



Environment Social Governance (ESG)
Report & Sustainability Report

PGTEX CHINA CO., LTD.
March, 2024

PREFACE

1. Annotations

This report is a true reflection of the environmental, social and governance (ESG) management of PGTEX CHINA CO., LTD. (abbreviation "PGTEX").

2. Time of reporting

January 1, 2023 to December 31, 2023.

3. Releasing period

Annual release

4. Scope of reporting

PGTEX CHINA CO., LTD. Headquarters and branches. In order to facilitate the expression, "PGTEX", "Company" and "we" are respectively used in the expression of the report.

5. Data description

The information and data used in this report are from the headquarters and member companies of PGTEX. External reference data has been noted in the report. Unless otherwise stated in the report, the currency is expressed in RMB.

6. Access to report

This report is the first Environmental, Social and Governance (ESG) & Sustainability Report of PGTEX. You can download it from the Sustainability of PGTEX website (www.pgtex.cn) and learn more about it.

7. Reporting methodology

This report is compiled in accordance with GB/T36001-2015 Guidelines for the Preparation of Social Responsibility Reports, and with reference to GRI Sustainable Development Reporting Standards, United Nations Sustainable Development Goals 2030 (SDGs 2030), Research Report on ESG Evaluation System of Chinese Listed Companies, etc.

8. Data disclosure

Financial data of PGTEX covered in the report is derived from PGTEX 's Annual Financial Report and independently audited by Tianjian Accounting Firm. The audited financial data will be published in the NEEQ.

Non-financial data of PGTEX involved in the report shall be filled in and reported by the headquarters of PGTEX, senior executives of various functional departments and various business units according to the actual situation.

All the contents involved in the report are approved by the general manager, top management and general managers of each business unit of PGTEX.

9. Feedback

You can visit the official website of PGTEX and fill in the feedback through the webpage. You can also contact us directly according to the contact information in the footer of each page of the report.

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Company honor

- 184 authorized patents, including 117 invention patents
- Leading or participating in the formulation and revision of 12 national standards
- Undertake a total of 15 national 863 and provincial-level or above scientific research and technological transformation projects
- National intellectual property Demonstration Enterprise
- National Torch high-tech Enterprise
- National individual champion enterprise
- National Carbon Fiber warp Knitting special Materials Mobilization Center
- China Famous Trademark
- National Patent Excellence Award
- Jiangsu Key Laboratory of High-Performance Fiber Composites
- Jiangsu provincial "two stations and three centers" (Shen Changyu Academician workstation, postdoctoral workstation, engineering technology research center, enterprise technology center, engineering center) and other R&D platforms and talent training bases
- Jiangsu Province Science and Technology Progress Prize and other awards
- Major scientific and technological innovation platform construction unit of Jiangsu Province
- Since 2016, it has been selected as one of the Top 100 Innovative Enterprises in Jiangsu Province for six consecutive years

Business Performance

1. Sales

In 2022, the operating income of the parent company of PGTEX& Vertical will reach 188,5295,600 yuan, which has been audited by Tianjian Accounting Firm (Special general Partnership).

The operating income of the parent company of PGTEX in 2023 is 190,1,0993,300 yuan, and the preliminary audit draft has not been finalized.

2. Market share

33% (2022 market research data)

3. Global Base

Three in Changzhou, China, one in Xiangtan, China, one in Morocco, and one in the United States

4. Number of employees worldwide

1,467 employees worldwide, including 603 in China within the reporting scope. (As of December 31, 2023)

5. Production line

More than 130 warp knitting machines, 81 pultrusion lines, 6 carbon fiber production lines (as of Dec 31, 2023)

6. Annual production capacity

Glass fiber fabric 300,000 tons, pultrusion plank 15 million meters, carbon fiber 18,000 tons (as of Dec 31, 2023)

General manager's speech

Dear Colleagues and friends, good morning!

The world and the global market are changing dramatically today, but the core values that have guided our continued growth have not. Our values "Integrity, Innovation, Sharing and Responsibility" have long guided our vision and helped us achieve our goal of being the world's leading, intelligent and sustainable company.

Many years ago, we decided to "provide low-cost, industrial carbon fiber composite application market solutions for global sustainable development!" "Vision. But we still have a long way to go to realize this vision. And that means we have to be honest, Sustainability is a strategy. To achieve this strategy, PGTEX must unswervingly pursue environmental, Social and governance (ESG).

At the same time, sustainable development is not only a management strategy, PGTEX will continue to improve the level of global sustainable development through product and technology innovation, energy saving and emission reduction, reduce resource consumption, and create a clean and sustainable future for future generations.

Finally, we would like to thank all the stakeholders who have paid attention to PGTEX CHINA CO., LTD. It is your support and understanding that enables us to advance our sustainable development strategy, and please share the fruits of PGTEX's sustainable development.

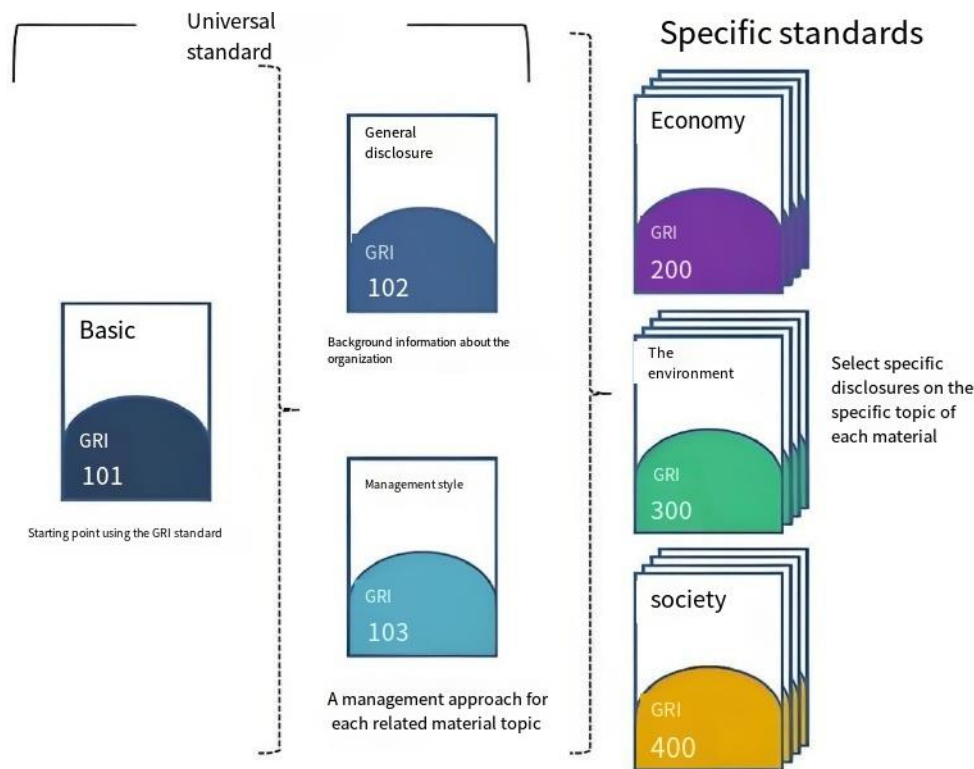
Every employee of PGTEX will take responsibility, handle every business and every opportunity seriously and responsibly, and take every step firmly for sustainable management.



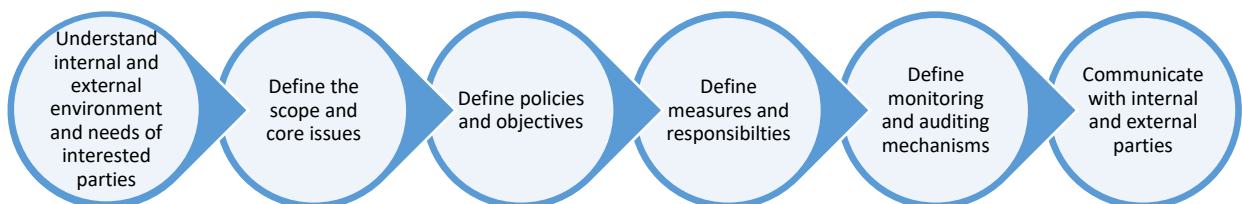
PGTEX's ESG management methodology

When promoting ESG management, PGTEX made reference to the Sustainability Reporting Standards and process methods, effectively identified the gap between the requirements and the status quo of sustainable development, established targeted improvement measures, and disclosed them to all relevant parties in a timely manner.

1. PGTEX uses GRI standards to identify the core issues related to stakeholders and ensure that the core issues meet the requirements of sustainable development.



2. PGTEX uses a process approach to continuously improve the identified core issues in a PDCA cycle to continuously improve the performance of ESG management.



In accordance with the above logic, this report will present the actions and achievements that PGTEX has taken in sustainable development.

Identify Internal and External Environment

External environment

1. Current situation of international ESG development

Internationally, ESG has become a trend that global enterprises cannot ignore. Every major market is developing policies to encourage companies to adopt sustainable business practices.

In particular, countries in Europe and the United States are becoming increasingly demanding in terms of sustainable development. PGTEX's global strategic customers all regard sustainable development as the basic consensus of cooperation, and the performance of ESG will also become the quantitative manifestation of sustainable development. Therefore, the implementation of ESG is an inevitable choice for PGTEX to improve its global competitiveness.

2. ESG development status in China

In China, remarkable progress has also been made in the ESG field. The Chinese government actively supports sustainable development and encourages companies to adopt ESG practices. China's ESG investment and financing ecosystem is maturing rapidly and is of great significance for achieving sustainable development.

In particular, government regulation is becoming more stringent and domestic customers and investors are becoming more socially responsible. Therefore, the implementation of ESG is the basic requirement of PGTEX's law-abiding operation in China.

Internal Environment

PGTEX has been committed to adhere to the "healthy, ecological and sustainable" development of the business philosophy, and strive to achieve the balance of the use of environment and resources, for China to achieve the carbon peak in 2030 and 2060 to achieve carbon neutrality goals.

Since 2017, PGTEX has invited a third party to conduct carbon verification in accordance with the requirements of ISO14064. In September 2021, with the official operation of PGTEX Carbon Fiber plant, all business segments of PGTEX have been included in the system management of ISO14001 and ISO45001, and passed the third-party certification. At the same time, in order to better reflect the effect of energy and carbon management, the company is promoting ISO50001 energy management system and "green factory" certification.

From the company's management level, due to the high cost of energy and raw materials, the company invests a lot of money every year to the energy cost and the "three wastes" management, which produces the driving force to promote ESG; When the government approves new business, the requirements on carbon emission indicators are becoming more and more severe. From the perspective of its own stability and development, the implementation of ESG is also the internal demand of PGTEX's sustainable operation.

Identify the stakeholders

For the internal and external environment, PGTEX has identified the stakeholders involved in ESG.



Identify stakeholder needs and expectations

In response to the identified ESG stakeholders, PGTEX identifies the needs and expectations of the ESG stakeholders.



Define the scope and boundaries

In order to meet the needs and expectations of the internal and external environment and stakeholders, PGTEX has defined the scope and boundaries of the company's "Environmental, Social and governance (ESG)", including the physical boundaries of the company's operations, As well as all the influences and stakeholders involved in the design, development and production of composite materials (warp-knitted reinforcement materials, lightweight high-strength fiber composites, high-performance fiber intelligent woven products (industrial fabrics), high-

performance fiber compliant materials for rapid pultrude profiles and glass panels and high-performance large tow fibers).

Identify the core issues:

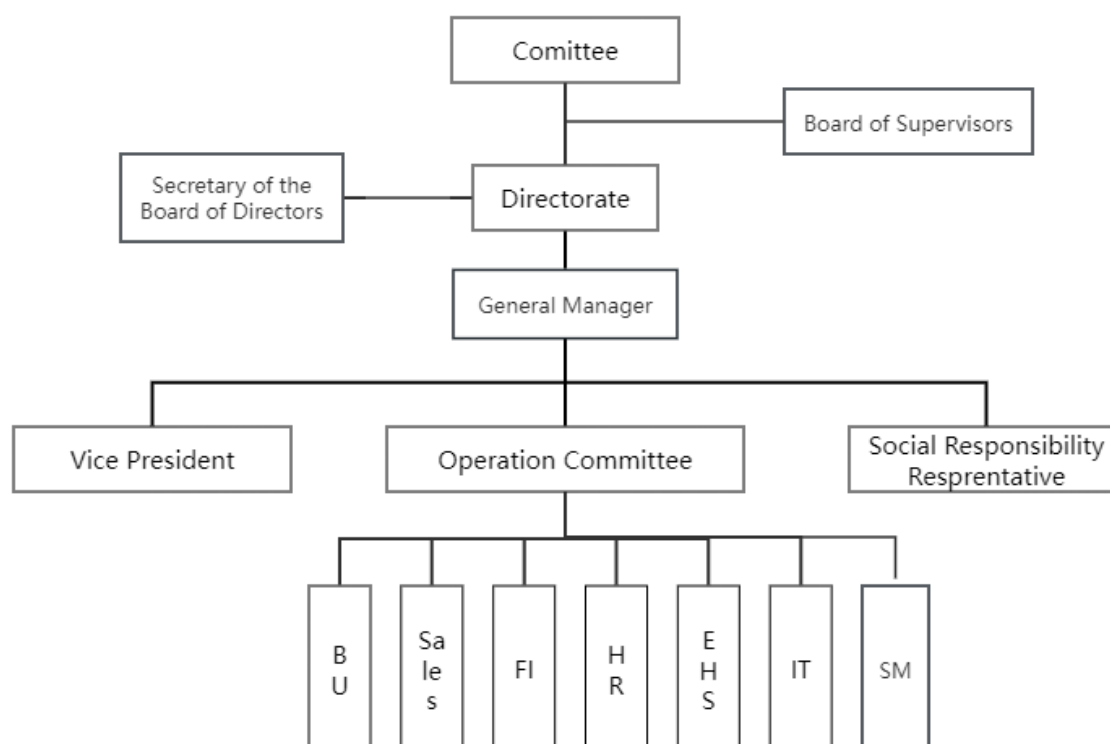
PGTEX makes reference to the content of the United Nations Sustainable Development Goals and clarifies the main issues of sustainable development. (See Annex 3)

Key Issues on ESG in PGTEX		
1) Labor safety	2) Energy utilization	3) Water use
4) Greenhouse gas indicators	5) Supply chain sustainability	6) Anti-corruption

Improve organizational structure and responsibilities

PGTEX's board of directors always puts the interests of the collective first, formulates policies and measures for the sustainable development of the company, implements supervision and performance. At the same time, the charter of the Board of directors determines that the managers above the director level are the senior executives of the company (there are 13 senior executives, including 5 female executives, accounting for 39% of the female executives) to play the role of each functional department is equipped with top talents in the industry.

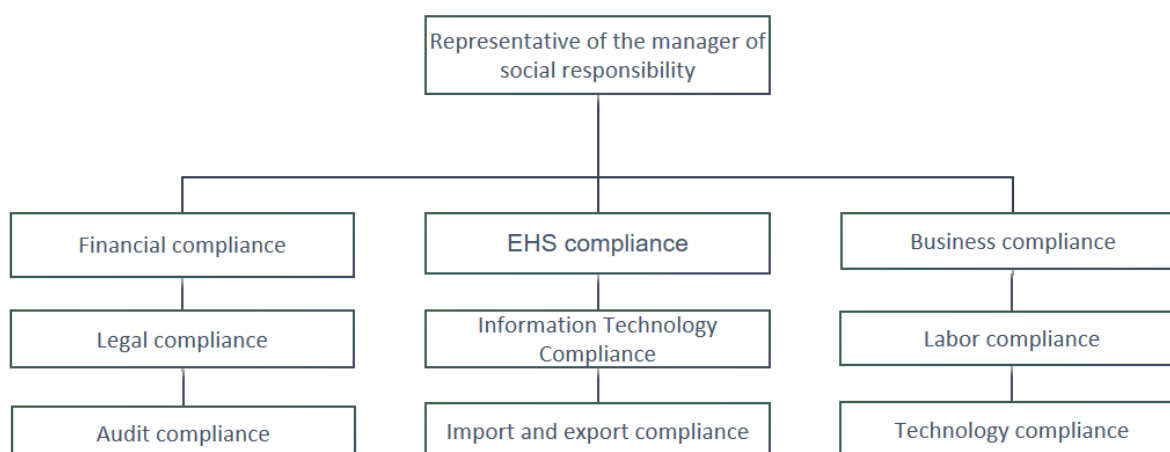
With the continuous expansion of the company's business, in order to prevent compliance risks, the company has set up the exclusive supervision function of social responsibility under the board of directors, including the representative of the social responsibility manager and the compliance group led by him, the staff congress, the EHS committee and the emergency command, and each has assigned the supervision responsibility.



The social responsibility manager representative is a post under the board of directors, responsible to the board of

directors, mainly responsible for promoting the construction of the company's rule of law and guiding the company's compliance management.

The social responsibility manager representative and the members of the compliance team under his leadership shall be appointed by the Board of directors of the Company in accordance with the Company Law and the Articles of Association. They shall not be removed without cause unless they are not allowed to hold office as stipulated in the Company Law and the Articles of Association. During the period, if any member of the group no longer holds the original position, he will automatically lose the qualification of compliance management, and will be nominated by the representative of the social responsibility manager, and the board of directors will approve the replacement of the corresponding number.



The social responsibility manager representative and the compliance group under his leadership shall undertake the organization, leadership and coordination of compliance management, hold regular meetings, study and decide on major issues of compliance management or put forward opinions and suggestions, and guide, supervise, manage, implement and evaluate compliance management work.

Roles	Responsibilities
Representative of the manager of social responsibility	(1) Review the compliance management strategic plan and annual report, and clarify the annual compliance management objectives; (2) Review the basic system of compliance management; (3) reviewing the compliance management organization and its responsibility setting plan;
Compliance Team	(1) To study major issues related to compliance management and put forward opinions or suggestions on compliance management; (2) To study major violations and put forward opinions or suggestions to the top management on the handling of relevant violators; (3) to guide, supervise, manage, implement and evaluate the compliance management work; (4) Coordinate to solve major problems in compliance management, and provide guarantee and create conditions for promoting compliance management; (5) Other matters stipulated in the Articles of Association or authorized by the top management.

Based on legal compliance, PGTEX has established the basic framework of social responsibility and integrity

management, and sorted out the company's environmental, social and governance (ESG) management system under the guidance of the Sustainable Development Reporting Standard.

Improving the System

Under the guidance of the sustainable development policy, PGTEX has established a series of policies and policies to integrate ESG management into the whole process of the company's business. At the same time, compliance management has also been incorporated into the year-end performance appraisal of employees at all levels for comprehensive supervision.

- 1) In June 2021, PGTEX set up the social responsibility manager representative and the integrity representative.
- 2) In 2021, PGTEX incorporated compliance performance into the scope of annual performance appraisal.
- 3) In 2021, PGTEX published the company's operating principles, and included "compliance as the bottom line" as one of the operating principles.
- 4) In 2022, PGTEX published the Code of Business Conduct, Supplier Code of Conduct and dozens of ESG management policies, so that the supervision can be followed by laws.
- 5) In 2022, PGTEX updated the Employee Handbook and established the Integrity and Self-discipline Book to ensure the participation of all employees in ESG management.
- 6) In 2023, PGTEX published the "Continuous Improvement Operation Instruction", which included the rectification and improvement of compliance problems in the supervision.
- 7) In the first quarter of 2024, PGTEX published a new KPI performance and incorporated compliance performance into the company's system.

Communication mechanism

In order to meet the needs and expectations of stakeholders, PGTEX has always maintained active communication with stakeholders in various areas and disclosed the results achieved in ESG management in a timely manner.

