



smart Sustainability Report 2022

December 2023
smart.info@smart.com

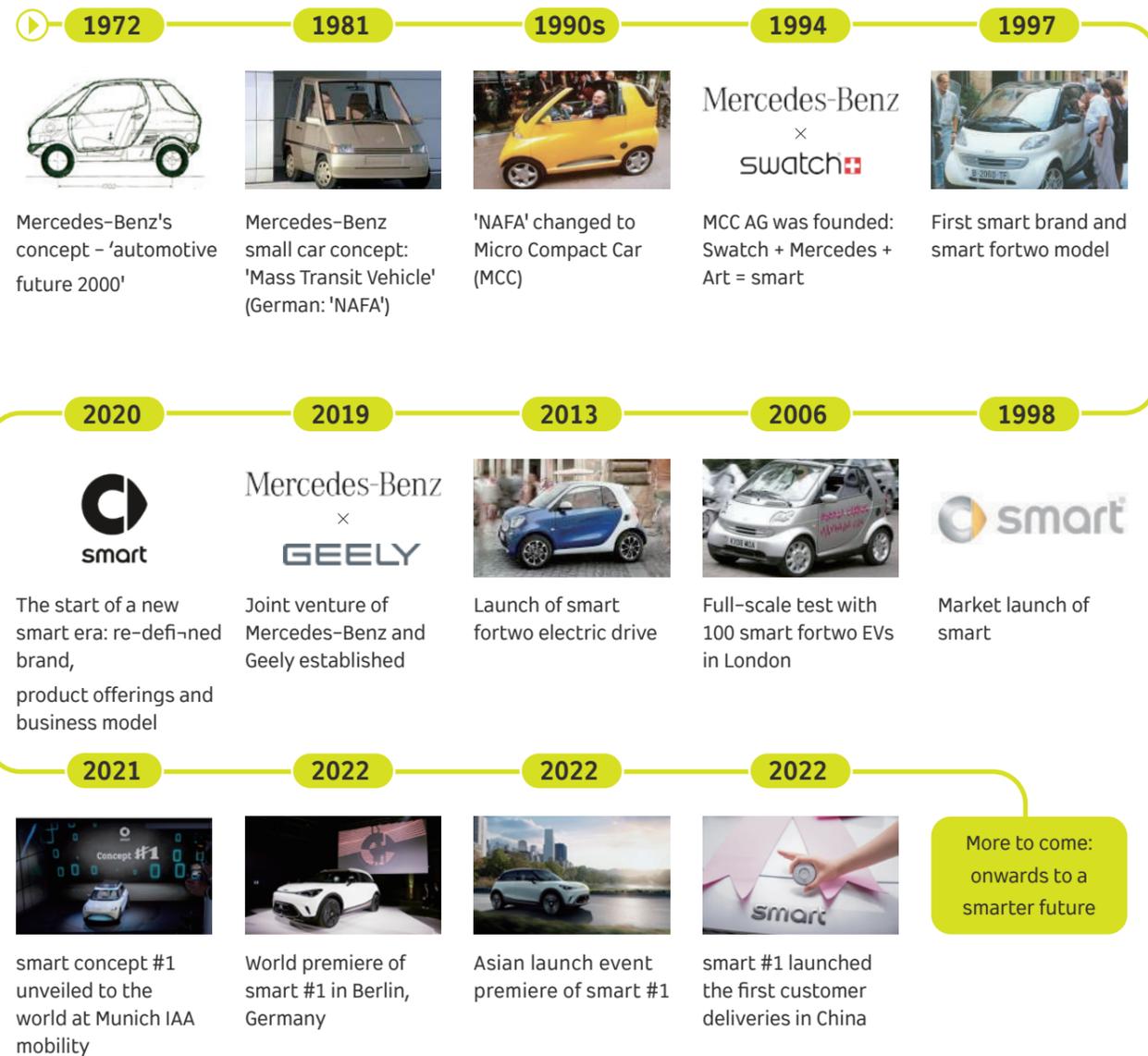
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Our Culture and Values

smart Evolution

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.



smart Brand Values

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



New Premiumness:

Progressive pioneers at heart, we embrace friction to create products and experiences that establish a new premiumness.



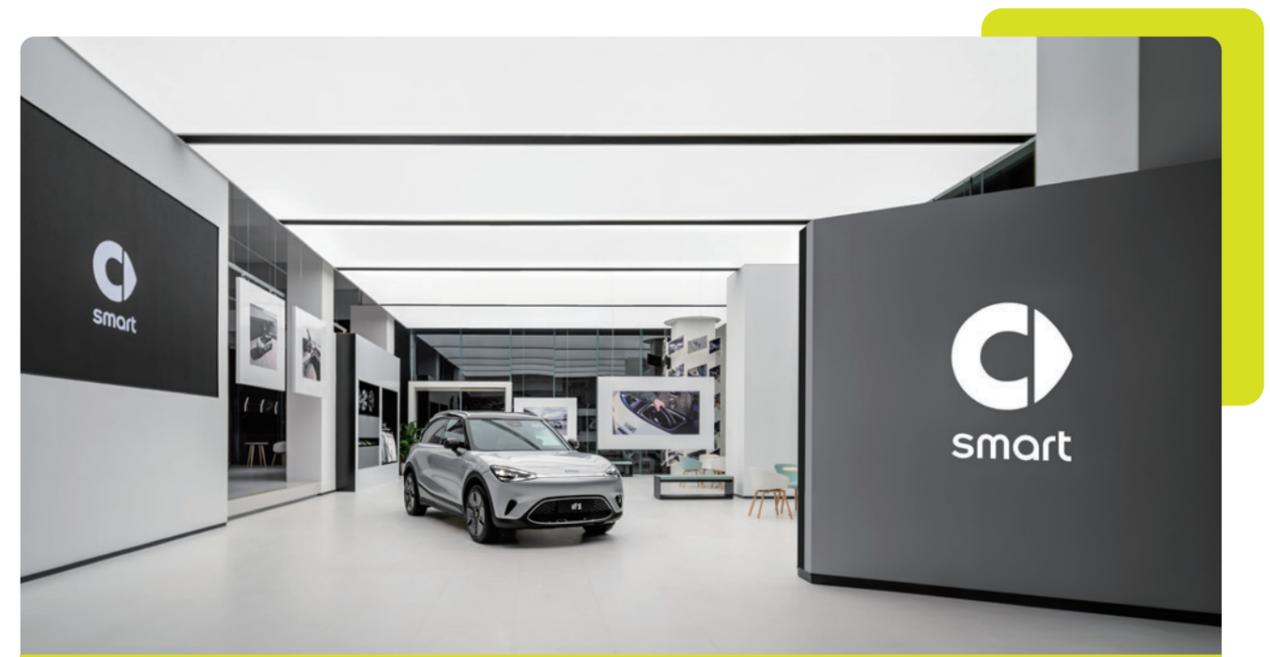
Future Tech:

With future tech, we always re-imagine and engineer the future for an intelligent life with human emotion.



Avant-garde Co-creation:

Born for inspiration, we join forces with our avant-garde community to innovate and co-create an iconic smart lifestyle ecosystem.



Message from the CEO

Since the birth of the brand, smart has always been committed to the vision of exploring the best solutions for future urban mobility. In the “carbon-neutral era”, we are actively responding to decarbonisation commitments, and promoting the development of society and enterprise while protecting the environment. Over the past year, we have established and accelerated the implementation of smart's sustainability strategy and action plan, ensuring the long-term business direction and value creation of the smart brand. We are pleased to release the smart Sustainability Report 2022, highlighting smart's performance and achievements in advancing sustainability across five key pillars, and how we integrate the principles of low-carbon transition and data responsibility into our daily operations.

Leading in Low-Carbon Initiatives

As the first brand in the industry to complete the transition from ICE vehicles to all-electric, smart considers decarbonisation its mission. We create new-premium intelligent electric products, enrich the public's sustainable urban travel and lifestyle options, and have committed to providing the market with a carbon-neutral electric vehicle model by 2045.

During the Reporting Period, the Company conducted a carbon footprint review of the entire process of raw materials acquisition, production, logistics, product use, and recycling for the smart #1. Following the review, we implemented carbon reduction measures. After rigorous scrutiny, the smart #1's battery was successfully awarded the first domestic EU PEFCR & ISO 14067 Carbon Footprint Certificate. While operating with a low carbon footprint, we continue to drive transformation towards reduced carbon across the entire value chain, actively explore low-carbon technologies and solutions with partners, promote the development of new low-carbon models, establish environmentally friendly production practices, and boost sustainable development throughout the industry. In 2022, the manufacturing facility for smart's product lineup took the lead in achieving carbon-neutral electricity, earning the first “Zero Carbon Factory” certification among Chinese automakers.

At the same time, smart is committed to the circular economy and responsible sourcing, incorporating Full Lifecycle Thinking into our business. We aim to shape a lower carbon, more equitable value chain by using more recycled and sustainable materials. In 2022, the smart #1 went into mass production and the recycled steel, recycled aluminum and recycled plastics reached 90 kg, 80 kg and 11 kg for the model, respectively. The model has a recyclability rate of roughly 95.82%.

Data Responsibility

The current “digital revolution” is leading the industry's rapid transformation, making information security management and privacy protection essential foundations for long-term corporate development. During the digital transformation, smart has always been at the forefront, establishing and improving an efficient and comprehensive information and network security management system. During the reporting period, the Company obtained the ISO/IEC 27001 “Information Security Management System” certification and ISO/IEC 27701 “Privacy Management System” certification.

We are committed to integrating privacy protection principles into our product development system, ensuring privacy compliance during product development and user usage stages. In 2022, we obtained the unlimited series EU Whole Vehicle Type Approval e1 (WVTA e1 certification) issued by the German Ministry of Transport (KBA). In October, we received the UNECE R155 Cybersecurity and R156 Software Upgrade VTA E1 Certification, and in January 2023, the first UN ECE R156 Software Update Management System E1 Certificate in China. smart has deepened data responsibility from information security and privacy protection to responsible data governance.

Value Transmission

smart's sustainability philosophy and practice extend beyond the environment and products. We focus on the impact of enterprises on people and society, striving to convey sustainable values to a broader audience. We focus on creating brand co-creation, product co-creation, event co-creation, and content co-creation to respond to the brand audience's expectations for “sustainable participation”.

Conveying value to employees and society is also an essential component of smart's sustainability strategy and corporate culture. The Company actively creates a diverse and inclusive professional environment, upholding equality and anti-discrimination principles in recruitment, training, promotion, and compensation. We also organise workshops on cutting-edge technology and information, encouraging everyone to practice sustainable development. Moreover, we have identified key areas of community contribution and are actively investing resources to address global critical issues such as climate change and urban mobility.

In 2023, as smart celebrates its 25th anniversary, the product lineup of the new generation of electric vehicles expands to more segmented markets. We emphasise integrating sustainable development into the fabric of our corporate operations, promoting innovative research and development, and the development of a circular economy. We go further protect technological advancements, driving safety, and user privacy, reducing the negative impact of the entire value chain on the environment and society. With passion and a positive outlook for tomorrow, we join hands with partners to explore the best solutions for future urban mobility, to design a smarter and more sustainable future together.

CEO
Tong Xiangbei

About the Report

Overview

The 2022 Sustainability Report (hereinafter referred to as the "Report") is the sustainability report 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 2022 to 31 December 2022 (hereinafter referred to as the "Reporting Period" or "2022"), with some content going back to previous years or covering the year 2023.

Scope of the Report

The scope of the Report covers the Company and its subsidiaries.

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 it is responsible for the truthfulness, accuracy, and completeness of the contents. The Report was reviewed and approved by the Executive Management Committee of the Company (hereinafter referred to as "EMC") for public release. 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.



Sustainability Highlights 2022

Integrity and Transparency

14 sessions

Optimised integrity governance with 14 compliance training sessions in 2022, seeking to integrate compliance into daily operations and corporate culture.

259 patents

Invested in the protection of intellectual property rights. During the Reporting Period, smart was granted 259 patents, including 5 inventions, 66 utility models and 188 exterior designs.

Products and Privacy

9,212 units

Significant business growth with 9,212 units of pure electric vehicles delivered in the Reporting Period in 2022.

Five-Star Euro NCAP Rating

smart #1 is designed in accordance with the Five-Star Rating both in Europe and in China, and is awarded a Five-Star Euro NCAP Rating at a class-leading level.

0

Guaranteed security of users' personal information with 0 major incidents related to personal information leakage in 2022.

40+ cities

Focusing on user co-creation and offline experience, as of the end of the Reporting Period, 153 various smart sales and service outlets have been established, covering more than 40 cities.

Circularity and Resources

Using recycled materials

Striving to become a recycling-committed company and supporting the circular economy, by 2022 smart reaches 90kg, 80kg and 11kg of recycled steel, recycled aluminium and recycled plastic use separately for single vehicle.

Climate and Carbon

100%

Offices in Germany, the Netherlands, and Italy are 100% powered by renewable energy sources such as photovoltaics.

For **2** consecutive years

smart has fully offset non-renewable energy consumption in operations for two consecutive years through energy efficiency initiatives and the purchase of International Renewable Energy Certificate.

Zero Carbon Factory

smart #1 and #3 model manufacturing factory was awarded the first Zero Carbon Factory certification for a Chinese vehicle manufacturer.

Vehicle Carbon Footprint Management

Practicing low-carbon management, based on domestic and international standards, such as ISO 14044 Life Cycle Assessment and ISO 14067 Greenhouse gases – Carbon footprint of products – Requirements and guidelines for quantification.

Employees and Society

1,305 employees, **30** countries and regions

Actively expanding the global talent pipeline with 1,305 employees from over 30 countries and regions.

48 ethnic minority employees

Embracing diversity, employing 48 ethnic minority employees in offices across China.

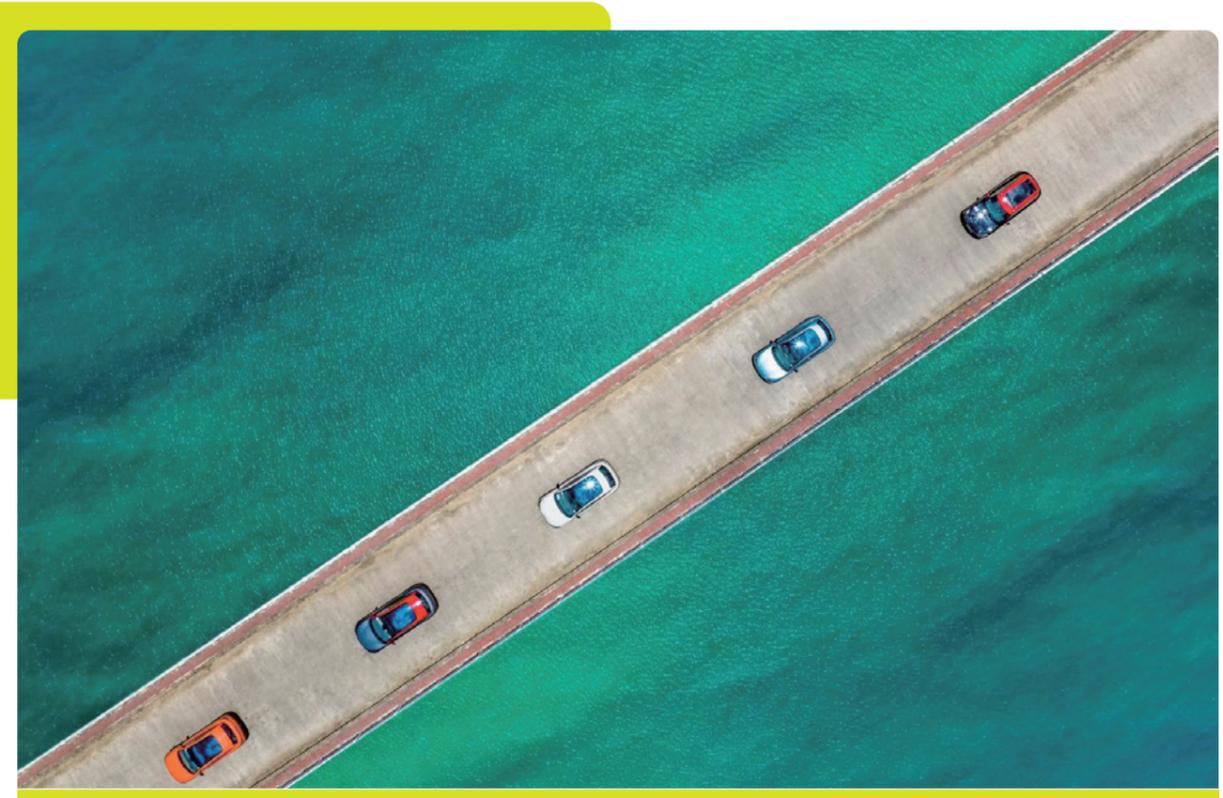
10,368 hours

Empowering employees with a total of 10,368 hours of training in 2022, covering 1,298 employees and achieving 7.99 training hours per capita.

Our Sustainability Strategy

Global Challenges and Our Responsibilities

In January 2023, the 53rd Annual Meeting of the World Economic Forum (WEF) released the latest edition of the Global Risks Report, in which the rising cost of living, natural disasters and extreme weather, and geo-economic conflicts ranked as the top three global short-term risks; the intensifying impact of climate change, the inability to adapt to climate change, and natural disasters and extreme weather ranked as the top three global long-term risks. These global risks and challenges have prompted smart to think about and adjust the development direction of the company at the right time, focusing on long-term sustainable development and creating long-term value. In the field of innovation, smart focuses on applying new science and technology to our products to promote the intelligent development of the automotive industry; in the field of energy, smart's pure electric models support the third energy revolution from fossil energy to renewable energy worldwide; and in the field of low carbon transition, smart continues to support China to achieve the goals of "carbon peaking by 2030 and carbon neutrality by 2060" and the EU's ambitious vision of "net zero greenhouse gas (GHG) emissions by 2050 and decoupling 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 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 | |
|--|--|
| Integrity and Transparency | We are committed to conducting business with integrity and transparency. |
| Product and Privacy | We design premium, pure electric vehicles to engage people with the sustainable mobility ecosystem and bring safety and privacy protection to our users. |
| Climate and Carbon | We take our decarbonisation commitment seriously. Making a carbon-neutral car and providing low-carbon solutions is our mission. |
| Circularity and Resources | We embed "life cycle thinking" into our business. We are committed to circular economy and responsible sourcing. |
| Employees and Society | 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 and strives to integrate the relevant goals into the sustainability strategy and roadmap, leading the Company to contribute towards the achievement of SDGs.



Sustainability Governance Framework

smart has built a multi-tier sustainability governance structure based on good corporate practices and leading governance standards, in order to perform the management functions of different tiers on ESG issues and continuously improve the Company's ESG governance level. We believe that a good sustainability governance structure and clear operational mechanism can clarify the reporting process on sustainability matters, implement ESG initiatives, effectively improve the quality of sustainability performance and information disclosure, and help smart achieve its sustainability strategy and vision.

EMC is actively involved in the development and implementation of the Sustainability Strategy and is responsible for coordinating sustainability matters, leading the company in identifying and assessing significant environmental and social impacts, developing sustainability guidelines, and establishing corresponding control and reporting mechanisms. In addition, EMC is responsible for reviewing the effectiveness of the Company's ESG governance and performance assessment, reporting, and making recommendations to the Board on major ESG issues and progress.

smart's ESG working group has been built with experts from Research and Development ("R&D"), Compliance, and Corporate Office, serving to coordinate decision-making processes between management and the operational level, as well as to roll out the strategy. The responsibilities of the working group also include reporting smart's material ESG issues, developing ESG-relevant policies, and monitoring the systems. The working group takes charge of identifying the key sustainability team members in operations and determining which ESG metrics and corresponding evaluation process are right for smart.

