



# 2022

## Environmental, Social and Governance Report

Smisss Technology Co. Ltd.

Address: 101-501 in Building 3, 501 in Building 2, 101-201, 801-901 in Building 1, No.1 Songgang Avenue, Tantou Community, Songgang Street, Baoan District, Shenzhen City, Guangdong Province, China (Meanwhile engaged in production and operation in No.74 Dongfang 1st Road, Songgang Street, Baoan District, Shenzhen City, Guangdong Province, China.)

Tel: 0755-2328 9305 Email: olive.gao@smissscigarette.com

[WWW.SMISSTECH.COM](http://WWW.SMISSTECH.COM)

# Contents



## About this Report

|                                  |    |
|----------------------------------|----|
| 1.1 Report Description           | 01 |
| 1.2 Reporting Standards          | 01 |
| 1.3 Report Scope and Boundary    | 01 |
| 1.4 Data Sources and Reliability | 02 |
| 1.5 Report Release and Access    | 02 |
| 1.6 Contact Information          | 02 |



## Message from the Chairman



## About SMISS Tech

|                                      |    |
|--------------------------------------|----|
| 3.1 Company Profile                  | 05 |
| 3.2 Development History              | 07 |
| 3.3 Significant Achievements of 2022 | 09 |



## Corporate Governance

|   |    |
|---|----|
| 4.1 ESG Governance  | 11 |
| • ESG Governance Policy   | 11 |
| • ESG Governance Structure  | 12 |
| • ESG Development Strategy  | 12 |
| 4.2 Response to the United Nations Sustainable Development Goals (SDGs) | 13 |
| 4.3 Materiality Issues  | 14 |
| • Stakeholders Engagement   | 14 |
| • Materiality Assessment  | 15 |
| 4.4 Corporate Governance  | 17 |
| • Corporate Governance Structure  | 17 |
| • Compliance Operation  | 17 |
| • Tax Compliance  | 19 |
| 4.5 Business Ethics   | 19 |
| • Fighting Corruption and Promoting Honesty                             | 19 |



## Technology and Quality

|   |    |
|---|----|
| • Integrity Audit                         | 19 |
| • Complaints and Reports                  | 20 |
| • Integrity Training                      | 29 |
| 5.1 Adhering to R&D and Innovation        | 21 |
| • R&D Platform                            | 21 |
| • R&D Management                          | 23 |
| 5.2 Intellectual Property Management      | 25 |
| • Intellectual Property Management System | 25 |
| • Intellectual Property Training          | 26 |
| • Intellectual Property Right Protection  | 26 |
| 5.3 Pursuing Excellence in Quality        | 27 |
| • Quality Management System               | 27 |
| • Quality Control Procedures              | 29 |
| • Quality Improvement Scheme              | 30 |



## Safety and Responsibility

|   |    |
|---|----|
| 6.1 Hazardous Free Products               | 31 |
| 6.2 Responsible Marketing                 | 31 |
| 6.3 Customer Service Management           | 32 |
| • Optimize Customer Service               | 32 |
| • Handling of Customer Complaints         | 33 |
| • Product Recall Mechanism                | 33 |
| 6.4 Information Security                  | 35 |
| • Information System Management           | 35 |
| • Management of Confidentiality Agreement | 35 |
| • Security Management of New Products     | 35 |



## Green Development

|                                     |    |
|-------------------------------------|----|
| 7.1 Addressing Climate Change       | 37 |
| • Governance                        | 38 |
| • Strategy                          | 39 |
| • Risk Management                   | 42 |
| • Targets and Indicators            | 44 |
| 7.2 Low Carbon Products Development | 45 |
| 7.3 Energy and Resource Management  | 45 |
| • Energy Management                 | 45 |
| • Water Resources Management        | 47 |
| 7.4 Pollution Management            | 47 |
| • Air Emission Treatment            | 48 |
| • Wastewater Treatment              | 49 |
| • Waste Treatment                   | 49 |



## Industry and Collaboration

|  |    |
|--|----|
| 8.1 Supply Chain Management              | 51 |
| • Material and Procurement Management    | 51 |
| • Supply Chain Process Monitoring        | 51 |
| 8.2 Responsible Supply Chain             | 52 |
| • Sustainable Management of Supply Chain | 52 |
| • Management of Conflict Minerals        | 53 |



## Care for Our Partners

|   |    |
|---|----|
| 9.1 Recruitment and Employee Management       | 55 |
| • Employment Principles                       | 55 |
| • Rejecting Child Labor and Forced Labor      | 55 |
| • Equality, Pluralism and Anti-discrimination | 56 |
| 9.2 Employee Compensation and Benefits        | 56 |



## Social Responsibility

|                                       |    |
|---------------------------------------|----|
| • Salary and Benefits                 | 56 |
| • Care for Employees in Difficulty    | 61 |
| • Care for Female Employees           | 61 |
| • Employee Communication              | 61 |
| • Employee Retention                  | 62 |
| 9.3 Employee Training and Development | 63 |
| • Employee Training                   | 63 |
| • Employee Promotion                  | 66 |
| 9.4 Employee Health and Safety        | 67 |
| • Safe Production                     | 67 |
| • Occupational Health                 | 68 |
| 10.1 Charity                          | 69 |

## Appendix 1 GRI Content Index 73

## Appendix 2 Key Performance Metrics 80



# About this Report

- 1.1 Report Description
- 1.2 Reporting Standards
- 1.3 Report Scope and Boundary
- 1.4 Data Sources and Reliability
- 1.5 Report Release and Access
- 1.6 Contact Information



# 01.About this Report

## 1.1 Report Description

This report is the second *Environmental, Social, and Governance Report* of the company. Adhering to the principle of SMISS Technology Co., Ltd.'s (hereinafter referred to as "SMISS Tech" or "the company") social responsibility concept, this report focusing on the disclosure of the performance of the company's seven thematic sectors, including operation and governance, product R&D and quality, product safety and responsibility, green and low-carbon development, supply chain management, employee empowerment, and public welfare and charity.

## 1.2 Reporting Standards

SMISS Technology Co., Ltd. has reported the situation from January 1, 2022 to December 31, 2022 according to the GRI Standard 2021.

## 1.3 Report Scope and Boundary

Unless otherwise specified, the data contained in this report is from January 1, 2022 to December 31, 2022 (hereinafter referred to as the "This Year" or "Report Period").

The entities covered in this report include:

- SMISS Technology Co., Ltd  
101-501 in Building 3, 501 in Building 2, 101-201, 801-901 in Building 1, No.1 Songgang Avenue, Tantou Community, Songgang Street, Baoan District, Shenzhen City, Guangdong Province, China (Meanwhile engaged in production and operation in No.74 Dongfang 1st Road, Songgang Street, Baoan District, Shenzhen City, Guangdong Province, China)
- SMISS Technology Co., Ltd.  
Guangming Branch 501,601,701, Zhongkenuo Digital Technology Industrial Park, No.7 Road, East Side of Guangming Hing-tech Park, Tianliao Community, Yutang Subdistrict, Guangming District, Shenzhen City, Guangdong Province, China.

Note: The production and operation in No. 74 Dongfang 1st Road, Songgang Street will be put into use in 2023. The scope of this report does not include this place.

## 1.4 Data Source and Reliability

The data in this report come from the company's internal data, investigation and interview records, as well as related documents. Unless otherwise specified, the currency types and amounts involved in the relevant data in this report are all measured in RMB.

The Company's Board of Directors guarantees that there is no false or misleading information in this report and is responsible for its authenticity, accuracy, and completeness of its contents. The materials of this report are provided by SMISS Tech's employees and partners, and are only used for the disclosure of the development and management progress of SMISS Tech's Environmental, Social, and Governance Report, not for commercial purposes.

## 1.5 Report Release and Access

This report is released once a year, and the electronic versions in Chinese and English are available on the company's official website (<https://www.smisstech.com>). For any inconsistencies between Chinese and English in this report, the Chinese version shall prevail.

## 1.6 Contact Information

SMISS Technology Co., Ltd.  
Address: 101-501 in Building 3, 501 in Building 2, 101-201, 801-901 in Building 1, No.1 Songgang Avenue, Tantou Community, Songgang Street, Baoan District, Shenzhen City, Guangdong Province, China (Meanwhile engaged in production and operation in No.74 Dongfang 1st Road, Songgang Street, Baoan District, Shenzhen City, Guangdong Province, China.)

Email: [olive.gao@smisscigarette.com](mailto:olive.gao@smisscigarette.com)



# Message from the Chairman



## 02. Message from the Chairman

2022 was a year full of changes, but it was also a year full of hope. All SMISS Tech's employees actively responded to the complex internal and external situations and risk challenges throughout the year, kept pace with the times, persisted in focusing on the main business, operated with integrity, continuously strengthened the foundation, promoted technological innovation, improved product quality, adhered to product's safety and responsibility, explored a green and low-carbon development path, strengthened supply chain co-construction, and improved productivity.

In the previous year, we adhered to the sustainable development model, continuously improved the company's ESG governance policy and governance structure, actively responded to the United Nations Sustainable Development Goals (SDGs), maintained communications and interactions with stakeholders, follow the golden rule of compliance, and work to create a system that is incredibly effective and clean.

In the previous year, we took technology and quality as the basis, taking technological innovation as the cornerstone of high-quality development, constantly improving the intellectual property management system, and received high industry recognition for excellent manufacturing capacity and product quality. We concentrate on the research and application of electronic atomization technology and cigarette OEM/ODM services, uphold our strong technical capabilities for the product development of core customers, while relying on fundamental fundamental electronic theories and structural innovations, and independent development of the product's core competitiveness, and concentrate on offering high-quality goods for the brand. Through our own efforts, we obtained "Anxing" product certification and CNAS recognition, and we won numerous titles such as "Shenzhen Famous Brand" in 2022.

We have been committed to providing society with safe and dependable e-cigarette products, preventing harm to minors' health, offering clients effective and high-quality services, and endeavoring to safeguard the privacy of businesses. To ensure the safety of our products, we meticulously abide by a number of industry laws and forbid any harmful chemicals. We provide complete protection for minors in a variety of dimensions, including product design and packaging. We always prioritize our clients, and constantly enhancing our service level and response time before, during, and after-sales, and providing customers with a full range of quality assurance. At the same time, we are concerned with protecting the rights of our customers.

In the past year, we actively responded to the China Municipal Government's "Carbon peaking carbon neutrality" and goals and 14th Five-Year Plan, accelerated enterprise green and low-carbon transformation, and continuing to build green and low-carbon products. We conduct climate risk management based on the characteristics of the e-cigarette industry and our own business model, systematically analyze major climate-related risks and opportunities in accordance with the recommendations of the Working Group on Climate-related Financial Information Disclosure (TCFD), and sorted out scientific climate risk response measures, and simultaneously integrate the concept of energy conservation and emission reduction into product design, and constantly explored the feasibility of low-carbon materials, in an effort to provide low-carbon and environmentally friendly green products for our customers. Furthermore, on the basis of environmental protection and compliance, we vigorously promote technological transformation of energy conservation and emissions reduction, constantly strengthen the level of energy management, improved the energy utilization rate and reduced the waste of energy and resources.

Over the last year, with the help of industry and collaboration, we practiced responsible supply chain management, expanded the industrial development ecosystem, and collaborated with upstream and downstream partners to promote sustainable supply chain construction. We optimize material procurement management, continuously improve the supplier control process, strengthen the sustainable requirements of the supply chain, encourage suppliers to improve their own sustainable management capabilities, achieve coordinated development with suppliers, and create a sustainable and environmentally conscious business ecosystem. We also attach great importance to conflict minerals management, adopting multiple measures to strictly prohibit the procurement or use of any conflict minerals and metal products, and strengthening internal and external awareness of conflict minerals management in order to eliminate violations.

In the previous year, we used partnership and care as oars. The collective efforts of employees are critical to the company's growth and prosperity. We worked hard to increase employee satisfaction and personal value while also ensuring their health and safety to the greatest extent possible. We foster an excellent corporate culture, uphold the principle of workplace fairness and justice, value the protection of every employee's human rights, and strive to provide a diverse, inclusive, safe, and healthy working environment. We continue to improve employees' salary and welfare policies, enrich employees' spare time lives, and strengthen employees' sense of belonging through meticulous care. We provide a development platform for willing and capable employees, empower them to grow, and assist them in realizing their self-worth in their roles. At the same time, we prioritize production safety and provide comprehensive health care to our employees.

We have taken society and commitment as our responsibility in the past year, actively participated in voluntary public welfare actions, contributed enterprise strength to community development, promoted positive interaction between enterprises and society, brought long-term benefits to the community, and fostered the company's and the community's synchronous and sustainable development. We have funded more than 120 children to attend school in impoverished mountainous regions and continue to pay attention to the construction of education in mountainous areas, providing care and guidance to students and practicing corporate social responsibility.

Looking forward to the future, we will embed the concept of sustainable development deeply into the business operation system. We will gradually promote the construction of an intelligent manufacturing system to build smart factories. We are dedicated to transforming the company's low-carbon and developing high-quality business through digitization. We are committed to stabilizing the leading position of the most environmentally friendly, efficient, and intelligent e-cigarette company.



# About SMISS Tech

3.1 Company Profile

3.2 Development History

3.3 Significant Achievements of 2022



## 03. About SMISS Tech

### 3.1 Company Profile

Independent patent  
**1000+** pieces

Branded customers  
**500+**

Total area  
**87000+** SQM

Production capacity  
**5000+** ten thousand peices/month

R & D team  
**100+** people

**3** | 3 Technology-leading automated factories

Operations in 50+ countries worldwide | **50+**

**4** | 4 Sales & Service Subsidiaries

Main business markets includes North America, Europe, Southeast Asia, Japan, China | **5**



#### Industry Positioning

SMISS Technology Co., Ltd. was established in 2012 in Shenzhen, China, integrating the research and development, production, sales and service of electronic atomization equipment. The company is a world-renowned manufacturer of electronic atomization equipment, with business covering Electronic Nicotine Delivery Systems (ENDS), CBD/THC atomization equipment and dry burning equipment, low temperature non-combustion hardware (HnB Device), Inhalation Medical Atomization Equipment (IMV), electronic cigarette liquid and etc.

#### Business scale

SMISS Tech continuously integrates cutting-edge design and technology, and has gradually formed an international business system with China as the R&D and manufacturing center, and services radiating globally. SMISS Tech has built a whole industry chain system from R&D to sales, expanded its business distribution to more than 50 countries around the world, and set up a branch in the U.S. It has provided OEM/ODM services for more than 500 e-cigarette companies around the world.

#### Manufacturing capacity

SMISS Tech possesses three technologically advanced automated production bases, namely Guangming Base, Songgang Base, and Dongfang Base, with a total area of over 87,000 square meters. SMISS Tech has a monthly production capacity of up to 50 million pieces, with ISO 14644 & ISO 14698 standard 100,000-class GMP clean workshop.

#### R&D strength

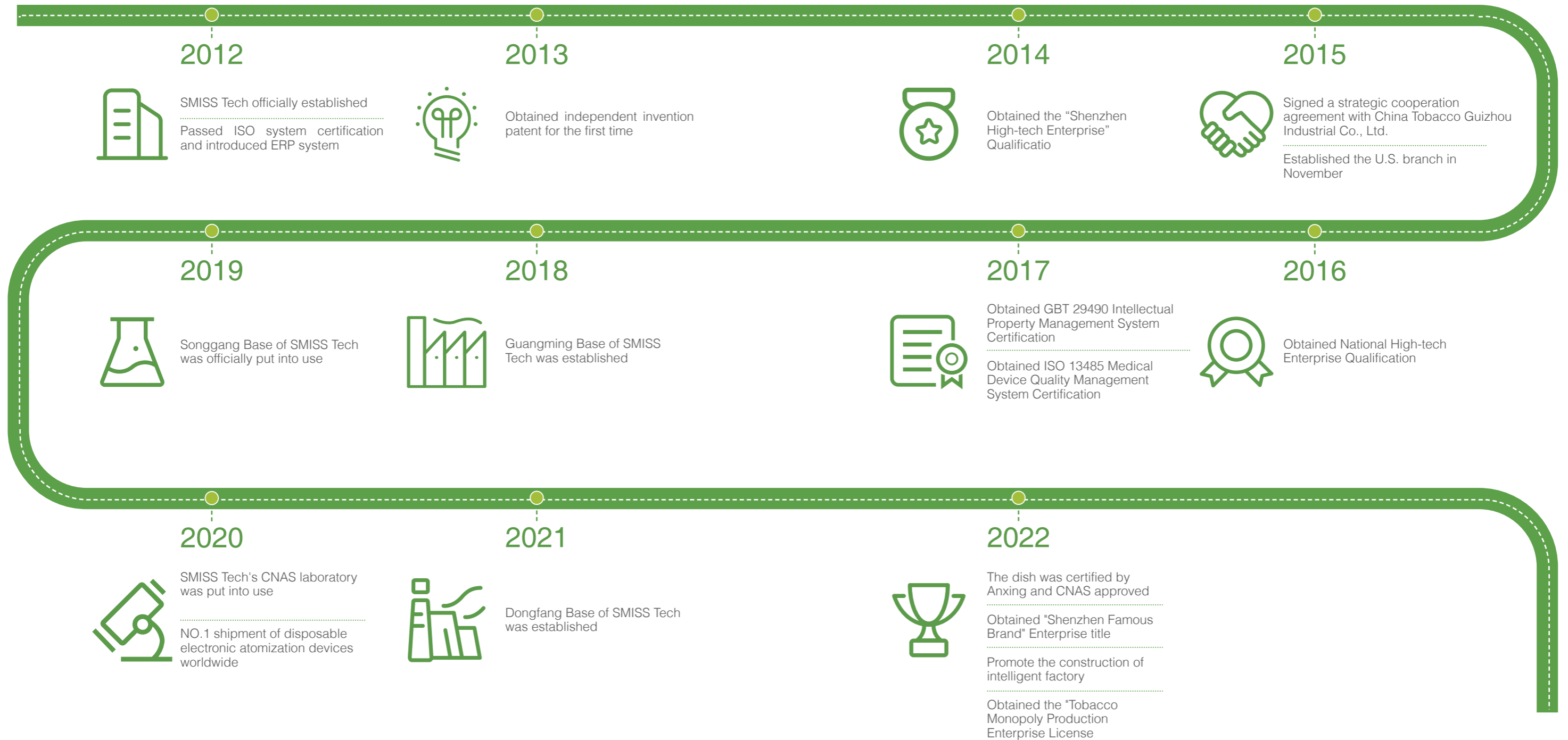
Based on independent research and development, SMISS has gathered more than 100 experienced R&D personnel. It has obtained 1,000+ self-owned patents in terms of technology and products, covering software copyrights, invention patents, product appearance rights, utility model patents, and PCT patents. It develops more than 100 products every year, includes 200+ invention patents covering atomization technology, dry burning and bomb replacement structure, cotton core, atomizing core, etc.

#### Quality control

SMISS Tech adopted advanced quality management concepts and established FDA QSR 820/110 & ISO13485 medical and food industry standard systems. SMISS Tech established a comprehensive closed-loop quality control system from supply chain management, manufacturing process, and product delivery. All products meets the national registration and certification requirements, including EU CE/RoHS/TBD and US PMTA registration and certification, etc..

SMISS has an industry-leading CNAS certification laboratory, which strictly follows the ISO/IEC 17025 laboratory standard system operation. Establishing a first-class brand SMISS Tech laboratory in the industry, and escorting the company's product quality.

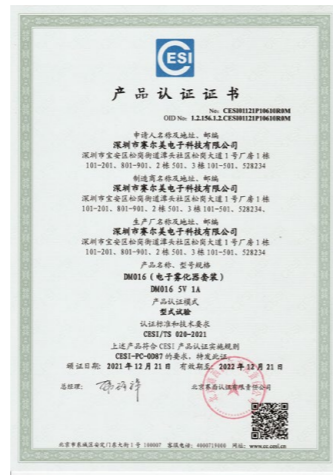
### 3.2 Development History



### 3.3 Significant Achievement of 2022



Won the authorization of "Anxing" quality product identification



Won the CESI product certification



Won the "Shenzhen Famous Brand"



CNAS Laboratory Certification



Won the "Foggy Valley Award · Special Contribution Award for 20-year Export of Atomization"



Won the qualification of "Shenzhen Airport Electronic Atomization Products White List Enterprise"



Start intelligent factory construction projects, continuously increase the proportion of factory automation production, and develop five quality core tools:

- Six Sigma System Analysis
- TPM Comprehensive Promotion
- Lean Production (Lean Concept)
- Manufacturing Execution System (MES)
- Warehouse Management System (WMS)



# Corporate Governance

## 4.1 ESG Governance

- ESG Governance Policy
- ESG Governance Structure
- ESG Development Strategy

## 4.2 Response to the United Nations Sustainable Development Goals (SDGs)

## 4.3 Importance Issues

- Stakeholder Engagement
- Materiality Assessment

## 4.4 Corporate Governance

- Corporate Governance Structure
- Compliance Operation
- Tax Compliance

## 4.5 Business Ethics

- Fighting Corruption and Promoting Honesty
- Integrity Audit
- Complaints and Reports
- Integrity Training



## 04. Corporate Governance

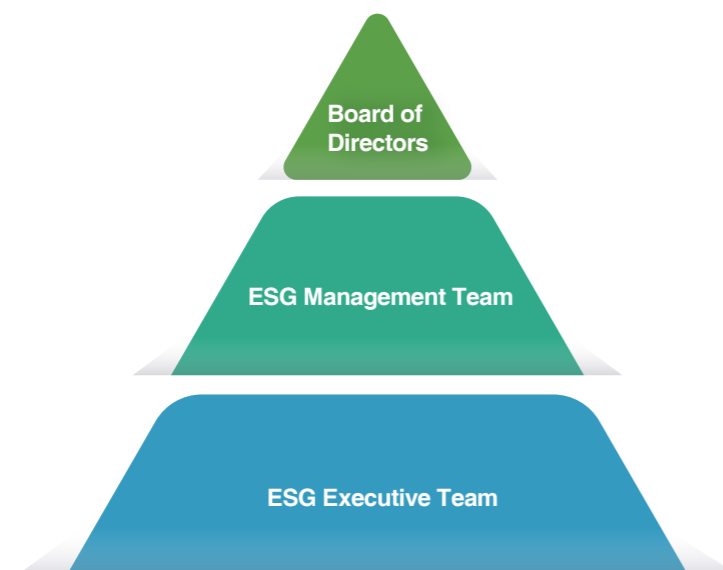
### 4.1 ESG Governance

#### ● ESG Governance Policy

SMISS Tech is committed to advancing sustainable development practices, establishing and refining ESG mechanisms, and striving to create a long-term stable environment, social responsibility, and corporate value for customers, brands, and partners.

