



SAILUN Group Co., Ltd.

2023

Sustainability Report

Stock Code: 601058

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About the Report

This report is the 11th annual Sustainability Report of Sailun Group Co., Ltd. (Stock Code: 601058.SH). The report adheres to the principle of objectivity and truthfulness, disclosing the group's social responsibility philosophy and the effectiveness of its practices. We commit that there are no false records, misleading statements, or material omissions in this report, and we are responsible for the authenticity, accuracy, and completeness of its content.

Report Time

The report is disclosed in April 2024, covering the period from January 1, 2023, to December 31, 2023. The report is published annually, in line with the financial reports. To ensure the completeness of the report, some content is traced back and extended forward as needed.

Report Scope

The report covers Sailun Group and its affiliated units that are under its management and operation (for details, see Appendix 9.0 – Subsidiary Reporting Scope).

Reference

For ease of expression, terms such as "Sailun Group," "Sailun," "Group," or "we" used in the report refer to Sailun Group Co., Ltd.

Report Data

The data and case studies used in this report are derived from official documents, statistical reports, and news media of Sailun Group, and have been reviewed and approved by the Board of Directors. All financial data mentioned in this report has been audited by a third party. Unless otherwise specified, the currency type and amounts mentioned in the report are denominated in Renminbi (RMB).

External Assurance

The report has been independently verified by TÜV SÜD China Limited Shanghai Branch (TÜV SÜD), and the verification statement can be found in Appendix 9.0, Independent Auditor's Reports.

Basis of Reporting Standards

United Nations Sustainable Development Goals (SDGs)

National Standardization Management Committee "Guidelines for the Compilation of Social Responsibility Reports" (GB/T 36001–2015)

Chinese Academy of Social Sciences "China Corporate Social Responsibility Reporting Guidelines" (CASS-CSR5.0)

Global Reporting Initiative (GRI) "Sustainability Reporting Standards" (GRI Standards)

Shanghai Stock Exchange Listed Companies Self-Regulatory Guidance No. 1 – Standard Operation

Contact Information

The report is available in both Chinese and English print and electronic versions. The electronic version can be accessed or downloaded online from the official website of Sailun Group at www.sailungroup.com. In case of any minor discrepancies between the Chinese and English versions, the Chinese version shall prevail.

Contact Information

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Email: kcxfzzlglbgs@sailuntire.com

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A Message From Our Chairwoman

Over the past year, the global political and economic landscape has experienced significant shifts, and the international situation has been marked by ongoing turbulence, introducing unprecedented uncertainty to the trajectory of global economic growth. Nonetheless, amidst these complexities, the unwavering dedication to confront climate change and advance sustainable development continues to resonate as a collective global priority. In this intricate and ever-changing world, we have demonstrated formidable resilience and innovative prowess, launching a series of green, low-carbon “EcoPoint” tires that set industry benchmarks. We have steadfastly embraced the principles of sustainable development, integrating environmental, social, and governance (ESG) considerations into our strategic and operational frameworks, achieving notable advancements along the way.

We are convinced that a robust governance framework is the cornerstone of our sustainable development endeavors. In line with this belief, we have established a modern corporate governance system that is both sophisticated and efficient. Guided by the Board of Directors’ Strategy and Sustainable Development Committee, we have formed a Sustainable Development Strategy Management Office to ensure the effective execution of our sustainability strategies. Our commitment extends beyond the pursuit of sustainable development and the creation of social value; we also uphold the principles of business ethics, compliance, information security, and responsible supply chain management, all of which are stringently adhered to across our global operations. We are dedicated to refining our internal control systems and risk management mechanisms, establishing a responsible supply chain management framework, and rigorously mitigating the risks of internal corruption, thereby ensuring the compliance and robustness of our corporate operations. By enhancing our communication with shareholders and investors, we are continuously elevating the quality of our corporate governance and are committed to fostering a healthy, transparent business model that is accountable from within.

Our innovation-driven development strategy is geared towards building a sustainable future. In this regard, we have joined the United Nations Global Compact (UNGC). Recognizing the impact of climate change on all stakeholders and the urgency for collective action, we have proactively aligned with the Science-Based Targets initiative (SBTi) to advance corporate climate action. We have significantly reduced carbon emissions in our production processes through the optimization of manufacturing techniques, enhancements in energy efficiency, and the adoption of renewable energy sources, such as photovoltaic power generation. Sustainability is woven into the very fabric of our product design, with an increased incorporation of sustainable materials. From conception to production, Sailun has been unwavering in its commitment to sustainable development principles, earning the distinction of being named China’s Top Runner for Industrial Carbon Peaking for the year 2023.

We firmly believe that Sailun people are the company’s most valuable asset. As such, we continue to prioritize employee compensation, welfare, and security systems, ceaselessly working to enhance the work environment for our staff. We uphold the core values of trust and respect, cultivating a diverse, open, transparent, and healthy workplace that maximizes employee engagement and creativity. Concurrently, we remain dedicated to our original mission of giving back to society, with Sailun’s presence consistently felt in initiatives ranging from disaster relief and educational sponsorships to poverty alleviation efforts.

As we chart our course towards the future, Sailun remains steadfast in its commitment to the core mission of “MAKE GREAT TIRES.” We are dedicated to driving innovation through the strategic implementation of cutting-edge technologies, advanced materials, refined processes, state-of-the-art equipment, and groundbreaking business models. In line with our unwavering dedication to sustainability, we have set forth a bold set of environmental goals for the coming years: “By 2030, we aim to reduce energy consumption per unit of tire product by 30% relative to 2022 levels; by 2030, we will decrease carbon emissions per unit of tire product by 30% compared to 2022 levels; and we are committed to increasing the share of sustainable materials in our tire products to 40% by 2030, with an ambitious long-term vision of achieving a 100% sustainable material footprint by 2050.” Our unwavering focus on sustainability is fueled by our commitment to delivering high-quality, eco-friendly tire products to our global clientele. We are equally enthusiastic about the prospect of welcoming an increasing number of like-minded partners to join us on this journey. Together, we will explore new avenues of collaboration and co-create a robust, healthy, and prosperous sustainable future for all.



Chairwoman
Sailun Group Ltd.


LIU Yanhua

About Us

The Corporation

Sailun Group Co., Ltd., established in 2002 and listed on the Shanghai Stock Exchange in 2011 (Stock Code: 601058), is the first privately-owned tire company to be listed on China's A-share market. After more than two decades of development, Sailun has evolved into a global company that encompasses tire research and development, production, sales, and services. With seven intelligent tire manufacturing bases worldwide and four major R&D centers, Sailun's products are sold in over 180 countries and regions globally. In the 2023 Global Tire 75 ranking published by Tire Business, Sailun Group ranks 12th globally in terms of sales revenue. In the "World's Most Valuable Tire Brands" list released by Brand Finance in 2023, Sailun Group's brand value is ranked 11th globally.

Adhering to an innovation-driven development strategy, Sailun Group has mastered three major technical systems with independent intellectual property rights for passenger car tires/truck and bus tires/off the road tires. Utilizing the world's first chemical refining rubber material, Sailun has developed the next generation of green tires known as "EcoPoint³" tires which reduce rolling resistance while enhancing wet grip and wear resistance. This breakthrough has successfully disrupted the long-standing "magic triangle" law that has plagued the tire industry for years, making driving safer, more energy-efficient, and more comfortable. This represents the fourth milestone technological innovation in the global rubber tire industry. Furthermore, Sailun Group has launched the world's first operational industrial internet platform for the rubber tire industry, "Eco-Rubber Cloud," achieving integrated, platform-based, and diversified business operations.

Moving forward, Sailun Group will continue to uphold its mission of "Make Great Tires," persistently contributing sustainable tire products to society, aiming to make people's travel safer and freer, and to promote a more efficient and harmonious societal development.



2023 Honorary Accolades



National Model Enterprise for Technological Innovation

Awarded by
Ministry of Industry and Information
Technology of China



China's Top Runner for Industrial Carbon Peaking

Awarded by
China Federation of Industrial Economics



First Prize for the 16th National Innovation Achievements in Management of the Petroleum and Chemical Industry

Awarded by
China Petroleum and Chemical Industry
Federation



First Prize for the 30th National Modernization of Enterprise Management Innovation Achievements

Awarded by
China Enterprise Confederation



Top 500 Manufacturing Private Enterprises (2023) in China (Rank 365th)

Awarded by
All-China Federation of Industry and
Commerce



Best Practices in Public Company Board Activities (2023)

Awarded by
China Association of Listed Companies



Best Practice Cases of Chinese Listed Companies in Jointly Building the "Belt and Road" Initiative

Awarded by
China Association of Listed Companies



China's 500 Most Valuable Brands (Rank 116th)

Awarded by
World Brand Lab



Shandong Province Green Supply Chain Management Enterprise

Awarded by
Department of Industry and Information
Technology of Shandong Province



"First Batch of "Morning Star Factories" in the Digital Economy of Shandong Province Technology of Shandong Province

Awarded by
Department of Industry and Information
Technology of Shandong Province



Pilot Enterprise for Manufacturing Leadership in Shandong Province

Awarded by
Department of Industry and Information
Technology of Shandong Province



Key Enterprise in the Platform Economy of Shandong Province

Awarded by
Development and Reform Commission of
Shandong Province



Native Transnational Enterprise of Shandong Province

Awarded by
Department of Commerce of Shandong
Province



Top 100 Private Enterprises in Shandong

Awarded by
All-China Federation of Industry and
Commerce, Shandong Branch



Top 100 Innovative Private Enterprises in Shandong

Awarded by
All-China Federation of Industry and
Commerce, Shandong Branch



Top 100 Private Enterprises in Shandong for Employment Absorption

Awarded by
All-China Federation of Industry and
Commerce, Shandong Branch



First Prize for Scientific and Technological Progress in Qingdao

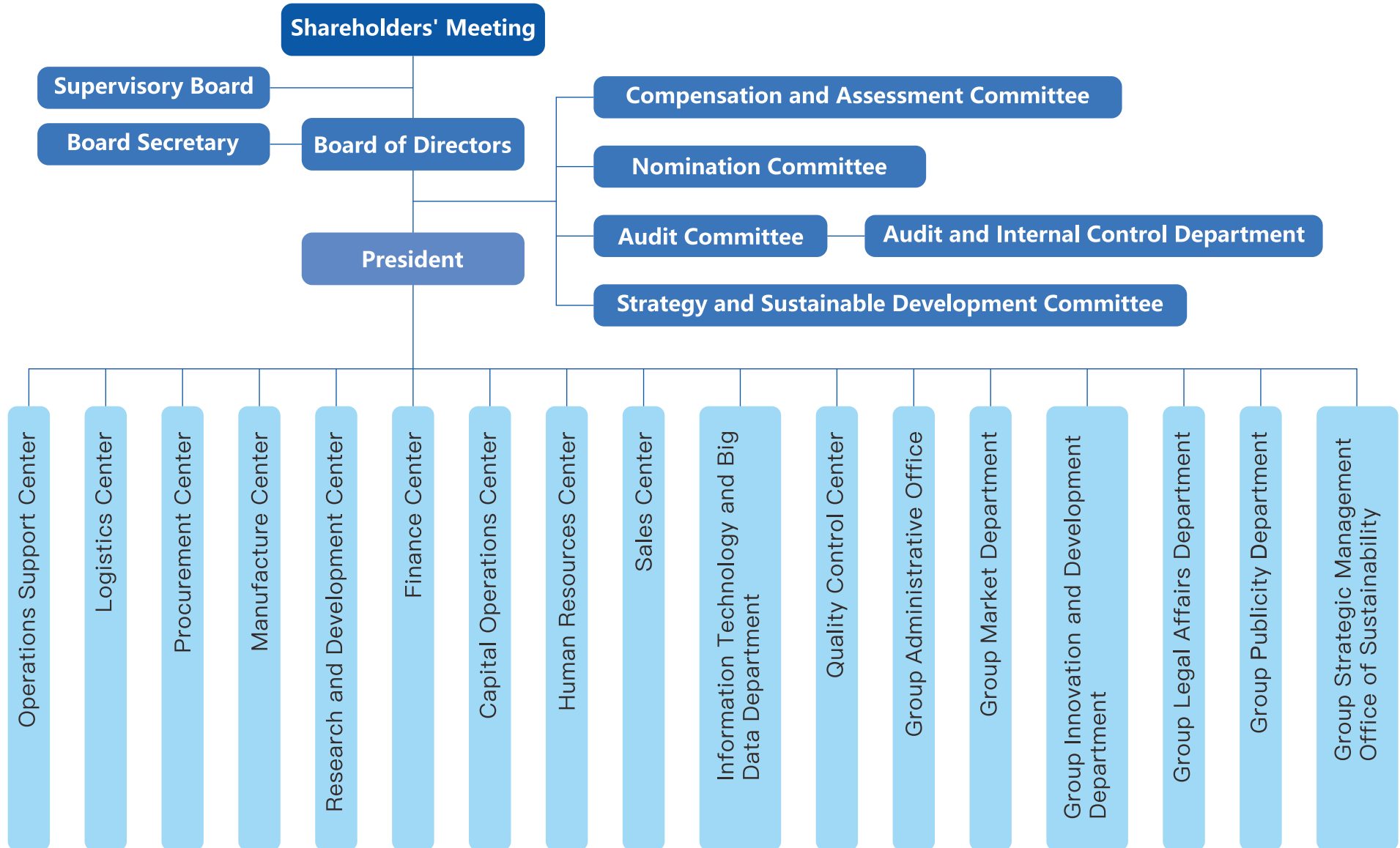
Awarded by
People's Government of Qingdao



Second Prize for Scientific and Technological Progress in Qingdao

Awarded by
People's Government of Qingdao

Organization structure



Our Brands



Mission and Vision



Mission

To make great tires.



Values

Trust and Respect.



People-Centric Philosophy

Sailun people are the most valuable asset of the company.



Our Credo

- Align with the mission and have clear goals.
- Create customer value.
- Complete tasks within the expected timeframe.
- Have the courage to take responsibility.
- Engage in continuous learning.
- Strive for continuous improvement and innovation.
- Possess a sense of the bigger picture.
- Be straightforward and maintain transparency in communication and operations.

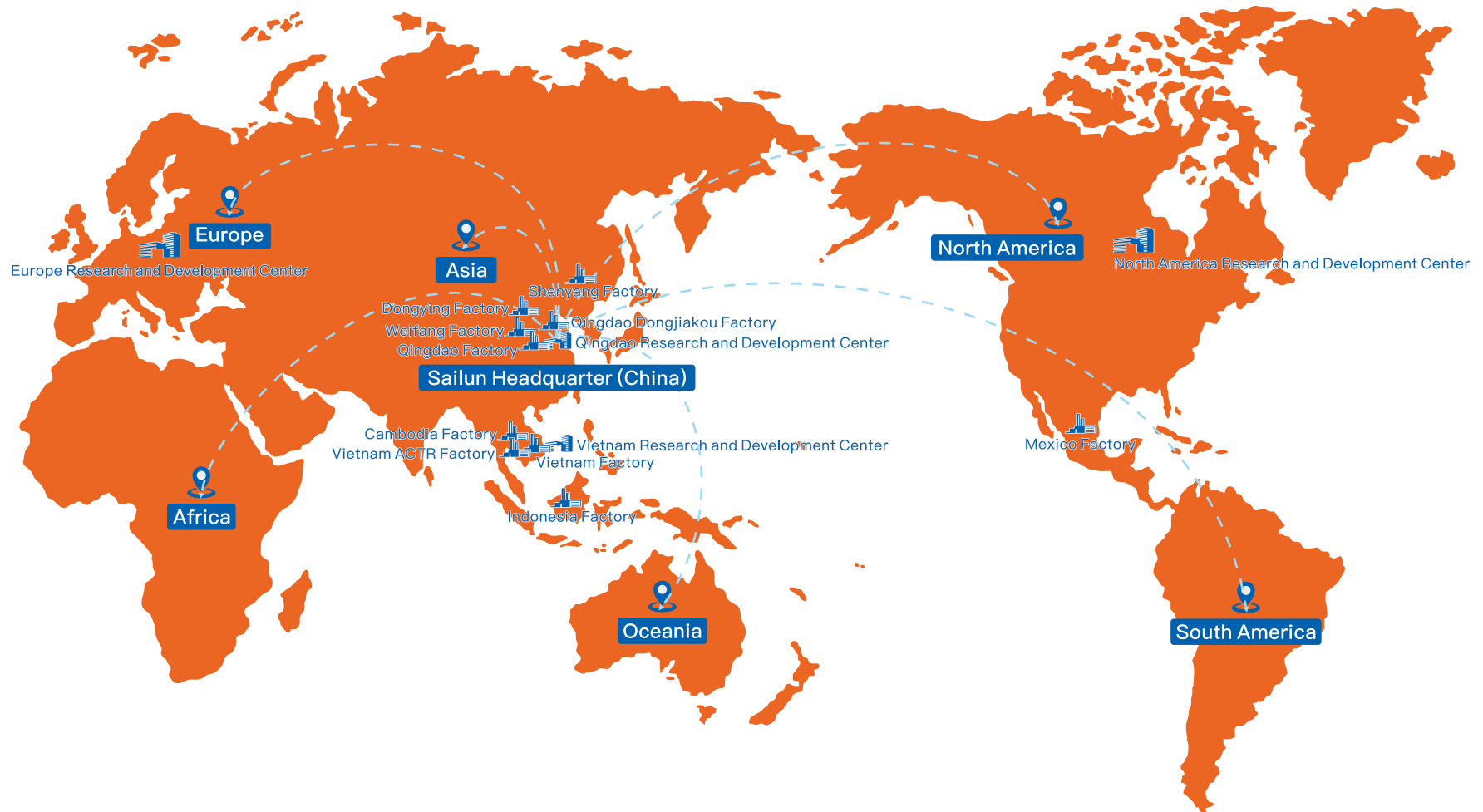


Vision

By 2025, we will become a global influential tire company recognized for our proprietary technology, intelligent manufacturing, and international brand.

Our Footprints

Sailun Group has established tire intelligent manufacturing factories in Qingdao, Dongying, Shenyang, Weifang in China, as well as in Vietnam and Cambodia. The company plans to build new production plants in Dongjiakou, Qingdao, Mexico, and Indonesia. It also has its headquarters R&D center in Qingdao, China, along with additional R&D centers in North America, Europe, and Vietnam.



Sustainability Management

Sustainability Philosophy

Guided by our corporate mission, Sailun continually aligns its operations with the expectations and interests of key stakeholders that are integral to our business growth. We are committed to the diligent fulfillment of our sustainability responsibilities, which we have distilled into a coherent set of principles that underpin our approach to sustainability and ethical conduct.



Sustainability Goals



Sustainability Governance

Sailun Group has always taken the active practice of social responsibility as its own duty, focusing on and actively responding to the demands of all stakeholders. It coordinates the advancement of industrial operations, environmental protection, and social development, integrating the reasonable demands of stakeholders into the group's management and operations. The group continuously enhances its governance capabilities in social responsibility to promote its own sustainable and healthy development.

As the secretariat of the group's sustainable development leadership team, Strategic Management Office of Sustainability is responsible for promoting the continuous development of the group's sustainable development work.



