of department

Activity of the Mid-Autumn Festival and the National Day

Public Welfare and Charity

On May 19, 2022, Jiangsu Pylon Battery Co., Ltd. donated RMB 100,000 to Yizheng Charity Association in support of the work of the “One-day Charity Donation” program, in order to create a civilized atmosphere of charity and benevolence, and express their care for charity with practical actions. On September 15, 2022, Pylon Technologies Co., Ltd. donated RMB 1 million to Red Cross Society of China Shanghai Branch to support the earthquake relief and reconstruction work in Luding County, Ganzi Prefecture, Sichuan Province.

RMB 1.1 million

was donated by Pylontech in 2022

The Company has made “charitable donation, development of education, support for culture and sports” as the main theme of public welfare . From 2017 to 2022, the Company donated up to RMB 248,000 in supporting public welfare, including sending gifts to the medical team of Shierwei Health Center, sending loving care to nursing homes during the Dragon Boat Festival and other practical actions.

RMB 248,000

was donated in supporting public welfare

Sending gifts to the doctor team of Shierwei Health Center

Sending loving care to nursing homes during the Dragon Boat Festival

Appendix

Report Indicators

GRI Standard	Disclosure Items	Disclosure Content	Page
GRI 102: General Disclosures	102-1	Organization name	Cover, P1
	102-2	Events, brands, products and services	P5
	102-4	Business location	P1, P9
	102-5	Ownership and legal form	P5
	102-6	Market for services	P9
	102-7	Organization size	P21, P73-74
	102-8	Information about employees and other workers	P73-74
	102-9	Supply chain	P37-38
	102-10	Significant changes in the organization and its supply chain	P04,P37
	102-11	Early warning principles or guidelines	P50
	102-13	Membership of associations	P13-14
	102-14	Statements of senior decision makers	P4
	102-15	Key impacts, risks and opportunities	P50
	102-16	Values, principles, standards and codes of conduct	P6
	102-17	Suggestions for ethics and mechanisms of concerns	P52-53
	102-18	Governance structure	P47
	102-21	Negotiation with stakeholders on economic, environmental and social issues	P25
	102-22	Composition of the supreme governing body and its committee	P47-48
	102-24	Nomination and selection of the supreme governing body	P48
	102-25	Conflict of interest	P52
	102-26	Role of the supreme governing body in formulating objectives, values and strategies	P4,P6,P21
	102-27	Collective awareness of the supreme governing body	P21, P47
	102-28	Performance assessment of the supreme governing body	P48
GRI 102: General Disclosure	102-29	Identification and management of economic, environmental and social impacts	P26-28, P50
	102-30	Effectiveness of risk management processes	P50
	102-31	Assessment of economic, environmental and social topics	P26-28
	102-32	Role of the supreme governing body in sustainable development report	P21-22
	102-33	Communication of major concerns	P25
	102-34	Nature and total number of major concerns	P27-28
	102-35	Remuneration policy	P82
	102-36	Remuneration decision process	P83
	102-37	Stakeholders' participation in the remuneration decision process	P81
	102-40	List of stakeholders	P25
	102-42	Identification and selection of stakeholders	P25
	102-43	Stakeholder participation guidelines	P25-26
	102-44	Key topics and concerns raised	P26-28
	102-45	Entities covered by consolidated financial statement	reference annual report
	102-46	Definition of report content and topic boundary	P27-28
	102-47	List of materiality topics	P27-28
	102-48	Information restatement	About this report
	102-50	Reporting period	About this report
	102-52	Reporting cycle	About this report
	102-55	GRI content index	Appendix
GRI 201: Economic Performance	201-1	Economic value directly generated and distributed	P15
	201-3	Mandatory defined benefit plan and other retirement plans	P82
GRI 204: Procurement Practice	103	Management method disclosure	P38
GRI 205: Anti-corruption	103	Management method disclosure	P52
	205-1	Operating sites where a corruption risk assessment has been conducted	P53
	205-2	Communication and training of anti-corruption policies and procedures	P53
	205-3	Corruption events identified and actions taken	No such case