Our Board of Directors places a high value on the significant impact that ESG risks may have on the company. The Board annually reviews reports from management on economic, environmental, and social issues, is responsible for supervising and ensuring the effective implementation of the company's ESG-related work, and considers ESG matters when determining the company's future business direction and goals.

The company also regularly reviews ESG performance indicators, covering major issues such as product quality and safety, customer service, climate change response, employee rights protection, and compliant operations. The company sets annual ESG standard goals and sets annual performance assessments with the ESG management team, incorporating safety production, energy conservation and environmental protection, compliant operations, and other ESG performance indicators into the assessment system for key management personnel and member companies, promoting the achievement of the company's ESG goals.



#### ● ESG Governance Structure

SMISS Tech is aware that good ESG governance cannot exist without an ESG organizational structure with clearly defined responsibilities. The organization has established a hierarchical ESG organizational structure from the board of directors to the functional departments.

The Board of Directors is responsible for overseeing ESG-related activities, improving corporate governance and ESG risk management, reviewing and approving the company's ESG mission, objectives, and strategies, and reviewing the completion of ESG key performance and ESG information disclosure.

In addition, we formed ESG management and execution teams. The ESG management team is in charge of identifying, evaluating, and prioritizing ESG-related issues, as well as setting and supervising ESG key performance targets, holding regular meetings to discuss ESG-related issues, and reporting the results to the board of directors. In order to ensure that SMISS Tech's ESG governance can be effectively implemented and supervised, the ESG executive team is responsible for the precise implementation of ESG work and adheres to the company's ESG management regulations.

The SMISS Tech's board of directors focuses on the company's future development, evaluates the company's operation level's sustainable development risks, and investigates ESG-related issues that may be related to the company's business operation and development to ensure that the company's operation has fully complied with the industry's sustainable development trend. The ESG management team guides the ESG implementation team, ensures that all business departments develop and implement work guidelines and action plans in accordance with the company's sustainable development goals, and provides guidance on risk preference, risk exposure, and related sustainable development goals. In addition, the ESG management team supervises and reviews the sustainable development initiatives and performance of various business departments, and assesses the realization and progress based on the existing goal settings.

#### ● ESG Development Strategy

SMISS Tech has always followed the principle of "leading global atomization and accelerating the world's transformation into a healthy life." The corporate vision is to provide healthier e-cigarette products to the market as well as a healthier and safer way for smokers worldwide.

The company is committed to the development of integrity and compliance operations, respects and protects intellectual property rights as a result of its industry-leading product research and innovation capabilities, continues to create high-quality products, provides high-quality services to customers, and earns the trust and respect of users and the general public through superior product strength and service.

We are constantly exploring green design, reducing resource and energy consumption, contributing to low-carbon development, and practicing sustainable development together with our entire supply chain. We work with our partners to shape a healthy industrial ecosystem. We respect our employees and create a fair, inclusive, caring, and safe environment for them, fulfilling our social responsibilities, and striving to create a better tomorrow for the world.

In addition, we actively integrate ESG into our daily operations and business decision-making processes and have established top-down, comprehensive control measures related to ESG to address significant ESG risks, fulfill our corporate social responsibilities, and achieve sustainable development both internally and externally.

**Our Vision**  
Leading the global smart manufacturing of atomization and accelerating the world's transformation to a healthy life.

**Our Mission**  
Use technology to create value for customers, so that it always maintains the industry's competitive advantage.

**Our Spirit**  
Emancipate the mind, seek truth and innovation, work hard, and dare to take responsibility.

**Our Beliefs**  
Small victory depends on wisdom, big victory depends on virtue.

## 4.2 Response to the United Nations Sustainable Development Goals (SDGs)

SMISS Tech actively responds to the United Nations Sustainable Development Goals (SDGs) and is committed to pursuing sustainable development, promoting production method innovation, and advancing inclusive sustainable development. To realize business support and contribution to sustainable development, we identify the sustainable development goals that are closely related to our business based on our own circumstances and practical actions. The figure below depicts specific goals and practices:

| United Nations Sustainable Development Goals (SDGs)   |  | SMISS TECH'S ESG performance this year  |
|---|--|---|
|  <p><b>3 良好健康与福祉</b></p>       | <p><b>Goal 3: Good health and well-being.</b><br/>Ensure a healthy lifestyle and promote the well-being of people of all ages.</p>   | <ul style="list-style-type: none"> <li>● Ensure the health and safety of employees and improve their working environment.</li> </ul>  |
|  <p><b>5 性别平等</b></p>          | <p><b>Goal 5: Gender equality</b><br/>Gender equality is not only a basic human right, but also the cornerstone of a peaceful, prosperous and sustainable world.</p>                   | <ul style="list-style-type: none"> <li>● Pursue a compliant and diversified employment system, implement equal pay for equal work and care for female employees.</li> </ul>   |
|  <p><b>8 体面工作和经济增长</b></p>    | <p><b>Goal 8: Decent work and economic growth</b><br/>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>        | <ul style="list-style-type: none"> <li>● Safeguard the legitimate rights and interests of employees, improve the salary and welfare benefits.</li> </ul>  |
|  <p><b>9 产业、创新和基础设施</b></p>  | <p><b>Goal 9: Industry, innovation and infrastructure</b><br/>Build disaster-resistant infrastructure, promote inclusive and sustainable industrialization and promote innovation.</p> | <ul style="list-style-type: none"> <li>● Adhere to the guidance of scientific and technological innovation, strengthen intellectual property management, and the number of patents and trademarks has increased substantially.</li> </ul>   |
|  <p><b>12 负责任消费和生产</b></p>   | <p><b>Goal 12: Responsible consumption and production</b><br/>Adopt sustainable consumption and production patterns.</p>   | <ul style="list-style-type: none"> <li>● Use safe materials to reduce dangerous chemicals.</li> <li>● Adhere to responsible marketing and protect minors.</li> <li>● Explore green design, produce low-carbon products and reduce the carbon footprint of products.</li> </ul>  |
|  <p><b>13 气候行动</b></p>       | <p><b>Goal 13: Climate Action</b><br/>Take urgent action to deal with climate change and its impact.</p>   | <ul style="list-style-type: none"> <li>● Identify climate-related risks and opportunities, formulate measures to deal with climate change.</li> <li>● Strengthen the sustainable management and efficient utilization of natural resources.</li> <li>● Drive recycling and reuse to reduce waste generation.</li> </ul> |
|  <p><b>16 和平、正义与强大机构</b></p> | <p><b>Goal 13: Climate Action</b><br/>Take urgent action to deal with climate change and its impact.</p>   | <ul style="list-style-type: none"> <li>● Improve the business ethics management system and form an effective supervision mechanism.</li> <li>● Publicize internal and external reporting channels, promote a culture of integrity and compliance.</li> </ul>  |

## 4.3 Materiality Issues

### ● Stakeholders Engagements

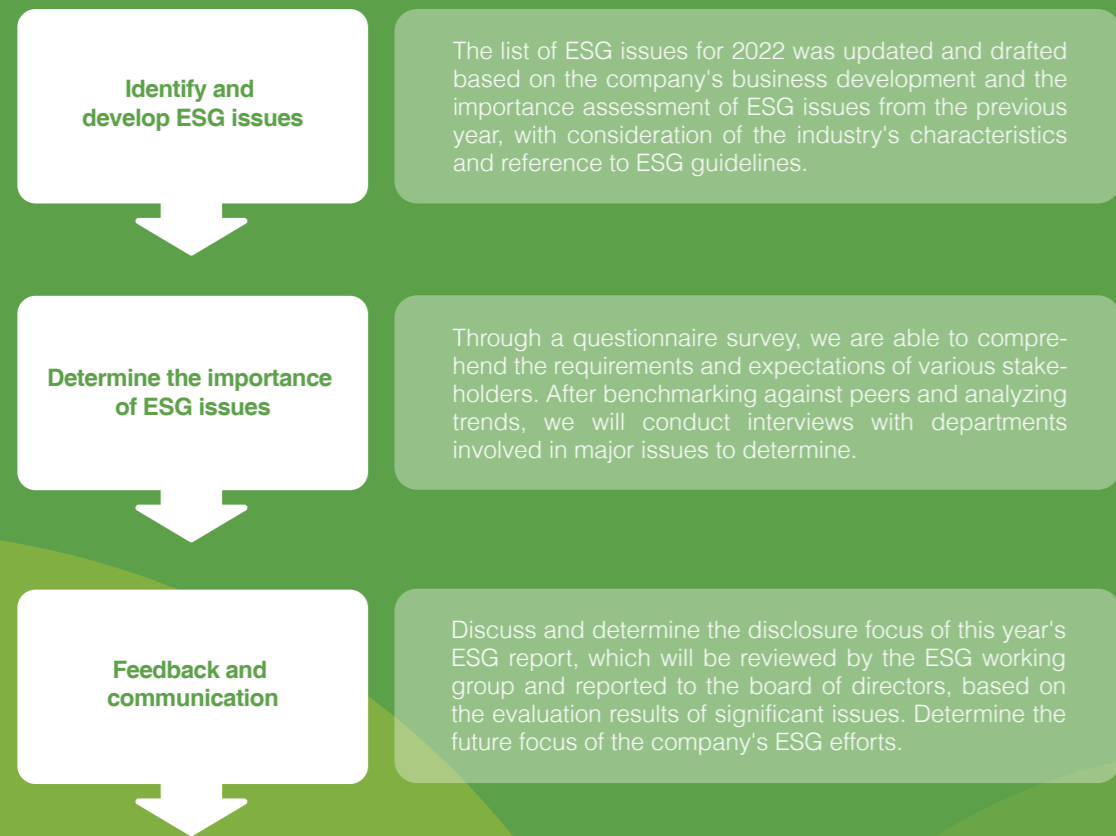
We identify key stakeholders within the company through interviews, communication, and daily information collection to ensure that the company's sustainable development strategy fully reflects the expectations and demands of the company's stakeholders. Employees, customers, suppliers, and partners, shareholders and investors, government and regulatory agencies, and communities make up the majority of our stakeholders. We have established multiple communication channels, kept in close contact with various stakeholders, and gathered their perspectives on the company's sustainable development as a critical foundation for improving the company's operating policy and sustainable development strategy. The following summarizes our interactions with various stakeholders:

| Stakeholders  | Demand and expectation   | Communication and response channels   |
|---|--|---|
|  <p>Employees</p>                            | <ul style="list-style-type: none"> <li>● Protection of employee rights and interests</li> <li>● Occupational health and safety</li> <li>● Employee development and training</li> <li>● Equal Employment and Diversification</li> </ul> | <ul style="list-style-type: none"> <li>● Employee interview</li> <li>● Employee training</li> <li>● Corporate culture</li> <li>● Performance appraisal</li> </ul>                 |
|  <p>Client</p>                               | <ul style="list-style-type: none"> <li>● Product quality and safety</li> <li>● Customer information confidentiality</li> <li>● R&amp;D and innovation</li> <li>● Customer service</li> <li>● Green product</li> </ul>                  | <ul style="list-style-type: none"> <li>● Customer complaints</li> <li>● Customer satisfaction survey</li> <li>● Product exhibition</li> <li>● Company official website</li> </ul> |
|  <p>Suppliers and partners</p>             | <ul style="list-style-type: none"> <li>● Supply chain management</li> <li>● Common development of industries</li> </ul>  | <ul style="list-style-type: none"> <li>● Supplier audit</li> <li>● Seek procurement tenders</li> </ul>  |
|  <p>Shareholders and investors</p>         | <ul style="list-style-type: none"> <li>● Compliance management</li> <li>● ESG management commercial morality</li> </ul>  | <ul style="list-style-type: none"> <li>● Investors' meeting</li> <li>● Regular information disclosure</li> <li>● Media publicity</li> </ul>                                       |
|  <p>Government and regulatory agencies</p> | <ul style="list-style-type: none"> <li>● Abide by laws and observe discipline</li> <li>● Pay taxes according to law</li> <li>● Protection of minors</li> </ul>   | <ul style="list-style-type: none"> <li>● Communicate and report regularly.</li> <li>● Qualification evaluation</li> <li>● Policy implementation</li> </ul>                        |
|  <p>Community</p>                          | <ul style="list-style-type: none"> <li>● Reduce environmental pollution</li> <li>● Charity action</li> </ul>   | <ul style="list-style-type: none"> <li>● Public benefit activities</li> <li>● Promote green and low-carbon development</li> </ul>   |

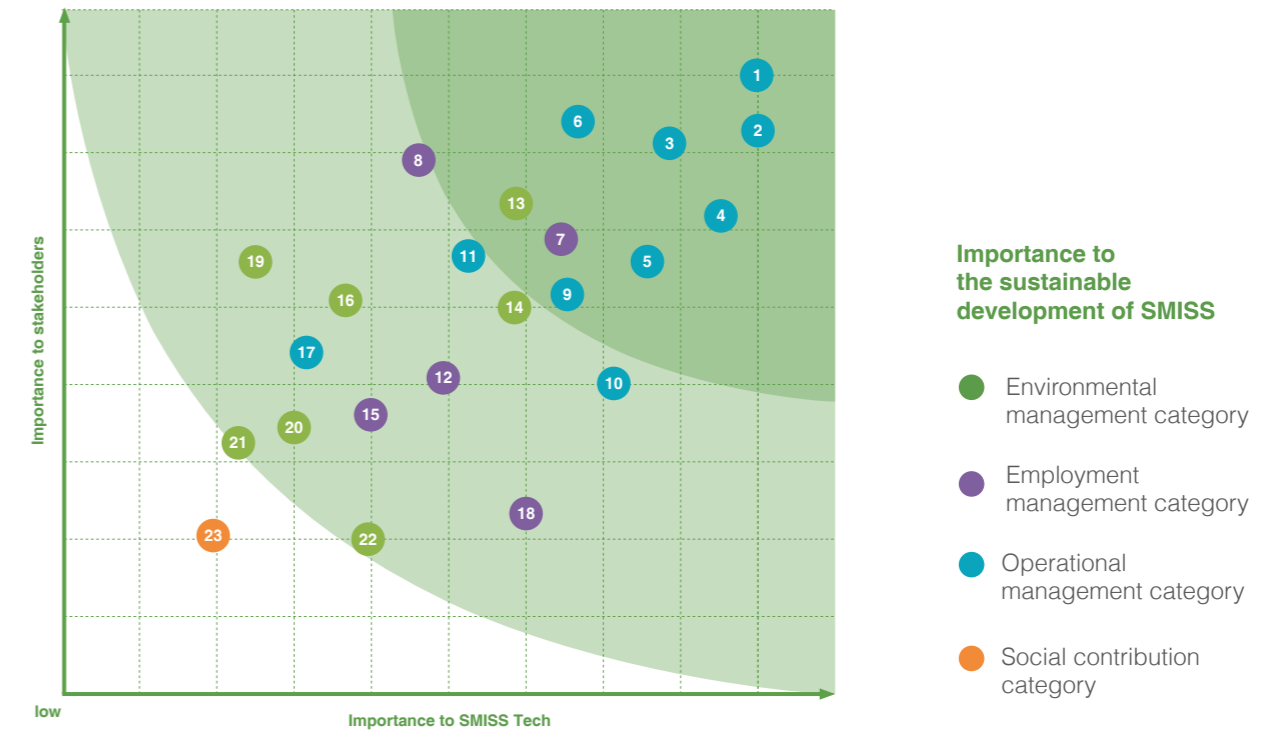
### Materiality Assessment

This year, we expanded the ESG topic library based on 2021, taking into account national macro-policy orientation, capital market focus, relevant sustainable development report standards, and benchmarking analysis of outstanding peers. We obtained the scores of the importance of various ESG topics in 2022 by entrusting an external professional third-party consulting agency with interviewing the company's senior management and internal key functional departments, as well as the opinions and suggestions of stakeholders regarding the company's sustainable development, and ultimately determined 23 ESG topics.

The evaluation of this year's materiality issues mainly takes the following three steps:



According to the results of stakeholder communication and industry analysis, the materiality of ESG issues in this year is ranked. The ESG materiality issues matrix and ranking of the Company in 2022 are as follows:



| Environment manage                    |                                      |                               |
|---------------------------------------|--------------------------------------|-------------------------------|
| 13 Addressing climate change          | 19 Material management               | 22 Air pollution management   |
| 14 Green products                     | 20 Water resources management        |                               |
| 16 Energy management                  |                                      |                               |
| Employment manage                     |                                      |                               |
| 07 Compliance Employment              | 12 Employee rights and interests     | 18 Equality and pluralism     |
| 08 Occupational Health and Safety     | 15 Employee Training and Development |                               |
| Operation management                  |                                      |                               |
| 01 Product quality and safety         | 05 Responsible Marketing             | 10 Business ethics            |
| 02 Product development and innovation | 06 Supply chain management           | 11 Compliance operation       |
| 03 Customer service                   | 09 Customer information security     | 17 Pay taxes according to law |
| 04 Intellectual property protection   |                                      |                               |
| Social contribution                   |                                      |                               |
| 23 Charity                            |                                      |                               |

## 4.4 Corporate Governance

### ● Corporate Governance Structure

As a pioneer in the Chinese atomizer and electronic cigarette industries, SMISS Tech strictly adheres to the People's Republic of China's (PRC) Company Law and all applicable domestic and international laws and regulations. The company believes that adherence to compliant operations is the foundation of healthy and sustainable business development, and scientific and standardized governance is the cornerstone of the company's efficient and stable operation. To this end, we have formulated the "Responsibility and Authority Management Standard" to clearly delineate the responsibilities of various departments in the company, ensuring that tasks are implemented effectively and accountability is assigned for each task.

The Company's Board of Directors is made up of five members, including one Executive Director, and four Non-Executive Directors. The chairman is the legal representative of the company and is elected for a three-year term by the shareholders' meeting. Shareholders nominate and elect additional directors at the annual meeting. A director's term is three years, and he can be re-elected at the end of his term. Furthermore, the company's board of directors is divided into four committees: the compensation Committee, the strategy Committee, the audit Committee, and the cost proposal Committee. The Company determines the decision-making process and final remuneration of directors, supervisors, and senior executives, according to the Articles of Incorporation.

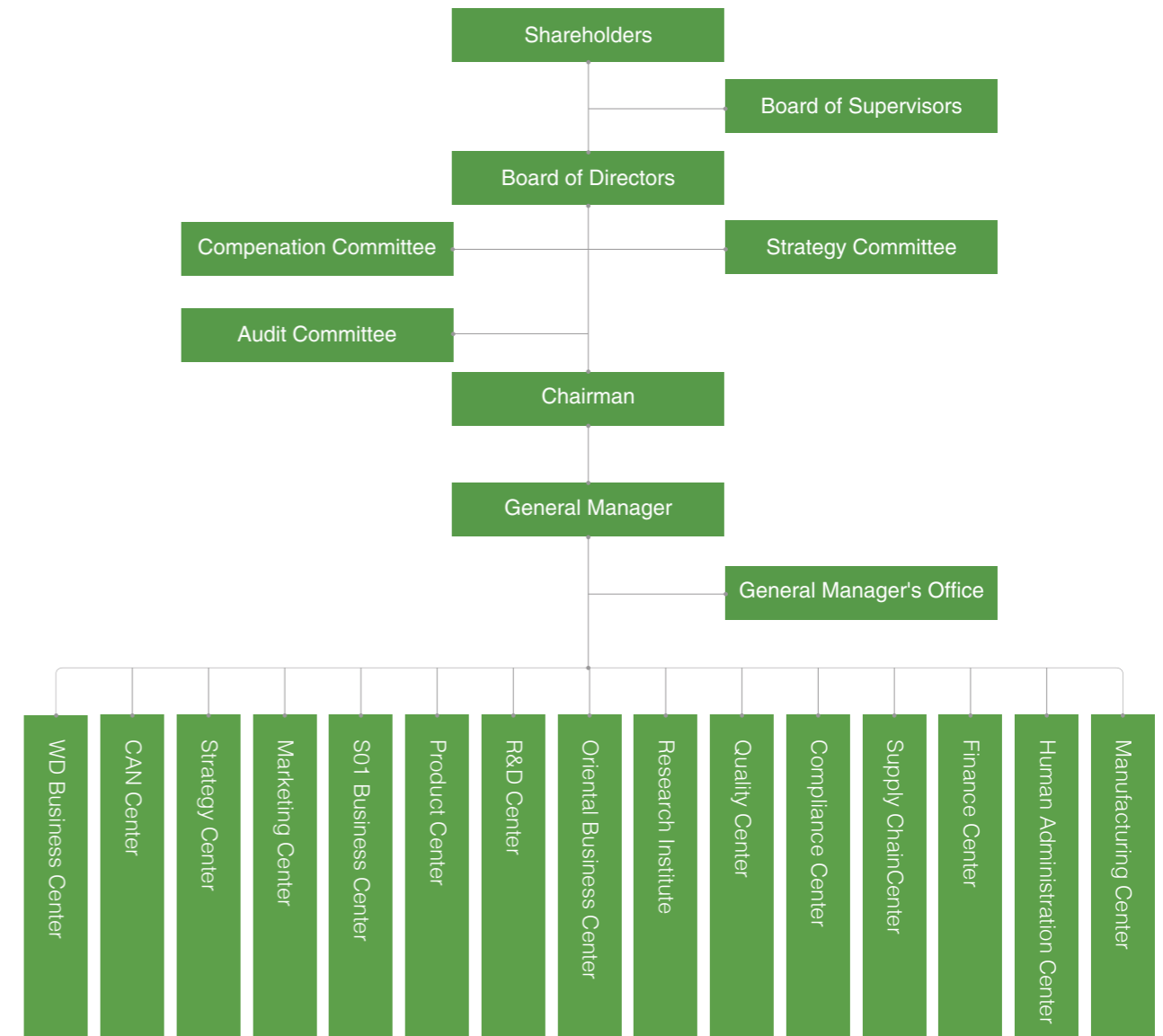
### ● Compliance Operation

The company has established a compliance center that oversees the company's five modules: system certification, compliance registration, career development, enterprise management process, and major customer audit. The company's intellectual property management system, quality system, medical device management system, environmental management system, occupational health and safety management system, process management, and other systems have all been certified. Gleichzeitig specializes in global product compliance registration and certification, having successfully completed the PMTA registration and FDA audit in the United States, the TPD registration in the European Union, and the MHRA registration in the United Kingdom. The company uses a corporatized management mode to optimize R&D management, information management, ECR/ECN change, and other processes. On a regular basis, the company accepts and passes major customer audits on production quality, social responsibility, and production safety.

