



# 2023 Sustainability Report

smart Mobility Pte. Ltd.



November 2024

[smart.info@smart.com](mailto:smart.info@smart.com)



# Table of Contents

 **Prologue**

---

**Our Culture and Values** 03

**Message from the CEO** 07

**About the Report** 09

**Sustainability Highlights** 11

 **Integrity and Transparency**

---

Corporate Governance 27

Compliance 32

Business Ethics 39

Looking Ahead 44

 **Climate and Carbon**

---

Responding to Climate Change 77

Low-Carbon R&D and Operations 80

Low Carbon Value Chain 85

Looking Ahead 88

 **Employees and Society**

---

Diversity and Inclusion 105

Talent Development 116

Employee Health and Safety 124

Responsible Supply Chain 128

Corporate Social Responsibility 131

Looking Ahead 134

 **Our Sustainability Strategy**

---

Global Challenges and Our Responsibilities 15

smart Sustainability Strategy 16

Supporting Sustainable Development Goals 18

Sustainability Governance Framework 19

Stakeholder Engagement 20

Material Issue Analysis 22

 **Product and Privacy**

---

Technological Innovation 47

Quality Management 51

User First 58

Data Compliance 64

Looking Ahead 74

 **Circularity and Resources**

---

Sustainable Materials 91

Battery Traceability and Recycling 94

Environmental Management 95

Looking Ahead 102

 **Appendix**

---

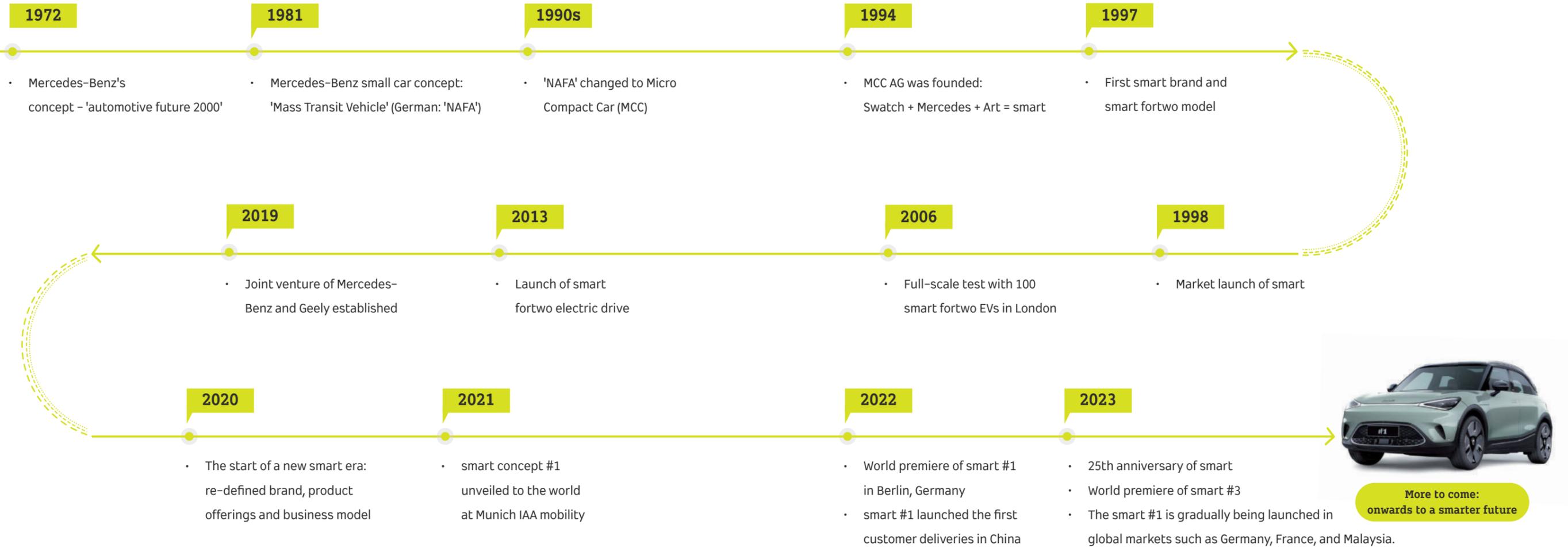
Global Reporting Initiative (GRI) Content Index 135

Feedback 139

# Our Culture and Values

## 25th anniversary — smart Evolution

2023 is the 25th anniversary of smart. Since the birth of the brand in the 90s, smart has always maintained the vision "to design a smarter future together". In 2019, smart Automobile Co., Ltd. was officially established. With a forward-looking "China-Europe, dual home" global development strategy, smart is committed to developing into a world-leading, new-premium, intelligent, and all-electric auto brand.



More to come: onwards to a smarter future



# smart Brand Characteristics

smart holds firmly to unique core brand values. Under the guidance of brand values, the Company will face up to the challenges while creating new opportunities and embarking on a new journey.



## Contemporary Premium

We stand out with premium experiences that evoke emotions and feelings. We create them through iconic aesthetics, exceptional quality and by surprising with unexpected moments.



## Mindful Technology

Our technology isn't just state of the art, but responsible and emotional. The result is an EV experience that's effortlessly efficient, safe and sustainable but also inspiring and enjoyable.



## Inspirational Co-Creation

Born from an iconic collaboration, co-creation is our DNA. We strive to connect individuals and brands to co-create inspiring experiences that spread positivity across our entire smart ecosystem and beyond.



## Message from the CEO

In 2023, we celebrated the 25th anniversary of the smart brand, and we are delighted to share this milestone with our companions and fans around the world. Over the past year, smart has continuously promoted sustainability, advocating for embracing diversity in thoughts, cultures, and beliefs. Through innovation, we have implemented inspiring ideas, unlocking more creative possibilities. We provide purely electric products that balance design and practicality, empowering users with a convenient and technologically advanced driving experience. In every market where we operate, we actively fulfil our social responsibilities. In a complex and ever-changing market environment, smart has consistently upheld our commitment to sustainability, integrating it into the Company's strategy, innovation, and operations, achieving significant positive progress.

### Promoting the carbon reduction process from the life cycle perspective

As the industry's first car brand to fully transition to all-electric vehicles, we at smart deeply understand the impact of climate change on all stakeholders and the urgency of collective action. From design to manufacturing, from logistics to services, we practice sustainability across the entire value chain. In 2023, we assessed the product carbon footprint of the smart #1 using a life cycle perspective and obtained the ISO 14067 product carbon footprint certification from a third-party professional organisation. Additionally, we integrated sustainability considerations into product design, increasing the use of sustainable materials in both products and packaging. We focused on the sustainability of steel and aluminium, setting higher requirements for related suppliers regarding the use of recyclable steel and aluminium. By the end of the Reporting Period, the recoverability rate of all sold mass-produced smart models had exceeded 95%. We also evaluated our smart vehicle manufacturing plants, implementing measures such as the use of renewable energy, energy-efficient lighting, and smart energy management to reduce our carbon footprint. In the future, we will continue to enhance the sustainability of our products and operations through innovation, striving to offer carbon-neutral all-electric vehicles by 2045.

### User experience, exploring the best solutions for future urban mobility

In 2023, we officially delivered the smart #1 and #3 all-electric models to the Chinese and European markets and are actively expanding into high-potential markets such as Southeast Asia and the Middle East. As we previously promised, from 2022 to 2025, smart will launch a new model each year to meet the growing market demand.

We always prioritize user experience, enhancing intelligent driving and reliable charging experiences. The smart Pilot Assist 2.0, equipped with the NSP intelligent navigation assistance system, now covers 120 cities in China. Focusing on users' charging needs, we continue to upgrade and expand our service areas. In 2023, smart established proprietary charging stations, including the completed and operational charging stations at Crowne Plaza Resort in Chongli, Hebei, Vanke Centre at Hangzhou Olympic Sports Centre, Sunshine Century Shopping Centre in Chongqing, and Jin Guo Maker Space in Shanghai (equipped with 800V ultra-fast charging piles). Our public charging map integrates with major mainstream charging operators, encompassing over 36,000 charging stations across more than 330 cities in China, connecting to over 430,000 charging terminals.

In 2024, smart will advance further in terms of its brand, products, technology, services, and business operations, continuously improving operational efficiency and establishing a new paradigm for development – "Sprint to the Next Level".

### Promoting diversity and inclusion, building social impact

smart continuously creates social value, working with stakeholders to build a sustainable future together. A corporate culture of integrity and inclusion not only encourages innovation but also positively impacts the communities where we operate. We are committed to achieving gender equality in the workplace, conducting employee satisfaction surveys, and listening to suggestions regarding corporate development and work environment. By the end of 2023, the number of ethnic minority employees in China reached 57, an increase of 21.3% compared to the previous Reporting Period.

A responsible supply chain is a principle that smart consistently upholds. We employ multiple strategies to ensure that our supply chain adheres to high standards, maintaining the ethical and sustainable framework of our business partnerships. smart actively responds to the Drive Sustainability initiative, participating in the development of global automotive industry standards and principles for sustainable value chain management. In 2023, based on the Drive Sustainability Self-Assessment Questionnaire (SAQ), we conducted ESG assessments on 298 suppliers. For suppliers with lower evaluation scores, we have provided improvement suggestions and urged them to enhance their processes and performance.

smart, along with users, NGOs, and other stakeholders, is committed to a sustainable future. In 2023, we focused on enhancing environmental well-being and fostering youth creativity, conducting a variety of community activities. Through social media, sustainability reports, and both online and offline user engagements, we shared smart's sustainability stories with our users and the public, igniting creativity and passion.

Looking ahead, smart will continue to strive for resilient development, with sustainability as our core principle, to create a newer and smarter future.

CEO  
Tong Xiangbei

## About the Report

### Overview

The 2023 Sustainability Report (hereinafter referred to as the “Report”) is issued by smart Mobility Pte. Ltd. (hereinafter referred to as “the Company”, “smart”, or “we”). We aim to ensure that all stakeholders can gain a more intuitive and holistic view into the Company’s sustainability performance and achievements in the past year.

### Reference

The Report is prepared referring to the Global Reporting Initiative Standards issued by the Global Sustainability Standards Board (GSSB), as well as with reference to and in response to the concerns of the United Nations Sustainable Development Goals (SDGs), and taking into account the current situation of the Company.

### Reporting Period

The Report covers the period from 1 January 2023 to 31 December 2023 (hereinafter referred to as the “Reporting Period” or “2023”), with some content going back to previous years or covering the year 2024.

### Scope of the Report

The scope of the Report covers the Company and our subsidiaries. When specific data ranges do not align with the reporting scope, we will indicate this in the main text.

### Data Source and Reliability Guarantee

The information and data disclosed in the Report are derived from the Company’s statistical reports and official documents. The Company undertakes that this Report does not contain any false information or misleading statements and that we are responsible for the truthfulness, accuracy, and completeness of the contents. Unless otherwise stated, the financial data in this report is in RMB.

### Access and Response to the Report

Your feedback is important for us to continue to improve our sustainability performance. If you have any comments or suggestions, please contact us at [smart.info@smart.com](mailto:smart.info@smart.com).



# Sustainability Highlights

## Integrity and Transparency



**3,264** Training Hours

We adhere to and establish compliance policies and procedures in strict accordance with ISO 37301:2022 Compliance Management Systems. We conduct annual audits in China and overseas to review the compliance of our business operations. In 2023, a total of 2,364 employees participated in legal and compliance training, accumulating a total of 3,264 training hours.

### "Three Lines of Defence"

We optimise the construction of the "three lines of defence" in risk management, detailing the responsibilities of each level and department to ensure compliant operations. smart Europe has initiated the implementation of the Onetrust system to enable digital risk registration.

**1,327** Trademarks

By the end of 2023, we had accumulated a total of 1,327 trademarks, 13 inventions, 130 utility model patents, and 436 design patents.

## Circularity and Resources

Reached Over **95%**

The average use of recoverable materials in mass-produced models has exceeded that of the previous Reporting Period, and the recoverability rate of all sold mass-produced models has reached over 95%.



### "Five-Star Healthy Car" Certification

The smart #3 BRABUS performance version has received the "Five-Star Healthy Car" certification.

### ISO 14001 Environmental Management Systems Certification

Committed to reducing the environmental impact of our operations and vehicle manufacturing plants, smart's vehicle manufacturing plants have also obtained ISO 14001 Environmental Management Systems certification. Additionally, we actively carry out resource utilisation optimisation projects to conserve resources and reduce emissions.

## Products and Privacy

### World Premiere

In 2023, the all-new smart #3 made its world premiere. As the second model after the brand's comprehensive renewal, the "Dynamic Urban Companion" new smart #3 features design contributions from the Mercedes-Benz global design team. It upholds the "Sensual Purity" design philosophy, adopting a bolder, more dynamic, and more energetic "New Premium Sporty Design".



Over **430,000** Charging Piles

Over **36,000** Public Charging Stations

Over **28,000** Home Charging Piles

By the end of 2023, smart had connected to over 36,000 public charging stations and over 430,000 charging piles, covering over 330 cities in China. Additionally, we had installed over 28,000 home charging piles for our owners.

### Five-Star Safety Certification in China and Europe

The smart #1 and #3 are designed according to dual five-star standards for both China and Europe. The smart #1 has achieved dual five-star safety certification in China and Europe, leading its class. The smart #3 has been awarded a five-star safety certification in Europe.

### Europe Established Privacy Centre

smart Europe has established a Privacy Centre, responsible for ensuring that smart's European business operations comply with privacy protection requirements. The Privacy Centre also monitors the latest privacy protection laws across different markets, such as the German Telecommunications-Telemedia Data Protection Act (TTDSG), and updates to data and privacy protection regulations in the UK, Switzerland, and other markets.

### UN R156-VTA E1 Certification

Both the smart #1 and smart #3 have obtained EU R155 and R156 certifications. Additionally, they are the first in China to receive the UN R156-VTA E1 certification issued by the German Federal Motor Transport Authority.

### Security Management Capability Certification

Through Data Security Management Capability (DSMC) certification, we collaborated with the China Association of Automobile Manufacturers to develop the "Requirements for Data Security Management Systems of Automotive Enterprises".

Climate and Carbon



Vehicle Carbon Footprint Certificate

smart has conducted a life cycle carbon footprint calculation for the new smart #1 power battery following the EU Product Environmental Footprint Category Rules (PEFCR) and ISO 14067 Greenhouse gases – Carbon footprint of products. We have been awarded the vehicle carbon footprint certificate based on the ISO 14067 standard Greenhouse gases – Carbon footprint of products – Requirements and guidelines for quantification.

The smart #3 Pro+ version received the highest five-star rating from the European New Car Environmental and Energy Efficiency Assessment Program, Green NCAP. With an outstanding overall score of 95%, it has become a benchmark in the new energy vehicle sector for environmental friendliness and energy efficiency.



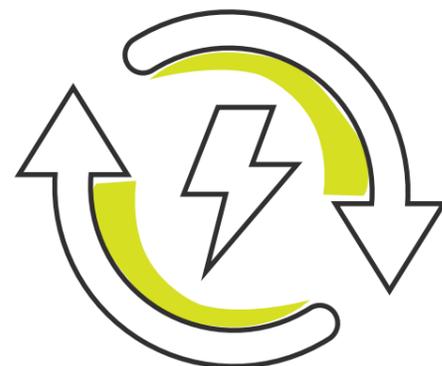
Renewable Energy

The Company actively advocates the use of renewable energy. In 2023, smart offices in Germany and Italy used 100% electricity sourced from renewable energy.



3 Years

For three consecutive years, smart has endeavoured to mitigate the electricity consumption generated from non-renewable energy sources in operations through energy-saving measures and the purchase of green power certificates.



Employees and Society



Over 40 Nationalities

Embracing a culture of diversity and inclusion, by the end of 2023, smart's employees came from over 40 different countries and regions, including 57 ethnic minority employees in China offices.

3,120 Trainees

smart's vehicle manufacturing plants leverage an Environmental, Health, and Safety (EHS) information platform to define processes for occupational health and safety risk identification, risk assessment, and risk control. By the end of 2023, the manufacturing plants had provided occupational health and safety training to 3,120 trainees, with a total training duration of 74,880 hours, averaging 24 hours per trainee.

74,880 Hours

Averaging 24 Hours Per Trainee

Carbon Footprint Training

We have formulated and implemented the "Supplier Code of Conduct", which clearly outlines smart's sustainability principles and minimum requirements to our suppliers. Additionally, we provide carbon footprint-related training to our suppliers.



298 Key Suppliers in China and Europe

By applying the Drive Sustainability Self-Assessment Questionnaire (SAQ), we conducted sustainability assessments for 298 key suppliers in China and Europe. Among them, we carried out on-site sustainability audits for 2 suppliers and provided recommendations for improvement.

Sustainable Community Contribution Models

Focusing on climate action, community contribution, product innovation, and industry development, we actively explore sustainable community contribution models.

# Our Sustainability Strategy

## Global Challenges and Our Responsibilities

On September 8, 2023, the United Nations Framework Convention on Climate Change (UNFCCC) released the Global Stocktake Synthesis Report, providing a comprehensive review of global climate action since the adoption of the 2015 Paris Agreement. The report on global climate action appears to fall short of expectations, highlighting the pressing need for global citizens to confront the current, less-than-optimistic state of climate change response: "Carbon emissions? Still climbing. Rich countries' finance commitments? Delinquent. Adaptation support? Lagging woefully behind".

smart fully recognises the significance and challenges of global climate action for our business and continuously adjusts our development direction to focus on long-term sustainability. Leveraging our innovative capabilities, smart consistently develops and applies cutting-edge technologies to our products, contributing to the intelligent advancement of the automotive industry. Relying on energy technologies, smart introduces all-electric models to support the global transition from fossil fuels to renewable energy in the third energy revolution. Committed to low-carbon transformation, smart actively supports China's goal of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060, as well as the EU's ambitious blueprint to reach net-zero greenhouse gas emissions by 2050 and decouple economic growth from resource consumption.



## smart Sustainability Strategy

Since inception, smart has promoted and embraced responsible development. Our sustainable development vision and objectives are embedded in smart's culture and demonstrated in the Company behaviours. We are committed to balancing environmental, social, and corporate governance ("ESG") impacts, especially in the context of financial growth, with social, environmental, and regional economic impacts. This effectively reflects our ESG stewardship responsibilities and the vision of our brand.

In early 2022, we developed and published our Sustainability Strategy, covering five strategy pillars:

**smart's five sustainability strategy pillars**

<b>Integrity and Transparency</b>	We are committed to conducting business with integrity and transparency.
<b>Product and Privacy</b>	We design premium, all electric vehicles to engage people with the sustainable mobility ecosystem and bring safety and privacy protection to our users.
<b>Climate and Carbon</b>	We take our decarbonisation commitment seriously. Making a carbon-neutral car and providing low-carbon solutions is our mission.
<b>Circularity and Resources</b>	We embed "life cycle thinking" into our business. We are committed to circular economy and responsible sourcing.
<b>Employees and Society</b>	We empower individuals for the collective good, and continue to strengthen engagement with our partners in sustainable development.



## Supporting Sustainable Development Goals

In September 2015, the United Nations adopted the 2030 Agenda for Sustainable Development, with 17 Sustainable Development Goals at its core, providing a common blueprint for peace and prosperity for people and the planet now and in the future. smart supports the UN Sustainable Development Goals (SDGs) and strives to integrate the relevant goals into the sustainability strategy and roadmap, leading the Company to contribute towards the achievement of SDGs.

smart Strategy Pillar	UN SDGs supported	
Integrity & Transparency	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Peace, justice and strong institutions
Product & Privacy	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Industry, innovation and infrastructure
	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Sustainable cities and communities
Climate & Carbon	<p>7 AFFORDABLE AND CLEAN ENERGY</p>	Affordable and clean energy
	<p>13 CLIMATE ACTION</p>	Climate action
Circularity & Resources	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Responsible consumption and production
Employees & Society	<p>5 GENDER EQUALITY</p>	Gender equality
	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Decent work and economic growth
	<p>10 REDUCED INEQUALITIES</p>	Reduced inequalities
	<p>17 PARTNERSHIPS FOR THE GOALS</p>	Partnerships for the goals

## Sustainability Governance Framework

smart places a high priority on governance in sustainability matters, adopting scientific approaches and leveraging our own and best corporate management practices, combined with leading governance standards, to construct a top-down, multi-dimensional sustainability governance framework. This framework continuously disseminates the Board's sustainable management philosophy downwards while ensuring that different levels fulfil their management responsibilities in ESG matters. The internal reporting process for sustainability-related issues at smart operates from the bottom up, implementing ESG initiatives and ensuring daily oversight and decision-making participation by the top management. This approach effectively enhances comprehensive governance, helping smart achieve the sustainability strategy and vision.

The Executive Management Committee (EMC) is responsible for coordinating sustainability matters, organising, and implementing the Sustainability Strategy, and coordinating and leading various departments in identifying and assessing significant environmental and social risks. They formulate sustainability strategies and establish corresponding control and reporting mechanisms. The EMC also has the duty of reporting major ESG issues and progress to the board, continuously evaluating and reviewing the effectiveness of the Company's environmental, social governance, and performance assessments, and providing strategic recommendations.

The ESG Working Group is a crucial organisation within smart's sustainability governance framework. It is composed of experts from R&D, Legal and Compliance, the Corporate Office, and various departments. The group is primarily responsible for advancing the implementation of sustainability initiatives and coordinating communication across different levels of the governance structure. Major operational-level sustainability matters are reported by the working group to the EMC, and team members from the operational sustainability team are assigned based on smart's specific circumstances. Additionally, the ESG Working Group is tasked with developing sustainability policies and oversight systems, as well as defining and adapting sustainability metrics and evaluation methods suited to the Company.

The operating level department representatives consist of heads from Legal and Compliance, Marketing, Sales and Service, Global Information Technology, Global Human Resources, Global Quality Centre, Global Procurement, and Global Manufacturing Centre. They are primarily responsible for strategy execution, reporting, and feedback. Their tasks include tracking and monitoring environmental and social data, maintaining data sources, and regularly reporting any difficulties and pain points encountered in ESG data collection, review, and disclosure to the ESG Working Group. This ensures the collectability, accuracy, and sensitivity screening of the data. Employees are the cornerstone for implementing the company's sustainable development efforts. Department representatives should deeply engage in the transmission of a sustainable culture, aiming to inspire and mobilize every employee, continuously expanding the company's influence in the field of sustainability.

At the same time, the Company will fully consider compliance requirements, shareholder demands, business development, operational efficiency, and stakeholder expectations. We will regularly evaluate and continuously optimise the sustainability governance framework.



## Stakeholder Engagement

Stakeholder communication is an important part of smart's sustainable development. The Company believes that the close communication with stakeholders enables us to better understand their specific expectations and concerns. We regularly organise various stakeholder engagement events to understand their concerns, expectations, and perceptions on sustainability issues, and proactively integrate their suggestions into our strategies and implementation plans to respond to their demands. The Company hopes to work together with stakeholders to achieve win-win cooperation and promote sustainable business development.

By analysing the extent to which stakeholders and smart influence each other in terms of business performance, we have identified four main categories of stakeholders.



Key Stakeholders	Relationships and communication channels <sup>1</sup>	The most important sustainability issues for stakeholders
 <p><b>Investors</b></p>	<p>Investors are the Company's shareholders. smart has a responsibility to listen to their concerns and ensure that both parties can walk in lockstep to build a resilient, adaptable business.</p> <ul style="list-style-type: none"> <li>regularly discloses business information and holds relevant meetings</li> </ul>	<ul style="list-style-type: none"> <li>Human Rights</li> <li>Patent and IP Protection</li> <li>Corporate governance</li> <li>Product Health and Safety</li> <li>Responding to climate change</li> </ul>
 <p><b>Users</b></p>	<p>The success of our business is closely tied to the satisfaction of our users, so we listen carefully to their concerns and respond to their evolving needs.</p> <ul style="list-style-type: none"> <li>Third Party User Service Survey</li> <li>smart App User Feedback</li> <li>Feedback is collected through interaction with potential customers by experienced frontline staff at roadshows</li> </ul>	<ul style="list-style-type: none"> <li>Product health and safety</li> <li>Privacy protection</li> <li>Data security</li> <li>Customer service and satisfaction</li> <li>Battery traceability and recycling</li> </ul>
 <p><b>Employees</b></p>	<p>Our employees are the heart of our business. We must listen to their concerns and needs to attract and retain the best talent.</p> <ul style="list-style-type: none"> <li>Annual employee engagement survey</li> <li>Cross-departmental workshop sharing or training, and group thematic sessions as needed.</li> <li>Complaint channels including email and hotline.</li> <li>Employee communication channels</li> </ul>	<ul style="list-style-type: none"> <li>Compliance and integrity</li> <li>Product and technology innovation</li> <li>Labor relations and management</li> <li>Employee health and safety</li> <li>Corporate culture and values</li> </ul>
 <p><b>Suppliers</b></p>	<p>As an automotive company, smart has many suppliers of automotive parts and high-tech services. By working closely together, smart is able to unite suppliers in a sustainability journey and expand the impact of sustainability initiatives.</p> <ul style="list-style-type: none"> <li>Regular supplier reviews and assessments</li> <li>Seminars and training for suppliers and contractors (especially carbon footprint management, compliance and employee occupational health and safety training)</li> </ul>	<ul style="list-style-type: none"> <li>Compliance and integrity</li> <li>Risk and crises management</li> <li>Product health and safety</li> <li>Data security</li> <li>Employee health and safety</li> </ul>

<sup>1</sup> Not all communication channels are included.