Representatives at the operational level take charge of the implementation, execution, reporting, and feedback of the strategies. The key departments include Legal and Compliance, Marketing, Sales & Services, IT, Human Resources, the Global Quality Centre, Procurement, Manufacturing, etc. They are collectively responsible for tracking and monitoring ESG data and tracing how the data is created and communicated through the organisation. They also report regularly about the problems encountered in collecting, reviewing, and disclosing ESG information and ensure the effectiveness of the monitoring system. In addition, the role of representatives at the operational level also includes engaging with employees to ensure their commitment with the sustainability goals and continuously maximising the impact of the sustainable development.

Meanwhile, the Company will regularly evaluate and continuously optimise the sustainability governance structure, taking into account compliance requirements, shareholders' requirements, business development, operational efficiency, stakeholders' expectations, etc.



Stakeholder Engagement

Stakeholder engagement is an important part of smart's day-to-day operations. 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 five main categories of stakeholders.



| Key Stakeholders | Relationships and communication channels ¹ | The most important sustainability issues for stakeholders |
|--|--|---|
|  Investors | 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. <ul style="list-style-type: none"> regularly discloses business information and holds relevant meetings | <ul style="list-style-type: none"> Carbon neutrality Compliance Battery traceability and recycling Corporate governance Data security |
|  Users | 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. <ul style="list-style-type: none"> Third Party User Service Survey smart App User Feedback Feedback is collected through interaction with potential customers by experienced frontline staff at roadshows | <ul style="list-style-type: none"> Customer service and satisfaction Charging infrastructure Product health and safety Battery traceability and recycling Urban mobility and intelligent driving |
|  Employees | Our employees are the heart of our business. We must listen to their concerns and needs to attract and retain the best talent. <ul style="list-style-type: none"> Annual employee engagement survey Cross-departmental workshop sharing or training, and group thematic sessions as needed Complaint channels including email and hotline Employee communication channels | <ul style="list-style-type: none"> Customer service and satisfaction Product health and safety Data security Privacy protection Employee health and safety |
|  Suppliers | 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. <ul style="list-style-type: none"> Regular supplier reviews and assessments Seminars and training for suppliers and contractors (especially compliance and employee occupational health and safety training) | <ul style="list-style-type: none"> Carbon neutrality Battery traceability and recycling Compliance Privacy protection Product health and safety |
|  Society and the public | Efforts to listen to the public and address their concerns and requests are important to achieving the vision and mission of smart. <ul style="list-style-type: none"> Gather feedback from front-line employees who interact directly with the public News Media Channels | <ul style="list-style-type: none"> Carbon neutrality Battery traceability and recycling Responsible supply chain Human rights Renewable energy |

¹ Not all communication channels are included

Material Issue Analysis

Starting in 2021, smart has conducted annual analytical assessments of substantive topics, including the following three main steps:

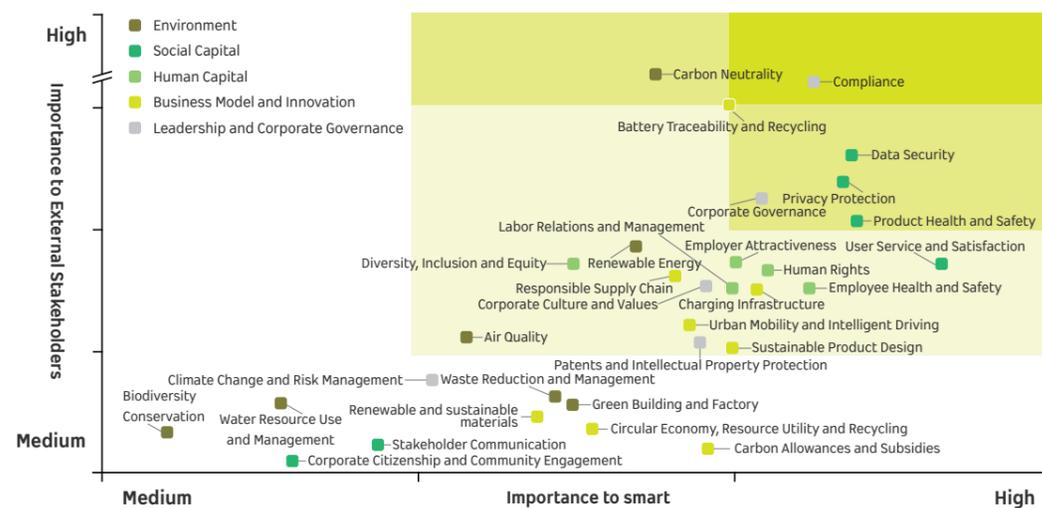
Identification:

In 2021, we selected the underlying assessment criteria for the identification and validation of smart materiality issues against laws and regulations as well as strategically important international agreements, global reporting frameworks, and common standards, such as GRI, SASB², and the UN SDGs. At the same time, we conducted peer benchmarking studies to further understand general trends, risks, and opportunities in the industry based on industry-recognised materiality issues. Based on this work, the firm created a list of 31 materiality issues, which, in line with industry guidance from the SASB reporting framework, were grouped into five categories: environment, social capital, human capital, business models and innovation, and leadership and corporate governance.

Assessment:

In 2021, as part of the process of developing the sustainability strategy, the Company sought to gain a more comprehensive understanding of the most strategic sustainability issues in its operations and the priority ranking of important issues by its stakeholders. Employees from 16 divisions, including domestic and European subsidiaries, were invited to participate in an online questionnaire, and in-depth interviews were conducted with key business partners, such as suppliers and financial institutions. Based on the feedback from internal stakeholders (i.e. smart management and employees) and external stakeholders (e.g. suppliers, financial institutions, etc.), the 31 materiality issues have been prioritised into a materiality matrix as shown in the figure below:

Materiality Matrix



² 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.

The materiality assessment was reviewed and validated by EMC. In order to align our sustainability efforts with the company's business model and strategy, and to respond to the expectations of our stakeholders, we prioritised 25 key issues from the materiality matrix as the basis for the pillars of our sustainability strategy.

| Environment | Social Capital | Human Capital | Business Model and Innovation | Leadership and Corporate Governance |
|-----------------------------------|--|---|--|--|
| 1. Carbon neutrality | 6. Data security | 11. Attractiveness as an employer | 16. Battery traceability and recycling | 21. Compliance |
| 2. Renewable energy | 7. Privacy protection | 12. Human rights | 17. Responsible supply chain | 22. Corporate governance |
| 3. Air quality | 8. Product health and safety | 13. Diversity, inclusion, and equal opportunity | 18. Charging infrastructure | 23. Corporate culture and values |
| 4. Waste reduction and management | 9. Customer service and satisfaction | 14. Employee health and safety | 19. Urban mobility and intelligent driving | 24. Patent and IP protection |
| 5. Green building and factory | 10. Corporate citizenship and community engagement | 15. Labour relations and management | 20. Sustainable product design | 25. Climate change and risk management |

Optimisation

smart's sustainability strategy pillars focus on key sustainability issues related to business development, helping to achieve our corporate vision of "to explore the best solutions for future urban mobility" while supporting the United Nations Sustainable Development Goals.

In 2022, we continued to monitor domestic and international sustainability regulatory trends and market dynamics. Complementing the company's development strategy in 2021, we timely assessed and determined the importance of each sustainability issue for internal and external stakeholders, and made reasonable adjustments based on the pillars of our sustainability strategy and important issues. During the Reporting Period, under the "Integrity and Transparency" pillar, we enriched the topic of "Compliance" with "Compliance and integrity" and added the topic of "Risk and crisis management"; under the "Product and Privacy" pillar, we added "Product and technology innovation" and "Industry collaboration"; and under the "Climate and Carbon" pillar, the topic of "Responding to climate change" was added.

2022 smart Sustainability Strategy Pillars and Materiality Issues





Integrity and Transparency

A transparent corporate governance system helps stakeholders build and strengthen confidence in smart. smart consistently considers integrity as a basic requirement for company operations and insists on operating business with responsibility. By continuously improving the compliance and business ethics systems, and building a scientific and effective compliance management organisational structure, smart continues to upgrade its corporate governance processes, setting a good example of corporate citizenship and comprehensively promoting corporate sustainable development.

Compliance

smart attaches great importance to the continuous strengthening of corporate compliance management and adheres to the primary compliance principle of **“always do the right thing”**. The Company strictly complies with applicable laws, regulations, and guidelines, and has established a comprehensive corporate governance structure that includes internal controls and a reporting mechanism. We establish internal policies and regulations for our headquarters and smart Europe GmbH in accordance with Chinese and EU laws and regulations, including “Articles of Association (AoA)”, “smart Compliance Code of Conduct”, “smart Automobile Employee Handbook”, “Contract Management Policy”, “Trademark Management Policy”, “Patent Management Policy” and “Litigation Case Management Policy”. To facilitate globalization, our products comply with the laws, regulations, and industry standards of the country where our business is located, and our relevant systems also comply with the laws of other countries where smart also has presence. To protect our legitimate rights and interests, we add compliance clauses and intellectual property clauses to our procurement contracts according to risk levels.

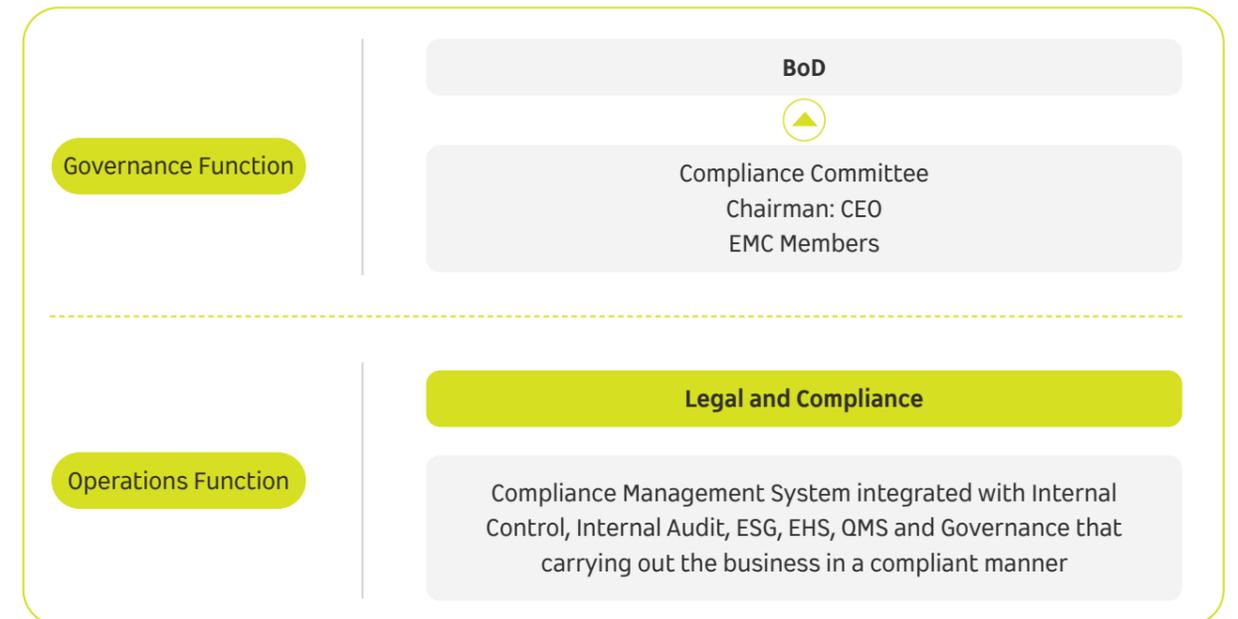
In addition, we require our suppliers and their subordinate suppliers to comply with the “smart Code of Conduct for Suppliers and Third Party Intermediaries”.

smart Compliance Value, Missions, and Principles

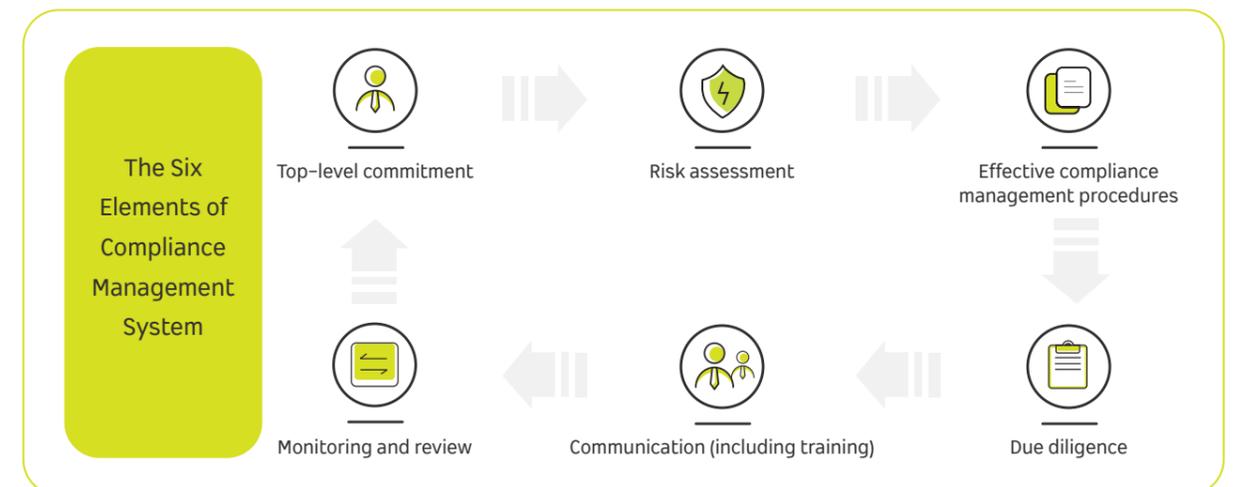


To ensure solid and efficient internal control and internal risk management, the Company has established and implemented a Compliance Management System to provide assurance to various stakeholders and the safety of the Company's assets. The Company has established a **Compliance Committee** under the Board of Directors, chaired by the CEO, responsible for formulating and monitoring compliance strategies, principles, and regulations, and handling major compliance issues. At the operational level, the Legal and Compliance Department is responsible for building a Compliance Management System and managing daily compliance operations to continuously and comprehensively improve the Company's compliance management.

Compliance Committee Structure



smart adheres to and sets compliance policies and procedures that strictly follow ISO 37301:2022 Compliance Management Systems. The Company conducts annual audits in China and abroad to review compliance in the conduct of business. smart did not have any major non-compliance incidents in 2022.



Conflict of Interest

“Conflict of Interest Policy” clearly requires all employees of smart to do their utmost to avoid situations in which their personal interests conflict or may lead to conflict with the interests of the Company, and to effectively protect the interests of the Company at all times. All employees must sign a “Statement of Avoiding Conflict of Interest”, stating that they are aware of the Company’s regulations regarding conflicts of interest. All new employees are required to disclose the conflict of interests, and all in-serving employees are required to make a conflict of interest disclosure annually. If a conflict of interest exists, the Compliance Department shall promptly submit the results to the Compliance Committee, which shall make a decision according to the situation. After receiving the final feedback, HR department promptly implements the processing decision.

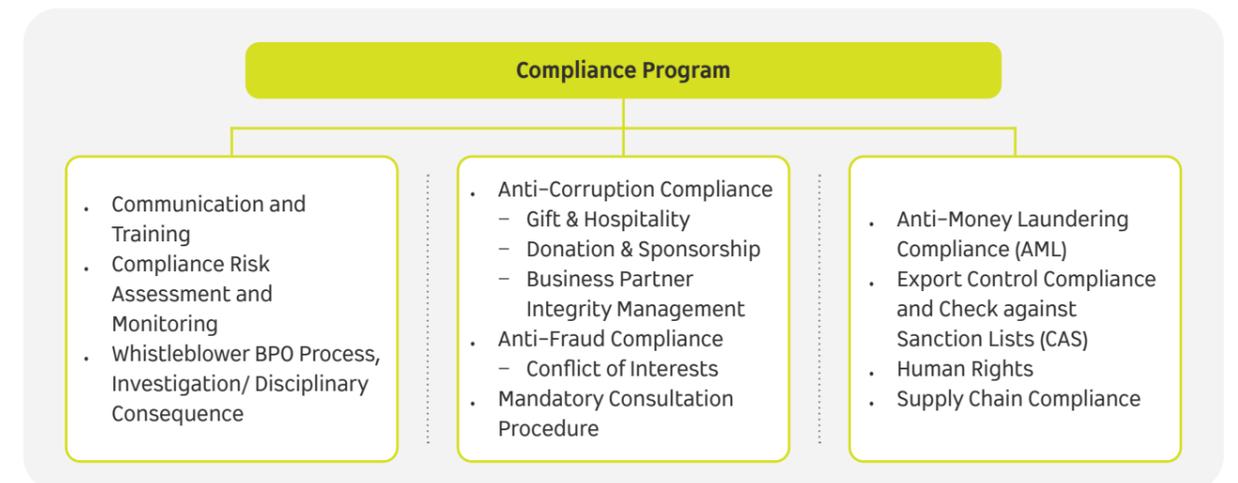


Business Ethics

Business Ethics and Anti-Corruption

smart strictly abides by the business ethics of honesty, integrity, and self-discipline, and adheres to the **“smart Compliance Code of Conduct”**. The Company complies with applicable business-related laws, establishes an effective complaint mechanism to protect business fairness, prohibits corruption and bribery, and maintains a **“zero tolerance”** attitude towards all violations of business ethics. smart strictly abides by the Criminal Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China, the German Anti-Corruption Law and other laws and regulations related to business ethics and anti-corruption. The Company continuously strengthens internal supervision and management of anti-corruption and other compliance aspects, and formulates and implements internal rules and regulations covering the entire process of our operations, including “Anti-Bribery Compliance Management Policy”, “Employee Behavior Management Policy”, and the “smart Code of Conduct for Suppliers and Third Party Intermediaries”, to strictly implement business ethics and anti-corruption management.

We regulate and discipline companies and those acting on behalf of companies (distributors and other agents or third parties), identify potential risks and prohibited behaviours, and announce the relative regulations and processes. During the Reporting Period, we updated and implemented “Gift and Hospitality Policy”, which establishes principles and standards for the Company’s interactions with suppliers, distributors, and other business partners.



smart always operates in compliance with the law and expects its business partners to adhere to high compliance and ethical standards. We have developed and implemented a “Business Partner Compliance Due Diligence Policy”, in which each business partner is surveyed with a questionnaire, and a business partner compliance risk assessment checklist is completed. After being reviewed by the Company’s compliance reviewer, the risk level rating of each business partner is determined.

In order to better implement business ethics and anti-corruption management, the company conducts special training for all employees to enhance their understanding of relevant policies and systems and compliance awareness, and ensure effective implementation of policies.

 **Global compliance training to strengthen the promotion of business ethics awareness**

smart attaches importance to the promotion of compliance awareness and the practice of compliance requirements. In 2022, smart conducted a total of 14 compliance training sessions for EMC and global employees, aiming to integrate compliance management into daily operations and corporate culture.

| Training name | Training content | Target audience |
|---|---|--|
| Full staff compliance training | Business ethics and integrity compliance | All smart employees |
| Specialised compliance training | Business partner compliance due diligence | smart management, sales, purchasing, finance and human resources |
| External business partner compliance training | Compliance awareness training | smart agents and staff at new opening stores |

We continuously promote compliance through on-site training, online learning, and examinations, so that employees can fully understand the Company's and individual's compliance obligations and ensure that compliance awareness is integrated into every employee's behavioural habits.