The Company strengthens the work style construction of team management cadres, promotes the work style of "stressing honesty, understanding rules, observing discipline, daring to take responsibility, and doing something", regards honesty and integrity as the business foundation, improves various rules and regulations, strictly standardizes working procedures, and abides by laws and regulations. Employees must fully disclose any situation that may result in a conflict of interest, and they must declare conflicts of interest when they know or should know that such conflicts of interest may occur.



### SMISS Tech's corporate governance structure



● **Tax Compliance**

Tax administration is always done with the principles of compliance, honesty, and transparency in mind. On an annual basis, we comply with national tax laws and regulations, meet our tax obligations, and mitigate tax risks with the evaluation and assistance of external and internal tax experts. In accordance with the internal control process, the company identifies, evaluates, and manages the financial and tax risks that may arise from the company's operations, identifies the risk points, and takes effective steps to ensure that all tax planning adheres to the principles of sustainable development, corporate responsibility, and risk management. To ensure that tax-related work is done legally and legally, the company actively communicates with tax authorities and other interested parties in the locations where it operates on a regular basis, and consults and understands changes in tax laws and policies, as well as the implementation of tax matters operating procedures.

**4.5 Business Ethics**

● **Fighting Corruption and Promoting Honesty**

SMISS Tech adheres to the People's Republic of China (PRC) Civil Code, People's Republic of China (PRC) Criminal Law, People's Republic of China (PRC) Supervision Law, People's Republic of China (PRC) Company Law, Anti-monopoly Law of the People's Republic of China, People's Republic of China (PRC) Anti-money Laundering Law, People's Republic of China (PRC) Anti-Unfair Competition Law, and People's No serious violations of laws and regulations such as anti-bribery, extortion, fraud, and money laundering occurred during the reporting period.

MISS understands the importance of anti-corruption to the long-term growth of businesses. To prevent unethical behavior, the company has established a number of internal regulations, such as the Business Ethics Control Procedure and the Management System for Accepting Gifts on Business. Employees are not permitted to accept kickbacks, commissions, or other illegal returns from customers or vendors, according to the company's policies. Employees are strictly forbidden from obtaining competitive intelligence through commercial espionage, bribery, theft, or eavesdropping, as well as maliciously disseminating false information about competitors or their products.

In addition, we are extremely concerned about the business ethics of our business partners. During the contract signing process, the company actively encourages suppliers to sign the Anti-Commercial Bribery Agreement and requires employees to fully disclose any situation that may lead to conflicts of interest. Employees should declare conflicts of interest when they know or should know that such conflicts may arise.

● **Integrity Audit**

The Company established a leading group for the specialized work of commercial bribery control, conducted an internal integrity audit, conducted regular self-inspection and commercial bribery investigation at all operating points in accordance with the Report on Self-inspection of Business Ethics, and issued the Audit Report on Internal and External Work of Honesty and Ethics in Controlling Commercial Bribery. The following are the specific contents of an internal audit of integrity:

- ✓ Construction and implementation of various internal control systems
- ✓ Implementation of the responsibility system for risk management and case investigation and prevention
- ✓ Behavior investigation of staff in important positions and sensitive links
- ✓ Implementation of relatives avoidance system for personnel in important positions
- ✓ Performance of duties of various functional departments

The special work leading group analyzes and evaluates the problems existing in the internal audit, and makes the next management work plan in a targeted manner, and constantly strengthens the sense of responsibility and consciousness of employees who are loyal to their duties, serve with integrity, strictly abide by the law and discipline, and practice with integrity. During the reporting period, the Company did not have any cases of corruption or occupation.



● **Complaints and Reports**

SMISS Tech understands the importance of cleanliness in fostering a fair, transparent, and sunny business environment. The organization improved the reporting management mechanism, developed the Management Procedure for Opinions and Complaints, clarified the smooth reporting channels, standardized reporting procedures and investigation procedures, strengthened informant protection, and effectively ensured smooth reporting management. We established an employee suggestion box as well as an

employee assistance hotline and email address. The above complaint channels are communicated to all employees, and any employee may file a complaint with the company about corruption or noncompliance. When the company receives employee complaints, the appropriate departments will investigate and respond within five business days.

Assistance hotline: 0755-23289305 to 8100  
 Aid line: 13925251917  
 Aid mailbox: HR-ER@smissscigarette.com

● **Integrity Training**

SMISS Tech actively cultivates a culture of integrity and continuously cultivates the directors' and employees' awareness of integrity and self-discipline. To further standardize the business code of conduct and ethical behavior of employees, we provide multi-level and multi-field anti-corruption training for all directors and employees and require all employees to sign the Commitment of Integrity and Self-discipline.

Additionally, we hold an annual supplier conference where suppliers are invited to pledge to conduct business with integrity. We constantly enhance suppliers' awareness of compliance with business ethics, aiming to build an ecosystem characterized by honesty and transparency in business dealings.





## Technology and Quality

### 5.1 Adhering to R&D and Innovation

- R&D Platform
- R&D Management

### 5.2 Intellectual Property Management

- Intellectual Property Management System
- Intellectual Property Training
- Intellectual Property Right Protection

### 5.3 Pursuing Excellence in Quality

- Quality Management System
- Quality Control Procedures
- Quality Improvement Scheme



## 05. Technology and Quality

### 5.1 Adhering to R&D and Innovation

Smis Tech has always adhered to the innovative philosophy of "design leads, technology follows; continuous innovation, endless journey". The company is committed to empowering "manufacturing" with "science and technology", continuously expanding the scientific frontiers in the field of electronic vaporization. With a constant focus on product performance optimization, it strives to develop products of higher quality.

#### R&D Platform

SMISS Tech has established a professional R&D team led by senior industry experts, doctors, and masters, with 100+ R&D elites, and has invested 10% of its annual revenue in R&D innovation. It has acquired over a thousand patents, continuously integrated with cutting-edge design and advanced technology, gradually formed an international industrial chain system with China as the R & D and manufacturing center, serving the entire globe.

SMISS Tech has established a research institute and atomization research center in addition to ODM/OEM product development, relying on fundamental theory and electronic structure innovation, focusing on atomization technology, material science, and electronic control technology, and independently developing core competitive products to meet customer and market needs.



#### SMISS Tech Research Institute: Committed to building an international and open comprehensive platform for collaborative innovation in Industry-University-Research.

With the concept of "leading industry innovation and advocating healthy atomization" and the goal of "Leading advanced science & technology, developing world-class talent." SMISS Tech Research Institute consists of three modules: Basic Technology Research Institute, Pre-research Center, and Industrialization Center, which are based on research and development, transformation, and application of new technologies, respectively.



#### Composition of SMISS research institute

##### Research Institute

Atomization Theory  
New heating materials  
New material manufacturing

##### Pre-Research Center

New Technology Transformation  
Mass production feasibility realized

##### Industrialization Center

Product application and testing  
Product scale production



#### Established cooperation with well-known universities and scientific research institution

Smis Tech, in collaboration with Huachengda, Tsinghua University, and Harbin Institute of Technology, among other corporations and universities, has established an atomization Research Center. Additionally, an internal institute has been set up within the company to undertake the conversion and feasibility of mass production of new materials and technologies researched by the center. These strategic initiatives have laid a solid technical foundation for comprehensive research layout in the field of Atomization Research.



**Huachengda**  
Joint research and development of ceramic core



**Tsinghua University**  
New materials and advanced technologies



**Harbin Institute of Technology, Shenzhen**  
Fundamental Technologies and Applications

## ● R&D Management

SMISS Tech's invention achievements cover the fields of atomizing core, HNB, dry burning product structure, heating technology, vape oil and so on. To ensure the steady and orderly progression of R&D, the company has formulated the Design and Development Control Procedure, which specifies the operation and control of the company's product design and development process, and controls the entire process of design and development to ensure that the company's products meet the needs and expectations of customers and comply with applicable laws and regulations.

The phases of the design and opening procedure are project establishment, scaffolding, engineering trial production, small-batch trial production, and mass production. Multiple departments coordinate R&D efforts to complete the entire process of developing new products, including project establishment, design, testing, and trial production. The product department is responsible for input of project requirements and application of the project. The R&D center is accountable for the project's R&D design, feasibility analysis, and product specifications. The project department and quality center are responsible for product testing and quality inspection, as well as providing feedback regarding quality issues that need to be addressed. The engineering department is responsible for trial production as well as summarizing and communicating new product production issues.



## 5.2 Intellectual Property Management

SMISS has consistently paid more attention to intellectual property rights development, continuously strengthened the ability and level of scientific research personnel in the creation, transformation, application, and protection of intellectual property rights, and promoted the company's intellectual property rights in quantity and quality.

### ● Intellectual Property Management System



In accordance with the People's Republic of China's (PRC) Patent Law, the company develops internal systems such as Intellectual Property Management Procedures, Patent Management Procedures, Trademark Management Procedures, Copyright Management Procedures, Intellectual Property Risk Management Procedures, Intellectual Property Dispute Handling Procedures, and Intellectual Property Reward and Punishment Management Regulations. An intellectual property management system was established from the perspectives of policy, system requirements, resource management, operation control, contract management, inspection, evaluation, analysis, and improvement, and it passed the third-party certification of GB/T29490-2013 intellectual property management system.

The company developed the Management Specification for Patent Evaluation and the Management Specification for Patent Incentive to increase employee enthusiasm for technological innovation, clarified the intellectual property declaration and review process, and rewarded patent inventors. We will conduct an internal preliminary examination, an internal patent review, and an external review when declaring intellectual property rights. If the intellectual property rights fail the examination, they will be returned to the inventor, the information will be supplemented and revised, and another opportunity for review will be provided.

**Intellectual Property Review Process**

1.

The Property Rights Center will conduct an internal preliminary examination of the relevant property rights documents.
2.

After passing the preliminary examination, it will enter the internal patent review process, and experts and relevant personnel will conduct multi-dimensional review.
3.

After the internal patent review is approved, the external professional third party will conduct the evaluation.



During the reporting period, SMISS applied for 495 patents and obtained 231 authorized patents. By the end of 2022, the Company held 1073 patents, 250 trademarks and 12 copyrights. Compared with the end of 2021, the number of patents increased by 83.4% and the number of trademarks increased by 135.8%. In the future, the company will continue to increase the proportion of invention patents.

### ● Intellectual Property Training

The company continually conducts intellectual property training to improve employees' intellectual property literacy and awareness of protection. The intellectual property training is divided into two types: the first is business training, which combines intellectual property content with business training; the second is the company's regular monthly sharing of specialized intellectual property intelligence with all R&D departments, which aids in understanding the current industry R&D and intellectual property trends.

### ● Intellectual Property Right Protection

The company actively focuses on its own intellectual property risk prevention, establishing an infringement prevention management mechanism. Before product launches or attending overseas meetings, we conduct initial intellectual property searches and trademark assessments to ensure that there are no infringements related to product patents and designs. Before the official product launch, we review and mitigate potential patent risks associated with the product.

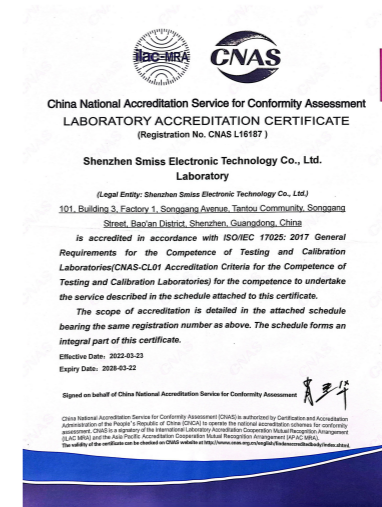
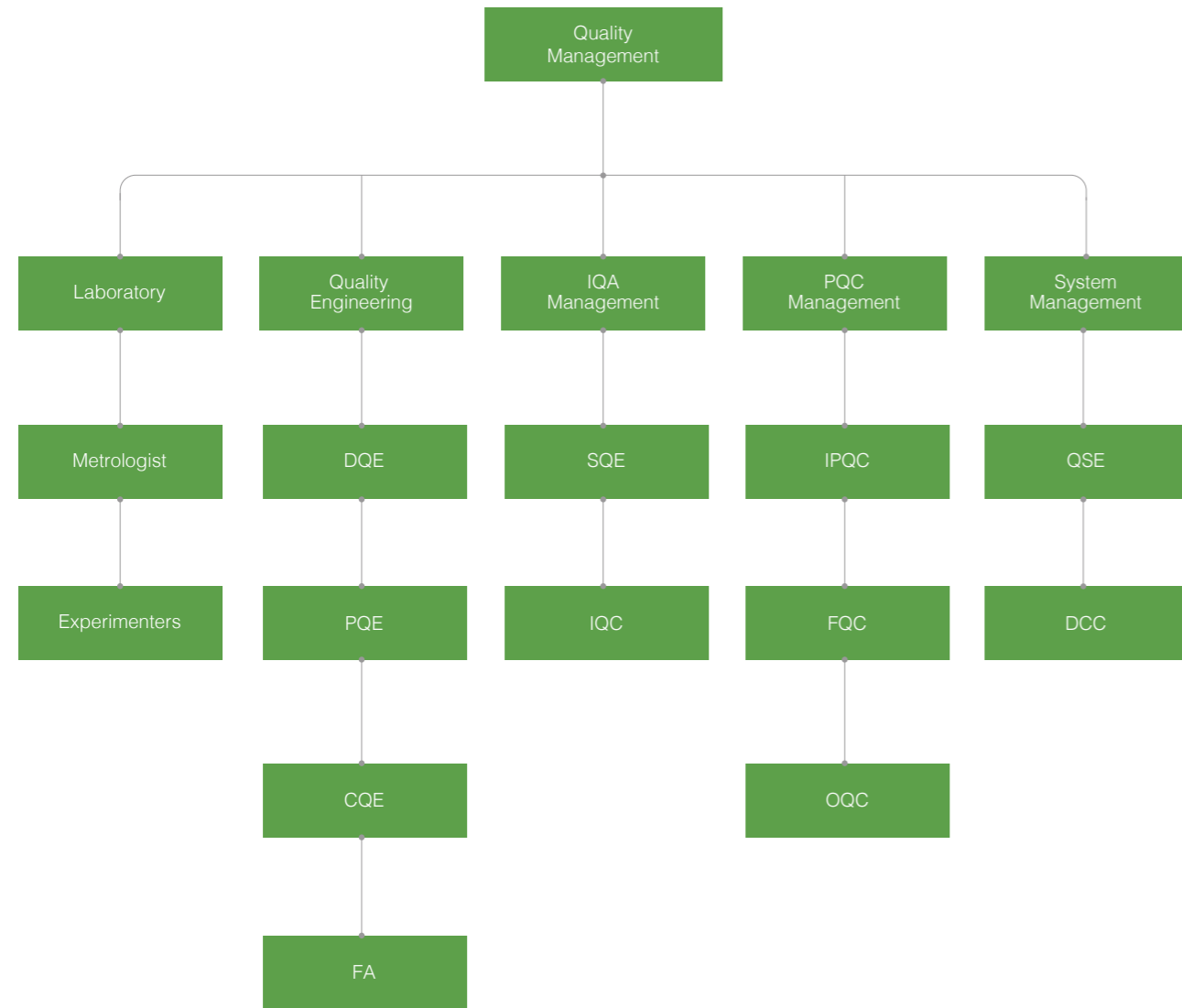
In 2022, we completed a total of 19 patent risk investigations, providing strong support for the company's product design, research and development, manufacturing, and sales. During the reporting period, there were no cases of litigation or legal disputes due to intellectual property infringement.

### 5.3 Pursuing Excellence in Quality

#### ● Quality Management System

SMISS has always insisted on producing high-quality goods and providing value to customers. Our company abides by all applicable laws and regulations, including the Regulations on the Implementation of the People's Republic of China (PRC) Tobacco Monopoly Law and the Measures for the Administration of Electronic Cigarettes. We have an impeccable quality management system, laboratories that meet CNAS/MEMKO/WEDP standards, and cutting-edge production hardware and a production environment. At the same time, we obtained a number of quality management system certifications, which provided a solid guarantee for manufacturing and quality control, as well as ensuring the safety and dependability of SMISS products.

#### SMISS Tech Quality Management System



CNAS certification of SMISS laboratory



ISO 9001

CNAS certification of SMISS laboratory



FDA cGMP QSR 820

Medical device 820 quality system certification of the US Food and Drug Administration



ISO 13485

Medical device quality management system certification

● **Quality Control Procedures**

Product quality control is dominated by the SMISS quality control center. We developed a set of internal quality control management documents, including the Procurement Control Procedure, Quality Inspection Control Procedure, Product Delivery Reliability Test Management Specification, and Statistical Technology Control Procedure, to standardize the quality control procedures and quality standard requirements of key nodes in the product design, raw materials, manufacturing process, and delivery inspection processes.



To conduct design verification and ensure design quality, project team members can use QFD to identify customer requirements, FMEA to analyze potential risks, and DOE to quantify process variables and technical capability limits during the design/engineering phase of a project.



In terms of raw material control, the R&D center formulates standards and technical data for procured goods, while the SQE team is responsible for establishing SIP for raw material inspection. The IQC team is responsible for material inspection, which is conducted in accordance with the sampling inspection management standards, drawings, inspection instruction manuals, sample acceptance letters, and other documents. The quality of incoming materials is determined based on the SIP standards to ensure the quality of the raw materials.



For process control, the production department implements process capability analysis during the engineering stage to clarify process capabilities. During large-scale production, process capability analysis is used to understand the process condition, or control charts are used to provide warnings for process deviations, ensuring production stability. Before large-scale production, the IPQC team is responsible for the first-piece inspection. They must first confirm the production parameters of the first piece in the process and conduct random inspections of its materials and product performance according to samples, drawings, and other documents. Only after the first piece inspection is passed can official production begin. During the process, the IPQC/FQC teams carry out relevant inspections and tests on the process products.



OQC is in charge of ensuring that the customer information, product model, product name, batch number, and batch number of the delivered products are correct, as well as inspecting the relevant materials, outer box labels, and packaging of the delivered products in accordance with the inspection instructions and most recent drawings. The warehouse department is notified to prepare for delivery after passing the delivery inspection. cannot be officially produced until it has passed inspection. IPQC/FQC inspects and tests the process products as needed during the process.

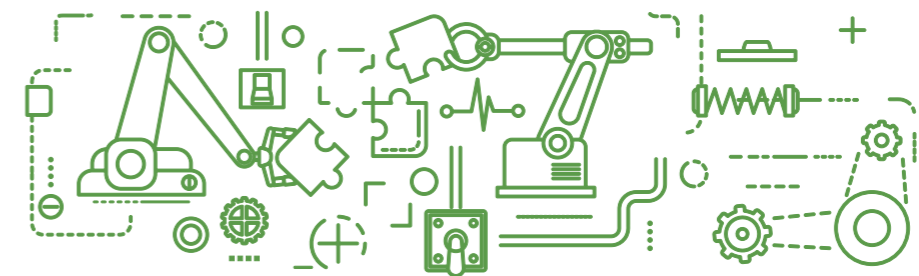
● **Quality Improvement Scheme**

Our company requires that the products meet the standards of each production node before they can flow to the next operation link. We've created an excellent Control Procedure for Corrective and Preventive Measures. If noncompliant or defective products emerge during the inspection process of any segment, the factory would promptly initiate corrective actions or rework, and record these incidents for documentation. By analyzing the reasons for noncompliance, a detailed rectification plan would be formulated based on the issues that arose, to minimize the recurrence of similar problems in subsequent operations.

|            |   |
|------------|---|
| <b>IQC</b> | IQC is responsible for incoming inspection, preliminary judgment according to incoming SIP standard, and IQC supervisor makes final judgment.                   |
| <b>SQE</b> | SQE is responsible for leading the analysis of the causes of defective incoming materials and following up the corrective and preventive measures of suppliers. |
| <b>FQC</b> | FQC is responsible for finished product inspection and judgment according to finished product SIP standard.   |
| <b>OQC</b> | OQC is responsible for the sampling inspection of finished products, and making the delivery judgment of finished products.                                     |
| <b>PQE</b> | PQE is responsible for the bad judgment of products in process and finished products, leading the bad cause analysis, corrective and preventive measures.       |

**SMISS product inspection, correction and prevention system**

SMISS has committed to controlling the defective rate of its products to three thousandths of one percent using its own quality control management system. Similarly, based on product characteristics and customer needs, each production department has established more stringent product quality standards and qualified rate targets.





# Safety and Responsibility

6.1 Hazardous Free Products

6.2 Responsible Marketing

6.3 Customer Service Management

- Optimize Customer Service
- Handling of Customer Complaints
- Product Recall Mechanism

6.4 Information Security

- Information System Management
- Management of Confidentiality Agreement
- Security Management of New Products



## 06. Safety and Responsibility

### 6.1 Hazardous Free products

The Smoking (Public Health) (Amendment) Ordinance, as well as other domestic and international laws, regulations, and mandatory standards, are strictly enforced by SMISS. Furthermore, we follow the World Health Organization's and regulatory agencies' guidelines, as well as the needs of our customers, and strive to improve the chemical safety attributes of our products without the use of prohibited substances.