Interested Parties	Needs & Expectations	Communication mechanisms
Government & Regulatory Authorities	Operate in compliance with laws and regulations	- Debriefing - Participate in meetings and major events arranged by the government - Subject to government inspections
	Provide jobs	
	Pay taxes in accordance with the law	
shareholder	Stable income	- General Meeting of Shareholders - Disclose information on a regular basis - Support research and audits
	Operate legally	
	Timely and accurate disclosure of information	
employee	Guaranteed compensation and benefits	- Timely and full payment of wages - Establish a staff congress - Conduct employee satisfaction surveys
	Keeping the workplace safe	
	Guaranteed opportunities for promotion and development	
client	Provide products that meet requirements in a timely manner	- Customer satisfaction surveys - Publish the customer complaint handling process - 360 Total Customer Relationship Management
	Reduce costs and increase profit margins	
	Honesty and trustworthiness	
External suppliers	Fair competition	- Bidding for large-scale projects - Participate in exhibitions and industry association activities - Invite partners to exchange technologies and cooperation
	Mutual benefit	
	Transparent transactions	
	Operate legally	
Communities and non-governmental organizations	Protecting the environment	- Carry out public welfare activities - Participate in volunteer activities - Participate in social communication and research
	Contribute to public welfare	
	Stable employment	
	Boost the economy	

In 2023, PGTEX actively engages in external communication to ensure that the company meets the needs of its stakeholders:

- In 2023, PGTEX has received inspection, supervision and guidance from government leaders at all levels for many times, prioritizing risk control, compliance and sustainable development.
- In 2023, PGTEX conducted several internal ESG trainings, including trade security, supply chain integrity, employee integrity and self-discipline, anti-corruption and anti-bribery, and continued to promote internal and external communication.
- In 2023, PGTEX held several meetings with strategic customers, participated in customer training, and accepted customer's audit on social responsibility.
- In 2023, PGTEX and the customer finalized the GHG emission management plan and target, and determined the ESG plan.
- In the first quarter of 2024, PGTEX began to disclose the Environmental, Social and Governance (ESG) Report for the first time, revealing to the public PGTEX's efforts in ESG management.

Our sustainability performance

In 2023, PGTEX has completed the acceptance of the national "smart factory" project, which improves the management efficiency of the company, reduces energy consumption, resource consumption and waste emission through digital and intelligent management.

In 2023, the "Nitrogen oxide treatment project" of PGTEX Carbon Fiber Factory passed the acceptance, which ensured the nitrogen oxide emission in the carbon fiber production process to meet the standards, and established the leading advantage in the environmental governance of the carbon fiber industry.

In 2023, the "pre-oxidation furnace flame spectrum detection and intelligent identification fire suppression and explosion suppression system" of PGTEX Carbon fiber factory passed acceptance and was installed. The project completely solved the deflagration problem in the process of carbonization, and also solved the production safety problem that plagued the carbon fiber industry for decades.

In the first quarter of 2024, PGTEX applied for green factory recognition, and the project is in progress.

Admittedly, the company's investment in ESG will increase the operating cost of the enterprise. In particular, in the initial stage of ESG introduction, the relevant input cost and time may have a negative impact on the management efficiency and efficiency of the company. However, with the passage of time, the positive effect of ESG input on enterprise business performance will begin to appear, and the impact of ESG input on enterprise income will turn from negative to positive, and a positive cycle and positive feedback will gradually form.

In the past few years, PGTEX has also received tangible benefits in ESG.

First, it has improved the company's management system and enhanced the compliance management awareness of the company's management.

The ultimate goal of implementing ESG is to achieve sustainable development. Under the guidance of compliance policies, the company attaches more importance to long-term interests in the process of investment, financing, operation and management. Employees are empowered to work within the scope of compliance and become more confident and active, which virtually promotes the upgrading of the company's management and the improvement of its efficiency.

Second, policy support was obtained to accelerate technology upgrading.

The products developed by the company have promoted the wide application of lightweight and high-performance composite materials in new energy sources, and have therefore received a number of policy and financial support. In particular, the company's environmental and safety governance in high-performance carbon fiber manufacturing has been at the leading level in the industry, and has become a business card of PGTEX, promoting the technology upgrade of PGTEX.

Third, it has won customer recognition and improved the company's market share and profitability.

Promoting ESG helps the company gain higher trust and higher market share in global competition. In particular, in markets dominated by Europe and the United States, "green barriers" have become a major obstacle for Chinese companies to enter the global market. But for PGTEX, this is an opportunity, the previous efforts to promote ESG, began to translate into results for the company.

Fourth, to help companies identify and resist risks, enhance the stability of business operations.

Under the new situation, preventing all kinds of risks is the primary goal of leaders of major enterprises. In recent years, PGTEX has identified several ESG risks that may occur at the end of the supply chain. The company's top

management unanimously recognized that building a sound ESG system can help enterprises identify, manage and reduce business risks. In particular, the regulation of sustainable procurement will be a top priority for PGTEX's global expansion.

Below, we will report on PGTEX's achievements in protecting the environment, protecting labor and human rights, upholding business ethics, and creating a sustainable supply chain.

Environment Protection

Policy of Environment Protection

1. In order to effectively manage the needs and expectations of stakeholders required for the operation of the Company, the Company has established an environmental policy:

Comply with environmental laws and regulations, based on pollution prevention, pursue energy conservation and low carbon, and create an environmentally friendly brand.

2. Compliance with environmental regulations, based on pollution prevention, the pursuit of energy saving and low carbon, to create an environmentally friendly brand 2. In order to achieve the environmental policy, the company has formulated environment-related policies to ensure that there are policy guidelines for the issues of concern.

Environment Factors	Management Policies
Noise management	In order to control noise, reduce noise pollution to the environment, and ensure the health of employees, PGTEX has formulated the "Noise Management Procedure".
Exhaust gas management	In order to ensure that the air pollutant emissions generated by the company can meet the requirements of current environmental protection laws and regulations, and reduce the negative impact of air pollutants discharged on the environment, PGTEX has formulated the "Air Pollution Prevention and Control Management Procedures".
Waste water management	In order to prevent the pollution of water resources, implement effective management of water pollution sources, and control and ensure the normal operation of the waste (sewage) water treatment system, in order to discharge water quality to meet or exceed the discharge standards required by environmental protection regulations, PGTEX has formulated the "Water Pollution Prevention and Control Management Procedures".
Energy and carbon management	In order to achieve the goal of carbon peak and carbon neutrality, PGTEX has formulated the "Energy Management System".
Water conservation management	In order to strengthen the management of water conservation and the rational use and protection of water resources, PGTEX has formulated the "Water Conservation Management System" in accordance with the requirements of relevant laws and regulations and the actual situation of the company.
Solid waste management	In order to effectively manage waste, PGTEX has formulated the "General Waste Management System" and "Hazardous Waste Management System"

According to the requirements of relevant laws and regulations and the requirements of GB/T 24001-2016 standard, combined with the company's product characteristics and strategic planning, PGTEX has established an EHS management system, and has passed the recognition of third-party certification bodies. (See Annex 1).

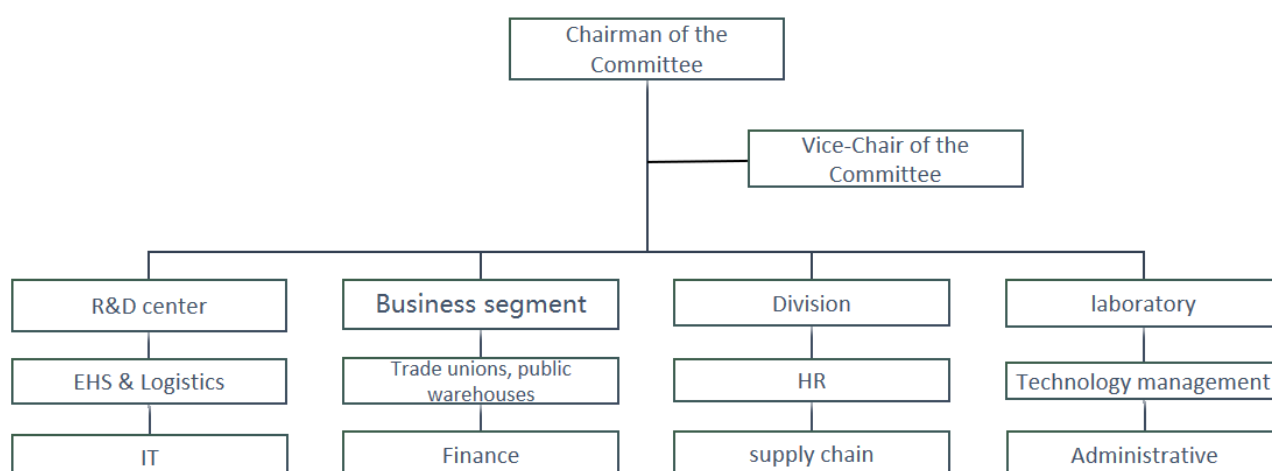
PGTEX has established internal and external reporting channels for environmental incidents, risks and problems that violate laws and regulations, and ensures the confidentiality of whistleblowers and reported information. For details, see the Supervision and Communication section of the report.

Target of Environment Protection

In order to achieve the guidelines and policies, the company bases its environmental objectives on compliance with the requirements of laws and regulations. At the same time, the company has also formulated qualitative indicators of energy conservation and emission reduction according to the characteristics of business operations.

Index	Unit	Target
The factory boundary noise does not meet the Category3 standard number of GB12348-2008 Industrial Enterprise Factory Boundary Environmental Noise Emission Standard	times	0
Exhaust gas emission does not meet the "ambient Air Quality Standards"(GB3095-2012)"Comprehensive emission standards for Air pollutants" (according to monitoring report) times	times	0
The rate of legal disposal of hazardous waste	Percentage	100%
Emission reduction and consumption reduction	Reducing greenhouse gas emissions	
water conservation	Reduce water consumption and effluent discharge	
Save on materials	Reduce raw material consumption and waste emissions	

4. In order to achieve the target, PGTEX has set up an EHS Management Committee, and the core business teams are required to manage the company's EHS performance



The EHS Committee holds quarterly management meetings to monitor the effectiveness and appropriateness of EHS risks, targets and measures at all levels of the company's management.

5. Monitoring and reporting of environmental incidents, risks, and problems.

PGTEX has established internal and external reporting channels for environmental incidents, potential risks and violations, and ensures the confidentiality of reported information. See the internal and external reporting channels at the end of this article for details.

Actions of Environmental Protection

1. Noise

PGTEX is controlled by shock absorption, noise reduction, sound insulation and other measures to ensure that the noise emission of the factory boundary meets the standards. Among them, the noise generated by the production and operation of fabrics and pultrusion products is isolated in the workshop; Carbon fiber for public auxiliary works outside the workshop, the noise generated are soundproof noise reduction facilities.



(PGTEX install sound insulation wall to control noise)

A number of noise control measures to ensure that the noise monitored by the factory boundary meets the emission requirements of 65 decibels during the day and 55 decibels at night, and meets the Class 3 standards of *GB12348-2008 Industrial Enterprise factory Boundary Environmental Noise Emission* Standards.

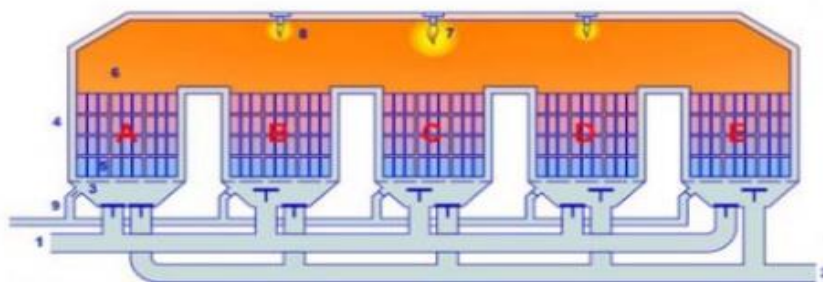
2. Exhaust Gas

Through the waste gas collection, filtration and disposal device, PGTEX ensures that the generated soot, VOC and other emission standards. Among them, the VOC in the production process of fabric and pultrusion plank is filtered by activated carbon and discharged according to the standard;



(PGTEX pulse activated carbon filtration system)

The waste gas generated in the production process of carbon fiber is treated by RTO+ waste heat recovery + two-stage oxidation and cyanide-breaking absorption process, which fully meets the requirements of waste gas emission.



(Carbon fiber RTO five-stage incineration diagram)

For the waste gas in the production process, PGTEX through incineration, the waste gas is harmless treatment.



(Grade 5 RTO incinerator equipment)



(High altitude discharge of treated exhaust gas)

The exhaust gas generated by PGTEX's three main product lines is controlled through organized emission, and the specific measures are summarized as follows:

Workshop	Installation	Exhaust gas source	contaminant	Method of collection	Measures	Emission method
Carbon fiber production line	Pre-oxidation furnace	Pre-oxidation	NH ₃ , HCN, Non-methane total hydrocarbons, SO ₂ , NOX, particulate matter	Closed collection in an oxidation oven	Regenerative incinerator RTO + two-stage oxidative dicyanide absorption	The workshop is unified with 34 meters high exhaust cylinder high-altitude discharge
	Carbonization furnace	carbonization	NH ₃ , HCN, Non-methane total hydrocarbons, SO ₂ , NOX, particulate matter, CO	Carbonization furnace closed collection	Direct-fired incinerator (including waste heat boiler and SNCR) + bag dust removal + SCR + two-stage oxidative dicyanide absorption	
	Surface treatment grooves	Surface treatment	NH ₃	Gas hood collection	High-altitude emissions	
weave production line	Weaving production line	Wrapping	Non-methane total hydrocarbons, styrene	Gas hood collection	Secondary activated carbon adsorption	15 m high exhaust pipe
		heating	Non-methane total hydrocarbons, styrene	Collected in a separate confined room		
Pultrusion lines	Mixer, high-speed disperser	Distribution	Non-methane total hydrocarbons	Collected in a separate confined room	Secondary activated carbon adsorption	15 m high exhaust pipe
	Pultrusion lines	Pultrusion, curing	Non-methane total hydrocarbons	Gas hood collection		
	Alcohol cleaning tank	Alcohol washing	Non-methane total hydrocarbons	Collected in a separate confined room		

A number of measures to control exhaust gas emissions to ensure that all exhaust gas meets the standard *“Ambient Air Quality Standards GB3095-2012”* and *“Comprehensive Emission Standards for Air Pollutants”*.

3. Waste

In order to effectively manage waste, PGTEX has formulated the Waste Management Procedure, General Waste Management System and Hazardous Waste Management System on the basis of complying with the Solid Waste Law. The solid waste generated in production and life has been effectively classified and collected.

PGTEX classifies the waste to ensure dry and wet separation of domestic waste, and separate management of industrial waste and recyclable waste.



(Schematic diagram of PGTEX 's garbage classification)

Hazardous waste	
Key ingredients: Chemical Name: Hazardous conditions: Safety measures: Waste generating units: Address: Telephone: Contact person: Lot: Quantity: Date of production: Hazard category 	



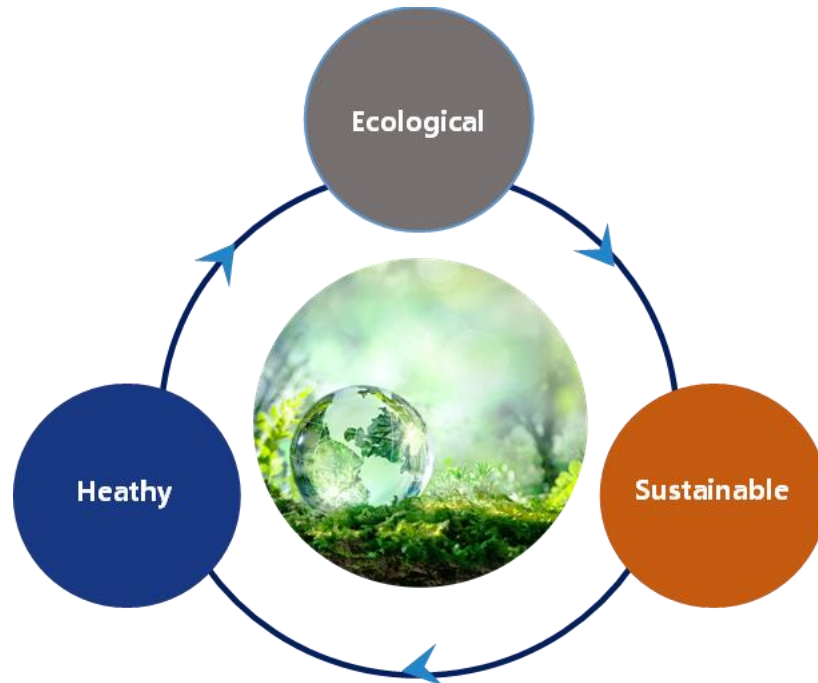
Hazardous waste

(PGTEX hazardous waste identification diagram)

Through garbage classification management, PGTEX ensures dry and wet separation of domestic waste, and separate management of industrial waste and recyclable waste. The disposal of hazardous waste fully meets the requirements of laws and regulations, and is regularly cleaned by qualified third-party companies. All solid waste in the whole industrial chain of PGTEX is subject to compliance management.

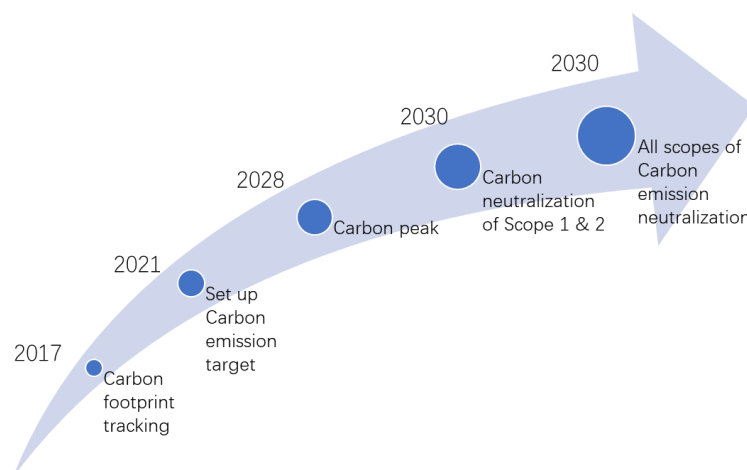
4. Energy and carbon Emissions

PGTEX has been adhering to the business philosophy of health, ecology and sustainable development, striving to achieve a balanced utilization of environment and resources, and striving for China's carbon peak by 2030 and carbon neutrality by 2060.



Since 2017, PGTEX has carried out carbon inventory and carbon verification, and provided the carbon footprint of products according to customers' requirements. At the same time, in order to improve energy and carbon management performance, the company is promoting ISO50001 energy management system and "Green Factory" certification.

In order to achieve the goal of carbon peak and carbon neutrality, PGTEX has developed a long-term carbon management plan and continuously tracks carbon emission performance.



