



三SANXING星

2022

Sustainable Development Report

Ningbo Sanxing Smart Electric Co., Ltd.



Report Profile

•Release cycle

This Report is an annual report and the third sustainable development report released by Ningbo Sanxing Smart Electric Co., Ltd.

•Time frame

For the period from January 1, 2022 to December 31, 2022, some content will be traced back or extended forward due to considerations of project continuity or material impact.

•Reporting boundaries

The content covered herein is consistent with business areas engaged by Ningbo Sanxing Smart Electric Co., Ltd., including our corporate social responsibility philosophy, strategy and specific practices, as well as our business operations during the reporting period.

•Preparation basis

This Report follows the GRI Standards released by the Global Sustainability Standards Board (GSSB).

•Data description

The data quoted in this Report are all from our official documents and statistical data. For the data quoted in this Report, weights and measures are in the metric system and the monetary unit is RMB, unless otherwise specified. The data disclosed in this Report includes our data. If there is any inconsistency with our financial report, the financial report shall prevail.

•Preparation principles

This Report follows the principles of importance, quantification, balance, and consistency in its preparation, ensuring its importance, scientificity, objectivity, and comparability. Reporting principles:

Importance: The Company determines the content and scope of disclosure according to the systematic identification process of substantive issues through stakeholder communication, management evaluation and other processes.

Quantification: The key quantitative performance indicators in this Report follow scientific statistical standards, methods, calculation tools, and conversion factors. Important citation sources, calculation methods, and data changes are explained in the report interpretation.

Consistency: The content disclosed herein and the statistical methods and caliber used for the data are consistent with those in previous years unless otherwise specified.

•Referential description

For the convenience of expression and reading, Ningbo Sanxing Smart Electric Co., Ltd. is abbreviated as “Sanxing Smart”, “Company” or “We” in this Report (unless otherwise specified in the text).

•Report acquisition

This Report is released in electronic format. If you desire an electronic version of the report or have any questions or suggestions regarding the content of this Report, please feel free to call or write to inquire.

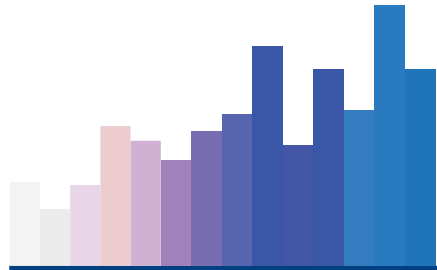
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Message from the Manager



President: Yi Shiwei

Sanxing Smart has always adhered to the principles of integrity and compliance, committed to innovative and mutually beneficial development. We hold ourselves accountable to our employees, shareholders, the environment, partners, and society, striving to achieve a win-win situation for both the Company’s operations and the personal growth of our employees by contributing our humble efforts to the sustainable development of society, the economy, and the environment.

With goals in mind, clear directions in sight, ideals in our hearts, and determination beneath our feet, Sanxing Smart is driven by intrinsic motivation, always planning in advance and continuously strengthening value chain collaboration. We strive to enhance our ability to deliver products rapidly, making our performance targets visible and achievable.

In the context of “carbon peaking and carbon neutrality” goals, we are promoting green, intelligent, and high-quality development in the industry, striving for sustainable development. We aspire to be a leader in this endeavor. Currently, our production bases are powered entirely by green electricity, with PV power accounting for approximately 30% of our annual electricity consumption. We have obtained the Green Factory certification from the Ministry of Industry and Information Technology. We prioritize energy-saving measures and recycling in the product design phase, such as material recycling and utilization after the life cycle of our kilowatt-hour meters.

Sanxing Smart believes that “good products sell themselves”. We are committed to technological innovation and fully interpret the standards of “performance, reliability, cost, and appearance” for our products. Through continuous benchmarking and bold innovation, we invest tens of millions every year in research and development to build the core competitiveness of our products.

We believe that “management is the greatest high-tech”. Sanxing Smart is dedicated to management innovation, investing nearly tens of millions every year in driving management innovation. Through the four key elements of “indicators, systems, processes, and projects”, we continuously enhance our core management capabilities in terms of cost, quality, and delivery.

We would like to express our gratitude to all sectors of society for their continuous care and support, which have helped us improve and progress. In the face of the complex and ever-changing domestic and international economic situation in the future, we will remain steadfast and true to our original intentions. We will join hands with partners who share the same sense of social responsibility and work together to seek common development!

About us

Company profile

Established in March 2010 with a registered capital of RMB 641.6528 million, Ningbo Sanxing Smart Electric Co., Ltd. is a wholly-owned subsidiary of Ningbo Sanxing Medical Electric Co., Ltd. (stock abbreviation: Sanxing Medical, stock code: 601567), located at No. 16 Fengwan Road, Cicheng Town, Jiangbei District, Ningbo, a beautiful city in China. It covers a total area of 29360m², with a total construction area of 37,812 m².

The Company specializes in the research and development, manufacturing, and sales of smart grid-related products, including smart meters, intelligent power management terminals, transformers, switch cabinets, distribution automation equipment, and electric energy metering boxes. It is a leading enterprise in the domestic distribution network field below 35kV. The Company’s meters and power distribution boxes have won bids and maintained a leading position in the industry for many consecutive years.

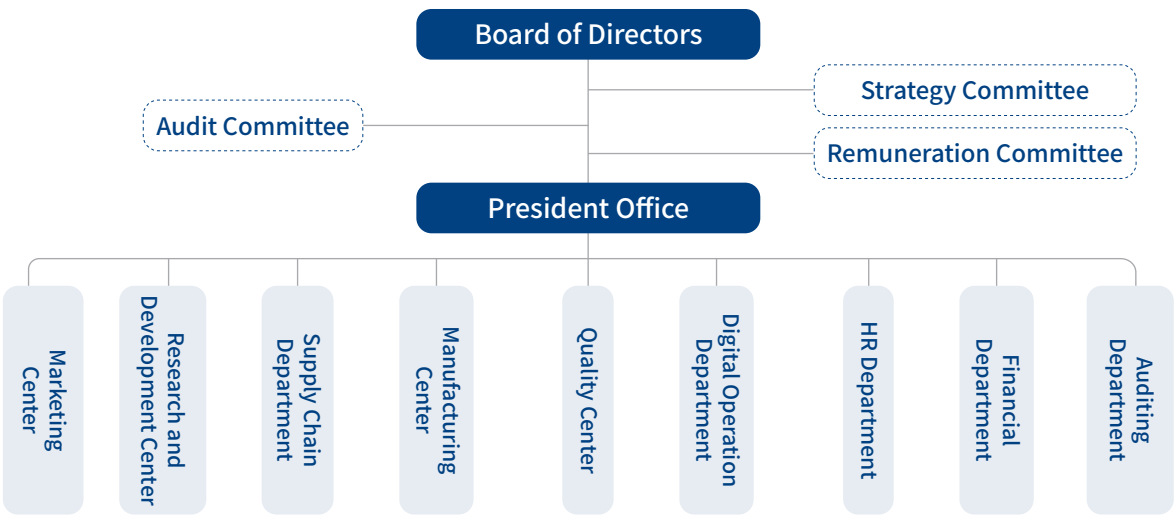
Adhering to the principles of safety, intelligence, innovation, and environmental protection, the Company implements modular design, ensuring easy and convenient installation and commissioning and safe and reliable operation. It can meet customers’ individualized and customized needs and flexible internal production requirements.

The Company adopts advanced manufacturing processes and logistics technologies, with multiple high-speed surface mount technology (SMT) production lines, wave soldering production lines, automated material conveyor lines, and automated 3D finished product warehouses. The Company has independently developed an industry-leading factory informationized production management system (MES), which enables quality monitoring of the entire year’s production process of kilowatt-hour meters. It possesses organizational capabilities for rapid scaled production and control capabilities for stable product quality. Furthermore, the Company has a professional team dedicated to product development, sales, and technical services. It develops strategic cooperation and marketing channel in multiple countries and regions worldwide.

Through long-term accumulation in the field of intelligent power distribution and utilization technology, the Company has achieved a first-class level of technological innovation and product development. The parent company, Ningbo Sanxing Medical Electric Co., Ltd., is awarded as the Zhejiang Province Enterprise Engineering Technology Center and Zhejiang Province Enterprise Research Institute and recognized by the Ministry of Science and Technology as a key high-tech enterprise in the National Torch Plan and a governing unit of the Electrical Instrument and Meter Branch of China Instrument and Control Society. As one of China’s largest kilowatt-hour meter manufacturers, the Company possesses strong comprehensive competitive advantages in the domestic kilowatt-hour meter market. It has established stable and long-term strategic partnerships with State Grid Corporation, China Southern Power Grid, and the three major local power grid companies. The Company has established a robust and well-developed marketing network and possesses a strong sales and after-sales service team. Its products are sold nationwide in 31 provinces, municipalities, and autonomous regions.

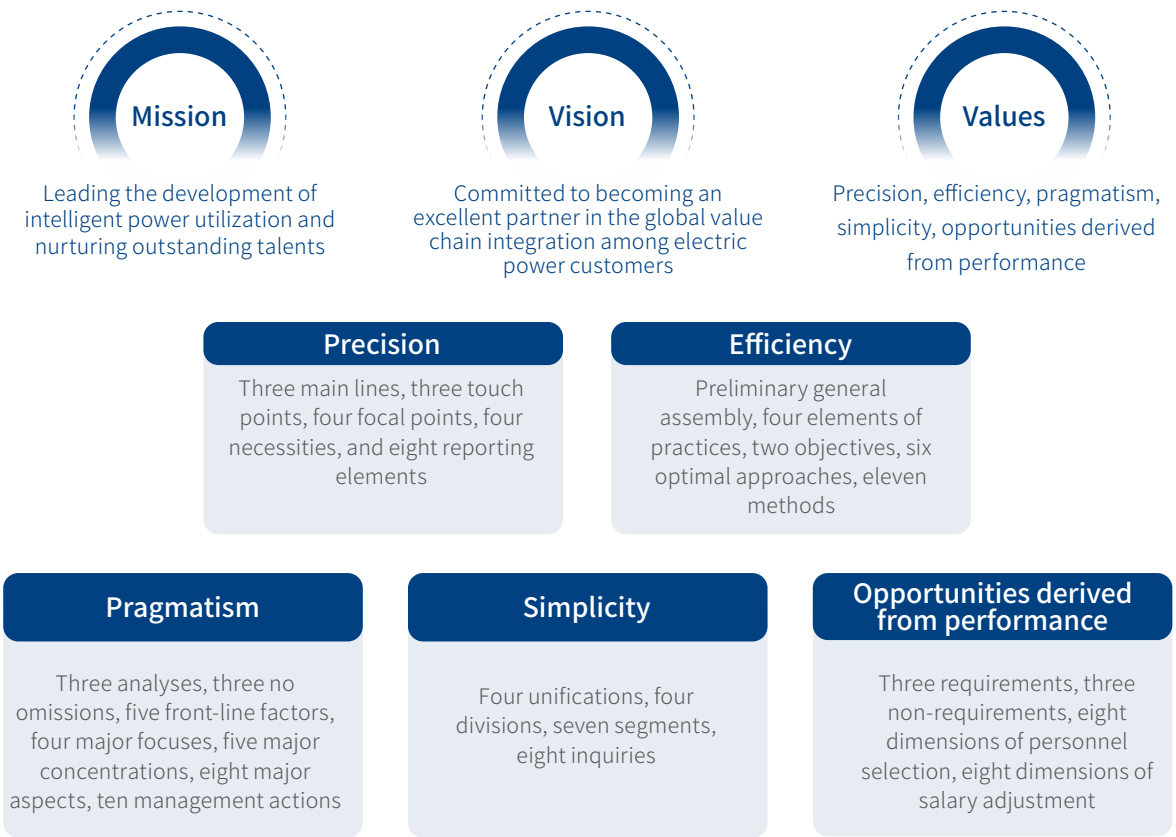
During the reporting period, there have been no significant changes in ownership, nature, or supply chain for the Company.

Organizational structure



Corporate culture

Sanxing Smart adheres to the group culture and bases its operations on the practicality of the electricity industry. The Company has established its mission, vision, and values, and through cultural guidance, indicated the direction of its development. In the practice of cultural implementation, the Company continuously summarizes and forms its unique cultural concepts, including talent, learning, efficiency, and management theories. These concepts are primarily reflected in personnel management and work practices.



Honors Qualifications

Honors Won by Sanxing Smart at or above the Provincial Level

S/N	Level	Issuing unit	Honor/Award
1	National level	MIIT	National Green Plant
2			National Green Supply Chain
3			Certificate for the Integration of Informatization and Industrialization Management Systems
4			Pilot Demonstration Enterprise for the Integration of New Generation Information Technology and Manufacturing Industry
5	Provincial level	Economy and Information Technology Department of Zhejiang	Zhejiang Provincial Industrial Internet Platform
6			Zhejiang Provincial Pilot Demonstration Enterprise for the Integration of New Generation Information Technology and Manufacturing Industry
7			Big data Application Demonstration Enterprise in Zhejiang Province
8			Intelligent Factory in Zhejiang Province
9			Green Enterprise in Zhejiang Province

Certification of Sanxing Smart

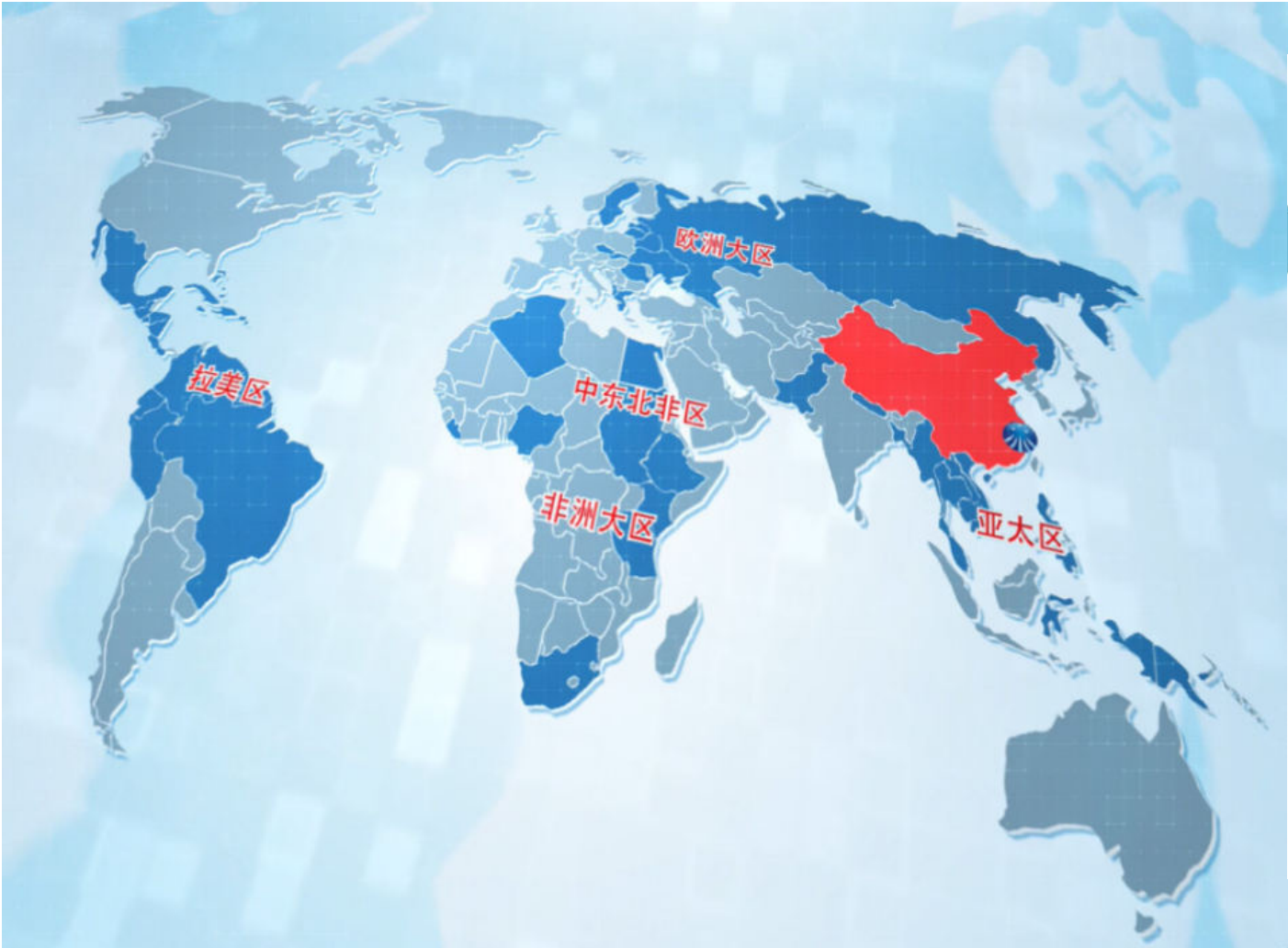
Certification items	Certification authority	Certificate No.	Scope of certification items	Validity
Quality System Certification	Beijing ZhongDaHuaYuan Certification Center	02022Q0653R3M	Design, development, production, and service of kilowatt-hour meter series products (including communication modules) and distribution automation terminal series products (including communication modules); development and application of software for kilowatt-hour meter series products and distribution automation terminal series products; design, development, production, and service of electric vehicle charging equipment; overseas transmission and transformation engineering project contracting; design, development, production (outsourcing), and technical services of 35kV and below power transformers, 35kV and below complete switchgear, 35kV and below box-type substations, and meter box series products	Valid until April 12, 2025
Certification of environmental management system	Beijing ZhongDaHuaYuan Certification Center	02022Q0653R3M	Design, development, production, and service of kilowatt-hour meter series products (including communication modules) and distribution automation terminal series products (including communication modules); development and application of software for kilowatt-hour meter series products and distribution automation terminal series products; design, development, production, and service of electric vehicle charging equipment; design, development, production (outsourcing), and technical services of 35kV and below power transformers, 35kV and below complete switchgear, 35kV and below box-type substations, and meter box series products	Valid until April 13, 2026