The company is prohibited from acquiring hazardous to human health and the environment substances, and its raw materials must comply with EU regulations such as RoHS/REACH(SVHC). We drafted the Regulations on the Management of Environmental Substances, which require suppliers to be investigated for hazardous substances. We require suppliers to provide the most recent RoHS report, REACH test report, and Material Safety Data Sheet (MSDS) on a regular basis in accordance with the regulations, and we require suppliers to sign the Guarantee of No Use of Hazardous Substances when necessary. Furthermore, we have tested all materials that come into contact with consumers in accordance with the FDA 21 CFR in the United States, doing our best to ensure product safety. There were no health or safety violations involving SMISS's products or services during the reporting period.



For product design, we specially set up the child lock function on electronic cigarette products to prevent minors from accidentally inhaling electronic cigarette smoke products.



As for product packaging, we remind consumers on the packaging boxes or instructions of all electronic cigarettes that the products contain nicotine and are only used by adults to discourage minors from buying them.

### 6.2 Responsible Marketing

SMISS prioritizes the impact of its products on society, customers, and adolescents, and is dedicated to marketing products responsibly. The Advertising Law of the People's Republic of China (PRC), the Law on the Protection of Minors of the People's Republic of China (PRC), and other business-related laws, regulations, and ethical standards are followed.

The company has established regulations such as the "Electronic Cigarette Warning Labeling Rules" and "Domestic Sales Electronic Cigarette Warning, Logo, and Instructions Management Norms". These rules standardize requirements for electronic cigarette warning labels and instruction manuals, adequately revealing the harmfulness of electronic cigarettes and advising against use by underage consumers. We ensure that all marketing activities, regardless of type, form, or channel, are conducted legally, compliantly, and responsibly. In addition, the company adopts all possible means to prevent underage individuals from accessing, purchasing, or using our products. We provide sufficient protection for minors from the perspectives of product design and packaging.



In terms of health and safety, advertising, labeling and privacy issues and remedies of products and services provided, during the reporting period, the Company did not have any violations involving product and service information and labeling or violations involving marketing.

## 6.3 Customer Service Management

### ● Optimize Customer Service

SMISS aspires to be an industry leader in customer service quality in addition to producing high-quality products. We adhere to the customer-centric service concept by continuously improving the level of customer service before, during, and after sales, fully comprehending and meeting customer needs, actively communicating with customers, and improving customer service satisfaction and demand response efficiency.



**Pre-sales:** We deeply understand our customer needs by investigating the current market situation and industry development trends in the customers' region. We discern target consumer preferences in aspects such as health, taste, capacity, and design. By thoroughly discussing and planning product development schemes, we aim to provide customers with products that more closely meet their needs, truly enhancing customer satisfaction from a product perspective.



**During sales:** We establish good communication channels with our customers. Apart from daily business communication and product seminars, we also deeply understand customer demands and pain points through on-site visits to key customers, participation in overseas exhibitions, and active organization of customer team-building events. By understanding the customer's product design philosophy and market layout, we continuously create more value for our customers.



**After-sales:** We conduct customer satisfaction surveys, invite important customers to rate their satisfaction on product quality, delivery time, packaging, appearance, and sales service at least once a year, thoroughly comprehend customer needs and suggestions, and formulate internal product optimization plans or operational rectification measures based on the results of the customer satisfaction surveys in order to gain customer trust more effectively.

In 2022, SMISS conducted a satisfaction survey on seven customers, with an average score of 96.98, which was higher than that of the previous year.



● **Handling of Customer Complaints**

SMISS Tech believes that establishing a comprehensive customer complaint and feedback handling process is a good measure to effectively optimize customer reputation. We have formulated internal systems such as the "Customer Feedback Control Procedure" and "Customer Complaint Handling Control Procedure", which clearly define the standardization requirements for customer service, ensuring to the greatest extent that customer complaint channels are unobstructed and handled promptly and fairly.

We classify and manage customer complaints, specifically divide product complaints into three categories, and adopt different targeted solutions. The specific complaint types and solutions include:

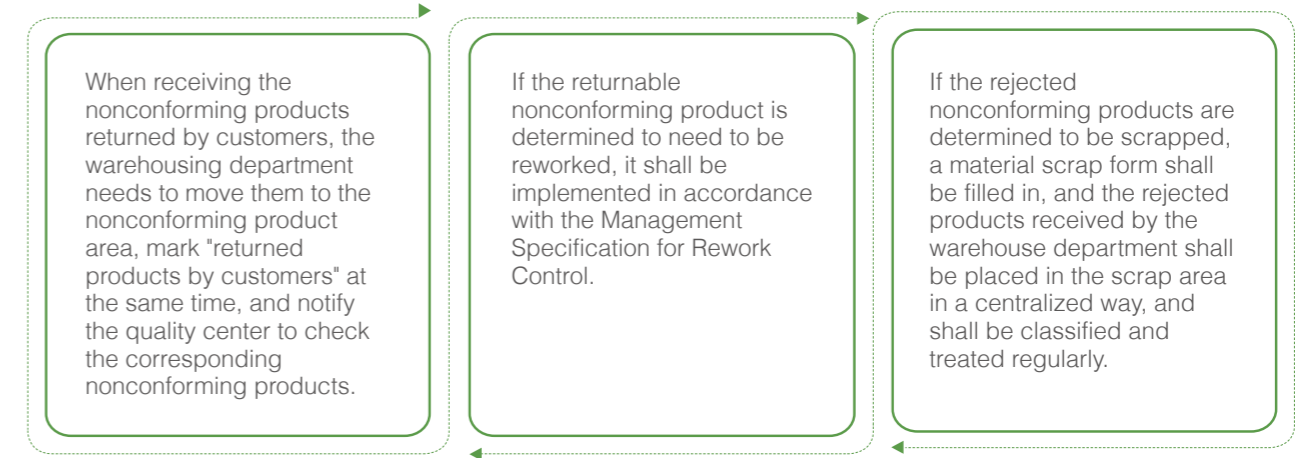
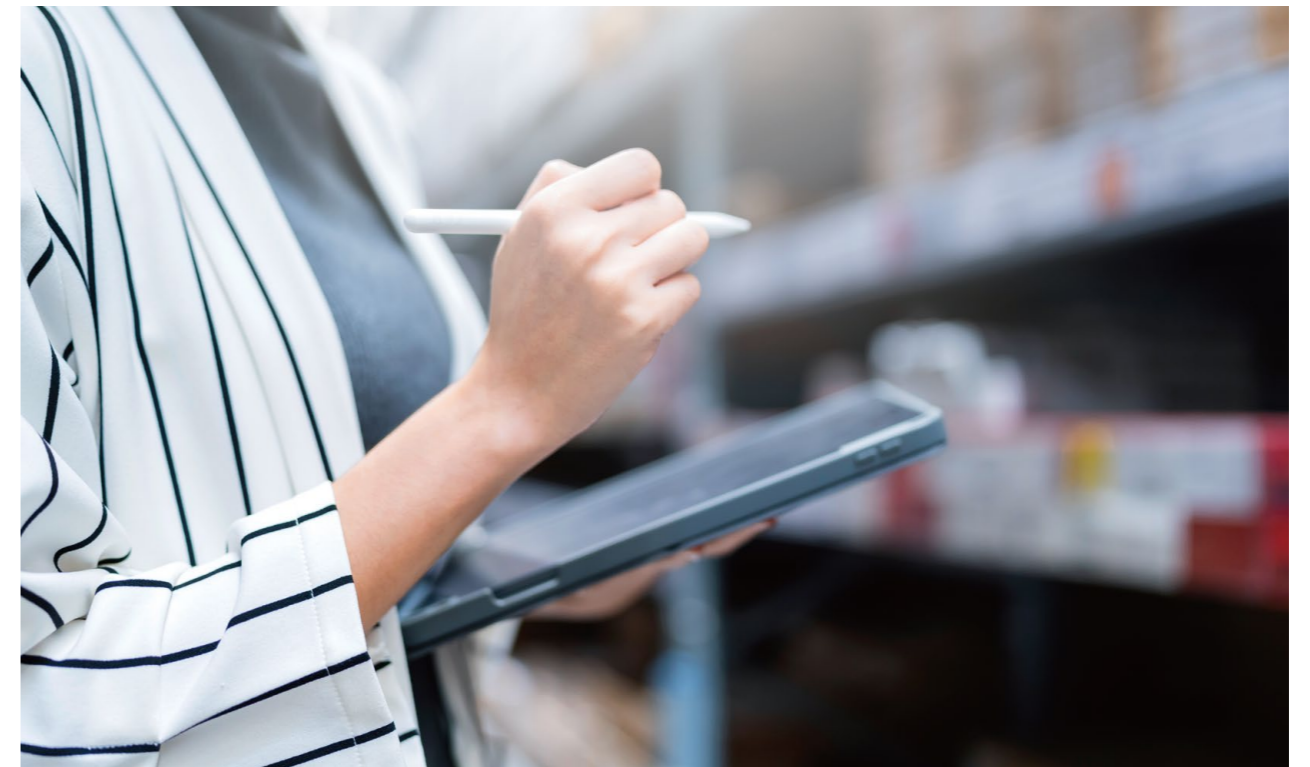
|  |  |
|--|--|
| <p><b>Class I<br/>General dissatisfaction<br/>complaints</b></p> | <p>For Class I complaints, which do not involve health, safety, or disease risks, the company will initiate a review and investigation when there are three or more such complaints about a batch or product.</p>  |
| <p><b>Class II<br/>non-disease<br/>complaints</b></p>            | <p>For Class II complaints that do not meet the product specifications or requirements, The company will decide whether or not to conduct an investigation based on the presence of foreign objects, packaging problems or deterioration of the product.</p> |
| <p><b>Class III<br/>Disease<br/>Complaint</b></p>                | <p>Any complaint involving health, safety or disease events, the company will review and evaluate the potential serious adverse events report and investigate all relevant complaints.</p>   |

For Class II and Class III complaints, the complaint report will be submitted to the Quality Department to determine whether a complaint investigation is needed. Once a Quality Engineer submits a Class III disease report, the complaint will be reviewed and assessed for potential Serious Adverse Event reporting by qualified personnel. When a Serious Adverse Event is observed, it will be handled following the "Serious Adverse Event Reporting" procedure.

Aside from complex customer complaints, under normal circumstances, the Customer Quality Engineer should compile the complaint investigation report within 7 working days, submit it for approval by the Quality Manager, and feed the final customer complaint report back to the respective customer.

● **Product Recall Mechanism**

SMISS recognizes that standardizing the product recall procedure and promptly addressing quality issues with customers' products are critical links in improving the customer experience. To provide customers with comprehensive quality assurance, we developed the Recall Control Procedure and the Nonconforming Product Control Procedure, which define the product recall categories, departmental responsibilities, and handling procedures.



In addition, in order to test the effectiveness of the recall procedure and ensure that the finished products and/or raw materials can be tracked and traced in time and effectively, we hold a "simulated recall" every six months to improve the familiarity of the staff with the recall work. During the reporting period, there were no product recalls.

## 6.4 Information Security

### ● Information System Management

SMISS respects customers' rights, prioritizes privacy protection, and complies with all applicable domestic and international laws, including the People's Republic of China's Network Security Law, the People's Republic of China's Personal Information Protection Law, and the EU Data Protection Regulations. The Company established the Confidentiality Management Procedure, improved policies and management mechanisms related to information security and user privacy protection, avoided information security risks from information storage and transmission management, operation system authority control, inter-departmental information confidentiality management, and other aspects, protected customer privacy, and ensured the company's business operations are compliant, efficient, and effective.

In information storage and transmission management, The company has formulated Information Resource Control Procedure, IT Equipment Control Procedure, Data Development and Utilization Management Control Procedure, Information Security Control Procedure, Computer Network Management System, Data Room Management System, Information Security Management System, Information Security Emergency Response Plan Management System, Media Management System, Project Information Security Management System, Personal Privacy Management System, Information Security Event Management System and Data Security Management System. "and other systems, in accordance with the requirements of ISO 27001 information security system, strictly manage the production, transmission, use, storage, backup and destruction of data, improve their own network security and reduce the risk of cyber attacks in an all-round and whole process. We also actively cooperate with customers to improve information security audit and confidentiality audit, and effectively prevent information risks caused by information leakage, computer viruses and illegal intrusion through a strict information protection system to ensure information security.

In terms of operation system authority control, the company has implemented a stringent information protection system for business secrets such as customer information, supplier information, and financial information, among other things. Internal document management at the company employs encryption management, post personnel with varying levels of security and confidentiality are managed hierarchically, and data access authority is strictly managed. Internal employees must complete the IT Authority Application Form, and customers must complete the Customer Platform Access Registration Form when applying for data query.

### ● Management of Confidentiality Agreement

At the same time, the company values the confidentiality agreement with business partners. Both upstream suppliers and downstream customers must sign confidentiality agreements outside of the company. Personnel involved in company information and customer information must sign a security confidentiality agreement within the company to ensure complete and effective information security management in all aspects of the company's business.

### ● Security Management of New Products

In addition, in order to strengthen the information confidentiality management of new products, the company has equipped an independent product introduction workshop for new products, monitored the new product introduction workshop with a system that operates 24 hours a day, and maintained monitoring records in order to effectively prevent the risk of confidential information leakage. During the reporting period, there were no incidents involving an invasion of customer privacy or the disclosure of customer-specific confidential information.



# Green Development

## 7.1 Addressing Climate Change

- Governance
- Strategy
- Risk Management
- Objectives and Indicators

## 7.2 Low Carbon Products Development

## 7.3 Energy and Resource Management

- Energy Management
- Water Resources Management

## 7.4 Pollution Management

- Air Emissions Treatment
- Wastewater Treatment
- Waste Treatment



## 07. Green Development

### 7.1 Addressing Climate Change

Climate change is a common issue for global enterprises, and the Chinese government is actively implementing the "Carbon peaking carbon neutrality" goal to promote the green and low-carbon transformation of enterprises. In the process of building up long-term climate change response capability and promoting our transition to a low-carbon economy, we recognize that while conducting our business in an orderly manner, we need to incorporate the potential impacts of climate-related risks and opportunities into our strategy in order to more effectively ensure the continuity and sustainability of our business. Therefore, in order to ensure the sustainable development of our business, we have initially identified and assessed the climate risks and opportunities related to our business with reference to the disclosure recommendations of the Working Group on Climate-related Financial Information Disclosure (TCFD). At the same time, the company continuously compiles statistics and discloses carbon emission data related to its operations, and simultaneously sets carbon reduction targets and optimizes dual-carbon pathway planning, so as to reduce the negative impacts of greenhouse gas emissions and reasonably respond to the impacts of climate change.



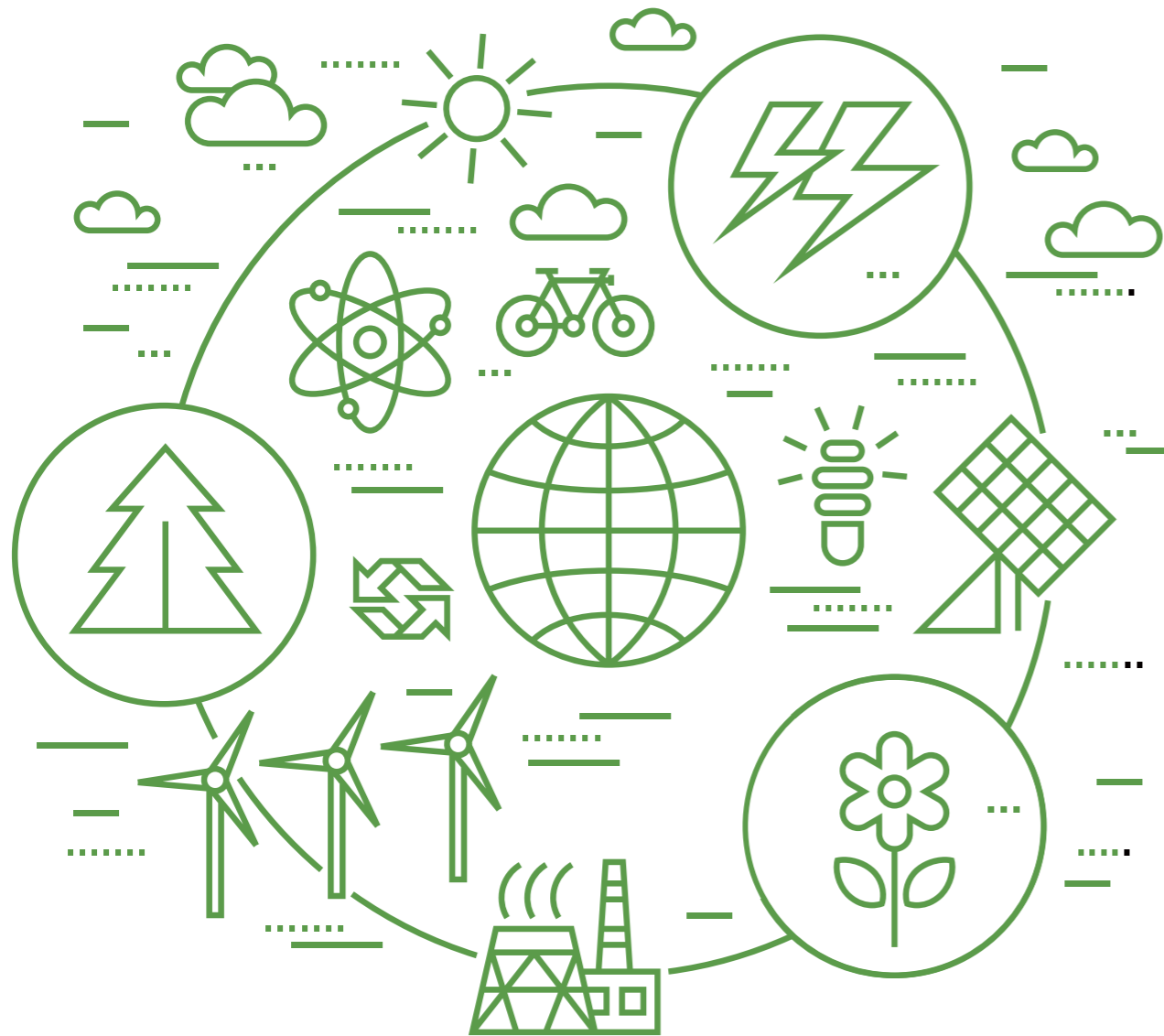
#### ● Governance

SMISS recognizes that incorporating sustainable development into the operations and management of the company necessitates a systematic and comprehensive management mechanism. The board of directors is in charge of overseeing the company's sustainable development practices, policies, procedures, strategies, and initiatives, including those relating to the environment and supply chain. The Board of Directors considers sustainability issues alongside the strategic plan on an annual basis. The ESG management team will closely monitor and address trends and issues affecting the organization's sustainable development practices, policies, procedures, strategies, and initiatives. The ESG executive team is in charge of implementing projects and initiatives related to sustainable production, sustainable supply chain, and sustainable community to support SMISS's sustainable development strategy.

● Strategy

SMISS understands that climate change poses potential risks and opportunities across the value chain and affects our business war path, operations and financial performance. Our company has identified the most significant climate-related risks and opportunities based on China's macroenvironment, industry characteristics, and our business model. In order to manage risks and identify business opportunities, we also devised countermeasures to mitigate climate-related risks. The risk management section goes into detail about risk identification, evaluation, and management.