Group Sustainable Development Leadership Team

Main Responsibilities:

1. The Board of Directors holds the highest level of oversight for matters related to sustainable development and reporting, and manages this responsibility through the group's governance structure. Under the leadership of the Strategy and Sustainable Development Committee under the group's board of directors, a Sustainable Development Leadership Team has been established. This team is responsible for formulating and implementing the group's sustainable development strategy, managing the organizational work of the group's sustainable development strategy, and setting the group's sustainable development work objectives and medium to long-term development plans.
2. Responsible for reviewing the group's commitments on key issues such as climate change response, health and safety, environmental protection, and social responsibility, and supervising their specific performance.
3. Responsible for assessing the potential impact of the group's sustainable development business on all stakeholders, identifying significant risks and opportunities in the field of sustainable development, and proposing corresponding measures.
4. Responsible for reviewing the group's annual sustainable development report and making recommendations to the Board of Directors.

Group Strategic Management Office of Sustainability

Functional Positioning:

The Sustainable Development Strategy Management Office, as the secretariat of the Sustainable Development Leadership Working Group, promotes the group's sustainable development-related work.

Main Responsibilities:

1. Organize the implementation of the group's sustainable development strategic goals and formulate action plans for sustainable development.
2. Organize and carry out sustainable development training and publicity activities, guiding various departments to establish sustainable development work mechanisms.
3. Coordinate and carry out various sustainable development work, coordinate cooperation among different departments within the group, mobilize and optimize resource allocation, and regularly report work progress to the Sustainable Development Leadership Working Group.
4. Monitor and analyze significant information related to sustainable development issues pertinent to the company's business, assess the impact on stakeholders, supervise and research proposed measures, and make recommendations to the Sustainable Development Leadership Working Group.
5. Complete other tasks assigned by the Sustainable Development Leadership Working Group.

Group Sustainable Development Working Team

Functional Positioning:

The Sustainable Development Working Group advances its work under the organization and arrangement of the Sustainable Development Strategy Management Office.

Main Responsibilities:

1. Responsible for implementing the group's sustainable development strategic goals, compiling the annual sustainable development report, and completing the writing and submission of various ESG rating-related review materials for the year.
2. Responsible for planning and executing annual specialized sustainable development work in various departments and professional fields.
3. Complete other tasks assigned by the Sustainable Development Leadership Working Group.

Stakeholder Engagement

Sailun Group is committed to proactively cultivating and nurturing relationships with all its stakeholders, including customers, employees, suppliers, investors, regulatory bodies, and the communities in which it operates. The company fosters an environment of open dialogue and collaboration by engaging in both scheduled and ad hoc interactions, ensuring that the interests and perspectives of all parties are considered and addressed.

	Stakeholder Concerns	Communication methods and channels	Communication Frequency
Government, industry associations, and regulatory authorities.	Environmental Management Climate Change Energy Management Water Gase Emissions Waste Management Eco-friendly Products Innovation Driven Business Ethics Anti-Bribery and Anti-Corruption Intellectual Property Privacy Data Protection	Government meetings, special reports, information submission, project cooperation, and disclosure of information.	Regular: Annual Report, Semi-Annual Report, Quarterly Report, Regular Meetings Irregular: Under the supervision of the government, industry associations, and regulatory authorities, special meetings.
Stockholders and investors	Innovation Driven Public Philanthropy/Community Engagement Corporate Governance Business Ethics Intellectual Property	Shareholders' Meetings, Investor Communication Events, Information Disclosure, Daily Reception, Teleconferences, Dedicated Email, SSE E-Interaction (Shanghai Stock Exchange E-Interaction platform), Performance Briefings, Collective Reception Activities in the Jurisdiction, etc.	Regular meetings Ad-hoc meetings
Customers	Green Products Customer Responsibility Intellectual Property Privacy and Data Protection	Providing high-quality products and services, business liaison, and site visits.	Regular: Annual Customer Satisfaction Survey Irregular: As required by order or contract terms, customer audits, visits, and communication via telephone or email.

	Stakeholder Concerns	Communication methods and channels	Communication Frequency
Suppliers	Green Products Innovation Driven Global Supply Chain Business Ethics Intellectual Property	Meetings, mutual visits, bidding, business negotiations, and supply chain construction.	Regular: Annual Supplier Satisfaction Survey Irregular: As required by order or contract terms, customer audits, visits, and communication via telephone or email.
Employees	Labor Standards Diversity and Inclusion Health and Safety Recruitment Compensation and Benefits Talent Development Anti-Bribery and Anti-Corruption Unfair Competition and Fair Competition Intellectual Property	Ensuring compensation and benefits, employee representative meetings, training and career planning, onboarding training, and company email.	Regular: Staff Representative Congress, Annual Performance Reviews, Annual Training, and Weekly, Monthly, Quarterly, and Yearly Meetings. Irregular: Employee Correspondence, WeChat Platform, Ad-hoc Meetings, and Specialized Training.
Communities	Environmental Management Climate Change Gas Emissions Waste Management Biodiversity Philanthropy/Community Engagement	Public welfare and charitable activities, support for social causes, and energy saving and emission reduction.	Accept supervision from the community and the public, and participate in public welfare and charitable activities, and support social causes on an irregular basis.

Sailun is committed to establishing and maintaining open and transparent communication channels to facilitate ongoing dialogue with all stakeholders. We recognize that an effective grievance mechanism is an essential component of corporate social responsibility. It not only helps protect the rights of stakeholders but is also a key tool for driving continuous improvement and enhancing transparency within the company. Our grievance mechanism adheres to the following principles:

Legality

Ensure that all grievance processes comply with relevant laws and regulations and are consistent with international best practices.

Accessibility

Provide an easily accessible channel for all stakeholders to raise their concerns and suggestions, regardless of their location.

Transparency

Maintain transparency in the grievance process to ensure that all stakeholders understand how to lodge a complaint and what the expected procedures are.

Impartiality

Ensure that every grievance is assessed fairly and without bias.

Right to Non-Retaliation

Safeguard the rights of those who raise grievances and take measures to protect them from any form of retaliation.

Predictability

Provide a clear timeline for grievance handling and expected outcomes, ensuring stakeholders have a reasonable expectation of the process.

Continuous Learning

Regularly review and evaluate the effectiveness of the grievance mechanism to learn and improve, enhancing our sustainable development practices.

We pledge to take every grievance raised through this mechanism seriously and view it as a valuable resource for our continuous progress and innovation. We believe that through proactive communication and effective grievance handling, we can build stronger and more trusting partnerships to advance a sustainable future.

We encourage all stakeholders to contact us with their concerns and suggestions through the following means:

Email: kcxzfzlgblgs@sailuntire.com

Hotline: +86 4006608329

Material Topics

Sailun fully recognizes the importance of listening to various perspectives when developing and promoting sustainable development projects. Based on the group's development strategy, industry characteristics, feedback and expectations from internal and external stakeholders, as well as global sustainable development trends, we refer to domestic and international sustainability and social responsibility standards, guidelines, and initiatives. Through methods such as questionnaires and communication interviews, we combine internal opinions with external stakeholders' suggestions. We examine the "impact on the group's business" and "impact on stakeholders" of different issues to construct the Sailun Group's Materiality Assessment Matrix, which ultimately identifies key issues.

Issue Identification



ESG and industry development trends



Group development strategy planning



Stakeholder feedback



Government requirements



Industry standards

Issue Assessment



Internal stakeholder questionnaires and research



External stakeholder questionnaires and research

Issue Review



Combining interview feedback and expert evaluations to form the Sailun Group's materiality issue matrix

Continuous Improvement



Continuous communication with stakeholders



Organizing and dynamically adjusting ESG issues

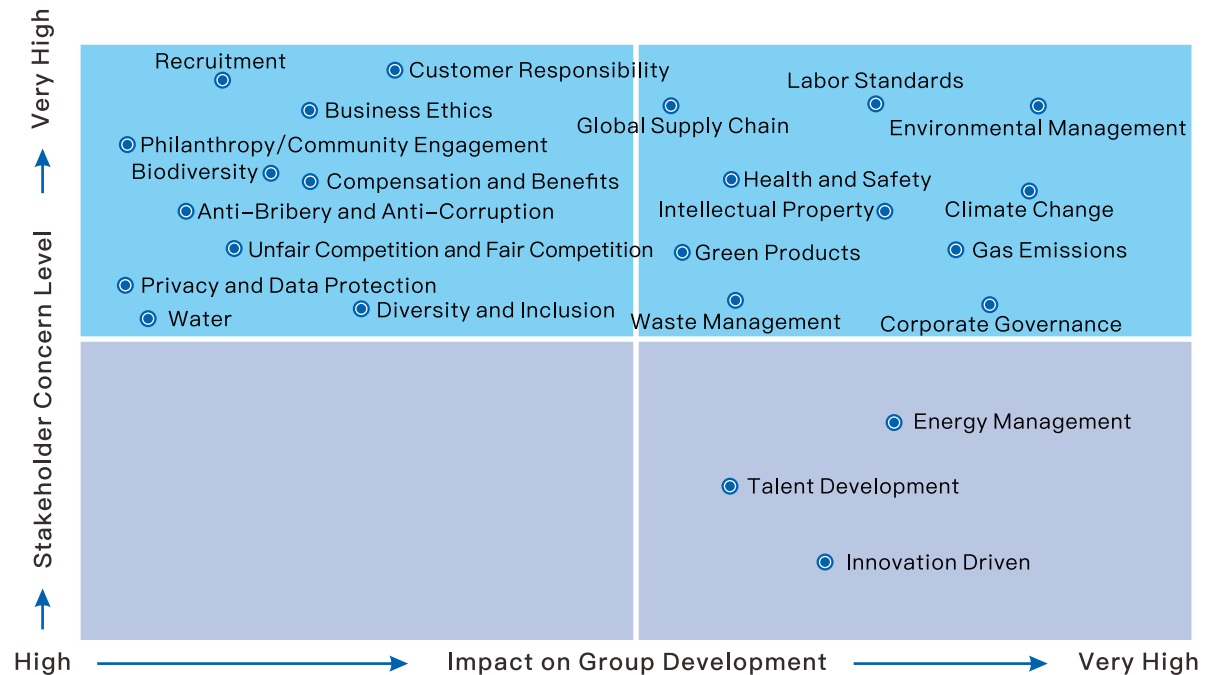


Dynamically adjusting and updating the implementation plan for ESG issues

The Group's Board of Directors and the Strategy and Sustainable Development Committee have given special attention to key issues concerning Environmental, Social, and Governance (ESG) aspects. These issues are aligned with Sailun's policies, business strategies, and risk management priorities. The key issues identified for the year 2023 are as follows:

Environmental	Social	Governance
Environmental Management	Innovation Driven	Corporate Governance Structure
Climate Change	Labor Standards	Business Ethics
Energy Management	Diversity and Inclusion	Anti-Bribery and Anti-Corruption
Water	Health and Safety	Unfair Competition and Fair Competition
Gas Emissions	Recruitment	Intellectual Property
Waste Management	Compensation and Benefits	Privacy and Data Protection
Green Products	Talent Development	
Biodiversity	Customer Responsibility	
	Global Supply Chain	
	Philanthropy/Community Engagement	

When categorizing issues, we took into account the characteristics of the rubber tire industry and the potential impact of these issues on the group's operations, reputation, compliance, financial performance, and long-term sustainable development. We constructed the Sailun Group Materiality Assessment Matrix from two dimensions: "Stakeholder Concern Level" and "Impact on Group Development."



Aligning with the United Nations Global Compact



Since 2023, Sailun has been continuously fulfilling its responsibilities as a signatory member of the United Nations Global Compact (UNGC). As a corporate member of the UNGC, Sailun has been committed to continuous improvement to align its operations and guidelines more closely with the ten principles of the UNGC.

Contributing to the United Nations Sustainable Development Goals (SDGs)



Sailun Group supports the United Nations Sustainable Development Goals, focusing on all aspects from human well-being to the environment. Committed to the all-round sustainable development of the environment, economy, and society, Sailun works together with business partners such as customers and supply chains to promote global prosperity.

We believe that the 16 goals of the SDGs are highly relevant to Sailun's sustainable development plan and have been put into practice in 2023. The progress has been documented in the corresponding sections of this report.

 See Appendix 9.0 for details on Sailun's contribution to the SDGs

Environmental

Environmental Management

Sailun Group adheres to the spirit of important documents such as the "Opinions of the CPC Central Committee and the State Council on Accelerating the Construction of Ecological Civilization" (No. 12 [2015] issued by the CPC Central Committee), "Made in China 2025" (No. 28 [2015] issued by the State Council), and the "Opinions of the CPC Central Committee and the State Council on Comprehensively Advancing the Construction of a Beautiful China," and is committed to promoting the sustainability of the environment and green growth. We have established a comprehensive environmental management system, set clear goals, and monitoring mechanisms to ensure harmonious coexistence between environmental protection, socio-economic development, and ecological conservation.



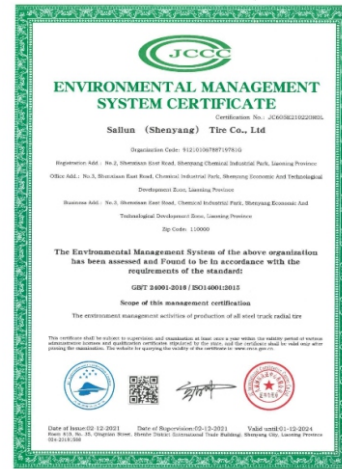
Currently, the Qingdao factory, Dongying factory, Shenyang factory, Weifang factory, Vietnam factory have all passed the ISO 14001:2015 Environmental Management System certification. The group has also established a series of environmental management procedures, such as the "Exhaust Gas and Dust Control Management Procedure," "Wastewater Control Management Procedure," "Solid Waste Control Management Procedure," and "Factory Boundary Noise Control Management Procedure," which strictly manage data indicators for exhaust gases, wastewater, and solid waste. We conduct regular self-monitoring, which is carried out quarterly, to ensure effective control and discharge of pollutants, demonstrating our firm commitment and practical actions towards environmental protection. During the reporting period, Sailun Group did not experience any environmental penalty incidents.



Qingdao factory



Dongying factory



Shenyang factory



Weifang factory



Vietnam factory





10.07%

In 2023, the carbon emissions per unit passenger car tires decreased by 10.07% compared to 2022.



9.87%

the carbon emissions per unit product of truck and bus tires decreased by 9.87% compared to 2022.



16.43%

the carbon emissions per unit product of off the road tires decreased by 16.43% compared to 2022.



The environmental management-related data of Sailun during the reporting period can be found in Section 9.0 of the appendix, Key Performance Indicators.

Setting Environmental Management Goals and Continuously Improving Environmental Management Standards

**ACT
NOW 1**

Improvement of Energy Structure and Consumption,
Reduction of Carbon Emissions

**ACT
NOW 2**

Prevention and Control of Water, Air, Groundwater,
and Soil Pollution

**ACT
NOW 3**

Reduction of Energy Consumption and Environmental
Pollution in Production and Transportation Processes

**ACT
NOW 4**

Supplier Evaluation Based on Sustainable
Development Systems



★ Case | National Green Factory

In March 2023, the Ministry of Industry and Information Technology announced the national green manufacturing list, and Sailun Qingdao factory successfully selected in the "green factory list" in 2022, and three products selected in the "green design product list".

Sailun attaches great importance to the construction of green factories and has established a green factory management leadership team and a green factory management office to formulate, implement and supervise the management regulations and systems of green factories, ensure the green, environmental protection and efficient operation of each factory, and provide a solid guarantee for the sustainable development of the group.

Climate Change

Sailun understands that human activities impact climate change and acknowledges the climate science findings in the latest assessment report by the Intergovernmental Panel on Climate Change (IPCC). Sailun is also aware that the current trend of climate change will bring significant economic and social impacts. At present, all parties must take necessary actions to stabilize greenhouse gas concentrations in the atmosphere and control the global average temperature increase within an acceptable range.

From internal and external approaches, Sailun strives to help control and mitigate the risks brought by climate change, committed to reducing the carbon footprint of its global business activities, and implementing the following actions to fulfill its commitment:

- ◎ Implementing the Group's climate and energy policies
- ◎ Executing a comprehensive long-term climate change strategy
- ◎ Establishing macro and specific targets across the Group to support the aforementioned policies and strategies

Sailun actively responds to the national "Dual Carbon" strategy and has taken the lead in the domestic tire industry to conduct organizational carbon audits and product carbon footprint verifications.

Sailun also actively responds to the Science Based Targets initiative (SBTi)^[1]'s urgent call for corporate climate action, fully integrating the concept of green and low-carbon development into daily production and operations. We will set specific short-term emission reduction targets and implementation plans based on the standards of SBTi, and commits to continuously disclose our progress in addressing climate change and energy saving and emission reduction in a transparent manner. We actively lead the industry chain towards a more green and low-carbon direction, contributing more Sailun strength to mitigate global climate change.



[1] SBTi is a global initiative jointly launched by the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the World Resources Institute (WRI), and the World Wildlife Fund (WWF), aimed at helping companies set greenhouse gas reduction targets that are in line with climate science and the requirements of the Paris Agreement.



Energy Management



9.89 %

In 2023, the energy consumption per unit product of passenger car tires decreased by 9.89% compared to 2022.



9.45%

the energy consumption per unit product of truck and bus tires decreased by 9.45% compared to 2022.



14.15 %

the energy consumption per unit product of off the road tires decreased by 14.15% compared to 2022.



Energy-related data for Sailun during the reporting period can be referred to in Appendix 9.0, which details Key Performance Indicators.

Sailun Group is dedicated to creating an intelligent and efficient energy management system. The company implements dynamic monitoring and digital management over the production, distribution, and consumption stages of its energy systems. At present, the Qingdao, Shenyang, Dongying, and Weifang factories of Sailun have all been certified under the ISO 50001:2018 energy management system standard. Energy-related data for Sailun during the reporting period can be referred to in Appendix 9.0, which details Key Performance Indicators.



Qingdao factory



Shenyang factory



Dongying factory



Weifang factory



Energy Online Monitoring System

Project Name	Key Actions
Waste Heat Recycling	- Utilize the flash steam generated during the vulcanization process. - Modify the condensate system to effectively recover waste heat from the vulcanization process. - During non-heating seasons, use recovered flash steam for cooling to serve workshops and office areas. - In heating seasons, use flash steam for heating to reduce steam consumption and save energy.
Green Procurement Projects	- Establish the 'Procurement Control Procedure,' prioritizing the purchase of products with minimal environmental impact. - Follow the bidding principles of 'advanced performance, energy-saving and environmental protection, reliable technology, and same quality and price' to promote green procurement.
Energy Management System	- Implement information-based management and monitoring of the energy system. - The project is recognized as a demonstration project for energy resource measurement services in Shandong Province, showcasing Sailun Group's advanced practices in energy management.