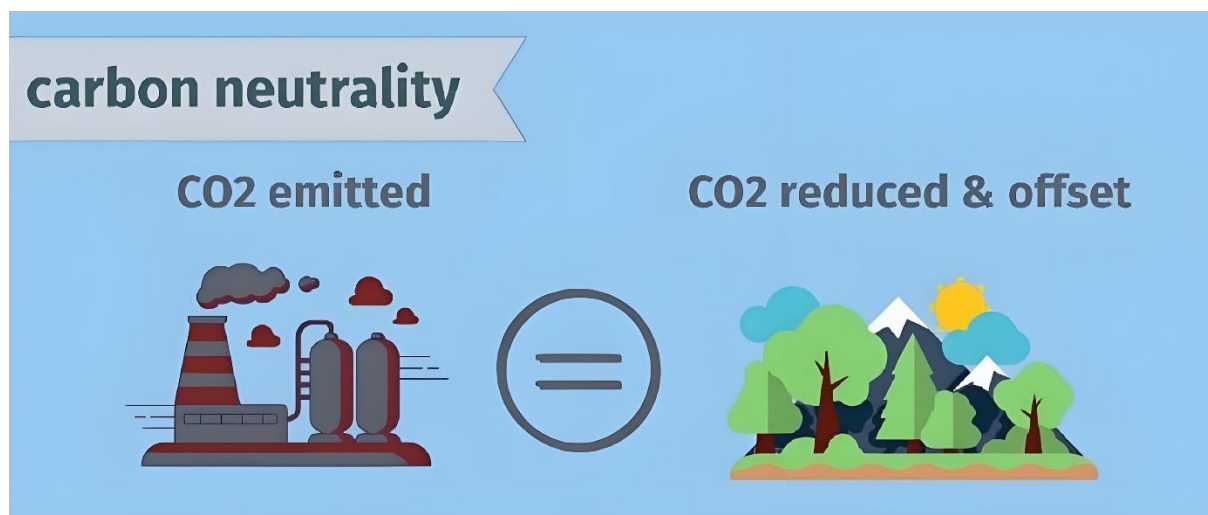
Based on the medium- and long-term planning, PGTEX has developed carbon management targets, so that energy conservation and emission reduction will not become a burden for the company, but help the company adhere to the principle of low-carbon environmental protection from the very beginning in the process of industrial expansion,

reduce energy and resource consumption, and avoid repeated investment or short-sighted behavior of pollution first and treatment later.

1) Carbon management policy

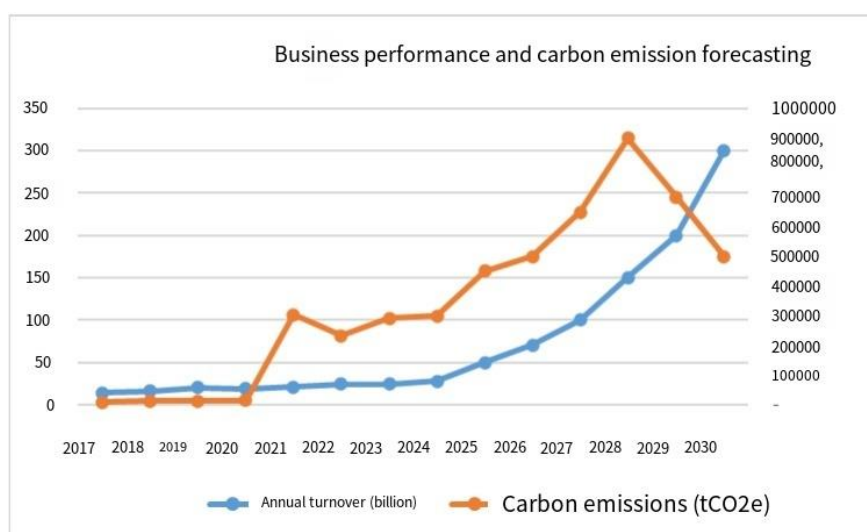
a) Determine the carbon management path

On the path to carbon neutrality, Acer aims to achieve carbon peak and carbon neutrality by using green energy, reducing wastage, and reducing carbon emissions or even negative emissions.



b) Integrate carbon management into business planning

PGTEX has always been concerned about the interests of investors and shareholders, while implementing carbon management, to ensure a high degree of synergy between business management and carbon management. It is necessary to meet the energy consumption and emissions required by the rapid expansion of the company's business, and also to meet the local government's carbon index approval and the company's commitment to carbon peak pressure. PGTEX has thoroughly evaluated its development plan for the next ten years and integrated carbon management into every business layout of the company.



(PGTEX's forecast of carbon emissions and turnover)

2) Carbon management measures

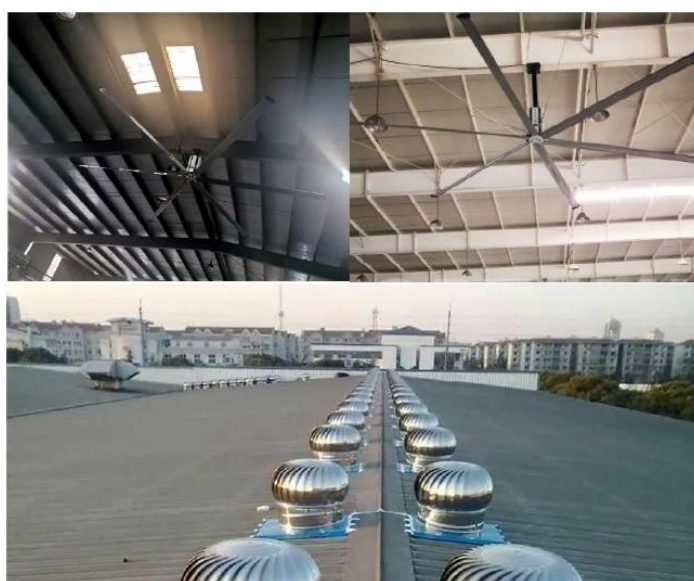
a) Reduce fossil fuel consumption and buy energy efficient products.



(Update the energy efficient lighting system in the workshop)



(Plant logistics forklift oil to electricity)



(Workshop ventilation system updated)

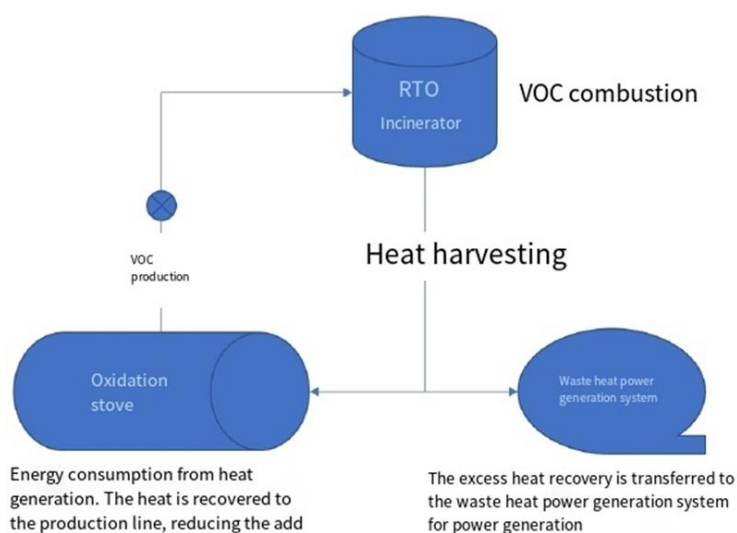
b) Reduce fossil energy consumption, buy green electricity and generate your own electricity.

PGTEX leases Newtech Group buildings and photovoltaics to generate its own electricity.



(PGTEX carbon fiber plant roof installation of photovoltaic)

At the same time, the waste heat generated by the production process of the carbon fiber workshop is recycled to generate electricity, and the energy consumption is reduced as much as possible.



(Carbon fiber production process waste heat recovery power generation system)

c) Adhere to the implementation of carbon verification, quantifying carbon management indicators

Since 2017, PGTEX has carried out carbon inventory and carbon verification, and passed the third-party authentication.

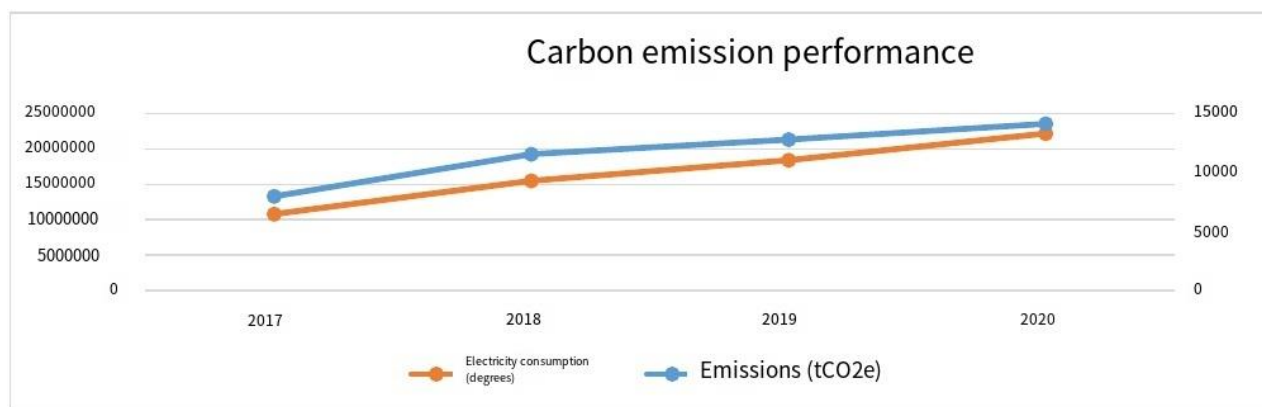


(All certification certificates of PGTEX since the carbon verification began in 2017)

Through quantitative monitoring, it helps PGTEX to track the trend of carbon emissions more efficiently.

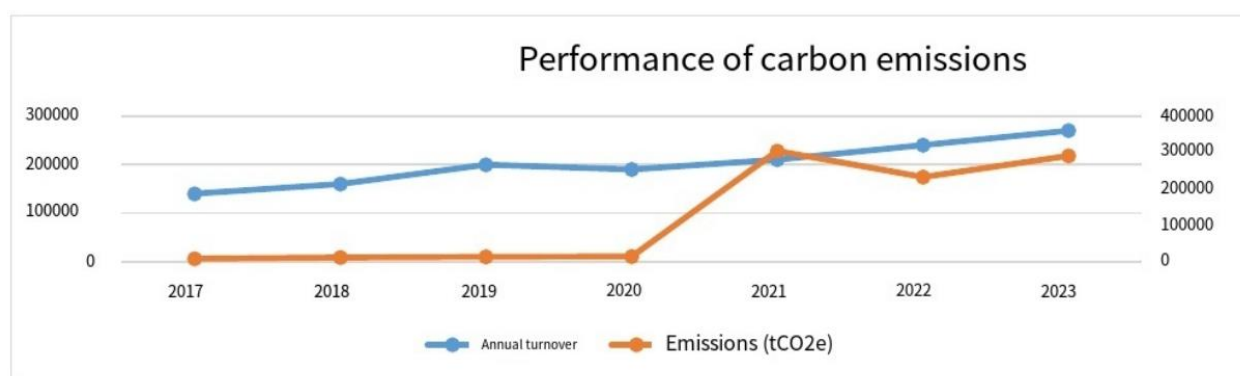
Fiscal Year	Annual turnover (10,000 CNY)	Emissions (tCO ₂ e)	Electricity Consumption (kWh)
2017	140,000	8,001	10,823,742
2018	160,000	11,586	15,532,938
2019	200,000	12,822	18,454,210
2020	190,000	14,145	22,212,427
2021	210,000	304,169	22,404,535
2022	240,000	232,677	18,049,130
2023	270,000	291,072	62,959,304

(Carbon emission quantity and electricity consumption of PGTEX in recent years)



(Carbon emission data of PGTEX in recent years, Figure 1)

Note: Only Scope I and Scope 2 are included



(Carbon emission data of PGTEX in recent years, Figure 2)

Note: Ranges 1, 2 and 3 are included

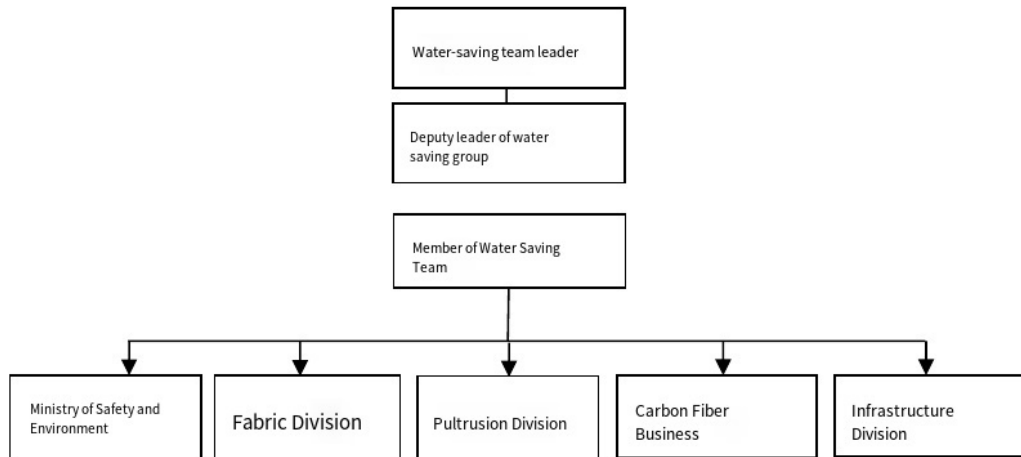
Through carbon management, PGTEX has quantified carbon emission indicators, identified significant emission factors, and adopted targeted measures for carbon management. The carbon management of PGTEX has effectively cooperated with the requirements of the government and the market on carbon emission, and established a scientific method and target for the effective expansion of the company's business. The effective implementation of carbon management makes PGTEX more confident in achieving the target of carbon peak and carbon neutrality.

5. Water Management

PGTEX strictly complies with the Water Law of the People's Republic of China and has established a special organization and measures to continuously monitor the consumption of water resources and sewage discharge.

1) Established the organization

In 2023, PGTEX set up a Water conservation group under the supervision of the government to determine the responsibilities and authority of water conservation management.



2) Establish the system

In order to implement continuous monitoring of water resources consumption, PGTEX has formulated the "Water Saving Management System" and conducted inspection records of water resources metering and water equipment to minimize water resources waste.

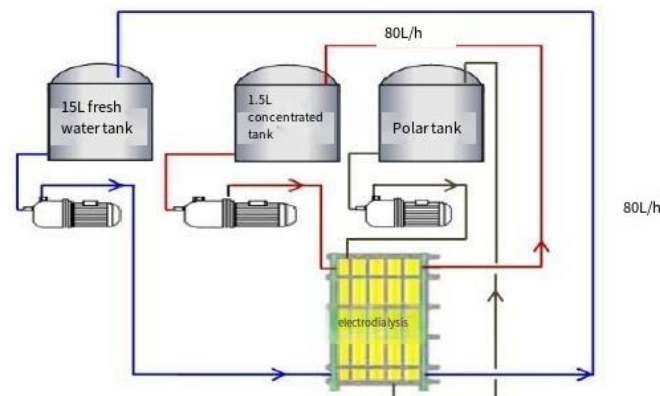
In order to implement the treatment of sewage, PGTEX has formulated the "Water Pollution Prevention and Control Management Procedure", which makes clear requirements for the discharge of production and domestic sewage to ensure the standard discharge of water resources.

3) Implementation measures

The drainage system designed and constructed by PGTEX in accordance with the measures of "rain and pollution diversion" and "clean and pollution diversion", the rainwater and sewage in the plant are respectively set up collection pipe networks for separate collection.

PGTEX's fabric, pultrusion and carbon fiber production processes do not discharge industrial waste water. The water consumed in the production of PGTEX's carbon fiber is used for circulation cooling, plant cleaning and personal use. Among them, two kinds of wastewater are generated in the carbon fiber production process.

One type of wastewater is the wastewater produced by surface treatment. This kind of wastewater realizes zero discharge of nitrogen-containing wastewater through EDR technology, and makes maximum use of water resources and ammonia nitrogen resources.



(Diagram of the treatment of nitrogen-containing wastewater by electro dialysis EDR)

The other is the waste water that has absorbed VOC. The wastewater is treated by suspension process, desalt process, sludge dewatering process, etc. The treated water is pumped to the absorption tower for reuse. The resulting sludge is regularly drained, dehydrated by the stack snail dehydrator, and transported for external treatment.



(PGTEX carbon fiber workshop nitrogen, high salt wastewater facilities)

A number of measures to ensure the economical use of water resources at the same time, to ensure that only domestic sewage discharge, no production wastewater discharge.

6. Solid waste Management

In order to reduce the ecological burden, PGTEX has promoted initiatives to reduce resource consumption, mainly focusing on the recycling of life-cycle materials, the recycling of packaging materials and the reduction of material loss.

1) Full life cycle recycling of carbon fiber

Carbon fiber production process will consume a lot of energy, in order to maximize the benefits of carbon fiber application in the whole life cycle, PGTEX has specially formulated measures for carbon fiber recovery.

Through the below process, the waste generated in all stages of the carbon fiber life cycle can be recycled. After recycling, the resulting thermoplastic particles are widely used in automotive, machinery, shipbuilding and other fields. Although the performance of the recycled carbon fiber will be lower than that of the original carbon fiber, it is still far better than other types of fiber, and is a very good reinforcement material.



(Carbon fiber yarns, fabrics, preregs, and components are eventually recycled to form thermoplastic staple fibers)

2) Packaging material recycling

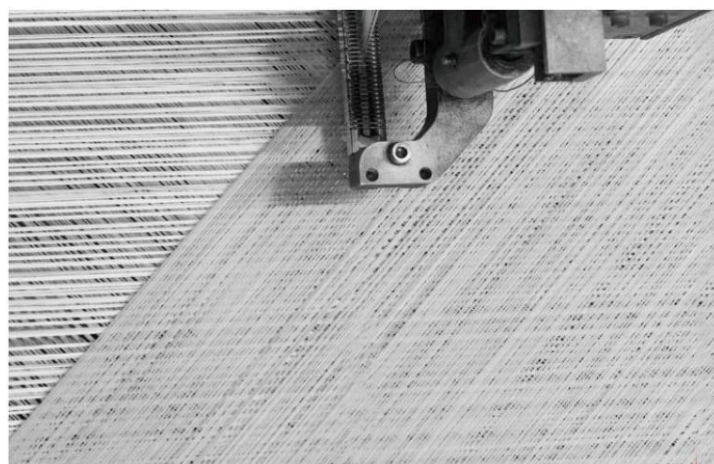
The product delivery process will produce a large amount of packaging materials, and these packaging materials will produce the corresponding waste. In order to minimize the use of packaging materials, PGTEX has set up a special team to develop measures for packaging recycling.



(PGTEX package recycling)

3) Reduce material loss

There will be losses in the production process. In order to minimize unnecessary losses, PGTEX has set up a special group to make measures to improve the utilization rate of raw materials. For example, by adjusting the weft shift, reduce the loss of yarn in the weaving process.



(The greater the shift, the greater the loss, reducing the weft shift can effectively reduce waste)

By implementing measures to reduce material consumption, PGTEX reduces both the cost of material procurement and the cost of waste collection, storage, transfer and disposal. The implementation of these measures has

effectively promoted the company's enthusiasm to reduce material consumption, and promoted the implementation of sustainable development.

Performance of Environment Protection

Through the implementation of the above measures, PGTEX has achieved satisfactory results in environmental compliance and sustainable development.

Index	Unit	2021	2022	2023
Noise emissions	\	Complying	Complying	Complying
Exhaust emissions	\	Complying	Complying	Complying
VOC*	ton	\	\	0.680
HCN*	ton	\	\	0.066
CO*	ton	\	\	2.124
NOx*	ton	\	\	9.557
NH3*	ton	\	\	1.561
SO ₂ *	ton	\	\	0

* Calculation method: Concentration of VOC and pollutants tested by organized exhaust gas × rated air volume of equipment × annual operating time of equipment.

PGTEX Water Consumption Data				
Index	Unit	2021	2022	2023
Water Obtained	ton	99293	268829	150222
Water Consumed	ton	\	8436	7269
Water Discharged	ton	\	260393	142953

PGTEX Solid Waste Generation and Emission Reduction Data		
Index	Unit	2023
The amount of general solid waste that cannot be recycled	ton	1799.446
The amount of general solid waste that can be recycled	ton	1551.858
Hazardous waste generates weight	ton	119.02
The amount of recycled packaging used	ton	180
The amount of carbon fiber recycled	ton	58.8
Reduce the amount of fiber yarn used	ton	650

PGTEX Energy Consumption				
Index	Unit	2021	2022	2023
Electricity	KWh	50462936	128452908	62959304
Steam	ton	4484	/	/
Thermal	GJ	/	/	3412.02
Natural gas	m ³	473242.5	1923356.5	887121
Gasoline	Kg	/	/	25487.69
Diesel fuel	Kg	/	/	6364.45
Liquefied natural gas	Kg	/	/	3615
Total	GJ	/	/	263535.64

Report of Environmental Protection

Through a series of measures, PGTEX has not received any complaints or administrative penalties due to environmental governance and energy in 2023, and has made great improvements in energy conservation, emission reduction, consumption reduction, water saving and financial saving.