Based on business characteristics, the Company identified the following short-term (1-3 years), medium-term (3-5 years), and long-term (5-10 years) physical risks and transition risks related to climate change. Physical risks are those associated with climate change's physical effects, such as event-driven impacts and long-term shifts in climate patterns. Property damage, interruption of operations and supply chains, and worker health and safety issues are all possible outcomes. The transition risk stems from the need to strengthen carbon reduction, which includes policy and regulatory changes, technological advancement, market transfer, and reputational consequences. These threats pose varying degrees of financial and reputational risk to the organization.



| CLASSIFY            |                   | Time range            | Climate-related risks  | Potential impacts related to us  |
|---------------------|-------------------|-----------------------|--|--|
| Physical risk       | Acute             | Medium-to-long term   | Extreme weather events such as high temperature, typhoon and flood occur frequently            | <ul style="list-style-type: none"> <li>• Power shortage leads to a decline in production capacity.</li> <li>• Increased water pressure and insufficient water supply in the circulating pipe network lead to new operating costs.</li> </ul>                               |
|                     | Chronic           | Long term             | Changes in climate patterns such as seawater acidification and sea level rise have intensified | <ul style="list-style-type: none"> <li>• The damage of production facilities leads to the increase of costs.</li> </ul>  |
|                     |                   | Long term             | Average temperature rise   | <ul style="list-style-type: none"> <li>• Health and safety hazards increase, and employees suffer from extreme weather and are absent from work.</li> </ul>  |
| Transformation risk | Policies and laws | Short-term            | Raise the price of greenhouse gas emissions  | <ul style="list-style-type: none"> <li>• Compliance cost increase.</li> </ul>  |
|                     |                   | Short-term            | Strengthen the obligation of emission disclosure   |  |
|                     |                   | Short and medium term | Supervision of existing products and services  |  |
|                     | Technology        | Medium-to-long term   | The cost of transition to low-emission technology  | <ul style="list-style-type: none"> <li>• Early elimination of facilities with high energy consumption.</li> <li>• Expenditure on new facilities such as solar power generation.</li> </ul>   |
|                     |                   | Long term             | Choose clean energy with low greenhouse gas emissions to replace existing electricity          | <ul style="list-style-type: none"> <li>• Cost of adopting/deploying carbon capture and storage technology.</li> </ul>  |
|                     | Market            | Short-term            | Cost increase of raw materials/services  | <ul style="list-style-type: none"> <li>• Due to the changes in the prices of raw materials (such as purchased plastics and metals)/services, the production cost has increased.</li> </ul>   |
|                     |                   | Medium-to-long term   | Increased attention or negative feedback from stakeholders                                     | <ul style="list-style-type: none"> <li>• The negative impact of talent management and planning (for example, brain drain) leads to the decline of the company's profitability.</li> <li>• Shareholders may give up investing in e-cigarette related businesses.</li> </ul> |

Based on our business objectives and plans, we have identified the following climate-related opportunities in the areas of resource efficiency, energy sources, products and services, markets and business resilience, taking into account the recommendations of the TCFD.

| Category                               | Climate-related Opportunities   | Potential Impacts related to us   |
|--|---|---|
| <b>Resource Efficiency</b>             | <ul style="list-style-type: none"> <li>• Improve energy efficiency</li> <li>• Equipment energy-saving optimization</li> </ul>   | <ul style="list-style-type: none"> <li>• Improve production efficiency</li> <li>• Reduce operating costs</li> </ul>   |
| <b>Energy Source</b>                   | <ul style="list-style-type: none"> <li>• Use clean energy, such as solar power</li> <li>• Government's financial support for the use of clean energy</li> <li>• Participate in the carbon market</li> </ul>                     | <ul style="list-style-type: none"> <li>• Reducing the risk of future fossil fuel price increases</li> <li>• Reducing greenhouse gas emissions and mitigating the risk of increased carbon costs</li> <li>• Increase the attractiveness of capital (for example, investors favoring low-emission producers)</li> </ul> |
| <b>Products and Services</b>           | <ul style="list-style-type: none"> <li>• Develop low-carbon production technology through research and innovation.</li> <li>• Customers tend to choose suppliers with low carbon emissions.</li> </ul>                          | <ul style="list-style-type: none"> <li>• Increase in revenue by addition of new customers through the promotion of low-carbon production technologies and the use of cleaner energy sources</li> </ul>  |
| <b>Market</b>                          | <ul style="list-style-type: none"> <li>• Use incentives given by the government</li> </ul>  | <ul style="list-style-type: none"> <li>• Increase income by cooperating with local governments to enter emerging markets.</li> </ul>  |
| <b>Business Development Resilience</b> | <ul style="list-style-type: none"> <li>• Participate in the development plan of renewable raw materials and take measures to save energy and reduce consumption.</li> <li>• Increase the diversification of products</li> </ul> | <ul style="list-style-type: none"> <li>• Using advanced green raw materials/low-carbon production technology to ensure the resilience of our business development, so as to increase revenue.</li> </ul>  |

In order to reduce the possibility of future risks posed by climate change to the business, SMISS has formulated an extreme weather response policy based on identified climate risks and impacts, and has taken targeted countermeasures against various controllable risks in the physical and transformation risks, endeavouring to reduce the negative impacts on the business through climate risk management, to further enhance the resilience of the development, and to seize the opportunities in the development to build a sustainable development model.

● **Risk Management**

SMISS values risk governance and internal control, and has implemented a risk management system that is focused on major climate risk management and control, as well as continuously optimizing the risk management model to fit and maintain our business operations. We conducted risk screening in accordance with TCFD recommendations to identify climate-related risks and opportunities, while taking into account industry climate-related trends, our business situation and development strategy, and concerns raised by internal and external stakeholders. SMISS's diversification strategy provides some flexibility in dealing with the impact of climate-related risks. Under the current risk management measures, we manage climate-related risks as follows.

**Physical risk response measures**

|   |   |
|---|---|
| <b>Power shortage</b>                       | <ul style="list-style-type: none"> <li>• Install photovoltaic power generation system to reserve power.</li> <li>• Make emergency plans for production and allocate standby generators.</li> <li>• Adjust the production work arrangement in time and try to reduce the negative impact.</li> </ul>   |
| <b>Increased Water consumption pressure</b> | <ul style="list-style-type: none"> <li>• Water-saving technology is implemented in the project plant to alleviate the pressure of business water use.</li> </ul>  |
| <b>Damage to production facilities</b>      | <ul style="list-style-type: none"> <li>• Carry out daily maintenance and inspection of production facilities to ensure good operation.</li> <li>• Purchase natural disaster insurance for assets such as production facilities.</li> </ul>  |
| <b>Increased health and safety hazards</b>  | <ul style="list-style-type: none"> <li>• Arrange corresponding production and operation plans in advance for all kinds of extreme weather and reserve emergency materials in advance.</li> <li>• Conduct regular safety training and emergency drills to improve the accident prevention and handling ability of employees.</li> <li>• Take high-temperature heatstroke prevention measures, provide employees with high-temperature subsidies and cooling measures.and handling ability of employees.</li> <li>• Adjust the working hours of employees in time and purchase personal safety insurance for them.</li> </ul> |

**Transformation risk response measures**



**Compliance cost increase**

- Pay close attention to the changes of business-related laws, regulations and policies in real time, and strengthen communication with regulatory authorities to meet the requirements of policy changes and formulate reasonable response plans in time.
- Carry out carbon emission data collection and calculation.
- In the process of design and development, material procurement, manufacturing, and the use of raw and auxiliary materials, the carbon footprint of products should be fully considered.

**High energy consumption/high pollution discharge facilities will be eliminated in advance**

- Implement the production process of cost reduction, efficiency improvement, energy saving and emission reduction, and introduce new environmental protection equipment and plant resource/energy monitoring system to reduce the resource consumption and environmental impact of business.
- By installing distributed photovoltaic system and purchasing renewable energy electricity, we can promote the transformation of energy structure and reduce the cost of outsourcing energy.

**The cost of raw materials/services increases**

- Access to electronic paperless office system to reduce resource consumption.
- The logistics mode of products is changed from air transportation to sea transportation, which improves transportation efficiency and reduces carbon emissions.

**Expenditure on research and development of new production technologies increases**

- Promote development by science and technology, promote production by innovation, actively carry out the application and transformation of scientific research results, improve energy efficiency and reduce pollutant emissions by using new production or environmental protection technologies, and reduce the proportion of R&D expenditure and environmental protection investment by increasing operating income.

**● Targets and Indicators**

**Middle-term**

2030: The pilot base will be carbon neutral.

**Middle-term**

In 2050, its business scope will be carbon neutral.

SMISS continuously conducts GHG inventories and self-accounts for GHG emissions from the Company's actual production and operations. In 2022, the Company's GHG emissions from the two sites within its reporting scope are shown below:

| Greenhouse Gas  | Unit                                      | 2022     |
|-----------------|---|----------|
| Scope 1         | Tonnes CO <sub>2</sub> equivalents        | 489.64   |
| Scope 2         | Tonnes CO <sub>2</sub> equivalents        | 1,740.15 |
| Total Emissions | Tonnes CO <sub>2</sub> equivalents        | 2,229.79 |
| Intensity       | Tonnes CO <sub>2</sub> equivalents/person | 0.85     |

Note:

1. The company's greenhouse gas emissions mainly originate from emissions caused by the use of purchased electricity, combustion of fossil fuels, use of refrigerants, etc., and the types of greenhouse gases involved include carbon dioxide, methane and nitrous oxide.
2. In the calculation of the Company's greenhouse gas emissions for the current year, the emission factor for electricity is selected as the average emission factor of the national power grid for the year 2022, the calorific value of fossil fuels is derived from the China Energy Statistics Yearbook 2014, and the GWP is derived from the Sixth Assessment Report on Climate Change (2021) of the United Nations Intergovernmental Panel on Climate Change (IPCC).



## 7.2 Low Carbon Products Development

We deeply rooted the concept of green environmental protection in the early stages of product life, practiced the concept of sustainable development from design and development, material procurement, product production, and other links, and continued to devote ourselves to the development and use of environmentally friendly materials such as biodegradable and recyclable materials. We constantly explore and verify low-carbon materials in the process of raw material procurement, use, and product production, as well as constantly simplify product design and production processes, reduce resource and energy consumption, and provide customers with low-carbon, environmentally friendly, green, and healthy products.

**Design concept:** E-cigarettes are typically made of plastic casings, which are difficult to degrade and require special equipment for recycling, and the recycling process emits significant pollution. SMISS Tech has developed an electronic cigarette product-91220 that uses environmentally friendly degradable materials in order to reduce the burden on the business environment.

**Product structure:** This 91220 product uses a paper shell instead of a plastic shell (as shown in the following figure), and its inner tube wraps the internal atomizing structure and cigarette oil. After installing a suction nozzle, it is placed in a paper tube and covered with a paper tube cover, so as to realize the purpose of replacing the plastic shell with "paper tube+paper tube cover".

**Product advantages:** Paper materials can be degraded and recycled, which not only enhances the environmental protection properties of products, but also facilitates the development of diversified product patterns and colors and enriches the product design.

## 7.3 Energy and Resource Management

The company incorporates the concept of resource conservation throughout the manufacturing process and implements various measures to save energy and water resources, lowering production costs and reducing the impact on the environment and natural resources. We place a high value on energy conservation and emission reduction, and we see improving energy and resource efficiency as an effective way to boost enterprise competitiveness. We are constantly looking for ways to improve energy conservation, are implementing a variety of energy conservation and emission reduction programs, and are actively responding to national energy conservation policy through practical actions.

### ● Energy Management

SMISS Tech is constantly improving energy management and utilization with the goal of energy savings, emission reduction, and synergy. We created the Energy Conservation and Consumption Reduction Management System, upgraded and reformed the equipment in a systematic manner, and gradually eliminated the equipment with high energy consumption, primarily by implementing energy-saving measures such as process improvement and optimized management. We also established an energy-saving target responsibility system, incorporated achievement of energy-saving targets into employee performance appraisals, and conducted regular energy-saving inspections to encourage the implementation of energy-saving and emission-reduction work. In 2022, the energy-saving and emission-reduction schemes implemented by the company include:

### 01 Improvement of energy saving proposal of replacing fluorescent lamp with LED lamp.

The ceiling, production line, and office of the factory workshop were originally lit by traditional old-fashioned fluorescent lamps, which have some disadvantages such as short life, stroboscopic, numerous accessories (ballasts, starters), and high power consumption. The company's rapid growth is expanding the scale, and power consumption is increasing by the day. In response to the energy-saving and consumption-reduction policy, we replaced fluorescent lamps with LED lamps to reduce power consumption. LED lighting will save 82,368 yuan of electricity per year after the replacement, achieving the effects of energy savings, consumption reduction, and cost reduction.

### 02 Improvement of energy-saving proposal for transforming LED commercial lighting spotlights into solar spotlights.

At night, some areas on the factory floor and dormitory roof used commercial LED lighting spotlights, which required laying a large number of pipelines, with high power, large quantity, long lighting time and high maintenance cost. In order to implement the energy-saving and consumption-reducing plan, we transformed the commercial LED lighting lamps into LED solar spotlights with the same brightness. By replacing the LED solar spotlights and using solar energy for lighting, there is no electricity consumption, and the annual cost can be saved by 35,533 yuan.

### 03 Energy-saving improvement of waste heat recovery of air compressor.

During the operation of the air compressor, about 20% of the electrical energy is converted into air energy, and the remaining 80% is converted into air heat and discharged into the atmosphere, resulting in a great waste of energy. About 80% of the emitted heat energy can be recycled. We transformed two air compressors into hot water supply systems by installing heat exchangers to provide hot water to the company's dormitory, so as to realise the recycling of waste energy, reduce the consumption of electric energy, and save energy and reduce emissions.

### 04 Energy-saving improvement of air compressor power frequency change frequency.

When the main engine of the power frequency air compressor starts, the current is too high, wasting a lot of electricity when it's unloaded and unloaded, and the noise is too loud, so it can't maintain a constant working pressure. To address the aforementioned deficiencies, we installed a set of frequency conversion control systems for the power frequency air compressor to realize frequency conversion load addition and unloading, so that it is in standby mode when unloaded, saving energy and improving economic benefits.

### 05 The proposal of air conditioning cooling tower-unit linkage operation is improved.

Due to design constraints, the central air conditioning fan cabinet unit and cooling tower cannot run or stop synchronously, resulting in the failure to start and stop the cooling tower and cooling pump on time, resulting in energy loss and equipment loss. We connected the cooling tower and control cabinet with signal lines for all similar fan cabinet units and configured the control cabinet so that the cooling tower can be started immediately when one of the units is turned on and shut down immediately when the last fan cabinet unit is turned off, thereby solving the above-mentioned loss problem and gaining 38,548 yuan in improvement benefits.

This year, the company's energy consumption is shown in the table below:

| Energy                  | Unit        | 2022      |
|-------------------------|-------------|-----------|
| Direct energy           |             |           |
| Natural gas             | cubic meter | 25,193.00 |
| Liquefied petroleum gas | kilogram    | 9,480.00  |
| Gasoline                | rise        | 6,233.91  |

| Energy                                     | Unit        | 2022         |
|--|-------------|--------------|
| Indirect energy                            |             |              |
| Purchased electricity                      | kWh         | 3,051,290.80 |
| Comprehensive energy consumption           | kgce        | 1,037,234.19 |
| Comprehensive energy consumption intensity | kgce/person | 397.56       |



### Water Resources Management

Water resource management has a significant impact on enterprise development and environmental sustainability, according to SMISS. All of the company's locations are not in or near a conservation zone, and all of the fresh water used for production and life comes from municipal sources Tech. Domestic sewage from each plant site is discharged into the municipal pipe network following treatment, while production wastewater is collected and delivered to a qualified third party for disposal. The Company's water intake and discharge have had no negative effects on local water sources, and the area where the Company operates has adequate water sources, so there is no water intake pressure.

Our company developed the Code for Water Resources Management, which aims to reduce water consumption, in order to strengthen the rational management of water use. The EHS department is in charge of water-saving monitoring, organizing the preparation of the company's special water-saving plan and annual water-saving plan, decomposing water-saving indicators, accounting for indicator completion, and conducting water-saving assessment all at the same time to ensure the completion of water-saving tasks. In addition, we concentrate on daily inspections of water facilities in order to reduce pump, pipeline, and valve leakage.

In addition, we constantly advocate employees to improve their awareness of water conservation, carry out water conservation publicity and training, and carry out the "Water Conservation Publicity Week" every year to publicize and promote typical cases of water conservation in the company and cultivate a "conservation-oriented" corporate culture.

### 7.4 Pollution Management

SMISS Tech has received ISO14001 certification for its environmental management system, and the company has a standardized environmental management system as well as a structured environmental protection operation mechanism. The implementation of the environmental management system strengthens environmental management by using a systematic method, and the company's environmental performance is continuously improved under the premise of complying with relevant national laws, regulations, and other requirements.

We examine the company's production and operational activities thoroughly, identifying and evaluating environmental impact factors and developing environmental objectives, indicators, and management plans to ensure compliance with laws and regulations and continuous improvement. The company places a high value on daily environmental compliance monitoring. To ensure that all environmental pollutants are discharged to standard and disposed of in compliance, pollutant treatment facilities that meet standard requirements are established during the manufacturing process, or compliance treatment measures are implemented in all links that produce pollutants in accordance with relevant requirements. We strictly adhere to the Environmental Protection Law of the People's Republic of China (PRC), the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and other laws and regulations, and conduct environmental impact assessments in all factories and obtain environmental impact assessment approval.

The company has established and improved the emergency mechanism for environmental pollution incidents, compiled the Emergency Plan for Sudden Environmental Incidents, implemented a graded response mechanism, and established emergency response procedures and command systems in order to continuously improve the emergency response speed and comprehensive handling capacity of enterprises for sudden environmental incidents, as well as prevent and reduce the occurrence and damage caused by sudden environmental incidents. There were no major environmental pollution accidents, violations of environmental laws, or punishment by environmental supervision departments in 2022.



SMISS Tech ISO 14001 Environmental Management System Certification



The main air emissions produced by our company mainly include tin and its compounds and volatile organic compounds (VOCs), and their emission sources are:

- ▶ Tin and its compounds: produced by welding and maintenance procedures of the project.
- ▶ Volatile organic compounds (VOCs), namely non-methane total hydrocarbons, specifically include: i. E-cigarette oil (containing nicotine, benzoic acid, essence, and propylene glycol, glycerol, etc.), which is produced by the project's mixing and stirring and sampling procedures. ii. Ethanol and 2- butanone volatilized from water-based ink are produced by the project code spraying process.

The company's air emissions treatment measures include installing a gas collection device at the waste gas generation station, effectively collecting the waste gas, treating it with waste gas purification equipment (filter + two-stage activated carbon adsorption device), and discharging it through the high-altitude exhaust pipe. At the same time, the project's production workshop is a closed workshop, fully enclosed with negative pressure discharge, and all openings (including personnel or material entrance and exit) are in a negative pressure state, effectively preventing the unorganized escape of waste gas. The company's exhaust emission intensity is low, and the emission mode is organized emission, which has no discernible impact on the surrounding atmospheric environment.

During the reporting period, we achieved 100% treatment of exhaust gases and 100% emission compliance.

● **Wastewater Treatment**



The wastewater generated by our company includes industrial wastewater and domestic wastewater, and its emission sources and treatment methods are as follows:

- ▶ Industrial wastewater is generated by the cleaning process of cigarette oil filling machine, oiler and cigarette oil containers. The main pollution factors of cleaning wastewater are COD, BOD5, SS and NH3-N.. We collect the cleaning wastewater uniformly in a wastewater collection bucket (plastic bucket) with a rain cover, and when it reaches the haulage capacity, it will be delivered to a qualified unit for haulage and treatment on a regular basis, and it will not be discharged.
- ▶ Domestic wastewater mainly comes from employees' office sewage, which is pretreated by the septic tank built by the factory and then discharged into the municipal pipe network.

During the reporting period, we achieved 100% compliant discharge of wastewater.

● **Waste Treatment**



The solid wastes generated by our company include hazardous wastes, general industrial solid wastes and domestic wastes, and their types and treatment methods are as follows:

- ▶ Hazardous wastes include containers stained with waste engine oil, waste oily rags and gloves, waste packages containing water-based glue/ink, and waste activated carbon generated by an activated carbon adsorption device. Hazardous waste is collected in special containers and stored in hazardous waste temporary storage rooms. We routinely entrust it for treatment and disposal to a qualified hazardous waste treatment unit, and it will never be discharged. Hazardous waste transfer process in accordance with the relevant national regulations to fill in the hazardous waste transfer joint sheet.
- ▶ General industrial solid wastes are resource wastes such as waste sealing film, label paper scraps, tin slag, waste dust-free cloth, waste composite packaging and so on. We classify and collect them, set up waste labels, hand them over to professional companies for recycling, and establish a solid waste management ledger.
- ▶ Domestic garbage: the life generated by employees' work and life, we will collect them separately, pile them up from the rain, set up signs, and hand them over to the sanitation department for timely removal to the garbage disposal site for harmless treatment.

During the reporting period, we achieved 100% solid waste compliance.



# Industry and Collaboration

## 8.1 Supply Chain Management

- Material and Procurement Management
- Supply Chain Process Monitoring

## 8.2 Responsible Supply Chain

- Sustainable Management of Supply Chain
- Management of Conflict Minerals



## 08. Industry and Collaboration

### 8.1 Supply Chain Management

For SMISS Tech to provide quality products and services to customers, a stable and sustainable supply chain is critical. The Company makes every effort to ensure that the supply chain management process adheres to all applicable laws. We developed relevant management policies such as the Procurement Control Procedure, Supplier Management Control Procedure, and Supplier Classification Management Specification to reduce supply chain risks, planned the procurement mode, defined detailed provisions on supplier access assessment, evaluation supervision, and withdrawal, and implemented supplier classification control.

#### ● Material and Procurement Management

In terms of procurement, this year the company optimized the management mode of material collection and procurement, and achieved the goal of 1% price reduction through management optimization.

- ▶ For material collection, due to the particularity of e-cigarette industry, the demand for raw materials fluctuates greatly, so it is impossible to make long-term procurement like other consumer goods. We mainly purchase some materials of large-scale projects, such as 91122 materials, through the form of material collection.
- ▶ This year, the company added project procurement management for major international customers to its procurement management capabilities. We created special posts and departments for S01 international customers to handle development and procurement, and we also added a strategic mass production procurement management mode.

#### ● Supply Chain Process Monitoring

In terms of supplier management, this year, the company strengthened the classification and classification management system of suppliers, targeted the whole process control of suppliers at all levels, and carried out the TOP20 cost reduction promotion work.

- ▶ Supplier survey: Before the supplier's access, SMISS Tech conducts a comprehensive survey and evaluation on the supplier's business qualification, cost control ability, quality ability, technical ability, production delivery ability and service ability to judge whether it meets the company's requirements. And conduct risk assessment for suppliers.
- ▶ Supplier access classification: Suppliers are divided into three categories based on the influence of materials on the safety and function of finished products, as well as the degree of purchasing market, and evaluation access conditions and processes are developed for each category of suppliers. Class I suppliers are those whose failure directly affects the safety of products and poses significant risks to end users' use. Parts suppliers who fail or have defects that affect the function and appearance of products but do not pose a safety risk to end users are referred to as II suppliers. Class III suppliers are those who are not Class I or Class II suppliers. The company will not only collect relevant certificates (such as a business license, ISO certificate, product certification, or other qualification documents, etc.) from Class I and Class II suppliers, but will also conduct on-site audits.
- ▶ Supplier evaluation and grading: led by SMISS Supply Chain Center, together with R&D Center and Quality Center, based on the strength and supply of suppliers, and combined with the comprehensive performance and performance of supplier evaluation, the supplier qualification grades are divided into three levels: A, B and C.

- ▶ Supplier downgrading and elimination: Suppliers can enter the system if their rating is Grade B or higher (80 points) according to SMISS's rating system. Currently, the percentage of Grade B suppliers exceeds 70%. Suppliers with less than a score of 60 are ineligible for import and must be corrected and re-evaluated. Suppliers with scores higher than 70 can be imported, but only in small batches or after a three-month trial period. After 10 consecutive batches of quality acceptance, they can be gradually upgraded to Grade B. If the three-month rectification period has not expired, it will not be reviewed again within three months. New suppliers will be brought in to work with customers, and Grade C suppliers will be brought in as well. In 2022, more than five providers were upgraded from Grade B to Grade A.
- ▶ Supplier communication: During the daily management of suppliers, the company will always give feedback to suppliers on work suggestions and achievements, so as to improve the quality of purchased products, stabilize the supplier team and establish a long-term mutually beneficial relationship between supply and demand.