## Material Issue Analysis

Material issues are not only a core component of smart's non-financial performance but also an important basis for evaluating the effectiveness of stakeholder communication, long-term value, and sustainability capabilities. In 2023, smart conducted the second stakeholder sustainability survey since 2021, which included the following three main steps:

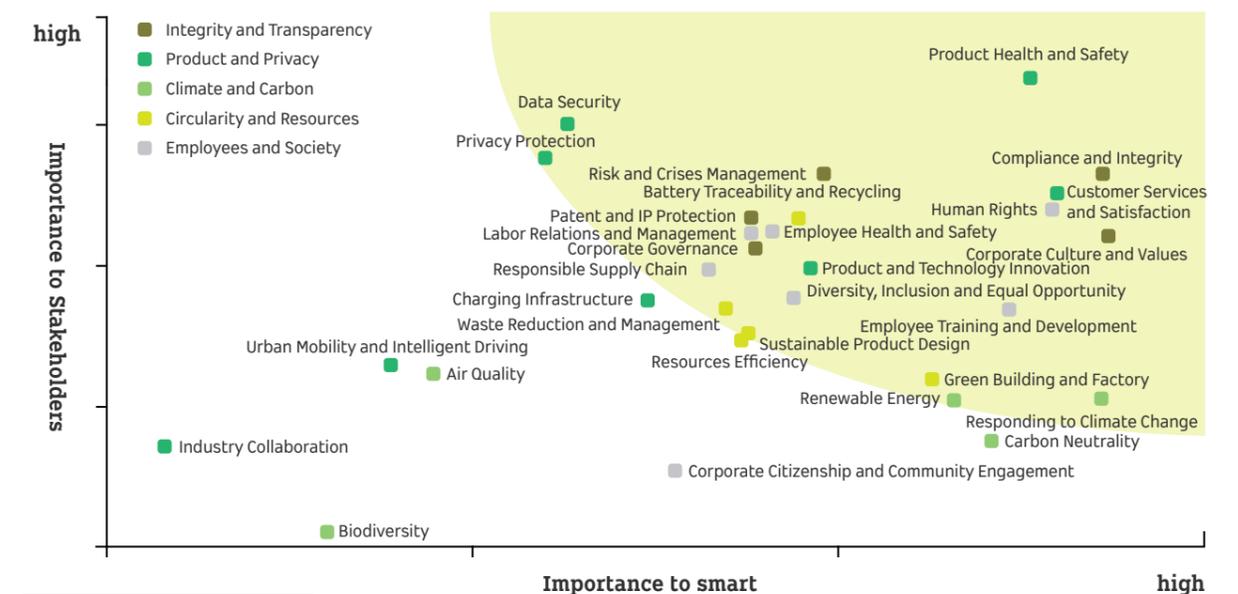
### Identification:

We have selected fundamental evaluation standards for the identification and confirmation of material issues for smart, aligning with laws and regulations, strategically significant international agreements, global reporting frameworks, and general standards such as GRI, SASB<sup>2</sup>, and the United Nations Sustainable Development Goals. Simultaneously, we conducted peer benchmarking research to understand overall trends, risks, and opportunities in the industry based on widely recognised material issues. Combining this with our specific circumstances, we created a list of 30 material issues grounded on the five pillars of our sustainability strategy: Integrity and Transparency, Products and Privacy, Climate and Carbon, Circularity and Resources, and Employees and Society.

### Assessment:

smart deeply recognises that as more users trust, purchase, and drive smart products, the most strategically significant sustainability issues in our operations and the prioritisation of material issues by stakeholders will also change. When reviewing and updating our sustainability strategy, we invited users, suppliers, shareholders, NGOs, government and regulatory agencies, media, and smart employees in China and Europe to participate in an online survey. Based on the feedback from both internal and external stakeholders, and considering the importance to smart and the importance to stakeholders, the 30 material issues have been prioritised and arranged into a materiality matrix, as shown in the following diagram:

2023 smart Materiality Matrix



<sup>2</sup> The Sustainability Accounting Standards Board (SASB), a U.S.-based non-profit organisation, is dedicated to developing a set of industry-specific ESG disclosure metrics that facilitate the exchange of relevant information between investors and companies that materially affects financial performance and facilitates decision-making.

**Optimisation:**

smart's sustainability strategy pillars focus on important sustainability issues related to business development, helping to achieve the corporate vision of "to explore the best solutions for future urban mobility" while supporting the United Nations Sustainable Development Goals. The sustainability strategy pillars and key issues for 2023 have been reviewed and approved by EMC at the time of this report's publication.

In 2023, based on industry research and stakeholder survey results, we further reviewed the sustainability strategy pillars and key issues. We have specified the original topic of "Employer Attractiveness" into "Employee Training and Development", reflecting smart's emphasis on and increased resource investment in innovation and talent competitiveness, promoting technological progress and market development. Under the "Circularity and Resources" pillar, we have added "Resources Efficiency" to demonstrate the Company's commitment to optimising resource use structure, deepening green development practices through the conservation and use of renewable resources in areas such as energy, water, and materials.

2023 smart Sustainability Strategy Pillars and Materiality Issues



# Integrity and Transparency

A comprehensive and transparent corporate governance system is the cornerstone of smart's high-quality and sustainable development, and it is a crucial prerequisite for effective corporate management and enhancing corporate competitiveness. smart adheres to the principles of integrity and compliance in our business operations, upholding business ethics, and is committed to extending the influence of compliance throughout the value chain.



# 01



## Corporate Governance

smart strictly adheres to the requirements of the Company Law of the People's Republic of China and other relevant laws, regulations, and guidelines, constructing and continuously improving a rigorous, scientific, and resilient sustainability governance system to standardise corporate governance.

### Corporate Governance Responsibilities

The Company continuously monitors the latest regulatory requirements and improves our governance structure. smart is currently jointly owned by Mercedes-Benz, Geely, Tianqi Lithium, and other relevant investors. The Company's Board of directors, as the highest decision-making body, is responsible for making decisions on major matters such as business policies, financing, investment, and profit distribution in accordance with the Company's Joint Venture Agreement and Articles of Association. The Board holds at least two meetings annually. The Company's EMC consists of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and General Manager. According to the Articles of Association, each EMC member serves a three-year term and can be reappointed by the Board.

The Company places great importance on the diversification of the Board of directors and the EMC. When considering and appointing members, we fully consider their professional skills, industry experience, personal integrity, risk management experience, and independence. By the end of the Reporting Period, the Board consisted of eight directors, including one female director. To promote a more scientific and efficient operation of the Board's specialised committees, the Company provides diverse training for EMC and other management members, offering them insights on the latest trends in corporate governance, risk management, industry development, ESG, and sustainability.

### Risk Management and Internal Audit

#### Risk Management System

smart firmly believes that a comprehensive risk management system is crucial for sustainable development. The Company has established and continuously optimised risk management mechanisms, strengthened internal risk control and compliance, and reinforced internal and external audits and inspections to effectively enhance risk management capabilities.

The Company strictly complies with relevant laws and regulations in operating locations both domestically and internationally. During the Reporting Period, smart issued and implemented relevant policy documents such as the Compliance Risk Assessment Management Policy and the smart Risk Management Policy. In 2023, the Company optimised the construction of the "three lines of defence" in risk management, detailing the responsibilities of each level and department to ensure compliant operations. smart Europe has initiated the implementation of the Onetrust system

to enable digital risk registration, and each department completes risk assessments and workshops quarterly. The Company has established a risk control matrix based on identified key risks and conducts effectiveness testing. Quarterly risk control reports are submitted to shareholders, and risk identification and updated progress are reported to senior management through operational management meetings.



#### Integrating ESG Factors into Corporate Risk Management System

A robust ESG top-level strategy is key to leading the Company's sustainable development. smart integrates ESG risks into our governance structure and risk management processes. In 2023, we enhanced ESG risk factors in the "Risk Register", guiding and managing various markets and departments to consider the impact of climate change on the Company's business, the influence of social and cultural factors on the Company, and the Company's impact on the environment, human rights, and corporate governance during operations.

## Global Employee Risk Management Training

The Company provides annual risk management training for global employees and management, enhancing professional knowledge and risk control awareness in risk management, and comprehensively improving the Company's risk management level.

In 2023, smart actively organised multiple risk management training sessions across major departments and conducted specialised training for key management personnel, with a total participation of 203 attendees. The Company consistently promotes risk management methods and processes, thoroughly analyses the compliance status both domestically and internationally, and enhances risk identification capabilities at all levels through online learning and on-site training. This approach optimises internal risk control within the Company.



Risk acceptance is only available for low and medium risks unless approved by the CEO and CFO

A decision by the Company to bear potential losses caused by risks

### Risk acceptance

### Risk transfer

A risk treatment method by which the risk is transferred to another person or unit through contracts or other means

A process in which actions are taken to avoid risk-generating activities in order to avoid the threat of risk

### Risk avoidance

## Risk Response

### Risk reduction

A measure taken by the Company to reduce the likelihood and/or impact of a risk after considering the costs and benefits

Example of Global Risk Management Training Materials

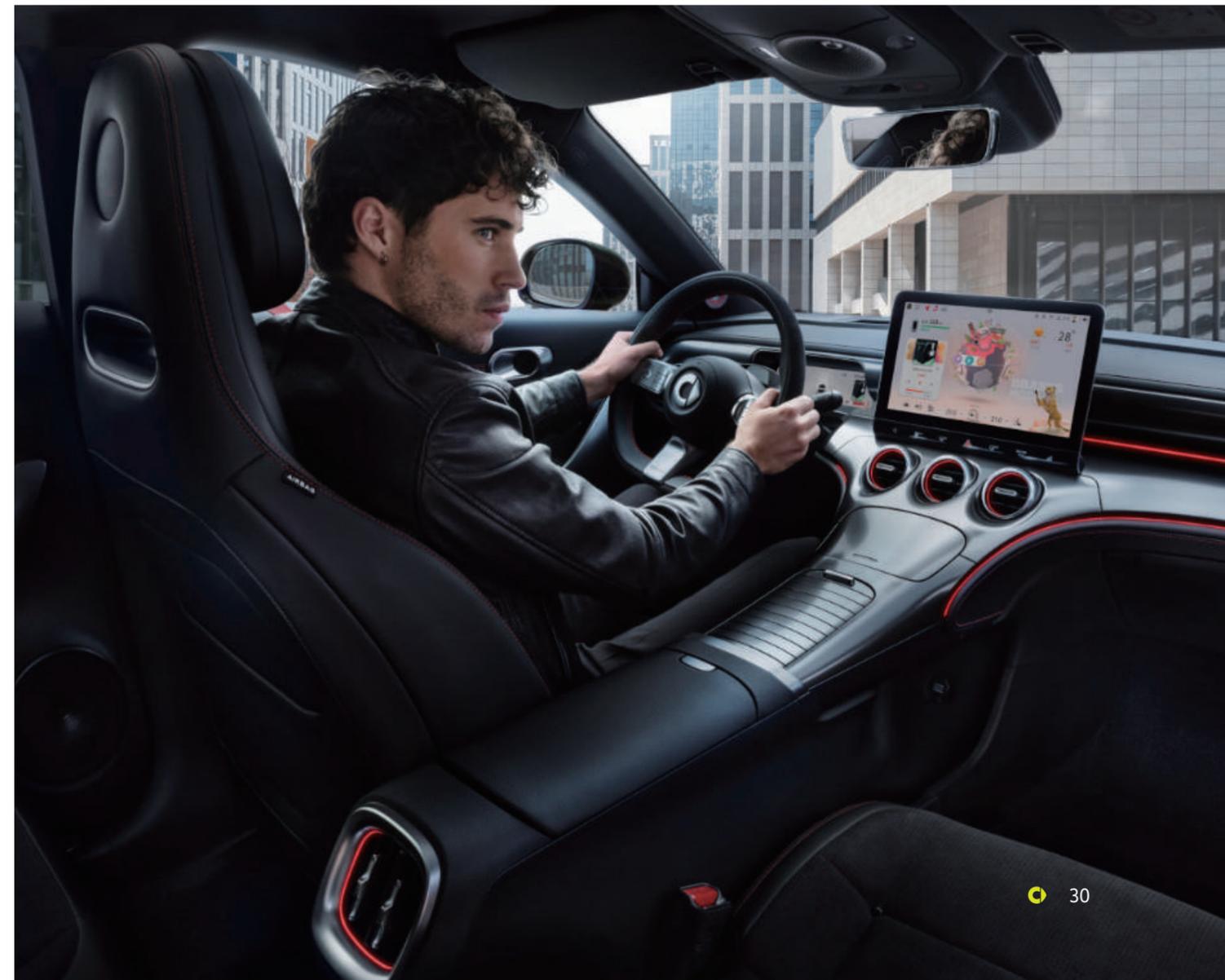
## Internal Audit

The Company complies with the Audit Law of the People's Republic of China and other relevant laws and regulations, and during the Reporting Period, we began drafting the Internal Control Manual. We conduct internal supervision, verification, and audit work through global internal audits, covering all aspects of the Company's business activities, and have established a multi-level review mechanism for audit reports.

## Specialised Training on the Internal Control Manual

In September 2023, to assist internal control employees in the preparation of the Internal Control Manual, the internal control department organised specialised training sessions. These sessions covered important topics such as the risk control matrix and flowcharts. Additionally, based on industry benchmarks and best practices, the training explained the risk points and control measures of the three core processes: procurement, R&D, and sales.

The Company actively conducted special audits on travel expenses and outsourcing projects, and shareholder-specific audits were completed by the shareholders. Additionally, improvement measures are promptly followed up based on the audit results. During the Reporting Period, the Company conducted a total of five audits, covering various operational aspects such as procurement, sales, and finance, achieving a 100% completion rate for the improvements.



## Tax Transparency

smart supports the government in formulating tax regulations that contribute to corporate innovation, economic development, and social equity. The Company strictly complies with Organisation for Economic Co-operation and Development (OECD) international tax policies, such as Base Erosion and Profit Shifting (BEPS) 2.0, as well as the tax laws and regulations of the regions where we operate.

smart regularly conducts reviews of tax strategy, covering tax practices, tax operational efficiency, transfer pricing strategies, and other aspects. The CFO annually reviews and approves the Company's tax policies and tax risk management system, committing to tax transparency and sustainable development. Additionally, the Company holds bi-weekly discussions and reviews on tax practices and tax operational efficiency, and conducts quarterly reviews of transfer pricing strategies based on business realities. Quarterly, the Company engages in regular communication with the shareholders' tax teams regarding tax management methods and tax policies.

Digital tax management is a crucial way for the Company to enhance tax management level. In 2023, smart implemented several updates to our global Tax All in One system, improving the efficiency of automated tax data statistics, and adding data classification and automated operation functions. These updates aim to accelerate business processes and ensure stable support for the Company's business development.

### Tax Capability Training

smart operates and continues to expand business globally while adhering to the tax laws and regulations of each region where we operate. Tax risk management has been integrated into the Company's corporate risk management system. Additionally, we engage external tax experts to conduct tax capability enhancement training for our finance and tax personnel. In 2023, the Company conducted a total of 19 specialised tax and financial training sessions.



#### Pillar Two: Policy Review and Latest Development

● Example of Specialised Tax Training Materials

## Compliance

smart adheres to compliant operations, strictly following the laws and regulations of the regions where we operate and develop business. We continuously enhance our compliance management standards and maintain a culture and system of compliance.

### Compliance Management

smart has always regarded corporate compliance management as the operational baseline, achieving stable, long-term, and sustainable development by continuously improving the compliance management system. We uphold the global compliance mission of "supporting the healthy and sustainable development of enterprises", strictly adhering to applicable national or regional laws and regulations during our operations.

#### Vision

Achieve "Integrity and Compliance"



#### Mission

Support of the healthy and Sustainable development of enterprises



#### Value

Do the right thing based on integrity, fairness, and transparency



After the Company restructuring, to ensure robust and efficient compliance operations globally, the Company continues to implement and improve the compliance management system under the leadership of the Compliance Committee chaired by the CEO, established by the Board of directors. This provides security for the Company's stakeholders and assets. At the operational level, the legal and compliance department at the headquarters uniformly deploys compliance management through the "smart Legal and Compliance Global Monthly Meeting" to manage global compliance operations. Subsequently, to provide comprehensive and practical security for the Company's global strategy, the Company plans to establish the "smart Global Compliance Management System" as soon as possible. The Company will appoint a Global Chief Compliance Officer at the headquarters. This Officer will incorporate global compliance operations, including the compliance management system and daily compliance operations, into unified management at the headquarters.

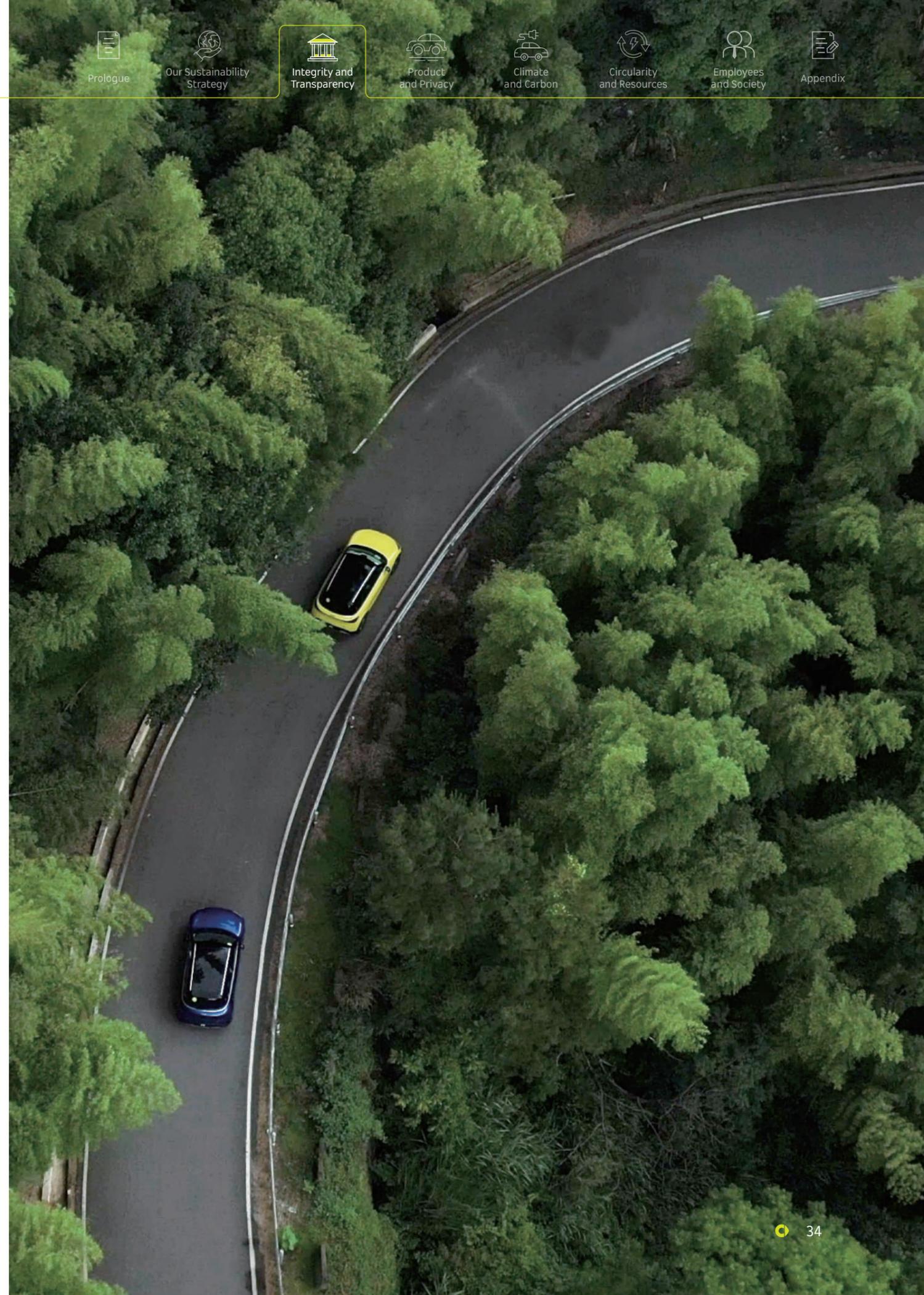
### Compliance Committee Structure



● smart Global CEO, Mr. Tong Xiangbei



<sup>3</sup>The organisational structure of the Compliance Committee reflects the current situation. After the release of the compliance organisational structure of the future global brand company, appropriate adjustments will be made according to the actual circumstances.



The Company has formulated and strictly enforces the "smart Code of Conduct". This Code of Conduct is based on the Company's articles of association, relevant laws and regulations, and the ISO 37301:2021 Compliance Management Systems – Requirements and Guidelines for Use. It establishes the Company's overall compliance operational direction and attitude, namely "we have zero tolerance for any illegal or improper behaviour that violates the code of conduct". Additionally, this code helps smart communicate our business conduct and ethical standards to every employee, clarifying the Company's overall compliance operational direction and attitude. Furthermore, we have developed detailed compliance policies and provided principled guidance and regulations, such as the "Compliance Risk Assessment Management Policy" and the "Mandatory Compliance Consultation Management Policy", along with 13 other management policy documents.

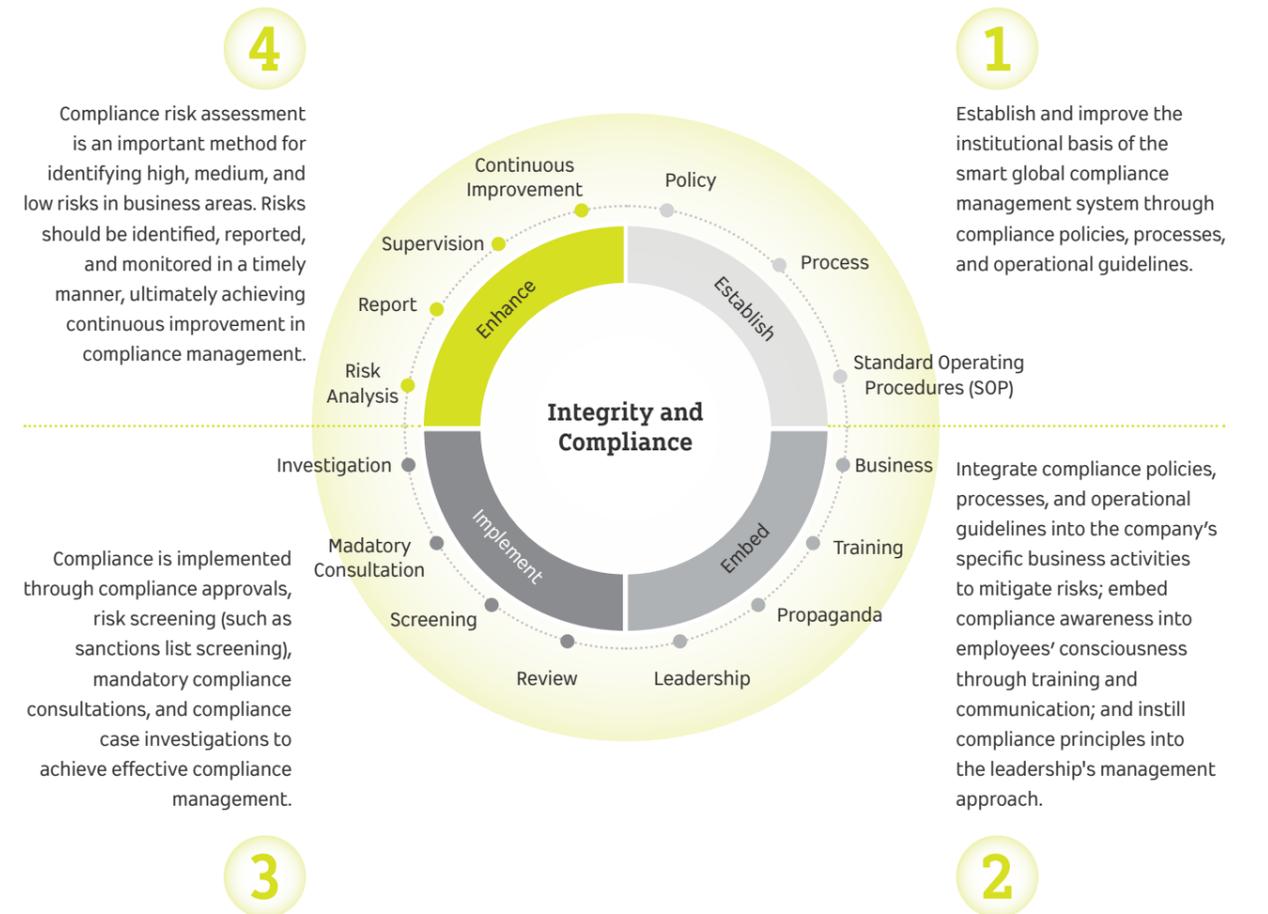
smart plans to implement the Compliance Management Policy Pyramid in 2024



In 2023, smart significantly enhanced the compliance management system, achieving closed-loop management of smart's compliance operations through four modules: "Establish", "Embed", "Execute", and "Enhance". This approach fully integrates the Company's daily management, operational compliance, and listing compliance requirements, ensuring that our business operations comply with the laws, regulations, regulatory policies, international treaties, and industry standards of the regions where we operate. We have implemented governance measures in areas such as anti-corruption, anti-fraud, anti-bribery, export control, and trade sanctions, including conflict of interest disclosure management and trade sanctions list screening.

Topic	Core Content	
Compliance and Integrity	Code of Conduct	Commercial partner due diligence
	Anti-corruption, anti-fraud, anti-bribery	Anti-money laundering and anti-unfair competition
Corporate Governance	Export control and trade sanctions	
Risk and Crisis Management	Compliance risk assessment	

### smart Compliance Operations Closed-Loop Management Model





### Integrating the Company's Code of Ethics into Partners' Code of Conduct

smart has developed and implemented the "smart Code of Conduct for Suppliers and Third Party Intermediaries", which comprehensively outlines the responsibilities that smart's suppliers and third-party intermediaries should bear towards their stakeholders and the environment. This ensures that the same sustainability standards are adhered to throughout the entire supply chain.

The Company has also established a compliance due diligence mechanism for partners and developed the "Compliance Due Diligence Management Policy for Business Partners". This system requires business partners to truthfully complete the "Business Partner Compliance Due Diligence Questionnaire" and respond to and explain the relevant items in the "Business Partner Compliance Risk Assessment Checklist". If any suspected or potential non-compliance issues are found during the verification process, we will promptly confirm with the business partner and further clarify and prove their compliance. Our aim is for business partners cooperating with smart to uphold high standards of compliance and ethics.

The Company actively instills compliance values and mission into every employee through compliance training, enhancing overall compliance awareness and integrating it into the corporate culture. During the Reporting Period, we collaborated with internal and external industry experts to conduct a total of 22 legal and compliance online and onsite training sessions. These sessions covered all employees, including those in functional departments such as new hires, the R&D department, and various branches and subsidiaries. The training content included a wide range of topics, such as business partner compliance due diligence and anti-trust compliance.

During the Reporting Period, there were a total of 2,364 participant attendances in legal and compliance training, accumulating a total of 3,264 training hours.



### Company-wide Special Training – How to Handle "Dawn Raids"

In July 2023, smart conducted a special business communication training activity for management employees titled "How to Handle 'Dawn Raids'". This activity was personally taught by internal legal and compliance experts, covering comprehensive content such as what dawn raids are, types of dawn raids, and strategies for responding to them.

Through this training activity, each participant gained professional knowledge and skills, applying what they learned to practice. After the training, we also invited the participants to complete a satisfaction survey to understand the real effectiveness of the training course and the participants' feelings from their perspective.

During the Reporting Period, smart did not experience any serious violations or non-compliance with applicable laws and regulations.

### Conflict of Interest

To effectively safeguard and maintain the Company's interests and prevent any harm caused by conflicts of interest during business operations, smart has developed and strictly enforces the "Conflict of Interest Management Policy". All employees must sign the "Conflict of Interest Avoidance Declaration" and annually disclose any conflicts of interest through the Company's internal system. This ensures that all employees are aware of and strictly adhere to the Company's conflict of interest policies. In 2023, The Company held two "Conflict of Interest Disclosure Training" sessions in both English and Chinese on a global scale, aimed at guiding the annual conflict of interest disclosure process worldwide. Through these disclosures, no conflicts of interest involving employees were found for the year 2023. As per the usual practice, The Company will complete the global conflict of interest disclosure process by the end of the year.



## Business Ethics

Wherever we operate and develop business, we strictly adhere to business ethics standards of honesty, integrity, fairness, and fair competition. We maintain a zero-tolerance policy towards commercial corruption and strictly oppose it.