Certification items	Certification authority	Certificate No.	Scope of certification items	Validity
Certification of occupational health and safety management system	Beijing ZhongDaHuaYuan Certification Center	02023S0442R3M	Design, development, production, and service of kilowatt-hour meter series products (including communication modules) and distribution automation terminal series products (including communication modules); development and application of software for kilowatt-hour meter series products and distribution automation terminal series products; design, development, production, and service of electric vehicle charging equipment; design, development, production (outsourcing), and technical services of 35kV and below power transformers, 35kV and below complete switchgear, 35kV and below box-type substations, and meter box series products	Valid until April 13, 2026
Certification of measurement management system	China Certification Centre for Metrology and Measurement	No.CMS Z[2020] No. AAA611	The measurement management system, in terms of product quality, business management, energy conservation and consumption reduction, environmental monitoring, etc., complies with GB/T19022-2003/ISO 10012:2003	Valid until October 11, 2025
Certification of SA8000 management system	Extensive Standard Technical Services Co., Ltd.	CN-SA-170009	Production of kilowatt-hour meters includes the following processes: surface mounting (SMT), through-hole mounting (THT), soldering, aging, assembly, high-voltage testing, commissioning, final inspection, and packaging	Valid until December 21, 2023
Certification of information security management system	China Certification Center Inc.	02121110024R2M	Information security management activities related to the design and development of kilowatt-hour meter series products	Valid until January 13, 2024
Accreditation of CNAS laboratory	China National Accreditation Service for Conformity Assessment	Testing Laboratory TL-878	NINGBO SANXING SMART ELECTRIC CO.,LTD.	Valid from August 16, 2021

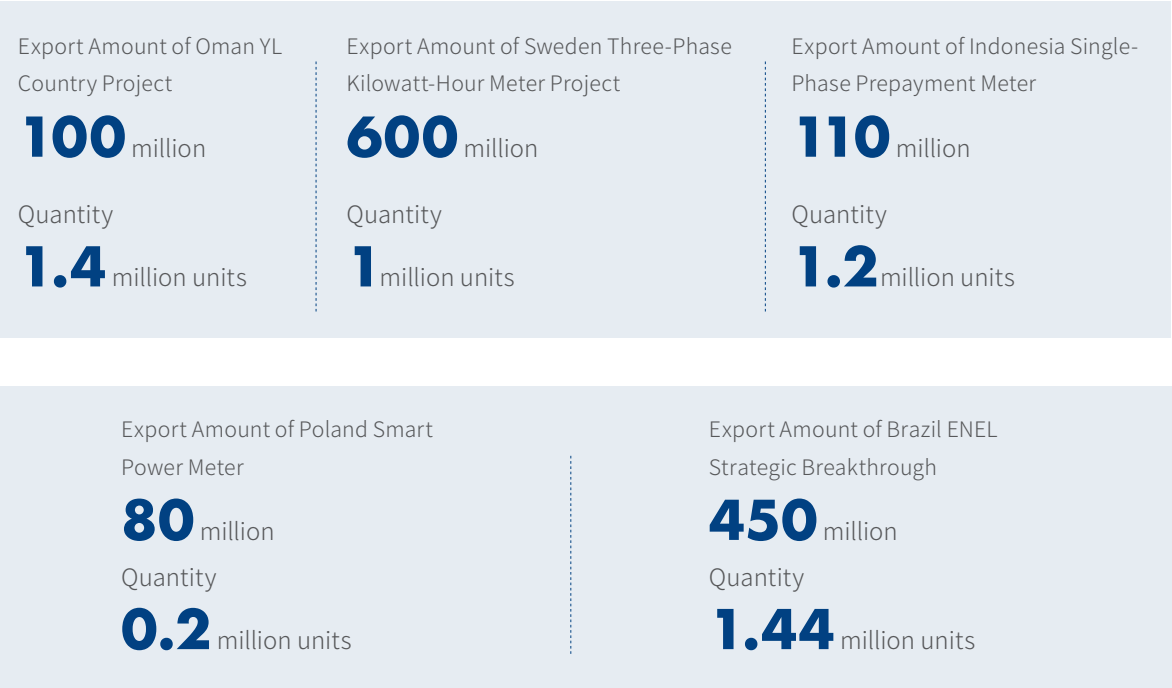
Global layout

Internationally, Sanxing Smart has established holding production companies through investment and M&A in Brazil, Indonesia, Poland, and Bangladesh. It has integrated channels and utilized local networks and resource advantages to establish a sales network radiating to neighboring regions such as Bangladesh, Uganda, Ethiopia, Nigeria, South Africa, and other countries. It successfully entered four continents and 30 countries and regions.

The Company has a well-established marketing network covering more than 50 countries (5 regions), with over 100 dedicated sales and after-sales personnel. It has established overseas factories in Brazil, Indonesia, and Poland, enabling comprehensive coverage of the entire pre-sales, in-sales, and after-sales processes. It has also deployed professional technical support teams to respond to on-site needs actively.



Export Projects of Sanxing Smart in 2022

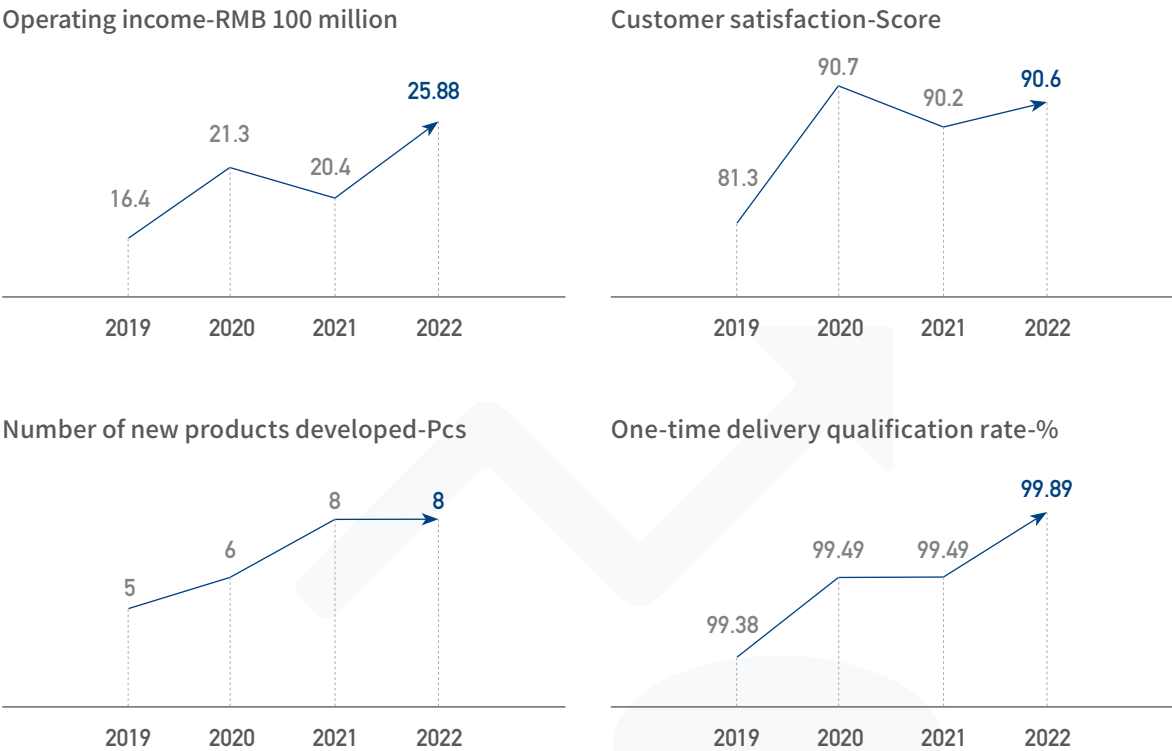


Key Events in 2022

- Sanxing Smart was selected as a Pilot Demonstration Enterprise for the Integration of New Generation Information Technology and Manufacturing Industry by the Ministry of Industry and Information Technology.
- Sanxing Smart was recognized as a Green Supply Chain Management Enterprise for the year 2021 by the Ministry of Industry and Information Technology.
- Sanxing Smart was awarded the Quality Award by the People's Government of Jiangbei District, Ningbo City.
- Sanxing Smart was honored with the Double Circulation Contribution Award for the year 2022 by the Bureau of Commerce of Jiangbei District, Ningbo City.
- Sanxing Smart's State Grid full-coverage DC charging piles passed the type testing at Ketop Laboratory in Xuchang.
- In 2022, Sanxing Smart achieved a breakthrough in orders of 4868W for charging piles to Hainan Power Grid Co., Ltd., reaching a historical high.
- Sanxing Smart has made significant progress in the Middle East distribution market, reaching a historical high.
- Sanxing Smart continues to strengthen its presence in the ENEL smart meter market in Brazil in 2022.



Recent performance



Governance according to the law and healthy development

Sanxing Smart adheres to the business philosophy of “people-oriented and integrity-based” and advocates the path of honest and compliant operations. Efforts are made to provide a solid guarantee for the Company’s sustainable development by continuously improving its internal governance system, strengthening risk prevention and control, strictly guarding against corruption and unfair competition, protecting intellectual property, and ensuring information security. By operating in compliance with regulations, Sanxing Smart encourages its partners to fulfill their compliance responsibilities, creating a healthy and trustworthy operating environment.



- Governance structure
- Business ethics
- Fair competition
- Information disclosure
- Risk management and control
- Information security
- Intellectual property protection

Governance structure

Sanxing Smart has established and improved a modern management system in accordance with relevant laws, regulations, and regulatory requirements such as Company Law and Securities Law. It has established organizational structures such as the Board of Directors and has a well-defined legal governance framework. The Company has independent organizations and functional departments that are adaptable to its development needs.

The Board of Directors serves as the decision-making body responsible to the shareholders and reports its work to them. The directors strictly fulfilled their responsibilities under the Company Law, Articles of Association, and other relevant regulations. The Company has one Chairman and six directors. During the reporting period, all directors of the Company diligently fulfilled their duties, closely monitored the Company’s operations and compliance, and provided constructive suggestions on major governance and operational decisions, which the Company adopted based on its actual circumstances. The decisions were made by the Board of Directors through thorough communication and discussion, ensuring that decisions were scientific, timely, and efficient, and safeguarding the legitimate rights and interests of the Company and all shareholders.

The Company does not have a Board of Supervisors but has one supervisor. The supervisor diligently fulfilled his/her responsibilities by overseeing the decision-making procedures, resolutions, and lawful operations of the Board of Directors. The supervisor also effectively supervised the directors’ and officers’ legality and compliance in fulfilling their duties.

Risk management and control

Sanxing Smart has an Auditing Department to conduct internal audits and exercise internal supervisory powers. The department independently performed audit work, including risk assessment, operational accountability, financial control, and asset operational efficiency evaluation. Additionally, the Company hired independent third-party audit firms to perform audits.

In 2022, a total of 32 audit reports were issued, disclosing 70 core issues and proposing 52 suggestions. All suggestions received effective rectification, resulting in the improvement of internal control processes and systems. As a result, direct economic losses totaling RMB 2.59 million were recovered.

Recent Audit Performance of Sanxing Smart

S/N	Content	2019	2020	2021	2022
1	Audit management reports issued (pcs)	9	11	20	32
2	Existing problems raised (pieces)	24	30	52	70
3	Suggestions for improvement proposed (pieces)	7	10	18	52
4	Rectification rate for improvement suggestions (%)	94	96	100	100
5	Direct economic losses recovered (RMB 10,000)	83	110	172	259

Sanxing Smart actively anticipated the concerns of public regarding product quality and safety, environmental protection, and public health through research and seminars. The Company regularly organized risk assessments to identify its main risks and develop contingency plans. Measures were taken to prevent the occurrence of risks.

By reviewing the risks at each node in the process, the Company established a “risk control cockpit” to conduct process inspections and audits, which enabled rapid risk detection and ensured the comprehensive implementation of risk prevention measures at the source and locking of process nodes, thereby safeguarding the risk control bottom line.

Eight Major Risk Controls of Sanxing Smart

Risk type	Preventive and improvement measures
Strategic risks	1. The Company established audit and legal departments to assess risks, business growth opportunities, and new projects.
	2. By adopting a diversified product matrix and market strategies, the Company mitigated policy and economic risks while increasing investment in research and technological innovation.
	3. The Company adjusted its product strategy promptly, highlighting its strengths and leveraging brand resources.
Financial risks	1. The Company implemented comprehensive budget management, ensuring that all operational activities remained within the budget. For deviations from the budget, contingency measures were taken.
	2. The Company strengthened financial management in investment channels and profit analysis decision-making, enhancing control over the investment process and conducting result analysis assessments.
Market risks	1. The Company strengthened the role of the Marketing Center, timely collecting market, competitor, and policy information.
	2. The Company pursued multi-channel development simultaneously, empowering strategic projects across different channels.
Operational risks	1. The Company established the correct operational concept, emphasizing product quality, technological updates, product replacement, and elimination to ensure capital operations.
	2. The Company improved internal operational management systems, designed internal control mechanisms targeting significant risks, and determined risk points and control standards.
Safety and health risks	Emergency plans were developed, and preventive management was implemented for potential major safety incidents, forming a risk management system.
Quality risks	1. Management systems were established to standardize quality management requirements and supervise their implementation.
	2. QC activities were organized and rational suggestions were encouraged to enhance the overall awareness of quality improvement among all employees.
	3. From the Company’s management committees to each department and branch, KPIs were established, including quality indicators, to monitor and urge improvements on a monthly basis.
	4. The Company regularly held quality meetings, branch quality exchange meetings, team morning meetings, and special issue review meetings.
Environmental risks	Emergency plans were developed, and preventive management was implemented for potential major environmental incidents, forming a risk management system.
Legal risks	1. Economic risks:
	① All economic transactions were conducted through tendering and bidding processes.
	② All economic activities were conducted under signed contracts.
	③ Contracts were strictly managed before, during, and after their execution. Contracts were properly archived and underwent periodic inspections.
	④ Timely communication and resolution were carried out in case of disputes.
	2. Risks regarding labor laws:
	① The congress of workers and staff fulfilled its responsibilities through democratic elections, seeking opinions from workers on relevant matters and voting on decisions.
	② Labor contracts and welfare systems were improved.
	③ Labor disputes were actively mediated.

Business ethics

Sanxing Smart pledges to follow all applicable laws of the country in which it operates and conducts business, adopt a zero tolerance policy toward ethical violations in the workplace, continuously monitor the business conduct and standards of all employees, foster an environment that is fair, just, and honest within the Company, and support anti-corruption and anti-bribery efforts in commercial endeavors.

The Company conducts irregular anti-corruption and integrity training for management and employees, heightens their awareness of anti-corruption and bribery, fosters a culture of upholding the law and performing honest work, develops the “Four Requirements on Integrity” for anti-corruption, and asks management to sign the Eight Regulations on Integrity and submit to employee and Company oversight.