In addition, since the end of 2022, SMISS Tech has established a special team to carry out procurement and cost reduction work for the top 20 large-scale projects in order to encourage suppliers to save money and boost business efficiency. The specific outcomes will be presented in the ESG report in 2023.

### 8.2 Responsible Supply Chain

With increasingly stringent stakeholder requirements for public information disclosure and supply chain review from suppliers, the company has fully recognized the significance of preventing environmental and social risks in the supply chain to its long-term development.

#### ● Sustainable Management of Supply Chain

By formulating the Supplier Sustainable Management Standard, which incorporates labor management, occupational health and safety, environmental protection, compliance operation, and other elements in order to achieve coordinated development with suppliers and establish a sustainable and environmentally conscious business ecosystem. SMISS Tech implements the supplier social responsibility audit plan, and some suppliers have passed the RBA audit and SA8000 audit. The Company's sustainable management requirements for a responsible supply chain include:



Respect for the human rights of employees, freedom of employment choice, prohibition of child labor, protection of underage labor, prohibition of forced labor, nondiscrimination, etc.



Health and Safety: Obtain necessary health and safety licences/qualifications, provide employees with protective equipment, conduct health and safety training, ensure a hygienic working environment, etc.



Environmental protection: obtain required environmental permits/qualifications, comply with laws and regulations on prohibited or restricted substances, prioritize the use of environmentally friendly materials, conserve energy, prevent environmental pollution, etc.



Operation of compliance: adhering to laws and regulations, being truthful, respecting intellectual property rights, protecting privacy and data security, etc.

In addition, we plan to integrate the ecological supply chain, match suppliers with the company's development, and propose certification requirements for them. Before the introduction, suppliers should collaborate with the company to conduct a sustainable audit so that the company can determine if the suppliers have passed the relevant certification, thereby supporting the growth of SMISS Tech's international projects. Concurrently, we promoted the sustainable audit plan for secondary suppliers, enhanced supplier management and upgrading, and utilized interviews and surveys to screen suppliers with sustainable certification.

### ● Management of Conflict Minerals

SMISS understands the human rights and environmental issues associated with conflict minerals, so it developed the Management Specification for Conflict Minerals, and the purchasing department developed conflict minerals management policies and statements, as well as the company's response plan for conflict minerals. Simultaneously, the quality center interprets conflict minerals laws and regulations, as well as customer requirements, and develops solutions to reduce and transfer related risks.

Our company takes various measures to prohibit the purchase or use of 3TG conflict mineral and metal products:

- ▶ We signed a quality agreement at the same time the new supplier submitted the file, which stated unequivocally that conflict mineral metal products should not be used. We require suppliers to participate in filling out the Conflict Minerals Report Template questionnaire and signing the Declaration of Conflict-free Metals.
- ▶ We completed the CMRT survey of all manufacturers on the AVL list in 2022 and kept the survey list. According to the survey, SMISS Tech manufacturers have not adopted or used products from the Democratic Republic of the Congo.
- ▶ We completed the traceability of 3TG products containing Ta, Sn, W, and Au in 2022. We traced the products' origins back to the smelter and linked the products to the smelter's ID number and address. In addition, a list of specific investigation contents was kept.

Furthermore, the company regularly conducts internal conflict mineral training to improve employees' management awareness and ability on conflict minerals. The company strictly adheres to the Responsible Minerals Agreement (RMI), the Conflict-free Procurement Initiative (CFSI), and the OECD's Due Diligence Guide for Responsible Supply Chain of Minerals in Conflict-affected and High-risk Areas. SMISS Tech guarantees that neither our company nor any of our suppliers will buy conflict minerals that do not support any direct or indirect funding or support for conflict-affected areas.

In addition, this year, the SMISS Tech's Supply Chain Center and Research Institute collaborated on work planning, with plans to carry out future green supply chain-related work and collaborate with upstream suppliers to achieve low-carbon transformation and build a sustainable green industrial chain.





## Care for Our Partners

### 9.1 Recruitment and Employee Management

- Employment Principles
- Rejecting Child Labor and Forced Labor
- Equality, Pluralism and Anti-discrimination

### 9.2 Employee Compensation and Benefits

- Salary and Benefits
- Care for Employees in Difficulty
- Care for Female Employees
- Employee Communication
- Employee Retention

### 9.3 Employee Training and Development

- Employee Training
- Employee Promotion

### 9.4 Employee Health and Safety

- Safe Production
- Occupational Health



## 09. Care of Our Partners

### 9.1 Recruitment and Employee Management

SMISS Tech always respects and protects the rights and interests of employees, constantly improves and innovates the human resource management and security mechanism, and fully mobilizes the enthusiasm, initiative and creativity of employees. At the same time, the company pays attention to personnel training and occupational safety, creating a healthy, equal and harmonious working environment.

#### ● Employment Principles

The company strictly abides by the Labor Law of the People's Republic of China, The Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Social Insurance Law of the People's Republic of China and the laws and regulations related to labor standards in the place where it operates. We have formulated the Employee Manual, Recruitment Management System, Entry Management System, Transfer Management System and Resignation Management System, and have continuously standardized labor and employment management, earnestly safeguarded the legitimate rights and interests of workers, put an end to child labor, prohibited forced labor and employment discrimination, and strictly implemented state policies on gender, age and ethnic group. We strictly abide by various laws and regulations in the process of labor contract signing, modification, renewal, termination and rescission.

The company has diversified recruitment channels for social recruitment and campus recruitment. At the same time, in order to retain outstanding talents, the company will summarize and analyze the dynamics of human resources, including the basic situation of personnel at all levels, entry and exit, etc. Before employees leave, they will also take retention measures and conduct exit interviews to learn more about the reasons and whereabouts of employees.

The employment structure of the Company during the reporting period is shown in the table below:

| Recruitment and Employee Management                          | Unit   | 2022  |
|--|--------|-------|
| Total number of employees in service                         | People | 2,609 |
| By gender  |        |       |
| Male   | People | 1,694 |
| Female   | People | 915   |
| By contract category   |        |       |
| Number of permanent employees (no fixed-term labor contract) | People | 42    |
| Number of contract employees                                 | People | 2,567 |
| Number of labor dispatchers                                  | People | 0     |
| By region  |        |       |
| Within Guangdong province                                    | People | 521   |
| Other areas in mainland China except Guangdong Province      | People | 2,087 |
| Overseas (including areas outside mainland China)            | People | 1     |

| Recruitment and Employee Management                  | Unit   | 2022  |
|--|--------|-------|
| By rank  |        |       |
| Senior Managers                                      | People | 38    |
| Middle Managers                                      | People | 58    |
| General and technical staff                          | People | 2,513 |
| By age   |        |       |
| Under 30 years old                                   | People | 1,404 |
| 30 -50 years old                                     | People | 1,203 |
| Over 50 years old                                    | People | 2     |
| Proportion of female employees                       |        |       |
| Proportion of female employees among senior managers | %      | 8%    |
| Proportion of female employees in middle managers    | %      | 41%   |
| Proportion of female employees among technicians     | %      | 9%    |
| Proportion of female employees among all employees   | %      | 35%   |

#### ● Rejecting Child Labor and Forced Labor

Our company has formulated the "Procedures for Employment of Internship and Student Workers", "Procedures for Management and Remediation of Child Labor and Underage Workers", etc. To avoid unintentional child labor, we have standardized the verification of employees' personal information, strictly verified their identities when new employees join the company, and refused to hire minors under the age of 16. Simultaneously, in order to completely eliminate the phenomenon of child labor, the company conducts regular internal training, publicizes relevant regulations, and improves employees' legal awareness. Furthermore, if we discover that a child worker was improperly hired, we will pay all of his wages and take corrective action right away. We will dispatch someone to return the child to his original residence and have his parents or guardians take over. All repatriation costs will be covered by the company, and the children will receive appropriate support based on their circumstances.

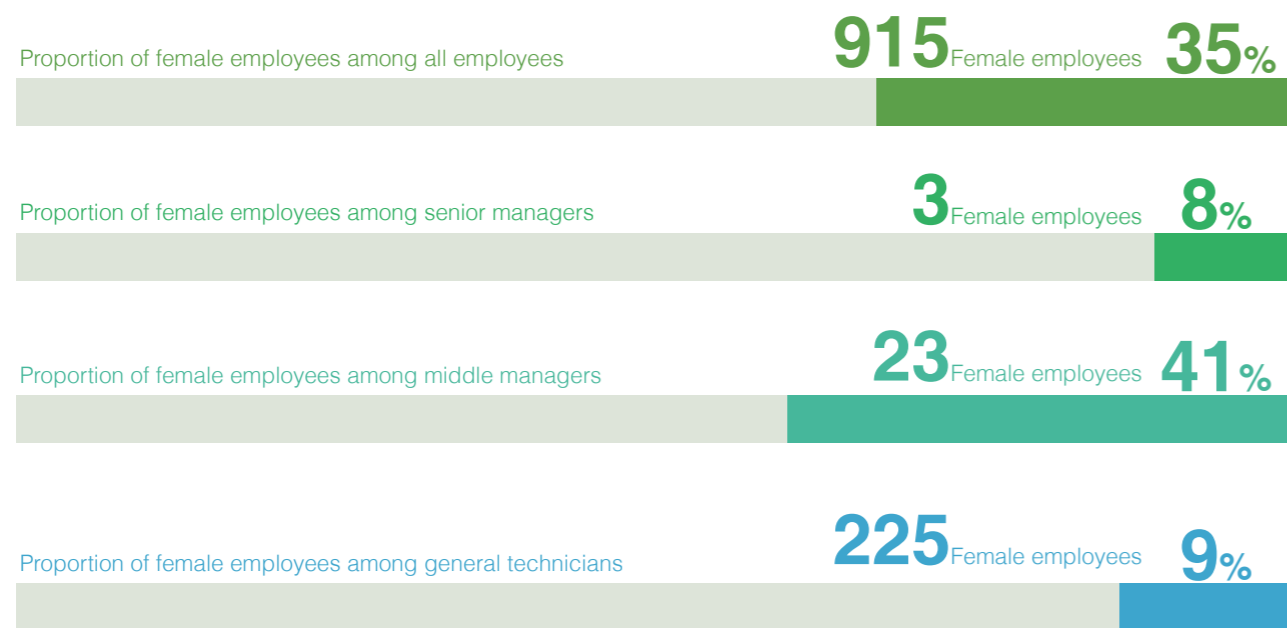
Our company has formulated the "Management Procedures for Prohibition of Forced Labor". We arrange reasonable working and rest time for our employees, and for necessary overtime work, we will arrange for employees to take a break or to be paid according to national regulations. In case of necessary overtime work, we will arrange for employees to take time off or pay wages in accordance with national regulations to effectively avoid the occurrence of forced labor. During the year, there were no major violations of laws and regulations or lawsuits related to the employment of child labor or forced labor.

● **Equality, Pluralism and Anti-discrimination**

Our company is committed to fostering a diverse and inclusive work environment, offering equal employment opportunities for all talents. We value the uniqueness and the contributions that every individual, regardless of their religion, gender, age, marital status, or disability status, brings to our company and the industry. We strictly prohibit any form of discrimination and harassment, including physical, psychological, or verbal harassment or insult towards others. Any form of harassment, abuse, or corporal punishment is strictly forbidden. Moreover, we strongly support the personal development of our female employees, encouraging their participation in dialogues, discussions, and decision-making processes, and creating more avenues for their growth and self-actualization. This year, there have been no reports or lawsuits related to violations of equal employment, diversity, or anti-discrimination.

During the reporting period, the number and proportion of female employees in the Company are shown in the following table:

Number of female employees by rank



**9.2 Employee Compensation and Benefits**

SMISS Tech continues to carry out diverse humanistic care activities and employee benefits on the basis of providing a competitive and comprehensive salary and welfare system. The company pays attention to and values each employee's feelings, and strives to find ways for them to balance work and life in order to increase employee happiness.



● **Salary and Benefits**

The company ensures that employees' value contribution is proportional to their pay. We created the Salary Management System, which specifies the salary form and structure for all levels of employees, as well as the salary structure adjustment scheme and salary calculation standard. We continue to benchmark against the market, making our comprehensive salary strategy more advanced, diverse, and differentiated, and we strive to offer employees the most competitive salary in the industry. Employees of the Company are entitled to paid annual leave, marriage leave, maternity leave, paternity leave, sick leave, funeral leave, parental leave, and other holidays in accordance with applicable national regulations, thus legally protecting employees' basic rights and interests. Simultaneously, the company handles social insurance for employees such as pension, medical care, unemployment, work injury, and maternity in accordance with state, province, and city regulations, as well as pays social insurance premiums in accordance with regulations.

In addition to basic benefits, the company also provides employees with post subsidies, high-temperature subsidies, festivals, accommodation and other types of additional benefits, including:



- Provide job subsidies to front-line personnel in production department and quality department.
- Provide high-temperature allowances to warehouse personnel, roof-top equipment personnel, security guards, etc., who work in environments without air-conditioning or fans from June to October each year.
- Set up attendance award, seniority award, end-of-year bonus and academic promotion award.
- Provide wedding / new-birth benefits, birthday benefits, major traditional holiday benefits, and quarterly team building expenses.
- Provide free dormitory, working meal subsidy, overtime allowances and afternoon tea.
- The office has a book lending area, free of charge to the company's employees.
- Monthly distribution of daily necessities benefits, such as paper towels, laundry detergent, shower gel and other daily necessities.
- Organize staff sports and other types of activities, such as singing competitions and basketball games, and holding meetups for single employees.

SMISS Tech sent moon cakes to employees' parents, photos of employees' lives, and the general manager's evaluation of employees during the Mid-Autumn Festival in 2022, which sent warmth and care to employees' families who could not return home for reunion.



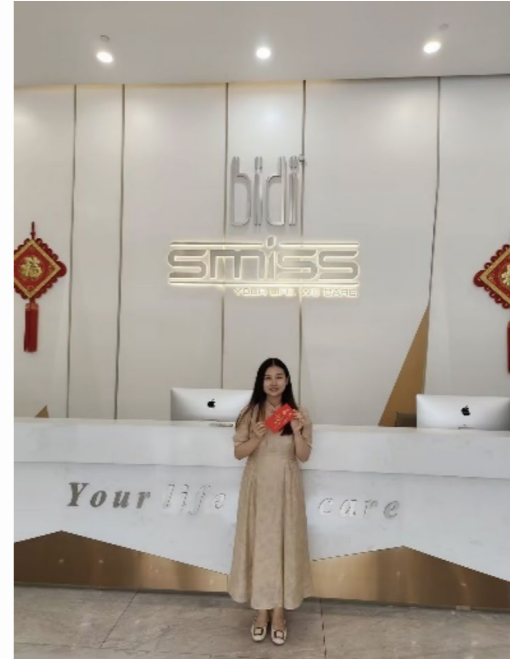
SMISS Tech's Holiday Welfare



SMISS Tech's Outdoor Team Building



SMISS Tech's Birthday Welfare



SMISS Tech's New Birth Welfare



SMISS Tech's Basketball Match



SMISS Tech's Qi-Xi Festival

● **Care for Employees in Difficulty**

SMISS Tech has set up an employee love fund to help employees in difficulty, so as to reflect the company's humanistic care, enhance the cohesion of enterprises and promote the harmonious development of enterprises. Full-time employees who have family difficulties due to major accidents, major diseases, and other situations, can apply for company assistance. In 2022, the SMISS Tech Love Fund supported 18 employees and provided them with a love fund of about 34,000 yuan.

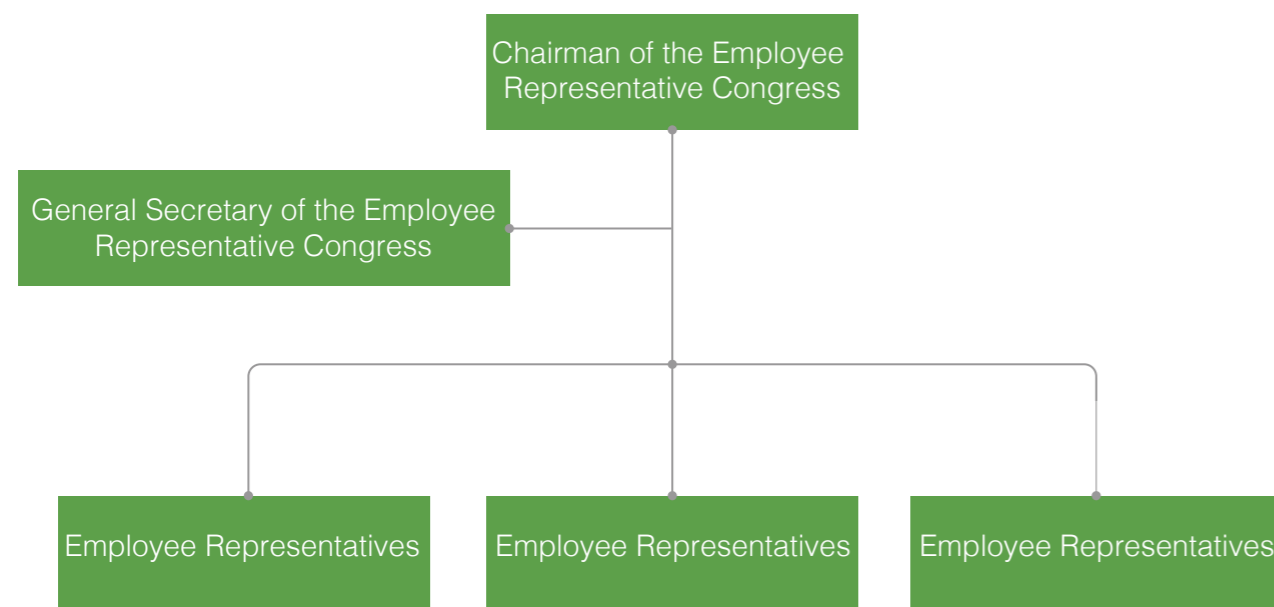
● **Care for Female Employees**

The company highly cares for women and strives to protect the rights and interests of female employees. We thoughtfully provide free nutritious meals and fruits for expectant mothers, and pregnant regular employees can apply to the Human Resources Department with a hospital diagnosis certificate. At the same time, we also provide menstrual products for women in the restrooms. In addition, the company has published corporate posts on the theme of respecting women and organized employees to carry out corresponding learning.

● **Employee Communication**

The company has established an effective employee communication mechanism and built a communication platform between the enterprise and employees to safeguard the democratic management rights of all employees. The company has set up an employee representative congress, and employee representatives are democratically elected annually from various centers, including management, technical, staff, and employee levels. We have formulated the "Employee Representative Congress Management System" to support employees in making rational suggestions to the company's relevant leaders and departments on issues such as enterprise operation and development, production management, safety production, employee benefits, and employee development through the employee representative congress. The company organizes an employee representative congress every quarter. The meeting communicates on company benefits, policy systems, work environment, living environment, process optimization, growth space, etc., to convey employee opinions, continuously improve the company's management model, and increase employee satisfaction.

Organizational Structure of SMISS Tech Employee Congress



In addition, all SMISS Tech employees can provide feedback through the company's public assistance hotline, assistance email, and employee suggestion box. We have formulated the "Opinion Appeal Management Procedure", which clarifies the handling rights and responsibilities and process regulations for employee appeal content. The Human Resources and Administration Center is responsible for responses and handling of administrative, personnel, and logistics aspects involved in employee appeals; the Health and Safety Committee is responsible for responses and handling of health and safety, fire protection, and production safety aspects involved in employee appeals. The relevant departments will feedback the response results to the employees in the form of the "Employee Opinion and Complaint Handling Form" within 5 days. The company complies with the statutory notification period to notify employees about matters related to operational changes.