### Business Ethics and Anti-Corruption

smart strictly complies with laws and regulations such as the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, and the German Anti-Corruption Act. The Company has developed and implemented internal management policies, including the Anti-Bribery Compliance Management Policy, Anti-Fraud Compliance Management Policy, and Anti-Money Laundering Policy. During the Reporting Period, smart did not experience any cases related to violations of business ethics.

To clearly define and regulate the Company's constraints and requirements regarding business ethics and effectively prevent commercial corruption, the Company has established the "Gift and Hospitality Policy". Based on this policy, we have refined the "Guidelines for Reuse of Compliant Gifts" to ensure good relationships with external stakeholders while preventing business ethics-related risks in commercial interactions. This guide also raises awareness about the reuse of gifts given out of business etiquette.

To prevent financial crimes and mitigate anti-money laundering risks, smart has developed and strictly enforces the "Anti-Money Laundering Policy". As a global enterprise, we are committed to complying with applicable anti-money laundering laws and regulations and supporting the international community in combating money laundering and other financial crimes. Additionally, the Company is committed to conducting business only with partners whose commercial activities comply with relevant legal requirements, who engage in legitimate business operations, and whose funds are legally sourced and traceable. By setting an example, we verify and ensure the legitimacy of financial activities and transactions of our business partners and customers throughout the value chain.

smart has consistently adhered to conveying the principles and requirements of anti-corruption and business ethics to every employee, preventing corruption from the source. During the Reporting Period, the Company conducted three bilingual (Chinese and English) training sessions on business ethics and anti-corruption, with a total of 338 employees participating.

### smart Anti-Fraud Management Policy Training and Communication

To help employees understand the Company's anti-bribery and anti-fraud compliance policies, smart conducted an online "smart Anti-Fraud Compliance Management Policy Training" for all employees during the Reporting Period. The training covered topics related to anti-bribery and anti-fraud, including distinctions between the two, the scope of the policies, and penalties for violations. We aim for this training to effectively convey the values of integrity and honesty to management and all employees, strengthening their awareness of compliance and integrity.

## Whistleblowing Mechanism

To actively enhance business ethics and anti-corruption compliance management, and effectively identify and address related risks, smart has developed a global "Compliance Whistleblowing and Investigation Management System". This system establishes multiple whistleblowing channels to collect information about violations of business ethics or other regulations. Independent investigations are conducted to ascertain the actual process of the reported incidents. The whistleblowing and investigation processes adhere to the five principles of independence, objectivity, fairness, confidentiality, and avoidance of conflicts of interest. The investigation team and relevant personnel take appropriate measures to maintain the confidentiality and protection of whistleblowers, ensuring their rights are safeguarded.

Both internal employees and external stakeholders can report through the following channels:

<b>Company Compliance Whistleblower Hotline</b>	+86 0574-23720372	
<b>Company Compliance Whistleblower Email</b>	smart.BPO@smart.com	
<b>European Whistleblower Platform</b>	<a href="https://www.bkms-system.com/smart-Europe">https://www.bkms-system.com/smart-Europe</a>	

### smart Invites Employees to Participate in Whistleblowing and Investigation Management Policy Training

During the Reporting Period, the Company organised training on the "smart Compliance Whistleblowing and Investigation Management Policy" to help employees fully understand this aspect of the Company's compliance management policy. In the training, we invited employees to discuss the applicability of the whistleblowing and investigation mechanism in daily work, thereby effectively conveying the Company's compliance culture and principles. This guidance aims to help employees identify non-compliant behaviours in the workplace and protect their rights, avoiding potential harm.

During the Reporting Period, we received a total of six internal and external whistleblowing reports, involving categories such as fraud and information leakage. All reports have undergone the investigation process and have been resolved.

## Intellectual Property Protection

The management of intellectual property within the Company specifically refers to the management of trademarks, patents, and copyrights. This has been an important issue that smart has focused on since the brand's inception. Only by respecting the power of knowledge and paying attention to the application and protection of intellectual property can the Company safeguard innovation and continuously strengthen our competitive advantage. The global trademark operations at smart are centrally managed by the Legal and Compliance Department under the leadership of the Board of Directors and the EMC. The department hosts the bi-weekly smart Global Trademark Meetings to communicate with business departments regarding specific trademark protection efforts. The global patent operations at smart are overseen by the Patent Management Committee under the EMC, which makes decisions on overall patent strategy, major litigation, and significant transfers. The Legal and Compliance Department is responsible for patent applications and daily maintenance. Under the leadership of the EMC, copyrights are managed by the Legal and Compliance Department, which handles specific registration and maintenance tasks.

smart strictly adheres to intellectual property laws and regulations in all operating regions, promptly converting innovative technologies and intellectual achievements into intellectual property assets. The Company has established internal management policies such as the "Trademark Management Policy", "Patent Management Policy", "Scientific Paper Management Policy", and "Commercial Rights Protection Management Policy" to effectively safeguard intellectual property rights and avoid infringing on the intellectual property rights of others or other companies. During the Reporting Period, smart signed patent agency contracts with third-party service providers to protect our intellectual property rights and prevent intellectual property infringement risks.

### 2023 smart Intellectual Property Management Performance

	2023 New Additions	Cumulative Total (As of the End of the Reporting Period)
Total Intellectual Property Rights	104 (patent only)	363
Trademarks	36	1,327
Inventions	8	13
Utility Models	33	130
Design Patents	63	436

smart places great importance on building and promoting a culture of protecting intellectual achievements. In 2023, the Company conducted basic patent-related training for all employees and R&D personnel, explaining patent-related concepts and characteristics, as well as the negative impacts of infringement.

Training Topic	Training Content	Target Audience
Patent Basics	Introduction to the patent policy, patent processing procedures, etc.	All employees
Basics of Patent Infringement Determination	Concepts, principles, and methods of patent infringement determination	All R&D employees



### smart Intellectual Property Boot Camp

In 2023, the smart Legal and Compliance Department organised the first "smart Intellectual Property Boot Camp", with representatives from various R&D departments participating throughout the event. The training content covered basic knowledge of patent applications and infringement checks. Additionally, participants engaged in practical activities such as case evaluations of patent applications and drafting disclosure materials. These activities helped attendees gain a comprehensive and in-depth understanding of the patent work and processes required in their R&D activities.

The intellectual property awareness of R&D personnel is the foundation of the Company's intellectual property efforts and the basis for innovation. Through the Intellectual Property Boot Camp, we hope that R&D engineers can enhance their awareness of intellectual property protection and apply patent knowledge from the product development stage to safeguard innovative achievements and avoid infringement risks. This will contribute significantly to the Company's R&D efforts.



Participants actively discussed the details of patent cases.

## Anti-trust and Anti-unfair Competition

smart upholds the fundamental principle of fair competition, firmly opposing monopolistic and unfair competition behaviours that disrupt market order. The Company strictly complies with the Anti-Monopoly Law of the People's Republic of China, the Anti-Monopoly Guidelines of the State Council on the Automotive Industry, the EU Operation Treaty, and the EU Regulation on Collective Exemption from Vertical Agreements in the Automotive Industry, among other laws and regulations in our operating regions. smart has issued and adopted the Anti-trust Compliance Policy to ensure open and healthy competition. During the Reporting Period, smart did not have any legal cases related to anti-competitive behaviour, violations of anti-trust, or anti-monopoly laws.

Through internal promotion and training, we convey the concepts and culture related to anti-trust and anti-unfair competition to our employees. We aim for all employees to understand the rules and regulations associated with anti-trust and anti-unfair competition, thereby promoting the Company's long-term sustainable development, and maintaining an open and healthy competitive environment with peers.



### smart Conducts Bilingual Antitrust Compliance Training

In 2023, smart conducted two anti-trust compliance training sessions in Chinese and English for employees in China and Europe. These sessions comprehensively helped employees understand the "smart Anti-trust Compliance Policy" and enhanced global employees' awareness of fair market competition. The training covered important topics such as:

- ▶ Laws and regulations related to anti-trust and anti-unfair competition
- ▶ Interpretation of the clauses in the "smart Anti-trust Compliance Policy"
- ▶ How to avoid crossing the red lines of anti-trust and anti-unfair competition
- ▶ Relevant risk control and daily reporting procedures

## Looking Ahead

smart consistently upholds the principles of integrity and honesty in business operations, continuously building and enhancing a culture of integrity and transparency. In the future, we will benchmark against international standards and leading practices to optimise our management mechanisms while actively influencing other partners in the value chain to co-create an ecosystem of integrity and transparency. The Company is committed to the following actions:

- ▶ Always considering integrity and compliance as key decision-making factors, continuously optimising our compliance and risk management systems
- ▶ Continuously conveying corporate compliance values to management and employees, extending the impact of compliance throughout the value chain
- ▶ Enhancing the awareness and skills of management and employees in areas such as anti-unfair competition and intellectual property protection through online and offline training

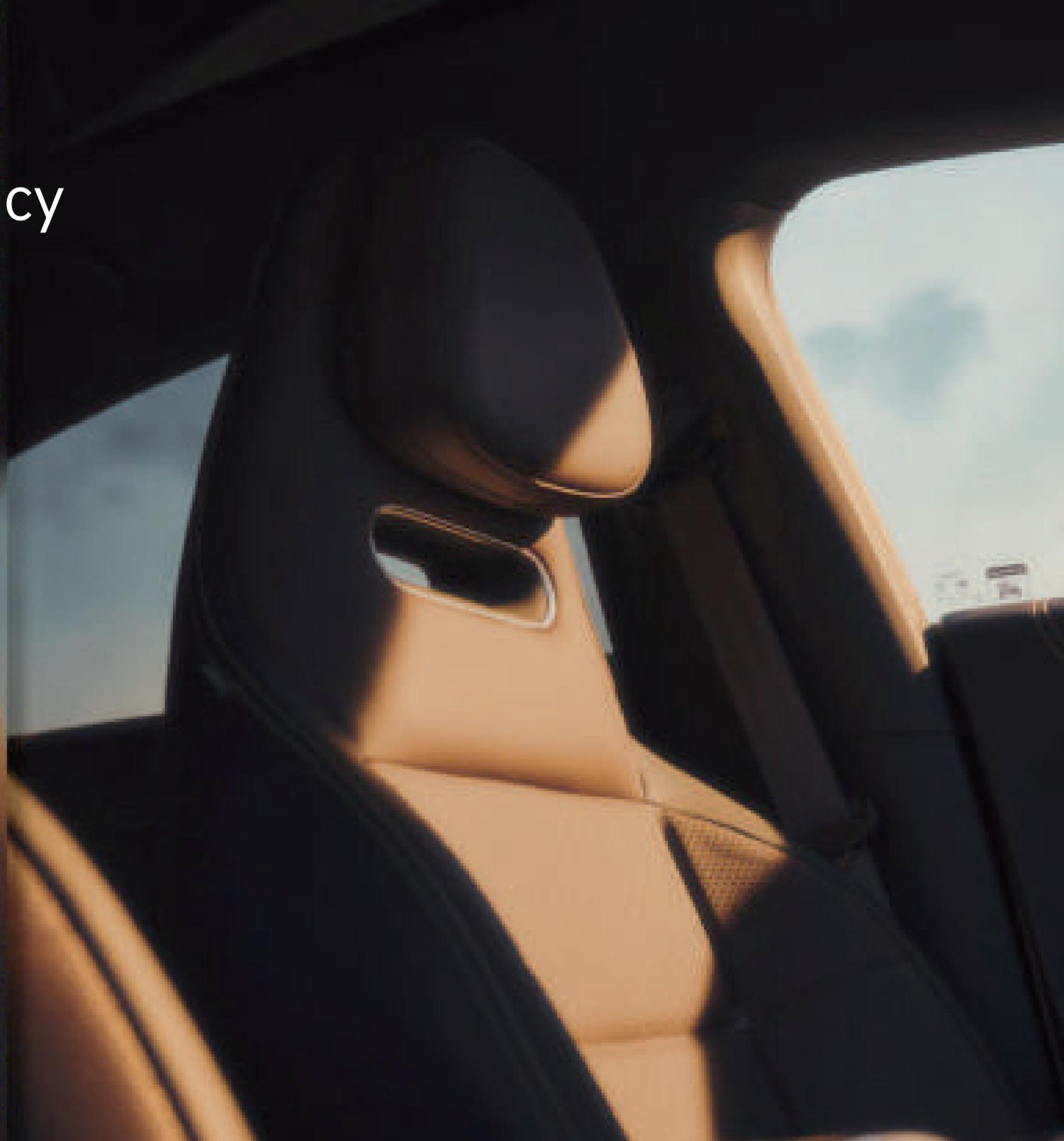


# Product and Privacy

Products and services are our crucial means of reaching users. In the face of increasingly fierce global commercial competition, smart has always focused on product quality and user experience. As a leading global automotive company, smart adheres to the philosophy of "user first, quality products". We continuously develop cutting-edge technologies and strive to create new models to meet the diverse needs of different users. At the same time, we are expanding our charging network and advancing intelligent driving technology to provide smart enthusiasts and global new energy vehicle users with leading, sophisticated, and safe product choices and driving experiences.



# 02



## Technological Innovation

smart firmly believes that technological innovation is the core productivity driving power transformation and energy conversion, and it is key to shaping new brand dynamics and advantages. We continuously strive to research and apply the latest technologies to our vehicles, providing users with cutting-edge and innovative driving experiences.

### Product Development

In 2023, smart is entering a new phase of full-speed operation, accelerating the establishment of a global product development, market sales, and service management system. Our next generation of electric vehicles is spearheaded by the smart R&D team, with design led by the Mercedes-Benz global design team, aiming to create a new premium sporty design with the "Sensual Purity" design language. By the end of 2023, smart has launched two new premium electric models: the agile smart #1 and the sporty smart #3, both officially delivered in multiple markets in China and Europe, with plans to continue expanding into high-potential markets such as Southeast Asia and the Middle East. Additionally, both models are available in BRABUS versions, representing a new era for smart and BRABUS in the electric age. These versions incorporate exclusive BRABUS design elements, creating extraordinary visual impact and performance appeal. In May 2023, the smart #1, with its new premium style imparted by the Mercedes-Benz global design team, garnered worldwide attention once again. After rigorous selection and fierce competition, the smart #1 stood out from numerous industrial design masterpieces and was awarded the 2023 Red Dot Design Award and the iF Design Award.

In 2023, smart gathered inspiration from millions of fans worldwide, creating countless moments that "chase the thrill". With the love and attention of global fans, smart's first sports utility coupé, the all-new smart #3, was launched first in the Chinese market. The new smart #3 is more dynamic, futuristic, and safer, combining performance, technology, and safety to full capacity. This new model will unlock new trends in urban driving fun together with global companions.

From 2022 to 2025, smart will bring an all-new model to customers each year, further enriching the new generation all-electric product portfolio.



### R&D System

smart continuously expands the R&D team, attracting more R&D talent. We have established and developed the smart Robotics Technology Company in Shanghai, aiming to create more excitement for users through intelligent driving. The Company has formulated and implemented intellectual property management policies such as the "Management Method of Scientific and Technological Papers" and the "Patent Management Policy". To encourage innovation, we also offer patent incentives to inventors. During the Reporting Period, we issued patent incentives for nine patents, with a total incentive amount of 106,000 RMB.

#### 2023 smart R&D Investment Performance

<b>19.32</b> R&D Investment (Hundred Million RMB) <sup>4</sup>	<b>623</b> Total Number of R&D Personnel (People)	<b>35.72%</b> Percentage of R&D Personnel in Total Workforce (%)
--	---	--

### Intelligent Innovation

smart electric vehicles integrate various transformative technologies, including new energy, new materials, the internet, big data, and artificial intelligence. We are committed to transforming cars from mere transportation tools into mobile smart terminals, energy storage units, and digital spaces, creating more enjoyable driving scenarios for our users.

#### smart Teams with NVIDIA to Develop Intelligent Mobility Solutions

smart has partnered with NVIDIA to develop a new data centre, empowering the development of advanced intelligent driving systems and smart artificial intelligence (AI) systems. smart will use the NVIDIA DRIVE Orin system-on-a-chip (SoC) to create the latest models equipped with advanced intelligent driving assistance systems. Additionally, we will adopt NVIDIA DRIVE Orin as the centralised computing platform for the newest models, supporting the brand's self-developed smart Pilot Assist 3.0 intelligent driving assistance system. This collaboration aims to provide users with a more intelligent driving assistance and a more reliable active safety product experience.

Additionally, smart will work with NVIDIA to build a dedicated data centre for the development of highly advanced intelligent driving and AI systems. This collaboration will enhance model training efficiency and continuously support future urban smart transportation with technological strength.



● smart Partners with NVIDIA for Deep Collaboration in the Field of Intelligent Driving

<sup>4</sup> R&D Investment Amount for New Projects Initiated in 2023



### Intelligent Interaction, Igniting Passion

In the third quarter of 2023, the Company released smart OS CN1.2.0, introducing the Suspend To Ram (STR) feature, a method for quickly starting terminal devices. The system operates at minimal power consumption to achieve power saving and rapid recovery. With this technology, the vehicle's system can quickly start after hibernation while minimising power loss. The startup time for the smart #1 and smart #3 vehicle systems has been reduced to approximately 3 to 5 seconds. The vehicle begins to start as soon as it detects the user's key, eliminating waiting anxiety and providing a seamless experience of immediate use upon startup.

Through features such as convenient interaction, multi-zone mixed interaction, and personalised charging settings, smart vehicles can meet the personalised needs of various users.



### Innovation Brings Greater Peace of Mind to Smart Technology

The new feature in smart Pilot Assist 3.0 is the Urban Navigation Assisted Driving NSP PRO. This function integrates navigation and assisted driving on urban roads, reducing driver fatigue during city travel and enhancing driving safety. smart always prioritises user safety. We provide detailed explanations of intelligent driving features from three aspects, aiming for users to experience these features safely and securely, preventing potential safety hazards.

- ▶ During the vehicle delivery stage, providing customers with a manual to describe the usage of features and specific limitations.
- ▶ Offering learning materials on the vehicle's system, requiring users to complete the learning content before activating the feature to prevent blind use of intelligent driving functions due to a lack of understanding.
- ▶ Providing learning content and daily educational activities on the app, allowing users to conveniently understand the usage conditions, methods, and limitations of intelligent driving features.

## Charging Network

Since smart's complete transition to an all-electric vehicle brand, we have placed great importance on the development of our charging network, striving to create a convenient and carefree charging and driving experience for our users. In 2023, we established smart-operated charging stations and actively promoted smart public charging services and home charging services, adopting multiple measures to meet users' charging needs.



### Charging Network Expansion, Broadening the Boundaries of Driving Peace of Mind

In 2023, smart established proprietary charging stations, including the completed and operational charging stations at Crowne Plaza Resort in Chongli, Hebei, Vanke Centre at Hangzhou Olympic Sports Centre, Sunshine Century Shopping Centre in Chongqing, and Jin Guo Maker Space in Shanghai. Currently, the Ningbo New Hope Jinlin Shangfu charging station and the Wenzhou Lucheng International Building charging station are under construction.

Additionally, smart's public charging map now integrates more than 36,000 public charging stations and over 430,000 charging terminals in China. Furthermore, smart has installed over 28,000 home charging piles for vehicle owners.



● smart-Operated Charging Stations

## Quality Management

At smart, we consistently adhere to quality and safety management principles, providing customers with high-quality, high-safety vehicles and services. The Company continuously optimises and enhances the quality of products and services to ensure a premium lifestyle for our customers.

### Product Quality

smart has established a comprehensive quality management system, implementing product quality management through five key areas: project quality, manufacturing quality, complete vehicle testing, market quality, and supplier quality. Additionally, we focus on enhancing the quality system and fostering a quality culture by conducting various quality culture promotion activities during the Reporting Period.

The Company strictly complies with the Product Quality Law of the People's Republic of China, Law of the People's Republic of China on Protection of Consumer Rights and Interests, and the EU Automotive Framework Regulation 2018/858 and 2019/2144. To enhance the internal product quality management system and evaluation standards, smart has developed and implemented 77 key quality management system documents, including the Quality Manual, Quality Objectives, and Whole Vehicle Review Management Regulations. These documents cover scenarios and processes such as product quality, product safety, software quality, and service quality. We have set internal quality management targets, such as failure rate per thousand vehicles and user satisfaction ratings. During the Reporting Period, more than 280 sold vehicles underwent smart whole vehicle performance quality inspections<sup>5</sup>, with a total cumulative mileage of over 530,000 kilometres.

In 2023, the Company fully implemented the advanced quality system standard for the automotive industry, IATF 16949, and established a quality management system based on the ISO 9001:2015 Quality Management System and other related standards. Through internal audits and document reviews, we improved the R&D, sales, and after-sales quality management system regulations, comprehensively enhancing the Company's internal quality management capabilities and external quality system management capabilities. During the Reporting Period, we conducted annual internal audits of the quality system and successfully passed the external audits for the ISO 9001 quality system and the IATF 16949 quality system. Additionally, through continuous monthly process optimisation management activities, we identified and implemented process optimisation points, promoting the efficient operation of various business activities, and strengthening the operational capability of the quality management system.

<sup>5</sup> Includes Global Customer Product Audit (GCPA), Vehicle of Customer Fleet (VOCF), and Operational Reliability Test (ORT).



### smart #3 Receives Euro NCAP "Five-Star Safety Rating"

In 2022, the smart #1 received dual five-star safety certifications from the China NCAP and Euro NCAP. In 2023, the smart #3 further achieved a five-star safety rating from Euro NCAP. Additionally, adhering to the "full-chain environmental protection" concept from material sourcing to end-user delivery, the smart #3 BRABUS performance version also received the "Five-Star Healthy Car" certification for 2023. These achievements have garnered authoritative industry recognition and user acclaim, setting new benchmarks in multiple fields.



## Our Quality Management Achievements



- ▶ In September 2023, smart passed the ISO 9001 annual surveillance audit.
- ▶ In October 2023, smart received third-party recognition for IATF 16949 certification.
- ▶ smart #1 was ranked third in the annual small electric SUV quality ranking by China Automobile Quality Network
- ▶ smart #1 won the 2023 German "Golden Steering Wheel" award

## Life Cycle Quality Management

Since inception, smart has always adopted a life cycle perspective, establishing, and implementing a comprehensive product service quality management system. This system strictly controls the quality ecosystem across all stages, including design and development, manufacturing, and sales and service.

### Product and Procedure Assurance

Establish management documents such as the "Whole Vehicle Quality Reliability Test Management Measures" and the "New Product Project Milestone Review Process" to ensure that vehicle quality and safety are thoroughly considered during the product design and development process.

### Supplier Quality Management

Compile the "Supplier After-sales Performance Management" and require suppliers to sign the "Quality Improvement Guarantee" to strictly ensure the quality and safety of upstream materials and packaging materials.

### Production Control

Uphold the quality concept of "production consistency", implement system documents such as the "Production Consistency Management Measures" and the "Market Product Consistency Management Measures", and strictly control the entire production process to ensure products are manufactured according to the production processes approved by international regulatory authorities.

### Management Review

Strictly refer to the "Global Customer Product Audit (GCPA)" and "Annual Audit Plan" requirements to conduct comprehensive evaluations of the whole vehicle. Random inspections are performed on product safety, functionality, performance, and odor to ensure each batch of products passes rigorous inspection processes, meeting customer needs and driving experience.

### After-Sales Quality

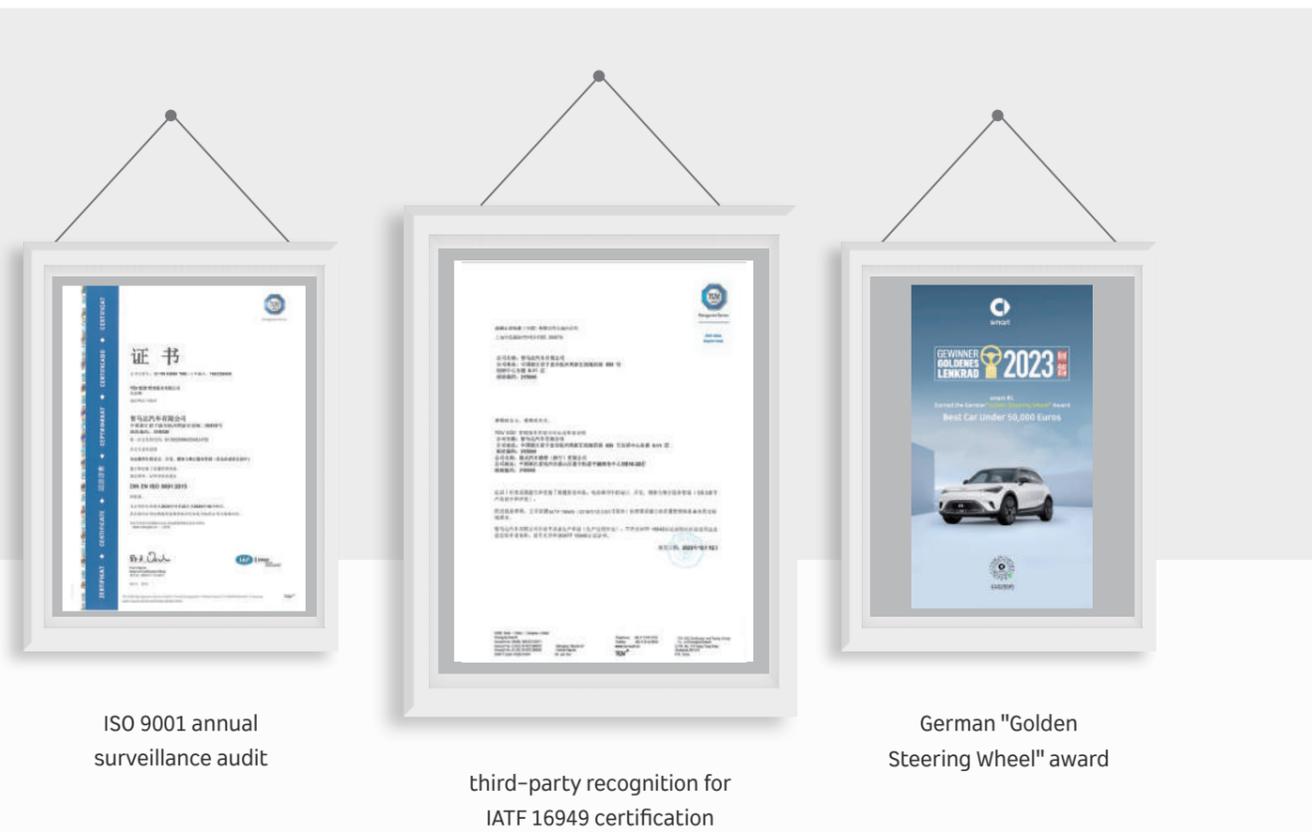
Strictly adhere to the "After-Sales Self-Made Parts Inspection Specifications" and "European Warranty Parts Analysis Management Procedure" management documents to conduct proactive service and targeted management, ensuring user satisfaction and comprehensiveness in every vehicle service.