■ Grievance Mechanism

In order to protect the legitimate interests of the company, support and protect the whistle-blowers, and ensure that violations are independently, objectively, and impartially investigated and handled, the company has established and developed a global "Compliance Whistleblowing and Investigation Management Policy" and an open and transparent reporting and investigation process. All employees or business partners have the right to report any violation or misconduct in the business and are protected from retaliation. The Compliance Department has established multiple reporting channels, including but not limited to a dedicated email and hotline, with confidentiality and fairness as the primary principles. Each report would be handled individually, fairly, promptly, and appropriately with the involvement of at least two investigators. Violations that are proven to be true will be handled seriously by smart in accordance with the specific provisions of the "smart Automobile Employee Handbook" and the "smart Compliance Code of Conduct".

During the Reporting Period, the Company received a total of **seven** compliance reports worldwide all of which were concluded.

■ Intellectual Property Protection

smart has always respected the results of innovation and promoted the protection of intellectual property since the brand's inception. To promote technological innovation, we have established a cross-departmental Patent Management Committee as a prime decision-making body for corporate patent management. The Committee has the responsibility to continuously improve the intellectual property risk management process, enhance employees' awareness of intellectual property protection, and standardise intellectual property protection.

In order to rapidly and effectively transform smart's technological innovation and intellectual achievements into patent assets, the Company implemented its "Patent Management Policy" to strengthen the reserve and maintenance of patent assets, as well as enhance the global market competitiveness and brand value of the Company's products. In 2022, the Company newly established and implemented "Management Method of Scientific and Technological Papers" to regulate the review and registration of scientific and technological papers for external publication, improve the level of the Company's scientific research management and innovation, and promote the progress of new technologies. We also released and implemented the "Management Method for Commercial Rights Protection" to strengthen the after-sales market rights maintenance, regulate the rights maintenance workflow, and clarify the matters and scope of rights maintenance investigation.

In 2022, smart received a total of **259** patent authorisations, including **5** inventions, **66** utility models, and **188** exterior designs.

■ Anti-monopoly

We strictly comply with laws and regulations such as 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. We have issued and implemented the "Antitrust Compliance Policy", which not only strictly prohibits horizontal monopoly agreements between competitors but also imposes vertical restrictions on distributors. It also clarifies the specific operational standards for the exchange of Commercially Sensitive Information (CSI) between the Company and its shareholders and affiliated companies, including but not limited to specific measures of establishing a "ring-fence" and signing an anti-monopoly confidentiality letter. We are committed to protecting consumer rights by actively competing to provide consumers with high quality products based on fair prices. During the Reporting Period, smart conducted two antitrust compliance training sessions in Chinese and English for Chinese and European employees, with the aim to enhance the anti-monopoly awareness of global employees.

 **Conducting anti-monopoly training to enhance employees' awareness of fair competition and promote the implementation of anti-monopoly policies**

In September and December of 2022, smart conducted a training to promote “smart Antitrust Compliance Policy” for colleagues in China and Europe respectively, in order to enhance employees’ anti-monopoly awareness and clarify the importance of anti-monopoly compliance. The training topics mainly included:

- Introduction to the Anti-monopoly Law
- Horizontal Monopoly Agreements: how to conduct business with a competitor
- Vertical Monopoly Agreements: how to conduct business with distributors
- Abuse of Dominance and Unfair Competition Practices
- Anti-monopoly Monitoring and Reporting Procedures

The training took the anti-monopoly laws of China and EU as examples and explained the constitutive elements and analytical framework of monopoly acts, while improving employees' ability to practice anti-monopoly through case studies and regulating corporate and employee behaviour through anti-monopoly supervision and reporting procedures.

During the Reporting Period, smart had not incurred any legal risks involving unfair competition and antitrust.



Corporate Governance and Risk Management

■ Corporate Governance

smart continuously optimises and improves its corporate governance systems to build a modern enterprise with clear responsibilities and efficient, synergistic operations.

The Board of Directors is the highest authority of the Company and is responsible for making decisions on major matters of the Company in accordance with the requirements of the Company's joint venture agreement and bylaws. Board meetings are held at least twice a year to ensure the sound operation of the company and to maximise the protection of the interests of shareholders and stakeholders. Under the Board of Directors, the EMC is responsible for reviewing the effectiveness of smart's strategy, corporate governance, and performance evaluation, reporting regularly to the Board of Directors on the progress of major sustainability issues and making relevant recommendations.

We firmly believe that a **diverse Board of Directors** contributes to the Company's ESG performance, and are committed to enhancing the diversity of the Board to help achieve the Company's strategic goals and sustainable development. As for the composition of the Board of Directors, the Company considers multiple dimensions such as gender, culture, background, and experience to ensure a diverse Board of Directors.

Since 2023, the Board is consisted of eight directors, including one female director. The term of each director shall be three years and can be renewable upon reappointment. The board has one Chairman and one Vice-Chairman, who shall be appointed every three years on a rotation basis.

■ Tax Transparency

smart conducts tax affairs in accordance with the tax laws and regulations of the regions in which it operates. In developing our tax strategy and management practices, we take into account the related economic and social impacts. In the jurisdictions of our operations, we ensure that our tax management practices are consistent with our commitment to sustainable development. EMC is the authority responsible for formally approving the Company's tax strategy. At the same time, the Company has developed and implemented a sound tax compliance management system, and the internal control department identifies, evaluates, and tests tax related risk control points. In 2022, smart developed a “Tax All In One” system to interface with business modules, such as corporate sales, logistics, and delivery to automate business and tax alignment. We regularly conduct tax-related presentations, proactively communicate, and disclose uncertain risk matters and significant transactions to the tax authorities, and regularly communicate tax management methods, tax strategies, and tax practices with our shareholders' tax teams.

● Risk Management

smart strongly believes that risk management is critical to the success of the Company's business operations. To strengthen corporate risk management, the Company issued and implemented "Compliance Risk Assessment Management Policy" during the Reporting Period to continue to enhance our risk resistance and resilience at the global level.

Optimise global risk management capability with implementation of the global "Compliance Risk Assessment Management Policy"

In 2022, based on smart's business development status and mid- and long-term goals, and in conjunction with the compliance risk assessment requirements of ISO 37301 Compliance Management System, the Company specifically formulated "Compliance Risk Assessment Management Policy" to clarify the compliance risk assessment process and constituent elements to ensure the steady implementation of the compliance risk assessment process and the continuous integration of risk management into the compliance management system. The policy applies to smart's headquarters and subsidiaries in China. European subsidiaries also refer to the aforementioned policy.

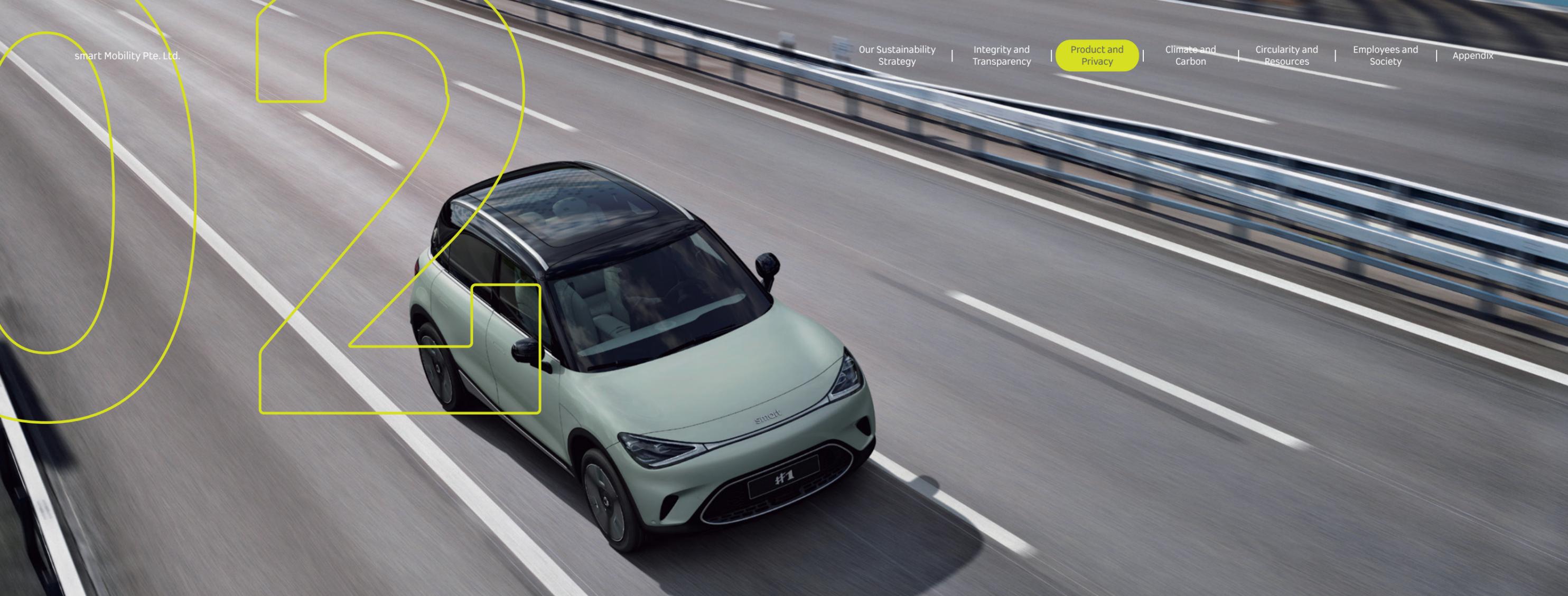
The Company consistently improves the risk management framework and standardises corporate operations. In 2022, we established an internal control system, issued specialised management systems for key business processes, and advanced system processes after testing key process control points. So far, we have identified a number of short, medium, and long-term enterprise risks, including risks to national policies, corporate performance, market competition, technology, socio-economic environment, social culture, laws and regulations, etc. We focus on the interactions between smart and internal/external stakeholders, including customers, competitors, suppliers, agents/distributors, government regulators, employees, neighbouring businesses, and residents. To minimise possible risks and losses in our business activities, we thoroughly analyse the key causes of the identified risks, followed by establishing appropriate mitigation or countermeasures, and developing the 2022 risk register accordingly.

Looking Ahead

smart will continue to adhere to high ethical standards and strive to create sustainable economic benefits through good corporate governance and high professional ethics. In the future, to attract more committed partners for the forthcoming development of the Company, we will benchmark ourselves against international companies leading in sustainability and keep improving the overall transparency of our corporate operations and value chain management. The Company commits to the following actions:

- Always regard integrity and compliance as decision-making factors for the Company
- Further improve compliance and reporting mechanisms
- Deepen anti-corruption policies at corporate and supplier levels
- Keep improving sustainability-related policies
- Continue to publish smart's annual Sustainability Report



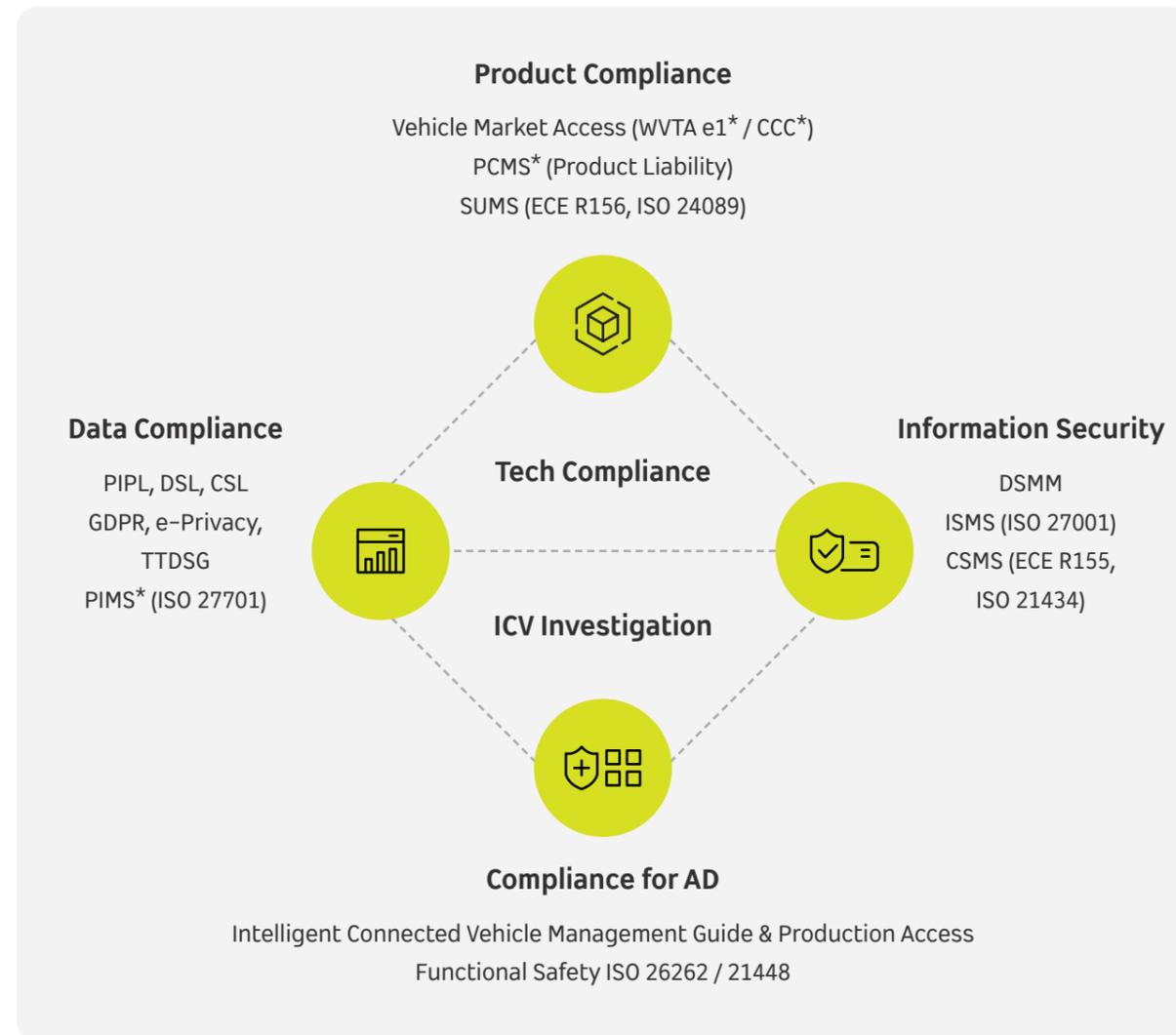


Product and Privacy

With the vigorous development of a new global technological revolution and industrial change, the integration of automobiles with related technologies in the fields of energy, transportation, and information and communication has accelerated. "Electrified, Intelligent, Connected and Shared" has become the development trend of the automotive industry. We are committed to shaping smart into the world's leading new-premium, intelligent, pure electric car brand. At present, smart has completed the brand's comprehensive electrification transformation, integrating new energy, new materials, internet, big data, artificial intelligence, and other transformative technologies to provide excellent and safe product choices for new energy vehicle enthusiasts around the world.

smart delves into the four major areas of data compliance, product compliance, information security, and functional safety, focusing on improving network security technology, and exerting every effort to safeguard user privacy and security. Our information security management system has been certified by ISO 27001 and our privacy information management system has been certified by ISO 27701; meanwhile, our technical compliance guarantee has been extended from the organizational level to the product level, and we have received unlimited series EU Whole Vehicle Type Approval e1 (Germany) (hereinafter referred to as "WVTA e1 certification"), issued by the German Ministry of Transport (KBA). In January 2023, we were awarded the China's first UN ECE R156 Certificate of Compliance for Software Update Management System issued by the German Ministry of Transport. In 2022, smart invested 120 million RMB in information security and digital construction.

Data Compliance, Product Compliance, Information Security, and Function Safety



* CCC - China Compulsory Certification

* WVTA - Worldwide Type Approval

* PCMS - Product Compliance Management System

* PIMS - Privacy Information Management System

Our quality and safety certifications

The Company has passed the ISO 9001 Quality Management System 2022 audit

All-new smart #1 was awarded a Five-Star Euro NCAP Rating at a class-leading level

Smart Travel, Innovation Driven

■ Innovation driven

After a comprehensive renewal of the brand, products, and business model, smart, the new-premium, intelligent, all-electric automobile brand, has entered a new era of development. smart has officially unveiled a new generation of all-electric vehicle family naming system with "#" and numbers as the core elements. From 2022 to 2025, smart will launch a new model for customers per year and enter different market segments, enriching the new generation of smart all-electric product portfolio.

■ R&D Team

smart has established a technical support team in Renningen, Germany to actively ensure that smart #1 and #3 meet all European needs and requirements. The R&D team places great emphasis on customer requirements, conducting market approvals and testing and quality management for each model, as well as ensuring conformity with relevant legal requirements. Vehicle function testing and implementation of measures against system issues are also core tasks of the department.

In addition, the R&D team of smart has established smart Robotics Technology Co., Ltd. in Shanghai, aiming to enhance the brand through the self-development of full-stack highly intelligent driving software, and keep improving the technological strength of the brand, actively exploring mobility robotic technologies that are closely related to the future urban intelligent mobility. The R&D results achieved by smart Robotics Technology Co., Ltd. will be gradually applied to the new generation of the smart all-electric vehicle family, with endless potential for continuous evolution through the Over-the-Air ("OTA") online upgrade function, bringing an even smarter assisted driving experience to users.

■ Sustainable Design

Our design philosophy

smart has always been striving to push boundaries and constantly innovate. The first smart all-electric SUV is especially built for young generations who pursue sustainable electric mobility. Thanks to the Mercedes-Benz global design team's "**Sensual Producty**" design philosophy for smart, the smart #1 and #3 combine innovative design and cutting-edge technology on the basis of the SEA (Sustainable experience Architecture). These two creations are imbued with a pure and elegant streamlined exterior, and a perfect mixture of aesthetics and aerodynamics. At the same time, the reduction of wind resistance and noise not only effectively improves the energy efficiency and comfort of the vehicle, but also extends the range.

| Award Name | Awarding Organisation |
|--|-------------------------------|
| Runner-up, Car of the Year Awards, Safety Award | - What Car? (UK) |
| 2022 Intelligent Pure Electric SUV of the Year Award | - Economic Observer |
| Top 3 Design Car of the Year in China | - China Car of the Year Award |

Intelligent interaction

- 01 Leading OTA technology:

On 30 January 2023, smart was awarded China’s first UN ECE R156 Certificate of Compliance for Software Update Management System issued by the German Ministry of Transport, providing engineering and technical assurance for smart's software updates, especially OTA upgrades, in the global market.

On 31 December 2022, we offered the first major OTA upgrade of smart #1: smart OS 1.1.0 CN. In addition to most of the electronic control units on the vehicle, customers can also upgrade the power chassis domain, intelligent driving domain, infotainment domain, body control domain and other functions through OTA to efficiently and conveniently achieve "Always New". At present, smart has made a long-term development plan for OTA upgrade, and will continue to bring users a special product upgrade experience focusing on "personalised customization" and "convenient interactive function expansion".

- 02 Intelligent assisted driving technology for multiple scenarios:

smart #1 and smart #3 are both equipped with smart Pilot Assist, an intelligent driving assistance system that endeavours to create intelligent driving assistance scenarios, enhancing driving safety and pleasure and significantly improving vehicle and road safety. smart Pilot Assist, equipped with up to 23 high-precision sensing hardware components, can achieve 23 (including L2+ level) intelligent assistance driving functions. Meanwhile, smart Pilot Assist can also be upgraded via OTA.