Project Name	Key Actions
Energy Efficiency Improvement Projects	- Implement a 0-bar water recycling project to achieve cascading water usage. - Replace with high-efficiency water pumps. - Retrofit the after-treatment system of the air compressor to achieve zero air consumption. - Replace steam lithium bromide units with high-efficiency electric chillers to improve COP value. - Modify the mixer cooling water system, optimize plant layout and pump selection. - Replace drain valves in the vulcanization process to reduce steam leakage and enhance energy-saving effects. - Upgrade the lighting system, use energy-saving appliances and LED lights in accordance with national standards, combine natural light with LED lighting to improve lighting efficiency.

Water

Sailun persistently promotes water conservation management, continuously improving the efficiency of water resource use through meticulously designed and implemented water optimization measures in production processes. Specifically, we have deeply optimized the production processes to enhance production quality while upgrading related equipment, effectively controlling the overall water consumption. Moreover, we have implemented detailed management of water usage in the production process, ensuring that every drop of water is utilized reasonably. For production segments that do not require high water quality standards, we have established recycling water systems, significantly increasing the reuse rate of water resources, thereby achieving conservation and protection of this precious resource.



Water Resource Utilization Efficiency

The Group has established strict water resource protection policies to ensure sustainable use of water resources and to improve their utilization efficiency. By promoting water-saving technologies, improving production processes, and strengthening water resource management, we reduce the water consumption per unit of output and achieve conservation and efficient use of water resources.



Wastewater Treatment and Discharge

The Group has continuously and comprehensively monitored and assessed the wastewater generated from the factory areas in accordance with local regulations to ensure that the discharged wastewater meets the required standards. The Qingdao and Dongying factories have established scaled wastewater treatment stations that treat both the production wastewater and domestic sewage from the factory areas. After treatment meets the standards, the wastewater is discharged into the municipal sewage treatment plant through the municipal pipeline network. Similarly, the Shenyang factory, the Vietnam factory, and the ACTR factory have their wastewater treated to meet standards by the industrial park's wastewater treatment station before it is discharged into the sewage plant via the municipal network. This approach demonstrates the group's commitment to environmental protection and compliance with regulatory requirements.



The water resource and wastewater-related data for Sailun during the reporting period can be found in Appendix 9.0, Key Performance Indicators section.

Gas Emissions

Emission of waste gases is one of the significant issues in environmental management. To strengthen environmental protection, we have adopted effective measures to control pollution and emissions, such as promoting clean energy, introducing and investing in advanced waste gas treatment equipment and processes. We have also established a comprehensive waste gas emission monitoring and response mechanism to ensure effective and controllable operations.

In recent years, we have carried out technical upgrades and transformations in the mixing, calendaring, and vulcanization processes, which are the stages in tire manufacturing that generate a large amount of volatile organic compounds (VOCs). To further reduce the emissions of VOCs, we have taken the lead in introducing the "emulsion absorption method" patented by domestic universities, which has effectively managed the more challenging VOCs. This treatment method has been promoted and used in four factories, and the treatment effects all meet emission standards. At the same time, online monitoring has been installed on all exhaust gas treatment equipment, with emission data connected to environmental protection departments, achieving real-time monitoring and control of the data.



The data related to Sailun's waste gas emissions during the reporting period can be found in Appendix 9.0, Key Performance Indicators section.



Case | Advanced Waste Gas Treatment Technology

The Weifang factory upgraded and transformed the original five pieces of waste gas treatment environmental protection equipment, changing the original photo-oxidation catalytic + low-temperature plasma + odor treatment system to a water washing tower + emulsifying liquid solvent absorption tower + injection-type plasma treatment process. Through the technological transformation of environmental protection equipment, it ensures that waste gas meets strict environmental standards before emission. These technologies not only reduce the emission of harmful gases but also improve the recovery and utilization rate of resources.



Waste Management

Sailun is committed to resource conservation and recycling. Through source analysis, we have implemented comprehensive recycling projects for solid waste, significantly improving resource utilization efficiency and effectively reducing waste. We also promote the use of recyclable products and packaging. In terms of waste management, we have implemented strict monitoring and control measures for solid waste and hazardous waste generated during the tire manufacturing process. All factories have established cooperative relationships with certified disposal units and track management through a transfer manifest system, ensuring the legal and compliant transfer of hazardous waste. Sailun's Environmental Management System requires each factory to report any environmental incidents, including waste-related events, through an internal environmental database.



The waste data for Sailun during the reporting period can be found in Appendix 9.0, Key Performance Indicators section.

Green Products

Sailun is one of the pioneering tire companies in the industry to engage in the research and development and manufacturing of green products. Well before the enactment of green environmental regulations such as the European REACH regulation and the EU tire labeling regulation, Sailun has been continuously exploring green innovative technologies. The company has undertaken comprehensive technical exploration and technological reserves in areas such as the application of green materials, green product design, green processes, green terminal services for products, and comprehensive utilization of resources. Sailun is committed to reducing energy input, improving energy efficiency, and lowering carbon emissions. The company has already mastered the key core technologies for the manufacturing of green high-performance radial tires, and several products have been recognized as green design products by the Ministry of Industry and Information Technology and the China Petroleum and Chemical Industry Federation for multiple years.



Sailun has developed the "EcoPoint³" tires using a world-first chemical rubber refining new material. These tires not only reduce rolling resistance but also enhance wet grip performance and wear resistance, successfully breaking the "magic triangle" law that has plagued the tire industry for many years. This innovation makes driving safer, more energy-efficient, and comfortable, and extends tire lifespan, marking the fourth milestone technological innovation in the world's rubber tire industry. The key technology has been successively awarded the China Industrial Grand Prize, the First Prize for Technological Invention of Shandong Province, and the First Prize for Technological Invention by the China Petroleum and Chemical Industry Federation.

[1] The "Magic Triangle" in the tire industry refers to the challenge of simultaneously improving three key performance characteristics of tires: wear resistance, wet grip, and rolling resistance. It is a concept that suggests that enhancing one of these attributes often comes at the expense of the others.



The EcoPoint³ car tires have achieved the highest rating of AA under the EU tire labeling regulation, and the truck and bus tires are the only products in China to reach the AAA level according to the “Tire Grading Standard” (T/CRIA 11003–2016) by the China Rubber Industry Association. According to international authoritative test data, using EcoPoint³ passenger car tires can reduce fuel consumption by 8% per 100 kilometers, saving about 0.6L; electric vehicles can save 12% of electricity per 100 kilometers. When braking at a speed of 80km/h, the wet braking distance of EcoPoint³ tires is 7 meters shorter than that of ordinary tires; wear resistance can be increased by 20%–30% compared to ordinary tires; and tire noise is reduced by 1–2 decibels.



In the tire product fuel-saving tests conducted by TÜV SÜD in Germany, the EcoPoint³ passenger and commercial vehicle tires, under the standard load condition of 40 tons, showed a fuel consumption reduction of 3.3% compared to the fuel-saving products of international first-line brands participating in the test. In the 6th China New Energy Vehicles (Commercial Vehicles) Tour Race test, jointly conducted with DST Car Rental (Shenzhen) Co., Ltd., the EcoPoint³ passenger and commercial vehicle tires achieved an average power consumption reduction of about 2.7 kWh/100km, which translates to an approximate 7.4% electricity saving.

The EcoPoint³ tires stand out in terms of wear resistance, fuel saving, and wet braking performance, significantly enhancing the driving and riding experience for vehicle owners.

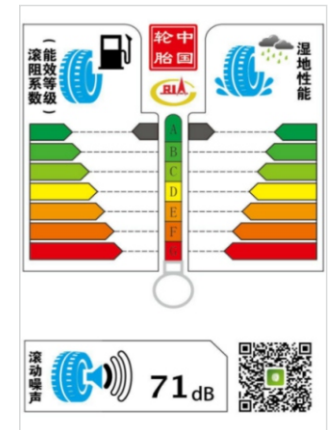


Tour Race test ▶

Product Certification

Sailun's products have passed a variety of domestic and international certifications. The main certifications include China CCC (China Compulsory Certification), US DOT (Department of Transportation), European ECE (Economic Commission for Europe), Brazil INMETRO, India BIS (Bureau of Indian Standards), Indonesia SNI (Standardization and Quality Control), Gulf Cooperation Council (GCC), Saudi Arabia SASO (Saudi Arabian Standards Organization), and over 20 other certifications.

Several models of truck and bus tires and passenger car tires have been awarded the TÜV MARK certificate, achieving the best results for Chinese tire companies in the global rubber tire industry. In 2023, four pattern tires including SFL1 and SFL12 received the China-Mark certification issued by TÜV Rheinland. The SFL1 pattern tire's wet grip performance, rolling resistance performance, and noise performance were certified with the highest level AAA by the China Rubber Industry Association's "Tire Grading Standard" (T/CRIA 11003–2016). Twelve pattern tires including SFL2/SDL2 have passed the (EU) 2017/2400 carbon dioxide emissions and fuel consumption certificate issued by the Luxembourg Ministry of Transportation (SNCH), marking the first set of carbon credit certificates in the global tire industry.



Circular Economy

As the Executive Vice President unit of the China Tire Recycling Association, Sailun is committed to technological innovation in tire recycling and has pioneered an industrialized demonstration development model for tire recycling within the industry. This has enhanced the overall level of tire recycling and improved the utilization rate of tire resources. Sailun has mastered a complete set of tire recycling technologies, reaching an internationally advanced level, and has been recognized as “China’s First Demonstration Base for Tire Resource Recycling.”



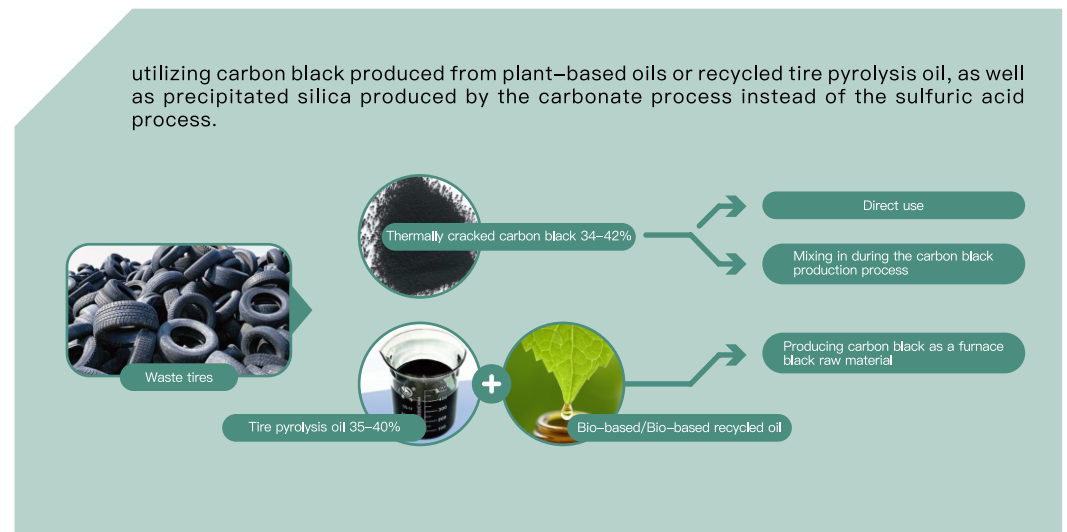
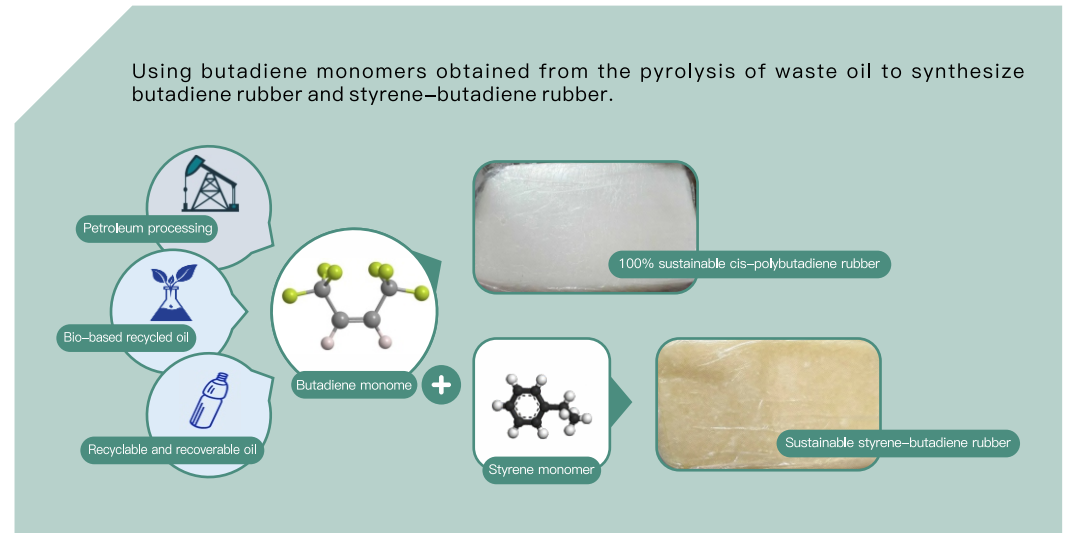
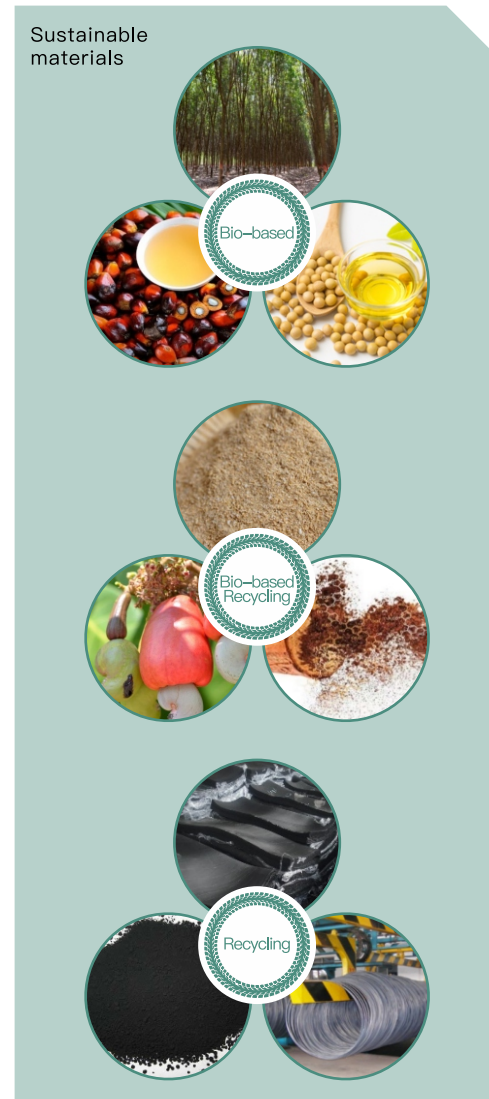
★ Case | Sailun Group's Tire Retreading Technology

In the field of tire retreading technology, we have achieved significant breakthroughs in the production process by adopting innovative materials and advanced equipment. We have pioneered the world's first chemically refined rubber “EcoPoint³” circular tread, using a low-temperature independent vulcanization process that eliminates the existing issues with joint openings in strip treads. This has enhanced the dynamic performance, safety, and wear resistance of tire products, reduced the labor intensity for workers, and increased production efficiency by 50%.



Sustainable Materials

Sailun upholds the principles of sustainability and recycling, widely incorporating renewable materials such as natural rubber and rayon in tire manufacturing, thereby achieving the sustainability of tire raw materials.



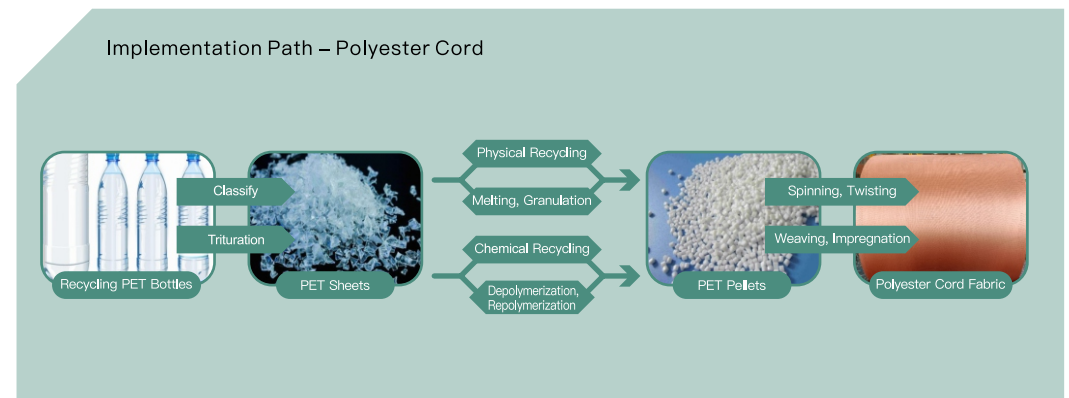
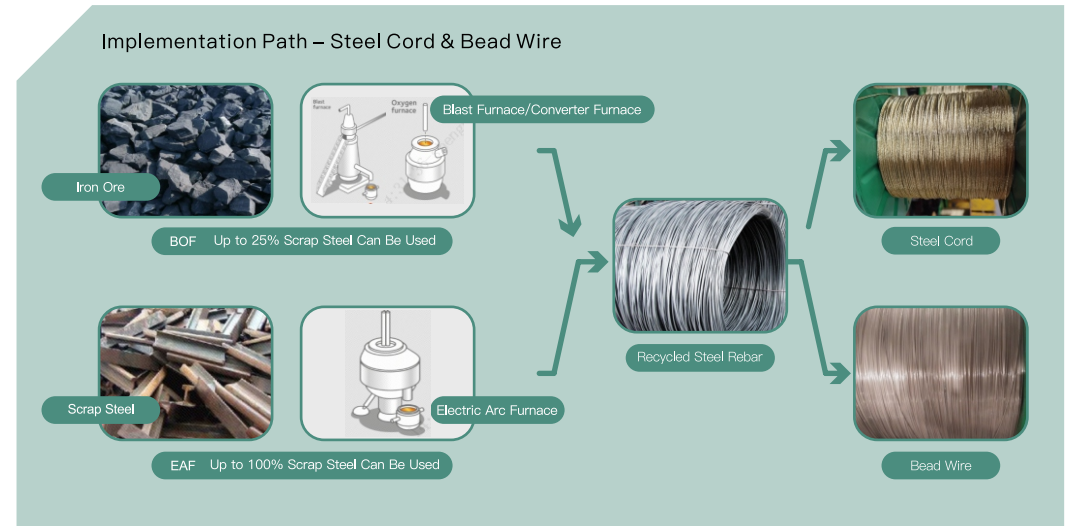
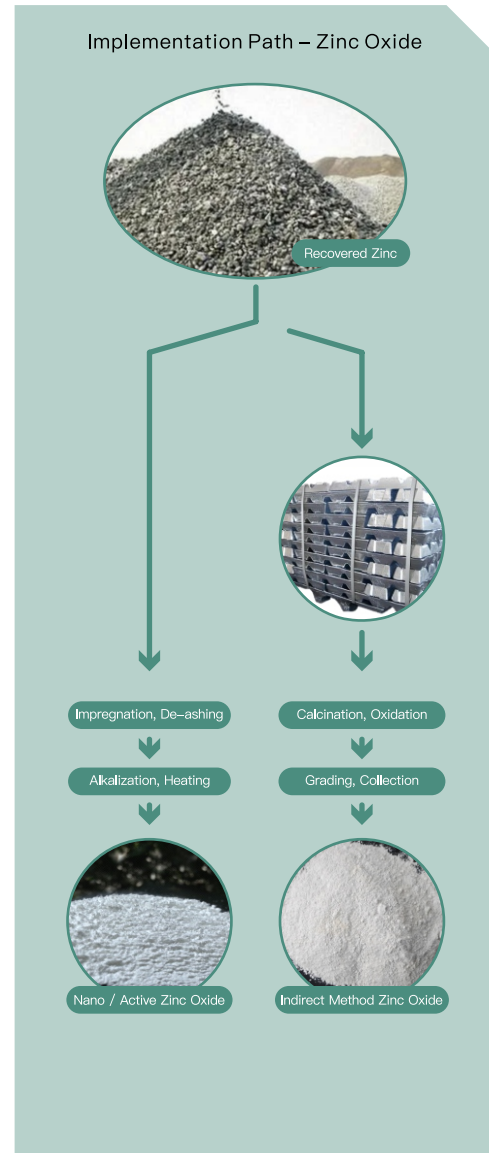
75%

we have the technological capability to achieve over 75% sustainable material content in passenger car tires.