### Product Traceability

Continuously monitor the quality of launched products, compile quality traceability system documents such as the "smart Recall Activity Details", closely monitor vehicle usage by owners, and conduct 3-5 Over-the-Air (OTA) upgrade activities annually, along with OTA upgrade safety testing.

### Issue Response

Issue and strictly implement the "Corrective and Preventive Management Procedures" and the "China-Europe Market Product Quality Issue Response Procedures", monitor customer feedback on product quality issues in real-time, and continuously improve the 24-hour issue response management system.



ISO 9001 annual surveillance audit

third-party recognition for IATF 16949 certification

German "Golden Steering Wheel" award

## smart Launches New Self-Developed Supplier Database System (SQE)

In 2023, the Company independently developed a comprehensive, digital, and intelligent supplier management system tailored to smart's unique business model and current operational status. This system helps smart coordinate market data, quality indicators, and supplier manufacturing site data, achieving integrated full-process management and significantly improving smart's supply chain quality management efficiency. The SQE database system enables systematic supplier interaction, integrating processes such as supplier audits, claims, and performance metrics. While enhancing efficiency, it maintains the commitment to product quality and safety, ensuring the accuracy and reliability of processes.

### Quality Culture Building

Promoting and spreading quality awareness is the cornerstone of improving and enhancing product and service quality. In 2023, smart conducted multiple quality-related training sessions, aiming to integrate a quality culture into every employee's work. This effort seeks to effectively elevate the quality management level throughout the entire product life cycle.



**Quality Awareness Promotion**

Aimed at all employees, enhance the quality awareness of the Company, and strengthen company-wide quality system management capabilities.

- ▶ Modern quality management processes and methodologies
- ▶ Risk-based enterprise quality management thinking
- ▶ How to take action to promote the construction of the enterprise quality management system
- ▶ Quality management system methodologies and related tools



**Internal Auditor Training**

Aimed at the Company's quality system internal auditors, strengthen their understanding of the IATF 16949 standard clauses in the automotive industry through explanation and case studies, enhancing their ability to conduct self-assessments in the quality system operation of each module.

- ▶ Introduction to IATF 16949:2016 and areas of focus
- ▶ Interpretation of industrial process methods and risk-based thinking in the automotive industry
- ▶ Analysis of IATF 16949:2016 requirements and best practices



**Quality Management System Education**

Aimed at all new employees, introduce the requirements of smart and the industry's quality management systems, helping new employees understand the quality management system and enhancing their quality awareness.

- ▶ Introduction to quality and relevant laws and regulations
- ▶ The importance of quality to the nation, organisation, and employees
- ▶ How to ensure quality and related responsibilities

## Ensuring Battery Safety

In recent years, the new energy vehicle industry has accelerated its development, and battery safety, as a key aspect of new energy vehicle safety, has garnered significant attention from smart stakeholders. The Company consistently prioritises the user perspective, continuously optimising battery pack design and material selection. Through ongoing technological innovation and application, we strive to enhance battery safety.

### Empowering Safety with Technology



**800V High-Voltage Safety Technology**

- ▶ smart achieves insulation of the battery core through technology, with voltage resistance above 4000V
- ▶ The battery pack meets electrical clearance and creepage distance requirements higher than the UL 2580 standard
- ▶ Protechnical Safety Switch (PSS) for smoke and fire, providing active safety protection with millisecond-level rapid power cut-off

---



**NTP 2.0 Thermal Protection**

- ▶ "Three-in-one" cold plate design, using dual large-area liquid cooling, with liquid cooling plates inside the battery cell compartment
- ▶ Eight independent safety protection technologies to ensure no thermal propagation or fire:
  - >> Cloud monitoring
  - >> Millisecond-level power cut-off
  - >> Efficient heat absorption
  - >> Multi-layer insulation
  - >> Real-time prevention and control
  - >> Active cooling
  - >> Automatic warning
  - >> Unobstructed heat dissipation

## smart Models Meet China and Euro NCAP Five-Star Crash Safety Requirements

The China and Euro NCAP five-star crash safety tests include evaluations in four major dimensions: occupant protection, child occupant protection, vulnerable road user protection, and safety assist. In 2023, the Euro NCAP's new regulations introduced extremely stringent scoring standards, not only testing the vehicle's safety systems for self-protection but also raising the compatibility assessment standards regarding the damage to the other vehicle.

The overall body structure of the smart #3 was designed and developed strictly in accordance with the "dual five-star" safety standards of China and Europe. By installing armour protection at the bottom of the vehicle, we reduce battery pack vibration and mechanical impact, achieving collision safety that far exceeds national standards. The collision safety calculations meet the five-star collision safety requirements of both China and Euro NCAP. The comprehensive safety of the body and battery is industry-leading, providing a solid guarantee for the intelligent electric travel of our customers.



● smart #3 Receives Euro NCAP "Five-Star Safety Rating"

## Product Recall and Prevention

smart continuously improves product quality after-sales service and handling mechanisms, strictly adhering to the "Regulations on the Administration of Recall of Defective Automotive Products" and other relevant domestic and international laws and regulations. The Company has formulated and implemented the "smart Recall Activity Details" and the "smart China-Europe Market Product Quality Issue Response Procedures" as part of our after-sales quality handling methods.

In 2023, the smart Global Quality Centre led the organisation of relevant departments to conduct simulated recall and defect demonstration training according to the requirements of GB/T 34402 "Guidelines for Risk Assessment and Risk Control of Automotive Products", European regulations and standards, and other relevant national standards. This involved verifying suspected defect issues. Based on the results of these verifications, a recall leadership team was established, primarily responsible for formulating the recall work schedule. The team provided different functional departments with work assignments based on various work modules:

Department	Specific Responsibilities
<b>Production Department</b>	<ul style="list-style-type: none"> <li>▶ Mainly responsible for stopping production</li> <li>▶ Providing vehicle list</li> </ul>
<b>Technical Department</b>	<ul style="list-style-type: none"> <li>▶ Responsible for thoroughly verifying defect solutions to ensure effective countermeasures and forming and implementing "Effectiveness Analysis Reports" promptly.</li> </ul>
<b>Sales and Marketing</b>	<ul style="list-style-type: none"> <li>▶ Responsible for preventing defective vehicles from continuing to enter the market.</li> <li>▶ Based on sales records ("User Vehicle Files") and "Operator Inventory Lists", assigning recall maintenance tasks to each dealership, ensuring parts suppliers and schedules are met.</li> <li>▶ Drafting "Defect Recall Announcements", coordinating with the Technical Department for timely communication reports.</li> </ul>
<b>Quality Department</b>	<ul style="list-style-type: none"> <li>▶ Responsible for filing with national regulatory agencies.</li> <li>▶ Tracking recall publication dates.</li> <li>▶ Announcing recall periods after regulatory announcements, conducting public announcements, and carrying out recall activities.</li> </ul>

During the Reporting Period, smart did not initiate any recalls related to safety or defects.

## User First

smart always puts customers at the centre, relying on technological innovation to provide a more convenient and enjoyable travel experience. We aim to enhance user satisfaction with our brand and products through attentive customer service.

### Responsible Marketing

#### Marketing Training

Responsible marketing is the cornerstone of our customer service. To standardise the compliance of agents in retail business and market promotion activities, smart has issued and required agents to implement the "smart Agent Management Standards – Retail Business Regulations (Ten Rules)". These standards cover retail regulations, authorised driving regulations, market communication regulations, public relations communication regulations, gift regulations, information confidentiality regulations, event regulations, community regulations, customer complaint regulations, and other smart regulations that must be followed. Through the smart app, smart conducts nationwide vehicle reservations and sales, allowing consumers to view the configuration, corresponding prices, sales policies, consumer rights, and compatible financial product information for their selected vehicles through multiple channels.



#### smart #3 Product Launch Training

To support the successful launch of smart's second global new premium coupe SUV, the smart #3, the Company's business training department organised product launch training and product enhancement training sessions in Guangzhou and Beijing. These sessions covered frontline positions of smart employees and agents, helping the team gain a deep understanding of the product's features, advantages, and positioning. This enables them to more effectively convey product information to users, empowering users to make informed decisions.



Product Launch Marketing Training

## Sustainable Consumption

Promoting sustainable consumption and lifestyle is smart's mission. Our brand's merchandise store uses sustainable materials to make products while sharing the sustainable production stories behind them. We hope to resonate with consumers on sustainability.

Flagship Products	Sustainable Materials
<b>#1 Car Model – 25<sup>th</sup> Anniversary Edition</b>	FSC Certified Eco-Friendly Paper
<b>smartpets Series Pet Bed</b>	Using biodegradable corrugated cardboard Materials
<b>Original Leather Products</b>	All made with eco-friendly water-based polyurethane materials.

## Customer Service

### Enhancing User Satisfaction

smart has issued and implemented the "After-Sales Satisfaction Survey Guidelines", which aim to refine and implement a service satisfaction evaluation system from a life cycle perspective. The satisfaction team sends daily customer feedback and suggestions to the stores, and the stores develop and implement improvement plans based on these suggestions.

#### smart Life Cycle Service Satisfaction Evaluation System



Since 2022, we have been conducting the "After-Sales Five-Star Instant Review" program. The evaluation includes service packages, new owner activities, home charging pile installation, after-sales maintenance and repair, roadside assistance, original accessories, and OTA upgrades. In 2023, we collected over 45,000 feedback samples, including more than 17,000 from after-sales service and maintenance scenarios. For low ratings of 1-3 stars, we ensure 100% follow-up by dedicated personnel. The satisfaction scores for after-sales service and maintenance are now tied to the assessments and incentives of dealers and sales personnel.

In 2023, based on customer feedback from the Five-Star Instant Review program, we made targeted improvements in areas such as WeChat group management, seating packages, and timely reception. We optimised service processes and collaborated with dealers and regional managers to ensure the implementation of these measures, thereby promoting increased user satisfaction. During the Reporting Period, the satisfaction score for after-sales maintenance and repair improved from 84 points at the beginning of the year to 97 points by the end of the year.

## Expanding Customer Communication Channels

The Company values honest communication and interaction with users. We provide users with multiple communication channels, allowing them to give feedback anytime, anywhere through various methods such as the smart APP, the smart hotline, or by visiting offline stores. Users can also track the progress of their feedback in real time. We strictly adhere to the Consumer Rights Protection Law of the People's Republic of China and have established the Customer Complaint Management Procedure to standardise the handling and feedback of consumer complaints. This ensures open communication channels for consumers and effectively safeguards their legal rights. Additionally, we enhance the skills of our complaint handling personnel through internal and external training, case sharing, and certification programs to ensure customer satisfaction.

smart also conducts Voice of the Customer (VOC) surveys to understand the evolving needs of users and continuously optimise our processes. In 2023, the Net Promoter Score (NPS) showed a significant improvement compared to 2022, with more users willing to recommend the purchase of smart vehicles.

### Digital Complaint Handling System Enhances Customer Experience

smart's digital service process involves the mechanism for handling customer complaints, feedback, and issues:

- User Feedback Channels** Users can provide feedback or complaints through the Customer Experience Centre (CEC).
- Information Entry and Synchronisation** The CEC system records the customer's complaint content, which can then be synchronised to relevant stores via the CSP.
- Task Assignment and Progress Display** Tasks are created for handling, and users can view the progress of these tasks on the smart APP.

Through the CEC system, an effective closed loop is formed for user complaints and their handling. By integrating the CEC with other customer service systems (such as Customer Service Platform), the efficiency of complaint handling is improved, ensuring continuity in customer service. Additionally, customers can stay informed about the progress of their service handling in real-time, facilitating smooth interaction.

## User Community

### Co-creation with Users

2023 marks the 25th anniversary of the smart brand. smart has always valued our connection with users, and smart times was born for this very purpose. Over the years, smart times has grown to become the largest global event for smart owners and a grand celebration for numerous trendy and fun-loving enthusiasts.

### Co-Creation with Owners

- Owner Custom Paint Jobs** New and old owners showcase their personalised car inspirations.
- Trunk Market** Owners share life inspirations, fully engaging in the new smart community user ecosystem, showcasing a lifestyle that is full of inspiration, friendly, trendy, and smarter.
- smartidea** Lifestyle-themed voting interactions, DIY car graffiti, inspiration collectors.

### Co-Creation with Brand Companions

- Super Monkey** Combine with on-site sports equipment to show inspirational poses and capture sports moments; experience unrestricted ways of exercising, using on-site sports equipment with the smart #3 to unlock new sports moves.
- Shakeshack** Encourage users to discover inspirational ways to eat, including hidden menu items.
- TWEEZERMAN** Create custom themed makeup looks, which can be inspired by idols, the elegance of the smart #1, or the sporty and energetic feel of the smart #3, crafting different themed looks for a thousand different faces.
- Fashion Travel** Explore the inspirational scenes of smart times, capture co-creation moments. On-site users can use the fashion travel photo frame to explore all the check-in points and collect moments of inspiration.





### 25th Anniversary, Continuing Passion

In 2023, smart celebrated the 25th anniversary of brand development. Under the theme "For the Love of Millions", the Business Training Department specially created the Brand Inspiration Institute in Linping, Hangzhou, to honour past glories. This event allowed companions to revisit the brand's "evolution" journey and comprehensively conveyed the brand values of "defining new premium, technology-driven, and trendy co-creation". Together with smart employees, agents, users, and senior media, we embarked on a journey of passion.



● Celebrating the 25th Anniversary with Companions

### ● User Growth

We care about our users' interests and feel honoured by the trust and loyalty they have shown to the smart brand. In 2023, we awarded over 500 million points to millions of smart fans, with nearly 400 million points used by smart users throughout the year. To ensure convenient and effective use of these points, we created the "Integrated Mall" (including smartidea, After-Sales Mall, smart Connectivity Mall, and Inspiration Market). This user-centric platform introduced dozens of new products (covering categories such as home, outdoor, pets, celebrity merchandise, and car-related items), meeting users' redemption needs and showcasing the value of point circulation.

## ■ Data Compliance

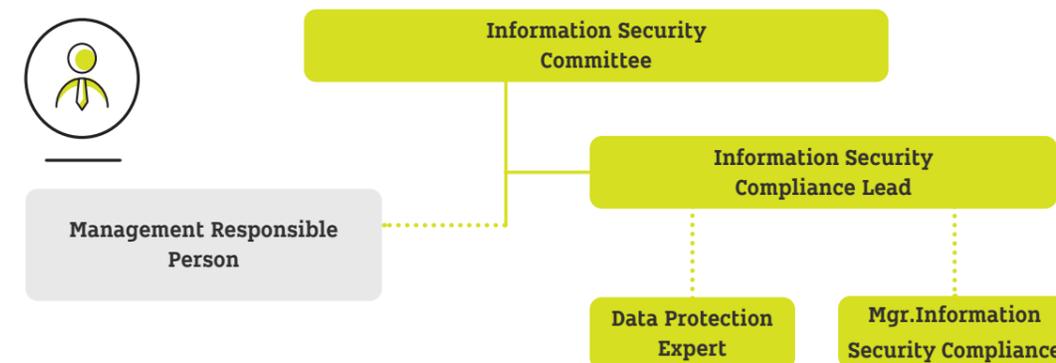
In the digital age, smart places great importance on the impact of data, privacy, and information on all stakeholders. We continuously upgrade our data protection capabilities and enhance privacy security measures to support business development and improve user experience. In 2023, smart upgraded and integrated internal information security, data security, and privacy management systems. According to relevant automotive industry standards, we established a data compliance and security system to ensure consistency and coherence across all stages. During the Reporting Period, the Company conducted mandatory courses on information security, data security, and privacy security for all employees, achieving a completion rate of 90%.

### 🛡️ Ensuring Information Security

smart strictly adheres to the EU General Data Protection Regulation (GDPR), ISO/IEC 27001 Information Security Management Systems, ISO/IEC 27701 Privacy Information Management Systems, as well as China's network and data-related laws and regulations, including but not limited to the Personal Information Protection Law of the People's Republic of China and the Data Security Law of the People's Republic of China. The Company continuously improves information and data security management systems. In 2023, we further clarified regulations and details such as the Information Security Reward and Punishment Guidelines, Information Security Asset Management Standards, and Data Classification and Grading Management Measures.

The Company established an Information Security Committee led by the EMC and set up an Information Security Implementation Committee. This committee appointed an Information Security Compliance Leader, Data Protection Experts, and an Information Security Compliance Manager, each with their respective roles to ensure the effective operation of smart's three-tier information security management system (decision-making level, sponsor, and implementation team). The Company also assigns key department heads from the Global Finance, R&D, and Global Manufacturing Centre to deeply engage in specific matters such as information security risk assessment and information handling, comprehensively ensuring the security of information and data.

#### smart Information Security Governance Framework



### smart Three-Tier Information Security Management System and Role Allocation



### Information Security System Certification

During the Reporting Period, the Company completed a total of five internal and external audits for the ISO 27001 Information Security Management System and the ISO 27701 Privacy Information Management System. These audits included third-party audits, internal audits by the holding group, and external ISO system audits. Additionally, in December 2023, we obtained the Level 3 National Information Security Protection certification for five major systems, including the Agent Dashboard Platform (ADP), smart APP, customer engagement centre (CEC), e-commerce (EC), and customer data platform (CDP).

The Company plans to expand the scope of ISO 27001 Information Security Management System certification and ISO 27701 Privacy Information Management System certification to four subsidiaries under smart in 2024. This expansion aims to ensure that the information security system penetrates all levels and departments of the Company, striving to protect the information and data security of the Company, users, employees, and suppliers.

### Information Security Training

The Company continuously emphasises the importance of information security to employees through training, effectively mitigating the risk of information leakage caused by lack of awareness or negligence.

### smart Conducts Information Security Awareness Training for All Employees

In 2023, the Company conducted multiple information security awareness training sessions for employees. We explained the basics of information security, outlined smart's management policies and system standards for information security, and provided detailed explanations of relevant guidelines. These included information security regulations in the employee handbook, definitions of information asset classification, and methods for classifying and handling information security incidents. This comprehensive training aimed to enhance all employees' awareness and capabilities in protecting information and data security.

### Information Security Compliance Month Event

In November 2023, smart Technical Compliance and Legal & Compliance departments conducted the "Information Security Compliance Month" event under the theme "Doing the Right Thing Based on Trust, Fairness, and Transparency". The event took place across various workplaces, including Hangzhou Bay, Hangzhou, and Shanghai. Through compliance knowledge quizzes with prizes, the event educated employees on information security compliance, fostering a positive compliance culture throughout the Company. The initiative received widespread praise from employees.



Information Security Compliance Month Event Poster

### Cybersecurity Preservation

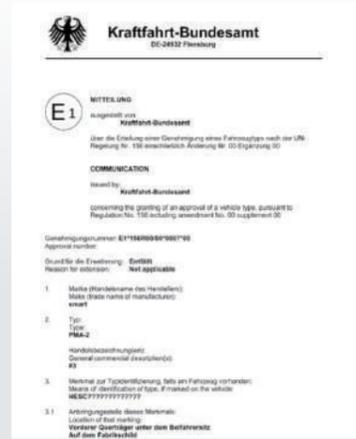
In recent years, smart has continuously focused on cybersecurity protection, monitoring, identifying, and responding to cybersecurity incidents in real-time to comprehensively safeguard the Company from cyber threats and ensure the confidentiality, integrity, and availability of sensitive data. Additionally, with the increasing reliance on information technology and the ongoing development in the field of intelligent driving, the Internet of Vehicles (IoV) has entered the public eye and permeated the lives of smart users. IoV cybersecurity will be as complex and crucial as traditional cybersecurity.

smart deeply recognises the importance of establishing a comprehensive IoV cybersecurity system. Addressing critical compliance aspects of automotive data security and considering the unique scenarios of the automotive industry, smart prepared relevant documents in 2023 and established an internal IoV cybersecurity management system to ensure the information network security throughout the full lifecycle of production vehicles. In October 2022, smart, as an independent entity, received the UN R155 Automotive Cybersecurity Management System (CSMS) certification issued by the German Federal Motor Transport Authority. In 2023, we regularly updated the system based on the actual implementation of the CSMS framework and passed the annual supervision audit.

### smart Receives First UN R156-VTA E1 Certification Issued by the German Federal Motor Transport Authority in China

UN ECE R156 is a unified regulation by the United Nations Economic Commission for Europe regarding the approval of vehicle software update and software upgrade management systems. It establishes comprehensive regulations on upgrade processes, online upgrades, security policies, upgrade records, general vehicle requirements, and online upgrade requirements. By obtaining this certification, smart ensures that the entire process of vehicle software function iteration and performance enhancement is incorporated into standardised management.

By the end of the Reporting Period, both smart #1 and smart #3 had obtained the EU R155 and R156 certifications. This demonstrates that smart's entire vehicle lifecycle, from development to operation, meets the latest cybersecurity and software upgrade regulations required by the European market. It effectively ensures the capability for lifecycle upgrades and iterations of our products.



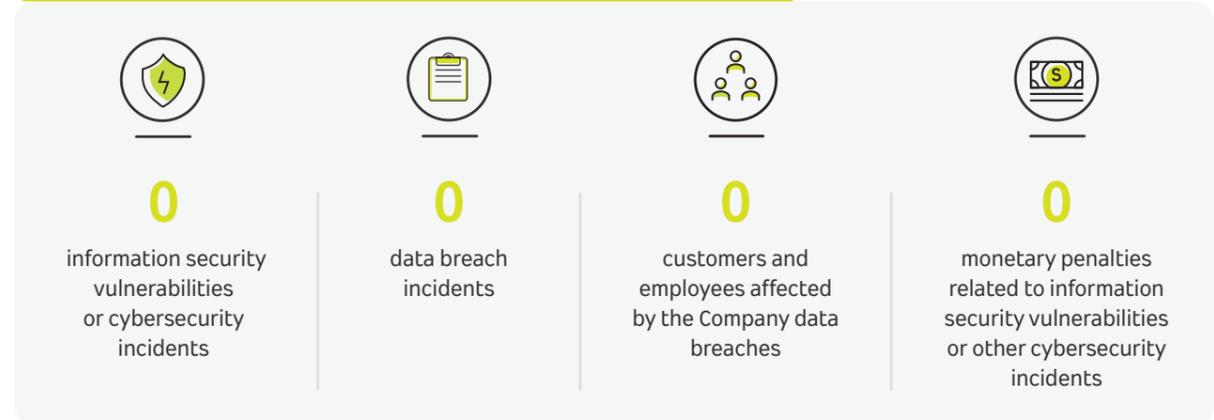
● UN R156-VTA E1 Certification Issued by the German Federal Motor Transport Authority

### Cross-Border Data Transfer and SCC Signing

smart deeply understands the importance of data compliance and personal information protection. In the course of global business operations, smart pays close attention to data compliance issues, particularly data cross-border transfer. By signing standard contractual clauses for cross-border data transfers, smart ensures the compliance of data transmission across borders. Specifically, for data transfers from smart's European entities to our Chinese entities in scenarios such as technical and after-sales support, smart conducts internal Data Protection Impact Assessments (DPIA) to limit data to the minimum necessary range. Additionally, smart implements compliance requirements for data processing activities by signing the Standard Contractual Clauses (SCC) for personal information data.

Additionally, smart has set strict requirements for cybersecurity and information protection for upstream suppliers. We conduct supplier information security audits during the supplier admission stage, including internal and external data compliance audits. Information network security requirements are mentioned in contract attachments, and we randomly check suppliers' supporting materials to ensure authenticity and reliability. We regularly provide information security training for on-site supplier personnel and actively implement measures such as endpoint control. The Company requires suppliers to sign the "Cybersecurity Interface Agreement", adhering to the baseline of information and network security control to maintain the effectiveness of the information and network security management system. During the Reporting Period, we successfully conducted a test of the network attack emergency response plan.

### Information Security Key Performance Indicators



### Privacy Protection

smart clearly recognises that privacy protection is not only about safeguarding the rights of customers, car owners, and the public but also an important factor in supporting the Company's sustainable development. Adequate protection of personal privacy helps enhance corporate reputation, as the public is more inclined to provide information to trusted companies, which in turn helps improve service quality and creates a positive cycle. We conscientiously adhere to ethical and legal standards related to privacy protection and take responsibility for ensuring privacy security.

The Company has developed and publicly released the "smart Automotive Personal Information Protection Policy" to ensure the protection of personal information rights and provide users with clear, concise, and understandable information on the collection, processing, and storage of personal information. During the Reporting Period, we updated the "Employee Privacy Policy", which mainly includes privacy statements for different overseas markets and privacy statements within the human resources system. Additionally, we introduced desk stickers and screen saver security reminders within the Company and regularly deployed information security electronic posters each month to enhance employees' awareness of privacy protection.

### smart Europe Privacy Centre

smart Europe has established a Privacy Centre, responsible for ensuring that smart's European business operations comply with privacy protection requirements. The Privacy Centre also monitors the latest privacy protection laws across different markets, such as Germany's TTDSG (Telecommunications-Telemedia Data Protection Act), and updates on data and privacy protection regulations in the UK, Switzerland, and other markets. During the Reporting Period, the Privacy Centre completed the construction of a trusted information security assessment exchange (TISAX) framework and data protection system, and it will initiate the TISAX external certification audit in 2024. Additionally, the Privacy Centre is responsible for daily data protection and operational activities, including user rights responses and DPA agreements.

## Privacy Information Collection and Security Feedback

To ensure the protection of privacy and personal information during the vehicle usage phase and to allow users to make informed decisions regarding information sharing and usage purposes, the Company increased and updated privacy statements and related explanations for Chinese and European consumers in 2023. This ensures that users are fully aware of how smart collects and uses personal information.



- ▶ Added option to select the duration of user location tracking
- ▶ Added screen icon for personal data collection
- ▶ Added button for deleting background voice data

---



- ▶ Added screen network control switch
- ▶ Added remote after-sales diagnostic switch
- ▶ Optimisation of privacy content display on the onboarding page

## Privacy Security Reporting Policy

The Company has made public a privacy security reporting email address. Users and other stakeholders can use this email to report any discovered or suspected information security or privacy protection issues. smart will actively address problems and complaints, taking action to ensure the privacy compliance and security of products and related systems, thereby earning user trust and recognition.

**Information Security Feedback Email**

hq.dataprotection@smart.com

## Privacy Protection Industry Collaboration

While ensuring internal information security and the privacy of internal and external stakeholders, smart leverages our experience and achievements in the field of privacy protection. The Company collaborates with industry experts and research institutions to contribute to the global development of privacy security.

## Collaborating with the China Academy of Information and Communications Technology and Industry Experts to Co-Author the Industry Standard "Data Partner Security Assessment Guidelines"

With the current market-driven development of data requirements, data sharing and collaboration scenarios become increasingly diverse, and the level of data partner security protection varies greatly. To effectively prevent incidents such as data breaches and data misuse during data collaboration, smart participates in the drafting of the "Data Partner Security Assessment Framework" initiated by the China Academy of Information and Communications Technology in 2024. smart provides insights from our areas of expertise on the important chapter "Partner Data Security Management" to help companies strengthen their internal life cycle management processes and effectively mitigate the risks related to data collaboration and information security incidents affecting the public.