Four Requirements on Integrity

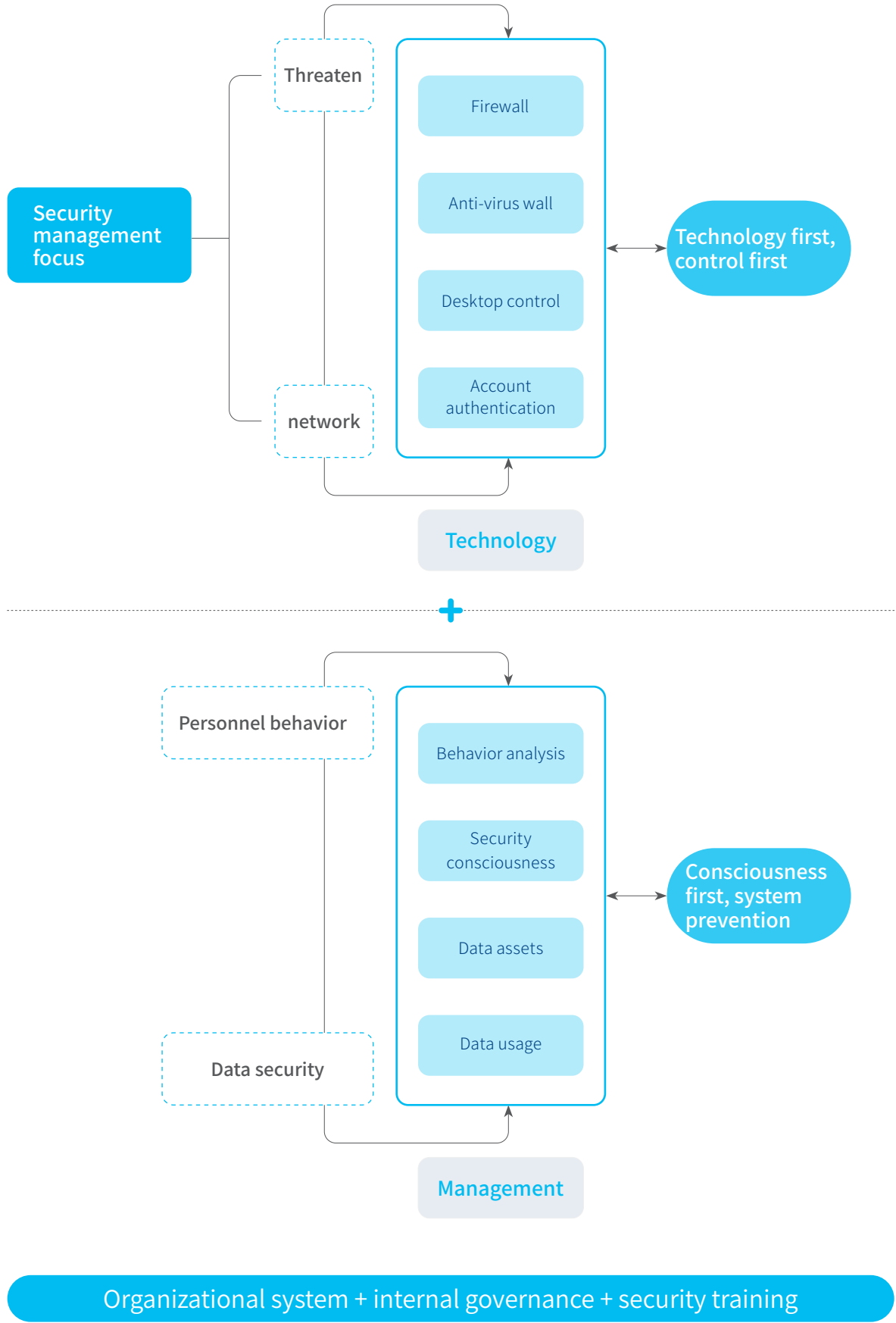
- Any property donated by partner organizations should be promptly delivered and registered
- The property that the partner organization refuses to return should be reported and recorded timely
- Employees and their families are not permitted to borrow money from relevant business partners or engage in any gambling activities
- It is prohibited for employees and their families to join business organizations, take part in operations, and have access to collaborative business processes

Every employee can report any activity that breaches this code to the Company using the easy-to-use channels the Company has set up for complaints and reporting about anti-corruption. The Company maintains the informant’s information confidentiality. Employees who disregard integrity standards will be disciplined in accordance with the law. Those who are accused of committing crimes will be handed over to the judiciary for handling.

Information security

In order to guarantee the privacy, dependability, and security of information assets, Sanxing Smart has always placed a high value on information security work and closely adheres to the standards of the ISO 27001:2013 information security management system. The Company sets up a data room in accordance with A-level requirements for national information system security level protection and with backup UPS, emergency generator, and environmental detection system; The internal industrial grade dedicated ring network is constructed, and many operators in the export interconnection network have redundant lines. First-class brands are used in the network equipment, and redundancy is implemented in the core network equipment; Known manufacturers such as IBM, Lenovo, and Huawei are used for the server equipment, which has a cloud high availability architecture. Using local data multi copy management, the Company configures various storage backup devices and executes data disaster recovery backup; The primary systems are created and set up to be highly available, and a mechanism for releasing updates has been devised to assure standard modifications and long-term use; The Company provides core hardware with 7x24x4 original factory services, and, to ensure prompt developer support, enters into a framework operation and maintenance agreement with a qualified third party. The product has dependable performance, a full network firewall, a 1-hour response time from qualified staff, resource analysis by committed staff, high core system availability, and frequent exercises.

The Company has built an information confidentiality system with centralized control over system permissions, software that encrypts sensitive data, centralized management over business data, and routine hardware updates and line-wide optimizations; Furthermore, the Company establishes bare fiber link, creates emergency plans, enhances virus monitoring and prevention systems, and enhances data backup and recovery procedures.



All business information, financial data, personnel information (including the personal information and contact information of the Company’s top management, middle management and key positions), contract documents, customer data, research and statistical data, technical documents (including design schemes, etc.), planning and marketing plans, management documents, meeting contents, etc. that has not been disclosed by the Company are considered company secrets, and employees are required to sign non-disclosure agreements; The Company should specify the nature of the material when it is unclear if a particular piece of information is a company secret; Prior consent from superiors should be sought before accepting invitations from outside parties to give speeches, share ideas, or deliver lectures, and comments on significant topics that may be relevant to the Company’s operations should be sought from superiors; It is required to keep work passwords private and it is not allowed to give them out or make them public; It is definitely forbidden to take someone else’s password.

During the reporting period, Sanxing Smart Electric did not have any information security leakage incidents.



Sign the Confidentiality Agreement

Fair competition

Sanxing Smart is committed to upholding local and international rules and regulations against unfair competition, promotes open and fair competition, and rigorously abides by the code of integrity. It firmly forbids businesses from pursuing competitive advantage by unethical or unlawful commercial tactics and bans agreements, decisions, or procedures that hinder competition. It also strictly forbids employees from getting unfair benefits through unfair means. The Company respects all rivals and views strong rivals as the catalyst for innovation and change. It supports gaining a competitive edge via superior product and service quality while eschewing unethical and unlawful business activities.

The Company employs a variety of strategies, including supplier assessment and open bidding, to advance fair competition in the market, consistently raise the level of openness in the procurement and bidding processes, and protect the interests of both businesses and suppliers. The Company must control its promotional and advertising efforts in line with the law, making sure that no false or deceptive claims are made in the marketing of its goods and services and adhering to all applicable provisions of the fair business and advertising law.

The Company trains its staff on fair competition, and it has a zero-tolerance policy for unfair competition. The Company aggressively fosters a healthy and transparent business environment as well as a decent business competition environment. It also actively monitors anti-unfair competition practices, protects whistle-blowers by implementing reporting processes, and actively promotes these factors.

The Company was rated as a AAA level credit entity and did not participate in any legal actions involving unfair competition throughout the reporting period.

Intellectual property protection

While rigorously adhering to intellectual property laws and respecting the rights of all parties, Sanxing Smart always views safeguarding intellectual property and protecting it from infringement as key obligations. The Company controls enterprise intellectual property asset management, external intellectual property management, and internal communication and sharing of intellectual property. A list of intellectual property assets is created via the gathering and organizing of intellectual property data by multiple departments to make sure that the operation does not violate the Company’s or individual’s patents, copyrights, or other intellectual property rights.

The Company has prepared and implemented the Intellectual Property Management Manual that outlines the duties and objectives of patent work and offers institutional assurances for the Company’s intellectual property protection. The Company actively supports the industrialization of patented goods, boosting product added value and economic advantages, and presently holds 564 approved patents (including 126 innovation patents).

During the reporting period, the Company did not have any disputes or lawsuits involving intellectual property rights.

The company currently holds authorized patents

564 items



Among them, invention patents

126 individual



Information disclosure

The management tenet of “fairness, sunshine, and transparency” is promoted by Sanxing Smart. It strictly complies with applicable laws and regulations, strengthens information disclosure management, unlocks information channels, and submits information in accordance with the principles of authenticity, reliability, accuracy, timeliness, and completeness as a wholly-owned subsidiary of the publicly traded Ningbo Sanxing Medical Electric Co., Ltd. The Company should notify the parent company as soon as possible of material information, especially when it could have a significant impact on shareholders’ and other investors’ investment decisions. It should also treat all investors fairly, make it possible for the parent company to understand the Company’s Trends in real time, increase information transparency, and protect the majority of investors’ right to know.

To make sure that the parent company and the Company’s management can promptly understand the Company’s business conditions and development direction, the Company routinely submits to the parent company quarterly, semiannually, annually, and other important business conditions, major strategic adjustments, major investment projects, and other information.

Together for mutually beneficial growth

In order to build a sustainable industrial chain and maintain a positive business ecosystem, Sanxing Smart actively establishes win-win cooperation models with relevant parties, continually strengthens quality management, continuously improves customer service, enhances supplier management, and promotes industry development.



- Quality safety

- Innovative R&D

- High-quality service

- Supplier management

- Industry cooperation

Quality safety

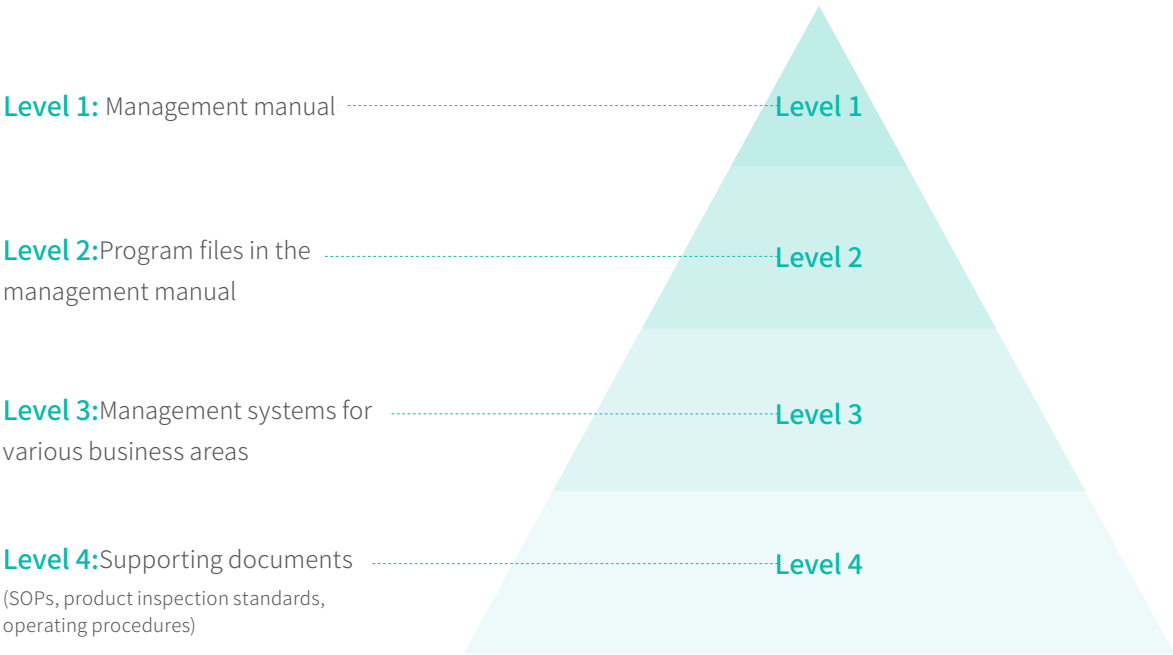
The quality policy of “adopting advanced technology, persisting in continuous innovation, enhancing customer satisfaction, and fulfilling quality commitments” is put into practice by Sanxing Smart. All of the Company’s personnel have a strong commitment to the idea that “quality is the cornerstone”. The Company follows the maxim of “quality first” and “comprehensive quality management”, with “zero defect management” as the objective, “refined management” as the benchmark, “lean production” as the means, and “customer” as the center of attention. From sourcing, design, and manufacture, it has created a comprehensive set of quality management and quality control methods.

Construction of quality system



Sanxing Smart created a strong quality management system, achieved ISO 9001:2015 quality management system certification, and constantly improved because it views quality as the lifeblood of the business. The Company created and enhanced its measurement management system in accordance with measurement laws and regulations, as well as ISO 10012:2003 Measurement Management Systems - Requirements for Measurement Processes and Measuring Equipment, and CMS04-2010 Technical Standards for Measurement Management System Certification. The measuring process and equipment of the Company’s series of goods in design, manufacturing, sales, and service are managed through efficient system operation and ongoing system improvement. A quality management system has been built by the business in accordance with guidelines like ISO /IEC17025 General Requirements for the Competence of Calibration and Testing Laboratories and it has been approved by the China National Accreditation Service for Conformity Assessment (CNAS). It is now the most complete laboratory in the industry.

The Company has a total of 161 quality management system documents, including 3 first-level document management manuals, 42 second-level procedural documents, and 116 third-level management systems. The document has four levels:



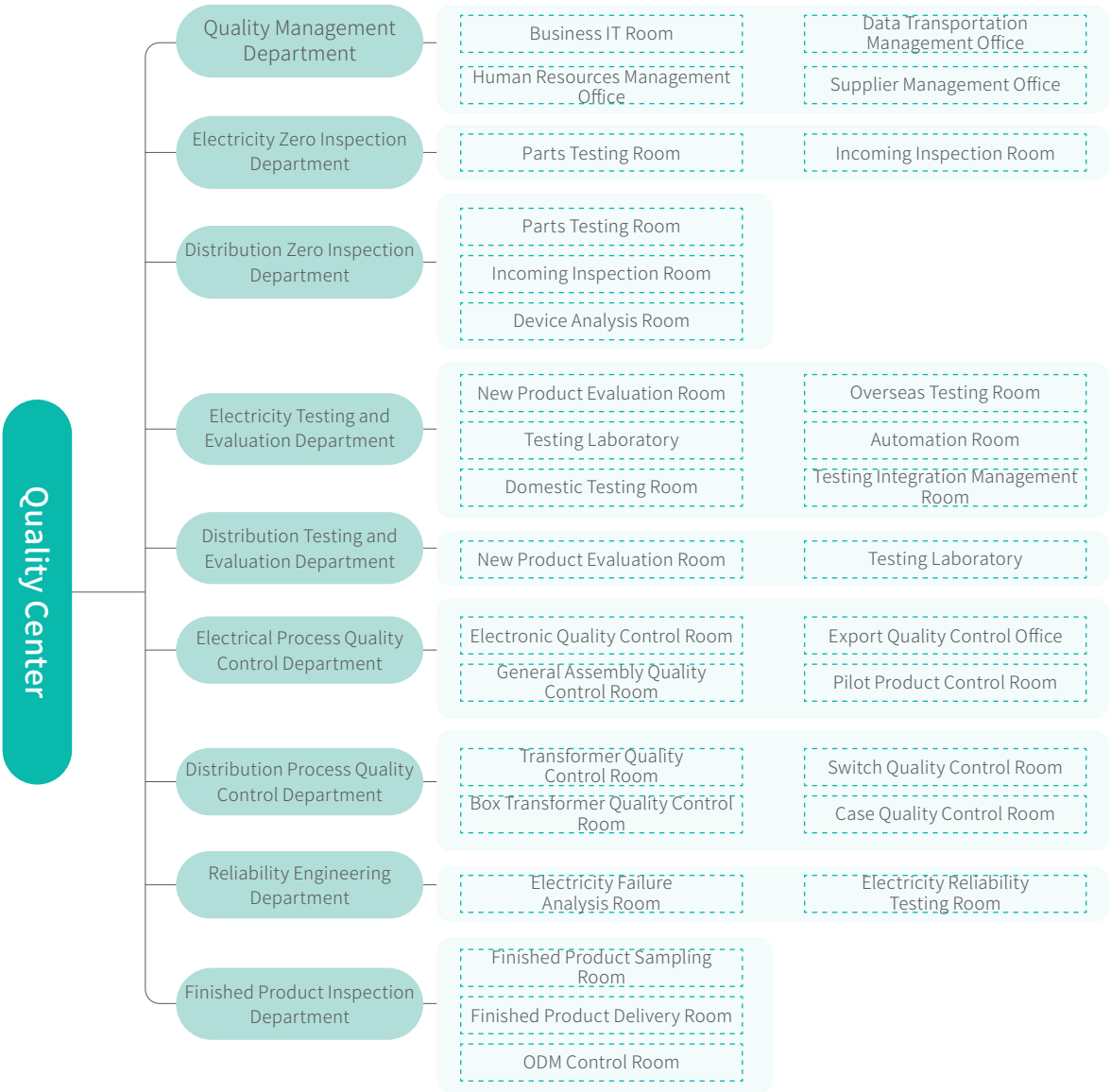
Quality management organization

As the major management department and the department with the primary responsibility for quality management, Sanxing Smart has built a Quality Center. It coordinates a huge number of qualified professionals, monitors issues in the business quality control procedure, and sets up a team to support correction and prevention, continually enhancing the caliber of the output.