● **Employee Retention**

We prioritize attracting and retaining talent, and we actively recruit new employees through campus recruitment, social recruitment, and other channels, all while vigorously implementing the talent retention plan, investigating and analyzing the reasons for employee turnover, and continuously improving employee retention. During the reporting period, the overall employee turnover rate was 6%. The employee turnover situation divided by gender, region, and age is as follows:

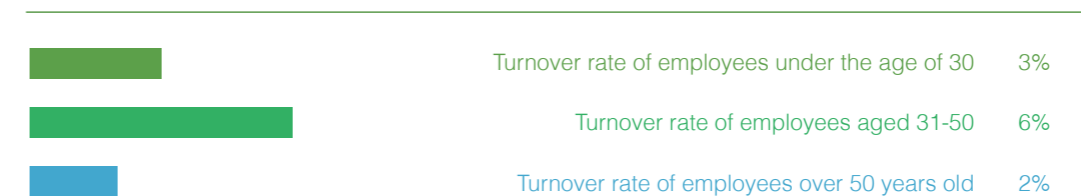
Employee Turnover Rate by Gender



Employee Turnover Rate by Geography



Employee Turnover Rate by Age



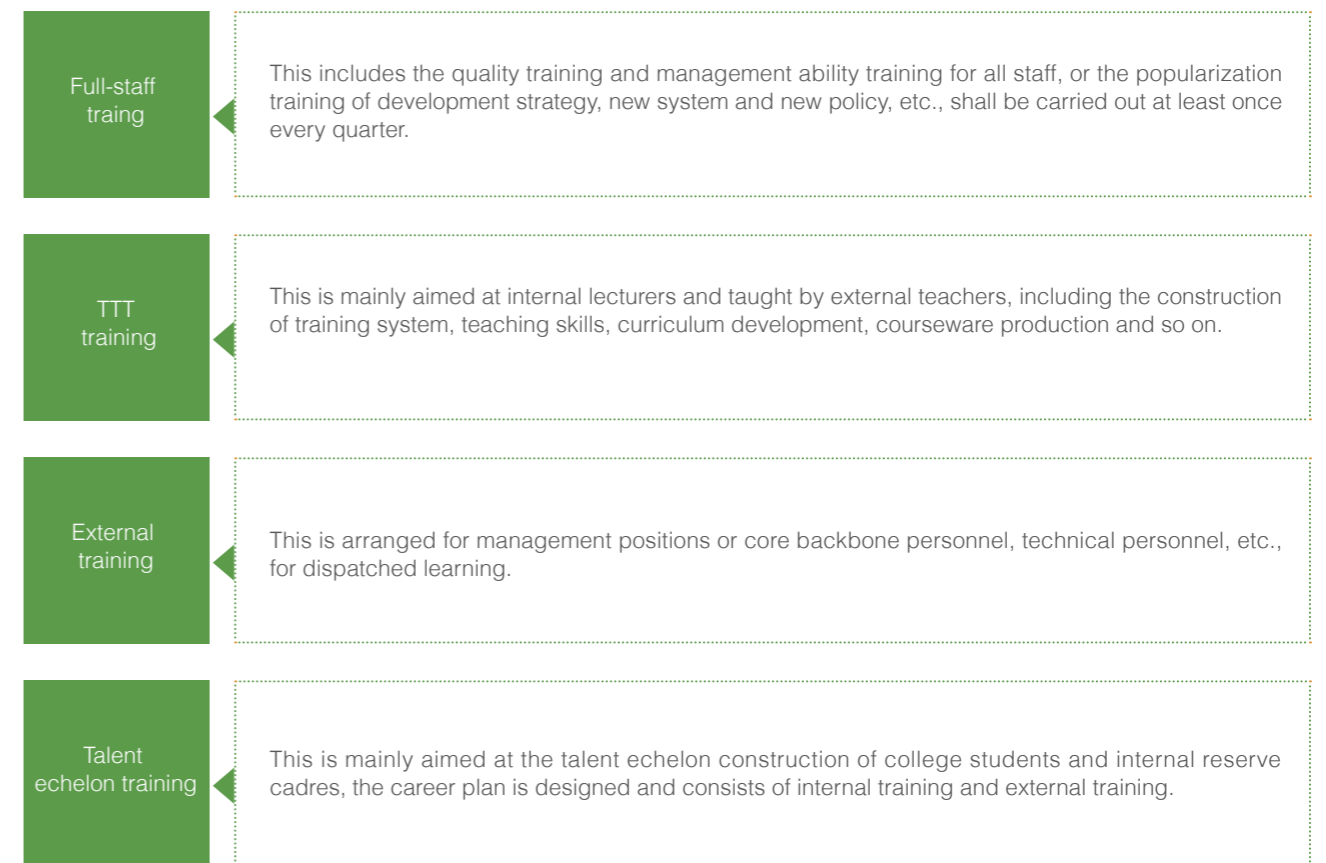
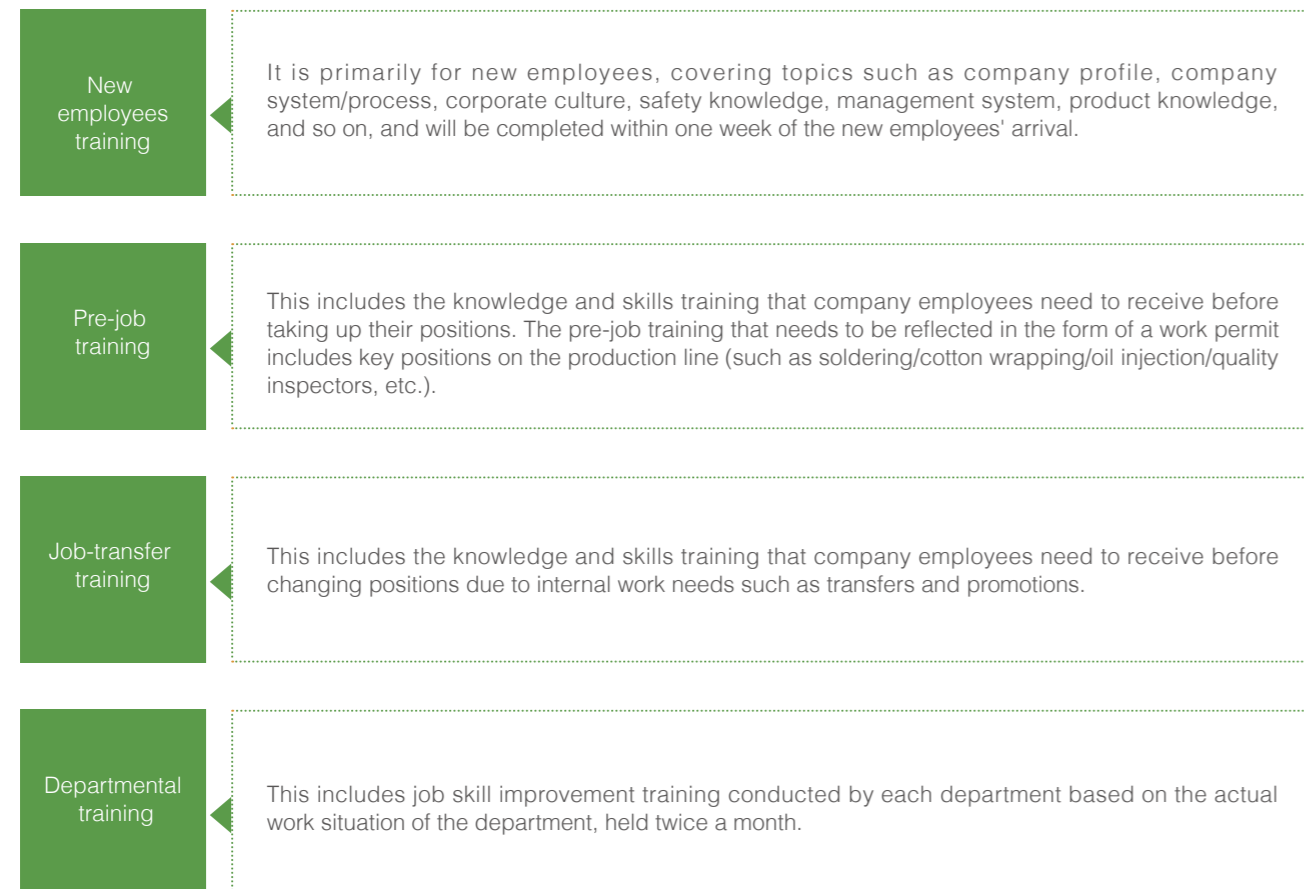
### 9.3 Employee Training and Development

SMISS Tech adheres to the people-oriented talent development concept, aiming to achieve comprehensive human development, respecting people, caring for people, and relying on people. We uphold the employment orientation of "both morality and talent, with morality first", emphasizing character and practical work, allowing those who are loyal and dedicated to stand out, and building a platform for those with outstanding talent and wisdom.

#### ● Employee Training

The company has built a sound training system to create a high-quality talent team. We have formulated training management systems such as the "Training Management System", "New Employee Mentoring Management System", and "Training Assessment System", and carry out internal and external training based on the company's development needs through a combination of online and offline methods. The company formulates annual training plans according to practical needs such as business strategic planning, human resources planning, management cadre needs, ordinary employee needs, market competition needs, and core competitiveness training. Training can be conducted by internal lecturers selected by the company or by introducing high-quality training courses from external institutions. The Human Resources Department is responsible for producing training materials and conducting surveys and evaluations of training effects.

The company offers eight types of training, namely, new employee training, pre-job training, job transfer training, department training, full-staff training, TTT training, external training, and talent echelon training. The training methods include classroom teaching, reading training, and outdoor expansion; the training assessment methods are divided into oral exams, written exams, and practical operations. The training assessment results and training points are recorded in the employee's file and serve as an important reference for the employee's regularization, salary adjustment, promotion, evaluation, and year-end bonus calculation.




Furthermore, the company has established a mentoring management system for new employees, which provides guidance and exchange on experience, work skills or techniques, operating procedures, and so on from employees who have previously joined the company to those who have relatively little experience, in order to strengthen new employee management, improve new employee retention, and make new employees familiar with the company's requirements and adapt to the post. Under the mentoring system, the company conducts training and assessment on employee mentors, and only after obtaining the "Mentor Certificate" can they have mentor qualifications. Staff tutors are responsible for acquainting new employees with the workplace, creating and reviewing work and study plans, strengthening their training and counseling in common sense, skills, and operation, and communicating with new employees more frequently, answering questions, and providing timely assistance.



SMISS Tech's internal training instructor selection and training

**Training case** Foreign Trade Training Camp

SMISS Tech held the "Foreign Trade Training Camp" theme training course in 2022. The foreign trade training camp includes a number of modular courses, such as personal marketing, exhibition strategy, and customer negotiation, that teach foreign trade employees how to communicate with customers, deepen their understanding of the company's business and products, and improve their marketing and customer service abilities. To continuously improve the company's sales performance, we train high-level foreign trade employees through training courses.



This year, the company conducted 400+ offline induction trainings, 260 annual training programs in each center, 14 trainings for grass-roots managers and 32 online training courses.

● **Employee Promotion**

The company has established a three-channel development system to create an open, fair, just and caring environment, focusing on the career planning of employees, we have formulated the Promotion Management System and Merit Assessment Management System. We review the qualifications of all candidates for promotion according to the requirements of the post, and for those who meet the requirements of the review, we organize the employing departments and other relevant personnel to assess them in accordance with the requirements of the proposed post. In addition, we carry out promotion management by adhering to the promotion principles of posting and coding, giving equal weight to merit and performance, combining step-by-step promotion with overstep promotion, combining vertical promotion with horizontal promotion, and giving priority to the promotion of internal staff, and the promotions are handled by the personnel with suitable working ability and qualified performance, as well as good moral conduct and potential for development of the position.

At the same time, we have established four types of staff promotion channels, namely "management promotion channel", "technical promotion channel", "functional promotion channel" and "marketing promotion channel". We provide employees with diversified promotion routes and multi-dimensional career development opportunities to promote the overall development of employees, so that every employee can find a suitable position and continuously improve their We provide diversified promotion routes and multi-dimensional career development opportunities to promote the comprehensive development of our employees, so that each employee can find a suitable position and continuously improve their career value.

| Management Sequence |                              |   |
|---------------------|------------------------------|---|
| Rank                | Level                        | Position  |
| 15                  | Chairman                     | Chairman  |
| 14                  | General Manager Level        | General Manager   |
| 13                  | Deputy General Manager Level | Vice President  |
| 12                  | Director Level               | Director/Dean   |
| 11                  |                              | Deputy Director   |
| 10                  | Manager Level                | SeniorManager   |
| 9                   |                              | Manager   |
| 8                   |                              | Deputy Manager  |
| 7                   | Supervisor Level             | Senior Supervisor   |
| 6                   |                              | Supervisor  |
| 5                   |                              | Assistant Supervisor  |
| 4                   | Team Leader                  | Team leader   |
| 3                   |                              |   |
| 2                   |                              |   |
| 1                   |                              | Multi-Functional Worker/Assistant of Line Supervisor/Sample Maker |

| Functional Sequence |                 |   |
|---------------------|-----------------|---|
| Rank                | Level           | Position  |
| 7                   | Director Level  | Senior Director   |
| 6                   |                 |   |
| 5                   |                 |   |
| 4                   | Executive Level | Senior Supervisor   |
| 3                   |                 | Supervisor  |
| 2                   |                 | Clerk   |
| 1                   |                 | Warehouse Keeper/Cook/Dormitory Keeper/Driver/Electrician |

| Technology Sequence |                 |                    |
|---------------------|-----------------|--------------------|
| Rank                | Level           | Position           |
| 10                  | Expert          | Chief Expert       |
| 9                   |                 | Expert             |
| 8                   |                 | Senior Engineer    |
| 7                   | Engineer        | Senior Engineer    |
| 6                   |                 | Engineer           |
| 5                   |                 | Assistant Engineer |
| 4                   | Technician      | Technician         |
| 3                   |                 |                    |
| 2                   | Assistant Level | Assistant          |

| Marketing Sequence |                  |                                    |
|--------------------|------------------|------------------------------------|
| Rank               | Level            | Position                           |
| 12                 | Director Level   | Director of Sales                  |
| 11                 |                  | Deputy Sales Director              |
| 10                 | Manager Level    | Sales Senior Manager               |
| 9                  |                  | Sales Manager                      |
| 8                  |                  |                                    |
| 7                  | Supervisor Level | Senior Sales Supervisor            |
| 6                  |                  | Sales Supervisor                   |
| 5                  |                  |                                    |
| 4                  | Executive Level  | Salesperson/Key Account Specialist |
| 3                  |                  | Sales Assistant                    |
| 2                  |                  |                                    |

## 9.4 Employee Health and Safety

SMISS Tech's safety target: 0 chemical leakage pollution accident and 0 fire accident.

SMISS Tech's safety target achievement rate: 100%

0 Fire accident    0 Pollution accident    100% Achievement rate

SMISS Tech always gives top priority to strengthening production safety and ensuring employees' health. We carry out the management policy of "safety first, prevention first, comprehensive treatment", establishing a perfect occupational health and safety management system. On the basis of strengthening safety and production management, we continue to improve safety construction and practice safe production. We are committed to building a safety benchmark enterprise in the industry and creating a healthy and safe working and living environment for our employees. We are committed to building a safety benchmark enterprise in the industry and creating a healthy and safe working and living environment for our employees.

### ● Safe Production

Our company strictly adheres to the "People's Republic of China Safety Production Law" and has obtained ISO 45001 Occupational Health and Safety Management System certification. We regulate our safety management work from aspects such as safety tool management, temporary electricity management, safety accident management, chemical hazard management, accident emergency plan, and major sensitive facility management according to the national regulations on safety production. We have compiled a full set of procedure documents related to safety construction, covering personal safety, property safety, product safety, and process safety protection.

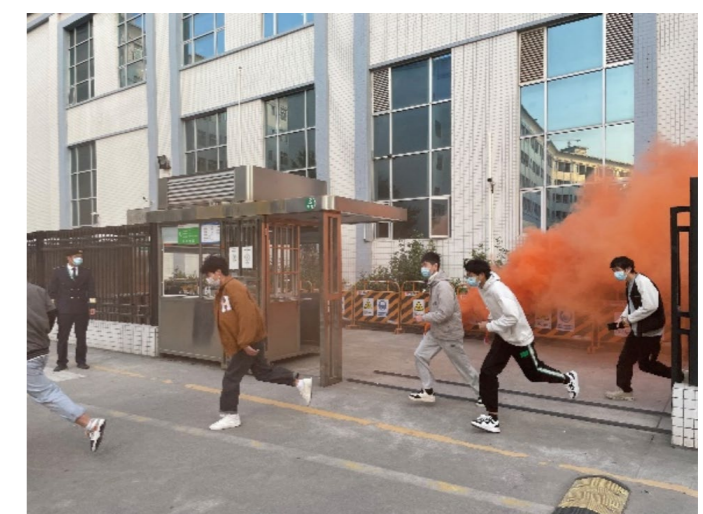


SMISS Tech ISO 45001 Occupational Health and Safety Management System Certification

The Company identifies hazardous sources, establishes an emergency plan management system, and grades safety risks according to the probability of occurrence of safety risk accidents, the degree of harm and other indicators, and carries out regular safety risk investigation work. According to the idea of grading and rectification, we formulate hidden danger rectification measures for on-site risks, and verify the effectiveness of the rectification results.

The company pays attention to daily safety management and inspections. We have equipped comprehensive machine and equipment protection measures and fire-fighting materials, set up comprehensive safety signs, and equipped each production base with firefighters. While the person in charge of the safety center regularly visits, daily inspections are carried out by dedicated personnel, comprehensive inspections are conducted every week, all fire-fighting facilities are checked and maintained every month, and the fire alarm system is tested every month in conjunction with the maintenance company.

Through safety knowledge propaganda and emergency training, we regularly conduct safety education and training for workshop employees, create a good safety production atmosphere for employees, improve their basic knowledge level of safety production, environment their safety awareness, environment their ability to deal with various emergencies, and strengthen risk prevention and control of new equipment, new processes, and special operations. We conduct fire drills twice a year and place a high priority on lithium battery fire safety. We teach employees how to use firefighting equipment and emergency supplies, as well as the safe escape route. In 2022, the head office and the Guangming Branch conducted two fire drills and two chemical leakage disposal drills, respectively. In the lithium battery warehouse, two emergency response drills for lithium battery fires were held. During the reporting period, the company had no production safety accidents with significant casualties.



SMISS Tech emergency drill site

### ● Occupational Health

The Company strictly abides by the Law of People's Republic of China (PRC) on the Prevention and Control of Occupational Diseases and the Regulations on Occupational Health Management in Workplaces, and prevents occupational disease risks through system standardization, scientific management, daily protection and training and education, and strictly implements the management of occupational health files to ensure the occupational health of employees.

The company evaluates workplace hazards, identifies occupational disease hazards in a timely manner, and applies for management. We install occupational hazard warning systems, educate employees about occupational hazards and potential health risks in the workplace through occupational health training, and remind employees with graphic signs, warning lines, and warning statements. We provided enough personal labor protection articles to employees and encouraged them to collect and wear them correctly. At the same time, we implemented employee production and working environment standards, installed occupational health protection equipment and facilities such as dust collectors and silencers, and installed workshop safety protection devices to ensure employee health and safety.

The company organizes regular employee health checkups, and all employees are required to have a health checkup before starting their work. The company will arrange special inspections for occupational diseases for employees in special positions, such as soldering staff in the workshop. Every year, the company arranges a full-body examination for the majority of management personnel. Patients suffering from occupational diseases will receive timely treatment, recuperation, and post-treatment as needed.

 Social  
Responsibility

10.1 Charity



## 10. Social Responsibility

### 10.1 Charity

SMISS recognizes the importance of building a harmonious relationship with the locations where it operates in order to achieve sustainable business development. We actively listen to the voices of stakeholders in our neighboring regions. We actively listen to the voices of stakeholders in our neighboring regions and continue to give back to the communities we serve, supporting and contributing to the building and development of society. We will continue to give back to the communities in which we operate, and support and contribute to social development.

Every year, the company continues to subsidize the attendance of children from impoverished mountainous areas, and has so far funded more than 120 students to meet their educational needs. Chairman Chen Jiatai frequently calls the school to express his concern for the students' learning and development, and at the end of each year, he personally visits the children in poor mountainous areas to provide care and guidance. Students who receive financial assistance range from elementary schools to universities. All aided students, their families, and teachers value SMISS's support for education as well as her consideration and care for poor children.



# Appendix 1

## GRI Content Index

|                     |   |
|---------------------|---|
| Statement           | SMISS Technology Co., Ltd. has reported the situation from January 1, 2022 to December 31, 2022 according to GRI standards. |
| GRI 1 Standards     | GRI 1: Foundation 2021  |
| GRI Topic Standards | There are no applicable GRI industry standards.   |

| GRI Standard                                 | Disclosure Title  | Corresponding Chapters   | Pages |
|--|---|--|-------|
| The Organization and its reporting practices |   |  |       |
| 2-1  | Organizational details  | 03. About SMISSTech  | 05-10 |
| 2-2  | Entities included in the organization's sustainability reporting            | 09. Partner and Care   | 01    |
| 2-3  | Reporting period, frequency and contact point                               | 01. With regard to this report                                       | 01-02 |
| 2-4  | Restatements of information   | Key performance table  | 80-84 |
| 2-5  | External assurance  | There is no external guarantee in this report.                       |       |
| Activities and workers                       |   |  |       |
| 2-6  | Activities, value chain and other business relationships                    | 03. About SMISS Tech   | 05-10 |
| 2-7  | Employees   | 09. Partner and Care   | 55-70 |
| 2-8  | Workers who are not employees   | Not applicable, the company does not involve non-employed employees. |       |
| Governance                                   |   |  |       |
| 2-9  | Governance structure and composition  | 4.4 Corporate Governance   | 17-18 |
| 2-10   | Nomination and selection of the highest governance body                     | 4.4 Corporate Governance   | 17-18 |
| 2-11   | Chair of the highest governance body  | 4.4 Corporate Governance   | 17-18 |
| 2-12   | Role of the highest governance body in overseeing the management of impacts | 4.1 ESG governance   | 11-12 |
| 2-13   | Delegation of responsibility for managing impacts                           | 4.1 ESG governance   | 11-12 |
| 2-14   | Role of the highest governance body in sustainability reporting             | 4.1 ESG governance   | 11-12 |
| 2-15   | Conflicts of interest   | Corporate Governance   | 17-20 |

| GRI Standard                     | Disclosure Title   | Corresponding Chapters   | Pages          |
|----------------------------------|--|--|----------------|
| 2-16                             | Communication of critical concerns                           | 4.1 ESG governance   | 11-12          |
| 2-17                             | Collective knowledge of the highest governance body          | 4.1 ESG governance   | 11-12          |
| 2-18                             | Evaluation of the performance of the highest governance body | 4.1 ESG governance   | 11-12          |
| 2-19                             | Remuneration policies  | 4.4 Corporate Governance   | 17             |
| 2-20                             | Process to determine remuneration                            | 4.4 Corporate Governance   | 17             |
| 2-21                             | Annual total compensation ratio                              | Key performance table  | 84             |
| Strategy, policies and practices |  |  |                |
| 2-22                             | Statement on sustainable development strategy                | ESG development strategy   | 11-12          |
| 2-23                             | Policy commitments   | 4.4 Corporate Governance   | 11-12<br>17-18 |
| 2-24                             | Embedding policy commitments                                 | 4.4 Corporate Governance   | 11-12<br>17-20 |
| 2-25                             | Processes to remediate negative impacts                      | Complaints and reports   | 17-20<br>63    |
| 2-26                             | Mechanisms for seeking advice and raising concerns           | Staff communication  | 20<br>63       |
| 2-27                             | Compliance with laws and regulations                         | 4.4 Corporate Governance   | 17-20          |
| 2-28                             | Membership associations                                      | 3.3 2022 Memorabilia   | 9-10           |
| Stakeholder engagement           |  |  |                |
| 2-29                             | Approach to stakeholder engagement                           | Stakeholder participation  | 14             |
| 2-30                             | Collective bargaining agreements                             | Our company has no employees covered by collective bargaining agreement. |                |