80%

we have the technological capability to achieve over 80% in truck and bus tires.

Additionally, we use recycled zinc to produce zinc oxide, recycled steel to produce steel cord and bead wire, and recycled PET to produce polyester cord, which are important steps towards material regeneration and recycling.



In terms of formulation technology, we have adjusted the formulation system to allow the use of sustainable materials as substitutes for traditional materials. In structural design technology, we have used new materials such as plant-based synthetic fibers and PA56 to replace traditional polyester and nylon cords, further promoting the green transformation of tire materials.

Continuous Innovation

Adhering to the principles of being safer, more environmentally friendly, more energy-efficient, and ultra-durable, and considering the impact of tire wear particles (TRWP) on the environment, the group continuously improves its innovation capabilities across various aspects such as tire formula design, structural design, and process design. The innovation projects carried out are as follows:



RFID Green Smart Tire Products

We have embedded RFID tags inside the tires of our public transit and passenger vehicle series, achieving automated data recognition throughout the raw material selection, tire production, sales, usage, and retreading processes. This provides an effective identification means for tire management, enabling the full lifecycle management and traceability of tires.



EcoPoint³ High-End Color-Edge Tire Series

The EcoPoint³ ERANGE PREMIUM series of high-end color-edge tires offer strong grip on both dry and wet surfaces, ensuring high vehicle driving safety, with a wet grip coefficient reaching the A level of the EU label regulation. By using a special rib structure on the sidewall combined with colored rubber, the traditional all-black appearance of tires is changed, enhancing the aesthetic appeal of tire products. Vehicle owners can customize the color according to their needs, improving the overall aesthetics of the vehicle.



EcoPoint³ New Energy Passenger Car Tires Series

With the rapid development of the global electric vehicle market, tire performance requirements have changed. The group has launched the EcoPoint³ ERANGE EV series, which achieves rolling resistance at the EU label regulation A level, with real-vehicle tests showing an 8% increase in electric vehicle range.



New Pattern and Structural Design Technology

The incorporation of biomimetic steel plates and groove edge blade design enhances grip and handling on both dry and wet surfaces. High saturation patterns and self-locking steel plate designs optimize the rigidity of the tread blocks, making the wear more uniform and significantly extending the wear life, resulting in higher mileage.



★ Case | EcoPoint³ Low-Carbon Tires Help DST Reduce Costs and Emissions

In the sixth China New Energy Vehicles (Commercial Vehicles) Tour Test conducted in collaboration with Sailun and DST Car Rental (Shenzhen) Co., Ltd (referred to as: DST), the EcoPoint³ tires achieved an average reduction of about 2.7 kWh/100km in electricity consumption compared to the original tires, resulting in a saving rate of approximately 7.4%.

In 2023, DST purchased 19,151 EcoPoint³ low-carbon tires from Sailun. Based on the average monthly mileage of 1,800 km for operational vehicles and a reduction of 3.17 kg of CO₂ emissions per tire for every 1,000 km traveled, the EcoPoint³ low-carbon tires helped DST reduce CO₂ emissions by 1,311.30 tons per year during the reporting period. Conservatively estimating a saving of 2.05 kWh/100km per vehicle and a commercial charging rate of 1.8 yuan/kWh, the EcoPoint³ low-carbon tires saved approximately 1,412,975 kWh of electricity per year, amounting to a cost saving of 2,543,355 yuan per year. The application of EcoPoint³ low-carbon tires in the operational market has received positive feedback from both customers and drivers, effectively reducing carbon emissions and significantly lowering operational costs.

★ Case | Fourth Annual Improvement and Innovation Conference Held at Sailun Group's Production Center

On May 30, 2023, the group held its fourth annual Improvement and Innovation Conference. A total of 181 outstanding projects were selected and recommended by various factories for the annual conference. After professional review, 82 projects were recognized as the year's best in improvement and innovation, including 17 best improvement projects, 8 best Six Sigma projects, 13 best promotion projects, 11 best projects of the year, 7 improvement and innovation teams, and 17 outstanding individuals and teams in horizontal professional categories.



Biodiversity

Sailun places great emphasis on the protection of biodiversity. During project development, construction, and operation, the company values the protection of the local ecological environment and the habitats of flora and fauna. It strictly implements the requirements of ecological protection red lines, environmental quality baselines, resource utilization ceilings, and ecological environment access lists, as well as environmental protection systems. Sailun actively carries out ecological environment restoration measures to minimize the impact of corporate production and operations on the surrounding environment, achieving harmonious coexistence between business development and the ecological environment.

All newly invested projects by Sailun initiate environmental impact assessments during the development phase. The company engages qualified third-party organizations to conduct environment impact assessments for the proposed factory locations.



Social

Innovation Driven

Sailun Group sticks to an innovation-driven development strategy, placing great importance on scientific and technological innovation and system construction. The group continuously researches and explores fundamental, comprehensive, and forward-looking major scientific and technological issues in the fields of rubber and tire industries. It strengthens original innovation, enhances upstream supply, and has created a chain-integrated innovative development model from applied research to technological development, achievement transformation, and industrialized demonstration.



The group has undertaken the construction of national innovation platforms such as the National Engineering Research Center for Rubber and Tires, National Certified Enterprise's Technical Center, and the National Engineering Research Center for Advanced Tire Machinery and Key Materials. It is the first enterprise in the domestic tire industry to be recognized as a "National Intelligent Manufacturing Pilot Demonstration Enterprise" and a "National Industrial Internet Pilot Demonstration Enterprise". As of December 31, 2023, it has a total of 1,719 authorized patents globally, including 1,664 authorized patents within the country and 55 authorized patents abroad; it has obtained 124 software copyrights; acquired 1,003 trademarks domestically and internationally; and has formulated and revised 19 international standards and 198 national and industry standards.

Sailun has established a comprehensive technology system with independent intellectual property rights for three major types of tires: passenger car tires/truck and bus tires/off the road tires. It has been the first in China to master the core technology of giant engineering radial tires and achieve large-scale production, with its high-end giant tire technology reaching an industry-leading level. Utilizing the world's first chemically refined rubber material, the group has

developed a new generation of green tires—EcoPoint³ tires, successfully breaking through the "magic triangle" dilemma that has plagued the tire industry for a century.

The group has launched the world's first rubber tire industry industrial internet platform "Eco-Rubber Cloud," which has accumulated nearly a hundred mature software products and rubber industry solutions, and integrated mainstream enterprise management software such as ERP, CRM, and PLM. The "Eco-Rubber Cloud" platform has achieved comprehensive interconnection of all process production lines in terms of people, machines, materials, methods, environment, and testing, building the most complete and rich mechanism model library in the industry. Currently, it has achieved interconnectivity of more than 99% of devices, with parallel collection points reaching the million level and annual data collection growth exceeding 4.5 billion entries. Horizontally, it has achieved comprehensive intercommunication between internal operations and upstream and downstream enterprises, with over 2,200 agents and over 90,000 stores now on the platform. The launch of the "Eco-Rubber Cloud" platform has promoted the gathering and integration of enterprises in the industry chain, achieving integrated, platform-based, and diversified operations of core business in the industry chain, forming an

"open, symbiotic, and win-win" ecosystem.

The group has established long-term scientific research cooperation with universities and research institutes such as Qingdao University of Science and Technology, Beijing University of Chemical Technology, China University of Petroleum (East China), and China Industrial Internet Research Institute, providing them with internship bases. Strategic cooperation agreements have been signed with well-known enterprises such as FAW Group, China Telecom, iFLYTEK, p, aiming for complementary advantages and joint development.

In 2023, the "Key Technology Research and Application Demonstration of the Rubber Tire Industry Chain" project, in which Sailun Group participated, won the seventh China Industrial Grand Prize. The "Development and Industrial Application of Key Technology for Continuous Liquid Phase Mixing of Synthetic Rubber" project won the first prize for technological invention in Shandong Province. The group's participation in the Qingdao University of Science and Technology's outstanding contribution team project for the transformation of scientific and technological achievements won the first prize for scientific and technological progress in Qingdao. These innovative achievements have provided important support for the group's sustainable development.



Labor Standards

Sailun places great importance on the value and status of individuals, respects the rights of its employees, and cherishes every team member. Through various systems and regulations, the company maintains open communication and exchange with its employees, earnestly understands their concerns, and provides a high-quality working environment along with a competitive compensation and benefits system. Sailun is committed to promoting the physical and mental well-being of its employees, striving to ensure they live with dignity and work with respect.

Define employment principles.



Formulate and clarify employment principles, including policies and regulations on recruitment, hiring, compensation, benefits, promotion, and performance evaluation. Ensure that these principles comply with relevant laws and ethical standards and are fair and reasonable, safeguarding the rights of employees.

Establish communication and ensure transparency.



Communicate employment principles to employees, explaining the purpose and significance of policies and regulations so that they understand and accept them. Establish transparent communication channels that allow employees to raise questions and suggestions at any time, ensuring the free flow and openness of information.

Pay attention to employee needs.



Fully understand the needs and concerns of employees, continuously adjust and optimize employment policies to meet their reasonable expectations. Provide a variety of benefits and incentives, including compensation, working environment, and training development, to improve employee satisfaction.

Uphold fairness and justice.



Ensure the fairness and transparency of employment decisions, avoiding nepotism. Establish a fair performance evaluation system that rewards and promotes employees based on their work performance and contributions.

Foster a team culture.



Build a harmonious team culture that emphasizes trust, respect, cooperation, and mutual assistance, reducing internal conflicts and disagreements. Advocate an open and inclusive working atmosphere, encourage employees to share ideas and experiences, and promote collective team growth.

Address issues promptly.



Respond to employee complaints and suggestions in a timely manner and resolve issues quickly to prevent them from escalating and affecting the stability of employee relationships. Establish effective dispute resolution mechanisms to help employees with work and interpersonal issues, maintaining harmonious employee relations.

Continuously improve.



Regularly collect employee feedback and opinions, periodically assess the state of employee relations, and make improvements and adjustments based on the assessment results. Encourage employees to participate in management decisions and problem-solving, jointly promoting the development of the organization and the improvement of employee relations.

Diversity and Inclusion

Employee hailing from:

33 countries and regions

including China, Canada, the United States, Germany, Russia, Vietnam, Cambodia, and Thailand

with a domestic to international employee ratio of:

47:53

361 employees belonged to:

16 ethnic minorities

including Hui, Manchu, Mongolian, Korean, Zhuang, and other ethnic groups.

Diversity and inclusion are the cornerstones of Sailun's continuous long-term development and one of its greatest strengths. As the end of 2023, the group had 18,155 employees on the payroll. Sailun believes that a global workforce composition can better serve customers around the world.



★ Case | Cultural Integration at Sailun Group's Overseas Factories

In the practice of “going global,” Sailun has developed a path to bridge cultural differences and improve the overall level of its employees, providing a “new model” for the mutual learning and inclusiveness of different civilizations. Both Vietnam and Cambodia are known as “countries on motorcycles,” hence the group holds an annual commendation ceremony for outstanding employees at its overseas factories, awarding them with brand new motorcycles. To date, Sailun has presented over 500 motorcycles to outstanding employees at its factories in Vietnam and Cambodia, creating a grand spectacle of a “motorcycle army” that has generated a strong local response.

Son Ngoc is a Vietnamese employee who has worked at the factory in Vietnam for over seven years and has experienced this “new model.” Starting from the tire packaging process, he diligently learned professional knowledge from Chinese mentors. He proposed several innovative suggestions for improving the curling speed of the TRC machine, installing the new JLB3 machine, and optimizing the speed of the BEC machine, significantly increasing production efficiency. His efforts have been recognized by the group, not only receiving the title of outstanding employee but also being awarded a motorcycle, which holds great significance for him and his family. Through such cultural integration and incentive mechanisms, the group has significantly enhanced employee loyalty and work enthusiasm.



Talent Philosophy

Sailun consistently believes that “people” are the key to the company’s development, and Sailun people are the company’s most valuable asset. We are committed to cultivating a talent team that is structurally optimized, reasonably laid out, and of high quality. At the same time, we value the training of basic research talents, encourage the development of innovative talents, and continuously improve the internal training mechanisms for talents to build a sustainable talent system. The group’s factory in Vietnam has been rated as one of the “Top Ten Happy Human Resources Enterprises in Vietnam.”

In 2023, Sailun was recognized by the Association of Chartered Certified Accountants (ACCA) as an “ACCA Accredited Employer,” and by Zhaopin.com as one of the “Top Ten Employers in Qingdao, China,” among other prestigious honors.

Equal Employment Practices

At Sailun, we are steadfast in our commitment to equal opportunity in employment. We have established a recruitment and personnel management system that is fair, unbiased, and transparent. We offer equal opportunities for development to all candidates and employees, irrespective of nationality, race, gender, region, religious beliefs, cultural background, or disability. We pledge that all employees will receive equal treatment during recruitment, employment, compensation, training, promotion, and compensation stages, with 100% entering into labor contracts.



The group’s board of directors includes over 40% women, with the chairperson being a woman. Women also hold various key positions within the group.

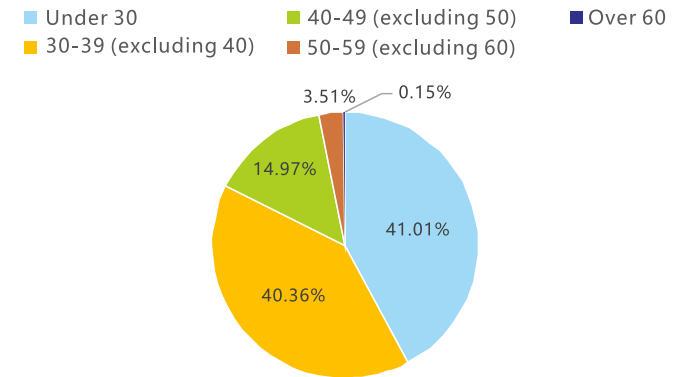


Our overseas factories and sales centers employ foreign staff, some of whom occupy leadership and key positions at different levels.



The group headquarters, research and development centers, and domestic factories provide ethnic minority employees with special dining windows that respect the unique cultural concepts of each ethnicity, such as a separate kitchen for Hui employees. Overseas factories also offer Chinese meal options for Chinese staff, supporting talent development from multiple dimensions.

Sailun Group Employee Age Distribution



★ Case | Sailun Group Women’s Day Event

For the International Women’s Day in 2023, the group’s labor union meticulously planned a series of warm and creative activities to express special care and respect for female employees. On this day, an essential oil aromatherapy DIY workshop was held at the group headquarters, allowing female employees to enjoy the fun and relaxation of making their own aromatherapy products. We also prepared special heartwarming milk tea and arranged for female employees to have a half-day off to express our care and appreciation for them, creating a festival atmosphere filled with warmth and affection.



Safety Culture

We have established a comprehensive safety production management system by integrating advanced safety management concepts from companies like DuPont. We have formulated systems and regulations such as the "Safety Production Target Responsibility Book" and the "Safety Production Reward and Punishment Management Regulations." At the same time, we continuously increase investment in safety production to further enhance the quality of safety management. The group manages accidents based on the principle of "four no pass over" (no passing over until the cause of the accident is investigated clearly, no passing over until the responsible parties are dealt with, no passing over until the relevant personnel are educated, and no passing over until preventive measures are implemented). In the past three years, there have been no major safety production accidents. Additionally, the group uses the safety absence rate per 10,000 working hours as an indicator to measure the achievement of safety performance, which has shown a year-by-year positive trend and has reached a leading level within the global industry.

In the future, the group will continue to strengthen safety management, enhance safety management capabilities, and explore innovations in digitalization and informatization, making safety management work simpler and more efficient.

Guided by the ISO 45001:2018 occupational health management standards, Sailun has established and implemented a comprehensive Employee Health and Safety (EHS) management system. Currently, the Qingdao factory, Dongying factory, Shenyang factory, Weifang factory, Vietnam factory, and Vietnam ACTR factory have all obtained the ISO 45001:2018 occupational health management system certification.



We plan from four aspects: “management systems,” “healthy environment,” “health services and management,” and “health culture.” We gradually improve relevant management systems, organize health education activities, create a corporate health culture, and advocate for full participation to build a safe and healthy workplace for employees.



Compliance Management

Adhere to the compliance principles of "operating in accordance with the law and with integrity as the foundation," committed to following all applicable laws, regulations, industry standards, and international conventions on a global scale. We have established a comprehensive compliance management system to ensure strict adherence to legal and ethical standards in every aspect from raw material procurement to production, sales, and services.

Legal Compliance

In the operation of tire factories, we strictly abide by the labor laws, environmental protection laws, tax laws, and other relevant laws and regulations of the host country to ensure lawful operations.

Environmental Actions

We actively adopt advanced environmental protection technologies and equipment to reduce pollution emissions in the production process and strive to achieve green, low-carbon production.

Protection of Workers' Rights

We respect and protect the legitimate rights and interests of our employees, provide a safe and healthy working environment, and oppose any form of forced labor and child labor.

Anti-Corruption and Integrity in Business

We have established a strict anti-corruption mechanism and conduct rigorous compliance reviews of all business partners to ensure integrity in business operations.

In our global layout, we face a diversified legal environment, cultural differences, and complex supply chain compliance challenges. To address these challenges, we have taken the following measures:

Strengthen Compliance Training

Regularly provide compliance training for employees worldwide to enhance their awareness and capabilities in compliance.

Establish a Compliance Risk Identification Mechanism

Through regular risk assessments, identify and address potential compliance risks in a timely manner.

Enhance Supply Chain Compliance Management

Conduct strict compliance reviews of suppliers to ensure the compliance of the supply chain.

Looking ahead, we will continue to strengthen compliance management and improve the compliance management system. We will increase compliance investment in emerging markets and key regions to enhance our ability to respond to compliance risks. At the same time, we will actively participate in the formulation and revision of international compliance standards to promote the development of compliance in the global tire industry.