GRI Standard	Disclosure Items	Disclosure Content	Page
GRI 206: Unfair Competition	103	Management method disclosure	P52
	206-1	Litigation against unfair competition, antitrust and antitrust practices	No such case
GRI 302: Energy	103	Management method disclosure	P63-64
	302-5	Reduction of energy demands for products and services	P63-66
GRI 303: Water Resources	103	Management method disclosure	/
	303-1	Interactions between organization and water (as a type of shared resources)	/
	303-2	Management of impacts relating to water drainage	/
GRI 305: Emission	103	Management method disclosure	P61-62
	305-1	Direct (category 1) greenhouse gas emissions	P61
	305-2	Energy indirect (category 2) greenhouse gas emissions	P61
	305-3	Other indirect (category 3) greenhouse gas emissions	P61
GRI 306: Sewage and Waste	103	Management method disclosure	P67-68
	306-4	Transportation of hazardous wastes	P67-68
GRI 307: Environmental Compliance	103	Management method disclosure	P59-60
	307-1	Violation of environmental laws and regulations	No such case
GRI 308: Environment Assessment for Suppliers	103	Management method disclosure	P37
	308-1	New suppliers screened with environmental standards	P37
	308-2	Negative environmental impacts of supply chains and actions taken	P37-38
GRI 401: Employment	103	Management method disclosure	P72
	401-2	Benefits provided to full-time employees (excluding temporary or part-time employees)	P82
	401-3	Parental leave	P82
GRI 402: Labor-Capital Relationship	103	Management method disclosure	P71-72
GRI 403: Occupational Health and Safety	103	Management method disclosure	P76
	403-1	Occupational health and safety management system	P76
	403-2	Hazard identification, risk assessment and incident investigation	P79
	403-3	Occupational health services	P77-80

GRI Standard	Disclosure Items	Disclosure Content	Page
GRI 403: Occupational Health and Safety	403-4	Occupational health and safety affairs: workers' participation, negotiation and communication	P76
	403-5	Occupational health and safety training for workers	P79
	403-6	Promotion of workers' health	P78
	403-7	Prevention and mitigation of occupational health and safety impacts directly relating to business relationships	P77-80
	403-8	Workers applicable to occupational health and safety management system	P76
	403-9	Work-related injury	P79
	403-10	Work-related health issues	P79
GRI 404: Training and Education	103	Management method disclosure	P81
	404-1	Average hours of training received by an employee per year	P81
	404-2	Employee skill improvement scheme and transition assistance scheme	P81
	404-3	Percentage of employees receiving regular performance and career development assessment	P81
GRI 405: Diversity and Equal Opportunities	103	Management method disclosure	P72
	405-1	Governing body and employee diversity	P72,P74
GRI 406: Anti-discrimination	103	Management method disclosure	P71-72
GRI 408: Child laborer	103	Management method disclosure	P71-72
GRI 409 Forced or Compulsory Labor	103	Management method disclosure	P71-72
GRI 414: Social Assessment for Suppliers	103	Management method disclosure	P37
	414-1	New suppliers screened with social standards	P37
	414-2	Negative impacts of supply chains on society and actions taken	P37-38
GRI 418: Customer Privacy	103	Management method disclosure	P55
	418-1	Validated complaints regarding violations of customer privacy and loss of customer information	P55
GRI 419: Socio-Economic Compliance	103	Management method disclosure	P51-52
	419-1	Violations of social and economic laws and regulations	P51

Feedbacks from Readers

Dear readers,

Hello! Thank you for reading our ESG Report for 2022. In order to continuously improve the ESG work and improve our ESG management level, we especially hope to hear your opinions and suggestions to help us improve the report continuously. Please help answer the relevant questions raised in the following feedback form and give us your feedback:

Choice questions (please tick the appropriate answer)

Options	Good	Better	Average	Poor
1. This Report fully and accurately reflects the significant impact of the Company on the economy, society and environment				
2. The information, indicators and data disclosed in this Report are clear, complete and accurate				
3. The language description, content arrangement, and graphic design of this Report are clear and easy to read				

Open question:

1. What's your overall assessment of this Report?
2. What do you think is the most satisfying aspect of this Report?
3. What other information do you think is not reflected in this Report?
4. Do you have any suggestions for our future ESG work and Report?

If it is convenient, please provide your personal information:

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Company:

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