- In 2023, PGTEX discharged wastewater, waste gas, solid waste and noise according to standards, and the number of complaints or administrative penalties caused by emission problems was 0.

- In 2023, PGTEX's energy consumption and carbon emissions meet the relevant requirements, and the number of complaints or administrative penalties due to energy use or carbon emissions is 0.

- In 2023, the number of environmental accidents and fires in PGTEX is 0.

-In 2023, PGTEX has passed the third-party ISO14001 certification supervision and audit and the customer's two-party audit, and there is no non-compliance with environmental governance.

- In 2023, PGTEX's water conservation activities reach the expected target

-In 2023, PGTEX's material saving project was successfully completed, and the consumption of raw materials and the use of packaging materials were reduced to meet the target set by the company.

Labor and Human Rights Protection

Policy of Labor and Human Rights

PGTEX has always adhered to the human rights provisions in the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and based on this, has formulated the policy of protecting labor, human rights and occupational health and safety.

PGTEX's labor and human rights policy: Protect human rights, put people first and respect the value of people.

In order to implement the labor and human rights policies, PGTEX has revised the *Employee Handbook* and *Code of Business Conduct*, and below policies to clarify the company's requirements for the protection of human rights.

Policy name	Main contents
Protect women and children	PGTEX protects the legitimate rights and interests of women and children, provides reasonable protection and care for women during pregnancy and lactation, and cares for the growth of underage children.
Child labor	PGTEX is committed to not employing "juvenile labor and child labor under the age of 18".
Forced labor	PGTEX is committed to opposing human trafficking, the use of forced, involuntary or slave labor, or the purchase of materials or services from companies that use such labor.
Recruiting and hiring equality	PGTEX never uses illegal workers. But, PGTEX respects diversity and equal opportunities for employees in the workplace, ensuring that employees are treated fairly in hiring, wages, treatment, training opportunities, work placements, promotions, disciplinary and dismissals. Discrimination on the basis of race, color, sex, national origin, age, disability, trade union membership, maternity, sexual orientation, marital status, gender identity or expression is prohibited. Plus, "equal pay for equal work" and treats every employee in the position equally is applied in PGTEX. PGTEX is committed to providing fair employment opportunities to disadvantaged groups, and will not deprive employees of their right to work due to their physical condition in the recruitment and hiring process.
Discrimination and Harassment	PGTEX always respects and upholds the dignity of all employees and resolutely resists corporal punishment and physical, sexual, psychological or verbal harassment or abuse.
Conflict Minerals	Ensure that all raw and auxiliary materials, machinery and equipment, and auxiliary facilities used by the company do not involve conflict minerals (coltan, cassiterite, gold, wolframite and its derivatives tantalum, tin and tungsten). At the same time, this requirement is also passed on to our suppliers, requiring our supply chain to verify the use of conflict minerals, and to proactively make declarations and commitments not to use conflict minerals.
Reporting Violations and Anti-Retaliation	PGTEX is committed to providing appropriate safeguards to its employees to ensure that they have the confidence to raise their concerns without fear of retaliation. To the extent permitted by law, a compliance reporting system has been established to enable employees to report their concerns anonymously.
Reasonable pay and working hours	PGTEX ensures that employees are paid and working hours are fair, and overtime should be limited to a reasonable level to ensure that a humane and productive working environment is maintained.

Through the above policies, PGTEX has strictly complied with the protection of labor and human rights, such as the Constitution, Labor Law and Labor Contract Law, and resolutely guarded the red line of human rights.

PGTEX has established internal and external reporting channels for labor human rights, occupational health and safety incidents, risks and problems, and ensures the confidentiality of whistleblowers and reported information. For more information, see the Monitoring and Communication section of the report.

Target of Labor and Human Rights

To ensure that labor and human rights policies are implemented, PGTEX has established social responsibility targets on labor and human rights.

Index	Unit	Target Value
Number of misuses of child labor	Time	0 for the whole year
Number of juvenile workers	Time	0 for the whole year
Wages paid by the worker on the regular shift	/	Wages for full-time workers on regular shifts 100% ≥ minimum wage set by the government
We will not discriminate against labor	Time	0 incidents of serious discrimination
Eliminate disciplinary labor	Time	Serious disciplinary incidents are 0
Employee complaints	Time	Number of complaints about violation of employees' rights and interests: 0

Actions of Labor and human rights

1. Measures to prohibit the use of child labor and measures to relieve child labor

PGTEX always prohibits the use of child labor, and strictly verifies the "two certificates", namely ID card and health certificate, of candidates in the recruitment process. If the applicant has not obtained the ID card, he/she should hold a certificate of over 16 years old approved by the local police station. The company shall strive not to use child labor and shall not support the employment of child labor by other companies or social organizations. At the same time, PGTEX also passes this requirement on to the supply chain.

Once it is determined that there has been negligence, or that the applicant has used false documents to deceive the company into being hired, PGTEX must take the following actions:

- 1) The child labor must be stopped immediately, but the company cannot terminate the employment relationship with the child, and under no circumstances shall the child's future safety and living situation be jeopardized.
- 2) Report to the local labor bureau and arrange a health check as soon as possible; In case of illness, treatment should be arranged first until recovery, and the medical expenses will be borne by the company.
- 3) The child worker's parents or legal guardian must be contacted immediately to arrange for the child worker to be returned to their original place of residence to their parents or guardian as soon as possible; Transportation expenses, room and board expenses and other related expenses required for sending child workers are all borne by the company, and the expense documents must be kept properly, which will be used to verify whether the company complies with the requirements of this regulation. The company must maintain contact information with the child worker's parents or legal guardians to prove compliance with the requirements of this Regulation.
- 4) The Company shall maintain contact with the child's parents or legal guardians to ensure that the child is in a good situation and has returned to school. The Company shall keep in touch with the child's school to ensure that the child attends school normally, and the company must keep relevant information about the child's schooling. After the child reaches the age of 16 or the minimum legal working age, the company must consider rehiring the child to work in the company.
- 5) The company must establish a sound recruitment system to prevent future child labor and demonstrate that it is strictly enforced.

2. Conflict Minerals

On the basis of its own non-application of conflict minerals, PGTEX requires suppliers to declare whether they have

used conflict minerals (CMR).

At the same time, when choosing suppliers, PGTEX will strictly abide by the requirements of the Conflict Minerals Rules, choose products that do not contain conflict minerals, and become partners with suppliers that do not use conflict minerals.

DECLARATION

To whom it my concern,

Dear Customer:

We, [REDACTED], hereby declare that :

[REDACTED]

Our product (Fiberglass) not intentionally added gold (Au), tantalum (Ta), tungsten (W), tin (Sn) referred as "Conflict Minerals")& Cobalt (Co).

The glass fiber products produced by our company do not actively add gold (Au), tantalum (Ta), tungsten (W), tin (Sn) (referred to as conflict minerals) and diamond (Co).

If you have more questions ,please don't hesitate to contact us !

If you have any questions. Please feel free to contact us!

(PGTEX Conflict Minerals Report)

3. Respect women and protect women's rights and interests

1) We will improve the system for protecting women's rights and interests

PGTEX has always adhered to the policies on women's pregnancy and lactation, implemented measures to protect women's rights and interests, and set up maternity and infant rooms in the company to provide convenience for lactating employees.

2) opposes discrimination and harassment

PGTEX has formulated the Anti-Discrimination and Anti-Harassment Policy, which makes it clear that employees cannot be selectively hired or promoted on the basis of gender, and ensures gender equality in the workplace. At the same time, PGTEX resolutely resists any harassment of female employees and will deal with it immediately once it is verified. If it violates the law, it will be handled by the public security organs.

3) for women's career development

PGTEX has taken measures to ensure women's career development. At present, five of PGTEX's senior executives are women, accounting for 39% of the total number of senior executives. From the perspective of the whole company, the ratio of male and female employees is basically balanced.

4) women-only activities

On August 9, 2023, PGTEX launched the activity of "Enhancing the energy of the heart and stimulating new vitality" for the company's employees. With the theme of "How professional women control happiness", we invited professional psychological teachers to carry out experiential psychological group assistance, improve the cognition of female science and technology workers on happiness, analyze the influencing factors of female happiness, and improve the happiness of female science and technology workers through interaction and psychological counseling.

In order to further relieve the pressure of female science and technology workers, care for their mental health, set up a food making experience, make delicious sandwiches together, and enjoy the physical and mental relaxation of

a short break from the busy work life.



(Activities of psychological coaching and train staff to make sandwiches)

4. Formulate measures to protect employees from vulnerable groups

PGTEX provides fair employment opportunities for disadvantaged groups, and provides donations and help for people with disabilities. In the process of recruitment and employment, there will be no discrimination against persons with disabilities.

In order to take care of people with disabilities while working in the company, PGTEX has set up wheelchair accessible facilities such as handrails, walkways and wide-body elevators.



(PGTEX's Accessibility facilities for people with Disabilities)

In addition, in order to maximize the difficulties of people with disabilities, PGTEX has also made disabled-friendly modifications to facilities such as restrooms, stairs and lighting.

5. Equity in recruitment and employment

1) Ensuring staff development

a) For the effective development of every employee, PGTEX has formulated a series of instructions.

Human Resource System	Description
-----------------------	-------------

Human resources management system	PGTEX has formulated the "Human Resource Management System", which has been subject to institutional constraints in terms of employee transfer, training, job allocation, ability assessment, performance management and other aspects. Consider the effectiveness and efficiency of employees' work, and provide employees with appropriate positions and remuneration.
Training management system	PGTEX has formulated the "Training Management System", which effectively controls the needs of training, the configuration of training, the implementation of training, and the verification of the effect of training. Ensure that every employee is fully trained and on-the-job training.
Employee competency management system	PGTEX has formulated the "Employee Ability Management System", which sets the evaluation standards and assessment basis for job skills, and determines the ability requirements for employee promotion.
Job description	PGTEX has updated the Job Description to provide a clear explanation of the requirements required for each position to help employees understand: What should I do? How should I do? How to assess whether my job is good or not? What qualifications are needed if I want to do?
Capability Management Matrix	On the basis of the latest Job Description, PGTEX has redefined the competencies required for the position and updated them in the Competency Management Matrix. At the same time, the competencies of each employee are evaluated and the results of the assessment are compared with the competencies required for the position. If the employee's ability exceeds the ability required for the position, priority will be given in promotion and adjustment; If the employee's ability cannot meet the requirements of the position, it will be used as the input of training to improve the ability.

b) Provide a variety of ways for employees' career development:

i) Vertical promotion

PGTEX provides a fair promotion channel for every employee who meets the performance requirements and meets the promotion requirements. Employees who pass the assessment of the Post Ability Management System will be promoted to the skill level in their own post and to the management level in a higher post.

ii) Horizontal transfer

PGTEX provides system guarantee for multi-skill post transfer. Employees who pass the assessment of "Post Ability Management System" can apply for post transfer on their own in suitable posts. The company provides policy and salary subsidies for multi-skilled employees to encourage employees to cultivate multi-skills and achieve diversified career development paths.

c) Set the goal of staff development

i) staff ability improvement

PGTEX makes clear requirements for the ability of each position, and provides training and promotion opportunities for every employee who has not reached the post ability. At the same time, it also requires the employing department to set the goal of staff ability improvement to ensure that the employees on the job get the appropriate ability.

In order to better manage the ability of employees, PGTEX has introduced the "Employee ability matrix" tool to match the required ability of each position with the ability of the employees on the job. Employees whose abilities

do not meet the requirements of the post will be required to undergo training and promotion.

PGTEX CHINA CO., LTD.											
Employee Capability Matrix											
Score description: 0 = Not Required/Not applicable 1 = Basic: Have the knowledge of the skill, but need assistance in certain situations 2 = Moderate skill / Adequate: Can complete activity in routine situation without help, but need assistance in unusual situations 3 = Experienced skill / Proficient: Consistently perform skills / knowledge even in unusual or non-routine situations 4 = Expert/Expert: One of the best performances. Others come to him/her for assistance in this area					Instructions for filling out the form: 1. "Job Skills Assessment" - the determination of the project 2. "Project" - the necessary skills for the decomposition of the position (indicators that 3. "Target" - refers to the number of points that need to be achieved to qualify 4. The same position is placed in the same table 5. Color display - can be set by conditional formatting options, automatic display.						
Illustration: Orange indicates non-compliance - a designated mentor is required to continue training Green indicates that the standard is met - competent for this job					Department:						
Basic Information (by Position)					Job skills assessment						
serial number	name	gender	Specific duties	Date of entry/onboarding	project	XX	XX	XX	XX	senior	Estimated completion time
					State of the art	0	0	0	0		
					State of the art	1	1	1	1		
					State of the art	2	2	2	2		
					State of the art	3	3	3	3		
					State of the art	4	4	4	4		

(PGTEX Skill Matrix)

In order to ensure that all employees have the competencies required for the position, PGTEX organizes training based on the identified competency gaps every year.

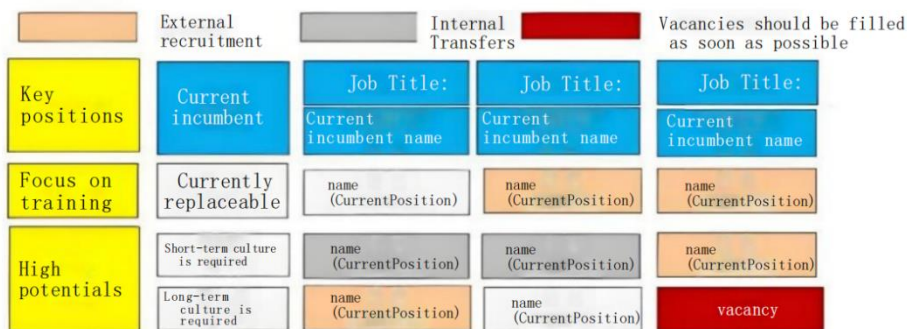
PGTEX CHINA CO., LTD.																																
2024 Annual Training Schedule																																
Preparation time:		2023/12/26		Training implementation time: January 1, 2024				Venue:		Feng Yuanquan																						
category	Training course series	Training Requirements Input	Course name	Training/assessment objects	Hours	Training method	Assessment method	Recommended instructors	Planned training implementation time (months)												Plan assessment implementation time (month)											
									1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
New recruits	New employee orientation	Employee training management procedures	Induction training for new employees	New recruits	1	In-house training	Exam papers/practice/communication	Training Specialist/Squad leader																								
finish ones apprenticeship	3 months of staff training		3 months personnel training assessment (3 months)	3 months employee	1	In-house training	Exam papers/practice/communication	Training Specialist/Engineer/Squad leader																								
Institutional norms	Institutional norms	Inspect the requirements of the work	Carbon glass plate inspection specification	Inspectors	1	In-house examination	Training Specialist/Engineer																									
			Non-conforming product control management	Inspectors	1	In-house examination	Training Specialist/Engineer																									
			Pultrusion product data check specification	Inspectors	1	In-house examination	Training Specialist/Engineer																									
			Specification for ultrasonic testing	Inspectors	1	In-house examination	Training Specialist/Engineer																									
			Identification and traceability management	Inspectors	1	In-house examination	Training Specialist/Engineer																									

ii) Coverage of echelon personnel in key positions

The business of PGTEX is completed by a large number of skilled and highly skilled employees and engineers. Therefore, these highly skilled and skilled workers and engineers are defined as the core personnel of PGTEX.

At the same time, the key positions to complete the operation are also identified. In order to reduce the work experience, efficiency loss and risk caused by the interruption caused by the loss of Key personnel, each superior supervisor of each key position is required to formulate the target of talent reserve for key positions.

The ways to satisfy talent in the echelon



(PGTEX has built its own talent echelon model for key positions by referring to the mainstream manpower model)

In 2023, PGTEX has set a target for the reserve of key positions, requiring that all key positions should be configured with reserve talents, and train and promote the reserve talents according to the plan, and gradually form a talent echelon.

iii) Employee turnover rate

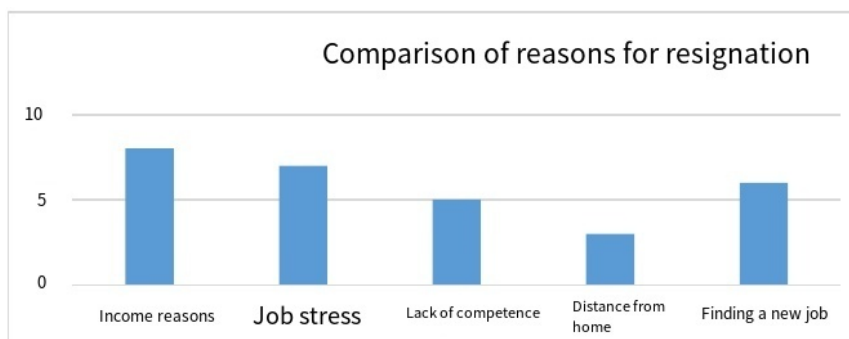
PGTEX pays close attention to the flow of employees, monitors the turnover rate of employees, analyzes the causes of departments with large turnover rate of employees, and takes measures to ensure that employees work steadily on their posts.

PGTEX Human Resources Department statistics the turnover rate every month, and analyzes the employee turnover rate to solve the problem that employees can't stay.

Data node: November 28, 2023

1. Personnel turnover in the department																								
Department name	General Manager's Office	EHS	Finance Department	Purchasing Department	Warehousing Department	Partnership Work	Legal Department	Ministry of Infrastructure	Logistics Department	Administration Department	Propaganda Department	Sales Center	Experimental Center	expert	IT	HR	Asset Management Department	Logistics Support Department	Science and Technology Management Department	Strategic Investment Department	Composited Center	Technology Product Center	Quality & System Management Department	Public Sector Total
Number of people in the previous month	7	45	29	24	0	2	2	4	9	15	4	24	19	9	13	12	6	66	9	2	36	63	5	405
New this month	New	2							1	1													1	5
	Into																				1			1
Reduced this month	dimission		1	1						1		1						1					2	7
	Roll out																							0
Number of people of the month	7	46	28	24	0	2	2	4	10	15	4	23	19	9	13	12	6	65	9	2	37	61	6	404
Turnover rate		20%	3.0%							60%		4.0%						2.0%					3.0%	

(Monthly turnover rate statistics of PGTEX)



(Analysis of reasons for turnover of PGTEX)

When every employee leaves PGTEX, the supervisor, manager, director or vice president in charge of the position of the employee will have one-on-one communication with the employee, understand the reason of the employee leaving PGTEX, and implement improvement plans according to the problems raised by the employee.

2) Freedom of association is guaranteed

To ensure the rights and interests of employees, PGTEX has formulated the "Rights and Interests of Employees Protection System", which clarifies the rights of employees to freely form associations and participate in social activities.

PGTEX encourages employees to join the Communist Party of China and Democratic Party organizations, standardize their behavior with the high standards of party members, take the initiative to learn, make positive progress, take the lead role of party members, and play a pioneering role of "courage to take responsibility and be

willing to contribute" in enterprise management.

In 2023, PGTEX was rated as "Changzhou Brand benchmarking Enterprise CCP Organization" by the government, which is inseparable from the active participation of employees.

PGTEX pays attention to the voice of employees, formulates the "Trade union Management System", and holds the workers' congress on time, invites employees to make decisions together, and listens to the opinions of employees.