Six departments are under the Quality Center: Quality Management Department, Zero Inspection Department, Testing and Evaluation Department, Process Quality Control Department, Reliability Engineering Department, and Finished Product Inspection Department. Every department and job has defined duties and qualifications that appropriately focus on helping quality management activities.

The Quality Management Department precisely, effectively, and pragmatically supports the execution of quality management under the direction of the digital strategy as the central department that coordinates the promotion of measurement, improvement, and innovation.

I Organizational Chart of Quality Center in 2023



Quality objective management

Sanxing Smart has created a top-down responsibility framework for “top leaders” in quality, focusing on the notion that quality is the foundation. Level by level, the signs are broken down, and the bottom line of quality is overruled. To ensure the successful execution of the promotion of system building, it has designed a rigid and ideal management by objectives process specification.

The Company develops its management objectives and indicators, carries out the performance KPIs of each department, and considers the market satisfaction, the quality policy, and the Company’s strategic planning. The Company utilizes the big data platform of the operational warehouse, and the leaders of each department may monitor



the data in real time, evaluate the data that does not meet the criteria each month, establish actions, and designate specific individuals to follow up. The mid-year and final assessment scopes incorporate performance KPI as a required evaluation indication for each department. A clear incentive and restriction structure for rewards and punishments is formed based on the assessment findings, assuring the accomplishment of quality targets.

Full process control

In order to create a top-down awareness of producing high-quality goods, Sanxing Smart has always promoted the idea of “zero defect” by implementing quality control throughout every step of the production process, including product design, incoming materials, manufacturing, and the after-sales market. It does not create, produce, transmit, or release faulty items.

To standardize the quality management of new product design and development processes, the Company has established a thorough product design quality control system. In response to common quality issues in the product industry, the Company avoids them in the design process to ensure that the product complies with applicable national or international laws, regulations, product standards, as well as market and customer requirements.

A 1,300-square-meter incoming inspection laboratory with 75 sets of testing equipment, including walk-in high-temperature and low-temperature test chambers, sunlight radiation test chambers, multi-stress comprehensive test chambers, temperature impact test chambers, lightning surge generators, etc., has been established by the Company with an investment of more than RMB 10 million. There are 24 testers, with college students accounting for 80%.



Walk-in wet heat test chamber



Walk-in high-temperature test chamber



Multi-stress comprehensive test box



Composite salt spray test chamber



Three comprehensive test boxes



Temperature shock test chamber



Walk-in low-temperature test chamber



Solar radiation test box



Waterproof test box



电磁振动台



High and low temperature alternating humidity and heat test chamber



High temperature test chamber

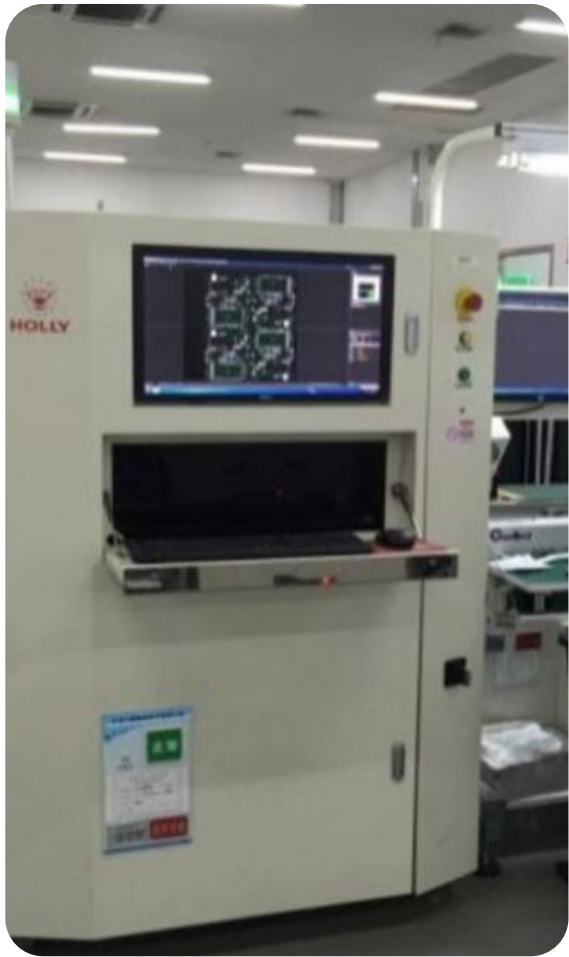


High and low temperature test chamber

The Company improves the quality control of the manufacturing process, emphasizing preventive inspection and process control, and implements a variety of quality control measures, such as SPC supervision of product factory parameters through the MES system and identification of automatic shutdown triggered by exceeding standards; It establishes IQC, IPQC, PQC, and OQC quality control points in a reasonable manner and implements consistent inspection procedures for every procedure; Create and implement quality control plans for modifications to the production process, and put in place a system for routinely inspecting the products; Furthermore, it creates a quality management system that encompasses the entire process, identifies any anomalous quality conditions by routine statistics of quality data, and quickly fixes and enhances them.



(SPI detection)



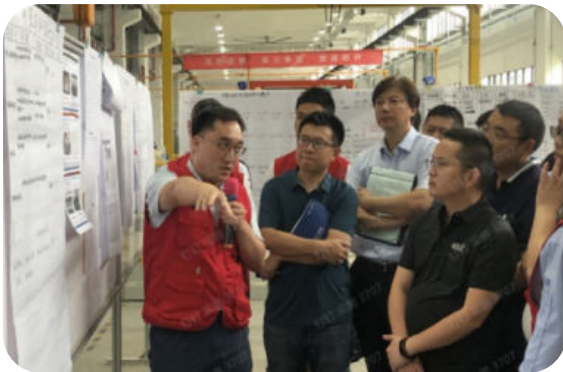
(AOI detection)

The Company has created a thorough factory inspection of finished goods in order to prevent defective items from reaching consumers, upholding the idea of quality as the cornerstone, and to assure the products. Before leaving the plant, the final product is examined in accordance with the licensing requirements, BOM, customer agreement, inspection protocols, and first inspection. Information management, data visualization, and IT-based tasks are carried out using the MES system. Inspectors carry out inspections in accordance with the finished product factory inspection plan and inspection rules, promptly transmit and notify responsible departments of any inspection flaws, and decide whether to reject, accept, or reach other conclusions based on the finished product factory inspection specifications.

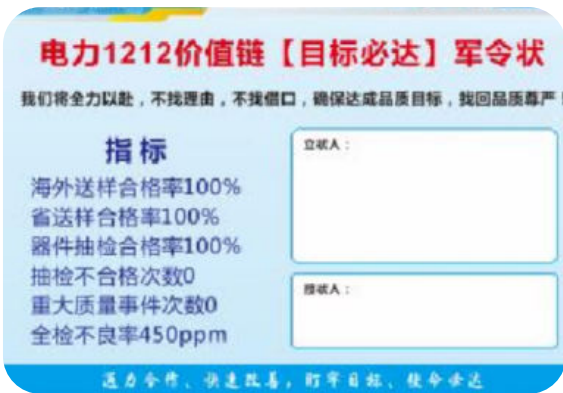
The Company is concerned with market quality, identifying problems, closing quality gaps, putting in place a standardized system, resolving quality disputes, and ensuring traceability across the whole quality control process. The Company creates dedicated sales and after-sales control information system (CSS) through the development of IT-based systems, and directly interacts with market technical personnel to quickly communicate and respond to the most recent market issues and demands. The Company also establishes a 24-hour processing mechanism and uses intelligent information systems to quickly and accurately classify market problems, quickly identify problem points, handle them, and make specific recommendations.

Creating a quality atmosphere

The fundamental cultural value of “precision, efficiency, simplicity, and pragmatism” is at the center of Sanxing Smart’s active promotion of quality culture. Quality culture is actively promoted via the use of five front-line and five key methodologies. Sanxing Smart is dedicated to enhancing customer satisfaction and developing a world-class production and quality control system for the power sector.



To foster a quality environment for all employees, the Company regularly participates in quality month activities, emphasizes quality rigidity, upholds high goal orientation, applies quality 100%, deeply supports the quality concept of “doing right at once” for all employees, achieves zero quality errors, and signs a quality responsibility certificate on-site.



Innovative R&D

To promote innovation, Sanxing Smart upholds the belief that “innovation is the soul” and actively fosters an environment that is conducive to it, which includes setting up innovation funds, introducing cutting-edge machinery, and collaborating with research institutions. Every employee engages in improvement initiatives and fosters a culture of innovation and development. The Company is the first in its field to use the “benchmark library” of the benchmarking system to learn from the advanced experience of top-tier domestic and international businesses (internal, competitors, benchmark), as well as to innovate in areas such as technology, digitization, human resources management, project management, etc. It has received awards such the high-tech enterprise designation, the Beijing Science and Technology Progress Award, and the 2021 Ningbo Enterprise Management Innovation Improvement Benchmark Enterprise.



Innovative ideas

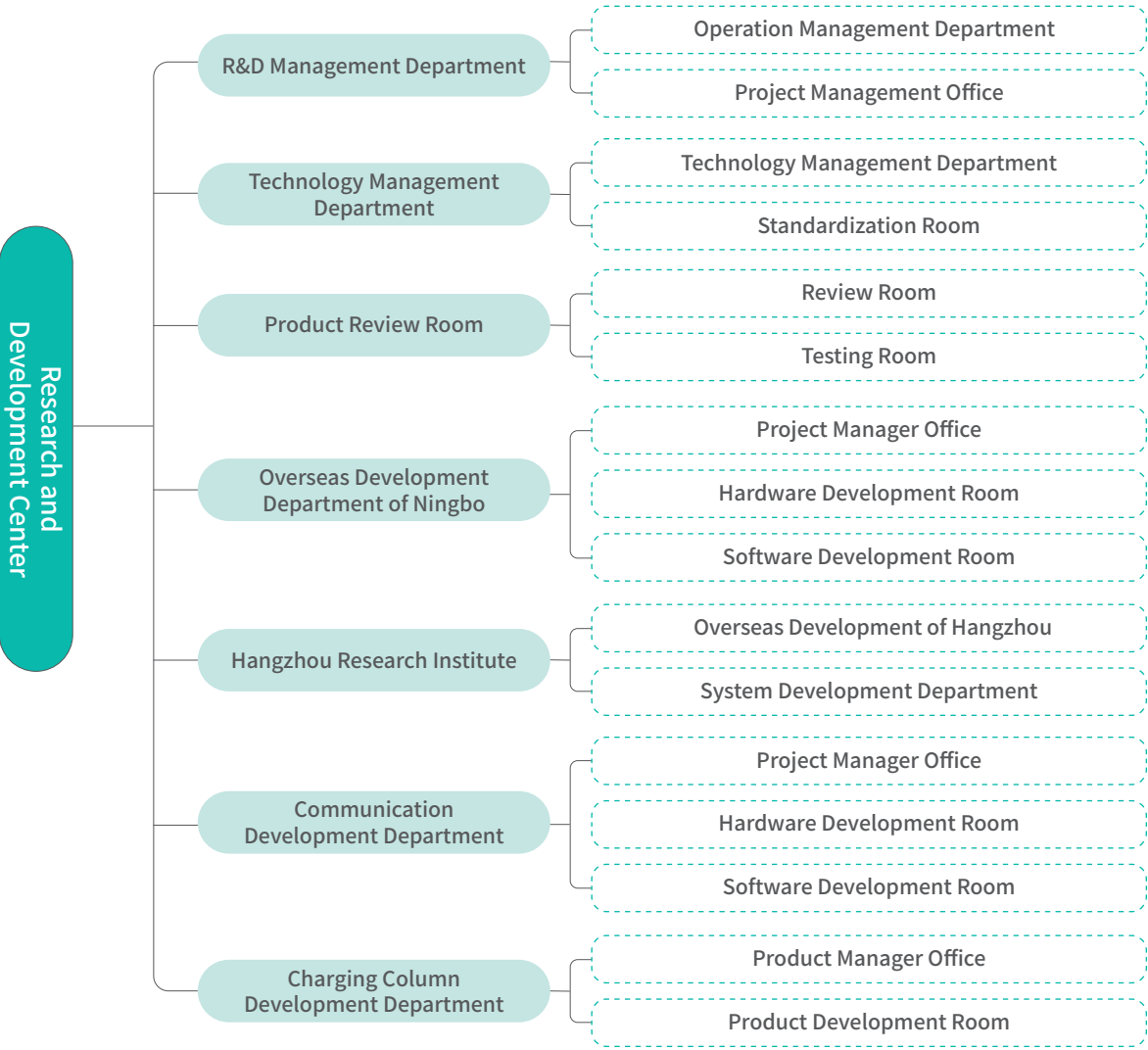
Product and technological innovation are very important to Sanxing Smart, who adheres to a research and development strategy that primarily relies on independent research and development, supplemented by cooperative research and development, and forms a research and development model guided by market demand and coordinated cooperation among multiple departments. The Company has borrowed the management concept of integrated product development and constructed a fast and efficient R&D process from theoretical models to product validation. Basic research and development is one of them, starting with fundamental needs like electricity meter measurement and electricity sampling, combined with technology and the direction of future evolution, continuously researching and developing cutting-edge and theoretical technologies, and advanced layout and development of key technologies for future product needs. The Company’s platform is being developed with a focus on accomplishing the strategic objectives of the medium- to long-term technological platform. It intends to create future product technologies in advance, support future product strategies, and offer a design system with high reliability, high performance, and simple scalability for product design based on the complete demands of numerous products. Based on application scenarios, performance requirements, use patterns, etc. of the target product, product development offers mature and complete power distribution solutions to clients and the market.

Innovation guarantee

Covering an area of over 6,000 square meters and with a total original value of over RMB 10 million for research equipment, Sanxing Smart’ s scientific research room has been equipped with advanced domestic energy meter testing and testing equipment. The Company has set a nationally recognized CNAS laboratory. The testing laboratory of Sanxing Smart was recognized by the US IAS as an international laboratory in September 2019, and has the qualification and ability to conduct third-party testing on products from other manufacturers. The overall R&D capability of the Company ranks among the top in the same industry in China, with the R&D level of energy meter taking a leading position in the domestic industry.

The Company has established a R&D Investment Accounting Management System, regulating the budget, investment, use, and accounting of R&D investment, ensuring that the annual R&D investment is not less than 3% of sales revenue, and providing strong financial support for innovative R&D. The average annual investment in R&D has reached RMB 75 million recently, accounting for 4% of sales revenue. The Company has also invested incentive funds of RMB 100 million to establish Product Innovation Award, and as of 2022, the actual distribution of the Product Innovation Award has exceeded RMB 38 million.

The Company has established an independent R&D team, built a R&D center, set 3 function departments and 4 R&D departments, and achieved flat organizational management, while other departments have cooperated and participated, and gathered the latest industry technical information under the leading of the R&D Department. There are 185 employees in the R&D center, with intermediate to senior employees accounting for 10%.



Industry-university-research combination

In terms of product development and technological innovation, Sanxing Smart focuses on cooperation among institutions, major clients, universities and enterprises, relies on forms such as industry, academia, and research, and studies and introduces cutting-edge technologies and standards to continuously improve its research and development capabilities and core competitiveness of products.