| GRI Standard   | Disclosure Title  | Corresponding Chapters                                 | Pages    |
|--|---|--|----------|
| 3-1  | Process to determine material topics  | Evaluation of Important Issues                         | 15-16    |
| 3-2  | List of material topics   | Evaluation of Important Issues                         | 15-16    |
| 3-3  | Management of material topics   | Evaluation of Important Issues                         | 15-16    |
| GRI 201: Economic performance 2016                                       |   |  |          |
| 201-2  | Financial implications and other risks and opportunities due to climate change  | 7.1 Addressing climate change                          | 37-44    |
| GRI 205: Anti-corruption 2016  |   |  |          |
| 3-3  | Management of material topics   | 4.5 Business Ethics                                    | 19-20    |
| 205-1  | Operations assessed for risks related to corruption                             | Integrity audit  | 19-20    |
| 205-2  | Communication and training about anti-corruption policies and procedures        | Integrity training                                     | 19-20    |
| 205-3  | Confirmed incidents of corruption and actions taken                             | Fighting corruption and promoting honesty              | 19-20    |
| GRI 206: Anti-competitive Behavior 2016 unfair competition behavior 2016 |   |  |          |
| 3-3  | Management of material topics   | 4.5 Business Ethics                                    | 19-20    |
| 206-1  | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | Fighting corruption and promoting honesty              | 19       |
| GRI 207: Tax 2019  |   |  |          |
| 207-1  | Approach to tax   | Pay taxes according to law                             | 19       |
| 207-2  | Tax governance, control, and risk management                                    | Pay taxes according to law                             | 19       |
| 207-3  | Stakeholder engagement and management of concerns related to tax                | Pay taxes according to law                             | 19       |
| 207-4  | Country-by-country reporting  | NA   |          |
| GRI 301: Materials 2016  |   |  |          |
| 3-3  | Management of material topics   | Material and Procurement Management<br>Waste treatment | 51<br>50 |
| 301-1  | Materials used by weight or volume  | Material and Procurement Management                    | 51       |
| 301-2  | Recycled input materials used   | The company's products do not use recycled materials.  |          |
| 301-3  | Reclaimed products and their packaging materials                                | Waste treatment  | 50       |

| GRI Standard                      | Disclosure Title  | Corresponding Chapters   | Pages          |
|-----------------------------------|---|--|----------------|
| GRI 302: Energy 2016              |   |  |                |
| 3-3                               | Management of material topics   | 7.1 Addressing climate change<br>Energy management             | 37-44<br>45-47 |
| 302-1                             | Energy consumption within the organization                                      | Energy management  | 45-47          |
| 302-2                             | Energy consumption outside of the organization                                  | Energy management  | 45-47          |
| 302-3                             | Energy intensity  | Energy management  | 45-47          |
| 302-4                             | Reduction of energy consumption   | Energy management  | 45-47          |
| 302-5                             | Reductions in energy requirements of products and service                       | NA   |                |
| GRI 303: Water and Effluents 2018 |   |  |                |
| 3-3                               | Management of material topics   | Water resources management<br>Wastewater treatment             | 48<br>49-50    |
| 303-1                             | Interactions with water as a shared resource                                    | Water resources management                                     | 48             |
| 303-2                             | Management of water discharge-related impacts                                   | Wastewater treatment   | 49-50          |
| 303-3                             | Water withdrawal  | Water resources management                                     | 48             |
| 303-4                             | Water discharge   | Wastewater treatment   | 49-50          |
| 303-5                             | Water consumption   | Water resources management                                     | 48             |
| GRI 305: Emissions 2016           |   |  |                |
| 3-3                               | Management of material topics   | 07. Green and development                                      | 37-50          |
| 305-1                             | Direct (Scope 1) GHG emissions  | Objectives and indicators                                      | 44             |
| 305-2                             | Energy indirect (Scope 2) GHG emissions   | Objectives and indicators                                      | 44             |
| 305-3                             | Other indirect (Scope 3) GHG emissions  | No   |                |
| 305-4                             | GHG emissions intensity   | Objectives and indicators                                      | 44             |
| 305-5                             | Reduction of GHG emissions  | NA   |                |
| 305-6                             | Emissions of ozone-depleting substances (ODS)                                   | Not applicable, our company does not involve the import of ODS |                |
| 305-7                             | Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | Waste gas treatment  | 49             |

| GRI Standard   | Disclosure Title   | Corresponding Chapters   | Pages          |
|--|--|--|----------------|
| <b>GRI 306: Waste 2020</b>                             |  |  |                |
| 3-3  | Management of material topics  | Waste management   | 50             |
| 306-1  | Waste generation and significant waste-related impacts   | Waste management   | 50             |
| 306-2  | Management of significant waste-related impacts2   | Waste management   | 50             |
| 306-3  | Waste generated  | Waste management   | 50             |
| 306-4  | Waste diverted from disposal   | Waste management   | 50             |
| 306-5  | Waste directed to disposal   | Waste management   | 50             |
| <b>GRI 308: Supplier Environmental Assessment 2016</b> |  |  |                |
| 3-3  | Management of material topics  | 8.2 Responsible supply chain   | 51-52          |
| 308-1  | New suppliers that were screened using environmental criteria                                      | 8.2 Responsible supply chain   | 51-52          |
| 308-2  | Negative environmental impacts in the supply chain and actions taken                               | 8.2 Responsible supply chain   | 51-52          |
| <b>GRI 401: Employment 2016</b>                        |  |  |                |
| 3-3  | Management of material topics  | 9.1 Employee Employment and Management<br>9.2 Employee Compensation and Benefits | 55-56<br>57-64 |
| 401-1  | New employee hires and employee turnover   | Employment Principles<br>Employee retention                                      | 55-56<br>64    |
| 401-2  | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 9.2 Employee Compensation and Benefits   | 57-63          |
| 401-3  | Parental leave   | 9.2 Employee Compensation and Benefits   | 57-63          |
| <b>GRI 402: Labor/Management Relations 2016</b>        |  |  |                |
| 3-3  | Management of material topics  | 9.1 Employee Employment and Management<br>9.2 Employee Compensation and Benefits | 55-56<br>57-64 |
| 402-1  | Minimum notice periods regarding operational changes   | Staff communication  | 63-64          |

| GRI Standard   | Disclosure Title  | Corresponding Chapters                      | Pages |
|--|---|---|-------|
| <b>GRI 403: Occupational Health and Safety 2018</b>  |   |   |       |
| 3-3  | Management of material topics   | 9.4 Employee Health and Safety              | 69-70 |
| 403-1  | Occupational health and safety management system  | 9.4 Employee Health and Safety              | 69-70 |
| 403-2  | Hazard identification, risk assessment, and incident investigation  | 9.4 Employee Health and Safety              | 69-70 |
| 403-3  | Occupational health services  | 9.4 Employee Health and Safety              | 69-70 |
| 403-4  | Worker participation, consultation, and communication on occupational health and safety                       | 9.4 Employee Health and Safety              | 69-70 |
| 403-5  | Worker training on occupational health and safety   | 9.4 Employee Health and Safety              | 69-70 |
| 403-6  | Promotion of worker health  | 9.4 Employee Health and Safety              | 69-70 |
| 403-7  | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 9.4 Employee Health and Safety              | 69-70 |
| 403-8  | Workers covered by an occupational health and safety management system  | 9.4 Employee Health and Safety              | 69-70 |
| 403-9  | Work-related injuries   | 9.4 Employee Health and Safety              | 69-70 |
| 403-10   | Work-related ill health   | 9.4 Employee Health and Safety              | 69-70 |
| <b>GRI 404: Training and Education 2016</b>          |   |   |       |
| 3-3  | Management of material topics   | 9.3 Staff Training and Development          | 65-67 |
| 404-1  | Average hours of training per year per employee   | 9.3 Staff Training and Development          | 65-67 |
| 404-2  | Programs for upgrading employee skills and transition assistance programs                                     | 9.3 Staff Training and Development          | 65-67 |
| 404-3  | Percentage of employees receiving regular performance and career development                                  | 9.3 Staff Training and Development          | 65-67 |
| <b>GRI 405: Diversity and Equal Opportunity 2016</b> |   |   |       |
| 3-3  | Management of material topics   | Equality, pluralism and anti-discrimination | 57    |
| 405-1  | Diversity of governance bodies and employees  | Equality, pluralism and anti-discrimination | 57    |
| 405-2  | Ratio of basic salary and remuneration of women to men  | Equality, pluralism and anti-discrimination | 57    |

| GRI Standard                                    | Disclosure Title  | Corresponding Chapters                      | Pages |
|---|---|---|-------|
| <b>GRI 406: Non-discrimination 2016</b>         |   |   |       |
| 3-3   | Management of material topics   | Equality, pluralism and anti-discrimination | 57    |
| 406-1   | Incidents of discrimination and corrective actions take                                       | Equality, pluralism and anti-discrimination | 57    |
| <b>GRI 408: Child Labor 2016</b>                |   |   |       |
| 3-3   | Management of material topic  | Rejecting child labor and forced labor      | 56    |
| 408-1   | Operations and suppliers at significant risk for incidents of child labor                     | Rejecting child labor and forced labor      | 56    |
| <b>GRI 409: Forced or Compulsory Labor 2016</b> |   |   |       |
| 3-3   | Management of material topics   | Rejecting child labor and forced labor      | 56    |
| 409-1   | Operations and suppliers at significant risk for incidents of forced or compulsory labor      | Rejecting child labor and forced labor      | 56    |
| <b>GRI 414: Supplier Social Assessment 2016</b> |   |   |       |
| 3-3   | Management of material topics   | 8.2 Responsible supply chain                | 51-52 |
| 414-1   | New suppliers that were screened using social criteria  | 8.2 Responsible supply chain                | 51-52 |
| 414-2   | Negative social impacts in the supply chain and actions taken                                 | 8.2 Responsible supply chain                | 51-52 |
| <b>GRI 416: Customer Health and Safety 2016</b> |   |   |       |
| 3-3   | Management of material topics   | 6.1 Harmless products                       | 31    |
| 416-1   | Assessment of the health and safety impacts of product and service categories                 | 6.1 Harmless products                       | 31    |
| 416-2   | Incidents of non-compliance concerning the health and safety impacts of products and services | 6.1 Harmless products                       | 31    |
| <b>GRI 417: Marketing and Labeling 2016</b>     |   |   |       |
| 3-3   | Management of material topics   | 6.2 Responsible Marketing                   | 31    |
| 417-1   | Requirements for product and service information and labeling                                 | 6.2 Responsible Marketing                   | 31    |
| 417-2   | Incidents of non-compliance concerning product and service information and labeling           | 6.2 Responsible Marketing                   | 31    |
| 417-3   | Incidents of non-compliance concerning marketing communications                               | 6.2 Responsible Marketing                   | 31    |
| <b>GRI 418: Customer Privacy 2016</b>           |   |   |       |
| 3-3   | Management of material topics   | 6.4 Information security                    | 35-36 |
| 418-1   | Substantiated complaints concerning breaches of customer privacy and losses of customer data  | 6.4 Information security                    | 35-36 |

## Appendix 2 Key Performance Metrics

| Category  | Unit                             | 2020         | 2021         | 2022         |
|---|----------------------------------|--------------|--------------|--------------|
| <b>Environment</b>                                      |                                  |              |              |              |
| <b>Energy</b>   |                                  |              |              |              |
| Natural gas   | Cubic metre                      | 55,200.00    | 24,050.00    | 25,193.00    |
| Coal gas  | Cubic metre                      | 8,650.00     | 5,970.00     | 9,480.00     |
| Petrol  | Liter                            | 5,500.00     | 4,000.00     | 6,233.91     |
| Outsourcing power consumption                           | Kilowatt hour                    | 9,968,585.00 | 5,234,922.00 | 3,051,290.80 |
| Comprehensive energy consumption                        | Kilogram standard coal           | 1,310,140.63 | 683,587.12   | 1,037,234.19 |
| Comprehensive energy consumption intensity (per capita) | Kilogram standard coal/person    | 704.38       | 351.64       | 397.56       |
| <b>Greenhouse gas</b>                                   |                                  |              |              |              |
| Category 1 Greenhouse gas emissions                     | Ton of carbon dioxide equivalent | /            | 95.70        | 489.64       |
| Category II Greenhouse gas emissions                    | Ton of carbon dioxide equivalent | /            | 2,941.68     | 1,740.15     |
| Total greenhouse gas                                    | Ton of carbon dioxide equivalent | /            | 3,037.38     | 2,229.79     |
| Greenhouse gas emission intensity (per capita)          | Ton of carbon dioxide equivalent | /            | 1.56         | 0.85         |
| <b>Water resource</b>                                   |                                  |              |              |              |
| Water resources usage                                   | Ton                              | 155,665      | 74,441       | 484,244.00   |
| Intensity of water resources use (per capita)           | Ton/person                       | 83.69        | 38.29        | 185.60       |
| <b>Waste gas</b>  |                                  |              |              |              |
| Volatile organic compounds (VOCs)                       | Kilogram                         | 6            | 7            | 8            |
| Tin and its compounds                                   | Kilogram                         | 0.005        | 0.007        | 0.005        |

| Category   | Unit   | 2020   | 2021   | 2022   |
|--|--------|--------|--------|--------|
| <b>Waste</b>   |        |        |        |        |
| Harmless waste (output)  | Ton    | 462    | 250    | 289    |
| Domestic garbage (recyclable)  | Ton    | 215    | 116    | 123    |
| Domestic garbage (other garbage)   | Ton    | 21     | 15     | 14     |
| Domestic garbage (kitchen waste)   | Ton    | 11     | 3      | 5      |
| General industrial solid waste   | Ton    | 215    | 116    | 147    |
| Harmless waste (General industrial solid waste)                            | Ton    | 414.6  | 226.7  | 256.8  |
| General industrial solid waste   | Ton    | 199.6  | 110.7  | 133.8  |
| Domestic garbage (recyclable)  | Ton    | 215    | 116    | 123    |
| Harmless waste (disposal amount)   | Ton    | 47.4   | 23.3   | 25.8   |
| General industrial solid waste disposal capacity                           | Ton    | 15.4   | 5.3    | 6.8    |
| Domestic garbage (other garbage)   | Ton    | 21     | 15     | 14     |
| Domestic garbage (kitchen waste)   | Ton    | 11     | 3      | 5      |
| Hazardous wastes   | Ton    | 216.36 | 117.07 | 128.75 |
| Domestic Waste (harmful waste)   | Ton    | 1.3    | 1      | 1.5    |
| HW08 Waste Mineral Oil and Waste Containing Mineral Oil (Waste Engine Oil) | Ton    | 215.03 | 116.04 | 126.71 |
| HW49 Other wastes  | Ton    | 0.03   | 0.04   | 0.54   |
| <b>Material</b>  |        |        |        |        |
| Packaging materials-paper  | Ton    | 1,200  | 700    | 717.29 |
| Packaging material-plastic   | Ton    | 350    | 300    | 831.20 |
| <b>Society</b>   |        |        |        |        |
| <b>Supplier</b>  |        |        |        |        |
| Within Guangdong province  | Number | 89     | 104    | 140    |
| Other areas in mainland China except Guangdong Province                    | Number | 8      | 9      | 8      |
| Overseas (including Hong Kong, Macao and Taiwan)                           | Number | 1      | 0      | 0      |
| Employee employment and diversification                                    | Number | 98     | 113    | 148    |

| Category   | Unit                | 2020  | 2021  | 2022  |
|--|---------------------|-------|-------|-------|
| <b>Recruitment and Employee Management</b>                   |                     |       |       |       |
| Total number of employees in service                         | number of employees | 1,860 | 1,944 | 2,609 |
| <b>By gender</b>   |                     |       |       |       |
| Male   | Number of employees | 980   | 1,081 | 1,694 |
| Female   | Number of employees | 880   | 863   | 915   |
| <b>By contract category</b>                                  |                     |       |       |       |
| Number of permanent employees (no fixed-term labor contract) | Number of employees | 29    | 34    | 42    |
| Number of contract employees                                 | Number of employees | 977   | 869   | 2,567 |
| Number of labor dispatchers                                  | Number of employees | 854   | 1,041 | 0     |
| <b>By region</b>   |                     |       |       |       |
| Within Guangdong province                                    | Number of employees | 120   | 153   | 521   |
| Other areas in Chinese mainland except Guangdong Province    | Number of employees | 1,740 | 1,791 | 2,087 |
| Overseas (including areas outside Chinese mainland)          | Number of employees | 0     | 0     | 1     |
| <b>By rank</b>   |                     |       |       |       |
| Senior management  | Number of employees | 11    | 11    | 38    |
| Middle management  | Number of employees | 60    | 64    | 58    |
| General and technical staff                                  | Number of employees | 1,789 | 1,869 | 2,513 |
| <b>By age</b>  |                     |       |       |       |
| Under 30 years old   | Number of employees | 1,349 | 1,368 | 1,404 |
| 30 -50 years old   | Number of employees | 493   | 552   | 1,203 |
| Over 50 years old  | Number of employees | 18    | 24    | 2     |
| <b>Proportion of female employees</b>                        |                     |       |       |       |
| Proportion of female employees among senior management       | %                   | 18%   | 18%   | 8%    |
| Proportion of female employees in middle management          | %                   | 22%   | 25%   | 41%   |
| Proportion of female employees among technicians             | %                   | 40%   | 45%   | 9%    |
| Proportion of female employees among all employees           | %                   | 47%   | 44%   | 35%   |

| Category   | Unit                | 2020 | 2021 | 2022 |
|--|---------------------|------|------|------|
| <b>Staff recruitment and retention</b>   |                     |      |      |      |
| Total number of new employees  | Number of employees | 1550 | 2000 | 2800 |
| Overall wastage rate   | %                   | 11%  | 8%   | 6%   |
| <b>By gender</b>   |                     |      |      |      |
| Male   | %                   | 16%  | 10%  | 8%   |
| Female   | %                   | 5%   | 5%   | 3%   |
| <b>By region</b>   |                     |      |      |      |
| Within Guangdong province  | %                   | 4%   | 5%   | 3%   |
| Other areas in Chinese mainland except Guangdong Province                                    | %                   | 2%   | 10%  | 8%   |
| Overseas (including areas outside Chinese mainland)  | %                   | 0%   | 0%   | 0%   |
| <b>By age</b>  |                     |      |      |      |
| Under 30 years old   | %                   | 16%  | 12%  | 3%   |
| 30 -50 years old   | %                   | 5%   | 3%   | 6%   |
| Over 50 years old  | %                   | 0%   | 0%   | 2%   |
| <b>Staff training and development</b>  |                     |      |      |      |
| Total number of training hours per employee.   | Hour                | 64   | 61   | 852  |
| <b>By rank</b>   |                     |      |      |      |
| Senior management  | Hour                | 100  | 100  | 132  |
| Middle management  | Hour                | 80   | 80   | 328  |
| General and technical staff  | Hour                | 60   | 60   | 379  |
| Percentage of employees who regularly receive performance and career development assessments | %                   | 100% | 100% | 100% |
| <b>Parental leave</b>  |                     |      |      |      |
| Total number of employees taking parental leave this year-female                             |                     | 3    | 5    | 0    |
| Total number of employees taking parental leave this year-male                               |                     | 6    | 10   | 0    |
| Return rate  | %                   | 100% | 100% | /    |
| Retention rate   | %                   | 100% | 100% | /    |

| Category   | Unit  | 2020         | 2021         | 2022         |
|--|---|--------------|--------------|--------------|
| <b>Salary ratio</b>                                      |   |              |              |              |
| Gender pay middle managers                               | Male employee salary:<br>female employee salary | 0.67:1       | 1.23:1       | 1.18:1       |
| Gender pay for general and technical employees           | Male employee salary:<br>female employee salary | 0.91:1       | 1.01:1       | 1.03:1       |
| Annual total compensation ratio <sup>1</sup>             | %   | 1,300%       | 1,650%       | 1,600%       |
| Annual total compensation ratio change <sup>2</sup>      | %   | 2,000%       | 2,000%       | 2,200%       |
| <b>Occupational health and safety</b>                    |   |              |              |              |
| Total working hours                                      | Hour  | 1,573,131.61 | 1,792,812.57 | 6,896,500.00 |
| Number of work-related injuries                          | Person-time                                     | 1            | 4            | 2            |
| Number of industrial accidents                           |   | 1            | 4            | 2            |
| Industrial accident rate <sup>3</sup>                    |   | 0.13         | 0.45         | 0.058        |
| Serious consequences of work-related injuries            | Person-time                                     | 0            | 0            | 0            |
| Serious consequences industrial injury rate              |   | 0            | 0            | 0            |
| Number of working days lost due to work-related injuries | Hour  | 944          | 1,928        | 744          |
| Ratio of days lost at work injury <sup>4</sup>           |   | 120.02       | 215.08       | 21.58        |
| Number of work-related deaths                            |   | 0            | 0            | 0            |
| Accident rate of work-related deaths                     | %   | 0            | 0            | 0            |
| <b>Customer complaints</b>                               |   |              |              |              |
| Number of customer complaints accepted this year         | Pieces  | 6            | 4            | 0            |
| Number of complaints adjusted                            | Pieces  | 6            | 4            | 0            |

1. Annual total compensation ratio = (annual total compensation of the highest-paid individual in the organization/median annual total compensation of all employees of the company except the highest-paid individual) \*100%

2. Annual total compensation ratio change = (percentage of annual total compensation growth of the highest-paid individual in the organization/median percentage of annual total compensation growth of all employees in the organization (excluding the highest-paid individual)) \*100%

3. Calculated in terms of 200,000 hours, the accident rate at work = the working time lost by employees injured on business during the reporting period \*200,000/ the sum of the working hours that all employees should attend throughout the year.

4. Calculated by 200,000 hours, during the reporting period, the working time lost by employees injured on business is \*200,000/ the sum of all employees' annual attendance working hours.