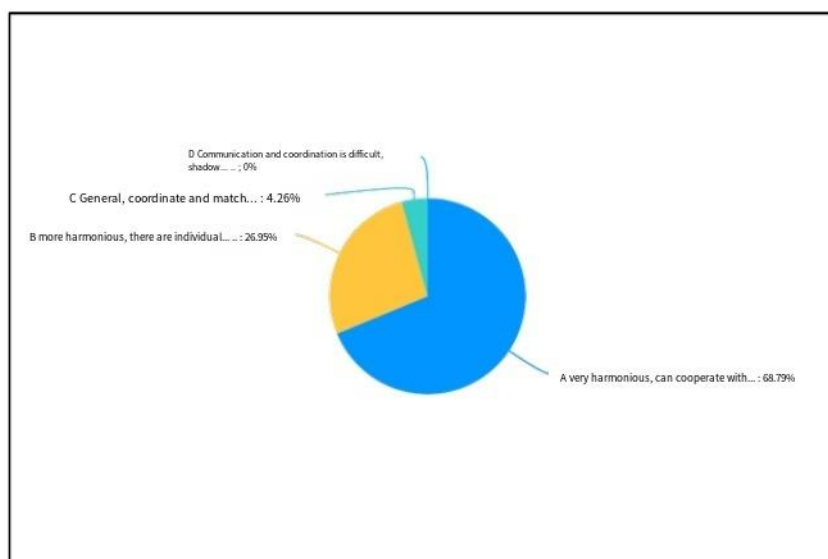


(PGTEX Employee Representative Meeting)

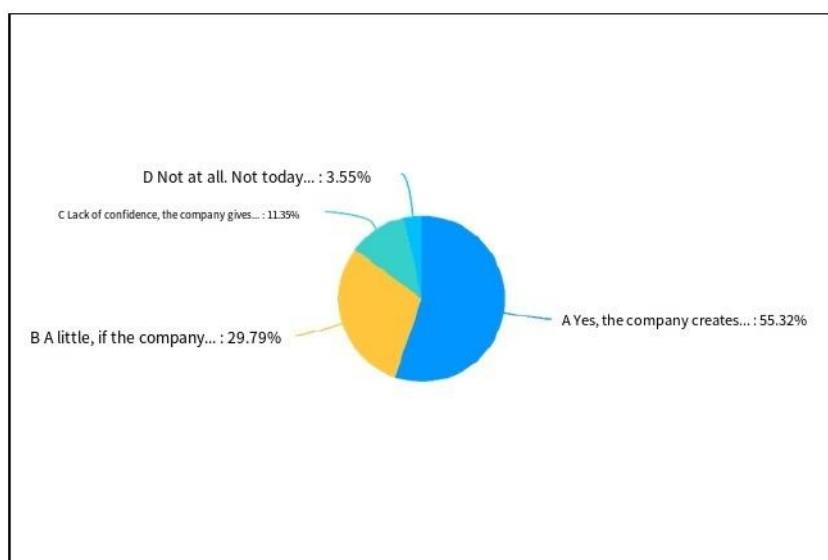
3) Listen to employees

In order to listen to more employees' voices, PGTEX organizes an employee satisfaction survey every year to collect and organize employees' opinions and suggestions as input for the continuous improvement of the company management.

In 2023, PGTEX has conducted an employee satisfaction survey among its branches, focusing on various indicators such as the company's working environment, treatment, personal growth, employee relations, and leadership services. Among them, employees were satisfied with "career development planning" and "Workplace communication", which best represent employees' overall impression of the company.



(Screenshot of 2023 PGTEX's corporate communication satisfaction survey, 95% of employees said that work communication is harmonious)



(In 2023, PGTEX Survey on employee career development satisfaction, 85% of employees are satisfied with their career development in the company)

Policy of Health and Safety

PGTEX is always committed to providing a comfortable, healthy and safe working environment for its employees, ensuring that employees are safe in the workplace, mentally healthy, comfortable in the working atmosphere, and easy to interact with others.

PGTEX's occupational health and safety policy: advocate people-oriented, care for employees' health, harmonious and sustainable development, and highlight social responsibility.

Health and Safety Policy

In order to realize the occupational health and safety policy, PGTEX has formulated corresponding policies to guide employees to protect labor safety, prevent occupational diseases and work healthily and happily at work.

PGTEX Occupational Health and Safety Policy	
Workplace Violence Prevention Policy	PGTEX is always advocating for a safe and healthy working environment, encouraging all subsidiaries, branches and branches to establish violence prevention programs, and tracking and evaluating the degree of reduction of workplace violence.
Global Travel Safety Policy	PGTEX has established production bases and R&D centers in Asia, the Americas, Europe and Africa. In cross-regional business management activities, PGTEX always pays attention to the travel safety of employees, and has formulated measures for employees to protect their own safety during business trips.
Occupational health and safety guidelines and policies	PGTEX ensures that employees are provided with a safe working environment, and provides employees with necessary labor protection and security measures to ensure that labor safety is protected.

At the same time, in accordance with relevant laws and regulations, PGTEX has established the ISO45001 occupational health and safety management system to provide employees with a suitable working environment, and has passed the third-party approval. (See Annex 2)

PGTEX has established internal and external reporting channels for OH&S incidents, risks and problems that violate laws and regulations, and ensures the confidentiality of whistleblowers and reported information. For details, see the Monitoring and Communication section of the report.

Target of Health and Safety

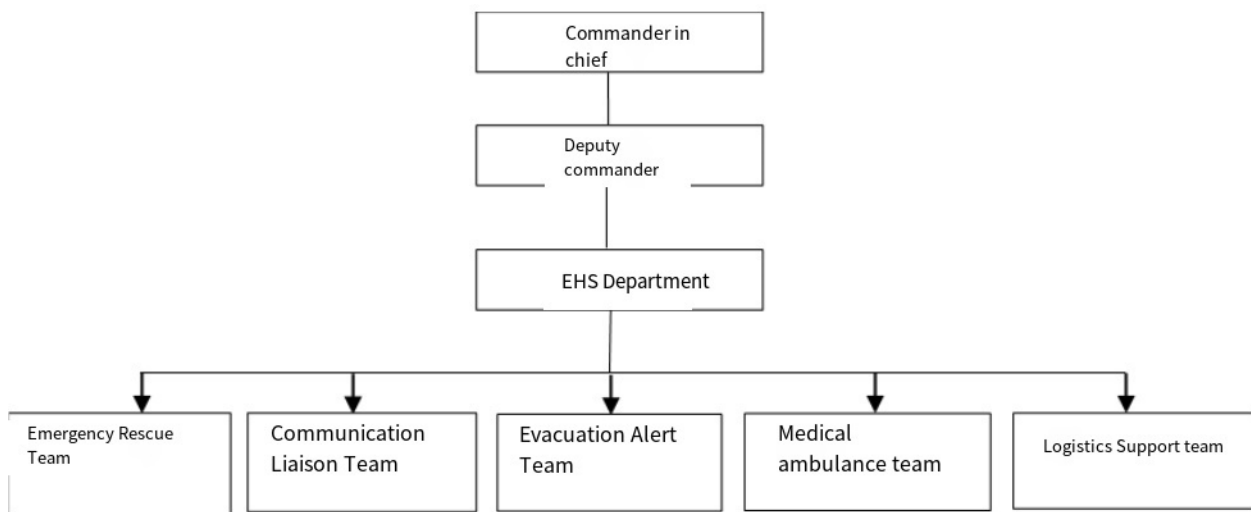
In order to implement the OH&S policy and quantify safety and health behaviors, PGTEX has developed health and safety objectives.

Summary of PGTEX health and safety objectives		
Serious injuries and fatalities	Time	0 for the whole year
Major fire and explosion accidents	Time	0 for the whole year
Minor injury accidents	cases	≤ 3 cases/year
Incidence of occupational diseases	Time	0 for the whole year

Actions of Health and Safety

1. Improve the labor safety supervision organization

In order to ensure the work safety of employees, PGTEX has established an EHS committee and submitted it to the local government for record. At the same time, the emergency command has been established to conduct special management of safety emergency incidents.



(Organization chart of PGTEX Emergency Headquarters)

In order to carry out the work of the Safety Committee, PGTEX has set the following responsibilities for the Safety Committee:

- 1) Publicize, implement and enforce laws and regulations related to production safety, and carefully study and solve major problems existing in the company's production safety management;
- 2) Establish and improve the production safety responsibility system and production safety rules and regulations, and regularly inspect and assess the implementation and implementation;
- 3) According to the national and regional work safety plans, objectives and requirements, combined with the actual situation of the company, formulate long-term plans and annual plans for work safety, and organize their implementation;
- 4) Organize at least one comprehensive inspection of production safety every quarter to study and analyze the problems in production safety;
- 5) Establish and improve the company's management files on major hazards and major accident hazards, urge relevant departments to formulate hazard monitoring and rectification measures for major accident hazards, and organize the implementation or supervision of their implementation;
- 6) to examine and approve matters related to production safety within the company in strict accordance with the conditions and procedures stipulated by national laws, regulations and standards;
- 7) Responsible for the supervision and administration of production safety, establish and improve the supervision and administration of work safety, and implement the supervision and administration of work safety personnel and work funds;
- 8) Organize and participate in at least one accident emergency rescue drill every year;
- 9) Promptly organize rescue in the event of an accident, and timely and truthfully report the accident to the departments responsible for the supervision and administration of work safety, do a good job in the aftermath, and cooperate in the investigation and handling;

10) to report annually to the general assembly of workers and staff or the congress of workers and staff, the shareholders' meeting or the general meeting of shareholders on work safety and the performance of individual duties in the administration of work safety, and to accept the supervision of work safety by trade unions, employees and shareholder;

11) To organize the implementation of the decisions and arrangements of the people's governments at the corresponding levels on work safety, to carry out regular analysis and judgment on the situation of work safety, and to put forward major policies and work measures on work safety;

12) To guide, coordinate, supervise and inspect work on production safety;

13) To organize and carry out inspections and assessments on the performance of work safety duties by various departments;

14) Other duties assigned by laws, regulations and rules.

2. Identify physical, chemical, social and psychological risks involved in the workplace

In order to ensure that occupational health hazards are effectively monitored, all departments of the organization identify and update occupational health hazard factors once a year, and establish targeted measures based on the identification results to actively improve them.

有限空间作业警示栏				有限空间作业告知牌		有限空间作业安全操作规程	
有限空间名称	化粪池	有限空间编号	1000014	未经审批严禁擅自作业！ 严禁盲目施救！		作业原则 先通风、再检测、后作业 制定有限空间作业方案，并经本企业安全生产管理人员审核，负责人批准。并将作业方案和作业现场可能存在的危险因素、防控措施告知作业人员。 作业前检测指标包括氧浓度、易燃易爆物质（可燃性气体、爆炸性粉尘）浓度、有毒有害气体浓度。检测的时间不得早于作业开始前30分钟。 发现通风设备停止运转、有限空间内氧含量浓度低于或者有毒有害气体浓度高于国家标准或者行业标准规定的限值时，必须立即停止有限空间作业。 作业中断超过30分钟，作业人员再次进入有限空间作业前，应当重新通风、检测合格后方可进入。 安全防护措施 应当根据本企业有限空间作业的特点，制定应急预案，并配备相关的呼吸器、防护服、通讯设备、安全绳等应急救援装备和器材。有限空间作业的现场负责人、监护人员、作业人员和应急救援人员应当掌握相关应急预案内容，定期进行演练，提高应急处置能力。 应急救援措施 有限空间作业中发生事故后，现场有关人员应立即报警，禁止盲目施救；应急救援人员实施救援时，应当做好自身防护，佩戴必要的有限空间应急救援器材。	
责任部门	基建部	责任人	胡志鑫				
作业频次	1次/季	尺寸 (长*宽*高)		作业场所常用浓度要求 氧含量 安全范围19.5%~23.5% 缺氧危险15.5%~19.5% 一氧化碳 浓度限值120mg/m ³ (ppm) 时间加权平均容许浓度20mg/m ³ (ppm) 其他			
涉及主要危险有害因素 禁止烟火 当心中毒 当心窒息 必须穿戴防护用品 必须系安全带				有限空间事故现场处置方案 1. 救援过程中应向作业环境不间断送风，检测人员持续检测有毒气体浓度。 2. 进入有限空间救援人员必须佩戴正压式呼吸器、通讯器材等有限空间应急救援器材。随时向地面负责人报告情况，尽快将作业人员抢救出有限空间。 3. 急救人员对受伤人员采取心肺复苏术，直到专业救护人员到现场，受伤人员接受专业救护后方可停止心肺复苏术。 4. 设专人现场警戒，发生事故第一时间报告上级主管部门。			
现场管控措施 防护栏 ☐ 双锁管理 ☐ 安全色 ☐ 可视化看板 ☒ 防坠网 ☐ 有限空间应急器材 ☒				应急电话 应急联系人: 胡志鑫 联系电话: 15006127529 安全管理人员: 周浩杰 联系电话: 18136399538			

(Security risk diagram of Macro vertical and horizontal identification)

1) Configure appropriate PPE based on risks

In order to ensure the effective protection of employees' safety in the workplace, the company has formulated the "Labor Insurance Supplies Management System", which sets PPE standards for employees involved in occupational health hazards, and provides an adequate stock supply.

In order to ensure the correct use of labor protection supplies, the company requires the person in charge of positions involving occupational health hazards to check the use of employees' labor protection supplies every day,

and ask employees to update labor protection supplies on schedule.



2) Provide targeted occupational health and safety training for all employees:

a) Carry out training on occupational health and safety.

Safety Training in PGTEX 2023			
The name of the training	year	Session	Number of people reached
Personal Protective Equipment Training	2022	18	354
Occupational health knowledge training	2022	1	25
Occupational health training	2023	12	429
Personal Protective Equipment Training	2023	54	821
Chemical Spill Tabletop Drill Training	2022	1	6
Occupational health drills	2023	1	126
Employee onboarding	2023	12	
Pre-job training for production posts	2023	25	



(Pictures of Safety Training in Workshop)

b) In order to protect the mental health of employees, we have held several mental health and stress management trainings for employees.

PGTEX always advocates a "family culture" and treats every employee as a family member. At present, the competition in the market is becoming increasingly fierce, and our employees bear great work pressure.

In order to relieve the workplace pressure and advocate a "sunny and harmonious" working atmosphere, in 2023, PGTEX combined with Changzhou Binkai District Government to carry out a psychological counseling course for employees with the theme of "spiritual growth, creating wisdom Binjiang".

Stress Management Coaching in PGTEX 2023		
Self-management of employee stress	Employee communication and relationship coordination	Manage your time and be an efficient employee
Hand in hand, friends you and me	Top 5 Barriers to Teamwork	Employees self-explore and care for themselves
Mood & Stress Management	Exceptional Leadership	\



(Pictures of the company providing psychological stress training for employees)



(Pictures of the company providing psychological counseling to employees)

c) In order to ensure the ability to respond to accidents, PGTEX attaches great importance to the emergency management of employees and carries out emergency drills every year.



1. The scene personnel found the fire, shouted and put out the fire with fire equipment



2. The on-site personnel press the manual alarm button nearby



3. The on-site personnel report the fire situation to the superior



The commander ordered the emergency response procedure to be activated and all personnel evacuated to the assembly point



5. After the fire control duty officer confirms the fire situation, start the fire sound and light and fire broadcast



6. The staff began to evacuate to the assembly point



7. The evacuation team counts and reports the evacuation situation to the commander



8. The rescue team went into the fire to rescue the wounded



The medical team began to treat the wounded



The emergency team used hydrants to extinguish the fire



11. After the rescue of the personnel, the commander summarized the drill



Fire extinguisher practical operation training

(Photos of the emergency drill organized by PGTEX)

3) Configure intelligent facilities for safety supervision:

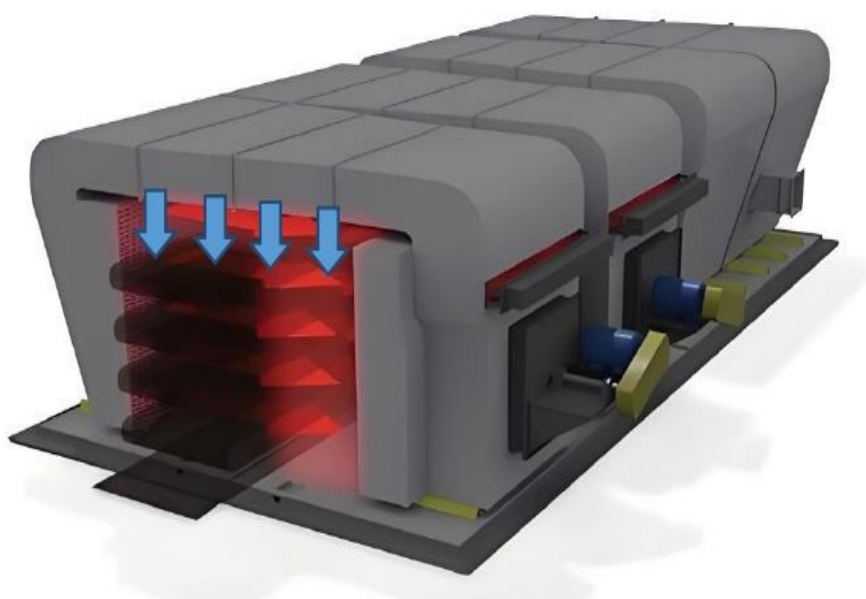
a) The on-site safety management system is configured for the intelligent manufacturing of carbon fiber production workshop. Employees wear safety bracelets on duty and can connect to the background to monitor the time,

position and personnel safety situation when entering special operation areas.



(Pictures of production safety surveillance)

b) Develop special equipment for real-time monitoring to prevent detonation in carbonation chamber, and shorten the time from flame occurrence to alarm and spray to less than 1100ms.



(Carbon fiber workshop oxidation furnace anti-deflagration system)

4) Provide staff with heat prevention and cooling materials, install air conditioning and fresh air system for the workshop, reduce the risk of heat stroke in summer, and improve the working environment of high temperature in summer.



(High temperature condolences employees in PGTEX)



(Air conditioning and fresh air system in workshop)

Performance of Labor and Human Rights

1. Human Rights

Human Rights Management Performance in PGTEX 2023	
Index	Practically achieved
Reported complaints of child labor received in the past three years	0
Reports and complaints of forced labor received in the past three years	0
Reported complaints of harassment received in the last three years	0

2. Health and Safety

Occupational health and safety management performance in PGTEX 2023				
Index name	Unit	2021	2022	2023
Occupational health check-up coverage	%	100%	100%	100%
Number of people with occupational diseases or suspected occupational diseases	piece	0	0	0
Occupational health investment ³	CNY	4424479.95	3432854.58	2931993.8
The certificate holding rate of special operations personnel	%	100%	100%	100%
The contractor's construction safety education and agreement signing rate	%	100%	100%	100%
The number of days lost due to a work-related injury	Day	/	/	125.5
Lost time accident rate per million working hours	cases	/	2.207	2.042
Serious accident rate	%	0	0	0
Work-related fatalities	cases	0	0	0
The rate of signing the letter of responsibility for safety production	%	100%	100%	100%
Occupational health hazard notification rate	%	100%	100%	100%
Occupational Health Check pass rate	%	100%	100%	100%

Safety Training in PGTEX 2023												
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Number of training sessions	2	3	5	8	2	7	9	4	3	5	4	6
Average duration	3H											

Safety Training in PGTEX in the last 3 years			
Fiscal Year	2021	2022	2023 ¹
Amount (CNY)	4424479	3432854	2931993

Note 1: The cost reduction is due to the adoption of cost reduction activities, through changing suppliers or improving automation, should ensure that the input has not been reduced.