The Company exchanges and cooperates with research institutions such as the China Institute of Electronic Technology Standardization, and collaborates and develops with large business organizations such as State Grid and Southern Power Grid to launch IoT meters, cascade meters, Wisun communication modules, 80kW DC piles and other new products; The Company also cooperates with Xi’ an Jiaotong University and Tsinghua University to carry out research on “artificial intelligence edge computing chip”, and assists to promote the implementation of the pilot of smart power industrialization, and applies to research, development, design and innovation to improve the competitiveness of enterprises' products by strengthening the scientific research cooperation of colleges and universities.

For overseas meters, modules, charging pile and other products, the Company actively participates in the development of international standards in the power industry, and continues to transform and improve enterprise standards. The Company has timely summarized the lessons learned from failures or successes and prepared 251 product design guidelines suitable for each product after accumulation of nearly 20 years of experience in product development, and has formed Technical Document Management System, Coding Rules for Product Drawings and Design Documents as well as other enterprise management standards. The Company can classify and manage relevant technical standards, various technical research reports, and technical documents of products, and has established a product database.

High-quality service

Based on the principle of “customer first”, Sanxing Smart always puts customers first, wholeheartedly serves customers, provides high-quality services for customers, and insists on impressing customers with its services.

Proactive service system

The Company implements a proactive service system, and actively understands customers’ needs and feedback through regular follow-up visits and regular customer communication. We dispatch a dedicated customer relationship team to maintain close contact with customers, and provide targeted solutions to meet their personalized needs.

The Company actively understands customers’ expectations, issues, and suggestions for our products and services through regular follow-up visits, face-to-face communication, telephone interviews, etc. with customers, and has collected a large amount of feedback information about service quality, safety, and efficiency. For common issues discovered during the analysis of customer needs, the Company has taken targeted measures to improve the quality of customer service.

Closed loop of customer complaint issues

The Technical Service Department should upload customer complaints in the CSS system, and the Quality Department should assign a dedicated person to determine the responsibility for issues as well as work rectification task in the QMS system, and monitor rectification loop of issues. For major customer complaint issues, it is required to organize customer complaint cases, report to the top management at the management review meeting, and archive the materials.

Satisfaction survey

The Technology Service Department of Sanxing Smart should conduct a satisfaction survey (questionnaire) to major customers on a quarterly basis, which includes product quality (including product reliability, etc.), price level, service quality, delivery timeliness, and individual scoring method (10-point system): 10 points indicates very satisfied, 8 points indicates satisfied, 6 points indicates average, 4 points indicates dissatisfied, and 0 points indicates very dissatisfied. Besides, the Department should promptly record the survey results in the Customer Satisfaction Survey Form to solicit their opinions on products of the Company, classify and count customer feedback information based on satisfaction level, and issue a customer satisfaction survey evaluation form, so as to facilitate relevant departments in formulating corresponding improvement measures and report such information to the top management at the management review meeting.

The Company conducted a comprehensive customer satisfaction survey in 2022 to understand customer evaluations and feedback on our products and services. In accordance with the survey results, 85% of customers are satisfied with our product quality, and 91% of customers are satisfied with our service quality. Feedback from the customer satisfaction survey show that our service satisfaction score has increased by 9 percentage points, reaching a satisfaction level of 90%. Customers highly evaluate the quality of our products and services, and recognize our efforts and improvements.

Supplier management

Suppliers are the source of quality. To ensure the introduction of suppliers with good quality assurance capabilities and supporting delivery capabilities, Sanxing Smart takes quality as the basis, adheres to the principle of “quality first, considering delivery time, cost and service”, improves strict supplier access and level management mechanisms, establishes an advanced supply chain management system SRM, introduces high-quality suppliers in the industry, establishes an excellent supply chain system, enhances supply chain competitiveness, and achieves win-win cooperation with suppliers, which supports the achievement of strategic goals such as the purchase completion rate of 99% and the qualified inspection rate of 99.75%.

Item	2019	2020	2021	2022
Purchase completion rate (%)	95	97	98	98.6
Qualified inspection rate (%)	99.44	99.60	99.61	99.72
Supplier feedback rate (%)	85.5	86.1	90.8	92.1
Number of strategic suppliers (units)	14	15	18	20
Number of suppliers with experience over 10 years (units)	56	62	67	72

Admission review

Sanxing Smart conducts a review of business legitimacy certificate, main production and testing equipment, key process flow, sales volume, and other materials of suppliers to evaluate whether they meet the admission qualifications; conduct a review at production site of suppliers to determine whether their quality assurance ability, technical assurance ability, production capacity, etc. can meet the requirements; and evaluate whether the technical parameters of the materials match the requirements of components and equipment of the Company by comparing the standards and ultimate performance of the core parameters of the materials. Suppliers passing material trial, supplier review and sample confirmation will be listed as potential qualified suppliers after group decision-making.



Introduction conditions for conventional suppliers

- Having a good quality management system and the ability to stably provide qualified products of the Company;
- Priority will be given to power companies with experience in bulk supply;
- Except for special environmental protection processes (such as electroplating), suppliers’ key production processes will not be outsourced, and the outsourced production organization can accept irregular inspections of the Company to confirm its production qualifications and quality assurance capabilities;
- Newly introduced suppliers must comply with the admission rules for the supplied product category.

Performance appraisal

The Company has established a comprehensive evaluation mechanism with “quality” as the core and additional three dimensions of “delivery time, cost, and service”, and implemented supplier performance assessment through a combination of monthly and annual methods. The monthly performance score should be from monthly data of suppliers, and the annual performance score should be from the average monthly performance value. According to monthly performance, suppliers can be divided into 5 categories of normal, warning, yellow card, red card, and eliminated; and according to annual performance, suppliers can be divided into four categories of excellent, good, qualified, and unqualified. The Company implements four levels of quality control management based on the performance results of suppliers, including yellow and red cards, quality warning, supplier interviews, and rectification; The Company also lowers quotas for suppliers with yellow and red cards, and immediately freezes the hiring of eliminated suppliers.

Evaluation rules		Performance application	
Grade 4	Warning	Monthly performance<70 points	Empowerment
		Last warning mechanism	
Grade 3	Yellow card	2 performances within 6 months <70 points	Empowerment
		Violation of yellow card bottom line (major issue)	Allocating ratio
Grade 2	Red card	3 performances within 9 months <70 points	Deactivate
		2 yellow cards	For new products only
		Violation of red card bottom line (unauthorized changes, cheating on workmanship and materials)	For bidding only
Grade 1	Eliminate	2 red cards	Eliminate
		Long term non-supply (1 year for normal circumstances, and 6 months for other circumstances)	

Blacklist management

Suppliers seek benefits through improper means such as bribery, malicious breach of contract, provision of false information, concealment of related relationships, or maliciously disrupt market order and engage in significant market violations in the process of conducting business relations with the Company, and enterprises that may engage in illegal or criminal activities should be included in the blacklist (the benchmark for the entire group is unique, and specific updates should be subject to the group). From the date of being blacklisted, such suppliers and enterprises are not allowed to engage in business cooperation with the Company for a period of 5 years in principle; and they should complete management work such as adding, freezing, and unfreezing blacklists in the MDM system, and report for approval based on decentralization.

The Company requires suppliers to sign a Social Responsibility Commitment Letter of Suppliers, which regulates clear requirements for suppliers and subcontractors in labor and human rights management, including 8 aspects of establishing a system to protect employee rights and interests, human rights, child/underage/female labor, forced or compulsory labor, working hours and rest, basic wages and social insurance, no discrimination system and behavior, freedom of association and communication. Any violations will also be blacklisted.

Interactive communication

Sanxing Smart should establish a close two-way interactive communication mechanism with suppliers, develop a good cooperative relationship, and organize 30 special meetings with suppliers during the reporting period to overcome industry challenges such as “weak automation” of terminal boxes, It is required to transmit the cooperation concept of “quality first, value sharing” and promote quality improvement and win-win cooperation.

The Company has established an interview mechanism with a total of 28 organizations to solve problems and implement a closed-loop system. The Supply Chain Department collaborates on quality and technology, visits 56 suppliers, conducts benchmarking learning, empowers suppliers, and achieves win-win cooperation.



Industry cooperation

Sanxing Smart actively participates in relevant industry association activities, and understands the development status and trend of new products and new technologies of the industry through industry exhibitions and exchanges with the Standardization Administration; benchmark advanced enterprises in the industry and learn from the advanced methods and successful experiences of benchmark enterprises in the industry; and carry out technical cooperation and pre-research transformation with industry research institutes and universities to promote the integration of industry, academia, and research.



The Company pays close attention to the release and update of international standards in the electric power industry, actively participates in businesses of overseas meters, modules, charging station and other product, introduces and transforms international standards, and participates in the drafting and formulation of industrial standards.

Participation of Sanxing Smart in Standard Drafting

S/N	Standard category	Standard No.	Standard name
1	National standard	GB/T 28879-2022	Nomenclature of Model for Electrotechnical Instruments
2	National standard	GB/Z 17215.651-2022	Electrical Measurement Data Exchange DLMS/COSEM Module Part 51: Application Layer Protocol
3	National standard	GB/Z 17215.652-2022	Electrical Measurement Data Exchange DLMS/COSEM Module Part 52: Communication Protocol Management Distribution Line Message Specification (DLMS) Server
4	National standard	GB/T 17215.675-2022	Electrical Measurement Data Exchange DLMS/COSEM Module Part 75: Local Data Transmission of Local Network (LN)
5	National standard	GB/Z 17215.669-2022	Electricity Metering Data Exchange -The DLMS/COSEM Suite - Part 69: Mapping Between the Common Information Model Message Profiles (IEC 61968-9) and DLMS/COSEM (IEC 62056) Data Models and Protocols
6	National standard	GB/T 15284-2022	Multi-Rate Electricity Meters -Particular Requirements
7	Group standard	In revision	Technical specification for electric energy measurement of wireless charging station of electric vehicle
8	Group standard	In revision	Technical specification for inspection and acceptance of underground charging facilities in residential communities

People oriented and harmonious development

Sanxing Smart adheres to the concept of “the right person, the right enterprise”, firmly believes that talents selecting, cultivating, and achieving are the guarantee for rapid development of enterprises, and adheres to the principle of putting people first to achieve excellent job prospects. The Company always prioritizes interests and development of employees in the development of enterprises, advocates and adheres to the value concept of “people-oriented”, continuously improves the human resource management system as well as salary and incentive mechanisms, builds a platform for employees to realize value, shares development achievements, and unifies employees’ personal values and values of enterprises.



- Employment overview
- Democratic management
- Staff training
- Occupational health and safety
- Employee Care
- Rights and interests of employee
- Salary and welfare
- Career development
- Occupational health

Employment overview

Sanxing Smart adheres to the employment concept of “loyalty, responsibility, dedication, professionalism, and collaboration”, actively practices the three main lines of “employees satisfaction, fast performance improvement, and random employment”, and solidifies the talent pool around selection → education → employment → retention. The Company has deployed 10 IT systems in conjunction with its digital strategy, which covers all 6 modules, achieves automatic promotion, automatic performance evaluation, and automatic salary calculation, and creates first-class income (income of RMB 120,000 /year per capita, and logistics bonus exceeding RMB 80,000 per capita), first-class talents (cultivating excellent talents, AP series classes, dual promotion channels, and executive self-training exceeding 85%) and first-class corporate culture (promotion rate of 22%, employee positive review rate of 92.2 points, logistics resignation rate of 2.4%, and zero resignation in key positions).

As of the end of 2022, the Company had 705 employees, including 435 male employees and 270 female employees, accounting for 62% and 38% respectively. There were 25 senior management personnel of the Company, including 2 female senior management personnel, accounting for 8%. There were 490 frontline production employees and 65 management and technical personnel. The management and technical personnel accounted for 9.2% of the total number of employees in the enterprise.

Human resource management performance of Sanxing Smart in recent years

序	Type	Key performance indicator	Unit	2019	2021	2022
1	Organization management	Employee promotion rate	%	17.6	21	22
2		Per capita efficiency of all employees	10,000	143	175.7	368
3		Logistics efficiency per capita	10,000	367	437	604
4		Employee resignation rate	%	10	7	2.4
5	Performance salary	Average score of total KPI	Score	78	83	85
6		Per-capita income	10,000	10	11.6	12
7		Stimulation usage rate	%	86	88	90
8	Learning development	Training satisfaction	%	92	94	95
9		Training hours per capita	h	72	81	85
10	Employee satisfaction	Number of occupational diseases	Times	0	0	0
11		Employee feedback rate	Score	85.9	89.2	92.2

Rights and interests of employee

Sanxing Smart strictly abides by Labor Law of the People’ s Republic of China, Labor Contract Law of the People’ s Republic of China as well as other laws and regulations, and respects the internationally accepted code of conduct for social responsibility. Besides, the Company adhere to the principle of equal opportunities in all aspects of human resources, and only relies on employees’ educational level, professional qualifications, and work ability in recruitment, salary, benefits, promotion or dismissal, rather than any other factors unrelated to work, including nationality, ethnicity, region, skin color, gender, age, marital status, religious beliefs, political views, work experience, social status,

background, etc. The Company values the diversity of talents, provides fair, open, and transparent employment opportunities, and prohibits the recruitment and employment of employees due to factors such as gender, religious beliefs, and economic ability.

The Company safeguards the legitimate rights and interests of employees in accordance with the law, regulates employment behaviors of the Company, and builds a harmonious labor relationship. The Company strives to create a work environment free of any form of harassment or abuse for employees, prohibits physical, verbal, psychological, and sexual harassment and abuse, and resolutely eliminates the employment of child labor and forced labor. The Company strictly implements the national regulations on employee leave, and employees are entitled to rest and vacation according to law, and to marital and bereavement leave, maternity leave and family planning leave according to regulations. The Company implements a paid annual leave system, and provides overtime pay or compensatory time off to employees who work overtime on holidays and public holidays due to production and operation requirement in accordance with the Labor Law. The Company fully guarantees the legitimate rights and interests of female employees, provides timely and reasonable care for the three stages of pregnancy, childbirth, and lactation of female employees, and arranges suitable job positions for female employees.

No incidents or complaints of human rights violations, child labor, forced labor, discrimination or harassment occurred during the reporting period.

Democratic management

Sanxing Smart has established a comprehensive congress of workers and staff and labor union organization, and provided sufficient funding and organizational support. The trade union and enterprise negotiated and signed collective agreements with 100% coverage rate on equal footing to safeguard labor rights and interests of employees, such as wages, benefits, work and rest time, labor safety and health, etc. to effectively safeguard the legitimate rights and interests of employees, and establish and maintain harmonious labor relations.

On March 24, 2022, the Company held the 3rd Congress of Electricity Workers and Staff and Trade Union Federation, with 115 representatives attending, and listened to the summary of the chairman on the trade union’ s work situation this year as well as the next year’ s work plan. The attending representatives made enthusiastic speeches on the report and



expressed their views. Simultaneously, they reviewed and voted on relevant systems.

The Company understood voices of employees, identified deficiencies in management and work, and continuously filled gaps by analyzing reasons and developing action plans, and created a good work atmosphere through ten communication channels such as OA suggestions and symposiums.