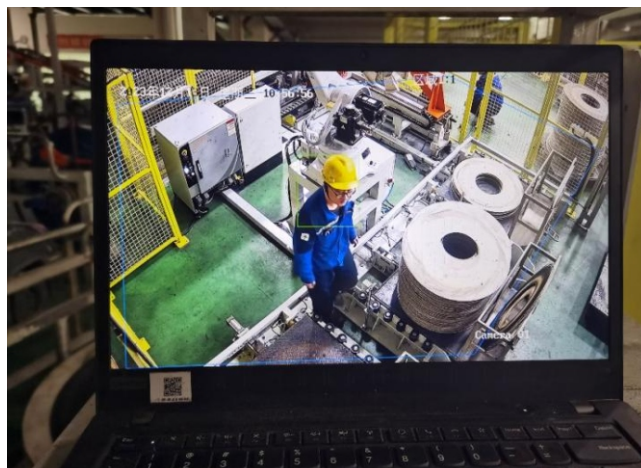
Hazard Identification and Risk Assessment

Sailun has comprehensively carried out hazard and risk identification work. In 2023, focusing on "maintenance operations, abnormal handling operations, cooperative operations, and external construction operations," which have a higher risk of causing accidents, the group conducted special risk identification. It requires on-site hazard communication for positions and has implemented the "finger-pointing and verbal description" activity for high-risk operations.



★ Case | Safety Innovation – AI Intelligent Personnel Behavior Recognition Technology

In 2023, to address the safety challenges brought about by the expansion of production scale, the group introduced an innovative AI intelligent personnel behavior recognition technology. This technology connects network cameras, AI computing servers, and PLCs to achieve real-time monitoring and automatic response in hazardous areas. The AI model is regularly trained and optimized to adapt to the constantly changing production environment and employee behavior patterns. These measures not only enhance the level of safety production but also provide new ideas and solutions for safety monitoring in the future intelligent manufacturing environment.



Prevention and Control

Sailun adheres to the concept of "prevention by design," incorporating the ISO 45001:2018 occupational health management standards during the early design phase of projects to preemptively prevent work-related injuries. Additionally, the company has established an annual occupational health and safety training plan, urging all departments to actively carry out relevant training.



★ Case | Qingdao Factory Experiential Emergency Training

In 2023, the Qingdao factory conducted a series of experiential emergency training sessions. The training covered key skills such as escape from a fire scene, practical fire extinguishing, safety in high-altitude operations, prevention of electrical shock accidents, cardiopulmonary resuscitation, and artificial respiration. By simulating real scenarios like impacts to safety helmets and electrical shocks, employees were given a firsthand experience of the consequences of not following safety procedures, thereby deepening their understanding of the importance of safety. These training sessions not only enhanced the safety awareness of employees but also improved their self-rescue and mutual aid capabilities in emergency situations.



Emergency Management

Sailun has established an efficient emergency management system and response mechanism. Comprehensive emergency plans, special emergency plans, and various on-site emergency response plans have been developed. By regularly conducting fire drills and special exercises for all employees, the ability to handle sudden accidents has been enhanced.



Recruitment

Sailun strictly adheres to labor laws and regulations such as the "Labor Law" and "Labor Contract Law," and has formulated employment systems such as the "Group Social Recruitment Management Regulations," "Group Campus Recruitment Management Regulations," and "Group Labor Contract Management Regulations." We uphold the principles of equality, voluntariness, and consensus in signing "Labor Contracts" with employees.

We continue to foster an open and inclusive employment environment and actively participate in government-organized activities to promote employment for people with disabilities, offering job opportunities to disadvantaged groups. In August 2023, we launched the "Forwarders Program" for the 2024 campus recruitment, employing a total of 210 new graduates from home and abroad during the reporting period, laying a solid foundation for future talent reserves. Additionally, special recruitment for previous graduates affected by objective factors was conducted, employing 52 individuals. Meanwhile, we continuously conduct social recruitment, providing a significant number of job opportunities for society.

★ Case | Sailun Living Room

The Sailun Living Room is a campus engagement activity aimed at students, designed to help them better plan their career development and enhance their employability. It also aims to increase the visibility and recognition of the Sailun brand among students, laying the groundwork for future campus recruitment and employer brand building.



★ Case | EcoPoint³ Campus Tour

Building the employer brand based on product branding, the EcoPoint³ tire creates "key moments" on campus, enhancing the image of Sailun as an employer and connecting with students through impactful experiences.



Compensation and Benefits

To meet the strategic needs of the group's global operations, we have established a comprehensive system to protect employees' legal rights and a fair and reasonable compensation and incentive system. This system is designed to meet the compensation and benefits management needs of different countries and regions. We implement a value chain bonus incentive and distribution mechanism centered on "creating value," "valuing evaluation," and "sharing value." We provide equity incentives to core staff and offer special incentives such as cars and motorcycles to employees who have made significant contributions.

We offer our employees fair, competitive, and caring welfare benefits, such as annual health check-ups, commercial insurance, holiday gifts, birthday presents, marriage and bereavement allowances, chaperone leave, and Lantern Festival leave. These benefits ensure that our welfare levels exceed local and industry averages. By sharing the fruits of development and showing care for employees' daily needs, our employees deeply feel the warmth of the group, creating a harmonious situation where employees care about the company's development, and the enterprise focuses on the growth of its employees.

Talent Development

Employee Training

Sailun Group has established a tiered and thematic talent cultivation model that includes measurement, learning, practice, assessment, and tracking. Guided by the value of "people-oriented", the group has established a talent standard system aligned with strategic needs and a training project system centered on talent development. This ensures that employees at every stage of their career can "have input, have goals, and have development".

In the process of the group's international development, emphasis is placed on the cultivation of international talents and the localization of overseas talents. In terms of international talent cultivation, through talent inventory, key international positions within the organization are identified. Empowerment is achieved through skill training, mentorship, language enablement, overseas rotation, and enhancement of global business

capabilities, thereby improving the international development capabilities of personnel. In terms of overseas talent cultivation, on one hand, the group strengthens cooperation with several outstanding institutions such as Ho Chi Minh City University of Technology and John Cabot University, establishing a mechanism for introducing excellent local university students in Vietnam. On the other hand, for the introduced local talents, various methods such as Chinese mentorship, exchanges in China, and tiered empowerment for different professional categories are employed to enhance the capabilities of overseas local talents, gradually realizing the localization of talent construction.

In 2023, we organized a total of 3,617 training sessions that covered all employees. The training content included a wide range of areas such as management knowledge and skills, professional knowledge and skills, workplace skills, career development guidance, and support for women in the workplace. Additionally, we produced 690 pre-training assessment reports for various training programs, providing objective data support for the talent profiling of different groups within the organization. Through 875 practical projects, we enabled participants to address real-world problems within their work while they were learning.



The employee training parameters for 2023 can be found in Section 9.0 of the Key Performance Indicators in this report.



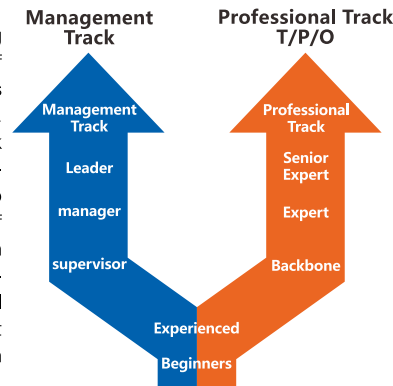
★ Case | Overseas Factory Employee Training Program in China

To further implement the localization strategy of overseas factories and enhance the international vision and capabilities of localized talents, overseas factories have launched training activities that combine "training and combat" with mentorship. They send 100 key personnel to China annually for exchange, promoting the transformation of the overseas factory talent strategy from "relying on domestic support" to "internal self-generation." In 2023, 3 batches of 110 overseas backbone employees arrived in Qingdao for a one-month exchange and learning activity. In the future, more foreign employees will participate in the training program, growing into outstanding international talents and realizing their life values on the broad platform of Sailun.



Employee Development

To encourage diversified development among employees and effectively stimulate the potential of talents across different business areas, the group has established career development pathways for its staff. Vertically, it has implemented a dual-track management and professional model, promoting a "Y-shaped" career development path. Horizontally, to broaden the perspectives and business scopes of talents, a talent mobility mechanism has been established, which includes cross-regional and same-competency job rotation, as well as cross-functional lateral rotation. This opens up lateral development pathways, aids in the rapid growth of talents, forms a reserve of talent, and solidifies the talent foundation.



In November 2023, the "Sailun Group High-Potential Talent Development Project – Hundred Talents Plan" won the "Gold Award" with the highest total score in the Shandong division of the CSTD Corporate Learning Design Competition. The "Hundred Talents Plan" project team of Sailun Group presented a comprehensive and systematic design logic and value output of the project, divided by business areas, capability requirements, and modular linkage, during the final competition. This provided industry insiders and judges with a fresh approach to project development and valuable experience in talent cultivation that can be learned from.



Employee Care

The Sailun Group's labor union implements corporate culture through various cultural activities, such as regularly organizing events like handicraft making for Women's Day, making zongzi for the Dragon Boat Festival, and quiz and lottery drawing for the Mid-Autumn Festival. There are also "Sailun Cup" basketball and badminton competitions, mini-marathons, talent shows, singing contests, and chorus events. During the summer, parent-child activities are organized for employees, enriching their leisure cultural life and enhancing their happiness and job satisfaction.

The group pays attention to the physical and mental health of its employees, providing a variety of care and services. Regular employee forums are held to facilitate communication between the company and its employees, safeguarding their legitimate rights and interests. The "Group Employee Care and Assistance Management Regulations" and the "Group Risk Relief Fund" have been established to help employees and their immediate family members cope with major illnesses and accidental injuries. Every year, visits are made to the families of employees stationed abroad and retired employees during the Mid-Autumn Festival and Spring Festival. Annual health check-ups are conducted, with employees who have been with the company for five years or more being able to bring a family member for a free annual check-up, and key employees are organized to participate in free convalescence activities each year. By genuinely doing good deeds and practical matters for employees, the cohesion and centripetal force of the enterprise are strengthened.

★ Case | Cambodian Factory's New Year Celebration

From April 13th to 16th, 2023, the Cambodian factory successfully held a unique Cambodian New Year celebration, attracting enthusiastic participation from over 400 employees from China, Cambodia, and Vietnam. The event was carefully designed with activities that have Cambodian characteristics, such as tug-of-war, water splashing, throwing talcum powder, and blindfolded pot-breaking, allowing employees to experience the local festival customs amidst laughter and joy. This celebration not only deepened the understanding and respect of Chinese and Vietnamese employees for Cambodian culture but also reflected the core values of "trust and respect" in Sailun's corporate culture. By participating in these activities together, employees transcended cultural and language barriers, established strong team cohesion, and injected new vitality into the inheritance of corporate culture and the harmonious development of the team.



 Case | Overseas Family Consolation

During traditional Chinese festivals such as the Spring Festival, Dragon Boat Festival, and Mid-Autumn Festival, the group always keeps in mind the employees stationed abroad and their families. Through carefully planned consolation activities, the enterprise conveys its care and warmth to the employees. During the Spring Festival, the group distributed holiday gifts to 400 overseas employees and their families, allowing them to feel the joy of the festival and the warmth of home even when they are far away from their hometowns in foreign lands. During the Dragon Boat Festival and Mid-Autumn Festival, this number increased to over 500 people. It is worth mentioning that the group's care for retired employees is equally unwavering. On these traditional festivals, the group sent consolation to 130 retired employees and their families, expressing gratitude for their past contributions and good wishes for their future lives. These activities not only enhance the employees' sense of belonging but also strengthen the cohesion of the enterprise, allowing every employee to feel the warmth of the Sailun family.



Customer Responsibility

Total Quality Management

Sailun has established a quality management system in accordance with the ISO 9001 and IATF 16949 standards. Currently, the group's Qingdao factory, Shenyang factory, Dongying factory, Vietnam factory, Vietnam ACTR, and Cambodia factory have passed the IATF 16949 quality management system certification; all factories within the group have passed the ISO 9001 quality management system certification. On this basis, the group fully absorbs the requirements of various OEMs, learns from advanced industry quality management concepts, and continuously iterates and updates the quality management system.



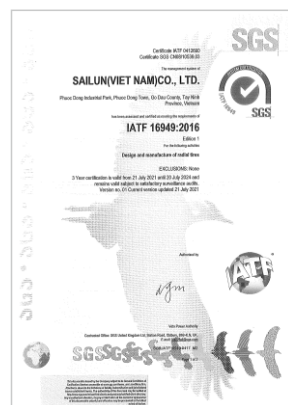
Qingdao Factory



Shenyang Factory



Dongying Factory



Vietnam Factory

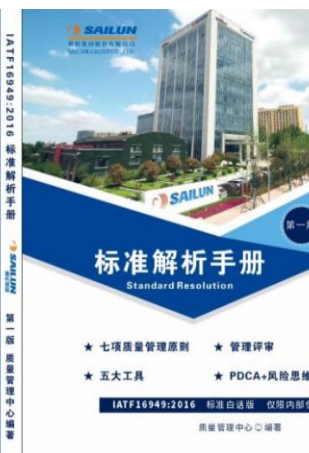


ACTR Factory



Cambodia Factory

Sailun has established a comprehensive information management system that covers the entire process from order reception to product delivery. Additionally, they have developed a manual that interprets the IATF 16949 standard, tailored to the characteristics of the tire industry. This manual streamlines and integrates business processes into 20 key stages for optimization. Furthermore, leveraging the Quality Function Deployment (QFD) method, Sailun has established a comprehensive set of technical standards for the production process. The company has the capability for independent testing and inspection from raw materials to semi-finished products and all the way to the finished products. All of Sailun Group's factories and R&D center laboratories have been certified by CNAS (China National Accreditation Service for Conformity Assessment), which is a significant recognition of their commitment to quality and standards.





In 2023, the group mainly carried out the following quality management improvement projects:

Personnel Capability Enhancement

In 2023, the group conducted quality system standard knowledge and quality knowledge training and exams, with over 1,300 participants, achieving a pass rate of 100%.

Quality Cost Management

To deeply explore hidden costs and achieve a unified structure and standard across the group and factories, an optimized quality cost management mechanism was piloted in 2023.

Quality Model Selection

The group established evaluation standards for quality models and implemented a reward mechanism for frontline employees as quality models in each factory, evaluated from dimensions such as production quality, work skills, and theoretical exams. In 2023, over 60 quality models were selected across factories, all of whom received material rewards, stimulating the work enthusiasm and quality improvement awareness of frontline employees.

New Product Development Quality Management

Six quality requirements were involved in the new product development phase. By assigning full-time R&D quality engineers to review the compliance, effectiveness, and timeliness of deliverables at each stage, potential risks were effectively identified. In 2023, all new product development projects were included in the control scope, reaching 100% coverage.

Error-proof Technology Application

Sailun values the application of error-proof technology throughout the entire production process. A large number of error-proof devices have been established on production lines in each factory, and cross-factory product line error-proof technology comparison and learning have been promoted, along with the application of similar error-proof technologies. In 2023, 162 new error-proof devices were added across factories.



In 2023, Sailun did not experience any product recalls due to safety and health issues.



Customer Service System

Sailun's commitment to customer satisfaction extends beyond the manufacturing of high-quality tires. The company has developed a distinctive customer service system that aims to provide exceptional support and value to its clients. This system is characterized by the following features:





★ Case | Sailun Group's Off-Highway Tire Product "Safety Accompanies You" Customer Care Campaign

In order to better serve customers and ensure their driving safety, in June 2023, Sailun Group fully launched the "Safety Accompanies You" customer care campaign. The customer care team from the group's R&D, sales, and after-sales departments went deep into the front lines of mining areas. They conducted preventive inspections on the giant radial tires, wide-body truck tires, and other off-highway tire products used by the mines, including tire pressure checks and abnormal wear of tread patterns. At the same time, they provided training on tire installation and usage safety knowledge, which was highly praised by customers.



Responsible Marketing

We recognize that marketing is not just a means of promoting products and services, but also an important way to drive sustainable development for the enterprise, establish brand image, and communicate with stakeholders. Responsible marketing is a core component of our ESG (Environmental, Social, and Governance) strategy, encompassing comprehensive considerations of the environment, society, and corporate governance. It ensures that our marketing activities not only promote business growth but also have a positive impact on society and the environment. All Sailun products comply with mandatory environmental protection regulations, as well as relevant labeling laws, standards, and declarations, ensuring that products are correctly labeled with symbols that meet the standards of various countries and regions before they are sold.

Additionally, we continuously promote green and low-carbon consumption practices, use environmentally friendly packaging materials, and reduce waste generation. In terms of product promotion and marketing, we refrain from false advertising and misleading consumers. In 2023, Sailun did not experience any violations or fines due to non-compliance with regulations or voluntary standards related to product and service information, labeling, or other relevant laws.

Area of Focus	Our Actions
Environment	Green Marketing Strategy: Sailun Group is committed to reducing the negative impact on the environment through green products and solutions. Our marketing activities emphasize the environmental attributes of our products, such as the use of sustainable materials, energy-saving designs, and recycling. In addition, we raise consumer awareness of environmental issues through promotional activities and encourage them to choose more environmentally friendly tire products. Energy Saving and Emission Reduction: Our marketing activities also aim to reduce energy consumption and greenhouse gas emissions. For example, we optimize logistics and supply chain management to reduce the carbon footprint during transportation and decrease the use of paper and other materials through online marketing activities.
Society	Consumer Guidance: Through our marketing activities, we educate consumers on the correct use and maintenance of tires to extend their lifespan and reduce waste. At the same time, we provide information on safe driving and environmentally friendly travel to raise public awareness of traffic safety and environmental protection. Community Engagement: Sailun Group actively participates in social responsibility practices by sponsoring community events and public welfare projects, such as supporting education and sports initiatives. Our marketing activities not only enhance our brand image but also strengthen our connection with the community, demonstrating our corporate social responsibility.
Governance	Transparency and Integrity: Our marketing strategy emphasizes transparency and integrity, ensuring that all market communication activities accurately reflect our product characteristics and company practices. We avoid exaggerated claims and providing accurate and reliable information. Employee Engagement: We encourage employees to participate in the planning and execution of marketing activities, ensuring they have a deep understanding of the group's sustainable development goals. Through the active involvement of our employees, we can better convey the group's values and social responsibility commitments.

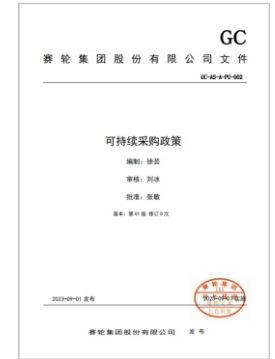
Global Supply Chain

Sailun continuously strengthens the sustainable development capabilities of its supply chain and encourages suppliers to take proactive actions in the area of Corporate Social Responsibility (CSR).

Building on the existing “Purchasing Control Procedures” and “Supplier Management Regulations,” the group has issued the “Sustainable Procurement Policy,” which outlines specific requirements for suppliers in terms of environmental protection, health and safety, business ethics, and labor rights protection.