## smart Achieves Data Security Management Capability Certification (DSMC) and Participated in the Drafting of the "Data Security Management System Requirements for Automotive Companies" Led by China Association of Automobile Manufacturers to Draft.

In 2023, smart officially applied to participate in the national authoritative certification in the field of data security initiated by the China Academy of Information and Communications Technology: the Data Security Management Capability Certification (DSMC). On August 17, 2023, smart officially passed the certification process, becoming one of the first leading smart electric vehicle companies to obtain this certification.

In March 2024, smart, leveraging our mature data security management experience, collaborated with the China Association of Automobile Manufacturers, Shanghai Motor Vehicle Inspection Certification & Tech Innovation Centre Co., Ltd., and several leading automotive companies to jointly draft and release the group standard "Data Security Management System Requirements for Automotive Companies". This standard primarily addresses the requirements for data security management systems in automotive industry enterprises. It comprehensively references international and national standards and is based on current data security management system regulations within China's automotive industry, providing guidance for enterprise data security management practices, assisting in protecting stakeholder privacy rights, and enhancing the overall data security management capability of the industry.



● smart Achieves Data Security Management Capability (DSMC) Certification

## Digital Empowerment

In the wave of digital transformation, smart is committed to informatising and intelligentising traditional business models and operational methods to achieve more efficient, intelligent, and flexible business management.

### Digital Marketing and Services

The marketing platform analyses and breaks down business scenarios at different stages of the customer journey, from brand awareness to interest, intent, understanding, viewing the car, test driving, and purchase. Corresponding business processes and process nodes are defined for each stage. We introduce digital and intelligent tools at various nodes to improve the effectiveness and efficiency of each business segment.

- ▶ Collecting data seamlessly without adding extra operations. Using intelligent tools for automatic analysis and processing of the data, and supplementing it into the customer communication history.
- ▶ Defining marketing content templates for marketers at various customer communication nodes, enabling them to use templates to assist in communication, customer needs detection, etc., thereby enhancing business communication effectiveness.
- ▶ Based on data analysis, including customer data, marketing template data, and business data, continuously iterate processes, functions, tools, and marketing template content to ensure the marketing platform fully aligns with business needs and effectively empowers business efficiency.

In 2023, smart's marketing platform focused on in-store practice, primarily covering four main areas: the sales workbench, the store manager workbench, the marketing workbench, and data analysis. The concept validation for in-store applications has been completed. We plan to further explore digital marketing on the manufacturer side in 2024.



## Data Integration Empowers Quantitative After-Sales Service Performance Evaluation

To effectively address the lack of quantitative assessment methods for the service attitude and level of smart's after-sales service personnel, we actively seek solutions to accurately capture user evaluations of after-sales service and collect genuine user feedback. We also explore the use of digital and analytical tools to achieve quantitative assessment of service performance.

We integrate user evaluations from various scenarios into a data repository and establish an analytical model. The evaluation data is directly linked to business operations and outputs information such as the store where the evaluation occurred and the product experts involved. The system summarises evaluation scores and generates labels according to different business dimensions and scenarios, extracting keywords from user feedback texts. This approach has already achieved significant business results:

- ▶ Achieving quantitative assessment of after-sales business for stores, product experts, and after-sales specialists, enabling horizontal comparisons between different regions and stores, thereby promoting the improvement of user services.
- ▶ Conducting follow-ups on low scores to further investigate the real reasons behind the low evaluations.
- ▶ Extracting high-frequency keywords from customer feedback to analyse the voice of the users.



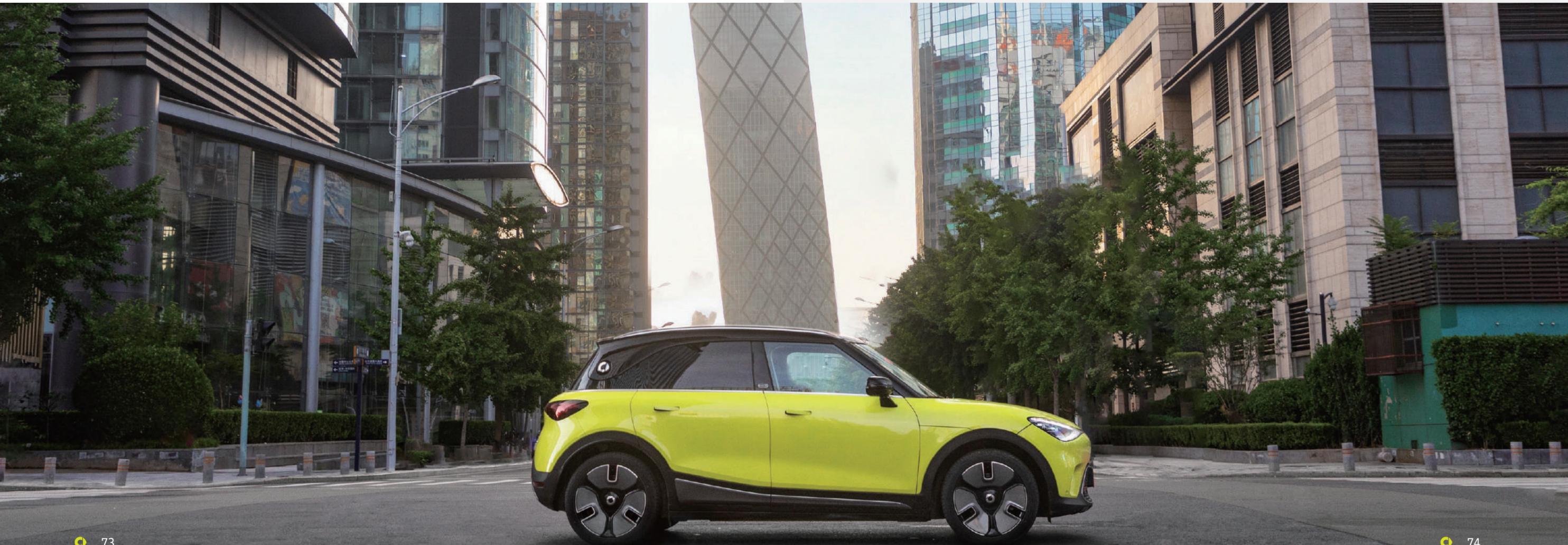
## ◉ In-Vehicle Data Analysis and Diagnostic System

The smart in-vehicle diagnostic system provides standardised data and user feedback across various functions involved in the service process, covering R&D, manufacturing, and after-sales. The diagnostic centre meets full-chain diagnostic needs, supporting intelligent repairs, fault analysis, and third-party integration. Developed based on new models, the in-vehicle diagnostic system is compatible with all models. It helps car owners understand the condition of their vehicles promptly while reducing communication costs between car owners and after-sales staff, synchronising vehicle information and diagnostic results.

## ◉ Looking Ahead

smart will continue to expand the "China-Europe, dual Home" global business and operational scope, leveraging our globally leading product quality system to provide users with products of outstanding safety performance. While maintaining our own R&D investment and product iteration, we remain committed to user needs and experience, as well as information and privacy security. In the future, the Company will continuously enhance R&D and technological capabilities, expand product life cycle management abilities, and consistently provide global users with high-quality, secure, and highly innovative technological products. The Company will be dedicated to the following actions:

- ▶ Deepening the focus on product performance and safety, emphasising automation and artificial intelligence to provide users with convenient and enjoyable driving experiences.
- ▶ Continuously optimising user service capabilities and service quality to enhance user satisfaction.
- ▶ Maintaining advantages in information security and privacy management, continuously increasing industry influence.



# Climate and Carbon

smart consistently takes on the responsibility of addressing climate change and reducing greenhouse gas emissions from our operations and value chain. This commitment supports China's "carbon peak and carbon neutrality" goals and the EU's climate target of "reducing greenhouse gas emissions by 55% compared to 1990 levels by 2030". We are dedicated to mitigating and adapting to global climate change risks, accelerating the low-carbon transition of the Company's operations and the entire product lifecycle. smart has set a clear strategic goal to provide carbon-neutral pure electric vehicles to the market by 2045. Building on this foundation, we continuously explore the possibilities of reducing carbon emissions across the value chain, actively responding to the challenges and risks posed by climate change, while also exploring and seizing climate opportunities.



# 03



## Responding to Climate Change

Responding to climate change is an urgent priority. smart is committed not only to vehicle electrification to support the global transition to net-zero but also to the decarbonisation of production and value chain. By establishing a comprehensive vehicle carbon footprint accounting system and obtaining third-party vehicle carbon footprint certification, we are making continuous and determined progress.

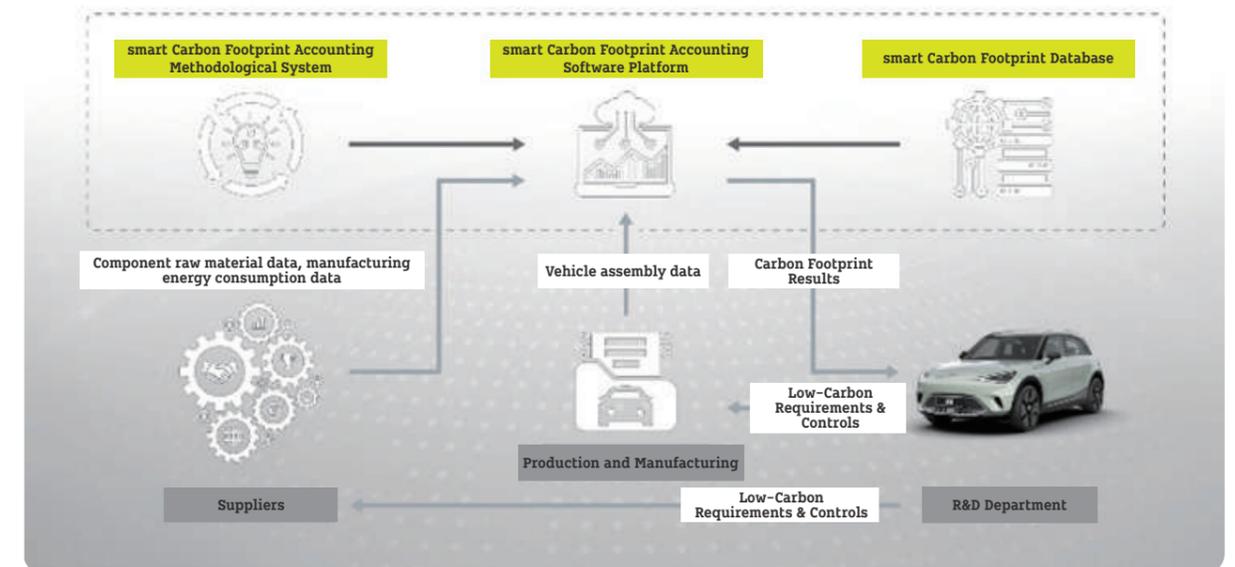
### Product Life Cycle Carbon Footprint Management

In 2023, smart #1 successfully obtained the vehicle carbon footprint certificate based on the ISO 14067 standard. This certification was granted by TÜV Rheinland Greater China, an international independent third-party testing, inspection, and certification organisation. Our R&D team overcame the technical challenges of calculating the carbon footprint of complex automotive products, characterised by numerous components and a complex supply chain, by analysing global policy standards and regulations, conducting on-site supplier surveys, and employing LCA modelling and other scientific methods. After rigorous review, the carbon footprint calculation process of the smart #1 across the entire lifecycle, including material production, component manufacturing, vehicle assembly, vehicle use, and end-of-life recycling, met the relevant standards. This achievement balances corporate, social, and environmental benefits. Leveraging our leading vehicle lifecycle carbon footprint accounting capabilities, smart continues to drive carbon reduction across the entire supply chain, contributing to the low-carbon transition of the automotive industry.



smart actively explores best practices for urban low-carbon travel. We have streamlined and normalised the carbon footprint calculation workflow, establishing a collaborative carbon reduction system for the entire supply chain, and working with upstream and downstream partners to reduce carbon emissions. Through in-depth research on the processing techniques of key components, sources of greenhouse gas emissions, and energy measurement conditions, the smart R&D team developed a carbon footprint calculation methodology for key components. By statistical analysis, we defined the scope of components included in the vehicle carbon footprint certification, covering approximately 80% of the vehicle's weight and involving 30 key suppliers. The carbon footprint data calculated by smart not only accurately reflects the carbon emissions generated by the entire supply chain but also identifies high-carbon emission stages and processes. This assists the supply chain in making targeted improvements, leading the industry towards decarbonisation.

#### smart Vehicle Life Cycle Carbon Footprint Management System



● smart Vehicle Life Cycle Carbon Footprint Management System

### Climate Risk Response Mechanism

The Company deeply understands the potential risks and impacts of climate change on business operations and automotive production processes. In 2023, we established a multi-dimensional climate risk response mechanism and will continue to enhance and refine the identification and assessment of climate-related risks, actively implementing climate risk response measures.

## Environmental Pollution Risk and Communication Management

The operational environment may involve risks of environmental pollution, including but not limited to industrial exhaust emissions, improper wastewater treatment, improper disposal of solid waste, noise pollution, and chemical spills. These risks can lead to soil, water, and air pollution, affecting ecological balance, public health, and potentially resulting in legal liabilities and economic losses. In 2023, we standardised the exchange of information between the Company and both internal and external stakeholders through the implementation of environmental pollution prevention mechanisms and the "Communication Management Process". The risk communication mechanism focuses on conveying information through predefined channels and processes when potential environmental risks are identified. This includes informing employees, the local park and community, government agencies, and the media about the nature of the risks, potential impacts, and the measures being taken to address them.

## Typhoon Risk and Emergency Plan

Typhoons, as a natural disaster, can significantly impact a company's operations. This includes infrastructure damage, supply chain disruptions, production facility damage, employee safety risks, and interruptions in customer service. Additionally, typhoons may cause secondary disasters such as floods and landslides, further exacerbating losses. To address typhoons and other natural disasters, smart has developed a comprehensive emergency plan. This plan includes but is not limited to: risk assessment, establishment of emergency response teams, supplies stockpiling, employee safety education, evacuation plans, protection measures for critical facilities, and post-disaster recovery plans. Additionally, smart maintains close communication with local government and rescue agencies to secure necessary support and resources in emergencies.

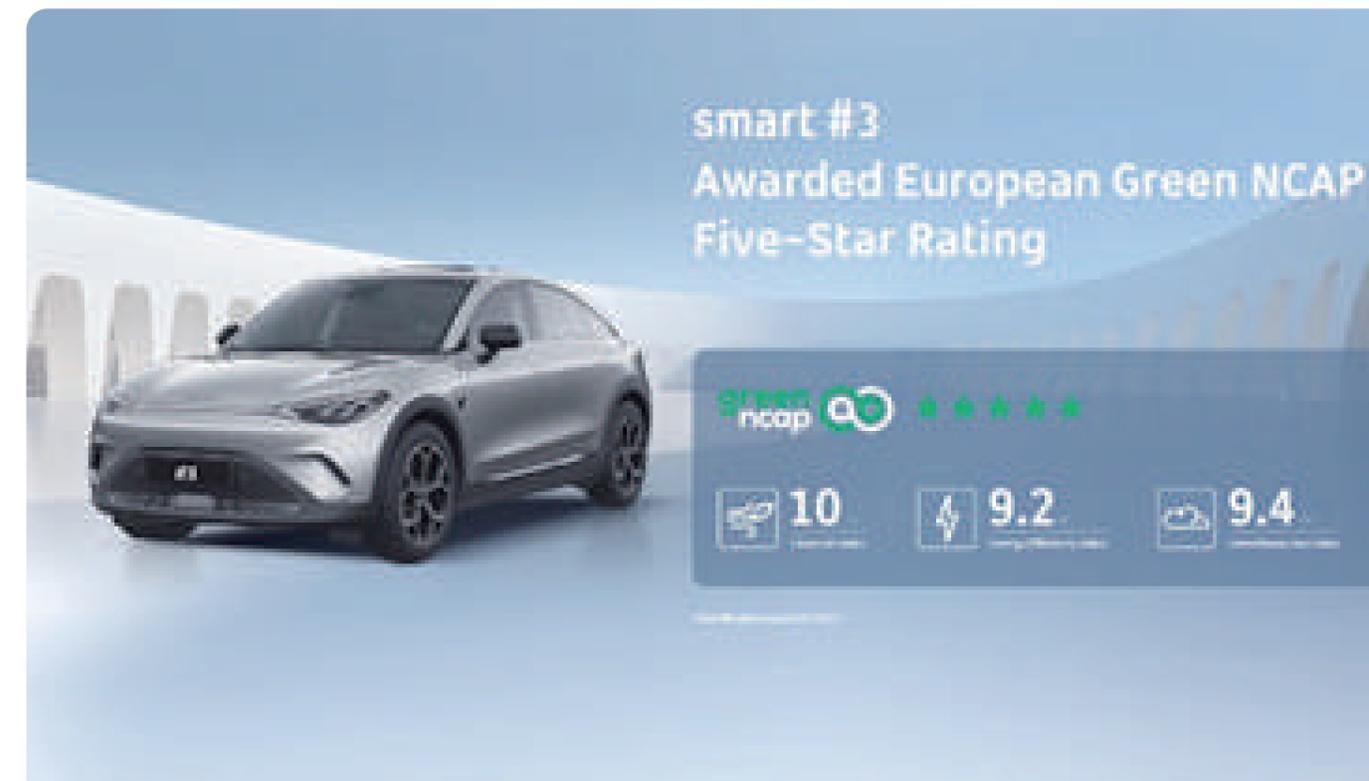


## Low-Carbon R&D and Operations

smart adheres to the principles of low-carbon development and sustainability while actively exploring new low-carbon opportunities. We integrate our R&D achievements into the management of the entire product life cycle, contributing to the sustainable development goals of low-carbon operations and carbon-neutral products.

### Green NCAP Award Winner

Green NCAP is an independent assessment by the European New Car Assessment Programme, focusing on three dimensions: vehicle air quality, energy efficiency, and emission impact. It aims to promote continuous progress in the automotive industry in the fields of environmental protection, energy saving, and low carbon, and to encourage consumers to choose healthy, safe, and environmentally friendly products. After rigorous testing, the smart #3 Pro+ received the highest five-star rating from the Green NCAP, achieving an outstanding overall score of 95%, making it a model of environmental friendliness and energy efficiency in the field of new energy vehicles.



smart #3 received a five-star rating from Green NCAP

smart has established a stringent cabin air quality management system, controlling the air quality of components and processes from the material selection in the design phase to each stage of production. The smart #3 is equipped with an intelligent active air quality system that can intelligently adjust the interior and exterior circulation and activate air purification devices based on the air quality inside and outside the vehicle, ensuring a healthier travel experience. The smart #3's emissions of air pollutants in both laboratory and real road scenarios far outperform the test standard requirements, achieving "zero pollution" to the external atmosphere and allowing users to enjoy fresh and clean air at all times inside the car. In this assessment, the smart #3 performed excellently, scoring a perfect 10 for air quality.

Additionally, in the Green NCAP efficiency test, the smart #3 performed outstandingly despite temperature variations, maintaining top-tier range and efficiency metrics in cold test environments, thereby providing users with stable driving comfort. The smart #3 effectively reduces vehicle drag coefficient by incorporating an active air intake grille, aerodynamically designed exterior mirrors, low-drag wheels, and hidden door handles, ensuring excellent performance at high speeds.

Environmentally friendly, healthy, and safe, and new premium driving experience products are smart's pursuit. In the future, we will continue to focus on low-carbon R&D and manufacturing, achieving environmental protection, energy efficiency, and low-carbon management for our products. We will rigorously evaluate every model for sale against the high standards of the Green NCAP five-star rating, actively influencing consumers to choose healthy, safe, and environmentally friendly products.



## Low-Carbon R&D

smart promotes investment in low-carbon technology research and development to reduce the environmental impact of the product life cycle while enhancing the efficiency of the vehicle use phase, providing customers with a safe and sustainable driving experience.



### smart Heat Pump Air Conditioning Technology, Reducing Energy Consumption and Range Anxiety

When the heat pump air conditioning system operates, in addition to the compressor generating heat through electrical energy, it also acts as a "mover", transferring heat from outside the vehicle to the inside. Its heat conversion efficiency can exceed 200%. Compared to positive temperature coefficient (PTC) systems that generate heat by consuming the power from the battery, the heat pump air conditioning system significantly reduces the energy consumption of the air conditioner.

Traditional heat pump air conditioning systems only absorb heat from the ambient air through the evaporator at the front of the engine compartment. The lower the ambient temperature, the more difficult it is to absorb heat. The smart R&D team, considering the characteristics of the entire vehicle system, has developed multiple "heat absorption methods":

- ▶ Waste heat generated by the electric drive is recovered and used to heat the cabin.
- ▶ Waste heat from the electric drive is stored in the battery and absorbed by the heat pump air conditioner when it operates.
- ▶ During charging, the battery is kept at a high temperature, allowing the heat pump air conditioner to absorb heat from the battery when it operates.
- ▶ Heat absorption inside the cabin: During spring and autumn, when dehumidification is needed, the heat absorbed during dehumidification can also be used to heat the cabin.

With the support of the above techniques, the smart heat pump air conditioning system has achieved higher energy use efficiency and a broader range of operating environments. This ensures a better driving experience for users, enhances energy recovery and conversion efficiency, and further reduces battery consumption, alleviating users' range anxiety during winter driving.



## Low-Carbon Operations

Low-carbon operations is essential for smart's green low-carbon transition and sustainable development. The Company strives to increase the proportion of renewable energy in total operational electricity consumption. We actively promote various energy-saving initiatives to enhance employees' energy-saving awareness. As of the end of 2023, the Company's Scope 1 and Scope 2 greenhouse gas emission intensity has decreased for three consecutive years.

Renewable energy is a key aspect of the Company's low-carbon operations. In 2023, smart's offices in Italy and Germany used electricity that was 100% sourced from renewable energy. During the Reporting Period, smart's global operations used 221,604.67 kWh of renewable energy electricity, accounting for approximately 10% of the total operational electricity consumption. For three consecutive years, smart has been mitigating the electricity consumption and greenhouse gas emissions from non-renewable energy in our operations by purchasing international renewable energy certificates.

smart is committed to integrating the carbon reduction concept into the entire product life cycle management and extending it to daily operations and employees' work and life, enhancing their low-carbon awareness and creating a low-carbon, green, and warm office environment:

- ▶ Posting energy-saving signs in prominent office locations to monitor the implementation of turning off lights and air conditioning after work, thereby raising employees' awareness of green office practices
- ▶ By the end of the Reporting Period, 95% of the Company's official vehicles had been replaced with electric models



### 2021-2023 smart Self-Operated Greenhouse Gas Emissions Management Performance

GHG emission metrics	Units	2021	2022	2023
<b>Direct (scope 1) GHG emissions</b>	tonnes of CO <sub>2</sub> equivalent	<b>6.42</b>	<b>67.16</b>	<b>89.12</b>
of which Hangzhou office	tonnes of CO <sub>2</sub> equivalent	-	1.48	0.77
of which Hangzhou Bay Office, Ningbo	tonnes of CO <sub>2</sub> equivalent	6.42	2.52	-
of which all European Offices	tonnes of CO <sub>2</sub> equivalent	-	63.17	88.35
<b>Energy indirect (scope 2) GHG emissions</b>	tonnes of CO <sub>2</sub> equivalent	<b>310.56</b>	<b>947.98</b>	<b>1,138.46</b>
of which Hangzhou office	tonnes of CO <sub>2</sub> equivalent	134.50	362.66	319.48
of which Hangzhou Bay Office, Ningbo	tonnes of CO <sub>2</sub> equivalent	159.82	455.68	486.93
of which Shanghai Office	tonnes of CO <sub>2</sub> equivalent	-	-	100.53
of which other offices in China	tonnes of CO <sub>2</sub> equivalent	-	74.85	109.75
of which component warehouse in China	tonnes of CO <sub>2</sub> equivalent	-	49.64	83.53
of which European offices <sup>6</sup>	tonnes of CO <sub>2</sub> equivalent	16.23	5.16	38.24 <sup>7</sup>
<b>Total GHG emissions for scope 1 and scope 2</b>	tonnes of CO <sub>2</sub> equivalent	<b>316.97</b>	<b>1,015.15</b>	<b>1,227.57</b>
Average total number of employees during the Reporting Period	person	372	1,305	1,729
<b>GHG emissions intensity for scope 1 and scope 2</b>	kilogram CO <sub>2</sub> equivalent / person	852.08	777.89	709.99

### 2022-2023 smart Vehicle Manufacturing Plant Greenhouse Gas Emissions Management Performance<sup>8</sup>

GHG emission metrics	Units	2022	2023
Direct (Scope 1) GHG emissions	tonnes of CO <sub>2</sub> equivalent	6,007.26	15,497.21
Energy indirect (Scope 2) GHG emissions	tonnes of CO <sub>2</sub> equivalent	38,777.77	41,320.08
<b>Total GHG emissions for Scope 1 and Scope 2</b>	tonnes of CO <sub>2</sub> equivalent	<b>44,785.03</b>	<b>56,817.29</b>
<b>GHG emission intensity per vehicle output</b>	kilogram CO <sub>2</sub> equivalent / vehicle	<b>0.30</b>	<b>0.23</b>

<sup>6</sup> Due to the Company's gradual adjustment of European office locations based on business layout, the following changes in the use of renewable energy and the corresponding Scope 2 greenhouse gas emissions occurred from 2021 to 2023: In 2021, the European office (only in Germany) used 65% renewable energy. In 2022, the offices in Germany, the Netherlands, and Italy used 100% renewable energy. In 2023, the offices in Germany and Italy continued to use 100% renewable energy. Consequently, the related Scope 2 greenhouse gas emissions varied accordingly from 2021 to 2023.

<sup>7</sup> In 2023, smart Europe officially commenced vehicle sales, and employees shifted from remote working to on-site working. Consequently, indirect greenhouse gas emissions from purchased electricity increased.

<sup>8</sup> As of the end of 2023, smart cooperates with only one vehicle manufacturing plant located in China. Therefore, the data scope of smart vehicle manufacturing plants in this report includes only this plant. In 2024, the company will add new cooperative vehicle manufacturing plants.

## Low Carbon Value Chain

Sustainable procurement and supplier carbon emission management are important ways for smart to build a low-carbon value chain. In 2023, through the vehicle life cycle carbon footprint accounting project, the Company selected core suppliers and tracked their current greenhouse gas emissions and future carbon reduction plans. We strive to enhance our influence on carbon management within the value chain and empower value chain carbon reduction capability building.

### Low Carbon Supply Chain

In 2023, the smart #1 received the vehicle life cycle carbon footprint certificate based on the principles and framework of ISO 14067. We identified key suppliers with higher emission, and the carbon footprint accounting scope has covered components that account for 80% of the vehicle's weight. Additionally, smart provides clear carbon footprint accounting requirements and disclosure guidelines to suppliers through the vehicle carbon footprint calculation methodology and internal management system. This ensures that the suppliers' carbon accounting methods meet smart's carbon footprint calculation requirements and helps suppliers establish their own carbon footprint accounting systems, enhancing the value chain's carbon accounting and reduction capabilities.