- 03 Intelligent cabin:

The smart OS system in every smart vehicle supports intelligent cabin, realising multi-interface “what is visible can be voice-controlled”, providing a seamless, easy to use, and accurate voice control of the intelligent travel experience.



Efficient computing power:

equipped with a Qualcomm 8155 chipset, 7 nanometre process, 8-core CPU, computing power up to 105K DMIPS; at the same time, it has 12G memory and 128G large-capacity car storage, supporting UFS High-speed flash storage and synchronous reading and writing, the average time to open the in-car app is only 1.09 seconds.



Avatar:

it comes with the Avatar, which adopts the "Low Poly" geometric fold design style from games and has 72 kinds of 3D animation effects, and can quickly learn and adapt to users' voice habits through AI technology.



Fast wake-up:

equipped with the function of "fast wake-up", the voice wake-up takes only 280 milliseconds, which can be said to arrive in the blink of an eye, allowing the smart OS system to connect with users.



Heart-warming functions:

thoughtful online functions, such as low battery alert function, external power supply status card, etc., helping users to be aware and be able to reasonably plan the amount of power supply for their vehicles.

Efficient and convenient charging network

smart is committed to building up the capability of charging infrastructure services in both domestic and overseas markets, and is continuously improving the overall charging complementary energy system. Through the charging map function of the smart app, users can easily find nearby “smart shared charging stations” and mainstream high-quality public charging operators to solve their charging needs on the way to travel. In China, as of the end of the Reporting Period, smart Charging Map has accessed 31 mainstream charging operators, including State Grid, Teld, Star Charging and Southern Power Grid, covering 338 cities nationwide and accessing more than 370,000 charging terminals. Branded shared charging stations supporting DC super charging mode (150 kW, 380 amps) are also gradually coming online in the charging map. In Europe, smart has established a strategic partnership with ABB E-mobility and Digital Charging Solutions (“DCS”) to provide customised residential charging solutions and road charging solutions respectively. DCS offers over 290,000 charging points in Europe. smart users can use the DC fast charging points provided by DCS to charge the smart #1 battery from 10% to 80% in just 30 minutes.

Quality Management, the Pursuit of Excellence

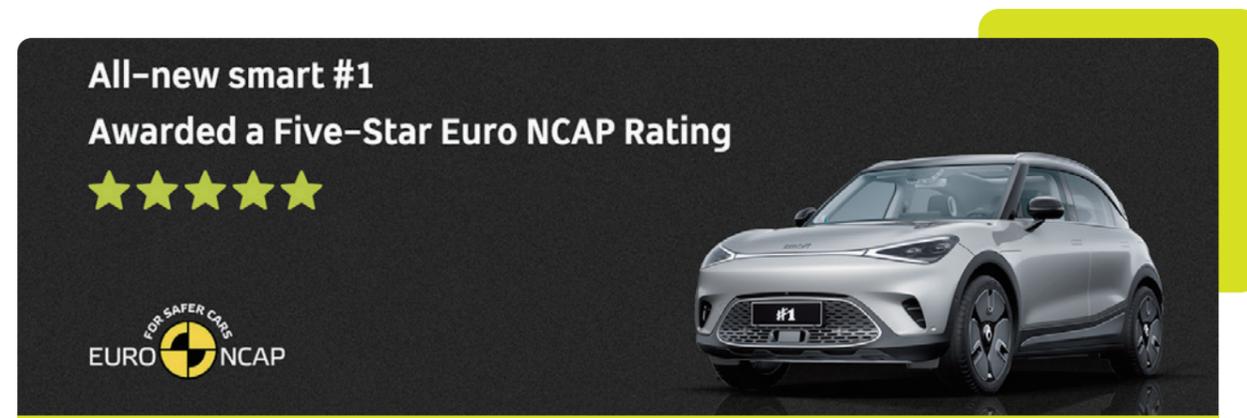
Product Quality

While improving R&D capabilities, smart is committed to providing high-quality products and services. 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 EU Automotive Framework Regulation 2018/858 and 2019/2144. To ensure the quality of our products, smart has established the "Global Customer Product Audit Standards" and strictly enforced the internal quality management system and internal automotive quality evaluation standards. During the Reporting Period, 100% of smart #1 vehicles were inspected off-line, and the OTA filing (including MIIT /quality and technical supervision) was passed at 100% on schedule.

In the manufacturing process, smart integrated strict quality requirements and management procedures with targets set, so that we could ensure the end-to-end quality management from raw materials extraction, manufacturing, and end-products. In addition, smart has cooperated with top international suppliers such as Continental, Magna, Hella, and Qualcomm and established a high-quality management system. smart and its manufacturing factory in China have completed ISO 9001 Quality Management System certification to ensure that every all-electric vehicle meets global quality standards, further demonstrating the world-class new-premium quality.

In November 2022, smart #1 was awarded a five-star rating safety certificate following the European New Car Assessment Program (Euro NCAP) crash test. In all safety categories covering Adult Protection, Child Protection, Vulnerable Road Users (VRU), and Safety Assist, the all new smart #1 received a five-star rating. Scores for adult protection and child protection were 96% and 89%, far exceeding the industry average.

All-new smart #1 was Awarded a Five-Star Euro NCAP Rating



Intelligent safety for 360 degree "five-star" protection

In order to provide customers with 360 degree five-star protection, the smart #1 is equipped with numerous active safety features. The FCM front collision mitigation early warning system can apply full braking to aid the driver in collision avoidance with a forward object. When unintentionally deviating from a vehicle lane, the ELKA Plus Lane Emergency Maintenance Assist System can control the electronic power steering in time to correct the deviation.

In addition, the smart #1 is also equipped with lane keeping assistance (LKA), parking emergency braking (PEB), door opening early warning system (DOW), emergency mobility assistance (EMA), rear collision mitigation (RCM), and other active intelligent safety features, significantly reducing the incidence of potential accidents and ensuring safer urban mobility. This also helps users proactively predict and mitigate driving risk.

"Online Diagnosis" model helps driving experience

In order to protect driving safety and improve driving experience, smart established and launched the online diagnosis mode to improve the expert diagnosis model. After the vehicle data is uploaded and enters the online diagnosis mode, smart can quickly and accurately find out the problem and promptly push it to the after-sales system for feedback on the cause and repair plan. This initiative effectively reduces the repeated occurrence of offline problems and improves user satisfaction.

smart's strict implementation of "Global Customer Product Audit Standards"

The "Global Customer Product Audit Standards" (GCPA) combines users' daily use scenarios to conduct a comprehensive assessment of the entire vehicle with the highest requirements and the most professional perspective, which is a measure of user satisfaction based on compliance with standards and meeting design requirements.

The evaluation includes but is not limited to: safety and functional verification of the whole vehicle, evaluation of the user satisfaction level of the whole vehicle functions, performance and odour, and evaluation of the vehicle dynamic and static perceived quality against the standard. By setting the strictest standards and conducting evaluations, each model of smart can meet customers' car needs and optimise customers' driving experience.

 **Eco-friendly cabin, guarding healthy travel experience**

smart pays great attention to the environmental attributes of the cabin and is committed to bringing a healthier travel experience to the driver and passengers. We use low-odour, low-emissions raw materials in the product design stage and strictly control the production, storage, and logistics processes to ensure that the VOC emissions of the car are also considerably lower than international standards.

In addition, smart #1 also provides health and safety protection features for drivers, including but not limited to a steering wheel with an antibacterial coating, an Air Quality System (AQS) that can quickly and effectively identify harmful outside gases, an antibacterial zinc oxide coating on the surface of the air conditioning evaporator, and a CN95 filter with virus inactivation as standard on all models. At the same time, we conduct a number of health and safety tests on the surface materials that can be directly touched by the driver and passengers in the car to minimise the risk of adverse reactions caused by contact.

Quality culture

smart attaches great importance to cultivating quality management talents and quality professionals and strives to empower front-line quality technical talents. We take multiple measures to optimise the talent structure, enhance quality awareness, and continuously improve the overall business chain quality.

During the Reporting Period, we conducted quality awareness training for all employees, provided ISO 9001 standard training for quality, R&D, and manufacturing managers, and provided internal audit capability enhancement training for quality internal auditors.

| Training theme | Main content |
|--|---|
| Quality awareness development training | <ul style="list-style-type: none"> Quality management fundamentals Quality awareness Overview of quality issues Quality requirements in the project management process Quality cost management Prevention of quality problems |
| ISO 9001 standard training | <ul style="list-style-type: none"> Organizational environment Leadership Planning Support Operation |
| Internal audit competency development training | <ul style="list-style-type: none"> Audit skills for internal auditors Approach in process Simulation exercise Appraisal |

Ensuring Battery Safety

Battery safety is the main concern of every electric automobile user, and smart is constantly focusing on improving battery safety. smart's batteries employ non-thermal-propagation (NTP) technology, comprehensively raising the safety profile of the entire battery pack with a series of safety measures. The technology ensures that in an extreme emergency, the smart #1 battery pack will not combust within one hour, far exceeding the 10 minutes required by industry standards, protecting users' lives and property with high standards of battery safety:

1. Timely protection, early warning:



using high-precision sensors to collect key parameters, such as temperature, voltage, current, and communication signals from the battery core, combined with rigorous logic systems to determine and issue a timely thermal runaway warning after the occurrence of abnormalities, while implementing the corresponding safety strategy to cut the high voltage circuit.

2. Active cooling, passive thermal insulation:



intelligent thermal management strategy, initiating the external cooling cycle after the core temperature rises sharply. Additionally, effective thermal insulation and cooling solutions are implemented on each side of the battery cell to lower heat transfer from abnormally hot cells to those adjacent, reducing the risk of fire.

3. Fast exhaust, intelligent cut-off:



High-temperature gases are rapidly exhausted through explosion-proof valves set on each main exhaust path of the battery pack to quickly reduce the internal temperature of the battery. After a thermal runaway warning is issued, the high-voltage circuit will be cut off within a millisecond to ensure safety.

In the future, smart will continue to make battery safety a priority, developing and applying new technologies to ensure product quality and battery safety, protecting the user, the driving experience and integrity of the vehicle.

Quality Management

In strict accordance with the Regulations on Administration of the Recall of Defective Motor Vehicle Products of the People's Republic of China and in conjunction with overseas laws and regulations, smart has formulated the "smart Recall (TBR) Rules", which clarifies the responsibilities and processes of relevant departments regarding recall matters in both Chinese and European markets. During the Reporting Period, no vehicle recalls occurred at smart.



Recall resolution countermeasures

- **Cause analysis:** the technical support team confirms the cause analysis of the preliminary problem and organises process data from the problem analysis to form the "Data/Report of Defect Identification and Testing" and the "Defect Cause Analysis Report".
- **Production countermeasures:** the production assurance team determines the development and implementation of production measures, whether countermeasures have been introduced into the production line, and records breakpoints and implementation dates.
- **Market countermeasures:** the technical support team determines the market maintenance remedial measures and prepares the "Rework instruction for recalled vehicles", while the market execution team verifies and optimises the feasibility and convenience of the operation from direct-sale stores, which needs to be verified by the operation of direct-sale store maintenance technicians. The "Rework Instruction for Recalled Vehicles" will be one of the attachments to the recall filing.
- **Outflow prevention countermeasures:** the technical support and production assurance teams confirm that outflow prevention measures are in place for defective range parts and vehicles. After a defect is identified, all scope defects and parts are prohibited from flowing out until the defect is eliminated.



Contingency measures and implementation

- Defective vehicles in the factory cease to be delivered to storage and production stops until the measures are implemented.
- VDC depot vehicles stop being shipped until the defect is eliminated.
- Cessation of sales of vehicles in stock at sales outlets until the defect is eliminated.
- Cessation of use and disposal of defective parts in the supplier's factory, during logistics, and in the factory inventory.

Responsible Marketing, User Co-creation

Responsible Marketing

smart insists on responsible marketing, complying with the Advertising Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the E-Commerce Law of the People's Republic of China, and other laws and regulations. We strictly control the contents of information disclosure in traditional and new media channels, and ensure the accuracy, legality, and authenticity of external publicity information. We do not provide customers with inaccurate information about competing products, and sign transparent and equal purchase and sales contracts with customers to effectively protect the legitimate rights and interests of consumers.

In order to regulate agents' compliance with retail and marketing activities, smart has issued and required agents to implement the 10 management rules for smart agent in retail sales, which covers the retail code, authorisation drive code, marketing communication code, public relations communication code, giveaway code, information confidentiality code, activity code, community code, customer complaint code, and other smart codes of conduct. smart also conducts monthly inspections of agents' business practices.

smart **actively promotes the transmission of low-carbon green ideas in the consumer side of products**, and is committed to spreading the concept of sustainability through multiple channels, while creating sustainable community activities with users, the public, and agents. During the Reporting Period, the Company introduced thermoplastic elastomer ("TPE") materials to consumers at smartidea online shop, which have sustainable attributes, such as environmental protection, excellent processing performance, recyclability, and secondary injection bonding; meanwhile, smart integrates sustainable materials, such as TPE and recycled nylon into vehicle components and peripheral products, providing consumers with more diversified and environmentally friendly purchasing options and further enhancing their ability to evaluate products.



Customer Service

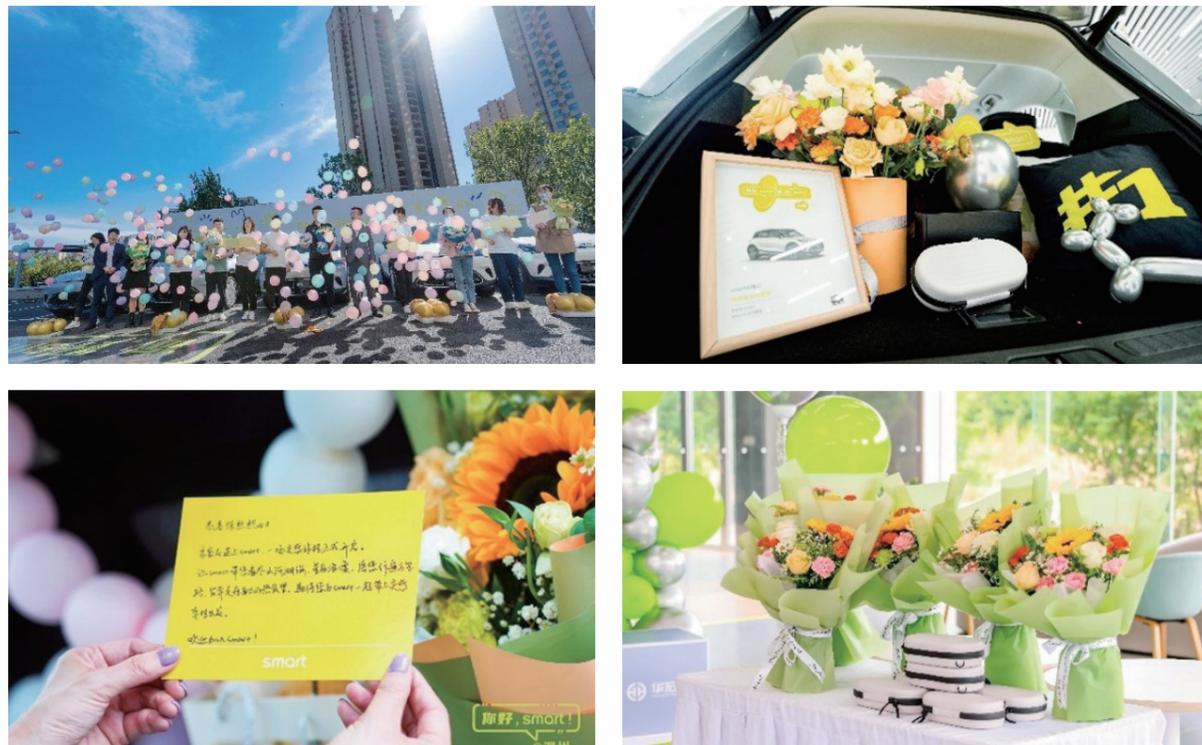
smart is customer-centric, integrating products and services into customers' lives and striving to provide customers with an urban mobility service experience that exceeds expectations.

Quality delivery, satisfactory service

smart strives to provide **the most pleasant delivery service experience** for customers. When the vehicle is delivered, we prepare trunk surprises and exquisite gifts, and arrange the delivery site according to the "five-sense delivery experience", i.e., sight, smell, hearing, taste, and touch, so that users would have a warm home-like feeling when they pick up the vehicle. In 2022, smart #1 achieved a delivery satisfaction score of 94.8 (out of 100, based on 4,602 survey samples).

Urban companion, fun delivery

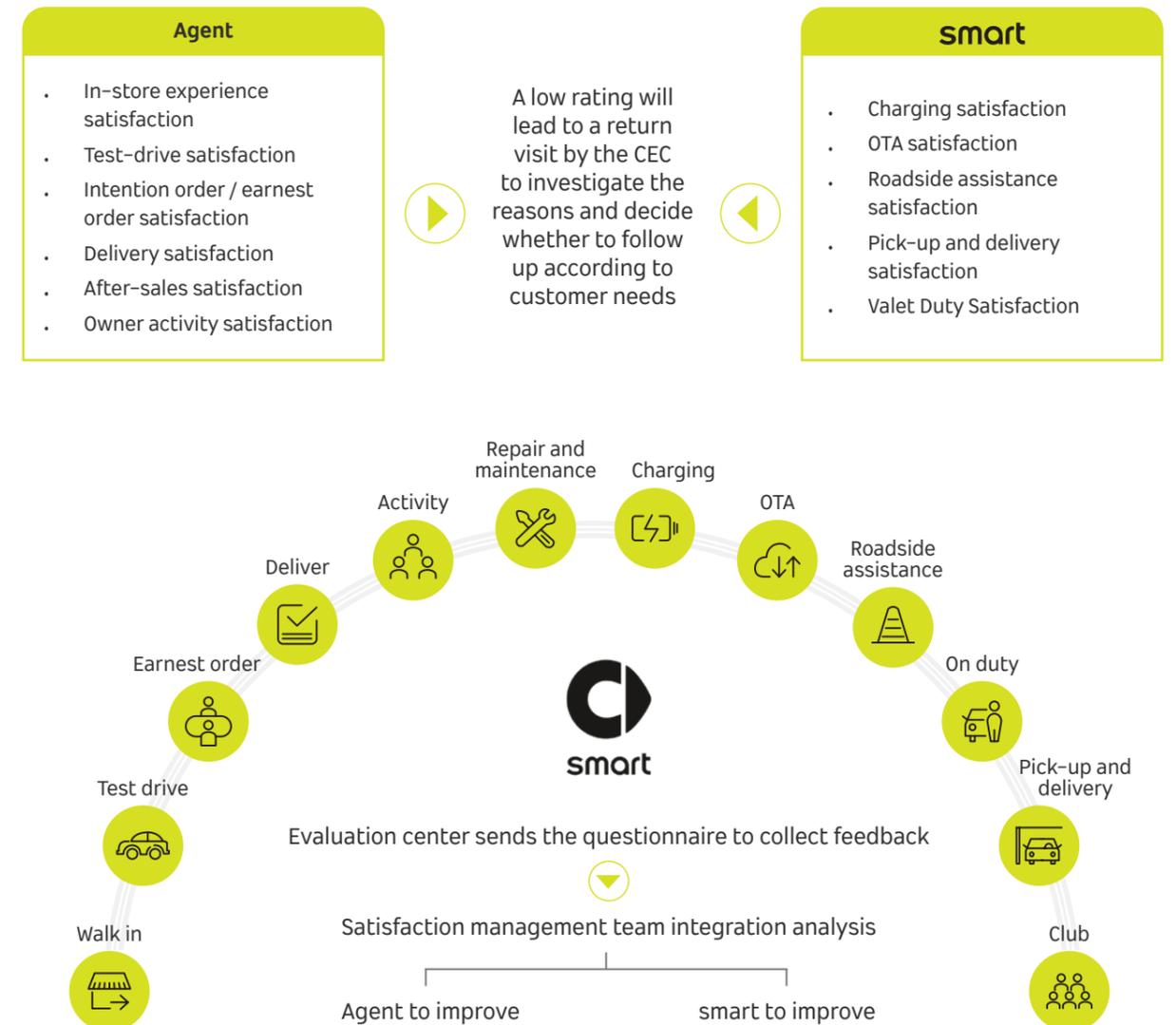
On 23 September 2022, a total of 24 delivery centres nationwide launched a centralised delivery activity with the theme of "Hello, smart!". At the event, smart provided customers with the brand's exclusive "five-sense delivery" experience and created a "wish blueprint" with them. The "trunk mystery box" with various themes, such as birthday, home, and camping, created surprises for customers and gave exclusive gift bags to the first batch of "urban companion".