3. Fairness in recruitment and employment:

2022-2023 Comparison of Personnel Employment Data in PGTEX		
Index name	2022	2023
Total number of people	617	603
By gender		
Male employees	373	374
Female employees	244	229
Percentage of female employees	39.50%	38.00%
By race/ethnicity		
Chinese Han nationality	617	603
Minority	0.00%	0.00%
By age group		
Under 30 years of age	100	117
30-50 years old	399	401
Over 50 years old	109	85
Non-Chinese nationals	0	0
Number of workers with disabilities	3	2
Percentage of workers with disabilities	0.50%	0.30%
Occupations with disabilities	Production statisticians, janitors, sampling assistants	Doormen, sampling assistants
Number of promotions	15	22
Number of female promotions	4	3
Percentage of women promoted	26.7%	13.6%
Number of maternity leavers	0	5
Number of people who returned to work at the end of maternity leave	0	5
College Student Reserve	3	7
Hiring rate ²	5.20%	16.90%
Loss rate ³	1.60%	1.20%
Physical examination coverage	100%	100%
Social security coverage	100%	100%
Employee satisfaction	80%	83%

Note2: Employee employment rate = Number of new employees in the reporting period ÷ (number of employees on duty at the end of the reporting period + number of employees leaving the reporting period) ×100%

Note3: Employee turnover rate = Number of employees who quit during the reporting period ÷ (number of employees at the end of the reporting period + number of employees who quit during the reporting period) ×100%

4. Protect female employees

By 2023, PGTEX will continue to provide employment opportunities for women, with female employees accounting for 28.18% and senior executives accounting for 38.46% of the management team.

5. Formulate measures to guarantee employees' opinions

In 2023, PGTEX held three trade union meetings to vote on major decisions of the company through employee representatives.

In 2023, PGTEX continues to listen to employees and conducts quarterly employee satisfaction surveys, the results of which show that employees are satisfied with the job opportunities offered by PGTEX.

6. Monitoring and reporting of workers' human rights, occupational health and safety incidents, risks and issues

Complaints on Human Rights and Occupational Health and Safety in PGTEX 2023		
Index name	target	Reached
Reported complaints received about child labor	0	0
Reports and complaints of forced labor received	0	0
Reported complaints of harassment received	0	0

7. Safeguard vulnerable groups of workers

In 2023, PGTEX adheres to providing employment opportunities for disadvantaged groups, with employees with disabilities accounting for 0.15%.

Report of Labor and Human Rights

- 1) In 2023, PGTEX passed the third-party ISO45001 certification supervision audit and the second-party audit of the customer, and there was no non-compliance with labor safety.
- 2) The 2023 PGTEX employee development indicators were met. There have been no employee complaints or arbitrations due to unfair treatment.
- 3) In 2023, PGTEX will meet the labor safety indicators. There have been no major security incidents, and there have been no labor arbitrations and lawsuits caused by major security incidents. TRR and SR data decreased significantly.
- 4) In 2023, PGTEX found 0 child labor, 0 underage employees, 0 forced labor incidents, 0 harassment reports, and human rights management standards.
- 5) In 2023, PGTEX received 0 internal and external complaints on human rights.

Business Ethics and Compliance

Policy of Business ethics and Compliance

PGTEX always adheres to the law and compliance of business operations. When the company makes every decision, it takes business ethics compliance into consideration, forming its own management core values and business ethics management policy.

Core Values: Integrity, innovation, sharing, sharing

Integrity:

PGTEX will write integrity into its core values, requiring all our employees to always put integrity and integrity in the first place in business. The company has always adhered to the integrity of management, truly disclosed the company's business information, and truly improved the problems in the operation. At the same time, PGTEX also requires the supply chain to be honest, honest and transparent management.

Innovation:

PGTEX requires innovative thinking to solve various problems in production and operation. We use innovative products to bring value and solutions to customers. At the same time, we also use innovative thinking to integrate sustainable development into all sectors of the company's business, so that the company's decision-making is based on the long-term, focused on the future.

Sharing:

PGTEX adheres to sharing the fruits of development with partners, shareholders, employees and all sectors of society. We use all our efforts to build PGTEX and achieve PGTEX. At the same time, PGTEX also shares innovative technology, rich reporting, employment opportunities and cooperation opportunities with people from all walks of life.

Share responsibility:

PGTEX always puts responsibility in the heart. The company requires members of all departments to fully assume the responsibilities of their posts, jointly assume the risks and opportunities encountered in the development of the company, and jointly realize the vision and mission of the company.

Business ethics management policy: compliance as the bottom line, adhere to the sunshine principle to carry out business.

Business Code of Conduct

In order to implement the policy and core values, PGTEX has formulated the Business Code of Conduct to ensure that all ethical business conduct compliance management rules are followed to ensure that the objectives of business ethics management are achieved. The Code of Business Conduct mainly includes the following aspects:

1. Information security

Trade secrets and intellectual property are key to PGTEX's success. Therefore, PGTEX has implemented a series of security measures to protect all information, electronic data, intellectual property or patented technology from infringement.

The opening, storage and transfer of any confidential information must ensure the security of the information. PGTEX requires all employees to use the trade secrets and intellectual property rights of PGTEX only under the confidentiality or authorization.

2. Fair Deal

PGTEX always adheres to the principle of fair trading, and requires all employees to conduct business with integrity, honesty, objectivity and fairness on behalf of PGTEX, without prejudice or discrimination due to the strength of the counterparty. At the same time, it expressly prohibits insider trading, conflict of interest, unfair competition or deceptive or misleading trading.

3. Integrity and self-discipline

1) Gifts and gratuities

PGTEX requires all employees not to accept any gifts and gratuities from business partners that are not part of the business. When dealing with business partners, all employees of PGTEX should strictly abide by the "Gift, Entertainment and Catering Policy" in order to maintain the customer relationship.

2) Improper payment

All of our employees, including our employees, suppliers and agents working on our behalf, are strictly prohibited from accepting or soliciting bribes, kickbacks and similar payments under any circumstances. PGTEX requires all employees to sign the "Integrity and Self-discipline Commitment".

In order to ensure the effective implementation of the Code of Business Conduct, PGTEX has issued a series of policies to make clear requirements for the Code of Business Conduct.

Policies of Code of Conduct in PGTEX	
The name of the policy	Main content
Global Privacy Policy	The company's management and employee behavior are restricted in the use of customer and employee privacy information, and ensure that the collection, use, storage, sharing and transfer of information are in accordance with the rules.
Information disclosure management system	The requirements for legal compliance and timely disclosure of company information are restricted.
Global Insider Trading Policy	The company and its employees are required to promise to abide by the Securities Law, the Company Law and other national laws and regulations, prohibiting employees, especially senior managers, from using any inside information to make profits. Companies should provide employees with a channel for reporting compliance and ensure that employees do not receive any retaliation for reporting.
Global Conflict of Interest Policy	The company and its employees are required to take the initiative to report conflicts of interest with the company's business activities in the course of business to avoid the loss of the company's reputation and interests caused by conflicts of interest, and at the same time, employees are resolutely prohibited from using the company's business to benefit themselves or their relatives and friends.
Global Conflict of Interest Policy	The company and its employees are required to resolutely resist corruption and bribery in the process of operation, and resolutely resist bribery and bribery, so as to ensure that PGTEX carries out honest business activities on a global scale. Any item or action that can influence the company's decision-making may violate the Anti-Corruption and Anti-Bribery Policy, including providing travel assistance, providing job opportunities, providing other benefits in exchange, etc.
Global Anti-Money Laundering Policy	The company and its employees are required to resolutely resist any money laundering activities that are involved in or may be involved in the course of operation. The Company requires all employees of the Company to study and practice the Anti-Money Laundering Policy. PGTEX also publicized this requirement to the

	supply chain, and avoided cooperating with suppliers suspected of money laundering when selecting suppliers.
Reporting Violations and Anti-Retaliation Policy	Companies are required to have rules and regulations in place to ensure that employees have the conditions and opportunities to report violations in the workplace, that employee information is protected, and that employees do not receive any retaliation for reporting behavior.
Intellectual Property Protection Policy	The company and its employees are required to protect their own and related parties' intellectual property rights in the course of operation, resolutely resist the infringement of intellectual property rights, and protect their trade secrets and intellectual property rights from infringement through legal weapons.
Global Export Control Policy	In the process of import and export trade, the company is required to strictly abide by the customs and trade laws and regulations of various countries and regions, and avoid import and export transactions involving embargoes, prohibited transactions and export licenses. PGTEX is an AEO-certified advanced certified operator, and it is necessary to ensure trade safety and law-abiding compliance in the process of global trade.
Gifts, Entertainment and Dining Policy	The company and its employees are required to strictly abide by the gift, entertainment and catering policies in the process of dealing with external stakeholders, and resolutely resist disguised corruption and embezzlement and bribery.
Email creation and retention policies	Companies are required to establish norms for the management of e-mails to ensure that the company's e-mail messages are retained as evidence.

PGTEX has set up internal and external reporting channels for business ethics incidents, risks and problems that violate laws and regulations, and ensures the confidentiality of whistleblowers and reported information. For details, see the Supervision and Communication section of the report.

Targets of Business ethics and Compliance

In order to achieve the business ethics policy, PGTEX has developed business ethics management objectives to quantify the performance of business ethics management.

Business Ethics Target in PGTEX		
Target	Unit	Target value
The number of confirmed corruption incidents at PGTEX	Times	0
The number of confirmed information security incidents at PGTEX	Times	0
The proportion of PGTEX employees who signed the "Integrity and Self-Discipline Letter".	%	100%
Percentage of PGTEX employees who have received training on business ethics	%	100%
The proportion of PGTEX employees who have received anti-corruption and anti-bribery training, and the training pass rate	%	100%
PGTEX conducts special audits of supply chains and warehouses, and the number of major non-conformities that violate business ethics	Times	0
PGTEX has been audited by external parties and external parties in accordance with CSR-related laws and regulations and ISO standards, and has found many business ethics violations	Times	0
The number of reports of ethical business behaviors received by PGTEX compliance reporting emails, hotlines, letters, etc.	Times	0
Number of PGTEX tax penalties	Times	0
Number of PGTEX information security incidents	Times	0
Number of PGTEX information leak cases	Times	0

Actions of Business Ethics and Compliance

In order to implement the guidelines, objectives and policies, PGTEX has improved its business ethics management organization, defined management responsibilities and requirements, and formulated a series of measures to supervise business ethics in an all-round way.

1. Improve Business Ethics and Compliance Organization

In order to effectively manage business ethics, in 2021, PGTEX has set up a social responsibility manager representative and an integrity representative to lead the compliance team to monitor the environment, health, safety, business ethics, labor compliance, supply chain sustainability, social responsibility and other aspects of PGTEX's operations. To establish a working organization for the advancement of PGTEX's environmental, social and governance (ESG) work. (See the Social Responsibility Management Representative and Compliance Group Organizational chart for details)

2. Improve management responsibilities and requirements

In order to achieve these objectives, PGTEX assigns responsibilities to the participants in ethical business management.

1) Basic responsibilities of all employees

PGTEX requires all employees to abide by the company's ESG policy and Code of Business Conduct, and commit to:

- a) represent the company with integrity, honesty and fairness in all of its business;
- b) understand and comply with applicable law;
- c) make a commitment to comply with laws and regulations and company ESG policies;
- d) Complete compliance training on time;
- e) Get help from the compliance team as a matter of priority if you are unsure about business compliance;
- f) proactively report potential violations of laws, regulations and company policies;
- g) support the company in investigating violations of laws, regulations and company policies and keep the investigation confidential when involved;
- h) undertake not to retaliate against anyone who reports a problem or participates in an investigation;

2) Higher demands from management

PGTEX requires leadership at all levels to commit to: Before guiding employees to act in accordance with laws and regulations and company policies.

- a) Lead by example, strictly abide by laws and regulations and company policies;
- b) Discipline yourself ethically and be a role model for ethics;
- c) Encourage staff to be kind, sunny, upright and honest;
- d) Compliance with a company's business is as important as the work product itself
- e) Ensure that employees complete compliance training and understand the requirements of laws, regulations and company policies;
- f) Encourage employees to report issues, listen and respond appropriately;

g) Never retaliate or allow retaliation against anyone who reports a problem or supports an investigation;

3) Liability of third parties

PGTEX requires its suppliers and contractors to operate in accordance with PGTEX's values. Suppliers and contractors must comply with all applicable laws and regulations, PGTEX's Supplier Code of Conduct and policies regarding labor and human rights, health and safety, environmental sustainability and business ethics, which are the basis for both parties to conduct business.

3. Monitoring conduct of Business Ethics and Compliance

PGTEX empowers the social responsibility management representative and the compliance team to supervise the implementation of policies. If any suspected behavior is found, the company will initiate investigation and output the Internal Audit Report in accordance with the Internal Audit Management Measures, and follow up for improvement. The decision of audit investigation will affect individual and departmental performance appraisal.

PGTEX requires all employees to work together to monitor ethical business practices and refer to the Code of Business Conduct and company policies or contact the department manager or compliance team for assistance in the event of uncertainty.

1) Protecting information security

PGTEX is fully aware of the importance of trade secrets and intellectual property rights for the company and all participants in the business chain. In order to protect the company's information security, PGTEX has strengthened the security of private information, trade secrets and intellectual property rights, and email information, and has implemented the following measures:

- a) Establish information security procedures and systems in accordance with ISO27001
- b) Encrypt information security within the company and train employees on confidentiality requirements
- c) Adopt third-party software to protect company data security in accordance with the requirements of GDPR.
- d) Provide security support for data uploading, downloading, storage and other processes according to the requirements of EDR.
- e) Carried out vulnerability scanning and security technical support for the company's information security, and the vulnerabilities found are being rectified.
- f) Participated in various information security penetration drills and trainings organized by the Ministry of Industry and Information Technology to ensure server security.
- g) The computer network of key positions in the company is disconnected to ensure the protection of core technical secrets.

Information Security Solutions in PGTEX	
project	Specific measures
Terminal leakage prevention	Terminal leakage prevention mainly revolves around the control of employees' behaviors such as the production, distribution and sharing of computer data, the use of external equipment, software security, and photography. Key Measures: 1. Use desktop management software to control the installation of software, the plugging and unplugging of external devices, the audit of host behavior, and the audit of document operation. 2. Use the screen watermark function to prevent taking pictures of the computer 3. Upgrade the existing file distribution and sharing system, and change all to the network disk mode to share the company's file information 4. File encryption uses the encryption system to encrypt specific files 5. File backup uses non-inductive backup technology to back up computer data 6. All new R&D personnel will use the company's cloud computer and gradually eliminate notebooks. 7. Personnel involved in secrets gradually use desktop computers or cloud computers.
Network and communication to prevent leakage	1. All employees use WeCom and company mailbox to communicate with the outside world, and the chat records of mailbox and WeCom are backed up (external contact consent is required). 2. The network is in authentication mode, and non-company certified computers are prohibited from accessing the company's network. 3. Control online behavior, identify sensitive information in the network for interception, and isolate the R&D network and office network if necessary.
Information system leakage prevention	1. The database is encrypted, and no one can view the database without authorization, including the information system administrator. 2. Open a new identity authentication mode and gradually cancel the traditional password authentication mode. 3. Enable situational awareness anti-virus system to supervise the traffic of external access.

In order to verify the security of the information management system, in 2023, PGTEX invited third-party organizations to conduct penetration tests on its main information management systems OA, ERP and MES, scan for corresponding vulnerabilities, and take timely measures to block the vulnerabilities found.

2) Adhere to integrity and self-discipline

a) Incorporate compliance performance into KPI assessment for tracking and monitoring

- Since 2021, business compliance requirements have been incorporated into the annual KPI indicators and are required to be followed by all employees.
- PGTEX has issued the "Integrity and Self-discipline Letter", requiring all employees to sign the Confidentiality Agreement and Non-compete Agreement for key positions.

b) Internal audit and external audit will be implemented

- Since the establishment of the Internal Control Department in 2022, PGTEX has conducted compliance audit, outgoing audit and due diligence, especially special audit of finance, procurement and other positions.
- Audit work mainly focuses on the verification of malfeasance, anti-corruption, anti-bribery and other acts in finance and supply chain.
- The financial audit is performed by a third-party external audit institution, and the supply chain audit is

performed by the internal control Department. The 2022 audit report was completed by Tianjian Accounting Firm and has been disclosed in the SME share transfer system. The audit report for 2023 is in progress and will also be uploaded to the system for information disclosure after completion.

iv) In 2023, the company passed two customer-led social responsibility audits, and the audit results were in line with the requirements of laws and regulations. v) In 2023, the Company conducted multiple online and offline supply chain audits to ensure commercial compliance of the supply chain.

c) Regular training for employees and leaders of the company

In March 2023, PGTEX invited the local police to conduct anti-corruption and anti-bribery training for all internal employees.



In December 2023, the Legal Department of PGTEX conducted integrity training for all employees and reminded managers at all levels to abide by the Code of Business Conduct during the Spring Festival to avoid conflicts of interest, bribery or gifts and business receptions beyond the standard.



Performance of Business Ethics and Compliance

1. Policy coverage

- a) In 2023, PGTEX's Business Code of Conduct and Compliance Policy will be released and implemented within the company.
- b) In 2023, all employees of PGTEX signed the "Integrity and Self-discipline Letter" voluntarily.

2. Review and performance completion

- a) PGTEX conducted a business ethics compliance audit on the supply chain in 2023 and found no violations of business ethics.
- b) In 2023, PGTEX invited a third party to conduct a financial audit, and no financial ethics violations were found.
- c) In 2023, PGTEX accepted two customer initiated social responsibility audits based on ISO26001 and successfully passed them.

3. Training completion rate

- a) In 2023, PGTEX Business Ethics training will cover 100%.

Training Time in PGTEX			
Frequency of training	Number of participants	Total number of PGTEX	Training coverage
3	603	603	100%

4. Business ethics and compliance achievement

PGTEX Business Ethics Performance Comparison			
Project	2021	2022	2023
The number of confirmed corruption incidents at PGTEX	0	0	0
The number of confirmed information security incidents at PGTEX	0	0	0
The proportion of PGTEX employees who signed the "Integrity and Self-Discipline Letter".	100%	100%	100%
Percentage of PGTEX employees who have received training in business ethics.	100%	100%	100%
The proportion of PGTEX employees who have received anti-corruption and anti-bribery training is the proportion of employees who have passed the training	100%	100%	100%
PGTEX conducted a special audit of the supply chain and warehouses and found significant non-conformities that violated business ethics	0	0	0
PGTEX receives business compliance audits conducted by external parties and external parties in accordance with CSR-related laws and regulations and ISO standards, and the number of business ethics violations found is unfounded.	0	0	0
PGTEX Corruption and Embezzlement Training	4	4	4
The number of reports of business ethics violations received by PGTEX compliance reporting mailboxes, hotlines, letters, etc.	0	0	0
PGTEX pays taxes in accordance with the law, enjoys preferential policies, and has tax penalties for the number of times	0	0	0
Number of PGTEX information security incidents; Number of leak cases	0	0	0

Report of Business Ethics and Compliance

1. Business ethics management policy
2. In 2023, all the Business Code of Conduct and Compliance Policy of PGTEX will be released, applicable to the headquarters and branches.
3. Business ethics management measures
4. The Code of Business Conduct was issued in 2023.
5. In 2023, PGTEX implemented internal audit and external audit.
6. Conducted business ethics training in 2023 and signed the "Integrity and Self-discipline Book"
7. Results of Business Ethics
8. The number of confirmed corruption incidents in 2023 was 0.
9. The number of confirmed information security incidents of PGTEX in 2023 is 0.
10. In 2023, 100% of PGTEX's employees will sign the "Letter of Integrity and Self-discipline".
11. In 2023, 100% of the employees of PGTEX have received business ethics training.
12. In 2023, 100% of the employees of PGTEX have received anti-corruption and anti-bribery training, and 100% of the employees have passed the training.
13. In 2023, PGTEX conducted a special audit on supply chain and warehouse, and found no major non-compliance with business ethics.
14. In 2023, PGTEX accepted commercial compliance audits conducted by two external parties and three external parties in accordance with relevant CSR laws and regulations and ISO standards, and no violation of business ethics was found.
15. In 2023, PGTEX received four training sessions on corruption and embezzlement
16. In 2023, PGTEX received zero reports on business ethical behavior through email, hotline and letter of compliance reporting
17. In 2023, PGTEX paid taxes according to law, enjoyed preferential policies, and did not incur any tax penalty.
18. In 2023, PGTEX's information security incidents were 0; The number of leak cases is 0.