#### Multiple Measures to Reduce Carbon Emissions in Battery Life Cycle

In 2022, smart received China's first carbon footprint accounting certificate based on the EU Product Environmental Footprint Category Rules and ISO 14067 Greenhouse Gases - Carbon Footprint of Products - Requirements and Guidelines for Quantification. In 2023, smart further advanced the management of carbon emissions throughout the battery life cycle by proposing carbon footprint accounting requirements to battery suppliers: the carbon footprint accounting method for smart power batteries must align with the requirements of the EU Battery Directive.

### Localised Supply Chain

Localising the supply chain can effectively enhance supply chain resilience and traceability, reduce transportation costs, shorten delivery cycles, and improve transparency across the entire chain. The Company actively promotes local procurement, prioritising suppliers near the operating regions and encouraging core suppliers to produce nearby. As of the end of the Reporting Period, direct procurement in China and procurement in Europe have achieved over 95% localisation. This reduces greenhouse gas emissions from the transportation of upstream raw materials and components, lowering the product's carbon footprint throughout its life cycle.



## Low-Carbon Logistics

As a crucial part of the product life cycle, logistics has always been a key focus area for smart. smart is committed to creating a green, low-carbon, and intelligent logistics system, employing multiple strategies to reduce greenhouse gas emissions in the logistics process.

In 2023, smart optimised key elements such as transportation routes, transportation modes, packaging processes, and operational procedures to reduce the environmental footprint of products during transportation.

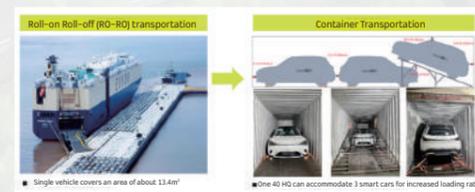
### Transportation Route Optimisation

Comprehensively reducing inland road transportation and increasing the proportion of sea-rail intermodal transportation.



### Transportation Mode Optimisation

In addition to the traditional ro-ro transportation mode, container transportation has been added for export vehicles.



### Logistics Packaging Optimisation

Eliminating the use of TESA white film protection for the entire vehicle, about 13,000 m<sup>2</sup> of white plastic film will be reduced annually.



### Paperless Logistics Process

- >> Implementing paperless processes for system pre-storage and system storage.
- >> Generating electronic waybills and performing receiving and dispatch operations via the app.
- >> Establishing fixed scanners at the dispatch kiosk; scanning waybills and move vehicles to the dispatch yard, achieving paperless and unmanned management.



## Looking Ahead

As the first brand in the industry to complete the transition from ICE vehicles to all-electric, smart deeply understands our emission reduction responsibilities. We have established a greenhouse gas emissions accounting system for the entire vehicle life cycle and are pushing suppliers to set and achieve emission reduction targets. At the same time, we drive low-carbon operations through carbon accounting, energy-saving management, and the use of renewable energy. To become a leader in industry climate action and green development, the Company is committed to the following actions:

- ▶ Continuously refining the carbon footprint accounting system and methods for the entire vehicle life cycle, completing the carbon footprint accounting for all mass-produced models, and empowering more suppliers to build their carbon accounting and reduction capabilities.
- ▶ Continuously optimising the energy use structure in self-operations and increasing the proportion of renewable energy in the total operational electricity consumption.
- ▶ Enhancing the pivotal role of research and development in the low-carbon transition throughout the product life cycle.



# Circularity and Resources

Circular economy is a model for promoting sustainable development strategies and building environmentally friendly operational systems for enterprises. In 2023, smart focused on areas such as material recycling, battery repurposing and recycling, efficient resource utilisation, and waste resource reuse, aiming to build a circular value chain ecosystem.



# 04



## Sustainable Materials

Adhering to the principles of circularity and sustainability, smart focuses on applying a wider variety of sustainable and recyclable materials. By driving efforts from the research and development stage and considering the entire life cycle of products, smart aims to reduce the negative environmental impact of materials.

### Sustainable Material Utilisation

In 2023, the Company effectively increased the proportion of recyclable materials used in vehicle bodies and communicated related sustainable material requirements to suppliers:

- ▶ Stamped parts for the body, chassis, and other components use recyclable steel, with a specified average usage ratio of recyclable steel not less than 20%.
- ▶ Major aluminium parts supplied must use aluminium ingots containing at least 25% recyclable aluminium for parts production.

In 2023, the average use of recoverable materials in smart's mass-produced models exceeded that of the previous Reporting Period, and the recoverability rate of all sold mass-produced models reached over 95%.

Materials used per vehicle of #1	Unit	smart #1 premium	smart #1 edition	smart #1 performance
<b>Recoverable materials used per vehicle</b>				
Wrought aluminium	kg	168	168	168
Steel	kg	778	778	829
Thermoplastics	kg	135	136	146
Aluminium casting alloys	kg	111	108	140
Ternary material	kg	103	103	103
Others	kg	480	477	494
<b>Total amount of recoverable materials used per vehicle</b>	kg	1,774	1,769	1,879
<b>Non-recoverable materials used per vehicle</b>	kg	88	89	96
<b>Overall vehicle weight</b>	kg	1,862	1,857	1,975
<b>Recoverability rate of sold vehicles</b>	%	95.27%	95.22%	95.13%

Materials used per vehicle of #3	Unit	smart #3 premium	smart #3 edition	smart #3 performance
<b>Recoverable materials used per vehicle</b>				
Wrought aluminium	kg	171	173	168
Steel	kg	782	768	790
Thermoplastics	kg	133	130	141
Aluminium casting alloys	kg	109	108	134
Ternary material	kg	103	103	103
Others	kg	479	472	481
<b>Total amount of recoverable materials used per vehicle</b>	kg	1,777	1,753	1,816
<b>Non-recoverable materials used per vehicle</b>	kg	88	89	93
<b>Overall vehicle weight</b>	kg	1,865	1,842	1,909
<b>Recoverability rate of sold vehicles</b>	%	95.31%	95.16%	95.11%



## Safety First, Peace of Mind Foremost

Applying safe materials is crucial for protecting the safety of users and passengers. The Company is committed to enhancing vehicle durability and performance, while ensuring that the materials used comply with environmental and sustainability principles.

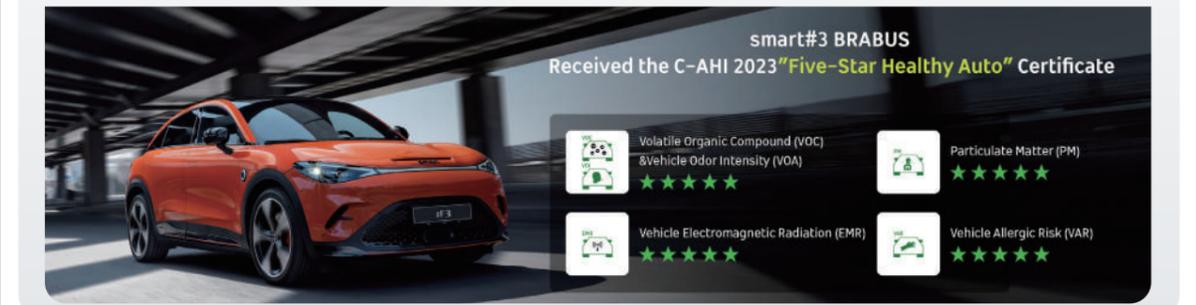
### Continuous Improvement in Air Quality and Material Safety

smart ensures interior air quality and material safety through rigorous and comprehensive testing. To reduce in-car VOCs and aldehydes, eco-friendly materials such as water-based PU (Polyurethane) leather, PVC (Polyvinyl Chloride), TPO (Thermoplastic Olefin) fabrics, and virgin fibre carpets should be used. The use of SSD (Self-Sealing Dampening) water-based damping materials and food-grade virgin paper cores helps reduce toxic substances. Health protection measures include antibacterial evaporators, CN95 filters, antibacterial steering wheels, AQS (Aire Quality System) air purification and unlocking ventilation functions, as well as a fragrance system to improve air quality.

### smart #3 BRABUS Performance Version Receives "Five-Star Healthy Car" Certification

The smart #3 adheres to the brand's consistent dedication to environmental protection and health, upholding the "full-chain environmental protection" concept from the source of materials to the delivery to end users. With a meticulous attitude, it practices the environmental values of a healthy car, setting a new benchmark for health in new energy vehicles. In November 2023, it was awarded the "Five-Star Healthy Car" certification by the China Automotive Health Index (C-AHI) for 2023, with the award personally presented by Academician Zhong Nanshan.

Throughout the entire product development process, smart strives to achieve "low content", "low generation", and "no introduction" of harmful substances. "Low content" involves the strict selection of materials for 17 types of interior components that are in close contact with the human body, such as seats, dashboards, headliners, carpets, and seals. By selecting environmentally friendly materials with low odor and low volatile organic compound (VOC) content, we aim to provide users with a truly safe and healthy eco-friendly travel experience.



## Battery Traceability and Recycling

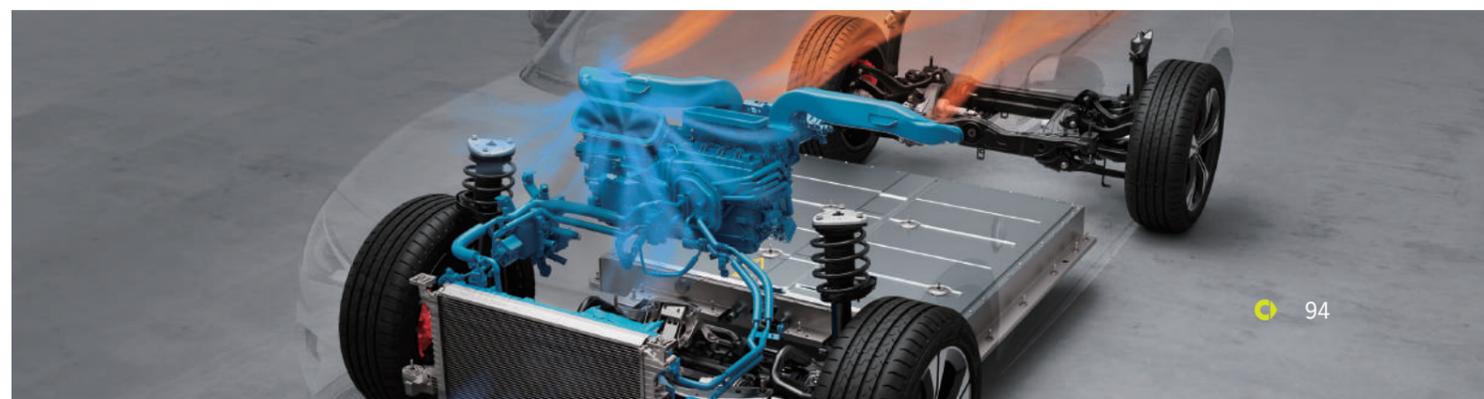
With the transformation of mobility and the rapid development of the global electric vehicle market, the production and sales of automotive power batteries are also experiencing rapid growth. At the same time, the Company deeply understands that facing the impending wave of battery material retirements, if not handled according to standard repurposing guidelines, it will damage the soil, pollute groundwater, and cause irreversible environmental harm. smart is responsible for improving the end-of-life processing quality of battery materials, advocating for a circular economy, and increasing resource utilisation efficiency, with the aim of continuously creating more value for users and society as a whole.

Although by the end of the Reporting Period, smart vehicles had not yet entered the phase of large-scale power battery disposal, we established the "Traceability Management Measures for the Recycling and Utilisation of New Energy Vehicle Power Batteries" in 2023. We conducted in-depth research at smart's after-sales service outlets and carefully evaluated the stores' software and hardware facilities, geographical locations, and other factors according to the Ministry of Industry and Information Technology's (MIIT) "Guidelines for the Construction and Operation of New Energy Vehicle Power Battery Recycling Service Outlets". Ultimately, we confirmed that the smart Shanghai Pudong Jinqiao Service Centre will be transformed into one of the first battery recycling outlets.

### Battery Traceability Platform

In 2023, smart updated and implemented the "Traceability Management Measures for the Recycling and Utilisation of New Energy Vehicle Power Batteries" to enhance the efficiency and transparency of battery recycling. The updated management measures clarify the roles and responsibilities of all parties involved in battery recycling, including vehicle manufacturing, sales, after-sales service, and battery suppliers. This ensures that every stage of the battery's lifecycle, from production to recycling, has clear processes and accountability.

Additionally, smart has established a battery traceability platform, integrating it with the information systems of vehicle manufacturing, sales, after-sales service, and battery suppliers. This initiative has significantly enhanced the informatisation level of battery lifecycle management, enabling real-time data sharing and effective tracking. Consequently, it provides strong technical support for the efficient recycling and reuse of batteries.



# Environmental Management

smart strives to ensure that all models bring environmental benefits throughout their entire life cycle, including the production stage. We are committed to strengthening environmental protection policies and management strategies, focusing on, and reducing the direct environmental impact of the manufacturing process.

## Green Operations

smart values low-carbon operations and offices, holding environmental protection-themed seminars from time to time covering topics such as sustainable development, energy conservation, and waste management. Additionally, we implement principles like energy saving, carbon reduction, and environmental benefits in daily life, encouraging smart employees to start with small actions and jointly explore sustainable ways.



### 2021–2023 smart Energy Management Performance

Energy metrics	Unit	2021	2022	2023
<b>Total gasoline consumption</b>	litre	<b>2,314.68</b>	<b>1,498.05</b>	<b>21,432.34<sup>9</sup></b>
of which Hangzhou office	litre	-	553.76	345.96
of which Hangzhou Bay office, Ningbo	litre	2,314.68	944.29	-
of which all European offices	litre	-	-	21,066.38
<b>Total diesel consumption</b>	litre	-	<b>14,875.25</b>	<b>8,281.45</b>
of which all European offices	litre	-	14,875.25	8,281.45
<b>Total fuel consumption</b>	litre	-	<b>8,168.15</b>	<b>6,837.83</b>
of which all European offices	litre	-	8,168.15	6,837.83
<b>Total Municipal Electricity Consumption</b>	kWh	<b>466,301.65</b>	<b>1,385,227.48</b>	<b>2,285,862.35</b>
of which Hangzhou office	kWh	191,187.39	515,512.44	560,196.94
of which Hangzhou Bay office, Ningbo	kWh	227,183.16	647,733.36	853,808.72
of which Shanghai office	kWh	-	-	239,345.66
of which other offices in China	kWh	-	124,899.04	192,446.27
of which component warehouse in China	kWh	-	70,555.00	146,473.00
of which all offices in Europe	kWh	163,946.00	107,665.81	293,591.77 <sup>10</sup>
<b>Total electricity consumption from renewable energy sources</b>	kWh	<b>89,014.90</b>	<b>81,138.16</b>	<b>221,604.67</b>
of which European offices <sup>11</sup>	kWh	-	81,138.16	221,604.67
<b>Total energy consumption</b>	kilogram standard coal	<b>59,893.06</b>	<b>177,785.42</b>	<b>280,852.44</b>
Average total number of employees during the Reporting Period	person	372	1,305	1,729
<b>Energy consumption intensity</b>	kilogram standard coal/person	<b>161.00</b>	<b>136.23</b>	<b>162.44</b>

<sup>9</sup>The total gasoline consumption in 2023 increased significantly due to the inclusion of all smart European offices in the data scope.

<sup>10</sup>In 2023, smart Europe officially commenced vehicle sales, and employees shifted from remote working to on-site working. Additionally, the data for this indicator in 2023 includes the electricity consumption for charging company fleet vehicles.

<sup>11</sup>Due to the Company's gradual adjustment of European office locations based on business layout, the following changes in the use of renewable energy and the corresponding Scope 2 greenhouse gas emissions occurred from 2021 to 2023: In 2021, the European office (only in Germany) used 100% renewable energy. In 2022, the offices in Germany, the Netherlands, and Italy used 100% renewable energy. In 2023, the offices in Germany and Italy continued to use 100% renewable energy. Consequently, the related Scope 2 greenhouse gas emissions varied accordingly from 2021 to 2023.

2021–2023 smart Water Resource Management Performance <sup>12</sup>

Disclosure Indicators	Units	2021	2022	2023
<b>Total consumption of municipal water supply</b>	m <sup>3</sup>	<b>2,848.43</b>	<b>6,685.19</b>	<b>26,312.52</b>
Of which Hangzhou office	m <sup>3</sup>	1,089.23	1,043.49	774.83
Of which Hangzhou Bay office, Ningbo	m <sup>3</sup>	1,759.20	4,670.00	8,300.00
Of which Shanghai office	m <sup>3</sup>	-	-	360.36
Of which other offices in China	m <sup>3</sup>	-	-	783.60
Of which Component warehouse in China	m <sup>3</sup>	-	662.00	1,150.00
Of which European offices	m <sup>3</sup>	1,089.23	1,043.49	14,943.73 <sup>13</sup>
Average total number of employees during the Reporting Period	person	372	1,305	1,729
<b>Municipal water consumption density</b>	m <sup>3</sup> /person	<b>7.66</b>	<b>5.12</b>	<b>15.22</b>

 **Green Production**

Although smart does not operate vehicle manufacturing plants, the Company always places great importance on the potential negative environmental impacts of smart car manufacturing. We strictly require smart vehicle manufacturing plants to comply with pollutant emission regulations and set emission reduction targets. Additionally, we consistently encourage the manufacturing process to establish annual energy-saving and water-saving goals, supporting the "net zero" transition of the country, operating regions, and smart value chain. In 2023, smart vehicle manufacturing plants invested a total of 9.2106 million RMB in environmental protection.

After receiving the provincial "Green Factory" honour in Shaanxi Province in 2022, the smart vehicle manufacturing plant further advanced in 2023, earning the national level "Green Factory" honour. The smart vehicle manufacturing plant achieved ISO 14001 Environmental Management System certification in 2022 and passed the supervisory audit in 2023. Additionally, at the beginning of 2023, the plant set environmental goals, including:

 Water consumption per vehicle	<b>2.1</b> tons/vehicle	 Electricity consumption per vehicle	<b>411</b> kWh/vehicle
 Gas consumption per vehicle	<b>35</b> cubic meters/vehicle	 Heat consumption per vehicle	<b>0.5</b> GJ/vehicle

<sup>12</sup> During 2022–2023, most smart Europe employees were working remotely, and thus were not included in the water resource management performance scope.

<sup>13</sup> In 2023, smart Europe officially launched car sales, and employees transitioned from working from home to working on-site, resulting in an increase in total municipal water consumption.

 **Energy Management**

The smart vehicle manufacturing plant continues to explore ways to save energy while implementing multiple strategies to increase the proportion of renewable energy in total electricity consumption, aiming to reduce greenhouse gas emissions from the automotive manufacturing process. In 2023, the smart vehicle manufacturing plant achieved 100% clean electricity usage.<sup>14</sup>

**Highlighted Energy Management Initiatives**

Aspect	Initiative	Result
Energy Saving	Waste heat recovery	In the paint shop, an additional waste heat recovery device (gas-liquid type) was installed at the end of both the electrophoresis and topcoat baking ovens' exhaust systems. This system cools the exhaust gases from the topcoat and electrophoresis ovens before discharge. The recovered waste heat is used to heat the process return water in the workshop, thereby reducing the consumption of natural gas by the boiler at the power station.  Gas savings: 416,200 cubic meters  Annual savings: 1,343,100 RMB
	Equipment Modification	The cooler system was upgraded to dual power sources to improve the energy efficiency of the central system.  Electricity savings: 100,000 kWh
Increase Proportion of Renewable Energy in Total Electricity Consumption	On-site Renewable Electricity	Solar photovoltaic panels were installed in the factory area, generating a total of 25.14 million kWh of renewable energy for self-consumption.
	Off-site Renewable Electricity Certificates Purchase	Throughout the year, 74,307 kWh of International Renewable Energy Certificates (I-REC) were purchased, along with Certified Emission Reductions (CER) equivalent to 6,892 tonnes of CO <sub>2</sub> e.

**2022–2023 smart Vehicle Manufacturing Plant Energy Management Performance**

Energy metrics	Units	2022	2023
Total natural gas consumption	m <sup>3</sup>	2,325,895.60	5,429,636.00
Consumption of purchased heat	GJ	0.003232	0.004837
Purchased Municipal Electricity Consumption	kWh	67,371,616.00	71,288,482.30
Electricity consumption from renewable energy source <sup>15</sup>	kWh	-	25,139,014.90
<b>Total energy consumption</b>	tonnes standard coal	<b>11,087,82</b>	<b>15,223.68</b>
<b>Total vehicle production during the Reporting Period</b>	vehicle	<b>147,015</b>	<b>252,122</b>
<b>Energy consumption intensity per unit of production</b>	tonnes standard coal/vehicle	<b>0.08</b>	<b>0.06</b>

<sup>14</sup> 26.07% of the total electricity consumption comes from on-site solar photovoltaic self-consumption at the production base. The remaining renewable energy electricity is sourced through the purchase and utilisation of renewable energy certificates.

<sup>15</sup> All renewable energy electricity consumption comes from on-site solar photovoltaic at the production base for self-use.

## Water Management

smart places great importance on water resource conservation and encourages our vehicle manufacturing plant to implement technical modifications on water-using equipment and processes to enhance water use efficiency. The plant's reclaimed water treatment station processes domestic sewage and some production wastewater through physical and biochemical treatments to meet the standards for reclaimed water reuse. This treated water is then delivered through a separate pipeline system for use in toilet flushing and landscaping irrigation across the plant, thereby reducing water resource waste. In the future, the plant aims to further reduce the use of fresh water and wastewater discharge by increasing the proportion of alternative water sources and boosting the amount of recycled water. The plant sources water from municipal supplies, no issues identified in obtaining suitable water resources, and there were no incidents of water pollution or fines during the Reporting Period.

In the wastewater discharge process, the smart vehicle manufacturing plant complies with national environmental protection laws and regulations and implements internal management procedures. In 2023, the plant upgraded the sewage treatment facilities, adopting a "physicochemical-primary biochemical-secondary biochemical" treatment process. Compared to traditional methods, this process includes an additional secondary biochemical stage, effectively improving the quality of treated wastewater to meet or even outperform national and local discharge limits.

### 2022-2023 smart Vehicle Manufacturing Plant Water Resource Management Performance

Disclosure Indicators	Units	2022	2023
Production water consumption	m <sup>3</sup>	321,580.00	453,970.00
Water consumption of single vehicle production	m <sup>3</sup> /vehicle	2.19	1.80
Total Wastewater Discharge	m <sup>3</sup>	214,319.00	259,345.00
Single vehicle production wastewater discharge	m <sup>3</sup> /vehicle	1.46	0.99
Chemical demand of Oxygen (CDO) emissions from drainage treatment	tonnes	11.37	11.67
Ammonia nitrogen emissions from drainage treatment	tonnes	0.43	0.35

## Exhaust Gas Management

smart vehicle manufacturing plant is committed to reducing exhaust emissions and minimising the negative impact of gas emissions on the environment and surrounding communities by using low-volatile raw and auxiliary materials, advanced spraying techniques, and efficient exhaust gas treatment facilities. The plant's highlight measures include but are not limited to:

- ▶ Use of environmentally friendly water-based paints that do not contain harmful substances such as formaldehyde.
- ▶ Adoption of the world's most advanced fully automated painting process, reducing volatile organic compound (VOC) emissions by 10% compared to standard water-based paint spraying processes.
- ▶ Treatment of VOC emissions using "zeolite rotor + regenerative thermal oxidiser (RTO)" and TNV recovery thermal oxidiser system technology, with a purification rate of over 90%.
- ▶ Installation of flame ionisation detectors (FID) at major exhaust emission points to monitor and control exhaust gas emissions in real-time.

### 2022-2023 smart Vehicle Manufacturing Plant Emissions Management Performance

Disclosure Indicators	Units	2022	2023
Ammonia Nitrogen Emissions	tonnes	11.58	12.54
Sulphide emissions	tonnes	1.89	3.39
Volatile organic compounds (Non-methane total hydrocarbon) emissions	tonnes	9.33	17.48
Particulate emissions	tonnes	6.47	5.81
Ammonia nitrogen emissions from drainage treatment	tonnes	0.43	0.35

## Waste Management

Reducing resource usage and reusing are the core principles of smart vehicle manufacturing plants in waste management.

Highlighted Measures	Results
Recycling of chemical barrels	Recycled approximately 17 tonnes of chemical barrels, saving a total of 44,559 RMB
Filter materials sorted for recyclable/non-recyclable disposal and resource reuse	Saved a total of 63,866 RMB
Recycling of empty barrels	Recycled 7,500 empty barrels, saving a total of 280,000 RMB
Recycling of sealant	Saved a total of 543,000 RMB
Low-temperature sludge drying	Reduced sludge weight by a total of 156.81 tonnes

### Deep Classification and Post-Processing of Solid Waste for Resource Reuse

Resource utilisation of solid waste offers dual advantages of recycling and energy saving, thus reducing carbon emissions. In 2023, the smart vehicle manufacturing plant commissioned third parties to classify, recycle, dispose of, and utilise all generally recyclable solid waste. During the Reporting Period, the plant environmentally disposed of 4,126.5 tonnes of waste cardboard, 27,521.11 tonnes of scrap steel, 497 tonnes of waste wood products, and 133.5 tonnes of waste plastic products.

#### 2022–2023 Waste Management Performance of smart Vehicle Manufacturing Plant

Disclosure Indicators	Units	2022	2023
Total amount of hazardous waste generated	tonnes	1,614.40	2,242.23
Total amount of hazardous waste disposal	tonnes	1,642.64	2,242.23
Total amount of general waste generated	tonnes	-	32,278.11
Total amount of general waste disposed	tonnes	-	32,278.11
Of which: total amount of general waste disposed for reuse or recycling purposes	tonnes	19,019.90	32,278.11
Average amount of disposable packaging materials used for vehicles	kilograms	-	12.09
Average amount of renewable packaging materials used for vehicles	kilograms	-	156.82

## Looking Ahead

smart always adheres to the product design concept of minimising environmental impact, emphasising energy conservation and environmental friendliness throughout the entire life cycle of products. While ensuring product quality, we use renewable and recyclable materials and optimise the recycling system for parts at the end of their life cycle to promote sustainable development in the new energy vehicle industry chain. The Company continuously enhances the refinement of environmental management in the production and operation processes of smart vehicle manufacturing plants to ensure that the automotive production process is green and sustainable. The Company is committed to carrying out the following actions:

- ▶ By adopting new materials, new processes, new technologies, and new models, we will strengthen process upgrades and technological improvements to enhance the recyclability and material efficiency of our products.
- ▶ Continuously promoting the implementation of environmental management policies in smart's own operations and smart vehicle manufacturing plants, carrying out special resource-saving projects, and enhancing digital management capabilities.



# Employees and Society

Society is the fertile ground for the sustainable and healthy development of enterprises, and enterprises rely on society to grow. smart actively fulfils corporate citizenship duties, taking on social responsibilities towards communities, employees, suppliers, and other stakeholders. The Company reasonably utilises resources to create positive value for communities and stakeholders. The Company is committed to creating an inclusive, safe, and warm workplace atmosphere and growth platform for employees, and extends the concepts of human rights protection and environmentally friendly sustainable development throughout our value chain.