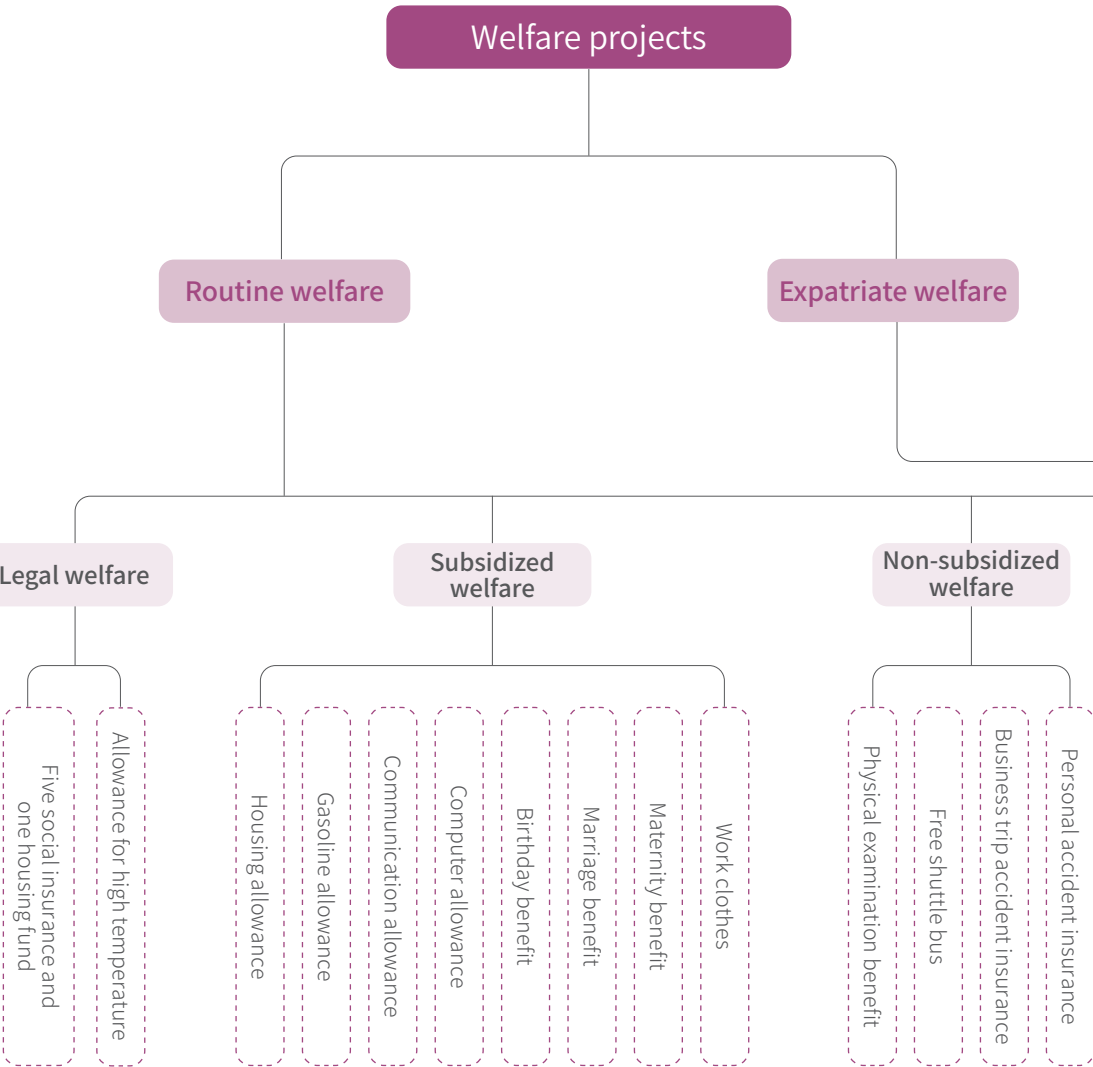
Type	Scope	Personnel	Period
OA optimization proposal	All aspects of company operation and management	Support staff	Trends
Employee feedback questionnaire	Nine dimensions including salary and growth	All logistics staff	Every six months
Staff symposium	All aspects of company operation and management	Extract proportionally	Trends
Management suggestion mailbox	All aspects of production management	Front-line employees	Trends
Value chain investigation and survey	Value chain communication and collaboration	Managers	Monthly
Reputation investigation and survey	Investigation and survey on employee promotion and salary adjustment reputation	Extract proportionally	Trends
Performance interview	All aspects of company operation and management	Extract proportionally	Trends

Salary and welfare

Sanxing Smart followed the principle of distribution according to work and the concept of “win-win”, established a sound salary distribution and payment system, and paid wages in full and on time with salary income of employees no lower than the minimum wage standard set by the government, insisted on allowing employees to share development achievements with the enterprise, and gradually increased employee salaries with the growth of economic benefits of the Company. Per capita income of the Company is RMB 120,000 per year, with an annual growth rate of 5% as the bottom line.

The Company has established a comprehensive evaluation system to evaluate performance from multiple perspectives such as KPIs, personnel recognition standards, work summaries, and training. The Company has also used evaluation results and performance communication to drive improvement, and applied evaluation results for cash and equity incentives.

The Company has provided employees with a comprehensive welfare system including five social insurance and one housing fund, interest-free loan (up to RMB 400,000), free housing, medical treatment discounts, free shuttle buses, birthday/childbirth/wedding gifts, holiday gifts, and free physical examinations.



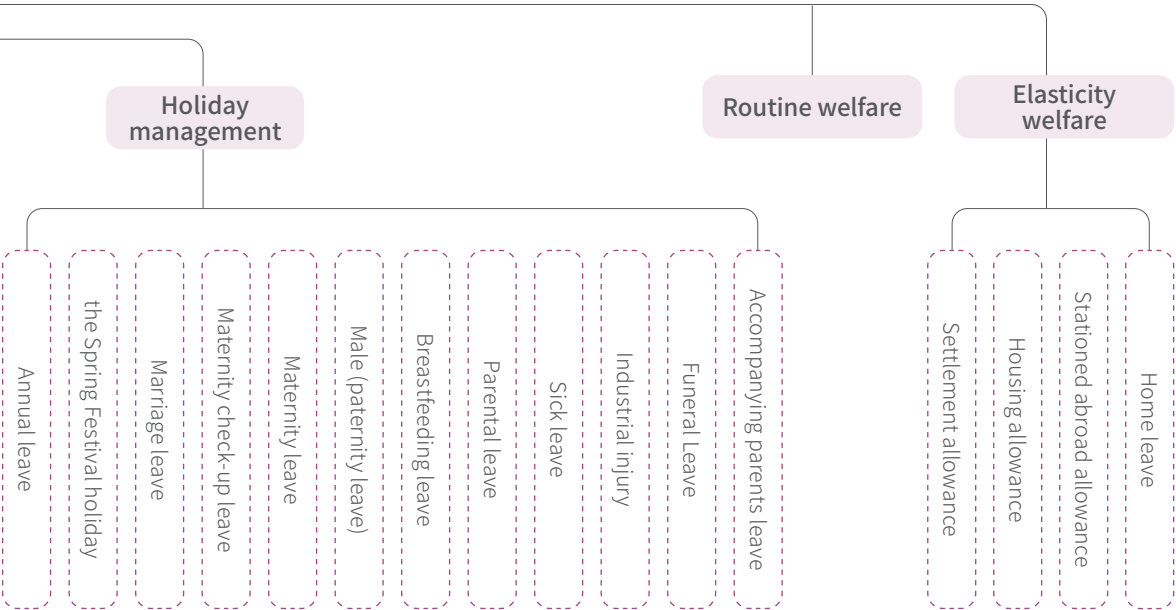
Staff training

With a sound education mechanism established, Sanxing Smart regarded the cultivation of outstanding talents as its corporate mission, established a variety of education systems such as one-on-one mentorship and executive education, and provided system support such as “education engine” and “online training program”, which can make the concept of education accurately implemented.

Sanxing Smart created a learning environment in a variety of forms, and used “learning is a lifelong companion and time is a precious asset, with success requiring perseverance” to encourage all employees to learn and grow. Through offline special training (A and P classes), online learning platform (PC+APP), incentive investment, communication activities with universities, institutional traction (learning hours and performance correlation), management training successors and other forms, a learning environment was actively created and a learning enterprise was built.



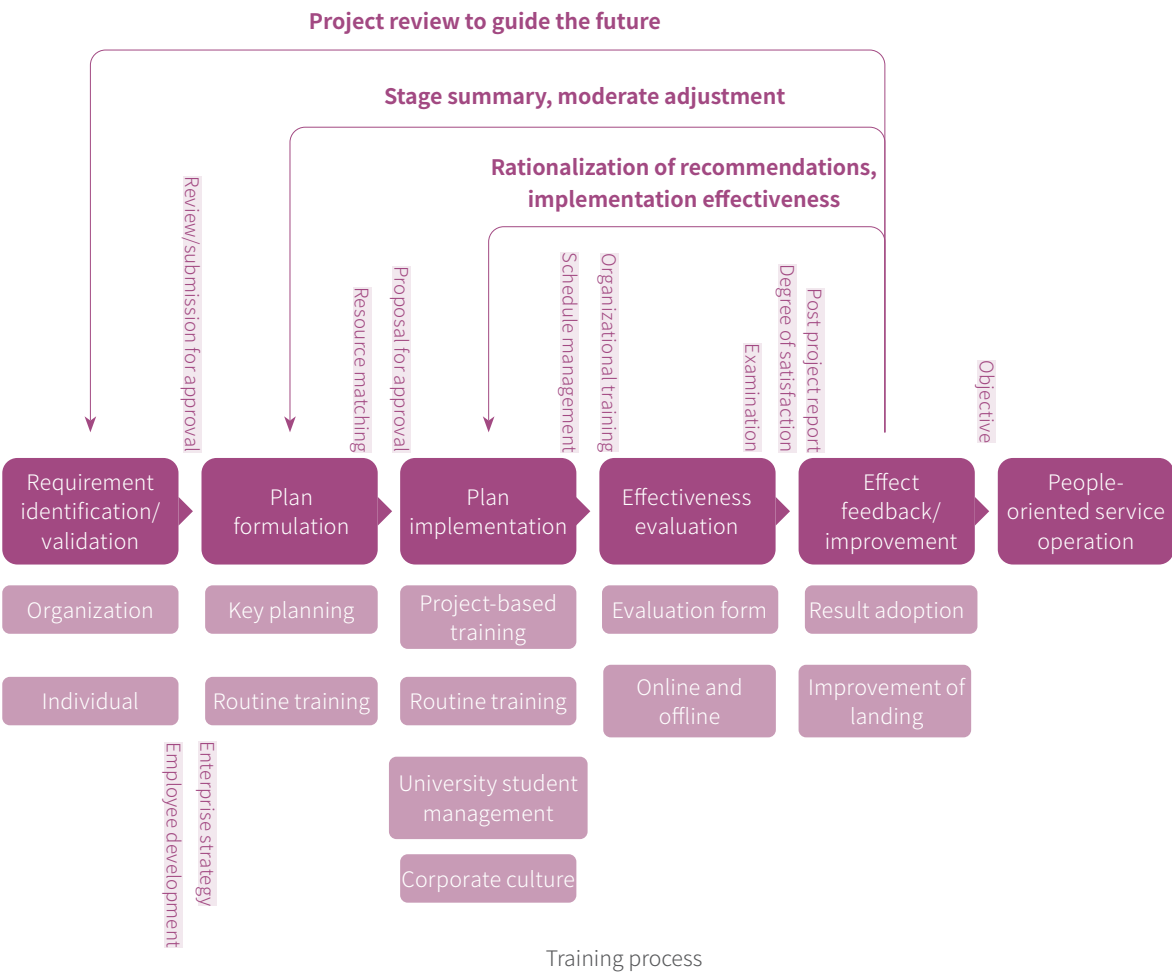
Online automatic learning (PC+APP)



The company provided a variety of forms of training, including but not limited to on-the-job training, skill and technology training, special job training, safety training, occupational health training, anti-corruption training, information security training, etc. In 2022, the training plan reached 549 trainings, with 9225 people participated in the training, and a total of 18,974 training hours was completed.



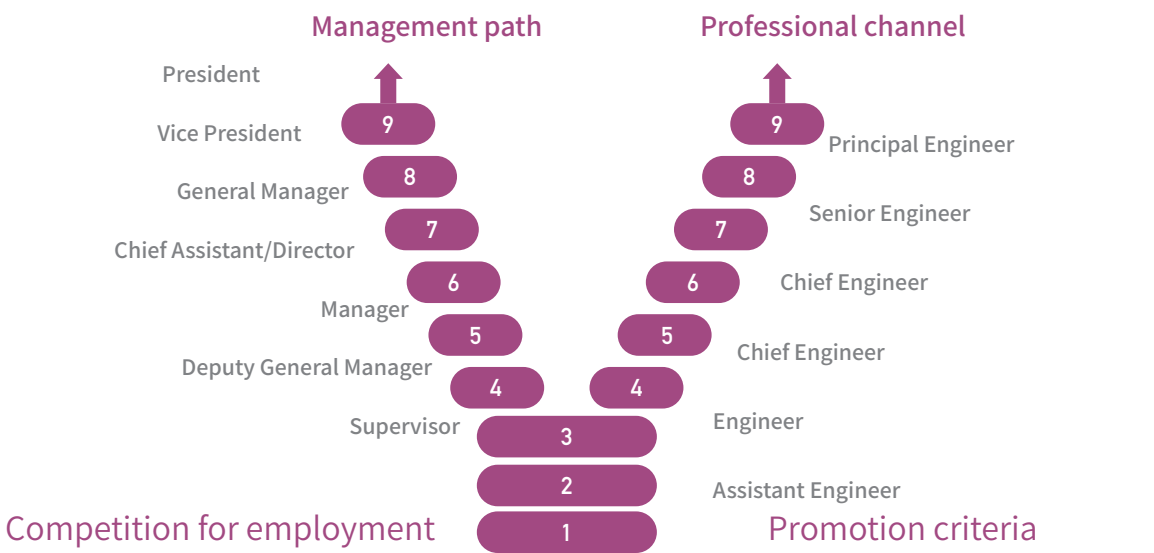
Training form	Training objects	Training program
A3 class	Senior leader	There were four stages of study, with each stage for 2-4 courses and each course for 4-8h
A2 class	Middle-level leader	There were four stages of study, with each stage for 4-6 courses and each course for 4-8h
A1 class	Basic-level leadership	here were four stages of study, with each stage for 6-8 courses and each course for 8-16h
College students, team leaders, key staff	College students, team leaders, key staff	There were four stages of study, with each stage for 6-8 courses and each course for 8-16h



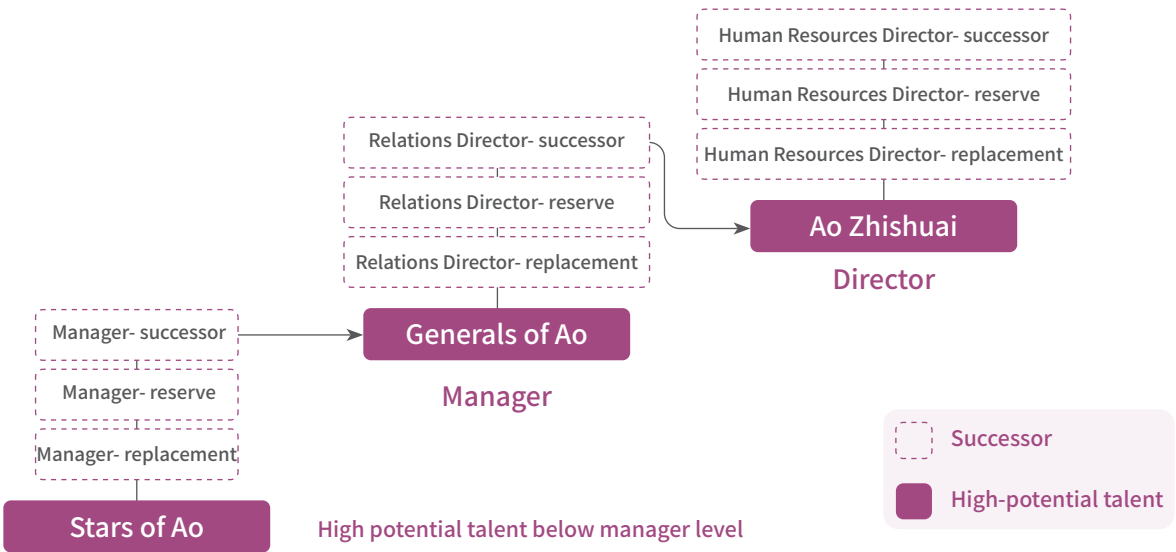
Career development

With a talent development concept of “performance-oriented, development-driven, performance-motivated, person-post matching, and giving full play to talents” established, Sanxing Smart created a set of promotion systems of “the able are superior, the average are in the middle, and the mediocre are below” and took the “standard for recognizing people” and “job quick evaluation form” as the benchmark to accurately identify people combined with performance evaluation; In addition, with the system of reserve talents and training rotation, employees can develop rapidly.

A dual development channel of management and professionalism was established by the company, and the management channel is open competition, with no company age and qualification limit, fairness, transparency and sunshine; The professional channel evaluates from the four dimensions of performance, thinking mode, work practice, learning and growth, clarifies the promotion criteria and implants the APP to promote the career development of employees.



The company promoted the “reserve talent” plan, with two echelons of successors and high-potential talents divided. The high-potential talents were divided into three levels including stars, generals and marshals, and successors can be promoted after training and meeting relevant requirements, which can establish a reserve talent pool and consolidate the talent pool.



Occupational health and safety

Adhering to the corporate safety culture vision of “putting people first, healthy development”, Sanxing Smart strictly abides by the Production Safety Law of the People’s Republic of China, Fire Protection Law of the People’s Republic of China and the laws and regulations of each place of operation to comprehensively carry out safety management work, establishes and improves the safety production responsibility system and safety management system, and comprehensively carries out safety supervision and inspection, which ensures that safety management measures are in place and comprehensive rectification of potential safety risks.