Supply Chain Management Philosophy

Due to its complexity and unpredictability, supply chain management has become a significant issue for enterprises implementing sustainable development strategies. Sailun has established an efficient two-way communication channel with its suppliers, continuously monitoring their sustainable development performance through the group’s Eco-Rubber Cloud platform and SRM supplier management platform. This drives the entire supply chain system towards a more transparent, predictable, and sustainable direction, creating a sustainable supply chain management system with an open, honest, and cooperative attitude.



Sustainable Supply Chain Management



The Qingdao factory's procurement department conducted training for over 30 suppliers.



The procurement department of Shenyang factory conducted training for more than 30 suppliers.

Aware of the central role of supply chain management in the group's operations, Sailun has developed many control measures and procedures to manage the entire procurement process in line with sustainable development concepts. These measures effectively address sustainable development risks related to suppliers. Currently, we have integrated sustainable development control measures into the main procurement process, which regulates the procurement of all production materials and goods and services that support Sailun's global operations, ensuring that every link in the supply chain achieves sustainability in terms of optimal pricing, quality, supply, technology, and service.

For supplier selection, we have established an initial evaluation, development, approval, and investigation process for suppliers, requiring them to fill out documents such as the "Supplier Social Responsibility Assessment Questionnaire," "Corporate Social Responsibility Risk Analysis and Statistics Form," "Supplier Environmental Agreement," and "Sailun Group Supplier Guidelines." We also conduct appropriate investigations and monitoring of suppliers and establish an annual supplier assessment and evaluation mechanism. In 2023, Sailun Group selected 42 new suppliers using environmental and social evaluation dimensions. Each year, the company conducts an annual performance evaluation of its suppliers, adopting a "3+1" evaluation cycle model, which means that the evaluation data is taken from the first three quarters of each year and the fourth quarter of the previous year. The evaluation dimensions include factors such as the supplier's product quality, service quality, technical level, supply capacity, and social responsibility performance.

For the management of suppliers, we have established systems such as the "Supplier Policy Statement," "Child and Illegal Labor Policy," and the "Modern Slavery Position Statement." These policies require all suppliers to take necessary measures to ensure the compliance of their operations.

For the verification of new suppliers, we conduct on-site audits of suppliers based on system requirements such as the "Sailun Group Supplier Audit Report" and "Supplier Social Responsibility On-site Audit Report," verifying aspects such as their business management, sub-supplier management, development and design, production and processes, process management, finished product quality management, quality management system, and the implementation of social responsibility.

We periodically conduct corporate social responsibility knowledge training for suppliers to enhance their sustainable development awareness and the overall level of social responsibility in the supply chain. In 2023, we carried out four special training sessions for suppliers, with a total of 217 suppliers participating and a total training duration of 10.5 hours. The training content included the dissemination of group documents such as the "Sustainable Procurement Policy" and the "Supplier Integrity and Honesty Commitment," as well as exchanges of social responsibility training experiences. Through the training, we conveyed and promoted Sailun's sustainable procurement standards and requirements to suppliers, encouraging all suppliers to take measures to improve their social responsibility performance.

Philanthropy/ Community Engagement

Charitable Donations

On the path of philanthropy and community engagement, Sailun has been committed for over two decades. As the company has grown and strengthened, Sailun has never forgotten its original intention to give back to society. In scenes of earthquake relief, educational donations, and poverty alleviation, there is always the presence of Sailun, dedicating love and spreading warmth. We have also partnered with the "WCC World Children's Cancer Charity Organization" to help children with cancer and their families through difficult times. Over the years, we have donated more than 50 million yuan to society, and have successively donated to earthquake-stricken areas such as Ya'an and Yushu to support post-disaster reconstruction. In 2023, the per-share social contribution value³ of Sailun Group was 2.05 Yuan.

After the outbreak of the COVID-19 pandemic, the group immediately donated 10 million yuan to the Qingdao Red Cross for the fight against and prevention of the virus, and donated tires, masks, and other materials to support the construction of Huoshenshan and Leishenshan Hospitals. We have successively donated money and goods to earthquake-affected areas in Ya'an, Sichuan, and Yushu, Qinghai, and have donated educational development funds to Qingdao University of Science and Technology, Beijing University of Chemical Technology, China University of Petroleum, and others; we have also supported targeted poverty alleviation in Longnan, Gansu, and Shangyi, Hebei.

In 2023, the group donated living supplies to the earthquake-affected areas in Morocco, extending love to more corners of the globe; donated facilities worth 3.72 million yuan to Qingdao University of Science and Technology for the construction of the "Sailun Conference Room"; and cumulatively donated 830,000 CNY to Qingdao University of Science and Technology, Beijing University of Chemical Technology, China University of Petroleum, Qingdao University, Shenyang University of Chemical Technology, and others, to support the development of education. We have donated sports equipment to the sports teaching group in Haiqing Town, Huangdao District, Qingdao, for the "Dream Fulfillment Action – Teaching Activities for Rural Children"; and established a social responsibility deposit account to support the construction of renewable energy industries such as solar, wind, and hydropower, promoting the economy's transformation towards low-carbon, climate change adaptation, and sustainable development.



[3] Sailun's Social Contribution Value per Share = (Group's net profit + Taxes created for the country during the reporting period + Salaries paid to employees during the reporting period + Interest paid to banks and other creditors during the reporting period + Donations made to the outside world during the reporting period, etc., which are the value amounts created for other stakeholders – Other social costs caused by environmental pollution, etc.) / Total Group's share capital.



★ Case | Sailun Group Establishes Sailun Scholarships at Multiple Universities in Vietnam

Sailun Group is committed to deepening the collaboration between enterprises and academic institutions. By establishing long-term and solid cooperative relationships with various schools, the group contributes to the development of local education. The group not only provides valuable internship and employment opportunities for college students, helping them integrate theoretical knowledge with practical experience, but also supports outstanding students facing financial difficulties through the establishment of scholarship funds. This initiative alleviates their economic pressure and stimulates their enthusiasm for learning and motivation to succeed.

In 2023, Sailun Group, in partnership with the Vietnam Rubber Industry Group and other enterprises, jointly established Sailun Scholarships at several institutions, including Hue University of Foreign Languages, Ton Duc Thang University, and Tay Ninh Vocational College. They recognized and rewarded 611 students who demonstrated outstanding performance. These actions not only reflect Sailun Group's emphasis on education but also showcase the company's commitment to social responsibility, providing solid support for the students' growth and future career development.



Giving Back to the Community

In 2023, the group continued to demonstrate its commitment to social responsibility in community outreach, progressing and developing alongside local communities.



★ Case | Sailun Group's Transnational Gift Helps Cambodian Students "Dream Big"

On May 8, 2023, children at Svay Tour Primary School in Svay Tour, Sisophon Province, Cambodia, received a delightful surprise: a transnational gift from Sailun Group in China. The school, located on the outskirts of the provincial capital, saw 224 students dressed in neat uniforms, lined up on their sandy "playground," and received brand new school bags, notebooks, pens, and other stationery from Sailun representatives, including Honorary Chairman Yuan Zhongxue, Chairman Liu Yanhua, and President Xie Xiaohong. Despite less-than-ideal living and learning conditions, the children's eyes sparkled with innocence, and each harbored their own dreams. The gift from Sailun brought joy and excitement to their faces.

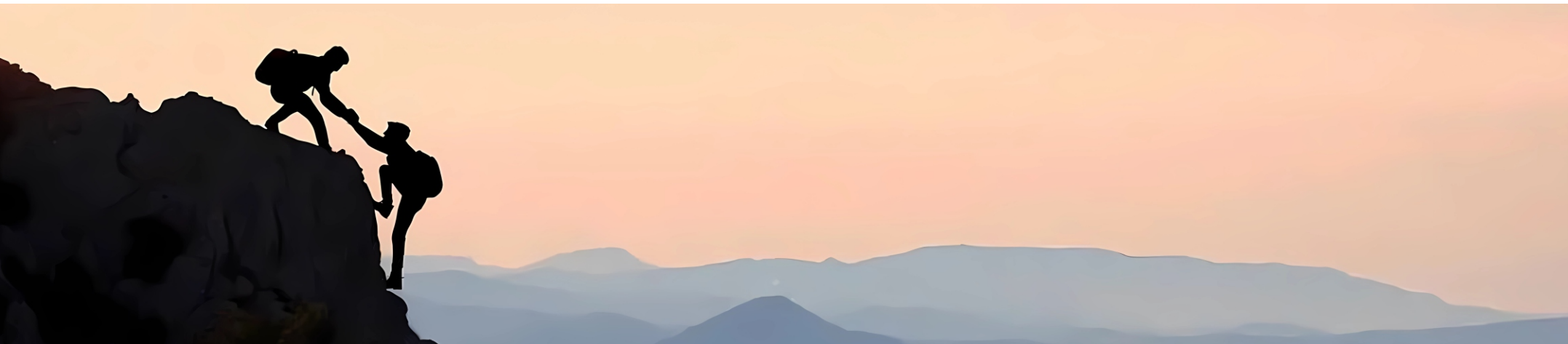


Disaster Relief



★ Case | Sailun Group Donates Relief Supplies to Earthquake-Stricken Areas in Morocco

In 2023, the southern Moroccan city of Marrakech was struck by a rare 6.9 magnitude earthquake with a depth of about 10 kilometers, marking the country's most severe seismic event in 120 years and affecting the lives of over 300,000 people. In response to this sudden disaster, the group acted swiftly, showcasing the social responsibility and humanitarian spirit of a global enterprise. Collaborating closely with local dealers, the group mobilized resources and manpower to provide emergency aid to the hardest-hit mountainous areas of Marrakech. The rescue team donated a large amount of essential supplies, such as food, drinking water, tents, and medical supplies, as well as necessary rescue equipment to support local relief and reconstruction efforts. These actions alleviated the plight of the people in the disaster area, offering timely help and support.



Art and Culture



★ Case | “Sailun Cup” 4th Qingdao Summer National Bridge Tournament

On September 4, 2023, the “Sailun Cup” 4th Qingdao Summer National Bridge Tournament commenced at the Qingdao Huanghai Hotel, with Sailun Group as the title sponsor. After three editions, the tournament has become a high-quality sporting event in Qingdao, and the city’s organizational level for bridge competitions has continuously improved. In the 2023 National Bridge A-Class Club League (first station), the Qingdao Sailun team joined the A-Class League as the first team in Qingdao’s history, creating a new chapter in Qingdao bridge history.



Sports Sponsorship



★ Case | Sailun Group Sponsors the 2023 Sailun Tire EAFF U15 Men's Football Championship

On September 8, 2023, the Sailun Tire 2023 EAFF U15 Men's Football Championship concluded in Qingdao. This championship was the highest-profile international football event hosted by Qingdao in recent years. Over the course of the 8-day competition, young players not only captivated audiences with their exciting performances but also infused the city with the charm and passion of their youthful energy. As the title sponsor of the championship, Sailun Group provided full support throughout the event, ensuring it met international standards and contributed to building a vibrant, fashionable international city in Qingdao. In recent years, Sailun Group has actively supported various sports events, partnering with athletes to achieve their dreams on the field, revitalizing the city with passionate competitions, and sharing its glory with the world. Sailun Group will continue to promote the spirited ethos of sports, inspiring more people to strive for excellence, challenge themselves, and embark on new chapters in life.



Governance

Corporate Governance Structure

Sailun has established a modern corporate governance system that is scientifically standardized and operates efficiently. The company strictly adheres to the governance structure of the shareholders' meeting, board of directors, supervisory board, and management team for standardized operations. The board of directors has several committees under it, including the Strategy and Sustainable Development Committee, Audit Committee, Nomination Committee, and Remuneration and Assessment Committee, which assist the board in making professional decisions and enhance the quality of the company's decision-making. In 2023, the company held a total of 3 shareholders' meetings, 10 board meetings, and 6 supervisory board meetings, with decision-making procedures and information disclosure all in compliance with the regulatory requirements for listed companies.



Shareholders' Meeting	Sailun strictly follows the provisions of laws and regulations such as the "Company Law," "Shanghai Stock Exchange Stock Listing Rules," "Company Charter," and "Shareholders' Meeting Rules" to convene and hold shareholders' meetings. This adherence to a structured and regulated process ensures that the rights of shareholders are respected and upheld, and it contributes to the transparency and accountability of the company's governance.
Committee	Main Responsibilities
Strategic and Sustainable Development Committee	- Responsible for researching and proposing suggestions on the company's long-term development strategy and major investment decisions, conducting research on Environmental, Social, and Governance (hereinafter referred to as "ESG") strategy, promoting the construction of the ESG system, reviewing ESG reports, and making recommendations to the Board of Directors on the following matters: - Long-term development planning, business strategy, and development policies; - ESG strategy, ESG system construction, and ESG reporting; - Major strategic investments, financing plans; - Significant capital operations, asset management projects; - The company's annual sustainable development work plan; - Other matters authorized by laws, administrative regulations, regulations of the China Securities Regulatory Commission, provisions of these Articles of Association, and the Board of Directors.
Audit Committee	- Responsible for reviewing the company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal controls, the following matters shall be submitted to the Board of Directors for deliberation after being approved by more than half of the members of the Audit Committee: - The financial information and internal control evaluation report disclosed in the financial accounting reports and periodic reports; - The engagement or dismissal of the accounting firm responsible for the company's audit business; - The appointment or dismissal of the company's financial officer; - Changes in accounting policies, accounting estimates, or corrections of significant accounting errors due to reasons other than changes in accounting standards; - Other matters authorized by laws, administrative regulations, regulations of the China Securities Regulatory Commission, provisions of these Articles of Association, and the Board of Directors.

Committee	Main Responsibilities
Nomination Committee	- Responsible for formulating the selection criteria and procedures for directors and senior management, screening and reviewing candidates for directors and senior management positions, and making recommendations to the Board of Directors on the following matters: - Nominating or appointing and dismissing directors; - Engaging or dismissing senior management; - Other matters as stipulated by laws, administrative regulations, regulations of the China Securities Regulatory Commission, provisions of these Articles of Association, and those authorized by the Board of Directors.
Compensation and Assessment Committee	- Responsible for establishing the assessment criteria for directors and senior management and conducting their performance evaluations, as well as formulating and reviewing the compensation policies and plans for directors and senior management, and making recommendations to the Board of Directors on the following matters: - Compensation for directors and senior management; - Establishing or amending equity incentive plans and employee stock ownership plans, and the conditions for incentive recipients to be granted and exercise benefits; - Arrangements for directors and senior management to hold shares in planned spin-off subsidiaries; - Other matters as stipulated by laws, administrative regulations, regulations of the China Securities Regulatory Commission, provisions of these Articles of Association, and those authorized by the Board of Directors. Matters that exceed the authority granted by the shareholders' meeting should be submitted to the shareholders' meeting for deliberation.

Shareholders' Rights and Interests

Sailun is committed to conducting all sales and marketing activities responsibly, in accordance with business ethics and with integrity. The company has implemented executive market responsibility and a comprehensive sales strategy in its China sales center, issuing a notice titled "Three Disciplines and Eight Points of Attention for Market Work of Sailun Group." This notice requires group executives and sales personnel to go deep into the front line and actively implement these guidelines, presenting a positive image of Sailun in the market.

Sailun strictly complies with relevant laws and regulations and adheres to the principles of truthfulness, accuracy, completeness, timeliness, and fairness in information disclosure. In 2023, Sailun's information disclosure work was awarded the highest level A-class evaluation by the Shanghai Stock Exchange.

Sailun places great importance on investor relations management, assigns dedicated personnel to receive investor visits, and has established multi-channel communication platforms. On a regular basis, Sailun communicates with investors through the Shareholders' Meeting, Investor Exchange Sessions, Information Disclosure, daily reception, teleconferences, dedicated email, SSE E-Interaction, Performance Briefings, and collective reception activities within the jurisdiction, making it easier for small and medium investors to better understand the company. In 2023, Sailun's investor relations management was honored with the "14th China Listed Company Investor Relations Tianma Award" and the title of "Advanced Unit in Qingdao Investor Protection Work in 2023."

Since its listing, Sailun has a continuous and stable profit distribution policy, conducting cash dividends every year. When formulating profit distribution plans, the company fully considers the returns to investors while also taking into account the long-term interests and sustainable development of the company, providing investors with the opportunity to share in the company's growth value and forming a stable return expectation for investors. In 2022, the company distributed a cash dividend of 459 million yuan (including tax) to shareholders, accounting for 34.47% of the net profit attributable to shareholders of the listed company for the year, with the dividend amount ranking first among Chinese tire listed companies. For the 2023 fiscal year, the company's profit distribution plan is as follows: based on the total share capital registered as of the equity distribution rights record date, a cash dividend of 0.17 yuan (inclusive of tax) per share will be distributed to all shareholders. There will be no distribution of bonus shares, nor will there be a capitalization of capital reserve into share capital. At the same time, to implement the regular cash dividend mechanism of a publicly listed company and to allow investors to better share in the operational results, the company proposes that the shareholders' meeting authorize the board of directors to formulate and implement a cash dividend plan for the mid-term (half-year, first three quarters) or before the Spring Festival of 2024, provided that the relevant conditions are met.

Business Ethics

Sailun is committed to conducting all sales and marketing activities with responsibility, in accordance with business ethics and integrity. To implement this commitment, the company has introduced a system of senior management market responsibility and a comprehensive sales strategy in its China sales division. They have issued a notice titled "The Three Major Disciplines and Eight Points of Attention for Market Work under Sailun Group," which requires senior executives and sales personnel to go to the front lines to gain a more direct understanding of consumer needs and market dynamics. This approach is aimed at presenting a good image of Sailun to the outside world, enhancing the group's market response speed and product service quality, and thereby earning more trust from consumers.

Anti-Bribery and Anti-Corruption

Sailun Group firmly implements a zero-tolerance policy against bribery and corruption, strictly adhering to anti-bribery and anti-corruption laws and regulations applicable in its global business operations. The Group's Discipline and Supervision Committee is fully responsible for the management of ethical affairs, having established the "Integrity and Self-discipline Management Regulations" and a comprehensive supervision and management system to ensure the healthy and efficient operation of the Group.

The Group has issued a notice on the establishment of a "high-voltage line" against disciplinary violations, setting forth requirements to combat fraud, bribery, information leakage, unfair competition, conflicts of interest, and violations of regulations, thereby guiding employees, especially management personnel, to enhance their awareness of discipline and adherence to integrity regulations. The "Employee Code of Conduct" stipulates relevant anti-bribery and anti-corruption requirements, ensuring that the Group and its employees do not directly or indirectly participate in any activities that may affect fair decision-making or obtain improper benefits. We regularly conduct anti-bribery and anti-corruption themed training sessions and encourage active employee participation.

Unfair Competition and Fair Competition

Sailun advocates for participation in competition in a legal and ethical manner. The “Employee Code of Conduct” issued by the group prohibits employees from engaging in unfair competitive activities, including signing agreements with competitors or participating in similar discussions, restricting the supply of products or services, or jointly boycotting a particular customer or supplier.