Engaging in Social Harmony

Policy of Social activities

PGTEX has always been enthusiastic about social activities and encourages employees to actively participate in social practice. At the same time, PGTEX cares for employees from various angles, actively contributes to social welfare undertakings, and provides support for the harmonious development of society.

Core values: Integrity, innovation, sharing and sharing

PGTEX's core values define the willingness to share, and share the fruits of business development with every employee and external stakeholders.

Target of Social activity

Based on the policy of social activities, the Work Department and Personnel Department of PGTEX Party have formulated the following targets for social activities:

Social Activity Target in PGTEX	
Index name	Quantitative metrics
1. Organize external networking activities	Not less than 2 times a year
2. Organize social welfare and charity activities	Not less than 1 time per year
3. Caring for employees	Not less than 3 times a year

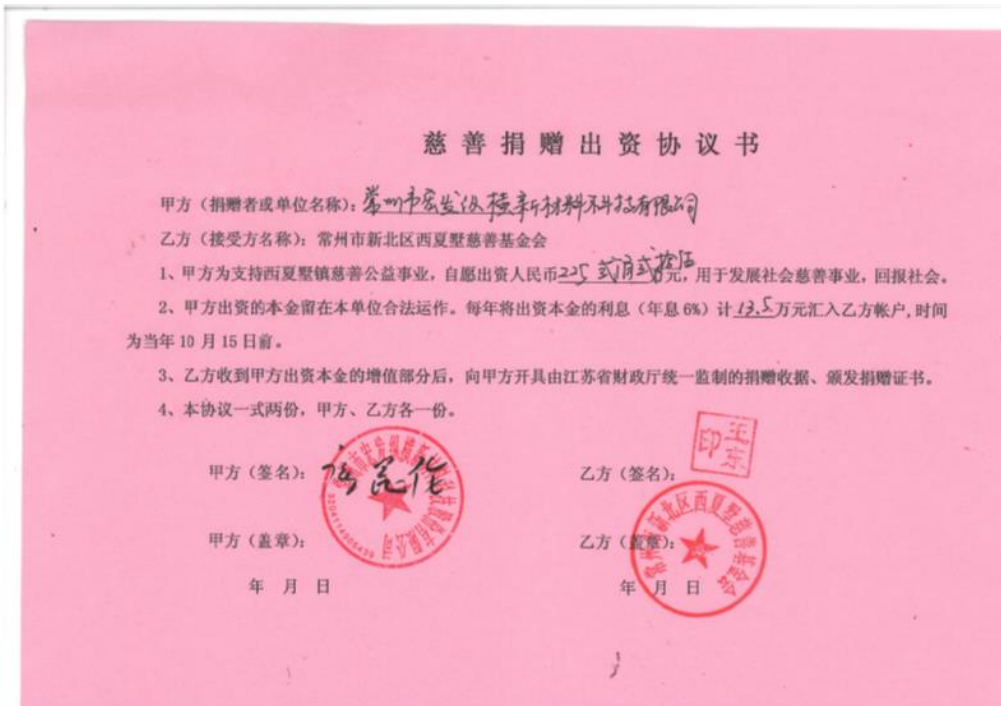
Actions of social activities

1. Support Public Welfare

PGTEX has always been enthusiastic about public welfare and focused on education. At the same time, PGTEX is also enthusiastic about social welfare and takes the initiative to assume social responsibility.



(In 2023, PGTEX will donate to Changzhou Institute of Technology)



(PGTEX donated to Xixiashu Charity Foundation of Changzhou Xinbei District)



(In September 2022, PGTEX visited the Disabled Dream Interpretation Studio in Luoxi Town, Xinbei District, Changzhou City)

2. Care for employees and their families

PGTEX has business in many countries around the world. Every year, employees will go home for the Chinese New Year. Therefore, every year, PGTEX arranges company leaders to send warmth to the families of employees who

can't go home for the New Year.

In order to implement employee care, PGTEX has formulated the "Employee Sympathy (Congratulations) Management System", which stipulates the company's care and care for employees from the institutional level.

常州市宏发纵横新材料科技股份有限公司

PGTEX CHINA CO., LTD.

员工慰问（祝贺）管理制度

Employee condolences (congratulations) management system

☐	一阶文件（管理手册）
☐	二阶文件（程序文件）
☒	三阶文件 （管理制度、工作标准、作业指导书等）

状态：
执行日期：



The "Employee Condolences (Congratulations) Management System" makes it clear that PGTEX provides condolences to employees and their families who cannot return to China for the Spring Festival on business, employees who are ill or hospitalized at work, employees who died and their immediate family members, and congratulates employees on their birthdays or marriages.



(Caring for employees who can't go home for the New Year)

At the same time, PGTEX regulations by the company's trade union on behalf of everyone unified condolences and congratulations, do not advocate human relations between colleagues, increase the feelings between the company and employees, reduce the economic burden of human relations between colleagues.

< All Unfiled Filed To be replied Unread >							
☐	System name	Process title	Trailing path	Creator	Operating time	Current node	Unoperated
☐	Pan Micro OA	15.2 The approval process of the union sympathy payment	15.2 Examination and approval process of trade union condolence payment		- 03-28:57	ARCHIved	
☐	Pan Micro OA	15.2 The approval process of the union sympathy payment	15.2 Examination and approval process of trade union condolence payment		13-27 05	Archiving	
☐	Pan Micro OA	15.2 The approval process of the union sympathy payment	15.2 Examination and approval process of trade union condolence payment		03-14:48	ARCHIved	
☐	Pan Micro OA	15.2 The approval process of the union sympathy payment	15.2 Examination and approval process of trade union condolence payment		03-12 44	Archiving	
☐	Pan Micro OA	15.2 The approval process of the union sympathy payment	15.2 Examination and approval process of trade union condolence payment		03-08:09	ARCHIving	
☐	Pan Micro OA	15.2 The approval process of the union sympathy payment	15.2 Examination and approval process of trade union condolence payment		- 03-07) : 01	Archived	
☐	Pan Micro OA	15.2 The approval process of the union sympathy payment	15.2 Examination and approval process of trade union condolence payment		- 03-07 51	Archiving	

(PGTEX has a large number of applications for condolences and congratulations every year, which reflects the meticulous care for employees)

3. Reunion and Annual Party

PGTEX employees come from all over the country, many employees cannot go home for the Spring Festival reunion, to stick to the company's posts. Every Spring Festival, PGTEX will organize the annual meeting of all employees, so that all employees can have a happy New Year in the company.



(Pictures of Annual Party in PGTEX 2023)

The people of PGTEX are not only outstanding at work, but also versatile in life. Every year, PGTEX will organize or participate in sports events from all relevant parties to provide a stage for employees to show.



(The 2023 basketball match between PGTEX and the client's visiting basketball team)

4. Help disadvantaged enterprises

PGTEX always adheres to the core values of "integrity, innovation, sharing and sharing", adheres to honest operation, and will not have prejudice or discrimination because of weak transaction parties. At the same time, PGTEX pays attention to and supports disadvantaged enterprises. Every year, it makes targeted procurement of materials and supports poverty-stricken enterprises, female enterprises and enterprises with disabilities, so that they can also share the fruits of harmonious development.

In 2023, a newly established small and micro enterprise in Changzhou will come to negotiate business. After verifying the enterprise's qualification and business risk according to the process, PGTEX will directly hand over the business to this small and micro enterprise.



(The enterprise check information shows that the enterprise is a small and micro enterprise)

In 2024, the cooperation between PGTEX and the enterprise has been steadily promoted, and the purchase volume of the enterprise has been increased. In the process, PGTEX's requirements for sustainable supply chain development were also passed on to the company, requiring it to carry out its business legally and in compliance to ensure the safety, fairness and sustainable development of the supply chain.

PGTEX

常州市宏发纵横新材料科技股份有限公司

采 购 订 单

订货单号: CGDPA/000001

联系人: [REDACTED]

订货日期: 2024/4/11

供应商: 常州[REDACTED]有限公司

电话: [REDACTED]

传真: [REDACTED]

地址: [REDACTED]

采购申请编号: [REDACTED]

交货方式: 货到付款

序号	物料编号	物料名称	规格型号	单位	数量	到货日期	单价	金额	价税合计	备注
1	C001000015	雷可德不饱和树脂413-577 ()	413-577 (225kg/桶)	千克	[REDACTED]	2024/4/30				
2	C002000026	雷可德树脂 VE-1241 ()	VE-1241 (20kg/桶)	千克	[REDACTED]	2024/4/30				

In 2023, PGTEX learned from the government that there is a post-85 female e-commerce CEO of Ziyang Sunshine Network Technology Co., Ltd. in Shaanxi Province, who led local farmers to promote the local poverty alleviation battle in order to support local artichokes.

Lin Hongmei, the head of the female enterprise, is also the secretary general of the Ziyang County E-commerce Business Association and a member of the Ziyang County Political Consultative Conference. Since August 2015, it has promoted local artichoke to the whole country in the form of e-commerce, and successfully led 3,387 households to get rid of poverty and become rich.



PGTEX greatly admires women like Lin Hongmei, who are actively at the forefront of the industry for local poverty alleviation and revitalization. PGTEX is well aware of the difficulty of helping agricultural enterprises and farmers get rid of poverty, and immediately contacted this company to support agriculture and support vulnerable enterprises with practical actions.



电子发票(普通发票)



发票号码: 23612000000016400104

开票日期: 2023年07月03日

购买方信息	名称: 常州市宏发纵横新材料科技股份有限公司 统一社会信用代码/纳税人识别号: 91320400753242151H	销售方信息	名称: 紫阳三生网络科技有限公司 统一社会信用代码/纳税人识别号: 916109243387115553																																
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">项目名称</th> <th style="text-align: left;">规格型号</th> <th style="text-align: left;">单位</th> <th style="text-align: left;">数量</th> <th style="text-align: left;">单价</th> <th style="text-align: left;">金额</th> <th style="text-align: left;">税率/征收率</th> <th style="text-align: left;">税额</th> </tr> </thead> <tbody> <tr> <td>*薯类*青薯洋芋</td> <td></td> <td>盒</td> <td>2190</td> <td></td> <td></td> <td>免税</td> <td></td> </tr> <tr> <td colspan="7" style="text-align: right;">合 计</td> <td>¥0.00</td> </tr> <tr> <td colspan="7" style="text-align: right;">价税合计 (大写)</td> <td>(小写)</td> </tr> </tbody> </table>	项目名称	规格型号	单位	数量	单价	金额	税率/征收率	税额	*薯类*青薯洋芋		盒	2190			免税		合 计							¥0.00	价税合计 (大写)							(小写)		
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备注	销方开户银行: 陕西紫阳农村商业银行股份有限公司; 银行账号: 2707050101201000050143;																																		

开票人: 尹倩倩

In the practice of social responsibility, PGTEX and all stakeholders share the fruits of development, take social responsibilities with practical actions, and promote the common development of regional economy.

Reports on social activities

In 2023, PGTEX will make 2 donations to charity, totaling 3.15 million yuan. In recent years, the accumulated donation is more than 30 million yuan.

In 2023, PGTEX will organize 12 social activities.

Maintain Sustainable Supply Chain

PGTEX has always adhered to the principle of integrating sustainable development into supply chain management, and formulated the management policy of sustainable procurement.

Sustainable Supply Chain Policy: Establish a sunny, fair, safe and compliant supply chain system.

To this end, PGTEX requires the procurement department and supply chain participants to strictly implement the policy of sustainable procurement and establish a sound supply chain management system.

1. Supplier Management System

PGTEX requires suppliers to establish quality, environmental health and safety management system and compliance management system to ensure that the business of suppliers complies with laws, regulations and the requirements of PGTEX's Supplier Code of Conduct and related policies. We strongly recommend the establishment of an environmental management system (EMS) and a safety management system (SMS), and the continuous improvement of the management system to meet the constantly updated requirements of laws and regulations.

2. The principle of transparency in supply chains

PGTEX requires its suppliers to follow the principle of supply chain transparency and disclose business related information with integrity and integrity. To implement this principle, PGTEX requires suppliers to agree to conduct on-site audits and audits, and commit to correct non-compliance. PGTEX requires suppliers to report transparently on restricted substances and conflict minerals, as well as other issues that could expose PGTEX to compliance risks.

3. Communication and reporting

PGTEX requires suppliers to maintain effective communication with PGTEX in a timely manner in accordance with the requirements of the Supplier Code of Conduct to ensure the implementation of the requirements of the Supplier Code of Conduct. At the same time, PGTEX requires suppliers to proactively report violations when doing business with PGTEX. PGTEX is committed to protecting the safety and confidentiality of whistleblowers.

PGTEX has set up internal and external reporting channels for violations of laws and regulations and PGTEX's sustainable sourcing policy, and encourages employees and relevant parties to proactively report violations or potential violations. See the Monitoring and Communication section of this report for more details.

Target of Sustainable Procurement

In order to achieve the sustainable sourcing policy, PGTEX has developed sustainable sourcing objectives and quantified sustainable sourcing management behaviors.

Sustainable Procurement Target in PGTEX 2023	
Target Name	Target
Percentage of suppliers who sign the Supplier Code of Conduct	> 90%
Percentage of suppliers who have signed environmental and ESG commitments in their procurement contracts	100%
Percentage of suppliers who accept environmental and social responsibility audits online + offline	100%
Percentage of suppliers who accept offline environmental and social responsibility audits	> 10%
Percentage of suppliers accept ESG audits and complete the correction of the proportion of qualified teachers	100%
Percentage of Procurement Department trained in ESG	100%
Cases of Conflict Minerals Incidents Reported	0

Policy of Sustainable Procurement

PGTEX has always adhered to the sustainable development strategy, and has introduced the sustainable strategy into the supply chain since 2021, and has established relevant policies and measures for this purpose.

1. Formulate the Sustainable Procurement Policy, which requires the company's procurement staff and supply chain participating units to incorporate the principles of sustainable procurement into all stages of the supplier management life cycle of sourcing, evaluation, approval, supervision and elimination.

2. Revise the Supplier Management System, Supplier Quality Manual, Supplier Certification Introduction System, Audit Operation Instruction, and Supplier Performance Appraisal System, adding requirements for suppliers to assess their ESG capabilities through multiple processes of sourcing, introduction, approval, performance appraisal, development, and elimination.

1) When introducing new suppliers, IMS audit and ESG audit should be carried out to identify risks;

Formulate the Audit Work Instruction and Supplier ESG Audit Form, and regularly audit the sustainable management of suppliers. In addition, for existing suppliers, additional ESG audit requirements have been added.

2) When approving mass production, suppliers are required to make ESG commitments;

Include the Supplier Code of Conduct, Supplier Environmental Commitment Letter and Supplier ESG Commitment Letter into the procurement contract, and sign together with the supplier when formally establishing business relationship;

3) Continuously monitor the sustainable management of the supply chain after mass production.

Formulate the Supplier Performance Appraisal System and Supplier Performance Appraisal Form, and continuously track the sustainable management of suppliers.

4) Formulated the Supplier Risk Assessment Operation Instruction Book

Evaluate supplier risks (including ESG risks), and formulate supplier strategies according to high, medium and low risks.

5) Formulated the Bidding Management System

Increased the supervision requirements for bidding, and made constraints on fair competition and honest management.

Actions of Sustainable Procurement

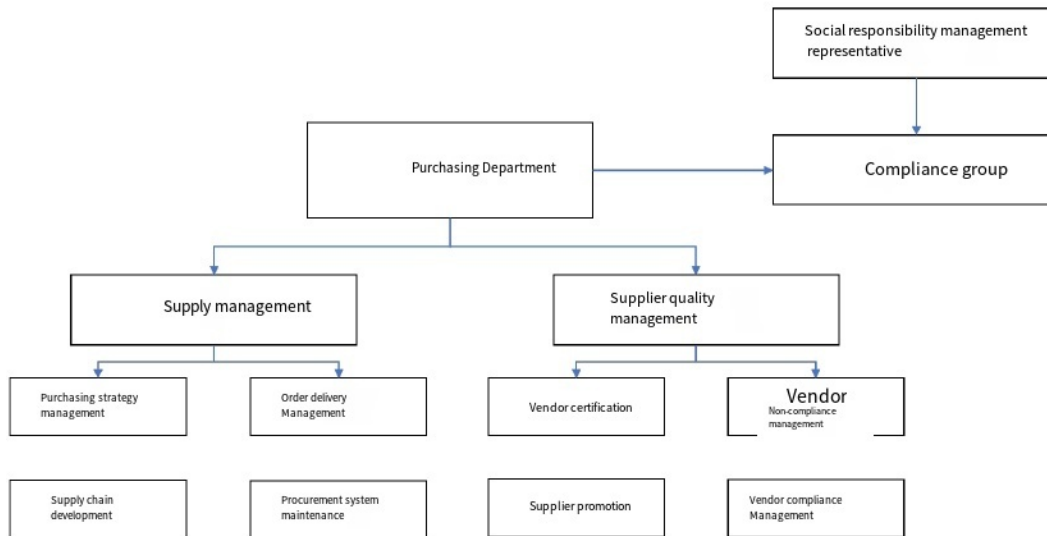
Based on the identified policy, PGTEX has formulated corresponding measures to effectively manage the supply chain.

1. Improve the management organization

PGTEX transfers the expectation of sustainable development to the supplier. Through the extension of the supply chain and the means of market economy, it advances compliance to every stage of supplier development, certification, delivery, improvement and elimination, constantly improves the stable delivery capability of the supply chain, and assigns a professional management team for the establishment of a safe, stable and sustainable supply system.

At the same time, as a member of the compliance team, the Procurement Director, together with the social

responsibility management representative and other representatives of the compliance team, oversees the implementation of sustainable procurement management policies and measures.



(Organization chart of Purchasing Department of PGTEX& Vertical)

Note:

Purchasing strategy includes: quality strategy, supply strategy, cost strategy and sustainable development strategy.

2. The supply chain is reviewed regularly

In 2021, PGTEX has formulated the IMS Audit Form and started to audit suppliers' human rights, EHS and business ethics compliance as the basic requirements for supplier admission.

In 2023, on the basis of social responsibility and in combination with sustainable development goals, PGTEX has planned the "Supplier ESG Audit Form" to conduct a supplementary audit of suppliers' ESG management. For suppliers that do not meet the requirements, their business will be restricted.



(Photo of PGTEX visiting suppliers for audit)

Supplier ESG Checklist

Supplier Name: Chongqing Corporation	Supplier Address: Dadukou District, Chongqing
Name of Supplier Representative:	Supplier Representative Position: Quality Engineer
Auditors:	Review Date: 2023.10.26

Scoring rules: Total 53 items, a total of 100 points. Scores ≥ 50 are deemed to meet PGTEX requirements.

Total Score: 97

SN	category	topic	issue	Audit description	score	The actual score
1	Child labor and forced labor		Has your company been penalized or coerced by the government or the courts for violating labor and ethics laws and regulations in the past three years?	No penalties have been received	5	5
2			What measures has your company taken to prevent or eliminate child or forced labor?	The company has formulated the "Human Resources Management Procedures", which prohibits the use of child labor and prohibits forcing employees to work overtime.	1	1
3			During the recruitment process, is the age of the young employee checked and a copy of the certificate retained?	Yes, check the employee's ID card, verify the age, and build a file.	1	1
4			Are employees under the age of 18 protected from work that endangers their health, safety or education?	Employees under the age of 18 will not be placed in positions that endanger health and safety.	3	3
5			Does your company employ child labor as defined by local laws?	Not employed	3	3

(PGTEX Supplier ESG audit report, audit results 97 points, passed the audit)

When choosing suppliers, PGTEX will give priority to suppliers with sustainable development ability. At the same time, we regularly evaluate the sustainability ability of existing suppliers and provide necessary support and coaching to improve the capability of suppliers.