With hidden danger investigation and governance strictly implemented, the company regularly conducts safety inspections in various areas, safety equipment and facilities spot inspections by safety management personnel at all levels, continuously carries out in-depth identification and risk analysis of hazard sources, regularly evaluates the safety compliance of each factory, improves the emergency plan system, and formulates control measures, which ensures the safety of employees.

Three-level safety training and control for employees was carried out by the company, and employees can only work after passing the qualification; In accordance with the different categories and needs of personnel, various forms of education and training in a targeted manner were carried out, training laws and regulations, safety procedures, etc. were publicized to strengthen employees’ sense of responsibility for safety and enhance safety awareness, with the train and collection of evidence for enterprise safety management personnel in accordance with national regulations.



Safety education and training



The publicity activities such as “Safe Production Month” were actively carried out by the company to create a safety culture atmosphere; The company continued to strengthen safety emergency management, and carried out targeted emergency drills from time to time, which made employees further master the emergency handling process, tested the scientificity and operability of emergency rescue plans, and accumulated experience for rapid, orderly and efficient response to emergencies.



Occupational health



Sanxing Smart established various occupational health system systems including employee occupational health management procedures and labor protection equipment management measures, completed the construction of occupational health and safety management system, and passed ISO 45001:2018 occupational health system certification.

The company continued to improve the workplace of employees and provided employees with a safe and healthy working environment. After on-site investigation, 3 categories of occupational disease hazards and 21 testing items were determined, and professional testing institutions are entrusted to carry out occupational disease hazard factor testing every year, with the testing of major occupational hazards such as dust, chemical harmful substances, noise and high temperature for various production sites of the company, which ensure the health and safety of employees.



The company clearly informed the occupational disease hazard factors in the employment contract, with occupational disease hazard warning labels and warning instructions set up in all workplaces, which effectively protected the occupational health and safety of employees. The company’s employees were equipped with qualified and effective personal protective equipment, and guidance and supervision were given for the correct use of operators. Employees are organized to carry out occupational health examinations every year, with the coverage rate of physical examinations and health files reaching 100%.

with the coverage rate of physical examinations and health files reaching **100%**

The occupational health training for employees is regularly carried out by the company, and various forms of occupational health publicity activities are carried out in combination with the national Law on Prevention and Control of Occupational Disease publicity week and other activities, which create a good occupational health knowledge publicity atmosphere, and constantly strengthen employees’ occupational health awareness.

Occupational disease prevention equipment	Model	Scope of application	Protection parameter
Dust mask	Laudell LDE dust mask	Dust prevention	KN95
Dust mask	3M9001 dust mask	Dust prevention	KN90
Dust mask	3M9002 dust mask	Dust prevention	KN90
Anti-noise earplugs	3M1270 anti-noise earplugs	Protection against noise	SNR:25dB (A) SNR:24dB (A)
Anti-noise earplugs	3M1110 anti-noise earplugs	Protection against noise	SNR:37dB (A) SNR:29dB (A)
Electric welder’s helmet	-	Anti-welding arc light	-



Employee Care

The company cared about the mental health of employees, actively organized and conducted diversified employee activities, enriched the spiritual and cultural life of employees, relieved psychological pressure, strengthened team cohesion, and shaped a positive, healthy and progressive corporate culture.

In 2022, various cultural and health activities and festival activities were carried out by the company at least once a month on average, including: construction activities, women's day activities, college student team building, fun sports meetings, etc., with a cumulative investment of RMB 300,000 in activity funds.



With a monthly, quarterly and annual survey management mechanism established, the company carried out employee praise rate research, understood the voice of employees, listened to opinions and suggestions, found and improved work deficiencies, and enhanced employee satisfaction.

Type	Scope	Personnel	Period
All staff praise rate	All aspects of company operation and management	Staff	Every six months
Canteen praise rate	Canteen food price, type, service, hygiene, etc.	Extract proportionally	Annually
Staff symposium	All aspects of company operation and management	Extract proportionally	Trends
OA optimization proposal	All aspects of company operation and management	Staff	Trends
Manufacturing improvement suggestions	All aspects of company operation and management	Extract proportionally	Trends
OA optimization proposal	All aspects of company operation and management	Staff	Trends

The Company established a Love Fund to assist employees in need. In 2022, it spent RMB 23,000 to assist 4 employees with accumulated expenditure of RMB 129,000 to help more than 50 employees.



各位同仁们：

本月爱心基金援助申请人数共4位，经人力资源部初审，爱心基金委员会评审表决，通过4位，现将有关援助情况汇报如下：

一、援助对象及金额

此次援助共2人，男1人，女1人，共计援助2.3万元，截止日前爱心基金余额11.39万元。具体援助对象、金额如下：

援助人员汇总表			
序号	体系	姓名	资助金额(万)
合计			2.3
1	制造	电子分厂	0.8
2	制造	电子分厂	0.6
3	制造	品质办	0.5
4	制造	设备管理部	0.4

注：以上援助资金均从2022年度爱心基金账户支出（因考虑及到回款工期长，此次仅列报部门名称，不具体到员工姓名）。

Low-carbon environmental protection to facilitate green development

Sanxing Smart actively implemented the national green manufacturing policy, reduced the use of toxic and harmful raw materials, and improved energy efficiency. The selection of advanced clean production technology and efficient end treatment equipment promoted the resource utilization and harmless utilization of water, gas, and solid pollutants. The noise, vibration, and pollutant emissions at the factory boundary were reduced, and the proportion of clean and renewable energy used by enterprises was increased. In addition, the reduction in the use of high carbon energy promoted the transformation of green development in enterprises, taking the lead in creating advanced models of national green factories, setting industry benchmarks, and playing a demonstration role. The Company received awards such as National Green Factory, National Green Supply Chain, and Zhejiang Province Green Enterprise.



▪ Environmental protection

Equipment: Environmental protection fan, acid mist tower
Hazardous waste: hazardous waste storage, sewage treatment

Recycling: waste recycling, empty container recycling
System: environmental safety monitoring system

▪ Low carbon

Office: double-sided printing, electronic report
Production: ESOP (Electronic Work Instruction)

New energy: rooftop photovoltaic, electric forklift
Product: Tin slag recovery rate of 99%

▪ Energy saving

Energy storage: valley power, photovoltaic
Energy saving: device interconnection, natural lighting, LED lights, voice control, water-saving appliances, circulating water

- Environmental system construction
- Cleaner production

- Energy saving and consumption reduction
- Pollution prevention and emission reduction

- Green packaging
- Green office

Environmental system construction

Sanxing Smart insisted that “environmental protection is the lifeline of the enterprise! Lucid waters and lush mountains are invaluable assets. The Company placed a high priority on protecting the environment and actively fostered the development of an ecological civilization. We strictly abide by environmental protection laws, regulations and standards such as the Environmental Protection Law of People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People’s Republic of China on Prevention and Control of Water Pollution, and the Standard for Pollution Control on Hazardous Waste Storage. In addition, the Company developed seven management systems and standards, including the Identification and Evaluation of Environmental Aspects and Impacts Procedure, which clarifies the environmental protection management positions and responsibilities of various departments in environmental protection management, to ensure the smooth implementation of the Company’s environmental protection work.

The Company adhered to the concept of green health and environmental protection, and conducts environmental protection and energy management throughout the entire process and chain. It passed ISO 14001 environmental management system certification and ISO 50001 energy management system certification. Wastewater, exhaust gas, and boundary noise is lower than national standards, with 100% of the compliance rate for hazardous solid waste disposal. The comprehensive energy consumption is decreasing year by year.



The Company set a president responsible for the centralized management of the digital operations department, with responsible personnel from the environmental safety office, branch factories, supply chain, quality, lean management, administration, personnel, etc. jointly participating in the collaborative promotion of environmental management. The Company focused on the three dimensions of environmental protection, low-carbon, and new energy, continuously promoting the special projects of energy conservation,

equipment interconnection, and new energy transformation for all employees. It continued to carry out effective energy-saving and emission reduction, harmful substance control, and green product creation actions in all respects of production and operation, striving to minimize the impact of enterprise operation on the environment.

Cleaner production

Sanxing Smart implemented the concept of clean production in the procurement of raw and auxiliary materials, production process control, equipment maintenance, energy comprehensive utilization, and other processes. In its business activities, the concept influenced suppliers and customers to achieve good social benefits.

The Company is a pilot unit for clean production in Jiangbei District, establishing a clean production audit team. Together with clean production experts, the team conducted comprehensive diagnosis and analysis of the enterprise according to the methods of clean production audit, conducts comprehensive benchmarking of the enterprise according to the standards of clean production, and produced a reasonable clean production plan.

In 2022, the Company hired Ningbo Shangyuan Energy Conservation and Environmental Protection Technology Co., Ltd. to assist the enterprise in comprehensively carrying out the second round of clean production audit work. A total of 21 clean production plans were proposed, including 16 no low cost plans and 5 medium to high cost plans, all of which were feasible for implementing clean production plans. As of September 5, 2022, 16 low-cost clean production plans were completed with an actual investment of RMB 20,000, and the implementation rate of the low-cost plan was 100%; There were 5 medium to high cost schemes with an actual investment of RMB 11.268 million. The implementation rate of the medium to high cost scheme was 100%.

After the clean production audit, 2.9195 million kWh/a of electricity consumption was saved, RMB 2.4527 million/a of electricity cost was saved, and RMB 640,000 /a of labor cost was saved, resulting in a total of RMB 3.0927 million/a of clean production benefits; Exhaust emissions by 3.66152 t/a was reduced, achieving a higher level of stable and compliant exhaust emissions. That hazardous waste storage complies with the Standard for Pollution Control on Hazardous Waste Storage was ensured to prevent the direct discharge of hazardous waste residues into the environment. Moreover, the recycling of Renewable resource was realized. After the transformation, the installed power of photovoltaic power generation in the whole plant increased from 0 to 2570 kW. With economic benefits, the pressure on environmental protection in the whole society reduced, reflecting the social responsibility of enterprises, and achieving significant environmental benefits.

Energy saving and consumption reduction

In order to strictly regulate production energy consumption, Sanxing Smart built an ISO 50001 energy management system, established company energy benchmarks, conducted energy reviews, created energy goals and implementation plans, and routinely tracked energy performance. By building an interconnected energy management platform, real-time viewing and retrieval of energy data were achieved, promoting the smooth benchmarking of energy-saving and emission reduction projects. The Company established an energy management organizational structure and a sound energy management system, built a sound energy management ledger, and set trained and qualified energy management personnel to ensure the continuous and effective promotion of energy management work. The Company systematically sorted out various aspects of energy management work, summarized past energy management experience, and organized the development of a guiding document for the Company’s implementation of energy management - the Energy Management Manual.

In an effort to improve the quality of life for all people, the Company actively engaged in green and low-carbon operations, steadily increased investment in environmental protection, and implemented a number of energy-saving and emission-reduction projects. These projects promoted the conservation of resources like water and energy while lowering the discharge of toxic and harmful substances like wastewater and sulfur dioxide. In 2022, the Company carried out 73 energy-saving and emission reduction projects, effectively saving the use of various types of energy, and the energy consumption per unit area of the products decreased year-on-year.



Electricity saved Number of items

65 pieces

Savings

1.3 million kWh



Water saved Number of items

2 pieces

Savings

1500 tons



Compressed air saved Number of items

4

Savings

250,000 cubic meters

In 2022, the Company put into operation a rooftop photovoltaic power station with an installed capacity of 12MWP, which was connected to the grid for power generation in July 2022. About 9.433 million kWh of purchased power grid electricity was reduced every year to reduce the use of non-renewable resource with annual carbon reduction by 6,636 tCO₂. From August to December 2022, practical photovoltaic power of Sanxing Smart was 952,148kWh.



In order to replace the original dormitory air energy hot water unit with an electric heating system, the Company renovated the air compressor waste heat recovery system, installed heat recovery devices, and turned the initially squandered heat into hot water for waste heat recovery through oil-water heat exchange. An annual 300,000 kWh of electricity were saved by the method.



To achieve 3-control and 2-monitoring of 5 air compressors in the park, the Company invested in the building of an air compressor interconnection control system; According to the pressure of the pipeline network, the unit can automatically adjust its start and stop, achieving a pressure reduction operation of 6.7 to 6.2 bar, eliminating 90% of the idle power frequency machine. The idle power frequency machine can automatically stop for 5 minutes continuously, saving 200,000 kWh of electricity annually. The standby machine can be started automatically in the event of a malfunctioning unit, eliminating the need to shut down production equipment due to excessive gas pressure.



In order to comprehensively achieve single machine start-stop control based on production conditions and the shutdown and operation of one environmental protection fan, the Company renovated the electronic environmental protection waste discharge pipeline, remade the workshop waste discharge air duct, eliminated leakage points, and saved 200,000 kWh of electricity annually.



Energy consumption reduction performance of the Company

Indicator	Unit	2022	2021	YOY
Electricity (purchased)	kWh	6350700	6957840	-8.73%
Electricity (Photovoltaic)	kWh	952148	0	100%
Electricity (Total)	kWh	7302848	6957840	4.96%
Electricity consumption per RMB 10,000 of sales	kWh/RMB 10,000	32.5885	38.9339	-16.30%

The water source of the enterprise is tap water, supplied by the municipal pipeline network of Ningbo Tap Water General Company. The water supply pipe diameter is 150 mm, and the water supply pressure is stable at above 0.25 MPa. The Company implemented daily meter reading and analysis for the water meters in the pipeline network. By collecting relevant energy data and monitoring water consumption in real-time, the water consumption in 2022 was 40,902 tons, which was 4,317 tons less than that in 2021 (45,219 tons in 2021).

Pollution prevention and emission reduction

Sanxing Smart upheld the value of “business development in line with circular economy”, implemented strict waste management, encouraged resource restructuring and adjustment through technological innovation, formed material recycling, and maximized the recycling and comprehensive utilization of useful resources in waste, achieving maximum environmental and economic benefits.

Wastewater treatment

The Company did not discharge productive wastewater. The Company’s wastewater is mainly the domestic wastewater of employees with a rainwater and sewage separation system for drainage adopted for the entire factory. Rainwater is discharged into the rainwater pipe network. After being treated by septic tank and oil separator, the domestic sewage meets the Class III standard of Integrated Wastewater Discharge Standard (GB8978-1996) and is included in the municipal sewage pipe network. It is sent to Shibei District Sewage Treatment Plant in Ningbo for treatment and discharge after reaching the standard.

Waste gas treatment

The waste gas generated by the Company mainly includes welding smoke, welding waste gas, coating waste gas, drying waste gas, cleaning waste gas, etc. The main pollution factors are particulate matter, non-methane total hydrocarbons, tin and its compounds, as well as particulate matter, non-methane total hydrocarbons, tin and its compounds. After cleaned with a flat bag filter, UV photocatalytic oxidation, and activated carbon adsorption, the exhaust gas is collected and released at a height of 15 meters. The second level requirement for “emission limits of air pollutants from new pollution sources” of Comprehensive Emission Standards of Air Pollutants (GB16297-1996) was met after testing.

Solid waste treatment

The Company’s solid waste mainly includes cleaning waste liquid, waste raw material bottles, leftover materials and defective products, waste packaging materials, waste activated carbon, and household waste. Among them, leftover materials, defective products, and packaging materials are handed over to professional recycling companies for recycling and utilization; Cleaning waste liquid, waste raw material bottles, and waste activated carbon are hazardous waste entrusted to qualified units for disposal; Domestic waste is uniformly cleared and transported by the environmental sanitation department.

Summary of Solid Waste Disposal by Enterprises

S/N	Solid waste	Quantity generated (t/a)	Emissions	Disposal method
1	Scraps and defective products	2	0	Professional recycling company for recycling
2	Packaging materials	0.3	0	
3	Cleaning waste liquid	3.2	0	Hazardous waste, entrusted to Ningbo Dadi Chemical Environmental Protection Co., Ltd. for disposal
4	Waste material bottle	1.5	0	
5	Waste activated carbon	4.5	0	
6	Domestic garbage	115	0	Timely clearance and transportation by Jiangbei Environmental Sanitation Department

In 2022, the Company generated 1842.26 tons of general solid waste, including 865.51 tons of waste wood, 675.91 tons of waste paper, 234.58 tons of waste plastic, and 33.81 tons of waste metal.

The hazardous waste generated during the Company’s production process includes waste activated carbon, waste packaging barrels, etc. Identification and classification of hazardous waste, creation of a system for managing hazardous waste, and oversight of the management of hazardous waste in various workshops and departments are all tasks that fall under the purview of the Company’s Safety and Environment Department.