Intellectual Property

Sailun consistently focuses on technological innovation and the protection of intellectual property rights, while respecting the intellectual property of other companies and individuals. The company has established a global intellectual property layout around passenger car tires/truck and bus tires/off the road tires, built a domestic and international intellectual property protection system, and implemented intellectual property and technology innovation management systems such as the “Group Patent Management Regulations” and “Group Trademark Management Regulations” across the group. These measures ensure that intellectual property risks are effectively identified and controlled at all stages of operation, safeguarding the group’s R&D achievements and intellectual property rights from infringement. At the same time, Sailun respects the intellectual property of others, including patents, trademarks, trade secrets, software, etc., and adopts an open attitude for cooperation to promote the healthy and sustainable development of the tire industry. The group also requires employees to strictly adhere to the group’s management regulations and the confidentiality agreements they have signed, ensuring that the necessary rights and permissions are obtained before using proprietary technologies of others.



Privacy and Data Protection

Sailun consistently places privacy protection and data security at the core of its daily operations, striving to manage and protect the identifiable information of customers, consumers, employees, and partners responsibly. This commitment provides a safe and reliable data environment for all stakeholders. To achieve this goal, Sailun has established a comprehensive privacy and data protection plan that includes a range of policies, processes, training, and necessary resource allocation to ensure strict compliance with relevant privacy and data protection laws and regulations globally.

Sailun's global privacy and data protection plan not only includes adherence to current laws and regulations but also

places special emphasis on training and educating employees. The group conducts specialized training on privacy and data protection to ensure that all employees understand and comply with privacy and security policies. These training sessions aim to raise awareness of the importance of privacy protection and teach employees how to properly handle and protect sensitive data in their daily work.

Additionally, Sailun has clearly defined the individual and collective responsibilities of employees and contractors regarding privacy and security. The group mandates that all relevant personnel adhere to privacy and security policies and standards, and promptly report any incidents or vulnerabilities that could potentially impact the privacy and security

of the company, its customers, users, or employees. At the same time, Sailun is committed to establishing and implementing a comprehensive and rigorous privacy and data protection management mechanism to ensure the information security of customers, employees, and partners. This mechanism includes key processes such as identification, reporting, response, handling, and performance tracking, aiming to build an efficient, transparent, and sustainable data protection system. This system enables us to promptly detect and address potential risks, effectively preventing and mitigating possible privacy and security incidents. During the reporting period, Sailun Group did not experience any negative information security incidents.



★ Case | Sailun Group's Network and Information Security

In 2023, Sailun successfully established six network and information security platform nodes, covering the group's headquarters, research and development centers, and domestic factories. This created a robust security network foundation and a security operation system that includes modules for network risk perception, asset management, and vulnerability management. The internal network interconnected with more than 30 security devices and systems, achieving the detection and real-time blocking of external attack IPs. At the same time, dedicated firewalls have been deployed between the group's data center and factories both domestically and internationally, with strict intrusion detection and antivirus strategies implemented to effectively prevent the infiltration of malicious software and viruses. These measures have gradually formed an intelligent, automated, and platform-based defense-in-depth system, providing solid information security assurance for the group's robust development in the global market.

Outlook

In alignment with the pressing challenges of global climate change and the imperative of social responsibility, sustainable development has emerged as a shared aspiration across industries. As a forerunner in the global tire manufacturing sector, Sailun Group is acutely aware of the critical role it plays in balancing economic value creation with environmental stewardship and social accountability. As we look to the future, Sailun remains committed to its mission of "crafting a superior tire," and is dedicated to forging a path of sustainable development within the rubber tire industry, charting a course that reflects the distinctive ethos of Sailun.

Green Transition: Technological Innovation and Low-Carbon Growth

Guided by the 2030 Sustainable Development Goals, Sailun Group is embracing an eco-friendly development philosophy. We are at the forefront of innovation in sustainable materials, pioneering the application of the groundbreaking "EcoPoint³" chemical rubber material to produce tires with low rolling resistance, enhanced wet grip, and exceptional durability, thereby minimizing the environmental footprint across the product lifecycle. Concurrently, we are advancing green manufacturing through state-of-the-art production techniques and intelligent energy management, striving to achieve a reduction in both energy consumption and carbon emissions per unit of product, contributing substantively to the goal of carbon neutrality.

Sailun Group is amplifying its investment in R&D to catalyze innovation in sustainable material usage, smart manufacturing, and digital transformation. We are vigilant in our pursuit of emerging technologies, integrating them into every facet of tire design, production, and sales to enhance operational efficiency, reduce costs, and elevate customer satisfaction.

Furthermore, Sailun Group is bolstering initiatives for the recycling and repurposing of used tires. In collaboration with governmental bodies, industry associations, and research institutions, we are instrumental in establishing and promoting standards and policies for tire recycling, thereby fostering a greener industry landscape.

Human Concerns: Employee Development and Community Well-being

Upholding the core values of "trust and respect," Sailun Group is steadfast in its commitment to employee well-being and growth. We are dedicated to providing a safe and healthy work environment, coupled with equitable and competitive remuneration and benefits. Through targeted training programs, we encourage our workforce to continually upgrade their skills, enabling personal fulfillment and contributing to the group's enduring growth.

Sailun Group is an active participant in and supporter of local educational, healthcare, and cultural initiatives, working tirelessly to enhance community welfare. Through the establishment of scholarships, sponsorship of medical projects, and cultural events, we foster community harmony and progress. In partnership with local governments, we also engage in the development and maintenance of public infrastructure, furthering the sustainable advancement of our communities.

Market Expansion: Brand Enhancement and Innovation Leadership

Sailun Group is committed to expanding its market presence both domestically and internationally, meeting the diverse needs of global customers with our premium products and services. We are enhancing our brand architecture to elevate the global recognition and influence of Sailun tires. Additionally, we are deepening our collaboration with the global automotive industry to co-develop tires that align with future trends.

As we project into the future, Sailun Group remains dedicated to the principles of sustainable development, proactively fulfilling its social responsibilities, prioritizing employee welfare, broadening market horizons, and driving continuous technological innovation to advance the green transformation of our industry. We are confident that through persistent efforts, Sailun Group will not only achieve its sustainable growth but also contribute positively to the global tire industry and the broader societal pursuit of sustainable progress. Together, we are committed to forging a sustainable future, advancing our communities.



Appendix

Key Performance Indicators

Financial

Disclosure Items	Units	2021	2022	2023
Total Assets	100 Million CNY	261.73	296.32	337.26
Net Assets Attributable to shareholders of listed companies	100 Million CNY	107.30	122.20	148.53
Operating Revenue	100 Million CNY	179.98	219.02	259.78
Total Profit	100 Million CNY	13.81	15.63	34.42
Net Profit Attributable to shareholders of listed companies	100 Million CNY	13.13	13.32	30.91
Total Tax and Profit	100 Million CNY	14.39	16.04	35.37
Paid Tax	100 Million CNY	6.79	8.56	7.33
Net Profit Growth Rate	%	-11.97	1.46	132.07
Return on Equity (ROE)	%	13.32	11.79	23.35
Debt-to-Asset Ratio	%	57.45	56.94	54.22
R&D Investment	10 Thousand CNY	48,066.32	62,083.52	83,827.24
Number of R&D Personnel	People	2246	2377	2539
National-Level R&D Platform	People	4	4	4
Cumulative Patent Authorizations	Units	737	1288	1719
Cumulative Invention Patents	Units	63	99	134

Environment

Disclosure Items	Units	2021	2022	2023
Environmental Protection Expenditure	10 Thousand CNY	6302.06	4348.08	4904.82
Percentage of sites that have undergone environmental risk assessment out of all workplaces	%	90	81	81
Percentage of employees who have received training on environmental issues (internal or external) out of the total workforce	%	77	75	80
Energy	Units	2021	2022	2023
Total Energy Consumption (Manufacturing Plants)	Megawatt-hour (MWh)	15404611	15989347	18512743
Energy Consumption (Purchased Electricity)	Megawatt-hour (MWh)	859549	911182	975870
Energy Consumption (Gasoline)	Gigajoule (GJ)	1295	2246	2287
Energy Consumption (Natural Gas)	Gigajoule (GJ)	0	11630	1749
Energy Consumption (Diesel)	Gigajoule (GJ)	50726	55044	56186
Energy Consumption (Liquefied Petroleum Gas)	Gigajoule (GJ)	17990	16849	11123
Energy Consumption (Steam)	Gigajoule (GJ)	1868959	1784380	2077598
Energy Consumption (External Supplied Steam)	Gigajoule (GJ)	595849	548642	473133
Energy Consumption (Renewable)	Megawatt-hour (MWh)	0	1798695	1253092
Energy Consumption (Non-renewable)	Megawatt-hour (Mwh)	6287651	4883183	6490222
GHG (Scope I) In 2021, the scope of greenhouse gas emissions includes the group headquarters, R&D centers, Qingdao factory, Shenyang factory, and Dongying factory. For the years 2022 and 2023, the scope of greenhouse gas emissions includes the group headquarters, R&D centers, and covers all seven subordinate factories.	Ton CO ₂	7980	11956.13	11465.39
GHG (Scope II) In 2021, the scope of greenhouse gas emissions included the group headquarters, the R&D center, the Qingdao factory, the Shenyang factory, and the Dongying factory. For the years 2022 and 2023, the scope of greenhouse gas emissions encompassed the group headquarters, the R&D center, and included all seven subordinate factories.	Ton CO ₂	781124	908326.82	1064651.91

Water	Units	2021	2022	2023
Total Water Withdrawal	Ton	3531561	3734034	3743129
Water Withdrawal (Surface Water)	Ton	0	0	0
Water Withdrawal (Groundwater)	Ton	0	19616	0
Water Withdrawal (Tap Water and Industrial Water)	Ton	3531561	3714418	3743129
Water Withdrawal (Sea Water)	Ton	0	0	0
Waste	Units	2021	2022	2023
Total Waste Generated	Ton	11,395.64	24,730.76	32,435.03
Total Hazardous Waste	Ton	1,427.87	1,864.45	2,387.04
Total General Waste	Ton	9,967.77	22,866.31	30,047.98
Amount of Waste Recycled	Ton	9,967.77	22,866.31	30,047.98
Waste Recycling Rate	%	87.5	92.5	92.6
Amount of Waste Landfilled	Ton	4.10	0.02	0.00

Products and Customers

Disclosure Items	Units	2021		2022		2023	
		January–Jun	July–Decem	January–Jun	July–Decem	January–Jun	July–Decem
Customer Satisfaction (Overseas)	%	95.9	94.2	96.33	97.1	96.46	97.11
Customer Satisfaction (China Region)	%	PC: 93.03	PC: 92.97	PC: 93.04	PC: 93.03	PC: 99.47	PC: 99.48
	%	TB/OT: 96.7	TB/OT: 99.7	TB/OT: 99.65	TB/OT: 93.01	TB/OT: 99.5	TB/OT: 99.52

Employees

Disclosure Items		Units	2021	2022	2023
Employment	Total Number of Employees	People	13723	17469	18155
	Percentage of Female Employees out of the Total Workforce	%	19.53	16.09	16.62
	Percentage of Women on the Board of Directors	%	33.33	37.50	42.86
	Number of Disabled Persons Employed	People	5	6	6
	Proportion of Disabled Persons Employed	%	0.04	0.03	0.03
	Number of New Jobs Created	People	4388	7111	6320
	Labor Contract Signing Rate	%	100	100	100
	Social Insurance Coverage Rate	%	100	100	100
	Total Amount of Commercial Insurance	CNY	1364100	1510140	1920050
	Coverage Rate of Commercial Insurance	%	100	100	100
Employee Health and Safety	Percentage of workplaces that have undergone employee health and safety risk assessments out of all workplaces	%	98	99	99
	Percentage of operational sites certified to ISO 45001 out of all sites	%	57	71	71
	Frequency of Safety Inspections	Frequency	Daily	Daily	Daily
	Frequency of Fire Drills	Frequency	Once every 3 months	Once every 3 months	Once every 3 months
	Inspection Cycle for Special Equipment	Frequency	Biannually	Biannually	Biannually
	Expenditure on Labor Protective Goods	10 Thousand CNY	1345.72	1333.22	1480.96
	Rate of Personal Protective Equipment Provision for Employees	%	100	100	100
	Expenditure on Employee Physical Examinations	10 Thousand CNY	503.49	470.30	512.56
	Coverage Rate of Annual Employee Physical Examinations	%	100	100	100
	Coverage Rate of Employee Occupational Health Files	%	100	100	100

Disclosure Items		Units	2021	2022	2023
Employee Health and Safety	Number of Employees with Occupational Diseases	People	0	0	0
	Number of Safety Training Sessions	Times	302	421	442
	Employees Participated in Safety Training	Person-times	36,373	41,108	55,943
	Average Duration of Safety Training per Person	Hours	88	123	123
	Number of Professional Rescue Teams	Teams	45	51	54
	Number of Professional Rescue Personnel	People	329	419	422
	Number of Emergency Drills	Times	445	574	835
Employee Training and Development	Total Investment in Employee Training	CNY	4,393,151.53	2,554,683.72	3,661,334.63
	Number of Times Employee Skill Training is Conducted	Times	1542	1785	3617
	Number of Person-Times Participating in Employee Training	Person-times	121,854	149,429	355,211
	Average Training Duration per Employee	Hours	14.43	16.93	39.03
	Number of Employees Who Have Undergone Special Vocational Skills	People	4143	4389	4582
	Percentage of Employees Who Have Received Occupational or Skills-Related Training out of the Total Workforce	%	100	100	100
Employee Care	Employees Enjoying Maternity/Paternity Leave	People	256	227	210
	Number of Employees Returning to Work After Maternity/Paternity Leave	People	243	217	208
	Number of Employees Still Employed Within 12 Months After Returning to Work	People	216	201	193
	Parental leave	People	0	0	6

Sailun's contribution to the SDGs

 1 NO POVERTY	Sailun advocates for a people-oriented management philosophy, strictly adheres to legal and regulatory requirements, promotes freedom of employment, reasonably controls working hours, and provides employees with competitive remuneration and benefits packages that comply with labor laws.	Disclosure Sections 6.3 Diversity and Inclusion
 2 ZERO HUNGER	Sailun develops and implements competitive compensation packages aimed at attracting, motivating, and retaining talent. The compensation structure consists of a base salary combined with both short-term and long-term incentive plans.	Disclosure Sections 6.6 Compensation and Benefits
 3 GOOD HEALTH AND WELL-BEING	Sailun focuses on the effective protection of employee interests by conducting regular testing for occupational hazards at the workplace, providing hazard notifications, implementing preventive controls, and offering regular health checks for employees in positions exposed to occupational hazards. We maintain health monitoring records for all positions to ensure controllable and managed occupational health and safety management.	Disclosure Sections 6.4 Health and Safety
 4 QUALITY EDUCATION	Sailun has established a comprehensive management system that encompasses employee professional development, curriculum system construction, instructor management, and training operations management. We have systematized the education and training requirements for employees, developed training programs, created targeted training materials, and built an internal team of instructors, forming an education and training system that aligns with the group's actual development needs.	Disclosure Sections 6.7 Talent Development
 5 GENDER EQUALITY	Sailun has formulated policies and procedures such as the "Human Resources Management System" and the "Employee Handbook," ensuring that employees are not discriminated against based on race, ethnicity or social origin, social status, background, religion, disability, gender, sexual orientation, family responsibilities, marital status, group affiliations, political views, or age.	Disclosure Sections 6.2 Labor Standards
 6 CLEAN WATER AND SANITATION	Sailun continuously manages water conservation by optimizing the production process to improve water quality and efficiency, enhancing equipment, controlling total water consumption, refining water usage controls, and establishing a recycling water system for production processes with lower water quality requirements, thereby increasing the recycling rate of water resources.	Disclosure Sections 5.4 Water
 7 AFFORDABLE AND CLEAN ENERGY	Sailun actively responds to the national "dual carbon" policy by adopting photovoltaic power generation to reduce the consumption of non-renewable energy sources. We have been gradually increasing the proportion of photovoltaic power generation.	Disclosure Sections 5.3 Energy Management
 8 DECENT WORK AND ECONOMIC GROWTH	Sailun has designed an incentive-based compensation system based on local regulations, market levels, and the company's operational status, establishing a fair performance bonus system. For outstanding and core employees, we also provide policies such as incentive bonuses, and equity incentives to ensure employees have dignified work and living conditions.	Disclosure Sections 6.6 Compensation and Benefits
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	As of December 31, 2023, Sailun has been granted 1,719 patents worldwide, including 1,664 domestic patents and 55 foreign patents.	Disclosure Sections 5.7 Green Products 6.1 Innovation Driven 7.6 Intellectual Property
 10 REDUCED INEQUALITIES	Sailun adheres to a people-oriented personnel management system, follows the laws and regulations of the places where it operates, and promotes employment rates based on the principles of "openness, fairness, and justice." Sailun respects every employee and does not discriminate in hiring and promotion processes based on race, skin color, religion, gender, disability, or other such factors.	Disclosure Sections 6.3 Diversity and Inclusion
 11 SUSTAINABLE CITIES AND COMMUNITIES	Sailun ensures that all emissions in the production process meet emission standards and reduces unorganized emissions under all circumstances. Sailun also pays close attention to waste management, establishing a "Solid Waste Management Control Procedure" to minimize environmental impact based on legal disposal and recycling.	Disclosure Sections 5.6 Waste Management
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	To enhance supply chain competitiveness, while ensuring supply, reducing costs, improving efficiency, and managing risks, we have established a Sustainable Procurement Policy in line with sustainable management principles. We require suppliers to fulfill their social responsibilities while providing products and services that meet Sailun's requirements.	Disclosure Sections 6.9 Global Supply Chain
 13 CLIMATE ACTION	To regulate greenhouse gas information management and effectively manage greenhouse gas tracking and reduction performance, Sailun has developed a carbon inventory promotion plan for each factory, aiming to complete carbon inventory work at all production bases by 2024, and thereafter produce an annual greenhouse gas inventory and report.	Disclosure Sections 9.0 Key Performance Indicators Environment
 15 LIFE ON LAND	Sailun strengthens its biodiversity social responsibility, committed to integrating biodiversity into the company's decision-making and operations, and strives to apply biodiversity policies across all production bases and levels of suppliers.	Disclosure Sections 5.8 Biodiversity
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Sailun adheres to the principle of integrity and lawful operation, establishing a robust compliance system in areas such as clean business practices, fair competition, labor protection, environmental protection, information security, intellectual property protection, and consumer protection, ensuring the standardization of the group's business activities.	Disclosure Sections 4.0 Sustainability Management 7.3 Business Ethics
 17 PARTNERSHIPS FOR THE GOALS	Sailun always upholds the business philosophy of "long-term cooperation and mutual benefit," focusing on the interests of all parties, integrating advantageous resources, and building a mutually beneficial ecosystem, leading the healthy development of the rubber tire industry.	Disclosure Sections 4.0 Sustainability Management 6.1 Innovation Driven