# 05



# Diversity and Inclusion

Human capital is the solid foundation for the long-term development of smart's automotive business. The diversity of employees from different social, linguistic, and lifestyle backgrounds can create more comprehensive value for the Company. We adhere to an open, equal, respectful, and inclusive employment policy, firmly upholding the concept of diversified talent development.

## Diversity and Equal Employment

To respect diverse development, we strictly comply with all labour laws and standards in our operating locations, including but not limited to the "Labor Law of the People's Republic of China" and the "Labor Contract Law of the People's Republic of China".

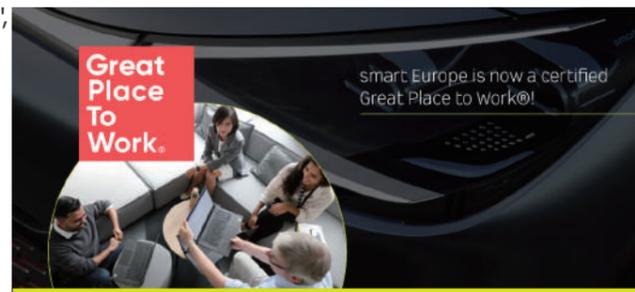
smart firmly prohibits discrimination based on gender, age, race, colour, nationality, religion, belief, sexual orientation, origin, disability, or any other social and personal factors, and is committed to establishing a diverse, open, inclusive, equal, and respectful work environment. In 2023, as the Company's business and employees' diverse backgrounds continued to expand globally, we improved the "smart Brand Global Company Employee Handbook", expanded the Company's international talent pool, and enhanced global development momentum. We treat and respect every employee equally, considering them the Company's most valuable asset, and help employees realise their self-worth and social value. The "smart Compliance Code of Conduct" clearly stipulates the requirements for employees' daily behaviour, with zero tolerance for any form of harassment or discrimination. In 2023, we included anti-discrimination and employee respect clauses in the "smart Supplier and Third-Party Intermediary Code of Conduct" to enhance labour compliance and anti-discrimination awareness within the supply chain and strictly monitor suppliers' related performance.

As of the end of the Reporting Period, our employees come from 40 different countries, and we have 57 ethnic minority employees in our offices within China.

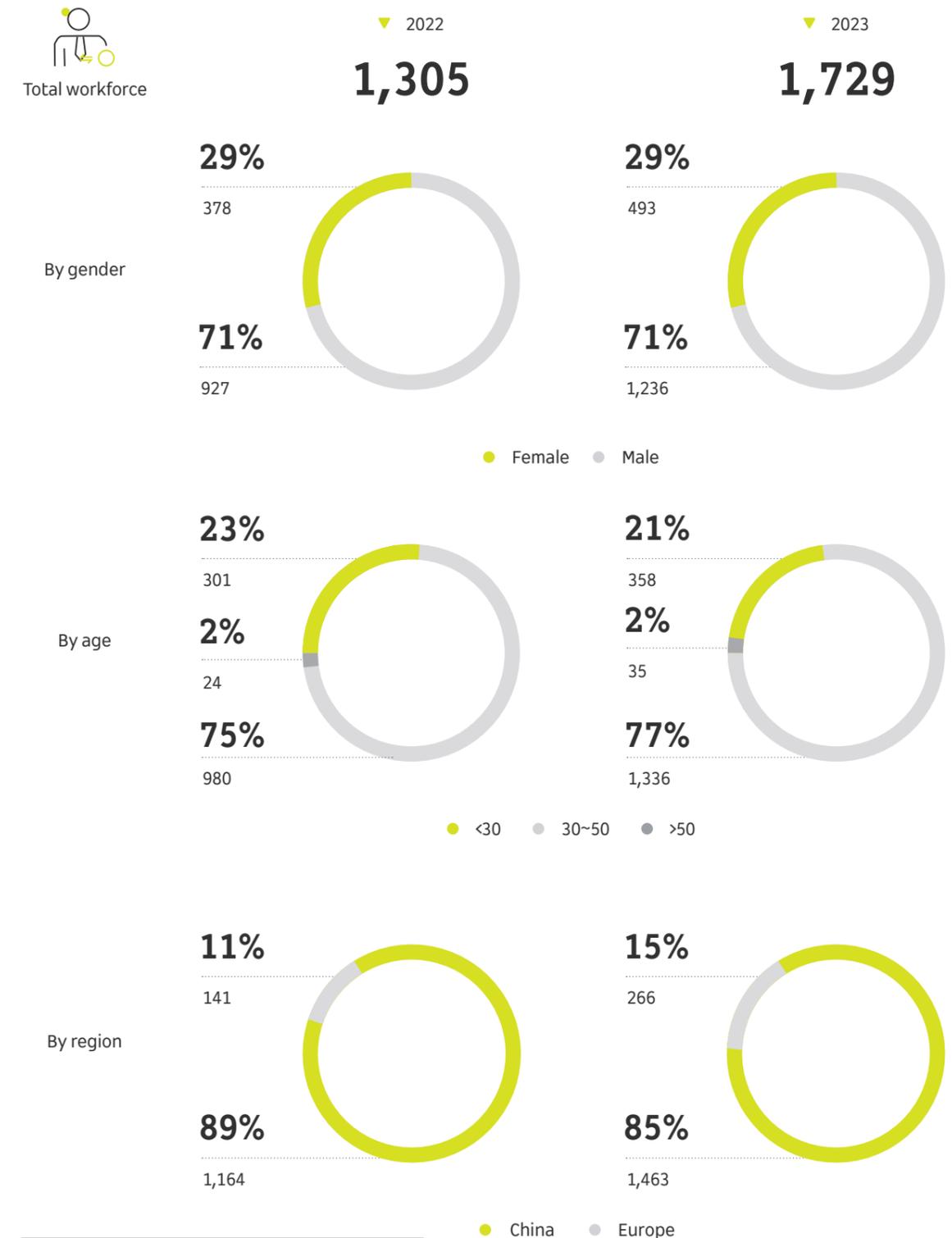
### Multicultural Promotion

smart strives to convey the concept of diversity and cross-cultural management to employees, creating opportunities for cultural exchange and inspiring creativity. In 2023, the Company provided courses for employees in a combined online and offline format, including "Cultural Differences Between East and West", "Communication and Cross-Cultural Communication", "Language Communication Differences", "Nonverbal Communication Differences", "Cross-Cultural Communication Barriers", and "Cross-Cultural Communication Practice", to promote interaction and integration among employees from different backgrounds.

In 2023, smart Europe GmbH was honored with the prestigious "Great Place to Work" certification



## 2022-2023 smart Employee Diversity Performance<sup>16</sup>



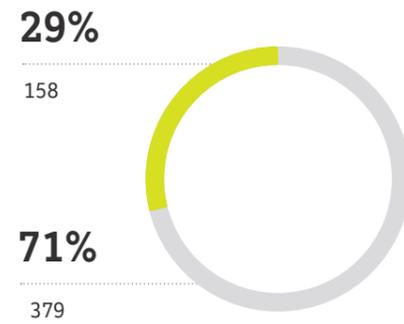
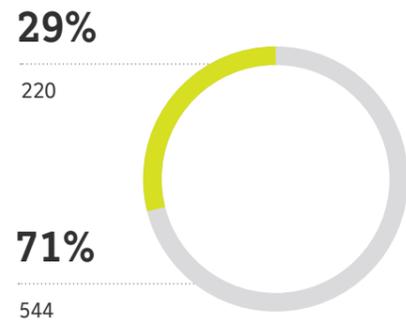
<sup>16</sup> Includes only regular employees with an employment contract.

 Total number of new hires

▼ 2022  
**764**

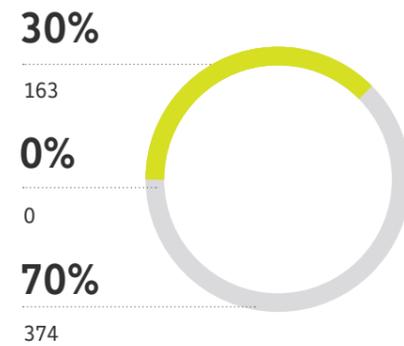
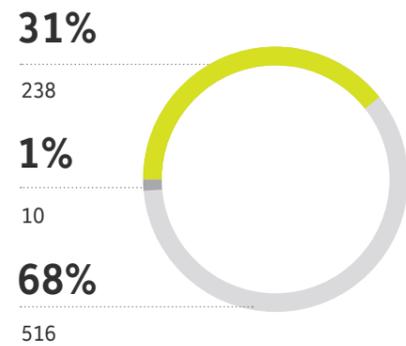
▼ 2023  
**537**

By gender



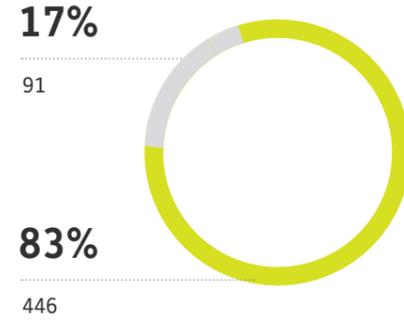
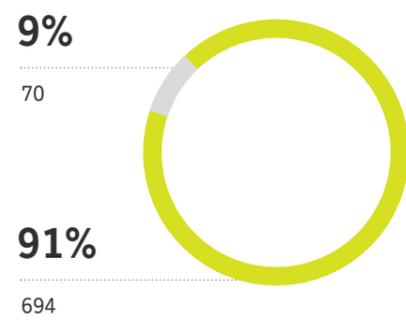
● Female ● Male

By age



● <30 ● 30-50 ● >50

By region



● China ● Europe

2023 smart Employee Turnover



▼ Total Number of Voluntary Departures

**186**

▼ Employee Turnover Rate

**10.8%**

By gender



● Female ● Male

By age



● <30 ● 30-50 ● >50

By region



● China ● Europe

2023 smart Diversity Performance of Governance Bodies

		Board of Directors	EMC	Department/ Sub-department Heads
By gender	 Male	7	3	56
	 Female	1	0	15
By age	 <30	0	0	0
	 30~50	2	2	56
	 >50	6	1	15
By nationality	 Chinese	4	2	39
	 Non-Chinese	4	1	32



## Respect and Protection of Human Rights

smart respects international human rights standards and commitments, incorporating core principles from the "Universal Declaration of Human Rights", "United Nations Guiding Principles on Business and Human Rights", and "International Labour Organisation Conventions" into the "Employee Handbook" and "Supplier Code of Conduct". The Company strictly adheres to labour and human rights laws and regulations in all business locations, including but not limited to the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", the "Law of the People's Republic of China on the Protection of Minors", and the "Provisions on the Prohibition of Child Labor", striving to prevent human rights violations and effectively safeguard employees' legal rights.

The Company strictly prohibits the employment of child labour and forced or compulsory labour. By continuously optimising and implementing the smart Recruitment Principles, we ensure compliant employment practices. The principles clarify that recruitment activities in each operational location must comply with local laws and regulations as well as the Company's relevant rules and policies. They also specify that employees must meet the legal minimum age requirements of the operational location upon hiring, ensure that labour contracts are signed with all formal employees, and that working hours strictly follow the requirements of local and national laws and regulations.

Additionally, the Company encourages employees to promptly report any incidents of disrespect for human rights and violations of labour rights. We will immediately investigate and respond to reported matters. Employees can directly contact our compliance officer or file a complaint via email at [HQ.Compliance@smart.com](mailto:HQ.Compliance@smart.com). As of the end of the Reporting Period, smart has not experienced any incidents of violating labour-related laws and regulations in our operational locations, nor have we employed child labour or engaged in forced or compulsory labour.



## Employee Benefits and Care

Talent is the core element that enables smart to achieve high-quality development. We strive to create a warm, attractive, and caring work environment for our employees, enhance work-life balance, listen to their feedback and voices, and continuously improve employee satisfaction.

smart complies with local laws and regulations while striving to provide benefits that exceed compliance standards in all operational areas. In addition to statutory public holidays, paid holidays, and maternity allowances, we organise annual health check-ups for employees and offer a daily 1.5-hour flexible clock-in policy. We provide all female employees with prenatal check-up leave, maternity leave, and at least one hour of breastfeeding leave each working day. Male employees are also entitled to 15 consecutive calendar days of paternity leave. During the Reporting Period, 66 employees benefited from parental leave, with a return-to-work rate of 94%. Employees can also benefit from the following corporate benefits:

### Corporate Benefits

- Commercial insurance**

employees can benefit from commercial insurance for employees and their families, supplementary medical insurance, and supplementary maternity insurance for female employees.
- Quarterly benefits**

employees receive quarterly benefits at the end of each quarter, issued together with the monthly salary.
- Birthday benefits**

employees receive birthday benefits during their birthday month.
- Holiday benefits**

during statutory holidays such as Chinese New Year, Women's Day, Dragon Boat Festival, and Mid-Autumn Festival, the Company provides holiday benefits to each employee.
- Discounted car purchases**

employees can enjoy discounts on smart car purchases.



### Female Employee Care

smart continuously prioritises the physical and mental well-being of female employees, striving to create a warm and caring workplace for women. We have established nursing rooms in our Hangzhou and Hangzhou Bay offices to provide convenience for breastfeeding women, alleviating their daily nursing concerns, and fostering a nurturing environment for motherhood. Additionally, on International Women's Day in 2023, we provided holiday gifts to all female colleagues, enhancing their sense of belonging and happiness at work, and expressing our gratitude for their contributions to the Company's development.



smart "International Women's Day gifts"



### Employee Birthday Celebrations

The Company hopes that every employee can have relaxing and joyful memories at smart outside of work. On a quarterly basis, we regularly organise birthday celebrations in major operational locations such as Hangzhou, Ningbo Hangzhou Bay, Xi'an, Shanghai, and Nanning. These events celebrate employees' birthdays and foster integration among staff.



smart Employee Birthday Celebration

## Compensation Management

To ensure internal equity and external competitiveness of the Company compensation, reflecting a compensation system that aligns with brand values, smart adopts a differentiated compensation positioning strategy to encourage talent to reach their potential.

### Our Compensation Philosophy:

#### Job Value

Establish competitive salary standards based on job value.

#### Performance Orientation

Create a high-performance-oriented compensation culture guided by performance contributions.

#### Competence-Based Pay

Develop a compensation mechanism determined by the evaluation of abilities.

Based on the Company's development strategy and global operational layout, in 2023, smart further enhanced global organisation, job and rank evaluation, and compensation system construction, aiming to create a fair and transparent talent management system. We launched a special project on executive compensation performance, focusing on the external competitiveness and internal balance of executive salaries.



## Democratic Management

We value employee communication and actively listen to employee feedback, providing multiple channels for communication and feedback. The Company highly regards and protects employee privacy, ensuring that any feedback is followed up and responded to under strict confidentiality measures. smart consistently conducts employee satisfaction surveys to thoroughly understand the daily experiences of smart employees and to enhance employee engagement and sense of belonging through regular feedback collection.

### smart Corporate WeChat and "HR Employee Station"

The Company has established diverse communication channels, striving for two-way communication with employees, proactively guiding them to understand the Company's development trends, and actively responding to reasonable employee demands. In 2023, we launched the corporate WeChat account - "HR Employee Station". Through this WeChat account, employees can promptly learn about internal and external corporate activities and policies, browse current affairs or other areas of interest for self-improvement, or express their thoughts and suggestions via the feedback page.



"HR Employee Station" provides real-time updates for smart employees

smart respects employees' rights to freedom of association and collective bargaining, allowing employees to establish unions and democratic management mechanisms voluntarily. The smart union has a comprehensive governance structure and regularly holds union committee meetings to discuss significant policy changes or decisions with various corporate departments. The union thoroughly considers employees' rights, and employees can voice their concerns through the union's "Employee Feedback" section.

## Talent Development

At smart, we always regard our employees as valuable human resources, respecting each individual's development aspirations. Aligning with the Company's development strategy and talent development plans, we continuously enrich and improve our talent training programs. This helps employees develop their skills and careers, realise their self-worth. Also, it helps them adapt to the latest technologies and industry trends and enhance their competitiveness.

## Talent Recruitment

At smart, we incorporate fair recruitment principles into our Recruitment Policy, openly publishing the requirements for job positions to ensure the right person for the right job. During the Reporting Period, smart was honoured with the 2023 CIWEI Annual Youth-Friendly Employer Award and the Best Visual Design Award.



smart wins the 2023 Youth-Friendly Employer Award - Trophy and Certificate

During the Reporting Period, the Company established diversified recruitment channels, including self-recruitment, internal referrals, campus recruitment, internal transfers, and special recruitment events, to provide a talent reserve for business innovation and upgrades.

## Internal Referrals

Internal referrals are a vital channel for talent acquisition at smart. The Company periodically posts internal job vacancies and offers referral bonuses to encourage employees to recommend outstanding candidates. smart places great trust in the professional knowledge and judgment of our own employees, leveraging their deep understanding of smart to enhance the quality of talent recruitment while conveying smart's brand reputation and culture to employees and external candidates.

## Campus Recruitment

During the Reporting Period, smart held multiple campus recruitment events, offering young employees various learning opportunities and experiences in different roles, markets, and cultures. This empowers them to actively apply their knowledge and expertise, gain new insights and perspectives, and promote their career development.



### smart 2023 Fall Campus Recruitment Event

In 2023, smart held recruitment seminars at universities such as Zhejiang University and Tongji University, sharing professional knowledge about the automotive industry and encouraging innovation. The events attracted approximately 500 talents from these universities. During the Reporting Period, the Company received over 12,000 student resumes.



At the smart campus recruitment events, automotive industry experts provided insights into the current state of the industry for recent graduates.

## Talent Incentives

smart is committed to sharing business success with outstanding employees, retaining talent by identifying potential employees and implementing diverse incentive mechanisms. In 2023, the Company focused on optimising incentive policies for key core positions:

Employee Leadership Program	Employee Career Development Program	Talent Incentive Policy
Enhancing management capabilities of high-tech talent comprehensively, providing a reserve of management personnel for R&D and other technical positions.	Developing plans for the career advancement and development paths of core technical staff, fully supporting capable talent in technical positions.	Continuously focusing on talent incentive policies in various operation areas, offering employees a range of benefits and incentives such as local talent housing, rental subsidies, and talent certification subsidies.

## Workplace Empowerment

smart is committed to fostering the long-term development of employees within the Company. We have established several programs to cultivate high-level talent, encouraging continuous learning and development, actively creating promotion opportunities, and building succession pipelines. In 2023, we updated the "Training Business Procedures" to comprehensively train various talents needed for the Company's development. This training aims to enhance employees' overall qualities and professional skills and ensure that all training and development programs cover employees at all levels and functions.

The Company has developed and launched a talent development training system, continuously introducing diverse, multi-level, and long-term training courses through a digital platform. These training courses cover general skills (such as communication, thinking, and learning abilities) and business capabilities (such as R&D and marketing). In 2023, we implemented online onboarding training for newly hired employees recruited from society. Based on the needs of different new hires, we transformed the cultural integration method from centralised training to a flexible, quick, and efficient online training approach.

Additionally, smart places great importance on employees' feedback and opinions regarding learning courses. After each training session, we collect course suggestions from employees through survey questionnaires. These responses serve as reference points for timely adjustments to course suitability and engagement.

2022-2023 smart Talent Training Performance

	2022	2023
<b>Average number of hours of employee training by gender</b>		
Female	7.55	8.31
Male	8.17	8.31
<b>Average number of hours of employee training by grade</b>		
General staff	8.36	8.29
Department / Sub-department heads and above <sup>17</sup>	4.06	8.94

smart SEED Workplace Bootcamp

In 2022, we launched the first smart SEED campus recruitment training program. This initiative offers new recruits an opportunity to start their career journey at smart, involving Enlightenment, Experience, and Discovery. In 2023, we welcomed 36 new employees who officially began their career journey at the bootcamp. Through a week of ice-breaking activities, workplace enlightenment courses, and other onboarding empowerment programs, new employees smoothly integrated into smart's culture.



● smart 2023 SEED Bootcamp Group



● At the bootcamp, smart seniors share their experiences with the new recruits

<sup>17</sup> Include department/sub-department heads of smart Mobility Pte. Ltd. and EMC of smart Automobile Co., Ltd.

smart 2023 Salon English Corner

Combining the Company's international operation characteristics, smart conducts specialised English proficiency training for employees. The Company collaborates with Liulishuo, offering opportunities to improve English skills through an online app, online courses with native English-speaking teachers, and offline themed English salons with foreign teachers.

In 2023, the Company upgraded the Salon English Corner. Employees can now better assess their English proficiency levels through standard precise positioning and receive improvement suggestions based on the newly added AI courses. They can also independently select themed courses. The Salon English Corner includes community support, offering services such as Q&A, data reports, and regular encouragement to enhance interest and efficiency in learning English.

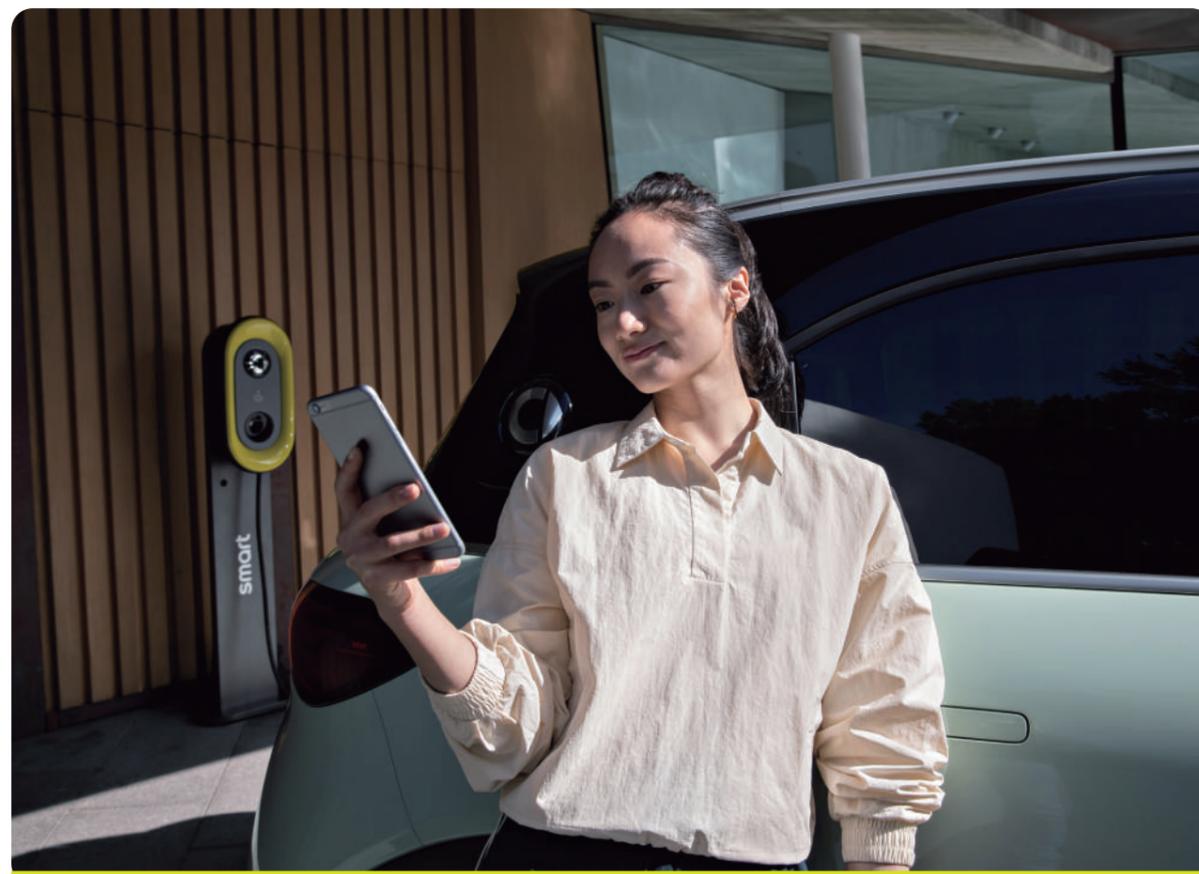


● smart offline English Salon event



smart fully considers employees' growth patterns and development needs, providing personalised career development paths for employees at different performance and growth stages and setting corresponding training plans for different talents. In addition, the Company places great emphasis on employees' continuous education and personal growth, coordinating training resources to provide external training opportunities, ensuring that the training content closely aligns with strategic planning, business needs, and employee aspirations.

Training Type	Training Courses
R&D Courses	<ul style="list-style-type: none"> <li>&gt;&gt; "Into R&amp;D – Product/Technology/Standards Series Training"</li> <li>&gt;&gt; smart R&amp;D – Engineer Forum</li> </ul>
Workplace Empowerment	<ul style="list-style-type: none"> <li>&gt;&gt; "Work Efficiency Enhancement Tool – Mind Mapping"</li> <li>&gt;&gt; Foreign Teacher Class – Business Writing Special Course</li> </ul>
Workplace Communication	<ul style="list-style-type: none"> <li>&gt;&gt; "Highly Emotionally Intelligent Conversations for Cross-department Communication"</li> <li>&gt;&gt; Empowerment Open Class – Communication, Expression, and Collaboration</li> </ul>



## Performance Evaluation and Development

To unleash the potential of our employees, smart has established a performance assessment mechanism. We regularly set performance goals with employees and track the progress of these goals, helping employees identify work deviations and improvement directions in a timely manner. Additionally, we communicate performance results with employees regularly, assisting them in setting their next goals and improvement plans.

### Performance Evaluation

The Company aims to establish a value-oriented performance culture to drive the execution and achievement of corporate strategic goals, invigorate the organisation, enhance employee efficiency, and promote the joint development of the Company and employees. Performance evaluation is based on dimensions of performance, competency, and values. For different job natures, quantitative and qualitative indicators are designed accordingly:

<p><b>Performance</b></p> <p>Measuring and evaluating the completion of individual performance goals. Individual performance goals are determined based on the Company's objectives and plans, broken down from top to bottom and aligned with job responsibilities.</p>	<p><b>Competency</b></p> <p>Assessing the extent to which employees' abilities meet job requirements and their continuous improvement and updating of relevant skills according to organisational needs, including management and professional competencies.</p>	<p><b>Value</b></p> <p>Examining the alignment of employees with the Company's core values and behavioural standards, including but not limited to compliance management, employee conduct guidelines, and reward and punishment policies.</p>
--	--	--

In 2023, the Company systematically reviewed and updated the "Management Policy for Employee Performance Appraisal", aiming to comprehensively, multidimensionally, and frequently assess and provide feedback on employees' various abilities and performance. The Company's annual performance evaluations is based on performance, competency, values, and the completion of performance goals. Additionally, a semi-annual performance evaluation is established, which partially influences the annual evaluation results, aiming to enhance the timeliness and quality of performance feedback. Moreover, during the Reporting Period, the Company launched a project to improve the career development and qualification system, completing the establishment of qualification standards for certain positions.