The solid hazardous waste generated by the Company is strictly classified according to the National Hazardous Waste List to avoid leakage during transportation and transported to the hazardous waste warehouse of the Safety and Environment Department by designated personnel. The temporary storage site for solid waste in the factory is constructed in accordance with the requirements of the Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill (GB 18599) and the Standard for Pollution Control on Hazardous Waste Storage (GB 18597). Leakage prevention and leakage collection devices are installed in the storage site for hazardous waste in the factory. The general waste and hazardous waste of the Company are disposed of by qualified professional third parties, with a disposal rate of 100%.

Noise treatment

The Company’s noise mainly comes from equipment such as welding machines, screen printing machines, packaging machines, and air compressors during operation, with noise ranging from 60dB to 80dB. The Company reduced noise by taking the following actions: Advanced and low-noise production equipment is utilized to minimize noise output at the source during equipment selection and purchase. To ensure sound insulation during production, the workshop should be shut. Rooms must be set aside for noisy equipment, and the workshop’s equipment density should be kept within reasonable bounds. The maintenance and upkeep of industrial equipment should be strengthened with anti-vibration foundations or shock absorbers to ensure its sound operation. The noise at the Company’s factory boundary meets the Class III and Class IV standards of the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008) (with Jiangbei Avenue on the south side).

Green packaging

The cover and bottom shell used by the Company’s single three-phase meter was originally packaged in cardboard boxes, which cannot be reused after being opened, resulting in waste. In order to reduce the generation of waste, starting from January 2022, the Company required suppliers to replace cardboard boxes with reusable hollow boxes. After use, they would arrange for suppliers to regularly collect empty and medium-sized boxes, reducing the use of 671 tons of cardboard boxes annually.



Hollow boxes replace cardboard boxes for recycling

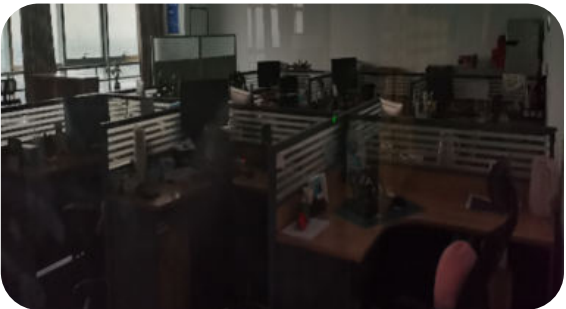
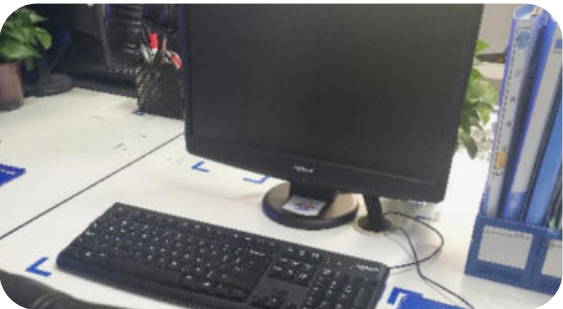
Previously, wooden pallets were used with varying degrees of damage during loading and unloading, resulting in the inability to recycle the pallets and the generation of waste. To reduce the generation of waste, intact wooden pallets should be returned to the warehouse for storage in designated locations after being used in the workshop, and provided to suppliers for loading and unloading materials for reuse. The production of 346 tons of waste wood was reduced annually.



Recycling of wooden pallets

Green office

Sanxing Smart improved its internal management regulations and advocated for green office work. As part of the “people come with lights on, people go with lights off” regulation, energy-efficient LED lights were employed for the Company’s illumination. To reduce the Company’s use of water resources, water-saving fixtures should be employed as much as possible. To reduce printing volumes and achieve green and environmentally friendly office work, it is best to use recycled or quickly growing forest products when purchasing printing paper. The implementation of paperless offices and network offices significantly reduced the amount of paper documents, printing, paper use, and other office costs. Internal email is typically used for document circulation and communication, eliminating the postage, transportation, communication, and labor needed to distribute paper documents. This increases office productivity and reduces a significant amount of related office expenses.



Brave to accept accountability and participate in growth

Sanxing Smart took upholding social responsibility as the Company's primary strategic objective. The Company worked to advance social responsibility management and consciously incorporate it into corporate strategy and corporate culture. It also vigorously promoted responsibility practice and continually enhanced social responsibility performance and realized the organic connection between upholding social responsibility and advancing sustainable development of the Company.



- Social responsibility policy
- Social responsibility system
- Communication with stakeholders
- Identification and management of significant issues
- Public welfare activities

Social responsibility policy

Sanxing Smart, an expert in the field of intelligent measurement, was dedicated to “globalization, intelligence, and leadership” and followed “sustainable management” principles in order to succeed in the future. The Company made a commitment to completely adhere to all applicable safety, health, and environmental protection rules and regulations in its nation and territory, and it made a point of meeting the needs of its clients, staff members, and the communities in which it is based. Moreover, efforts were made to reduce the impact of production and business activities on the environment through pollution prevention and sustainable utilization of resources. The Company regarded “sustainable development” as an important component of its strategic planning, and took safety, health as well as the environment as inseparable parts of daily work, continuously improving it for Sanxing Smart.

Social responsibility system

Sanxing Smart regarded fulfilling its corporate responsibility as an important mission and established a Sustainable Development Management Committee, consisting of senior management and technical personnel from the Company. In order to better advance corporation social responsibility and sustainable development initiatives, the Commission developed frameworks and policies for sustainable development. To carry out sustainable development activities, including innovation and change involving electrical safety, supply chain management, and public welfare, and to optimize the development of sustainable development management regulations and processes to ensure the Company’s sustainable development, the Company established a sustainable development expert team under the direction of the Sustainable Development Management Committee.

Communication with stakeholders

Sanxing Smart actively paid attention to the needs of stakeholders as a prerequisite for carrying out social responsibility actions. Sanxing Smart communicated extensively and thoroughly with all relevant parties, including customers, suppliers, employees, the government, regulatory bodies, and communities, through a variety of communication techniques and channels. Besides, Sanxing Smart concentrated on effective stakeholder communication, listened to and addressed their concerns, comprehended their expectations and requirements for the Company, took stakeholder feedback seriously, and actively adopted constructive recommendations and opinions.

The key topics for communication and the strategies used to respond between Sanxing Smart and various stakeholders are listed in the following table:

Stakeholders	Expectations and demands	Communication and response
Customers	Provided high-quality products and services	Provided product information Visited customers Satisfaction survey Improved after-sales service system
	Listened to customer feedback and suggestions	
Shareholders	Protected information security of customers	Improved the corporate governance system Disclosed business information
	Improved service quality	
Suppliers	Sustainable profitability level	Fair and Transparent Procurement Principles and Procedures Deep cooperation Honest trade
	Standardized corporate governance	
Employees	Stuck to win-win cooperation	Established the occupational health and safety management system. Created employee development channels Balanced work and life of employee Cared for employees
	Drove the development of suppliers Fair trade	
Community	Protected Legitimate Rights and Interests of Employees	Supported employment Participated in community building Public welfare projects
	Provided space for career development	
Peers	Paid attention to the physical and mental health of employees	Community volunteer service activities Industry conferences Seminars
	Inclusiveness and diversity	
Governments	Drove Community Economy Development	Industry-university-research cooperation Provided jobs
	Fully communicated with the community and coexist harmoniously	
	Carried out multi-level and multi-faceted cooperation	Paid taxes voluntarily Technological innovation
	Community charity	
	Technical exchange	Paid taxes in full in accordance with the law
	Collaborative innovation Industry development	
	Lead technological innovation Drive social employment	

Identification and management of significant issues

With the aim of effectively responding to the demands of the society and better fulfilling its social responsibility, the Company regularly undertakes the identification and management of significant issues of social responsibility. Based on the two dimensions of “importance to stakeholders” and “importance to corporate development”, the Company identifies substantive responsibility issues and clarifies the main contents of social responsibility in combination with each business sector by focusing on economic responsibility, employee responsibility, customer responsibility, environmental responsibility, partner responsibility, public responsibility and other fields. In 2022, the Company selected 15 important issues as major substantive issues for this year’s CSR report by conducting an investigation on substantive issues of the social responsibility report that serves as an important reference basis for the preparation of social responsibility report, based on the impact on stakeholder assessment and decision-making and the impact on the economy, environment and society.



Public welfare activities

While creating enterprise value, Sanxing Smart also undertakes social responsibility, such as actively carrying out public welfare activities to “feed back to the society after benefiting from it”, and actively conducting activities such as disaster relief, poverty alleviation and relief, and education care, etc., with a total donation of over 30 million to the society.

Participation of Sanxing Smart in Public Welfare Activities in Recent Years

Disaster relief

- Donation for the Covid-19 epidemic in 2020
- Donation of materials and electrical equipment in 2021 to aid Zhengzhou floods in Henan Province

Poverty alleviation and relief

- Assistance to poor counties in Guizhou of more than RMB 1 million
- Recruitment of more than 100 talents for poverty alleviation in Yuxi County
- Paired assistance to “Ceheng County in Guizhou”, and admitted more than 400 poor people
- Donation of RMB 100,000 per year for economic development of village enterprises

Education care

- College Student Internship Base

Scientific research support

- Collaborative R&D project between Tsinghua University, China Electric Power Research Institute, and State Grid Corporation of China

Public welfare activities

- Donation of Ningbo Society for Promotion of the Guangcai Program
- China Red ribbon Foundation Council
- Zheng Lunxiang Student Grant Funds
- Donation of books to Daliang Mountain
- Annual blood donation by employees



What We Strive to Be

Sanxing Smart is dedicated to becoming a professional manufacturer of electric energy metering and electricity management terminals with comprehensive competitiveness. Looking forward, the Company will strive to become a domestic first-class and international leading manufacturing base for smart meters and green power distribution products by expanding the deep processing of new products in the field of smart grid, such as new energy wind power combined transformers, distribution automation products, energy-saving amorphous transformers, intelligent switchgear, intelligent instrument boxes, etc.

The Company will always uphold the development concept of “quality is the cornerstone, innovation is the soul”, and build its efficiency advantage based on quality and “process IT” to continuously improve its comprehensive competitiveness and strengthen its position as an industry benchmark.

The Company will adhere to the philosophy of people-oriented and excellence in the workplace to further fulfill the corporate mission of cultivating outstanding talents and supporting the implementation of Sanxing's intelligent strategic goals.

The Company will keep promoting digital transformation and upgrading, vigorously introducing advanced automation equipment, and establishing a digital “provincial future factory” with full process coverage, equipment interconnection and quality traceability.

The Company will extend its IT system to upward suppliers to strengthen the joint innovation capability of key materials and core components, and share key data for downward customers in an orderly and open manner to create a new environment of digital ecological governance that integrates and integrates the industrial chain, supply chain and value chain.

The Company will develop its factories in Brazil, Indonesia and Poland, sort out the norms for overseas factories, and continuously implement internationalization and localization strategies to be closer to customers and markets, so as to sense the market and respond quickly.

Reference Index Table

Statement of use	Ningbo Sanxing Smart Electric Co., Ltd. has reported the information cited in this GRI content index for the period 2022.1.1-2022.12.31 with reference to the GRI Standards.	
GRI 1 used	GRI 1: Foundation 2021	
GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures	2-1 Organizational details	About us
	2-2 Entities included in the organization’ s sustainability reporting	Reporting boundaries
	2-3 Reporting period, frequency and contact point	Report Profile
	2-4 Restatements of information	/
	2-5 External assurance	/
	2-6 Activities, value chain and other business relationships	Company profile
	2-7 Employees	Employment overview
	2-9 Governance structure and composition	Governance structure
	2-12 Role of the highest governance body in overseeing the management of impacts	Governance structure
	2-16 Communication of critical concerns	Communication with stakeholders
	2-19 Remuneration policies	Salary and welfare
	2-20 Process to determine remuneration	Salary and welfare
	2-22 Statement on sustainable development strategy	Social responsibility policy
	2-26 Mechanisms for seeking advice and raising	Communication with stakeholders
	2-27 Compliance with laws and regulations	Governance structure
	2-28 Membership associations	Industry cooperation
	2-29 Approach to stakeholder engagement	Communication with stakeholders
	2-30 Collective bargaining agreements	Democratic management
GRI 3: Material Topics	3-1 Process to determine material topics	Identification and management of significant issues
	3-2 List of material topics	Identification and management of significant issues
	3-3 Management of material topics	Identification and management of significant issues
GRI 201: Economic Performance	3-3 Management of material topics	Recent performance
	201-1 Direct economic value generated and distributed	Recent performance

GRI 203: Indirect Economic Impacts	3-3 Management of material topics	Public welfare activities
	203-1 Infrastructure investments and services supported	Public welfare activities
GRI 205: Anti-corruption	3-3 Management of material topics	Business ethics
	205-2 Communication and training about anti-corruption policies and procedures	Business ethics
GRI 206: Anti-competitive Behavior	3-3 Management of material topics	Fair competition
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Fair competition
GRI 301: Materials	3-3 Management of material topics	Green packaging
	301-3 Reclaimed products and their packaging materials	Green packaging
GRI 302: Energy	3-3 Management of material topics	Energy saving and consumption reduction
	302-1 Energy consumption within the organization	Energy saving and consumption reduction
	302-4 Reduction of energy consumption	Energy saving and consumption reduction
	302-5 Reductions in energy requirements of products and services	Energy saving and consumption reduction
GRI 306: Waste	3-3 Management of material topics	Solid waste treatment
	306-3 Waste generated	Solid waste treatment
	306-5 Waste directed to disposal	Solid waste treatment
GRI 308: Supplier Environmental Assessment	3-3 Management of material topics	Supplier management
	308-1 New suppliers that were screened using environmental criteria	Supplier management
GRI 401: Employment	3-3 Management of material topics	Rights and interests of employee
	401-2 Benefits provided to full-time employees that are not provided to temporary or part_x0002_time employees	Rights and interests of employee
	401-3 Parental leave	Rights and interests of employee
GRI 403: Occupational Health and Safety	3-3 Management of material topics	Occupational health
	403-1 Occupational health and safety management system	Occupational health
	403-3 Occupational health services	Occupational health
	403-5 Worker training on occupational health and safety	Staff training
	403-6 Promotion of worker health	Occupational health
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health
	403-8 Workers covered by an occupational health and safety management system	Occupational health

GRI 404: Training and Education	3-3 Management of material topics	Staff training
	404-1 Average hours of training per year per employee	Staff training
	404-2 Programs for upgrading employee skills and transition assistance programs	Career development
GRI 405: Diversity and Equal Opportunity	3-3 Management of material topics	Employment overview
	405-1 Diversity of governance bodies and employees	Employment overview
GRI 413: Local Communities	3-3 Management of material topics	Public welfare activities
	413-1 Operations with local community engagement, impact assessments, and development programs	Public welfare activities
GRI 414: Supplier Social Assessment	3-3 Management of material topics	Supplier management
	414-1 New suppliers that were screened using social criteria	Supplier management
GRI 416: Customer Health and Safety	3-3 Management of material topics	High-quality service
	416-1 Assessment of the health and safety impacts of product and service categories	High-quality service
GRI 418: Customer Privacy	3-3 Management of material topics	Information security
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Information security

Reader feedback form

Dear Readers,

Hello!

Thank you for reading this Report. We sincerely look forward to your assessment of the Report and your valuable suggestions, so that we can continuously improve our social responsibility efforts and enhance our capability and level of fulfilling our social responsibility work!

Multiple-choice Questions: (Please tick in the corresponding position)

1. The relation between you and Ningbo Sanxing Smart Electric Co., Ltd.:

- ☐ Employee
 ☐ Consumer
 ☐ Supplier
 ☐ Supervisory body
 ☐ Media
- ☐ Other (please specify)

2. Your overall impression of the Report is:

- ☐ Very good
 ☐ Good
 ☐ Average
 ☐ Bad
 ☐ Very bad

3. In your opinion, the quality of social responsibility information disclosed in the Report is:

- ☐ Very high
 ☐ High
 ☐ Average
 ☐ Low
 ☐ Very low

4. In your opinion, the structure of the Report is:

- ☐ Highly reasonable
 ☐ Reasonable
 ☐ Average
 ☐ Bad
 ☐ Very bad

5.In your opinion, the layout and presentation of the Report are:

- ☐ Very good
 ☐ Good
 ☐ Average
 ☐ Bad
 ☐ Very bad

Open-ended questions:

Please make your valuable comments and suggestions on the 2022 Social Responsibility Report of Ningbo Sanxing Smart Electric Co., Ltd.:

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