GRI Content Index

Statement of Use	Sailun has reported the information cited in this GRI content index for the period Jan 31,2023 to Dec 31,2023 with reference to the GRI Standards..
GRI 1 Applied	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	3.0 About Us
	2-2 Entities included in the organization's sustainability reporting	1.0 About the Report
	2-3 Reporting period, frequency and contact point	1.0 About the Report
	2-4 Restatements of information	1.0 About the Report
	2-5 External assurance	Independent Auditor's Reports
	2-6 Activities, value chain and other business relationships	3.0 About Us
	2-7 Employees	3.0 About Us 6.0 Social 9.0 Appendix Key Performance Indicators
	2-9 Governance structure and composition	7.0 Governance
	2-10 Nomination and selection of the highest governance body	7.0 Governance
	2-11 Chair of the highest governance body	7.0 Governance
	2-12 Role of the highest governance body in overseeing the management of impacts	7.1 Corporate Governance Structure
	2-13 Delegation of responsibility for managing impacts	7.1 Corporate Governance Structure
	2-14 Role of the highest governance body in sustainability reporting	1.0 About the Report
	2-16 Communication of critical concerns	7.1 Corporate Governance Structure
	2-17 Collective knowledge of the highest governance body	4.0 Sustainability Management
	2-18 Evaluation of the performance of the highest governance body	4.0 Sustainability Management
	2-22 Statement on sustainable development strategy	2.0 A Message From Our Chairwoman 4.0 Sustainability Management 7.0 Governance
	2-23 Policy commitments	2.0 A Message From Our Chairwoman 4.0 Sustainability Management 7.0 Governance
	2-24 Embedding policy commitments	2.0 A Message From Our Chairwoman
	2-25 Processes to remediate negative impacts	4.0 Sustainability Management
	2-26 Mechanisms for seeking advice and raising concerns	4.0 Sustainability Management
	2-27 Compliance with laws and regulations	4.0 Sustainability Management 6.4 Health and Safety
	2-29 Approach to stakeholder engagement	4.0 Sustainability Management

GRI STANDARD	DISCLOSURE	LOCATION
GRI 3: Material Topics 2021	3-1 Process to determine material topics	4.4 Stakeholder Engagement
	3-2 List of material topics	4.5 Material Topics
	3-3 Management of material topics	4.4 Stakeholder Engagement 4.5 Material Topics
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	9.0 Appendix Key Performance Indicators
	201-2 Financial implications and other risks and opportunities due to climate change	5.2 Climate Change
	201-3 Defined benefit plan obligations and other retirement plans	6.7 Compensation and Benefits
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	6.10 Philanthropy/Community Engagement
	203-2 Significant indirect economic impacts	6.10 Philanthropy/Community Engagement
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	7.4 Anti-Bribery and Anti-Corruption
	205-3 Confirmed incidents of corruption and actions taken	7.4 Anti-Bribery and Anti-Corruption
GRI 301: Materials 2016	301-1 Materials used by weight or volume	9.0 Appendix Key Performance Indicators
	301-2 Recycled input materials used	5.7 Green Products 9.0 Appendix Key Performance Indicators
	302-1 Energy consumption within the organization	9.0 Appendix Key Performance Indicators
GRI 302: Energy 2016	302-2 Energy consumption outside of the organization	9.0 Appendix Key Performance Indicators
	302-3 Energy intensity	9.0 Appendix Key Performance Indicators
	302-4 Reduction of energy consumption	5.3 Energy Management 9.0 Appendix Key Performance Indicators
	302-5 Reductions in energy requirements of products and services	9.0 Appendix Key Performance Indicators
	303-1 Interactions with water as a shared resource	5.4 Water
GRI 303: Water and Effluents 2018	303-2 Management of water discharge-related impacts	5.4 Water
	303-3 Water withdrawal	9.0 Appendix Key Performance Indicators
	303-4 Water discharge	9.0 Appendix Key Performance Indicators
	303-5 Water consumption	9.0 Appendix Key Performance Indicators
	305-1 Direct (Scope 1) GHG emissions	9.0 Appendix Key Performance Indicators
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	9.0 Appendix Key Performance Indicators
	305-3 Other indirect (Scope 3) GHG emissions	9.0 Appendix Key Performance Indicators
	305-4 GHG emissions intensity	9.0 Appendix Key Performance Indicators
	305-5 Reduction of GHG emissions	9.0 Appendix Key Performance Indicators
	305-6 Emissions of ozone-depleting substances (ODS)	9.0 Appendix Key Performance Indicators
	305-7 Nitrogen oxides (Nox), sulfur oxides (SOx), and other significant air emissions	9.0 Appendix Key Performance Indicators

GRI STANDARD	DISCLOSURE	LOCATION
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	5.6 Waste Management
	306-2 Management of significant waste-related impacts	5.6 Waste Management
	306-3 Waste generated	9.0 Appendix Key Performance Indicators
	306-4 Waste diverted from disposal	9.0 Appendix Key Performance Indicators
	306-5 Waste directed to disposal	9.0 Appendix Key Performance Indicators
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	6.9 Global Supply Chain
	308-2 Negative environmental impacts in the supply chain and actions taken	6.9 Global Supply Chain
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	6.5 Recruitment 9.0 Appendix Key Performance Indicators
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.7 Talent Development
	401-3 Parental leave	6.7 Talent Development
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	6.4 Health and Safety
	403-2 Hazard identification, risk assessment, and incident investigation	6.4 Health and Safety
	403-3 Occupational health services	6.4 Health and Safety
	403-4 Worker participation, consultation, and communication on occupational health and safety	6.4 Health and Safety
	403-5 Worker training on occupational health and safety	6.4 Health and Safety 6.7 Talent Development
	403-6 Promotion of worker health	6.4 Health and Safety
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.4 Health and Safety
	403-8 Workers covered by an occupational health and safety management system	6.4 Health and Safety
	403-9 Work-related injuries	9.0 Appendix Key Performance Indicators
	403-10 Work-related ill health	9.0 Appendix Key Performance Indicators
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	9.0 Appendix Key Performance Indicators
	404-2 Programs for upgrading employee skills and transition assistance programs	9.0 Appendix Key Performance Indicators
	404-3 Percentage of employees receiving regular performance and career development reviews	9.0 Appendix Key Performance Indicators
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	6.3 Diversity and Inclusion
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	6.3 Diversity and Inclusion
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	6.2 Labor Standards

GRI STANDARD	DISCLOSURE	LOCATION
GRI 409: Forced or Compulsory Labor 2016	409–1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	6.2 Labor Standards
GRI 413: Local Communities 2016	413–1 Operations with local community engagement, impact assessments, and development programs	6.10 Philanthropy/Community Engagement
GRI 414: Supplier Social Assessment 2016	414–1 New suppliers that were screened using social criteria	6.9 Global Supply Chain
GRI 416: Customer Health and Safety 2016	416–1 Assessment of the health and safety impacts of product and service categories	6.8 Customer Responsibility
GRI 417: Marketing and Labeling 2016	417–1 Requirements for product and service information and labeling	6.8 Customer Responsibility
GRI 418: Customer Privacy 2016	418–1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.8 Customer Responsibility 7.7 Privacy and Data Protection

Key Memberships and Participations

Sailun Group actively collaborates with industry associations and innovation alliances to promote the development of policies that are beneficial to the industry, achieving sustainable development for both itself and the industry as a whole.

Name of participating association	Hold a post	Name of participating association	Hold a post
China Rubber Industry Association	Executive Chairman Unit of the Presidium Enterprise Vice President Unit Deputy Director Unit of the Tire Branch	China Eucommia (Duzhong) Resource High-value Utilization Industry Technology Innovation Alliance	Chairman Unit
China Petroleum and Chemical Industry Federation	Director Unit	China Tire and Wheel Valve Standard Yearbook Council	Director Unit
Chinese Society of Chemical Industry	Director Unit	China Automotive Talent Research Association	Director Unit
China Chemical Enterprise Management Association	Director Unit	China Tire Intelligent Manufacturing and Standardization Alliance	Director Unit
China Tire Recycling and Utilization Association	Executive Vice President Unit	Construction Machinery Division of China Construction Machinery Industry Association	Member Unit

Name of participating association	Hold a post
Logistics Technology and Equipment Committee of China Communications and Transportation Association	Member Unit
China Agricultural Machinery Industry Association	Member Unit
National Tire and Wheel Standardization Technical Committee	Committee Member Unit
National Tire and Wheel Standardization Technical Committee – Subcommittee on Automobile, Agricultural, and Construction Machinery Tires and Wheels.	Deputy Director Committee Member Unit
National Tire and Wheel Standardization Technical Committee – Subcommittee on Aviation Tires.	Committee Member Unit
National Rubber and Rubber Products Standardization Technical Committee	Committee Member Unit
National Rubber and Rubber Products Standardization Technical Committee – Subcommittee on General Test Methods.	Deputy Director Committee Member Unit
National Rubber and Rubber Products Standardization Technical Committee – Synthetic Rubber Subcommittee.	Committee Member Unit
Chemical Industry Rubber Testing Instruments and Equipment Standardization Technical Committee	Committee Member Unit
Rubber Committee of the Chinese Society of Chemical Industry	Committee Member Unit
Intellectual Property Committee of the China Petroleum and Chemical Industry Federation	Member Unit
<i>Tire Industry Council</i>	Executive Director Unit
Shandong Rubber Industry Association	Vice President Unit

Name of participating association	Hold a post
Shandong Private Entrepreneurs Association	Director Unit
Tire Industry Technology Innovation Strategy Alliance	Director Unit
Qingdao Industrial Economy Association	President Unit
Qingdao Association of Enterprises for Foreign Economic Cooperation	Vice President Unit
Qingdao Petroleum and Chemical Industry Association	Vice President Unit
Qingdao Automobile Industry Association	Executive Director Unit
Qingdao New Energy Vehicle Industry Association	Director Unit
Qingdao Artificial Intelligence Industry Association	Director Unit
Qingdao Service-oriented Manufacturing Alliance	Director Unit
6th Council of Qingdao Technology Renovation and Innovation Promotion Association	Director Unit
Huangdao District Enterprise Association (District Entrepreneurs Association)	Vice President Unit
West Coast New Area High-end Chemical Industry Chain Party Building Alliance Council	Director Unit

Subsidiary Reporting Scope

No.	Name of subsidiary	Inclusion in the Report	No.	Name of subsidiary	Inclusion in the Report
1	Sailun Tire Sales Co., Ltd. (abbreviated as "Sailun Tire Sales")	yes	21	Sailun (Weifang) Tire Co., Ltd. (abbreviated as "Sailun Weifang" "Weifang Factory")	yes
2	Shanghai Sailun Enterprise Development Co., Ltd. (abbreviated as "Sailun Shanghai")	yes	22	Sailun (South Africa) Tire Co., Ltd. (abbreviated as "Sailun South Africa")	yes
3	Sailun (Vietnam) Co., Ltd. (abbreviated as "Sailun Vietnam" "Vietnam Factory")	yes	23	CART TIRE CO., LTD. (abbreviated as "CART TIRE" "Cambodia Factory")	yes
4	ACTR COMPANY LIMITED (abbreviated as "ACTR Factory")	yes	24	Sailun International Holdings (Singapore) Co., Ltd. (abbreviated as "Sailun Singapore")	yes
5	Sailun (Dongying) Tire Co., Ltd. (abbreviated as "Sailun Dongying" "Dongying Factory")	yes	25	ROADX Vietnam Trading Co., Ltd. (abbreviated as "ROADX Vietnam Trade")	yes
6	Sailun Group (Hong Kong) Co., Ltd. (abbreviated as "Sailun Group Hong Kong")	yes	26	Shenzhen Sailun Technology Co., Ltd. (abbreviated as "Sailun Shenzhen")	yes
7	Sailun (Shenyang) Tire Co., Ltd. (abbreviated as "Sailun Shenyang" "Shenyang Factory")	yes	27	Sailun (Indonesia) Tire Co., Ltd. (abbreviated as "Sailun Indonesia")	yes
8	Peace International Tire Co., Ltd. (abbreviated as "Peace International")	yes	28	Zhejiang Sailun Tire Sales Co., Ltd. (abbreviated as "Zhejiang Sailun Sales")	yes
9	Sailun Tire North America Co., Ltd. (abbreviated as "Sailun North America")	yes	29	Xinjiang Sailun Tire Sales Co., Ltd. (abbreviated as "Xinjiang Sailun Sales")	yes
10	Power Tire Co., Ltd. (abbreviated as "Power Tire")	yes	30	Henan Sailun Tire Sales Co., Ltd. (abbreviated as "Henan Sailun Sales")	yes
11	Sailun International Holdings (Hong Kong) Co., Ltd. (abbreviated as "Sailun Hong Kong Holdings")	yes	31	Sailun (Thailand) Tire Co., Ltd. (abbreviated as "Sailun Thailand")	yes
12	Sailun Jinyu International Tanzania Co., Ltd. (abbreviated as "Sailun Tanzania")	yes	32	Guangxi Sailun Tire Sales Co., Ltd. (abbreviated as "Guangxi Sailun Sales")	yes
13	Sailun Europe Limited Liability Company (abbreviated as "Sailun Europe")	yes	33	Shaanxi Sailun Tire Sales Co., Ltd. (abbreviated as "Shaanxi Sailun Sales")	yes
14	MAXAM International Tire Co., Ltd. (abbreviated as "MAXAM Tire")	yes	34	Zhu Cheng Yong An Rubber Technology Co., Ltd. (abbreviated as "Yong An Technology" "Weifang Factory")	yes
15	Shenyang Xu Ri Energy Investment Co., Ltd. (abbreviated as "Xu Ri Energy")	yes	35	Qingdao Sailun Xin Shun Technology Co., Ltd. (abbreviated as "Xin Shun Technology")	yes
16	Shenyang Heng Tong Energy Co., Ltd. (abbreviated as "Heng Tong Energy")	yes	36	AO XIN Management Co., Ltd. (referred to as "Sailun AO XIN")	yes
17	Qingdao Pu Yuan Dong Sheng Commercial Development Co., Ltd. (abbreviated as "Pu Yuan Dong Sheng")	yes	37	Qingdao Sailun Tire Co., Ltd. (abbreviated as "Sailun Dongjiakou" "Qingdao Dongjiakou Factory")	yes
18	Sailun (Vietnam) Tire Trading Co., Ltd. (abbreviated as "Vietnam Tire Trade")	yes	38	Qingdao Sailun New Material Co., Ltd. (abbreviated as "Sailun New Material")	yes
19	Sailun USA Co., Ltd. (abbreviated as "Sailun USA")	yes	39	Henan Sailun Yida Tire Sales Co., Ltd. (abbreviated as "Henan Sailun Yida")	yes
20	Sailun Brazil Marketing Consulting Co., Ltd. (abbreviated as "Sailun Brazil")	yes	40	Sailun (Zhu Cheng) Commercial Development Co., Ltd. ("Zhu Cheng Commercial")	yes

Independent Auditor's Reports

Independent Verification Statement



To the management and stakeholders of SAILUN GROUP,

TÜV SÜD Certification and Testing (China) Co., Ltd. Shanghai Branch (hereinafter referred to as "TÜV SÜD") has been engaged by SAILUN GROUP CO., LTD. (hereinafter referred to as "SAILUN GROUP" or "the Company") to perform an independent third-party verification on SAILUN GROUP CO., LTD. 2023 Sustainability Report (hereinafter referred to as "the Report"). During this verification, TÜV SÜD's verification team strictly abided by the contract signed with SAILUN GROUP 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 SAILUN GROUP and provided to TÜV SÜD. The scope of verification is limited to the given information. SAILUN GROUP 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 SAILUN GROUP during the reporting period from January 1st, 2023 to December 31st, 2023, including economic, environmental and social information and data, methods for management of material issues, actions/measures and the Company's sustainability performance during the reporting period.

Physical boundary of this verification:

- The on-site verification sampling took place at below listed locations:
No. 43 Zhengzhou Road, Shibei District, Qingdao, Shandong Province, China, and
No.588 Maoshan Road, Huangdao District, Qingdao, Shandong Province, China.

Scope of data and information for the verification:

- The scope of verification is limited to the data and information of SAILUN GROUP 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 SAILUN GROUP's suppliers, partners and other third parties; and
- The financial data and information disclosed in this Report that have been audited by an independent third party are not verified again herein.

Limitations

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

Basis for the Verification

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

- International Standard on Assurance Engagements (ISAE) 3000 (Revised), 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 limited verification for the conclusions, the verification team conducted the following activities:

- Preliminary investigation of the relevant information before the verification;
- Confirmation of the presence of the topics with high level of materiality and performance in the Report;
- On-site review of all supporting documents, data and other information provided by SAILUN GROUP; sampling verification of key performance information and data;
- Special interview with the representative of SAILUN GROUP'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 SAILUN GROUP'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	SAILUN GROUP fully identifies the organisation's internal and external stakeholders, such as government and regulatory bodies, industry associations, shareholders and investors, customers, partners, employees, communities and the general public, and establishes a stakeholder communication mechanism in order to collect the real demands of stakeholders on a regular basis.
Materiality	SAILUN GROUP has established a process for prioritising material topics, identified and prioritised sustainability topics highly relevant to the industry, and disclosed the governance structure, management actions and performance data of the Company's sustainability management process. However, there is still room for improvement in the disclosure of some material topics.
Responsiveness	Focusing on topics of interest to stakeholders, SAILUN GROUP has clearly disclosed its management methods and performance on highly substantive topics such as waste management, energy management, and talent training and development, and has established a grievance mechanism to adequately respond to stakeholders' demands and expectations.
Impact	SAILUN GROUP has established a Strategy and Sustainability Committee at Board level to determine the likely impact of the Group's sustainability business on various stakeholders, identify significant risks and opportunities for the Group's relevant businesses in the area of sustainability and propose measures to address them. By tracking and evaluating progress in the implementation and achievement of sustainability objectives, SAILUN GROUP monitors, measures and holds accountable for the broader ecosystem of impacts.

Recommendations on Continuous Improvement

- It is recommended that more quantitative indicators will be disclosed in the future according to the GRI standards to demonstrate the Company's management level in sustainability.

Statement on Independence and Verification Capability

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

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

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

Signature:

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

Zhu Wenjun
TÜV SÜD Sustainability Authorized Signatory Officer

April 19th, 2024
Qingdao, 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.

Feedback

Dear readers,

Thank you very much for taking the time to read this report amidst your busy schedule. In order to improve our report preparation process and enhance Sailun's accountability, we are particularly interested in hearing your opinions and suggestions—please do not hesitate to share them with us!

Which stakeholder group do you belong to?

☐ Government and regulatory authorities ☐ Customers ☐ Employees ☐ Suppliers ☐ Research institutions ☐ Other

Your evaluation of the report:

1. What is your overall evaluation of this report?

☐ Very good ☐ Good ☐ Average ☐ Poor ☐ Very poor

2. Do you think the information, data, and indicators disclosed in this report are clear, accurate, and complete?

☐ Very reasonable ☐ Reasonable ☐ Average ☐ Poor ☐ Very poor

3. What do you think about the report's layout design and presentation style?

☐ Very good ☐ Good ☐ Average ☐ Poor ☐ Very poor

4. In which of the following aspects do you think this report can be improved?

☐ Report theme ☐ Design layout ☐ Content logic ☐ Language expression

5. Do you have any further suggestions for our future social responsibility work and report preparation?

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