### 360-Degree Performance Evaluation System

During the Reporting Period, we customised an annual 360-degree performance evaluation system for internal senior management to support clearly defined, measurable, and comprehensive performance assessment goals. Each manager received ratings and comments from around 10 people, including superiors, peers, subordinates, and themselves. The 360-degree performance evaluation system provided each senior manager with a more comprehensive development assessment, effectively avoiding unconscious biases, and collecting feedback from all levels to continuously improve team collaboration. In 2023, 26 senior managers at smart participated in the annual 360-degree evaluation.

## ● Promotion Pathways

The Company establishes dual career development paths for employees, providing suitable career directions for different types of talent. We closely follow employees' career development paths, offering fair development opportunities for all.

Position Development Pathways	Development Path Competency Requirements
Management Path	<ul style="list-style-type: none"> <li>&gt;&gt; This path includes management positions that involve managerial functions and tasks, requiring a focus on improving management leadership.</li> <li>&gt;&gt; Appointment to a management position requires initiating the management personnel appointment process for the relevant candidate.</li> </ul>
Professional Path	<ul style="list-style-type: none"> <li>&gt;&gt; This path includes three directions: R&amp;D, marketing and after-sales, and functional integration, focusing on professional levels, skills, and competency requirements.</li> <li>&gt;&gt; When a professional position's capabilities reach a certain level, and after passing the qualification assessment, the promotion process can be initiated.</li> </ul>



## ■ Employee Health and Safety

smart is committed to providing all employees with a safe, healthy, and caring work environment, which is our paramount responsibility. We actively implement various control measures to ensure employees' physical and mental well-being in any workplace setting. We strictly comply with occupational health and safety regulations and relevant laws in our domestic and international operational locations, including the "Production Safety Law of the People's Republic of China".

The Company has developed and strictly implements the "Environmental, Occupational Health, and Safety Management Manual" in accordance with the requirements of the ISO 45001 Occupational Health and Safety Management Systems and the ISO 14001 Environmental Management System. This ensures the health and safety of employees, suppliers, contractors, and other personnel managed by smart to varying degrees in work or occupation-related activities. In 2022, smart vehicle manufacturing plants obtained ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System certifications and passed the supervisory audit in 2023.

### ⚡ Safety Risk Prevention

To quickly, accurately, and promptly respond to health and safety incidents and effectively mitigate and avoid occupational health and safety hazards, the smart vehicle manufacturing plant utilizes the Environmental, Health, and Safety (EHS) information platform to define the processes for risk identification, risk assessment, and risk control in occupational health and safety. In 2023, we actively implemented the following measures to ensure the safety of production activities:

- ▶ Conducting health examinations for personnel working in hazardous environments and inform them of the results, while also establishing monitoring records.
- ▶ Performing monthly and daily monitoring of physical hazard factors in the workplace.
- ▶ Conducting annual occupational hazard factor testing and publicising the results. The annual compliance rate for occupational hazard factors reached 94.66%, an increase of 1.66% compared to the previous year.
- ▶ Providing pre-employment and on-the-job occupational health training for exposed personnel.
- ▶ Completing the annual occupational hazard system declaration and receiving a receipt from the Health Bureau.



### Occupational Health and Safety Training and Competition

In 2023, during the 21st National Occupational Disease Prevention Law Awareness Week from April 25 to May 1, the smart vehicle manufacturing plant conducted internal promotion activities. Aligning with this year's theme, "Improving Work Environment and Conditions, Protecting Workers' Physical and Mental Health", the plant actively organised occupational health knowledge quiz activities and occupational health training exams. The training attracted more than 2,000 participants, significantly enhancing employees' safety risk awareness and hazard inspection capabilities.

During the Reporting Period, the smart vehicle manufacturing plant provided occupational health and safety training to a total of 3,120 trainees. The total training duration reached 74,880 hours, with an average training time of 24 hours per trainee.



### Stakeholder Safety Management

smart is deeply concerned about the health and safety of suppliers and construction workers during operations, ensuring they conduct business activities according to applicable occupational health and safety regulations and international standards while providing a safe working environment. We have rigorously developed the "Construction Safety and Environmental Management Agreement" and require construction units to sign and implement it. The "smart Supplier and Third-Party Intermediary Code of Conduct" also clearly outlines regulations regarding employee health and safety, safe production, and environmental protection, comprehensively implementing safety and environmental management measures for suppliers and partners, enhancing safety and environmental leadership.

### 2023 smart Occupational Health and Safety Performance

	2023
The number of recordable work-related injuries	3
The rate of recordable work-related injuries	0.2 <sup>18</sup>
The number of fatalities as a result of work-related injury	0
The number and rate of fatalities as a result of work-related injury	0
The number of high-consequence work-related injuries	0
The rate of high-consequence work-related injuries	0
The number of fatalities as a result of work-related ill health	0
Total lost days	40 days

### 2023 Occupational Health and Safety Performance of smart Vehicle Manufacturing Plant

	2023
The number of recordable work-related injuries	0
The rate of recordable work-related injuries	0
The number of fatalities as a result of work-related injury	0
The number and rate of fatalities as a result of work-related injury	0
The number of high-consequence work-related injuries	0
The rate of high-consequence work-related injuries	0
The number of fatalities as a result of work-related ill health	0
Total lost days	0

<sup>18</sup> Indicates that the probability of a workplace injury at smart during the Reporting Period is 0.2 per 200,000 hours.



## Protecting Employees' Physical and Mental Health

The Company is committed to workplace health by creating a healthier, happier, and more efficient working environment. We encourage employees to participate in various internal and external activities that benefit their well-being. In 2023, we launched courses such as "Emotion and Stress Management" and "Workplace Anxiety" on the Company's social platform, providing support to help employees alleviate psychological stress and anxiety.

### Ergonomics Assessment and Automation Application to Reduce Physical Intensity

smart's vehicle manufacturing plant has implemented a series of automation and ergonomic applications to help reduce operational safety hazards and employee labour intensity:

#### Automated boxing project

Previously, stamped parts at the end of the stamping line required manual handling, which was labour-intensive. Following the modification, robots now perform the automatic boxing and transfer of these parts to the interim storage, fully realising automation.

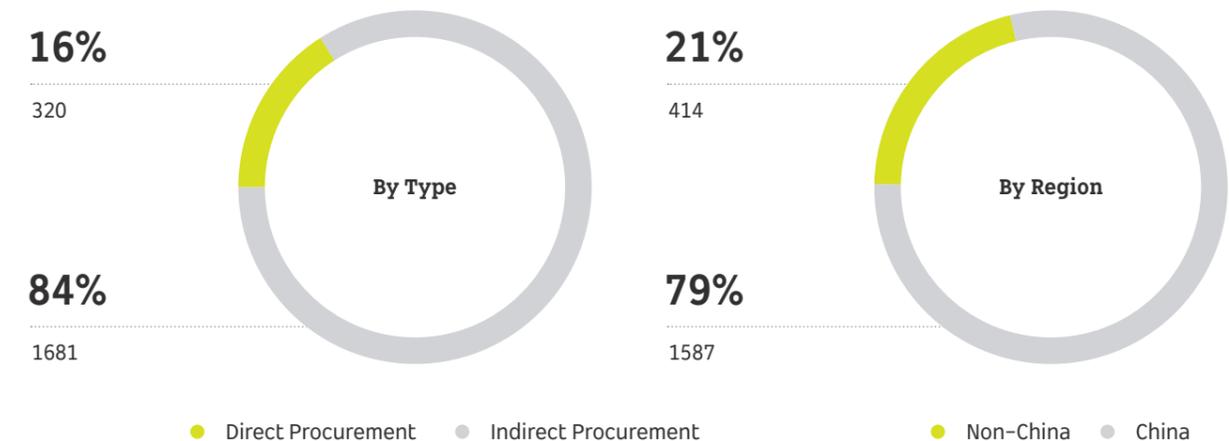
## Responsible Supply Chain

smart strictly complies with the "Bidding Law of the People's Republic of China" and other relevant laws and regulations in our domestic and international operating locations, establishing a comprehensive supplier management process. The Company manages suppliers throughout the entire process, from entry evaluation, risk identification, performance evaluation, and annual audits to follow-up on non-compliance rectifications, striving to minimise supply chain risks. Simultaneously, the Company continuously implements sustainable procurement principles, aiming to promote suppliers' environmental and labour rights performance. Supplier sustainability performance is incorporated into the full lifecycle management of procurement, working together to build a responsible supply chain.

### Sustainable Procurement

To ensure the stability and safety of our supply chain, smart establishes and continuously improves risk monitoring mechanisms, regularly evaluating, and updating supply chain risks. We assess risks related to market conditions and supply fluctuations, and promptly formulate risk warnings. In 2023, the Company engaged a third-party professional agency to conduct comprehensive supplier credit report evaluations. This evaluation includes stress scores and percentile ranks, showcasing the financial stress levels and relative industry positions of enterprises. It provides an in-depth analysis of transaction payment habits and management decisions across multiple dimensions, fully revealing the commercial risk status of suppliers and ensuring the effectiveness of supplier risk control.

smart establishes a Global Procurement Committee to discuss and decide on procurement matters, formulating and strictly implementing the "Supplier Code of Conduct", "Measures for the Management of Indirect Procurement of smart", and the "smart Europe Integrity Code". During the Reporting Period, we also revised internal management regulations such as the "Construction Safety and Environmental Management Agreement", focusing on supplier performance and communication. This decomposition of management frameworks into processes achieves systematic and standardised supplier management. In 2023, 92% of suppliers completed signing the "Supplier Code of Conduct", and we found no suppliers with environmental or labour rights risks.



**Admission Management**

<p><b>New Supplier Qualification Pre-Audit</b></p> <p>Reviewing supplier's sustainability performance, including ISO certification, compliance investigation and risk assessment, corporate social responsibility/ESG reports, etc.</p>	<p><b>Supplier Audit</b></p> <p>Conducting supplier admission review from dimensions such as R&amp;D technical capabilities, production and quality control capabilities, business risk, and compliance with laws and regulations.</p>	<p><b>Agreement Signing</b></p> <p>Signing relevant agreements with suppliers, such as the "Supplier Code of Conduct" and "Non-Disclosure Agreement", to ensure suppliers can effectively fulfil their social responsibilities. Admission is completed only after signing.</p>
---	--	--

**Qualified Supplier Management**

<p><b>Performance Evaluation</b></p> <p>Monitoring and evaluating the ESG performance of suppliers and completing performance improvements.</p> 	<p><b>Empowerment Training</b></p> <p>Regularly conducting training on ESG systems and performance for suppliers.</p> 
---	---



**Conducting Supplier ESG Performance Evaluation and Empowerment Training through Drive Sustainability**

After supplier onboarding, smart conducts ESG evaluations by applying the Drive Sustainability Self-Assessment Questionnaire (SAQ) based on project requirements. We assess suppliers' performance in areas such as human rights and working conditions, health and safety, business ethics, environment, responsible supply chain management, and responsible sourcing of raw materials based on the completed questionnaire and uploaded materials. These evaluations are validated and scored by an external compliance analyst team (NQC), helping smart identify supply chain risks. In 2023, the Company conducted SAQ evaluations for 298 key suppliers in China and Europe. For suppliers with low scores, we provided improvement suggestions and urged continuous optimisation. Additionally, we conducted on-site sustainability audits for 2 suppliers and offered enhancement recommendations.

Additionally, smart leverages the Drive Sustainability China platform to conduct specialised ESG training for key suppliers. The training covers topics such as responsible supply chain management, carbon emission management, and sustainable responsible management in the automotive industry from a global perspective.

**Key Raw Material Management**

smart highly values the management of key raw materials such as tin, tantalum, tungsten, and gold. For specific vehicle export projects, we use the Conflict Minerals Reporting Template to collect raw material information from suppliers, assessing and mitigating the risks associated with key raw materials.

Additionally, during the Reporting Period, smart participated in Drive Sustainability's regular meetings related to raw materials. smart firmly rejects and does not support the use of "conflict minerals", requiring suppliers to ensure that the mining and trading of the minerals and metals they use do not contribute to human rights abuses, corruption, environmental destruction, or conflict financing. Suppliers must declare and ensure the responsible sourcing of minerals and metals.

**Supplier Appeals and Communication**

The Company provides multiple transparent information communication channels listed in the supplier relationship management system. Suppliers can communicate with smart or appeal regarding audits through the compliance complaint email (smart.BPO@smart.com), phone, WeChat, visits, and other methods. The Company also adopts a real-time communication mechanism, utilising work group chats, round-table meetings, on-site communications, and the supplier relationship management system to facilitate two-way communication. We encourage all suppliers' employees and other stakeholders to consult, report, and appeal through appropriate channels.

# Corporate Social Responsibility

smart continuously focuses on community contribution areas such as climate education, responsible consumption, and poverty educational support. While promoting our operations, we also pay attention to regional development and contribute to the spread of sustainable development awareness. To standardise and improve smart's sustainable principles in public donations and commercial sponsorships, we have formulated the "Donation and Sponsorship Compliance Policy". Additionally, we encourage and support employees to participate in public welfare activities, contributing to the development of communities, society, and public welfare through their actions. In 2023, we focus on climate change action, community contributions, product innovation, and industry development, actively exploring sustainable public welfare models.

## Climate Awareness Promotion

Climate change is a serious challenge faced by all of humanity. In 2023, smart aims to leverage our brand influence to promote the concept of sustainable development. Through volunteer activities and themed sharing sessions, we strive to help more groups in society understand global climate change and practice environmental protection.

### Driven by Passion, "Surrounding the Desert"

In 2023, Jiangsu Haipeng smart, as the initiator of the smart Public Welfare Forest Project, collaborated with smart car owners to carry out tree-planting activities. For every smart car sold, Jiangsu Haipeng smart planted a Haloxylon tree in Minqin, Gansu, China, in the name of the car owner, contributing to windbreak and sand fixation efforts.

The "Haipeng Companion Forest" has been planted in Changning Town, Minqin County, Wuwei City, Gansu Province, China. With the support of car owners and the hard work of local volunteers, nearly 3,000 Haloxylon trees have been planted, effectively reducing wind speed in the arid and rain-scarce region, and preventing sand from damaging farmlands and villages. By the end of the Reporting Period, the smart Public Welfare Forest Project has celebrated its first anniversary. We believe that in the near future, a forest will be established. With the continuous participation of more car owners, the ecological forest barrier will become increasingly robust.



The smart Haloxylon forest is expected to become a full-grown forest within three years

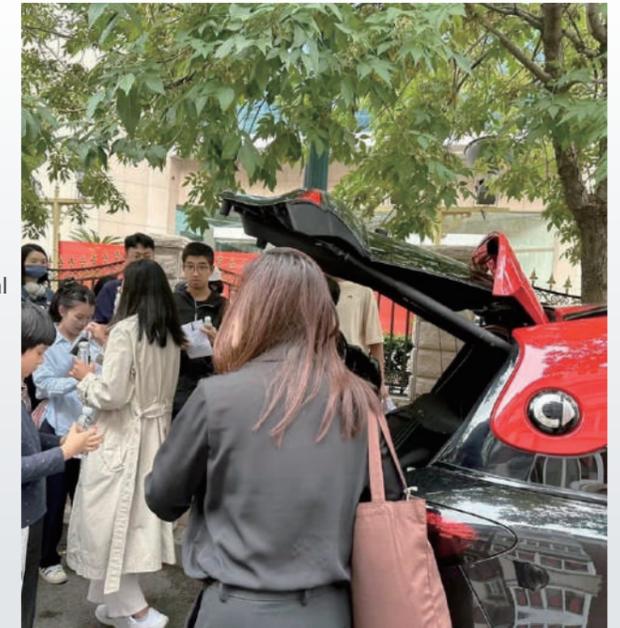


Location of smart Jiangsu Haipeng Companion Forest

### Jane's Walk – City Walk with a Theme of Sustainable Cities and Transportation

Jane's Walk is an urban walking event named after the American social activist, writer, and journalist Jane Jacobs. Introduced to China in 2019 by the volunteer team "Citipedia - Sustainable Cities and Transportation", this event has expanded to 11 cities across the country, including Beijing, Shanghai, Guangzhou, Shenzhen, and Hong Kong.

In 2023, smart supported and participated in a total of three themed walking events in Beijing, Tianjin, and Hong Kong, with themes such as "Green Zero-Waste City", "Youth-Friendly Neighbourhoods", and "City and Identity". During the Jane's Walk event in Tianjin, participants engaged in green "zero-waste" city walks, listening to professional insights from the Heping District Zero-Waste Office and contributing to the "zero-waste city" initiative. Along the way, we specially designed the "smart Supply Station", where participants shared sustainable development strategies in the "carbon-neutral" era and collaboratively explored optimal solutions for future urban transportation.



Participants listened to the brand manager's presentation at the smart Supply Station

## Community Contribution

smart advocates for the mutual prosperity of businesses and communities, encouraging employees to actively participate in community volunteer services to support local community development. In 2023, on the occasion of Teacher's Day, smart donated 125 book purchase cards, totalling approximately 50,000 RMB, to the Ningbo Qianwan New Area School, where the Company's global headquarters is located.

When disaster strikes, help comes from all directions. In 2023, a 6.2 magnitude earthquake hit Jishishan County, Linxia Hui Autonomous Prefecture in Gansu Province, resulting in casualties. smart actively assumes social responsibility by aiding earthquake relief efforts in Gansu. Collaborating with local partners, smart donated over 200 sets/boxes of various supplies including blankets, cotton clothing, electric blankets, and instant noodles. These donations provided warmth and support to nearly 700 affected residents, aiding the local earthquake relief efforts.

## smart Collaborates with Friends of Nature to Conduct Environmental Volunteer Activities

Friends of Nature, established in 1993, is one of the earliest environmental NGOs in China. With a nationwide volunteer base exceeding 30,000 people, it works to rebuild the connection between humans and nature through environmental education, ecological community initiatives, and public participation, aiming to protect precious ecosystems and foster the growth of green citizens.

In 2023, smart collaborated with Friends of Nature to conduct eight environmental volunteer activities themed "Leave No Trace in the Forest" or "River Clean-up" in Shenyang, Beijing, Chengdu, Guangzhou, Shenzhen, Wuhan, and Hangzhou. These events invited smart car owners, community users, corporate employees, and dealer staff to practice environmental protection concepts and promote sustainable urban living.



● smart employees participate in the "Leave No Trace in the Forest" activity

## Talent Innovation Empowerment

smart firmly believes that innovation is the core driving force of industry development, and the new generation is the key practitioner of innovation. We continuously provide opportunities for training and practice for young talent.

## smart Future Urban New Premium Mobility Initiative

From September to October 2023, smart collaborated with the China Academy of Art to celebrate smart's 25th anniversary by launching the "Future Urban New-Premium Mobility Initiative". This event encouraged students to submit their creative ideas for future urban transportation tools. Three outstanding works were showcased at the smart times 2023 for the 25th anniversary celebration of smart brand.

In December 2023, smart and the Transportation Design Institute, China Academy of Art officially signed a medium to long-term cooperation agreement on sustainable development at smart's Hangzhou West Lake Brand Centre. Both parties will engage in in-depth practices in sustainable mobility solutions, technological innovation, and talent development.



● Signing Ceremony for Sustainable Development Cooperation between smart and the China Academy of Art

## Looking Ahead

smart firmly believes that employees' contributions are key to business success. We continue to invest in talent development resources, striving to provide excellent career development opportunities for our employees, aiming to build a diverse, inclusive, and industry-leading team. At the same time, we are committed to our community, caring for society, and continuously promoting sustainable development concepts. The Company will be dedicated to carrying out the following actions:

- ▶ Continuously expanding the talent matrix, providing more growth and development opportunities for employees, and promoting the concept of diversity, inclusiveness, and vitality to support the Company's strategic development.
- ▶ Collaborating with suppliers to expand the boundaries of a sustainable supply chain and jointly build a responsible ecosystem.
- ▶ Continuing to explore community responsibility work in environmental protection, social contributions, and charity.

● Artistic design by students of the China Academy of Art: Henry Zhang



# Global Reporting Initiative (GRI) Content Index

GRI Standard	Disclosure	Related Chapters/Remark
<b>GRI 2: General Disclosures 2021</b>		
2-1	Organisational details	Our Culture and Values
2-2	Entities included in the organisation’s sustainability reporting	About the Report
2-3	Reporting period, frequency and contact point	About the Report
2-6	Activities, value chain and other business relationships	About the Report
2-7	Employees	Diversity and Inclusion
2-9	Governance structure and composition	Sustainability Governance Framework
2-10	Nomination and selection of the highest governance body	Sustainability Governance Framework
2-11	Chair of the highest governance body	Sustainability Governance Framework
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Governance Framework
2-13	Delegation of responsibility for managing impacts	Sustainability Governance Framework
2-14	Role of the highest governance body in sustainability reporting	Sustainability Governance Framework
2-15	Conflicts of interest	Compliance
2-16	Communication of critical concerns	Stakeholder Engagement
2-17	Collective knowledge of the highest governance body	Sustainability Governance Framework
2-18	Evaluation of the performance of the highest governance body	Sustainability Governance Framework
2-19	Remuneration policies	Diversity and Inclusion
2-20	Process to determine remuneration	Diversity and Inclusion
2-22	Statement on sustainable development strategy	smart Sustainability Strategy
2-23	Policy commitments	smart Sustainability Strategy
2-24	Embedding policy commitments	smart Sustainability Strategy
2-25	Processes to remediate negative impacts	Corporate Governance

GRI Standard	Disclosure	Related Chapters/Remark
2-26	Mechanisms for seeking advice and raising concerns	Corporate Governance
2-27	Compliance with laws and regulations	Compliance
2-28	Membership associations	Responsible Supply Chain
2-29	Approach to stakeholder engagement	Stakeholder Engagement
2-30	Collective bargaining agreements	Diversity and Inclusion
<b>GRI 3: Material Topics 2021</b>		
3-1	Process to determine material topics	Material Issue Analysis
3-2	List of material topics	Material Issue Analysis
3-3	Management of material topics	Material Issue Analysis
<b>GRI 204: Procurement Practices 2016</b>		
204-1	Proportion of spending on local suppliers	Low Carbon Value Chain
<b>GRI 205 : Anti-corruption 2016</b>		
205-1	Operations assessed for risks related to corruption	Business Ethics
205-2	Communication and training about anti-corruption policies and procedures	Business Ethics
205-3	Confirmed incidents of corruption and actions taken	Business Ethics
<b>GRI 206: Anti-competitive Behavior 2016</b>		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Business Ethics
<b>GRI 207: Tax 2019</b>		
207-1	Approach to tax	Corporate Governance
<b>GRI 301: Materials 2016</b>		
301-1	Materials used by weight or volume	Sustainable Materials
301-2	Recycled input materials used	Sustainable Materials
<b>GRI 302: Energy 2016</b>		
302-1	Energy consumption within the organisation	Environmental Management
302-2	Energy consumption outside of the organisation	Environmental Management

GRI Standard	Disclosure	Related Chapters/Remark
302-3	Energy intensity	Environmental Management
302-5	Reduction of energy consumption	Environmental Management
<b>GRI 303: Water and Effluents 2018</b>		
303-1	Interactions with water as a shared resource	Environmental Management
303-2	Management of water discharge-related impacts	Environmental Management
303-5	Water consumption	Environmental Management
<b>GRI 305: Emissions 2016</b>		
305-1	Direct (Scope 1) GHG emissions	Low-Carbon R&D and Operations
305-2	Energy indirect (Scope 2) GHG emissions	Low-Carbon R&D and Operations
305-4	GHG emissions intensity	Low-Carbon R&D and Operations
<b>GRI 306: Waste 2020</b>		
306-1	Waste generation and significant waste-related impacts	Environmental Management
306-2	Management of significant waste-related impacts	Environmental Management
306-3	Waste generated	Environmental Management
<b>GRI 401: Employment 2016</b>		
401-1	New employee hires and employee turnover	Diversity and Inclusion
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Diversity and Inclusion
401-3	Parental leave	Diversity and Inclusion
<b>GRI 403: Occupational Health and Safety 2018</b>		
403-1	Occupational health and safety management system	Employee Health and Safety
403-2	Hazard identification, risk assessment, and incident investigation	Employee Health and Safety
403-3	Occupational health services	Employee Health and Safety
403-4	Worker participation, consultation, and communication on occupational health and safety	Employee Health and Safety
403-5	Worker training on occupational health and safety	Employee Health and Safety
403-6	Promotion of worker health	Employee Health and Safety
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Employee Health and Safety
403-8	Workers covered by an occupational health and safety management system	Employee Health and Safety

GRI Standard	Disclosure	Related Chapters/Remark
403-9	Work-related injuries	Employee Health and Safety
403-10	Work-related ill health	Employee Health and Safety
<b>GRI 404: Training and Education 2016</b>		
404-1	Average hours of training per year per employee	Talent Development
404-2	Programs for upgrading employee skills and transition assistance programs	Talent Development
404-3	Percentage of employees receiving regular performance and career development reviews	Talent Development
<b>GRI 405: Diversity and Equal Opportunity 2016</b>		
405-1	Diversity of governance bodies and employees	Diversity and Inclusion
<b>GRI 406: Non-discrimination 2016</b>		
406-1	Incidents of discrimination and corrective actions taken	Diversity and Inclusion
<b>GRI 413: Local Communities 2016</b>		
413-1	Operations with local community engagement, impact assessments, and development programs	Corporate Social Responsibility
<b>GRI 414: Supplier Social Assessment 2016</b>		
414-1	New suppliers that were screened using social criteria	Responsible Supply Chain
414-2	Negative social impacts in the supply chain and actions taken	Responsible Supply Chain
<b>GRI 416: Customer Health and Safety 2016</b>		
416-1	Assessment of the health and safety impacts of product and service categories	Quality Management
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No relevant violations occurred during the Reporting Period
<b>GRI 417: Marketing and Labeling 2016</b>		
417-1	Requirements for product and service information and labeling	User First
417-2	Incidents of non-compliance concerning product and service information and labeling	No relevant violations occurred during the Reporting Period
417-3	Incidents of non-compliance concerning marketing communications	No relevant violations occurred during the Reporting Period
<b>GRI 418: Customer Privacy 2016</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No relevant significant complaints were received during the Reporting Period

## Feedback

Dear Readers,

Hello!

Thank you very much for reading this report. This report is the sustainability report publicly released by smart Mobility Pte. Ltd. to the society. To continuously improve smart's sustainability efforts and enhance our ability and level of fulfilling social responsibility, we sincerely invite you to provide an objective evaluation of this report. We hope to receive your valuable opinions and suggestions, which we will humbly listen to and continuously improve upon. You can provide your feedback to us through the following methods.

E-mail: [smart.info@smart.com](mailto:smart.info@smart.com)

1. Your overall evaluation of the smart 2023 Sustainability Report is:

Excellent  Good  Average  Below Average

2. Do you think this report reflects smart's significant impact on the economy, society, and environment:

Yes  Somewhat  Not Sure

3. How do you rate the clarity, accuracy, and completeness of the information, data, and indicators disclosed in this report:

Excellent  High  Average  Below Average

4. What suggestions do you have for smart's sustainability efforts and the compilation of the sustainability report?

---