3. Evaluate the performance of sustainable procurement in the supply chain

In 2023, PGTEX will incorporate the performance of sustainable procurement into the supplier performance evaluation. For suppliers that fail to meet compliance performance, the Purchasing Department will develop procurement strategies and require suppliers to make corrections. If the supplier refuses to make rectification, its transaction will be restricted until the list of qualified suppliers is eliminated.

1) PGTEX has formulated the Supplier Performance Appraisal Form, which is tracked monthly and evaluated the supplier's sustainable management performance annually.

ESG (Environmental, Social and Governance)	Certified by ISO14001 or equivalent system	2.5%	SQE	Whether it has passed the system certification	1) Pass 2) Failed	5 points 0 points	Vendor Submissions	SQE
	Certified by a ISO45001 or equivalent system	2.5%	SQE	Whether it has passed the system certification	1) Pass 2) Failed	5 points 0 points	Vendor Submissions	SQE
	Supplier ESG management on-site audit, remote audit, supplier questionnaire survey results	2.5%	SQE	1. Passed the audit or research 2. The audit or investigation is conditionally passed 3. Failure to pass the audit or investigation	1) Passed the audit or research 2) The audit or research is conditionally passed 3) Failure to pass the audit or research	5 points 3 points 0 points	Supplier ESG Checklist	SQE

2) At the same time, it continuously monitors the ESG performance of suppliers through public platforms such as "Qichacha" and "Aiqicha".

风险扫描	自身风险 1	关联风险 0	历史风险 1	提示信息 22	分析	智能核查	深度风险分析 25	债务/债权 5	风险关系 15	合同违约	竞争风险 0
基本信息 52	法律诉讼 24	经营风险	经营信息 29	企业发展 35	知识产权 84	历史信息 25					
行政处罚 0	经营异常 0	严重违法 0	环保处罚 0	税务非正常户 0	欠税公告 0	税收违法 0	惩戒名单 0	违约事项 0	担保信息 0	股权出质 0	股权质押 0
动产抵押 0	土地抵押 0	简易注销 0	注销备案 0	清算信息 0	劳动仲裁 0	政府约谈 0	软件违规 0	未准入境 0	产品召回 0	假冒化妆品 0	公示催告 0

(PGTEX regularly conducts risk screening for enterprises)

Management measures: The annual supplier performance evaluation is divided into four levels. The Purchasing department and supplier quality implement corresponding management measures for suppliers according to the

results of the annual supplier performance assessment. The supplier's ESG management performance will affect its business volume in PGTEX.

A comparison table of annual performance and management actions taken

Grade	Total score	Management measures
I	$P \geq 90$ points	Excellent suppliers, strategic cooperation or long-term partnerships, and the allocation of similar procurement business quotas in order.
II	$70 \leq P < 90$ points	Qualified suppliers, maintain the purchase quota. Procurement and supplier quality according to the procurement strategy and supplier resource planning jointly evaluate the supplier's continuous improvement needs, and agree with the supplier on specific improvement plans as needed: such as the introduction of IATF 16949, TPM, TQM and other systems.

4. Conduct training and publicity on sustainable procurement in the supply chain

In 2023, PGTEX has conducted training and publicity on sustainable procurement to ensure that all procurement colleagues understand the policies, policies, measures and performance requirements of sustainable procurement.

In 2023, PGTEX launched the integrity and self-discipline commitment activity, and signed the Supplier Integrity Commitment Letter, Supplier ESG Commitment Letter and Supplier Code of Conduct with the supplier.



(PGTEX conducted on-site promotion and implementation of the Supplier Code of Conduct)



(Supplier Code of Conduct training on-line in PGTEX)

Supplier ESG commitment letter

We recognize that in today's globalized society, businesses have responsibilities and opportunities to make a positive impact on society and the environment in addition to economic performance. We are therefore committed to fully fulfilling our environmental, social and governance responsibilities, working to operate sustainably and responsibly, and contributing to the development of a global circular economy.

1. Our environmental commitments

Reducing carbon emissions: We will take steps to gradually reduce our company's carbon emissions

Sustainable use of resources: We are committed to promoting the sustainable use of resources, reducing waste and promoting a circular economy Ecological conservation: We will actively participate in the protection of ecosystems and consider ecological impacts in our business decisions

■ Social commitments

Employee welfare: We will provide a safe, fair and dignified working environment, and care for the training and welfare of our employees. Community Contribution: We will actively participate in community affairs and contribute to the development and progress of the community

Diversity and Inclusion: We are committed to building a diverse and inclusive work environment that promotes gender equality and cultural diversity

3. Transparency in governance: We will be highly transparent and provide accurate information to our shareholders and other stakeholders. Operating ethically: We will strictly adhere to business ethics, reject corruption and misconduct, and ensure fair and transparent corporate governance.

We understand that ESG is the key to a sustainable business and will continue to improve to ensure that our commitments are not just words, but deeds.

(PGTEX's "Supplier ESG Commitment")

Performance of Sustainable Procurement

1. Policy coverage

- 1) In 2023, PGTEX will send the Supplier Code of Conduct and the training coverage rate will be 100%.
- 2) In 2023, PGTEX promoted the suppliers to sign the Supplier Integrity Pledge.

2. Performance and audit results

The 2023 PGTEX Crossbar Compliance audit found no supply chain violations of the Supplier Code of Conduct.

3. Training completion rate

100% of PGTEX supplier training coverage in 2023.

Report of Sustainable Procurement

Sustainable Procurement Management Achievement		
Index	Unit	2023
PGTEX sends the Supplier Code of Conduct and training coverage to suppliers	%	100%
PGTEX's in-house Sustainable Procurement training coverage	%	100%
Percentage of PGTEX's suppliers who sign the Supplier Code of Conduct	%	90.30%
Percentage of PGTEX's suppliers who have signed environmental and social responsibility commitments in their procurement contracts	%	100%
The proportion of PGTEX's suppliers who accept online + offline audits of environmental and social responsibility	%	100%
The proportion of PGTEX's suppliers who accept offline environmental and social responsibility audits	%	12.50%
PGTEX's suppliers accept environmental and social responsibility audits and complete the correction of the proportion of qualified teachers	%	100%
Proportion of PGTEX's Procurement Department trained in Environmental, Social, Governance and Sustainable Procurement	%	100%
Number of PGTEX Supplier Conflict Minerals Incidents Reported	cases	0
PGTEX found a number of suppliers violating sustainable sourcing policies	cases	0
The number of supply chain violations found in PGTEX compliance audits	cases	0
Number of PGTEX product recalls	cases	0
The number of PGTEX product health and safety incidents	cases	0

Report Supervision and communication

This Environmental, Social and Governance (ESG) Report and Sustainability Report has been identified by a third-party assurance agency, and the content of the report is in line with the actual situation of PGTEX. At the same time, PGTEX takes the initiative to accept the supervision of all walks of life, and has set up supervision and reporting channels inside and outside the company.

1. External communication

PGTEX has set up a column of "Sustainable Development" on the official website, and will continue to disclose PGTEX's measures and reports in ESG management, and keep the external information communication smooth.

2. Encourage reporting

PGTEX requires its employees to report actions that may violate applicable laws and regulations, company policies, or business ethics. At the same time, stakeholders are encouraged to report violations of laws and regulations by PGTEX's employees to protect their own interests. To this end, the company provides a variety of ways to report.

Interior	Employees who become aware of actual or potential misconduct should immediately report it to at least one of the following: • Department Manager • Human resources or labor relations contacts • Member of the legal department • PGTEX compliant mailbox
Exterior	The PGTEX Compliance Mailbox provides a channel for confidential reporting. • Website: https://www.pgtex.cn • Email: compliance@pgtex.cn • Phone: 0519-83441318 • Letter: PGTEX Compliance Team, P.O. Box 213135, No. 28 Lijiang Road, Xixiashu Town, Xinbei District, Changzhou City, Jiangsu Province, People's Republic of China.

3. Spot a problem and deal with it immediately

The top management of PGTEX has authorized the social responsibility Manager representative and the compliance team led by PGTEX to supervise and regulate ESG management. Violations of labor and human rights, environmental protection, business ethics and sustainable procurement policies are addressed as soon as they are identified.

PGTEX employees who violate laws, regulations and ESG policies will be warned, demerit, transferred or even fired in accordance with the Employee Manual. Those who violate national and local laws and regulations, or cause significant loss of interests to relevant parties, will be handed over to the public security organs.

4. Zero tolerance for reprisals

PGTEX ensures that all reported information is treated with the highest level of confidentiality. When conducting investigations, PGTEX will always ensure the legitimate rights and interests of reported information and whistleblower.

PGTEX firmly prohibits any form of retaliation for reporting or investigating misconduct. If the whistleblower experiences any form of retaliation as a result of the reporting or investigation, the whistleblower should immediately report it again to PGTEX. PGTEX will firmly defend all legitimate rights of the whistleblower and the investigator Benefit.

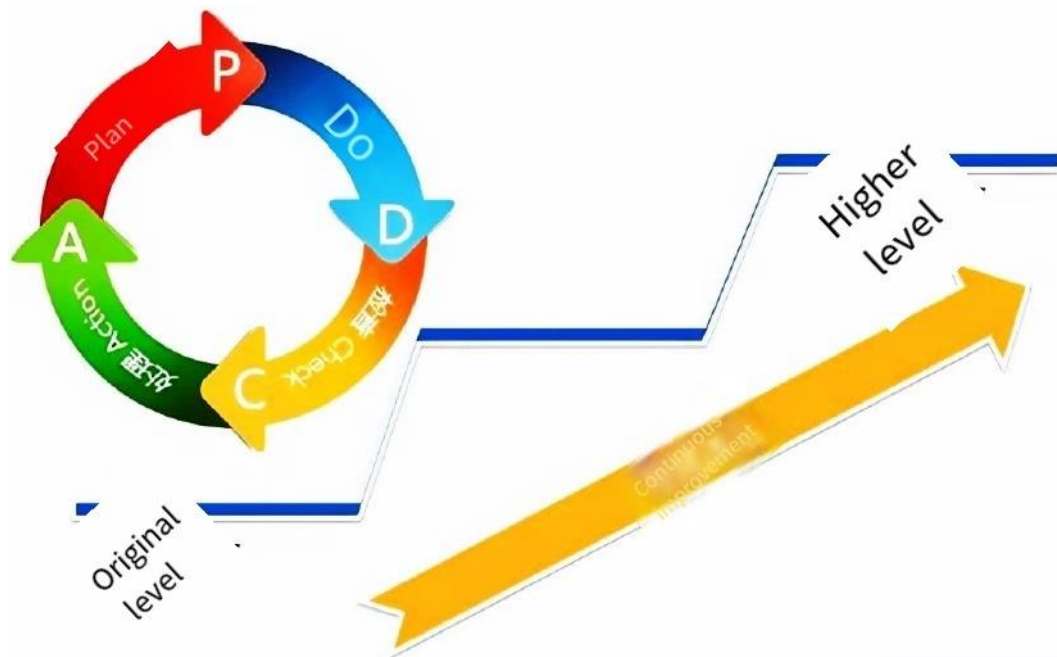
Reporting continuous improvement

This Environmental, Social and Governance (ESG) Report and Sustainability Report is a reflection of PGTEX corporate social responsibility and reflects PGTEX performance and performance in the environmental, social and governance areas. Due to the lack of awareness to keep relevant records and evidence before the introduction of ESG, the content of this report is not comprehensive.

For ESG report, PGTEX will make continuous improvement in the following aspects:

1. Develop clearer ESG goals and indicators:

More clear and measurable ESG targets should be set, and corresponding indicators should be set to measure the achievement of the targets and improve the transparency and credibility of reporting.



2. to provide more detailed data and information:

More data and information should be provided in the report, including providing more background information, data sources and calculation methods, etc., so that stakeholders can better understand the performance of enterprises in ESG.

3. Enhance communication and engagement with stakeholders:

Stakeholders should be actively communicated with and invited to participate in the development process of ESG reports to ensure that the content of the reports can meet the needs of stakeholders and increase the credibility of the reports.

4. Strengthen third-party assurance and audit:

Third-party institutions should be persistently invited to verify and audit ESG reports, so as to ensure the accuracy and credibility of the reports, enhance the credibility of the reports, and reduce stakeholders' doubts about the ESG performance of enterprises.

Appendix 1: ISO14001 Environmental Management System Certificate



ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATE

This is to Certify that the ENVIRONMENTAL MANAGEMENT SYSTEM of

PGTEX CHINA CO., LTD

Registered Address: NO.28, Lijiang Road, Textile Industrial Park ,Xixiashu Town, Xinbei District, Changzhou City

has been assessed by NOA Certification and found to comply with

GB/T 24001-2016 idt ISO14001:2015

Audit Address:NO.28, Lijiang Road, Textile Industrial Park ,Xixiashu Town, Xinbei District, Changzhou City
 For the scope of:Design, development and production of composite materials (warp-knitted reinforced materials, lightweight and high-strength fiber composite plastics), high-performance fiber intelligent warp-knitted fabrics (industrial cloth)
 Audit Address:No. 18, Yinshan Road, Xixiashu Town, Xinbei District, Changzhou City, Jiangsu Province
 Sub-scope:Production of composite materials
 Audit Address:No. 329, Huanghai Road, Xinbei District, Changzhou City, Jiangsu Province
 Sub-scope:Carbon fiber production activities
 Audit Address:No. 28, Lijiang Road, Textile Industrial Park, Xixiashu Town, Xinbei District, Changzhou City, Jiangsu Province (in the old factory area)
 Sub-scope:Rapid pultrusion material production activities

(Code: 04;14;15)

Certificate Number:	NOA2101770
Unified Social Credit Code:	91320400753242151H
Initial Certification Date:	08 Feb. 2021

Surveillance Audit Pass Label

Surveillance 1
Audit Pass Label

Surveillance 2
Audit Pass Label

Surveillance 3
Audit Pass Label



Certification Manager







MSCB-261



Please scan the QR code above by WeChat to check certificate validity.

Certificate Issue Date: 29 Feb. 2024
Re-certification Audit Date: 23 Dec. 2023

Certificate Expiry Date: 07 Feb. 2027
Original Certificate Expiry Date: 08 Feb. 2024

This certificate is issued by NOA Testing & Certification Group Ltd. The certificate holder shall perform the supervision and audit in accordance with the certification and accreditation rules and the verification contract, and affix a surveillance audit pass label to maintain the validity of certificate. To verify the validity of certificate, please visit our website (www.noagroup.com) or scan the QR code above by WeChat, or visit the CNCA website (www.cnca.gov.cn).

NOA Testing & Certification Group Ltd.

Email: noa@noagroup.com

Appendix 2: ISO45001 Occupational Health and Safety Management System Certificate



OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM CERTIFICATE

This is to Certify that the OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM of

PGTEX CHINA CO., LTD

Registered Address: NO.28, Lijiang Road, Textile Industrial Park ,Xixiashu Town, Xinbei District, Changzhou City

has been assessed by NOA Certification and found to comply with

GB/T 45001-2020 idt ISO45001:2018

Audit Address: NO.28, Lijiang Road, Textile Industrial Park ,Xixiashu Town, Xinbei District, Changzhou City
 For the scope of: Design, development and production of composite materials (warp-knitted reinforced materials, lightweight and high-strength fiber composite plastics), high-performance fiber intelligent warp-knitted fabrics (industrial cloth)
 Audit Address: No. 18, Yinshan Road, Xixiashu Town, Xinbei District, Changzhou City, Jiangsu Province
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 Audit Address: No. 329, Huanghai Road, Xinbei District, Changzhou City, Jiangsu Province
 Sub-scope: Carbon fiber production activities
 Audit Address: No. 28, Lijiang Road, Textile Industrial Park, Xixiashu Town, Xinbei District, Changzhou City, Jiangsu Province (in the old factory area)
 Sub-scope: Rapid pultrusion material production activities

(Code: 04;14;15)

Certificate Number:	NOA2101771
Unified Social Credit Code:	91320400753242151H
Initial Certification Date:	08 Feb. 2021

Surveillance Audit Pass Label:

Surveillance 1
Audit Pass Label

Surveillance 2
Audit Pass Label

Surveillance 3
Audit Pass Label



Certification Manager









Please scan the QR code above by WeChat to check certificate validity.

Certificate Issue Date: 29 Feb. 2024
Re-certification Audit Date: 23 Dec. 2023

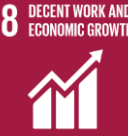
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NOA Testing & Certification Group Ltd.

Email: noa@noagroup.com

Annex 3: United Nations Sustainable Development Goals (UN SDGs) Index Table

UN SDGs	Report Chapters
	Labor safety management measures
	Ensuring staff development
	Respect women and protect women's rights and interests
	Water Management
	Energy and carbon Emissions
	Ensuring staff development
	Ensuring staff development
	Energy and carbon Emissions
	Adhere to business ethics
	Create a sustainable supply chain

Independent Verification Statement



To the management and stakeholders of PGTEX,

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

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

Scope of Verification

Time frame of this verification:

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

Physical boundary of this verification:

- ❖ The on-site verification sampling took place at below listed location:
329 Huanghai Road, Xinbei District, Changzhou City, Jiangsu Province, branch of PGTEX.

Scope of data and information for the verification:

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

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

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

Limitations

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

Basis for the Verification

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

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(China) Co., Ltd. Shanghai Branch
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Shanghai 200070

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Web: www.tuvsud.com

Independent Verification Statement



- ❖ *International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, Limited Assurance*
- ❖ *TÜV SÜD Procedure of Verification on Sustainability Report*

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

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

Verification Conclusions

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

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

Inclusivity	PGTEX has identified the internal and external stakeholders such as investors, employees, customers, suppliers or service providers, government and regulators, etc., and established a stakeholder communication mechanism to collect the demands of stakeholders on a regular basis.
Materiality	PGTEX has disclosed the process of material topics determination, identified and assessed key sustainability topics which are highly related to the industry, the Company disclosed the strategy, management approach as well as sustainability performance in corporate operation, therefore the Report's adherence to materiality principle is guaranteed.
Responsiveness	PGTEX has disclosed the management approach and performance of key sustainability topics that stakeholders concern, such as labor safety, energy utilization, water consumption, greenhouse gas indicators, supply chain sustainability, and anti-corruption. The company has established a communication mechanism, to fully respond to the demands and expectations of stakeholders.
Impact	PGTEX has identified the positive or negative, actual or potential impacts that its own operations may have on the economy, environment and society, taken a number of targeted mitigation measures to prevent, mitigate and remedy the negative impacts, and made corresponding disclosures in the report. The Company monitors, measures and be accountable for impacting the broader ecosystem, contributing to the global Sustainable Development Goals.

Recommendations on Continuous Improvement

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Independent Verification Statement



- ❖ The management improvement recommendations have been communicated to PGTEX's management for reference during the verification process.

Statement on Independence and Verification Capability

TÜV SÜD is a trusted partner of choice for safety, security and sustainability solutions. It specializes in testing, certification, auditing and advisory services. Since 1866, the company has remained committed to its purpose of enabling progress by protecting people, the environment and assets from technology-related risks. Today, TÜV SÜD is present in over 1,000 locations worldwide with its headquarters in Munich, Germany. Through expert teams represented by more than 26,000 employees, it adds value to customers and partners by enabling market access and managing risks. By anticipating technological developments and facilitating change, TÜV SÜD inspires trust in a physical and digital world to create a safer and more sustainable future.

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

TÜV SÜD and PGTEX are two entities independent of each other and both TÜV SÜD and PGTEX and their branches or stakeholders have no conflict of interest. No member of the verification team has business relationship with the Company. The verification is completely neutral. All the data and information in the Report are provided by PGTEX. TÜV SÜD has not been involved in preparation and drafting of the Report, except for the verification itself and issuance of the verification statement.

Signature:

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



Zhu Wenjun

TÜV SÜD Sustainability Authorized Signatory Officer

April 22nd, 2024

Changzhou, China

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

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