By establishing and practicing smart's full lifecycle service satisfaction evaluation system, smart strives to provide customers with high quality and satisfactory services. In 2022, the Company created several satisfaction research system initiatives, such as "five-star review", "Net Promoter Score (NPS) survey", and "customer in-depth visit" to ensure the pre-sales, delivery, and after-sales service quality of the whole chain.

smart's product life-cycle service satisfaction evaluation system

In order to understand the service experience of customers in the whole life cycle of the car and make timely service improvement plans, smart established and implemented product life-cycle service satisfaction evaluation systems to track the service quality in real time from the agents to the whole chain of smart.



| Five-Star Review | NPS Survey | In-depth Customer Visits |
|---|---|---|
| <ul style="list-style-type: none"> Instant App push on service completion Cover all touchpoints of the after-sales lifecycle Understand the intuitive feeling of multi-scene experience Timely follow-up and recovery of low scores, and all low score issues will be well dealt with in a closed loop in accordance with relevant requirements | <ul style="list-style-type: none"> Quarterly App Push Understand specific reasons for recommendation/non-recommendation Level of emotional connection/loyalty with brands/agents | <ul style="list-style-type: none"> Face-to-face sampling interviews Understand how customers feel about experiencing the full journey Understand customers' changing needs and expectations Help maintain optimising standard processes |

● User Community

smart is committed to building a community where **fun** is a core value, sharing, communicating, and growing together to create sustainable memories for users.



User co-creation

smart regularly organises offline activities to actively promote communication between new and existing users and provide a broad social platform for smart users. In 2022, smart held events such as “#I’m a smart inspiration co-creator” and “New Year’s inspiration collection” to promote communication among users and focus on the driving experiences shared by users.





User growth

smart users can browse a wide range of products in the smartidea online shop on the smart App and use their credits to redeem their favourite products. Most of the products sold in the shop are made of sustainable materials, and we are committed to promoting the concept of sustainable development to our users.



Taking inspiration from “cutting off the trachea” and incorporating the environmental protection concept of smart all-electric vehicles
Less emissions, bluer skies, and zero emissions for all-electric travel

Information Security, Privacy Protection

● Cyber Security and Data Security

The Company's **cyber and data security management system** complies with the EU General Data Protection Regulation (GDPR), ISO/IEC 27001:2013 Information Security Management Standards, ISO/IEC 27701 Privacy Information Management System, and China's network and data related laws and regulations, including but not limited to Personal Information Protection Law of the People's Republic of China, Cybersecurity Law of the People's Republic of China, and Data Security Law of the People's Republic of China. The Company has been certified by both ISO 27001:2013 Information Security Management Standards and ISO 27701 Privacy Information Management System. In 2022, the Company completed annual internal and third-party ISO 27701 audits to further implement improvement plans for observations and improvement opportunities. For certain operations involving data crossing borders, the Company strictly complied with the EU's compliance requirements on data transfer across borders by completing the signing of the EU Standard Contract Clauses (SCC).

At corporate level, smart also attaches great importance to cybersecurity and software upgrade management on the product side. The Company has fully integrated cybersecurity requirements into **product development and management system**, and obtained the UN ECR R155 Certificate of Cyber Security Management System issued by the German Ministry of Transport in October 2022 and the first UN ECR R156 Certificate of Software Upgrade Management System issued by the German Ministry of Transport in China in January 2023. This demonstrates that smart has the engineering capability to ensure a safe, reliable, and compliant software upgrade process throughout the vehicle lifecycle, equipping smart with the world's advanced engineering and technical assurance for software updates in the global market.

We integrate information security risk assessment into the entire vehicle development and system structure, and use encryption, de-tagging, and other technologies to legally and properly store information; all information and data are subject to a security compliance review process to effectively prevent situations of data security risks, protecting the rights and interests of the Company and private information. At the same time, we carried out multiple initiatives to clarify the process of handling information security incidents and actively prevent information security risks through policy formulation, information security protection drills, and annual system and compliance audits.

smart was awarded the UN ECR R155 Certificate of Cyber Security Management System issued by the German Ministry of Transport

UN R155 (United Nations Economic Commission for Europe Regulation No. 155) is a uniform regulation on vehicle safety certification in terms of cyber security management systems. This regulation is the first global mandatory regulation regarding vehicle cybersecurity, widely applicable in countries and regions including the EU, UK, Japan, and South Korea. For vehicle manufacturers who aspire to expand their business in these overseas markets, they can only meet the market access requirements by obtaining Cybersecurity Management System Certification (CSMS) and conducting Vehicle Type Approval (VTA).

In October 2022, smart as an independent entity was awarded the UN ECR R155 Certificate of Cyber Security Management System, which was issued by the German Ministry of Transport, who is the most stringent auditing party among EU countries. This fully demonstrates smart's leading security technology advantage in vehicle and component cybersecurity, and is a vivid practice of smart's determination to expand our "China-Europe Dual-Home" global development.

In 2022, the Company further optimised the structure of the **Information Security Committee** and established the "Information Security, Privacy and Data Protection Group" and "Vehicle Cybersecurity Execution Group" under the Committee, with executive members including security officers designated by each department. If employees have any questions about information security in daily business, they can directly consult with departmental security officers or directly contact colleagues in the Technical Compliance Department. During the Reporting Period, we continued to optimise our data security series of systems such as the "Personal Information Security Incident Management Specification", and made every effort to protect the personal data of our employees and users. In addition, the Company also established and continued to optimise the information security portal system. Through this system, employees can access laws, regulations, and internal systems related to cybersecurity and privacy protection in a timely manner, as well as participate in training and case sharing related to cybersecurity and privacy protection.

During the Reporting Period, a number of internal and external products and service systems of the Company were certified by Chinese national public security authorities for information system security level protection, as detailed in the following table:

| Certification | Certified system |
|-------------------------------------|----------------------------------|
| Information System Security Level 3 | Agent Dashboard Platform (ADP) |
| Information System Security Level 3 | smart App |
| Information System Security Level 3 | Customer Engagement Centre (CEC) |
| Information System Security Level 3 | E-Commerce (EC) |
| Information System Security Level 3 | Customer Data Platform (CDP) |
| Information System Security Level 2 | smart Portal |

As a pioneer and leader in information security, in 2023, smart actively participates in the development of automotive data security standards and jointly publishes the Compliance Practice Guide on Selected Issues in Automotive Data Security with other industry partners. In 2023, we further joined the "Data Security Promotion Program" of the China Academy of Information and Communications Technology to support the construction of China's data security ecosystem and the healthy and orderly development of the digital industry.

smart and industry partners jointly released the Compliance Practice Guide on Selected Issues in Automotive Data Security

With the rise of emerging technologies and the rapid arrival of the digital economy, the Internet of Vehicles ("IoV") has continued to improve its functions and expand its application scenarios, showing a booming development trend. However, behind the automotive industry's gradual transition into the era of "Electrified, Intelligent, Connected, and Shared", cybersecurity and data security risks also continue to arise. Network attacks, personal privacy leakage, and other common threats to the Internet gradually penetrate into the field of connected cars, making the security situation complex and serious. smart profoundly recognises that accelerating the establishment of a sound cybersecurity and data security protection system for the Internet of Vehicles and improving the level of cybersecurity for the Internet of Vehicles are important prerequisites for the rapid and healthy development of the IoV economy.

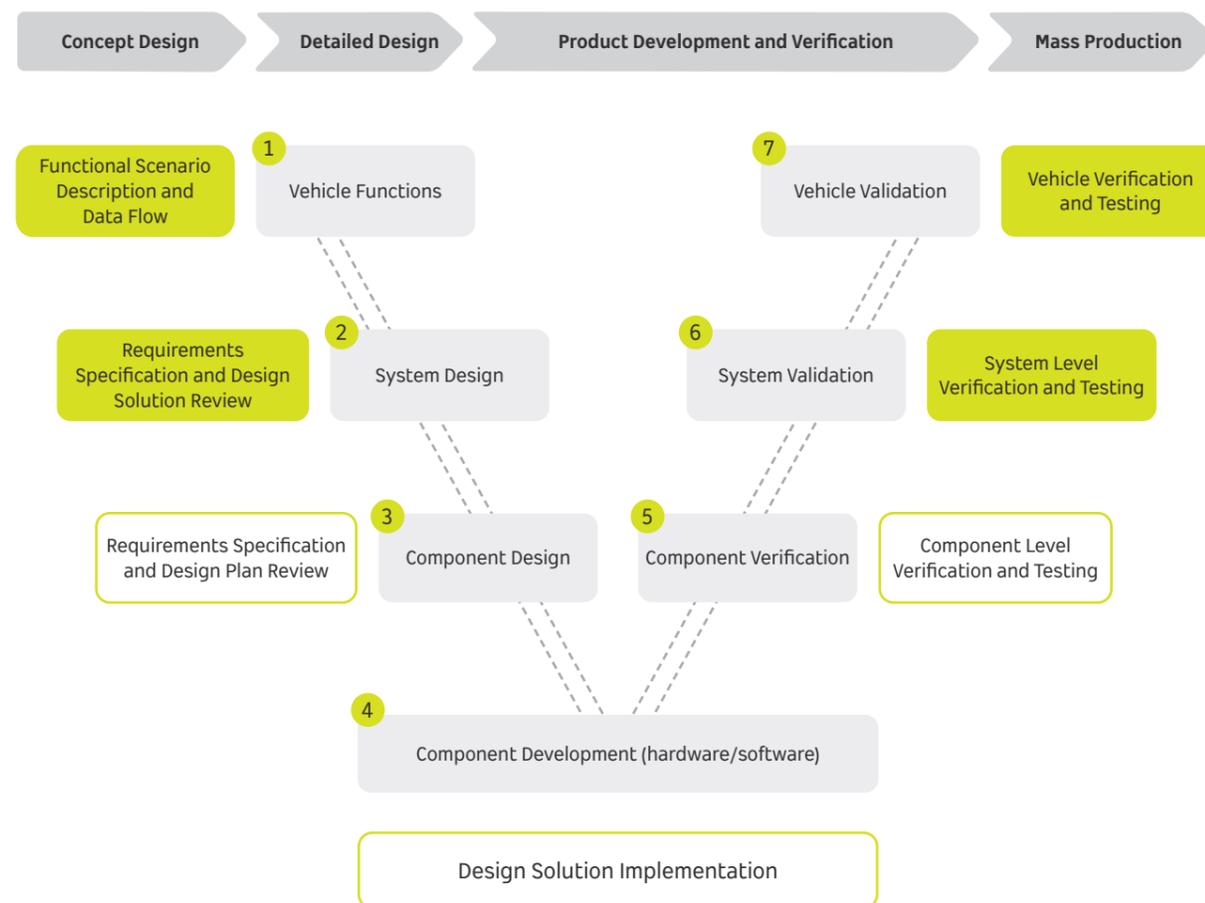
In 2022, smart, with a number of government agencies and partners in the new energy vehicle industry chain, jointly prepared and published the Compliance Practice Guide on Selected Issues in Automotive Data Security. Based on national laws, regulations, and standards, and referring to industry best practices, the Practice Guide addressed important compliance content for automotive data security and proposed compliance practice recommendations in important aspects, such as data processing, data security protection, data informing and consent-obligation, data security risk assessment, and data situation, in conjunction with scenarios unique to the automotive industry.

During the Reporting Period, smart did not experience any cybersecurity incidents or data breaches. There were no penalties related to information security breaches or other cybersecurity incidents.

Customer Privacy Protection

Respecting user privacy is an important part of ensuring legal compliance in operations. The Company has established an information security management system to build up a global protection framework for user privacy compliance issues involved in business operations in order to reduce the risk of loss of user data and leakage of user privacy. The Company sets privacy standards based on the principles of Privacy by Design and achieves optimal protection of personal data from the early stages by designing and developing software and hardware that comply with privacy protection regulations.

Privacy and security engineering in conjunction with vehicle product development



During the Reporting Period, the Company updated and publicly released the “smart Automobile Privacy Policy” to help users understand how smart collects, uses, provides to the public, and stores users' personal information in a concise, clear, and easy-to-understand manner, and how users can exercise their personal information rights and contact smart. In addition, the Company has published the Privacy Policy on its official website to disclose how personal data is collected, how it is used and for what purposes, the laws and regulations it complies with, and the rights and requirements of users. We use technical security measures to protect and manage data against manipulation, loss, destruction, and unauthorised access, and we are constantly improving our security measures in line with technological developments.

In Europe, smart completed the preparation of the Trusted Information Security Assessment Exchange (TISAX) guideline document and internal assessment during the Reporting Period and has officially published it. Each business unit and function have a data protection representative and bi-weekly data protection representative meetings are held to understand the privacy and data protection challenges encountered in business operations and to continually optimise management practices. The company continues to improve internal privacy support and responds to employee questions on privacy and data security issues. We have signed data protection guidelines with all third-party product and service providers. In addition, in 2022, we completed information security assessments at all of our new locations as we expanded our footprint to multiple countries in Europe.

We are constantly developing our employees' ability to handle data correctly, while clarifying their corresponding responsibilities. The Company pays particular attention to identified privacy protection topics with high risk, including products and services covering the full life cycle, roles and responsibilities related to personal data, and data management outside of control systems. Through research and regular assessments, the Company continues to focus on new, financial, or reputational risks related to privacy protection. In 2022, we **conducted GDPR and privacy protection trainings for employees globally** to ensure that employees maintain a clear understanding of privacy protection issues and solutions.

During the Reporting Period, smart did not receive any substantiated complaints related to infringement of user privacy; there were no confirmed incidents of leakage, theft, or loss of user data information.



● Digital Empowerment

The global automotive industry is entering an era of rapid change and challenges as the process of “Electrified, Intelligent, Connected and Shared” progresses. The mutual drive and integration of the “New Four Modernisations” and digital technologies is rapidly reshaping the rules of the game and the ability to win in the automotive industry, optimising and upgrading all aspects of product development, manufacturing, marketing, and service.

In 2022, with the concept of “Digital Native” and “Digital Twin”, smart successfully built a new digital-driven Digital Eco-Platform, which aims to respond to the development of the global digital economy. Through internal 360° data and product 360° data, it enables scenario iteration and application value creation. The Digital Eco-Platform connects the Customer Data Platform, High Speed Interface (API), Customer Relation Management/ Customer Experience Management, and E-Commerce Platform, completes online data collaboration, and jointly helps improve the operational efficiency of smart in various front, middle, and back-end scenarios, such as car products, smart App, smart web, parts distribution, after-sales management, after-sales service support, and third-party cooperation, to bring maximum business value to users and various stakeholders.



Looking Ahead

Excellent product quality and information security are the foundation for smart to practice and expand the “China-Europe Dual-Home” global operation. We will continue to improve our technological innovation system by leveraging smart Robotics, and enhance smart's global quality ecosystem to build the future of urban mobility.

In the era of software-defined vehicles, we are committed to improving the overall R&D, manufacturing and technological strength of smart, and to providing vehicle products and services with intelligent connected features and iterative attributes in a legal and compliant way to our global customers. The Company commits to the following actions:

- Improve data asset management efficiency, implement legally compliant, industry-leading data flow and algorithm invocation processes, and continuously optimise data governance.
- Keep deepening the standardised management of the whole process of vehicle software function iteration and performance improvement, to provide safety guarantees for the subsequent development of high-level intelligent assisted driving technology and meet the needs of global users for urban travel.
- Focus on Artificial Intelligence, and strive to apply automation and AI-enabled cyber security and smart mobility.





Climate and Carbon

Climate change is a common challenge for the world and humanity. Combining efforts to address climate change is critical to building a more prosperous, equitable, resilient, and sustainable future for human society. Governments and companies around the world have fully recognised that developing a new energy vehicle industry will help achieve climate neutrality, but electric vehicles still generate GHG emissions during their life cycle through raw materials, manufacturing, logistics, use, and end-of-life, leading to global warming. This is something that smart is seriously thinking about and committed to change. To this end, smart has set a clear strategic goal to bring a carbon-neutral, all-electric models to market by 2045. We are actively pursuing this goal and are committed to achieving it.

Our Decarbonisation Progress

Full life-cycle carbon footprint management

Based on domestic and international standards, such as ISO 14044 Life Cycle Assessment and ISO 14067 Greenhouse gases – Carbon footprint of products – Requirements and guidelines for quantification, smart has established the carbon footprint calculation specification for the **whole life cycle assessment of the vehicle**, and relied on the advanced carbon emissions data management system to conduct systematic GHG inventory.

In 2022, smart collected raw material data based on the China Automotive Material Data System for the acquisition of raw materials, manufacturing, logistics and transportation, product use and end-of-life of the mass-produced smart #1. We conducted on-site research on the carbon emission data of typical parts and components, completed mock-up calculations, and implemented the corresponding carbon reduction initiatives in accordance with the results of the carbon footprint accounting. At the same time, we continue to promote carbon reduction throughout the value chain, actively discuss low-carbon technologies and solutions with our business partners, and promote the low-carbon research and development of new models. In the future, we will thoroughly analyse the contribution of the different parts to the vehicle lifecycle carbon footprint, and select key suppliers for data collation and verification.

Green factory and Zero Carbon factory

In October 2022, the smart model manufacturing factory was awarded as a provincial “Green Factory”, with a green area of 296,550 square meters. The entire factory is equipped with a 52 MW super photovoltaic power generation system, with an annual power generation capacity of about 55 million kilowatts, which can reduce CO2 emissions by about 27,000 tonnes. The emissions reduction effect was equivalent to factoring 3,196 hectares of forest, and 55% of the electricity will be fed back to the local power grid in the future.

In addition, the manufacturing factory was recognised as **the first “Zero Carbon Factory” certification for a Chinese vehicle manufacturer**. The certification body scored the factory on six indicators: infrastructure, energy and carbon management system, energy and resource use, products, GHG emission reduction and carbon offset implementation, and awarded the factory a five-star Zero Carbon Factory (Type I) Certificate. On the production end, the manufacturing factory achieved carbon neutrality in electricity use by building photovoltaic power factories and procuring International Renewable Energy Certificates (“I-REC”). On the technical side, the manufacturing factory adopts equipment with high efficiency and low energy consumption, monitors the economic operation parameters of major equipment, and actively explores technical energy-saving measures to make full use of waste heat. At the management end, the manufacturing factory combines technical transformation and energy saving management by establishing

an energy management system. On the recycling end, manufacturing plants explore material recycling to promote the circular economy and carbon reduction on the material side. In the future, smart will continue to maintain close communication with manufacturing factories and strive to achieve new breakthroughs and achievements in the field of zero-carbon manufacturing.

Low carbon operations

The Company actively promotes the use of renewable energy. In 2022, smart's offices in Germany, the Netherlands, and Italy used **100% electricity from renewable energy sources** such as photovoltaics. During the Reporting Period, smart consumed a total of 1,466,365.64 kWh of electricity (including 81.138.16 kWh of electricity generated from renewable energy sources) in our own operations worldwide. We have fully offset the consumption of non-renewable energy sources by procuring I-RECs.

smart advocates low-carbon operations and the concept of resource saving and energy saving in the workplace. The company installs and uses various types of energy-saving equipment, posts energy-saving reminder signs in the office, and sets corresponding requirements for indoor air conditioning temperatures in winter and summer. We encourage our employees to use clean energy electric vehicle products. The business vehicles used by the Company are in the process of transitioning to all-electric models.

During the Reporting Period, the Company's energy consumption and GHG emissions were as follows:

| Energy metrics | Unit | 2022 | 2021 |
|--|-------|---------------------|-------------------|
| Total gasoline consumption | litre | 1,498.05 | 2,314.68 |
| of which Hangzhou office | litre | 553.76 | - |
| of which Hangzhou Bay office, Ningbo | litre | 944.29 | 2,314.68 |
| Total diesel consumption | litre | 14,875.25 | - |
| of which all European offices | litre | 14,875.25 | - |
| Total fuel consumption³ | litre | 8,168.15 | - |
| of which all European offices | litre | 8,168.15 | - |
| Total electricity consumption from non-renewable energy sources⁴ | kWh | 1,385,227.48 | 466,301.65 |

³ During the Reporting Period, smart's European offices used heating oil for winter heating.

⁴ During the Reporting Period, smart procured international renewable energy certificates to offset the consumption of electricity generated from non-renewable energy sources in self-operation stage.

| Energy metrics | Unit | 2022 | 2021 |
|--|-------------------------------|-------------------|------------------|
| of which Hangzhou office | kWh | 515,512.44 | 191,187.39 |
| of which Hangzhou Bay office, Ningbo | kWh | 647,733.36 | 227,183.16 |
| of which other offices in China | kWh | 124,899.04 | - |
| of which component warehouse in China | kWh | 70,555.00 | - |
| of which European offices other than Germany, the Netherlands, and Italy | kWh | 26,527.65 | 47,931.10 |
| Total electricity consumption from renewable energy sources | kWh | 81,138.16 | 89,014.90 |
| of which European offices in Germany, the Netherlands, and Italy | kWh | 81,138.16 | - |
| Total energy consumption⁵ | kilogram standard coal | 177,785.42 | 59,893.06 |
| Average total number of employees during the reporting period⁶ | person | 1,305 | 372 |
| Energy consumption intensity | kilogram standard coal/person | 136.23 | 161.00 |

| GHG emission metrics ⁷ | Units | 2022 | 2021 |
|--|--|-----------------|---------------|
| Direct (scope 1) GHG emissions | tonnes of CO ₂ equivalent | 67.16 | 6.42 |
| of which Hangzhou office | tonnes of CO ₂ equivalent | 1.48 | - |
| of which Hangzhou Bay Office, Ningbo | tonnes of CO ₂ equivalent | 2.52 | 6.42 |
| of which all European Offices | tonnes of CO ₂ equivalent | 63.17 | - |
| Energy indirect (scope 2) GHG emissions⁸ | tonnes of CO ₂ equivalent | 947.98 | 310.56 |
| of which Hangzhou Office | tonnes of CO ₂ equivalent | 362.66 | 134.50 |
| of which Hangzhou Bay Office, Ningbo | tonnes of CO ₂ equivalent | 455.68 | 159.82 |
| of which other offices in China | tonnes of CO ₂ equivalent | 74.85 | - |
| of which component warehouse in China | tonnes of CO ₂ equivalent | 49.64 | - |
| of which European offices other than Germany, Netherlands, and Italy | tonnes of CO ₂ equivalent | 5.16 | 16.23 |
| Total GHG emissions for scope 1 and scope 2 | tonnes of CO ₂ equivalent | 1,015.15 | 316.97 |
| Average total number of employees during the reporting period⁹ | person | 1,305 | 372 |
| GHG emissions intensity | kilogram CO ₂ equivalent / person | 777.89 | 852.08 |

The energy consumption and GHG emissions of smart model manufacturing factories during the Reporting Period were as follows :

| Energy metrics | Units | 2022 |
|--|---------------------------------|-------------------|
| Total natural gas consumption | m ³ | 2325,895.60 |
| Consumption of purchased heat | kilojoules | 3,232.00 |
| Total consumption of electricity from non-renewable energy sources ¹⁰ | kWh | 67,371,616.00 |
| Total energy consumption¹¹ | kilogram standard coal | 11,087,820 |
| Total vehicle production during the Reporting Period | vehicle | 147,015 |
| Energy consumption intensity per unit of production | kilogram standard coal/ vehicle | 80 |

| GHG emission metrics | Units | 2022 |
|--|---|------------------|
| Direct (scope 1) GHG emissions | tonnes of CO ₂ equivalent | 6,007.26 |
| Energy indirect (scope 2) GHG emissions | tonnes of CO ₂ equivalent | 38,777.77 |
| Total GHG emissions for scope 1 and scope 2 | tonnes of CO ₂ equivalent | 44,785.03 |
| GHG emission intensity per vehicle output | kilogram CO ₂ equivalent / vehicle | 0.30 |

⁵ The energy consumption calculation method refers to GB/T 2589-2020 General Rules for Calculation of the Comprehensive Energy Consumption issued by the Standardization Administration and the State Administration for Market Regulation of the People's Republic of China.

⁶ Only regular employees who have signed employment contracts with smart are included. Part-time employees are excluded.

⁷ smart reports GHG emissions from smart's own operations in accordance with the GHG Protocol Standards and Guidance. Given the Company's asset-light business model, our scope 1 emissions accounting covers smart's gasoline, diesel, and fuel oil consumption for corporate operations. Scope 1 emission factors refer to the UN Intergovernmental Panel on Climate Change (IPCC) and CO₂ Emission Factors for Fossil Fuel - German Environment Agency (UBA). Scope 2 emissions include indirect emissions from the purchased electricity used by smart for business operations. The region-based emission factors are derived from the China Energy Statistics Yearbook 2013, electricity data published by government departments for the Eastern and Southern regions of China and the European Residual Mixes 2021 published by the AIB.

⁸ During the Reporting Period, smart's scope 2 GHG emissions were generated from purchased electricity. We have fully offset the electricity consumption generated by non-renewable energy sources within this by procuring IRECs.

⁹ Only regular employees who have signed employment contracts with smart are included. Part-time employees are excluded.

¹⁰ The smart model manufacturing factory has completed offsetting the electricity consumption generated by non-renewable energy by purchasing renewable energy certificates.

¹¹ The energy consumption calculation method refers to GB/T 2589-2020 General Rules for Calculation of the Comprehensive Energy Consumption issued by the Standardization Administration and the State Administration for Market Regulation of the People's Republic of China.

Low Carbon Research, Develop, and Design

Low carbon technologies

Reducing carbon emissions in the use phase of a vehicle is one of the important aspects to reduce carbon emissions throughout the life cycle. In order to improve energy efficiency in the use phase, smart continues to explore low-carbon technologies to reduce the negative impact on the environment throughout the product life cycle.

 **The low-carbon research and development has resulted in the smart #1 receiving the WVTA e1 certification issued by the German Ministry of Transport**

In July 2022, after rigorous testing, smart #1 received the EU WVTA e1 certification issued by the German Ministry of Transport. smart #1 is the first product in China to be awarded the EU WVTA e1 certification, marking that its product safety, environmental protection, and energy efficiency fully meet the requirements of the EU Vehicle Type Approval Framework Technical Regulation EU2018/858, supporting the smart brand to keep on implementing the global strategy of "China-Europe Dual-home".



Lightweight design

The light weighting of the vehicle body and battery pack is to ensure the strength, rigidity, and safety performance of the vehicle, while reducing the weight as much as possible, so as to improve the power and handling of the vehicle, and reduce energy consumption and carbon emissions. smart is deeply exploring the light weighting of the vehicle, and is committed to further improving the environmental benefits of the product.

 **Silicon carbide technology, empowering energy saving and emissions reduction**

Silicon carbide material features fast switching speed, high turn-off voltage, and high temperature resistance. Selected smart #1 and #3 models use silicon carbide technology (SiC) in their electric drive system to reduce overall power loss. According to estimates, this technology can help the vehicle effectively reduce electricity consumption by 0.6 kWh per 100 km driven. Based on a driving range of 150,000 km, this technology can reduce power consumption by a total of 900 kWh per vehicle during the driving phase, with a corresponding reduction in CO₂ emissions of 540 kg¹², enabling the powertrain to be more sustainable.

Low Carbon Materials

Low-carbon materials refer to new materials that reduce the use of non-renewable natural raw materials while ensuring performance. These materials also feature low energy consumption, low pollution, low emissions, long service life, no harmful substances generated during use, and can be recycled. At present, smart #1 vehicles have used a variety of renewable and recyclable low-carbon materials to ensure the functionality of the product while sustaining low-carbon green value. Meanwhile smart strengthens the collaboration with supply chain partners and promotes recycling-oriented design, so that these apply more recyclable or bio-based materials.

¹² The electricity emission factor used for GHG emissions conversion is the national grid average emission factor of 0.5703t CO₂/MWh, which is derived from the Notice on the Management of Greenhouse Gas Emissions Reporting by Enterprises in the Power Generation Industry for 2023-2025 issued by the Ministry of Ecology and Environment of the People's Republic of China.

Low Carbon Value Chain

Green Supply Chain

Nowadays green and low-carbon sustainable development has become a global consensus, and building a **green and low-carbon sustainable supply chain** is the common goal of smart and our suppliers. To this end, in 2022, we launched the **Supply Chain Carbon Emissions Management Initiative**.

| 2022 Supply Chain Carbon Emissions Management Initiative | |
|--|---|
| Industry pain points analysis | Automotive components are numerous, and the supply chain is complex. For this reason, smart is committed to establishing a feasible method to control and calculate the carbon footprint of the production process of components in order to effectively assess the carbon footprint of the whole vehicle. Through field research on the carbon emissions of typical production processes of some key components, we initially estimate that the carbon emissions of the component processing process contribute to the carbon footprint of the whole vehicle manufacturing (from cradle to gate) by about 20%-30%. |
| Supplier classification | Based on the classification principles of weight of parts, typicality of processing process, and whether they are produced within the scope of first-tier suppliers, we divide the targets of parts manufacturers for carbon footprint into Type I and Type II. After screening and estimation, the parts produced by Type I suppliers cover about 80% of the carbon footprint of all parts processing. |
| Control requirements applied to suppliers | In the procurement process, through communication with suppliers, we propose specific carbon emission data collection requirements for different parts and processes, as well as data submission timeline requirements. |

Supply chain localisation is also critical to the Company's business development. It empowers operations and increases the flexibility of the supply chain to respond to natural, political, and other contingencies, reducing operational risks. In addition, by partnering with local suppliers, smart is supporting local economic development and improving environmental performance by reducing transportation distances and emissions. We are proud to have 100% localised direct sourcing in China (both for local companies and multinational companies in China). We leverage logistics planning and cross-departmental collaboration to maximise the value of supply chain localisation.

Battery Decarbonisation

Vehicle power battery is one of the core components of electric vehicles, and its carbon footprint often determines the extent to which electric vehicles contribute to the low-carbon economy, and also whether electric vehicles can pass the EU carbon footprint access threshold and enter the relevant markets. In the process of purchasing power batteries, smart requires suppliers to carry out low-carbon related measures, such as the use of hydropower for electrolytic aluminium production of battery aluminium shells, high energy consumption of the core production process through the purchase of International Renewable Electricity Certificate to reduce carbon, etc. At the same time, in order to scientifically account for the carbon footprint of batteries and assess the carbon reduction effect, smart has established a working **methodology system for calculating the carbon footprint of power batteries** in accordance with the requirements of the EU Battery Regulation on carbon footprint.

Supporting to build a carbon-neutral future, smart received the first EU battery PEFCR and ISO 14067-based carbon footprint certificate in China

smart conducted a full lifecycle carbon footprint calculation for the new smart #1 power battery in accordance with the EU Product Environmental Footprint Category Rule (PEFCR) and ISO 14067 Greenhouse gases - Carbon footprint of products. We analysed the production process of battery packs and cells, and then input the collected production energy consumption and raw material data into professional lifecycle carbon footprint software for modelling and calculation. The final result successfully passed the audit and certification of TÜV Rheinland, an international independent third-party testing, inspection and certification organisation, and smart was awarded the first domestic certificate based on the EU battery PEFCR and ISO 14067 Greenhouse gases - Carbon footprint of products. This proves that the new smart #1 meets the carbon footprint disclosure requirements related to EU exports, and also fully confirms the smart brand's commitment to energy saving and carbon reduction, laying a solid foundation for achieving increasing market share of the electric vehicle in EU.



Low Carbon Logistics

smart focuses on low-carbon logistic route planning, transport methods, and technologies, taking actions to practice our corporate responsibility. By optimising transportation routes, smart has reduced transportation frequency and waste, and significantly improved transportation efficiency.

"smart" driving future, sailing to Europe

In September 2022, the Sino-European train (Chang'an) with smart #1 departed from Xi'an International Port Station and headed for Europe. In collaboration with Xi'an International Land Port Group, we will optimise the pick-up, inspection, loading, and transportation routes of the factory, and strive to optimise the overall efficiency of the logistics system, maximise the control of carbon emissions in the transportation process, and reduce the negative impacts on the environment. In the future, smart will develop a long-term development plan for intermodal transportation of whole-vehicle logistics to further reduce the carbon emissions of whole-vehicle transportation.



Looking Ahead

smart will continue to take the initiative in contributing towards carbon neutrality by leveraging technological advances and actively respond to climate change. We are willing to integrate the concept of sustainable development into all stages of product design, research and development, production, sales, and operation, help promote global carbon-neutral transformation, and make every effort to achieve the goal of "providing carbon-neutral all-electric models to the market by 2045". In the future, the Company will take a multi-pronged approach and commit to the following actions:

- Develop and select sustainable materials in R&D and procurement stages
- Continue the development of all-electric models to enrich our product portfolio
- Deepen life-cycle carbon management initiatives across operations, supply chain and use phase
- Select key Tier-1 suppliers to participate in carbon management and disclosure programs
- Facilitate environmental audits throughout the supply chain





Circularity and Resources

Automobiles are one of the most recycled high-grade consumer products in the world. By using renewable and sustainable materials in the design, sourcing, and manufacturing of our vehicles, smart is able to reduce material waste and use fewer natural resources. At the same time, we are deeply engaged in sustainable co-creation with our suppliers, investigating and verifying their renewable energy plans and use of recycled materials, reducing negative environmental impacts along the value chain, and effectively promoting a circular ecology in the value chain.

Sustainable Materials

In terms of component manufacturing and raw material supply, smart will develop a more sustainable and equitable value chain through the use of more recyclable and sustainable materials.

The use of recyclable and sustainable materials is an important part of our decarbonisation and green transformation. Regarding material recycling, the Company:

- Considers the use of recyclable materials in product design and ensures that these materials, as well as the associated automotive components, remain reusable in the future.
- Uses paper certified by the Forest Stewardship Council (FSC)¹³ for user manual of smart #1.
- Focuses on quality and maintainability, enabling our electric vehicles the longest possible life.
- Develops new business models that require the recycling of parts (including batteries) at the end of the vehicle's useful life.

For the production model of smart #1, our research and development team applied **recyclable and sustainable materials** to various vehicle components while maintaining the safety performance and quality of the vehicle. We use recycled aluminium in side door sills, cushion beams, and rim components. In addition, we have increased the use of recycled plastics by working with suppliers. For example, we have replaced traditional fabrics with recycled polyethylene terephthalate ("PET") for car seat materials and recycled PET plastic bottle materials for some fabrics. The average recyclable utilisation rate¹⁴ of the smart #1 mass production model was measured to be **95.82%**, with 90 kg of recycled steel and 80 kg of recycled aluminium added to a single vehicle, respectively.

| Materials used per vehicle | Unit | smart #1 |
|--|------|----------|
| Renewable materials used per vehicle | | |
| Wrought aluminum | kg | 168 |
| Steel | kg | 774 |
| Thermoplastics | kg | 138 |
| Aluminium casting alloys | kg | 104 |
| Ternary material | kg | 103 |
| Others ¹⁵ | kg | 443 |
| Total amount of recyclable materials used per vehicle | kg | 1,730 |
| Non-recyclable materials used per vehicle | kg | 75 |
| Overall vehicle weight | kg | 1,805 |
| Average recyclable utilisation rate of sold vehicles | % | 95.82% |

¹³ FSC (Forest Stewardship Council): an international forest sustainable development management organisation that encourages companies to adopt sustainable forest management models and protect biodiversity and the rights of the communities in which forests are located by certifying forest management and wood products.

¹⁴ According to the definition in ISO 22682:2017 and GB/19515-2015 Road vehicles-Recyclability and recoverability-Calculation method, reusable represents the property that the material itself can be reused, and does not refer to how much recycled material is actually added to the material of this model.

¹⁵ Other categories of renewable materials used in a single vehicle do not exceed 100 kilograms.

Battery Retrieval and Recycling

■ Responsibility and Obligation

smart firmly believes that **the traceability and subsequent recyclability of automotive batteries** is an important part of enhancing the level of material reuse, and is one of the key areas of focus for the company. According to Interim Measures for the “Management of New Energy Vehicle Power Battery Recycling” issued by the Ministry of Industry and Information Technology in 2018, automobile manufacturers bear the main responsibility for power battery recycling, and relevant enterprises should perform corresponding responsibilities in all aspects of power battery recycling to ensure the effective use and environmentally friendly disposal of power batteries. In order to ensure compliance in battery production from the source, the Company strictly abides by the evolving battery regulations at home and abroad, ensuring the responsibilities and obligations of automotive enterprises engaged in battery recycling are met to the fullest.

On December 10, 2020, the European Commission presented a proposal for a regulation on batteries and waste batteries, and in December 2022 the European Parliament and the European Council reached a relevant agreement on the “New Batteries Regulation”. We are committed to complying with the requirements for battery sustainability and safety in this act, including requirements on hazardous substances, carbon footprint, recycled raw materials, electrochemical performance and durability, removability and replaceability, and safety; as well as meeting requirements on labelling and information, and battery waste management. We track and monitor battery reuse, develop and apply the smart power battery recycling network, and continuously improve the green recycling system covering the entire battery supply chain to enhance international sustainability impact.

■ Power Battery Recycling Network

smart always takes into account whole product life cycles, and carefully considers the impact on the environment and society alongside economic benefits, so had built a complete battery recycling traceability management system to provide customers with better battery after-sales service.

In order to build a complete power battery recycling network, we have followed the “Interim Measures for the Management of Recycling and Utilization of Power Batteries for New Energy Vehicles (“Interim Measures”)” issued by Ministry of Industry and Information Technology, confirmed the fields that need to be uploaded to the national monitoring and power battery recycling and traceability integrated management platform for new energy vehicles, and sorted out the business departments involved. The Company implemented the scope of responsibilities, opened the information interface between the battery traceability platform and the production IT system of smart vehicle production, sales, after-sales service, and battery suppliers, and uploaded traceability information in accordance with the requirements of “Interim Measures”. We have established the smart battery traceability information management platform. So far, the Company has cooperated with dealers to build multiple power battery collection-type recycling outlets within China, and signed contracts with battery recycling enterprises to ensure that smart used batteries are recycled in a timely manner and properly disposed. In 2022, smart cooperated with dealers in 46 cities in China, and built smart power battery collection-based recycling outlets in accordance with the relevant requirements of “Interim Measures”. It is expected that the dealer network will expand to more than 70 cities in 2023.

In order to meet the requirements of the “New Batteries Regulation” and the other laws and regulations on battery recycling in the exporting countries of Europe, smart has established a complete battery repair and recycling service system in the exporting countries in cooperation with the battery suppliers. This ensures the Company to provide customers with repair, replacement and recycling services for the smart’s power batteries under warranty.

Environmental Management

smart is committed to reducing the environmental impact of its own operations and model manufacturing factories. We continuously require ourselves and factories to strengthen environmental management and strictly comply with relevant laws and regulations and emission standards in the locations where we operate, including but not limited to the Law of the Peoples Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste etc., to take reasonable and compliant control measures on pollution emissions. During the Reporting Period, there were no environmental violations related to environmental protection, exceedance of pollutant standards, or non-compliance with emissions at smart nor at its model manufacturing factories. The smart model manufacturing factory has obtained ISO 14001 Environmental Management System certification.

2022 smart Model Manufacturing Factory Annual Resource Utilization Performance Highlights

| Resource utilisation optimisation project | Results |
|---|---|
| Coating waste heat recovery | Avoiding 60,705 m ³ of natural gas |
| Produced water municipal direct supply transformation | Power savings of approximately 120,000 kWh |
| Low temperature drying of sludge | Reduction of sludge generation weight by 80,004 kilograms |

Water Resource Management

As the global population rises and the climate warms, the pressure on global water resources continues to intensify. smart is deeply aware of the importance of sustainable water use, and continues to improve the reuse of water resources and reduce wastewater discharge, taking multiple measures to conserve and utilise water resources. During the Reporting Period, smart's per capita municipal water consumption was 5.12 m³ per person, a decrease of 33.16% compared to the previous Reporting Period.

2022 smart self-operated water use

| Municipal water consumption | Unit | 2022 | 2021 |
|---|-----------------------------|------------------------|-----------------|
| Of which Hangzhou office | m ³ | 1,043.49 | 1,089.23 |
| Of which Hangzhou Bay office, Ningbo | m ³ | 4,670.00 ¹⁶ | 1,759.20 |
| Of which other offices in China | m ³ | 207.61 | - |
| Of which component warehouse in China | m ³ | 662.00 | - |
| Of which European offices | m ³ | 1,043.49 | 1,089.23 |
| Total consumption of municipal water supply | m³ | 6,685.19 | 2,848.43 |
| Average total number of employees during the Reporting Period¹⁷ | person | 1,305 | 372 |
| Municipal water consumption density | m³/person | 5.12 | 7.66 |

¹⁶ In 2022, smart's enterprise scale and talent scale expanded rapidly, and the corresponding resource consumption also rose simultaneously.

¹⁷ Only regular employees who have signed employment contracts with smart are included. Part-time employees are excluded.

The smart model manufacturing factory reduces water consumption through water reuse, rainwater cisterns, and other water-saving technologies. The water treatment station reuses domestic sewage and part of the production wastewater after sewage treatment (physical and biochemical treatment) to meet the standard of water reuse, and then convey it through a separate water pipeline through the water reuse device for toilet flushing in each workshop and for greening and irrigation in the factory to achieve the purpose of water conservation. In addition, the water used in the shower room for production testing also is recycled water.

Production wastewater that cannot be reused in the smart model manufacturing factory is collected and treated by on-site facilities and then discharged to the municipal wastewater treatment factory. Real-time wastewater testing equipment has been installed at the wastewater discharge point to ensure that the discharged wastewater meets the relevant regulations. The quality of treated water reaches the integrated wastewater discharge standard (GB 8978-1996) of the primary discharge standard after testing.

Water use at smart model manufacturing factory in 2022

| Water use metrics | Unit | 2022 |
|---|-------------------------|------------|
| Production water consumption | m ³ | 321,580.00 |
| Water consumption of single vehicle production | m ³ /vehicle | 2.19 |
| Total discharge capacity | m ³ | 214,319.00 |
| Single vehicle production wastewater discharge | m ³ /vehicle | 1.46 |
| Chemical demand of Oxygen (CDO) emissions from drainage treatment | tonnes | 4.51 |
| Ammonia nitrogen emissions from drainage treatment | tonnes | 0.15 |

Exhaust Gas Management

No significant emissions are generated from the daily operations of smart. The main sources of exhaust gases from the smart model manufacturing factory are spraying exhaust gases and drying exhaust gases from the coating factory. In 2022, the main measures for the factory were as follows:



Waste heat recovery

A new waste heat recovery device (gas-liquid type) was added in the painting workshop to lower the exhaust temperature of the top coat and electrophoresis oven to about 120°C for emissions. The recovered waste heat was then used to heat the water process of the workshop, improving the water process temperature, and reducing the consumption of natural gas in the boiler of the power station. This also lowers the production cost and reduces the flue gas emissions of electrophoresis and topcoat ovens, in order to achieve energy saving and emissions reduction.



Regenerative Thermal Oxidizer ("RTO")

The purpose of the RTO equipment is to oxidise the VOC desorbed gas coming out of the rotor concentrator. The regenerative combustion method can maximise the recovery of the heat generated by combustion and save energy.



Thermal Recuperative Oxidizer (TNV, Thermische Nachverbrennung in German)

The exhaust gas containing VOC continuously produced by the drying furnace in the process of baking the painted workpiece is introduced into the incinerator through the exhaust gas induced fan. The exhaust gas is directly contacted with the flame and burned and decomposed into carbon dioxide and water at 700°C. Meanwhile, the high-temperature flue gas generated by the incineration of the exhaust gas goes to each heat exchange unit of the drying furnace as the heating heat source, and the waste heat of the flue gas after heat exchange in each zone is then heat exchanged through the fresh air heat exchanger and finally excluded from the workshop.

Exhaust emissions from smart model manufacturing factories in 2022

| Exhaust emission metrics | Unit | 2022 |
|--|--------|-------|
| Nitrogen oxide emissions | tonnes | 11.59 |
| Sulphide emissions | tonnes | 1.89 |
| Volatile organic compounds (VOC) emissions | tonnes | 9.33 |
| Non-methane total hydrocarbon emissions | tonnes | 9.33 |
| Particulate emissions | tonnes | 6.47 |
| Ammonia nitrogen emissions from drainage treatment | tonnes | 0.15 |

Waste Management

The wastes generated by smart's daily operations have been collected and disposed in a proper way. In the Hangzhou Bay office, the Company generates a small amount of general industrial waste such as used automotive parts in the course of R&D tests, all of which have been disposed of regularly and in compliance with the corresponding regulations.

2022 smart Waste Management

| Waste management metrics | Unit | 2022 | 2021 |
|---|--------|------|------|
| Total amount of general industrial waste | tonnes | 0.19 | 0.76 |

The smart model manufacturing factory classifies and manages solid waste according to general solid waste and hazardous waste. The Company requires the smart model manufacturing factory to strictly comply with national laws and regulations and relevant standards to identify and manage waste properties, perform waste disposal in a legal and compliant way, and make maximum efforts to reduce the impact of manufacturing on nature. In terms of general solid waste management, sheet metal residues of stamping are collected and recycled by a third party, while packaging of parts is collected and sorted by a third party solid waste disposal supplier. In addition, the hazardous waste is collected and treated by a qualified third party. Additionally, the smart model manufacturing factory recovers and recycles paint buckets to increase the number of material recycling and reduce waste generation through reuse. In 2022, 482 paint buckets, including 110 buckets, 140 plastic buckets, and 232 tin buckets, were recovered from the smart model manufacturing factory.

Waste management at manufacturing factories for smart models in 2022

| Waste management metrics | Unit | 2022 |
|---|--------|-------------------------|
| Total amount of hazardous waste generated | tonnes | 1,614.40 |
| Total amount of hazardous waste disposal | tonnes | 1,642.64 ¹⁸ |
| Of which total amount of hazardous waste disposal preparation for reuse | tonnes | 103.38 |
| Of which total amount of hazardous waste disposal with other ways | tonnes | 1,539.27 |
| Total weight of recovered end-of-life materials | tonnes | 19,019.90 ¹⁹ |

¹⁸ This data includes the disposal of 28.25 tonnes of storage remaining at the end of the previous reporting period.

¹⁹ This data includes cartons, wooden pallets and production trimmings that are handed over to third parties for disposal.

Looking Ahead

smart pays high attention to circularity. We continuously improve the efficiency of resource utilisation and increase the replacement ratio of recycled resources to virgin resources in the procurement and manufacturing process. The Company is committed to extending the life cycle of materials and products from a whole life cycle perspective and in accordance with the principle of "reduce, reuse, and resource". In the future, the Company will take a multi-pronged approach and work on the following initiatives:

- Continuously improving the sustainability of the materials used
- Working with industry partners to research and apply plant-based materials
- Deepening the global closed-loop battery management network
- Work with suppliers on the "zero waste to landfill" program





Employees and Society

smart is committed to building a diverse, equal, and inclusive career development platform for our employees and creating a friendly and welcoming working atmosphere. We advocate for the protection of employees' rights and interests, and endeavour to create a safe, comfortable, and healthy working environment for our employees. At the same time, we put every effort to give back to the society, actively practising corporate social responsibility and contributing to the development of society with sustainable influence.

Embracing Diversity and Inclusion

Diverse and Equal Employment

smart strongly believes in the importance of diversity for business development and our intention is to benefit from, promote, and respect the diversity of societies, languages, and lifestyles. The Company strictly complies with labour regulations and standards in all the sites where we operate.

During the Reporting Period, we promptly improved the institutional system for employee management. We completed the revision of "smart Automobile Employee Handbook" and issued "Employee Behavior Management Policy" to effectively protect the legitimate rights and interests of employees, providing them with equal and diversified career development paths to ensure that all employees enjoy open, fair, and equitable work opportunities. We incorporated anti-discrimination and anti-harassment elements into the "Employee Code of Conduct" and "Employee Behavior Management Policy" to build an equal and harmonious professional environment for employees. "Employee Recruitment Management Policy" has been revised, actively recruiting talents from different backgrounds and age groups to enhance diversity in the smart workplace. We implement a **"zero tolerance"** policy for any form of discrimination and harassment related to race, religion, gender, or disability. Furthermore, we require our suppliers to follow the "smart Code of Conduct for Suppliers and Third Party Intermediaries", which clearly articulates that suppliers should ensure equal employment opportunities and freedom from any form of discrimination.

With worldwide operations, smart actively recruits people of different genders, ethnicities, nationalities, and educational and cultural backgrounds to create an international workforce that is diverse and inclusive. Every year we identify job vacancies and needs and run both campus recruitment and social recruitment. Recruitment channels include but are not limited to campus seminars, online recruitment, and internal recommendations. During the Reporting Period, we attracted a total of **764** new talents.



2022 smart Employee Diversity Performance

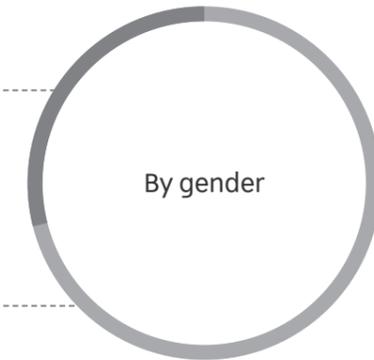


Total workforce ²⁰

1,305

29%

378

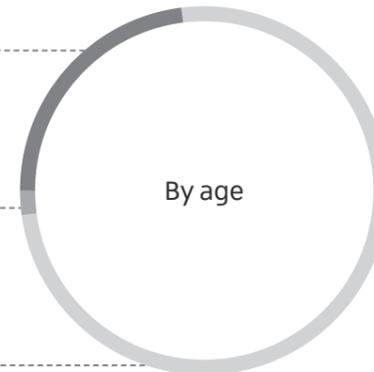


71%

927

23%

301



2%

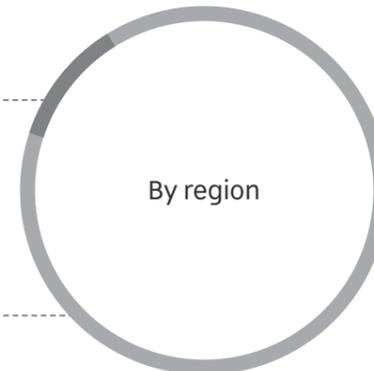
24

75%

980

11%

141

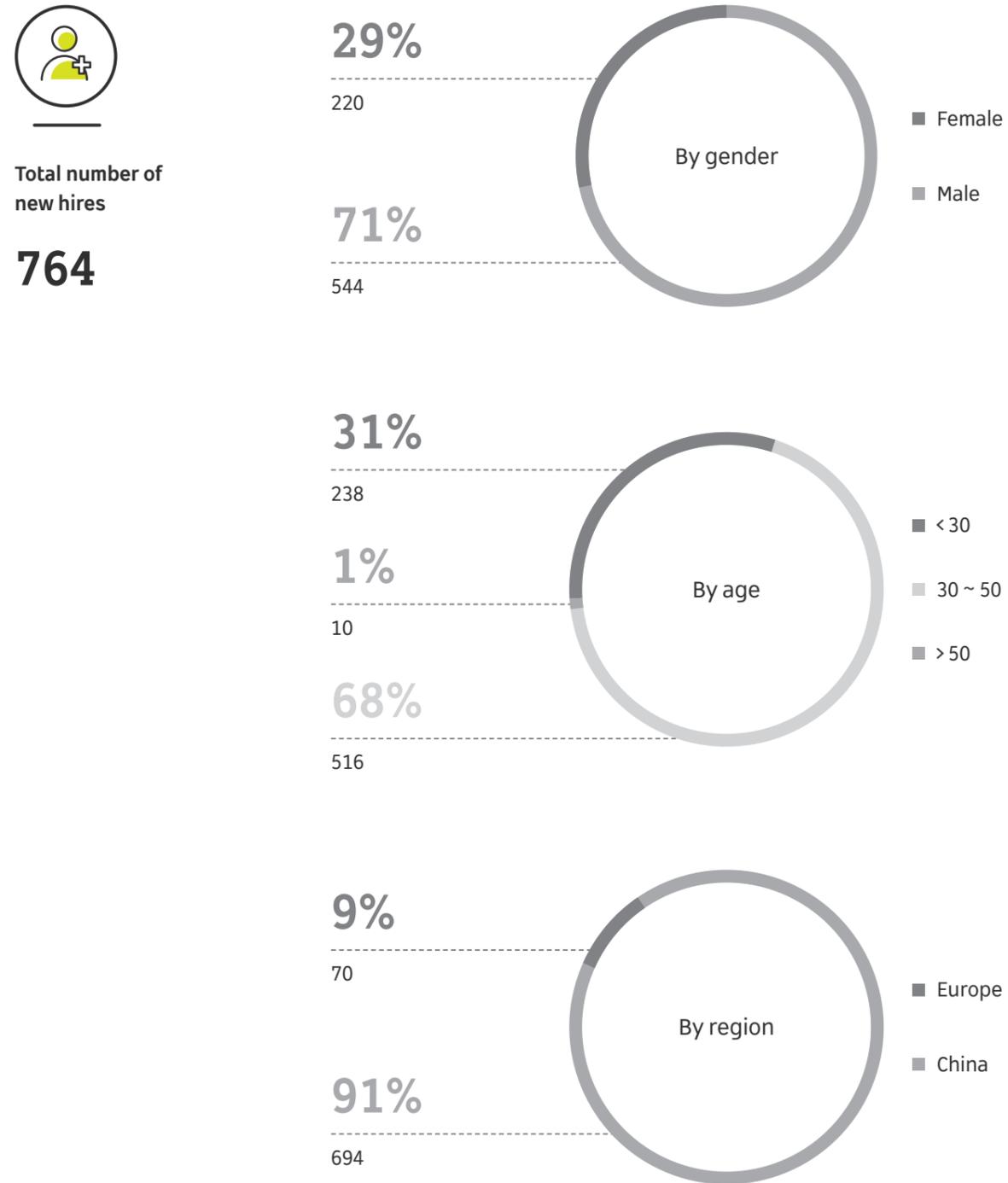


89%

1,164

²⁰ Includes only regular employees with an employment contract with smart until 31 December 2022. Part-time employees and interns are excluded.

2022 smart Employee Diversity Performance



2022 smart Governance Diversity Performance

| | | Board of Directors of smart Automobile Co., Ltd. | EMC of smart Automobile Co., Ltd. | Department/ sub-department leaders |
|-----------|-----------|--|-----------------------------------|------------------------------------|
| By gender | Male | 5 | 3 | 52 |
| | Female | 1 | 1 | 14 |
| By age | < 30 | 0 | 0 | 1 |
| | 30 ~ 50 | 0 | 1 | 55 |
| | > 50 | 6 | 3 | 10 |
| By region | China | 3 | 3 | 40 |
| | Non-China | 3 | 1 | 26 |

Human Rights Respect and Protection

As a global company, smart has global responsibilities. We respect the Universal Declaration of Human Rights, the Guiding Principles for Business and Human Rights, and the International Labour Organisation Conventions. smart strictly complies with the laws and regulations of the countries in which we operate and with internationally accepted human rights and labour standards. We rigorously abide by the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Regulations on the Prohibition of Child Labour, as well as by other relevant laws and regulations in China and Europe. In addition to the Human Resources Department or the Compliance Officer, employees can also contact the Legal and Compliance Department and the Compliance Reporting Email for enquiries and issues related to compliance, labour protection, anti-discrimination, and sexual harassment.

smart is committed to providing fair opportunities for all employees and prohibiting any discrimination on the basis of age, race, colour, gender, sexual orientation, origin, nationality, religion, or disability. We value each employee and provide a fair platform for their career development. By the end of the Reporting Period, our people were from more than **30** countries and regions, and we had **48** employees from ethnic minorities in our offices in China.

smart prohibits child labour and forced labour, and strictly bans the employment of employees under the age of 16 both by the Company and our suppliers, adhering to national working hours. The Company has a strict human resources vetting process and conducts credit checks, including identity checks, before employees are hired. In the event of a breach, the hiring process or employment relationship will be terminated immediately. By the end of the Reporting Period, the Company had not employed or used child labour or forced labour, nor had violated any laws or regulations relating to employment, child labour, and forced labour.



Employee Benefits and Care

smart strives to provide employees with a competitive compensation and benefits package, as well as actively understand and respond to their aspirations. We aim to build a healthy, upwardly mobile corporate culture, create a good working environment, enhance employee happiness, and stimulate their creativity.

Since our establishment, smart has continued to provide attractive remuneration and benefits to employees to help build our talent pool. We have established a fair, equitable, reasonable, and market-competitive comprehensive remuneration and benefits management system, based on strict compliance with the relevant laws and regulations of each region of operation. The system covers all aspects of remuneration and benefits and work and life, such as annual health checks, supplementary medical insurance, and annual paid leave of 5 to 15 working days depending on seniority and length of service. We provide all female employees with prenatal check-ups, maternity leave, and at least one hour of breastfeeding leave per working day, as well as 15 consecutive calendar days of parental leave for all male employees. We also provide one to three days of bereavement leave for employees who have lost a member of their immediate family. During the Reporting Period, a total of **82** employees took parental leave, while the return²¹ and retention²² rates were **100%**.

We pay attention to the physical and mental health of our employees and actively carry out psychological counselling training. Furthermore, a psychological counselling platform has been put in place to effectively relieve the workplace stress of our employees, so as to help them gain a greater sense of security and happiness.



Multi-dimensional care, mental health training for employees with "workplace hollowness"

In 2022, the Company launched an online mental health training program to deal with "workplace hollowness". The program's aim was to share with employees the sense of ritual and value placed on their work and to help new employees improve their perception of the workplace.



²¹ Return rate = total number of employees who returned after parental leave/total number of employees who should return after parental leave.

²² Retention rate = total number of employees still in employment 12 months after returning from parental leave/total number of employees returning from parental leave during the Reporting Period.

In addition to providing excellent remuneration and benefits to our employees, smart cares about their lives and strives to create a friendly and warm working environment for them, promoting work-life balance. In China and Europe, we offer flexible working opportunities for employees, taking into account their needs and workplace realities. Also, we organise quarterly birthday celebrations, holiday parties, and other initiatives for employee care and support, as well as a wide range of other cultural and sporting activities to continuously enhance the happiness and sense of belonging of our employees, and strengthen the cohesion among our staff.



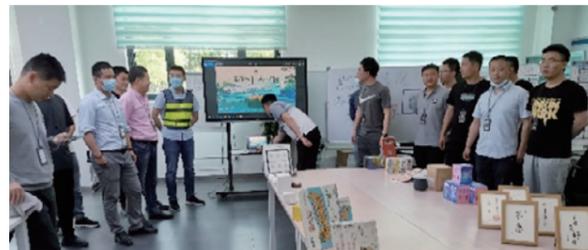
● 2022 International Women's Day



● Meditation event



● 2022 Quarterly birthday party



● 2022 Mid-autumn festival event

■ Democratic Management

smart fully respects the basic rights and interests of employees, such as the right to information, participation, expression, and supervision, as well as the freedom of association. We have steadily promoted democratic management and established communication channels for all employees through labour unions. Labour committee members present in each business sector, allow smart's labour unions to fully understand the ideas and demands of the employees from the different departments. We discuss these issues at regular committee meetings to respond to employees' legitimate requests. We pay close attention to and respect the rights and interests of female employees, and have established a **specialised committee for female employees** in our trade unions to listen to and address the concerns of female employees in a more direct manner.

smart is highly concerned about the protection of employee privacy and requires employees to protect and respect the privacy of business partners and customers. As articulated in our "Employee Code of Conduct", we require that personal data be stored securely, and that strict management systems and necessary precautions be put in place to prevent leakage of personal privacy.

Contributing to the Growth and Development of Talents

smart regards employees as important partners in the Company's steady development and understands that stimulating the development potential of employees is an important guarantee for the achievement of corporate strategic goals. The Company attaches great importance to talent motivation, and constantly improves the training and performance assessment systems. We have established a clear promotion process, and are committed to creating a platform for employee growth and development. In addition, we constantly optimise diversified training sessions, so that employees can learn through both the online training platform and various offline training activities. We provide more than **400** courses with the aim to carry out professional, systematic, and customised training for employees, realising the positive interaction between employee growth and corporate development, which also contributes to the sustainable development of the Company.

■ Talent Incentives

In order to attract and retain talents as much as possible, we set up an equity incentive plan and implement a talent subsidy system. We also continue to pay attention to the relevant policies of provinces and cities on talent recognition, and provide employees with corresponding facilities, such as talent house renting and housing subsidies, talent certification subsidies, etc., which effectively enhance the enthusiasm and motivation of employees.

■ Talent Training

smart focuses on talent cultivation and is committed to building a talent team that leads the iteration and development of the new energy vehicle industry. We continue to improve the "Training Development Procedure" and "Management Measures for External Training" to enhance the systematic, continuous, targeted, and effective training of employee quality and continuously improve the talent reserve and talent ladder construction. In the process of building the training system, we not only focus on the experience of employees, but also start from practical operations, and devote ourselves to opening up the connection across business lines, creating a platform for co-creating solutions, and finally forming a productised **SMART talent development training system**.

smart talent development training system



2022 smart Employee Training

Average number of hours of employee training by gender



Average number of hours of employee training by grade



2022 smart Signature Training Program

SEED training for new employees

SEED training is a five-day focused training organised by smart in 2022 for new hires who were starting their first job.



smart English Salon

The smart English Salon is the Company's international language enhancement program, which was planned in May 2022. Based on communication and cooperation with the third-party organisation LAIX Inc., the first phase of the program started in October 2022, and the second one in December. The first phase had 90 participants and the second one had 14 participants. A new edition of the LAIX initiative will take place in the coming year.



smart Inspiration Workshop

smart attaches great importance to the cultivation of employees' awareness of sustainable development, and works with them towards achieving such development. During the Reporting Period, we launched the "smart Inspiration Workshop" to deepen their understanding of ESG and sustainability, and help them integrate the concept of sustainability into their daily work in a more relevant way. Through a combination of online and offline approaches, we have conducted three "Inspiration Workshops", which are closely related to smart's sustainability strategy and global sustainability hotspots:

- The road to Net-Zero: introduced the background of the carbon neutrality policy and smart's response strategy to all employees and explained the current and future focus of smart's carbon neutrality tasks.
- Sustainable path of legal and compliance management: raised the awareness of compliance and intellectual property protection among all employees and helped them understand the link between compliance and sustainable development.
- Define a product with "privacy and security": explained the importance of privacy protection in the context of laws and regulations and smart's internal management philosophy.



ESG and sustainability training

- "The road to Net-Zero"
- "Sustainable path of legal and compliance management"
- "Define a product with 'privacy and security'"

Employee Development

smart constantly standardises the promotion mechanism of employees, focuses on the comprehensive ability and balanced development of employees, and ensures fair, just, and open competition within the Company. In 2023, the Company will make a corresponding policy optimisation for key core position talents in terms of employee promotion, incorporate management ability enhancement of high-tech talents into leadership training programs to focus on long-term stability of employees and empower long-term and efficient growth of employees.

smart conducts goal management-type appraisals for all employees and adopts a multi-dimensional performance appraisal approach based on job rank, job position, etc., to evaluate employees at all levels in a comprehensive and objective manner. We continuously revise and enhance the employee performance appraisal system, insist on using the PVC (**Performance, Value and Competence**) appraisal logic, and develop our "Employee Performance Assessment Management Policy". During the Reporting Period, we conducted 360° evaluations of 27 management employees, with each appraisee being evaluated by 10-15 people on average, under the condition that the names and information of the relevant personnel were kept confidential.

The Board approves the compensation policy and annual performance of the Company and its subsidiaries. In 2022, smart also engaged an external third party consultant to provide compensation policy consulting services.

During the Reporting Period, we conducted **employee satisfaction surveys** at our head office and smart Europe GmbH and employee engagement and effectiveness have steadily improved compared to last year. At the same time, our employee management has been recognised by external organisations and has been selected as one of the **"2022 Top 30 Most Potential Employer Brands"** by CIWEI.



Ensuring Employee Health and Safety

Ensuring Safe Production

smart takes workplace health and safety as an integral part of our business operations and sustainability journey. At a corporate level, we have developed and implemented "EHS Handbook" based on ISO 14001 Environmental Management Systems and ISO 45001 Occupational Health and Safety Management Systems for employees, suppliers, contractors, and others who are managed by smart to varying degrees in their work or occupation-related activities. During the Reporting Period, there was one recordable work-related injury²³ in the Company's European Office. No work-related fatalities occurred, and no cases of occupational diseases were identified.

At the same time, we require our smart model manufacturing factories to exercise sound and excellent occupational health and safety leadership, not only to meet compliance, but also to proactively and continuously eliminate hazards and create a safe working environment. smart model manufacturing factories have been certified to ISO 45001 Occupational Health and Safety Management Systems.

With the help of the Environment, Health, and Safety (EHS) information platform, the smart model manufacturing factory has continued to, in parallel with multiple initiatives, carry out safety production risk identification and hidden danger investigation, proactively implement risk classification and control measures, and implement annual quantitative targets for safety accident management. During the Reporting Period, **2,985** persons were trained in occupational health and safety training at the smart model manufacturing factory, with a total of **11,940** hours of training and **6.24** hours of training per person.

The smart model manufacturing factory conducts annual on-site identification of occupational disease hazards and monthly monitoring. At present, the manufacturing factory has established a comprehensive occupational health management system for employees, taken the initiative to conduct health check-ups for occupational hazard operators, established health monitoring files for employees, and implemented comprehensive traceability management. During the Reporting Period, the manufacturing factory improved the working environment, and enhanced the safety and comfort of protective equipment for all front-line production employees. During the Reporting Period the smart model manufacturing factory conducts annual emergency drills in accordance with established emergency plans, and the pass rate of occupational hazard factor testing was 93%, 4% higher than the previous reporting period.

During the Reporting Period, there were four recordable cases of work-related injuries in the smart model manufacturing factory, no new cases of occupational diseases, no serious work-related accidents, and no work-related fatalities.

²³ The recordable work-related injury was a fall of an employee who lost his balance on a bicycle while on his way to work.

Shaping Responsible Supply Chains

We understand that building a healthy, stable, and sustainable responsible supply chain is the foundation for solid corporate development and an important part of fulfilling corporate social responsibility. Therefore, we incorporate ESG into our supplier management and continuously improve the **whole life cycle management of our suppliers** to promote the shaping of sustainable and responsible supply chains.

Supplier Access

To regulate supplier access, smart has developed and adopted several sets of management systems such as "smart New Supplier Survey Form", "General Assessment List for Indirect Procurement Supplier Access" and "Compliance Questionnaire", creating a comprehensive evaluation form consisting of business management capability (including social and environmental audit indicators), research and development technology capability, quality control and manufacturing capability, and compliance risk review.

Indirect procurement supplier management regulations rules



Supplier Evaluation

In order to objectively and fairly evaluate the quality, price, delivery capability, and service level of suppliers, smart has established a supplier performance evaluation form to conduct annual and daily supplier performance management. The Company's supplier management specialist evaluates the suppliers within the prospective pool and divides them into four grades – excellent, good, qualified, and unqualified, according to the contract performance and acceptance quality and delivery time. Unqualified suppliers are required to issue rectification or upgrading plans, and those refusing to rectify or upgrade will be blacklisted. For daily management, the process is led by the relevant person in charge of the business requirements department, who manages and disposes of the daily performance of suppliers according to the specific contract or agreement content. Suppliers can appeal and complain about the audit process and results, as well as other non-compliance matters that violate business ethics, through various forms, such as public compliance complaint email and hotline.

Supplier Code of Conduct

We developed and implemented the "smart Code of Conduct for Suppliers and Third Party Intermediaries" to clarify smart's sustainability principles and minimum requirements to our suppliers, including compliance with local laws and regulations, labour practices, employee health and safety standards, environmental protection, and anti-corruption and anti-bribery. During the Reporting Period, we engaged an external organisation to carry out supply chain risk identification and management improvement work, laying a solid foundation for further reducing supply chain compliance and sustainability risks and improving supply chain efficiency in the future.

As of the end of the Reporting Period, the number of our suppliers was **1,040**, of which 721 were Chinese suppliers and 319 were overseas suppliers. In 2022, 461 new suppliers worked with smart. All Chinese suppliers have signed and committed to comply with the "smart Code of Conduct for Suppliers and Third Party Intermediaries".

Conflict Minerals Management

On 1 December 2022, Geely Holdings Group (as one shareholder of smart) became the first Chinese automotive company to join the Drive Sustainability program as a global partner, following the unanimous approval of the "Drive Sustainability" Steering Committee, based on years of exploration and practice of the concept of "sustainability". smart joined the program with Geely Holding Group, which is an important step to help build a transparent and responsible global supply chain and improve the sustainable management of the supply chain. In the future, smart will popularise the global ESG best practices among suppliers using the services of "Drive Sustainability" program, gradually promote the "Drive Sustainability" SAQ questionnaire (Sustainability Assessment Questionnaire) among supply chain stakeholders according to key supplier categories, and evaluate the sustainability of suppliers according to the "Drive Sustainability" SAQ. Based on the content of the questionnaire, we will identify weaknesses in the supply chain and optimise our own supply chain management.

Since joining "Driving Sustainability", smart has been participating in relevant working groups and taking practical internal actions to implement the concept of sustainable development. As the issue of conflict minerals has received more and more attention from stakeholders, smart participated in the routine meetings of the working groups related to Raw Materials.

smart **does not procure or support the use of "conflict minerals"** and requires suppliers to ensure that the minerals and metals used are extracted and traded in a manner that does not cause or contribute to human rights abuses, corruption, environmental damage, or conflict financing. Suppliers are also requested to declare and ensure responsible minerals and metals. We conduct due diligence in accordance with "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals" and collect relevant information from relevant suppliers and business partners in accordance with internal management requirements. Additionally, smart requires business partners to declare and guarantee that if the products supplied contain key raw materials, such as 3TG²⁴ or cobalt, they will fully support and cooperate with smart to ensure full transparency and traceability of the key raw material supply chain.

²⁴ Tin, Tungsten, Tantalum, Gold

Practicing Corporate Social Responsibility

As a corporate citizen, smart actively undertakes social responsibility and fully supports the comprehensive and coordinated sustainable development of society. The Company benefits from and contributes to a harmonious society. We actively give back to society, promote community development, engage in social welfare, and continue to carry out charitable donations to sustainability, contributing to social development while achieving our own development.

In 2022, smart clearly defined the direction of social responsibility focus, actively supporting public welfare causes, such as **combating climate change and urban mobility**.

Charity Donation for Covid-19

We continue to focus on disaster relief and assistance, combining resource advantages to overcome difficulties together with the communities where we operate. In 2022, we donated 7,300 sets of disposable medical protective clothing, 6,000 sets of disposable medical isolation clothing, and 20,000 sets of disposable medical gloves to Tianlin Subdistrict Office in Xuhui District, Shanghai, with a total value of RMB **576,800**.

2022 Shanghai pandemic donation



Looking Ahead

Creating a diverse and inclusive workplace is central to our efforts to attract and develop the talent we need to succeed, innovate, and grow. We will take every opportunity to empower our employees to reach their potential, promote diversity and equality, and uphold human rights while protecting the health and safety of our employees at work.

Building strong relationships with the communities in which we live and work is key to the continued success of smart in the future, as it also represents maintaining the trust of our stakeholders. The Company is committed to a multi-pronged approach that includes the following actions:

- Focus on education and capability building, community well-being, and environmental protection.
- Carry out community investment and contribution projects, establish smart's global volunteer network, and enhance the motivation of employees to engage in such projects.
- Play an active role in the area of corporate citizenship and community contribution by working with suppliers to create economic, environmental, and social benefits for local communities.



Appendix: Global Reporting Initiative (GRI) Standards Index

Instructions: the Company prepares the Report with reference to GRI standards for the period from 1 January 2022 to 31 December 2022.

| GRI Standard | Disclosure | Page/ Remark | |
|--|------------|---|----|
| GRI 1: foundation 2021 | | | |
| 1. The organisation and its reporting practices | 2-1 | Organizational details | 05 |
| | 2-2 | Entities included in the organisation’s sustainability reporting | 05 |
| | 2-3 | Reporting Period, frequency, and contact point | 05 |
| 2. Activities and workers | 2-6 | Activities, value chain, and other business relationships | 05 |
| | 2-7 | Employees | 78 |
| 3. Governance | 2-9 | Governance structure and composition | 12 |
| | 2-10 | Nomination and selection of the highest governance body | 12 |
| | 2-11 | Chair of the highest governance body | 12 |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | 12 |
| | 2-13 | Delegation of responsibility for managing impacts | 12 |
| | 2-14 | Role of the highest governance body in sustainability reporting | 12 |
| | 2-15 | Conflicts of interest | 23 |
| | 2-16 | Communication of critical concerns | 14 |
| | 2-17 | Collective knowledge of the highest governance body | 12 |

| GRI Standard | Disclosure | Page/ Remark | |
|---|--------------------------------------|--|--------------------------------|
| 3. Governance | 2-18 | Evaluation of the performance of the highest governance body | 12 |
| | 2-19 | Remuneration policies | 84, 89 |
| | 2-20 | Process to determine remuneration | 89 |
| | 2-22 | Statement on sustainable development strategy | 10 |
| | 2-23 | Policy commitments | 10 |
| 4. Strategy, policies, and practices | 2-24 | Embedding policy commitments | 10 |
| | 2-25 | Processes to remediate negative impacts | 28, 29 |
| | 2-26 | Mechanisms for seeking advice and raising concerns | 14 |
| | 2-27 | Compliance with laws and regulations | 24, 26, 28, 37, 42, 70, 77, 83 |
| | 2-28 | Membership associations | 92 |
| 5. Stakeholder engagement | 2-29 | Approach to stakeholder engagement | 14 |
| | 2-30 | Collective bargaining agreements | 85 |
| 3-1 | Process to determine material topics | 15, 16 | |
| 3-2 | List of material topics | 15, 16 | |
| 3-3 | Management of material topics | 14 | |
| GRI 201: Economic performance | | | |
| GRI 3: Topic management disclosures | Management of material topics | 02, 07, 12 | |
| Topic disclosures | 201-1 | Direct economic value generated and distributed | 07 |
| GRI 204: Procurement practices | | | |
| GRI 3: Topic management disclosures | Management of material topics | 91, 92 | |

| GRI Standard | Disclosure | Page/ Remark |
|--|--|--------------|
| GRI 205: Anti-corruption | | |
| GRI 3: Topic management disclosures | Management of material topics | 24, 25, 92 |
| Topic disclosures | 205-1 Operations assessed for risks related to corruption | 24 |
| | 205-2 Communication and training about anti-corruption policies and procedures | 24, 92 |
| | 205-3 Confirmed incidents of corruption and actions taken | 24, 25 |
| GRI 206: Anti-competitive behaviour | | |
| GRI 3: Topic management disclosures | Management of material topics | 26 |
| Topic disclosures | 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | 26, 42 |
| GRI 207: Tax | | |
| GRI 3: Topic management disclosures | Management of material topics | 28 |
| Topic disclosures | 207-1 Approach to tax | 28 |
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| GRI 406: Non-discrimination | | |
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| Topic disclosures | 406-1 Incidents of discrimination and corrective actions taken | During the Reporting Period, smart did not experience any incidents of discrimination. |
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| GRI 3: Topic management disclosures | Management of material topics | 37, 38, 39, 40, 41 |
| | 416-1 | Assessment of the health and safety impacts of product and service categories 37, 38, 39, 40 |
| Topic disclosures | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services During the Reporting Period, smart did not experience any violations of health and safety regulations and/or voluntary codes regarding products or services. |

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| GRI 417: Marketing and labelling | | |
| GRI 3: Topic management disclosures | Management of material topics | 42 |
| | 417-1 | Requirements for product and service information and labelling 42 |
| Topic disclosures | 417-2 | Incidents of non-compliance concerning product and service information and labelling During the Reporting Period, smart did not experience any incidents related to product and service information and labelling regulations and/or voluntary codes. |
| | 417-3 | Incidents of non-compliance concerning marketing communications During the Reporting Period, smart did not experience any significant violations of regulations and/or voluntary codes regarding marketing (including advertising, promotion, and sponsorship). |
| GRI 418: Customer privacy | | |
| GRI 3: Topic management disclosures | Management of material topics | 49, 50 |
| Topic disclosures | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data During the Reporting Period, smart received no substantiated complaints related to infringement of customer privacy; smart had no confirmed incidents of leakage, theft, or loss of customer information. |