



Sustainability Report 2021

smart Automobile Co., Ltd.



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Foreword

About the Report

The 2021 Sustainability Report (hereinafter referred to as the “Report”) is the first standalone sustainability report issued by smart Automobile Co., Ltd. (hereinafter referred to as “the Company”, “smart”, or “we”). We aim to ensure that all stakeholders could gain a more intuitive and holistic view into the Company’s sustainability performance and achievements in the past year and celebrate the new era of smart together.

The Report is prepared referring to the GRI Standards issued by the Global Reporting Initiative (“GRI”).

The Report covers the period from 1 January 2021 to 31 December 2021 (hereinafter referred to as the “Reporting Period” or “2021”). In the future, smart will share its latest progress and explorations along the Company's sustainable development journey with all stakeholders.

The scope of the Report covers the Company and its subsidiaries, including smart Automobile Sales (Nanning) Co., Ltd., Zhejiang smart Automobile Intelligence Technology Co., Ltd., and smart Europe GmbH.

Your feedback is valuable to our continuous improvement in sustainability performance. If you have any comments or suggestions, please email to: smart.info@smart.com.

Message from the CEO



Tong Xiangbei | CEO

2021 was a year filled with uncertainty and challenges, both for the world and for smart. Climate change continues to have a systemic influence on the global economy, the environment and society. As a global company, smart faces both challenges and opportunities. We reflect on our responsibilities and role as a company, and take these as part of our inspiration to promote the journey of sustainable transformation.

In December 2019, “smart Automobile Co., Ltd.” was formally established, and is a global joint venture between Mercedes-Benz AG and Geely Automobile Group. The Company is committed to shaping smart into a world’s leading, premium, pure electric automobile technology brand, and to bringing the new generation of pure electric smart vehicle family to the global market. In April 2022, smart celebrated the world premiere of the all-new smart #1 compact SUV in Berlin. The smart #1 represents not only the comprehensive renewal of the brand, but also a design philosophy which perfectly inherits and interprets the brand’s genes. We take inspiration from action to provide more sustainable solutions for future urban mobility.

In keeping with our vision “to design a smarter future together”, smart has systematically established and implemented a sustainability strategy which places the environment, the ecosystem and the general well-being of society at the centre. The sustainability strategy comprehensively incorporates material challenges faced by the Company, and their corresponding solutions. It also provides a guide for the Company’s business development, and constitutes an important cornerstone of the Company’s overall development strategy.



Clear strategic target
To provide a carbon-neutral pure-electric vehicle model
by **2045**



For smart, sustainable development means the Company develops business while balancing the impact of Environmental, Social and Governance (“ESG”). Our sustainability strategy includes five pillars: integrity & transparency, product & privacy, climate & carbon, circularity & resources, and employees & society. To achieve our sustainable development goals, we have officially launched the “smart” sustainability action plan, which includes a series of innovative short, medium and long-term initiatives.

In terms of integrity & transparency, we are committed to conducting business with integrity and compliance, and further improving our open and transparent corporate governance system. At smart, we do our utmost to uphold and elevate the effectiveness of the governance and compliance management systems. In 2021, the Company established and implemented a compliance management system which aligns with the relevant requirements of ISO 37301:2021 Compliance Management Systems. Furthermore, we provided regular training sessions on integrity and compliance

for employees across different levels of the Company to ensure the effective implementation of smart’s compliance management.

With regards to product & privacy, the premium, pure electric vehicles we design and develop provide users with a sustainable urban mobility experience, while bringing strengthened safety and privacy protection. smart’s business development has always been user-centric, and the protection of user data is one of our high priorities. In 2021, based on the General Data Protection Regulation (“GDPR”), Personal Information Protection Law of the People’s Republic of China and other relevant cybersecurity laws and regulations in China, we developed and implemented an information security management system to advance data governance and mitigate the risk of user data loss or privacy breaches. Our information security management system has obtained both ISO/ IEC 27001 Information Security Management System and ISO/ IEC 27701 Privacy Information Management

System certifications.

On climate & carbon, we take our decarbonisation commitment seriously, and are committed to producing carbon neutral vehicles and providing low-carbon solutions. As the first brand in the industry to fully complete the transition from fuel vehicles to pure-electric vehicles, we aim to provide a carbon-neutral pure-electric vehicle model by 2045.

In 2021, the Company established a life cycle assessment ("LCA") system to comprehensively understand the life cycle carbon emissions of our vehicle model products. Based on ISO 14040 Environmental Management – Life Cycle Assessment and ISO 14067 Greenhouse Gas – Carbon Footprint of Products, we established LCA methodology and sound data sources for our products' lifecycle carbon emissions accounting. As models and technologies develop, LCA will also facilitate to monitor and understand the carbon emission trends in our supply chain.

Regarding circularity & resources, we embed "life cycle thinking" into our business, and we are committed to circular economy and responsible sourcing. In addition to sourcing and using recycled and sustainable materials, the Company has put considerable efforts into battery tracing and recycling system. In 2021, the Company set up a near complete system to track battery data and has begun cooperation with industry partners on battery recycling.

For employees & society, we empower individuals to benefit society, and work closely with partners to jointly practice sustainable development. smart actively advocates diverse and inclusive corporate culture. We care about employee wellbeing and encourage employees to grow with the Company. In 2021, we welcomed 669 diverse new talents into the smart family, nearly 30% of whom were women. Corporate

citizenship has always been an integral part of corporate social responsibility, and in 2021, we collaborated with a number of well-known brands to host a range of social events to promote sustainable consumption and sustainable lifestyles.

We sincerely invite business partners to join us on our sustainability journey. With regards to our commitment to environmental responsibility and upholding human rights, we expect all of our business partners to follow the values and principles similar to smart. The Company's Supplier Code of Conduct covers various ESG requirements, such as legal compliance, human rights and labour practices, environmental protection, fair operating practices, responsible minerals sourcing and supply chain. Together with our business partners, we are implementing multiple initiatives with the aim of mitigating negative environmental and social impact at every segment of the value chain. In 2021, 100% of the Company's existing suppliers had signed and committed themselves to smart's Supplier Code of Conduct.

By publishing the first ever sustainability report, the Company seeks to respond to stakeholders' concerns and meet all expectations for the smart brand. There are many challenges on the road ahead, but we look forward with love and anticipation to what we will be building together with our partners – a smarter and more sustainable future.



About Us

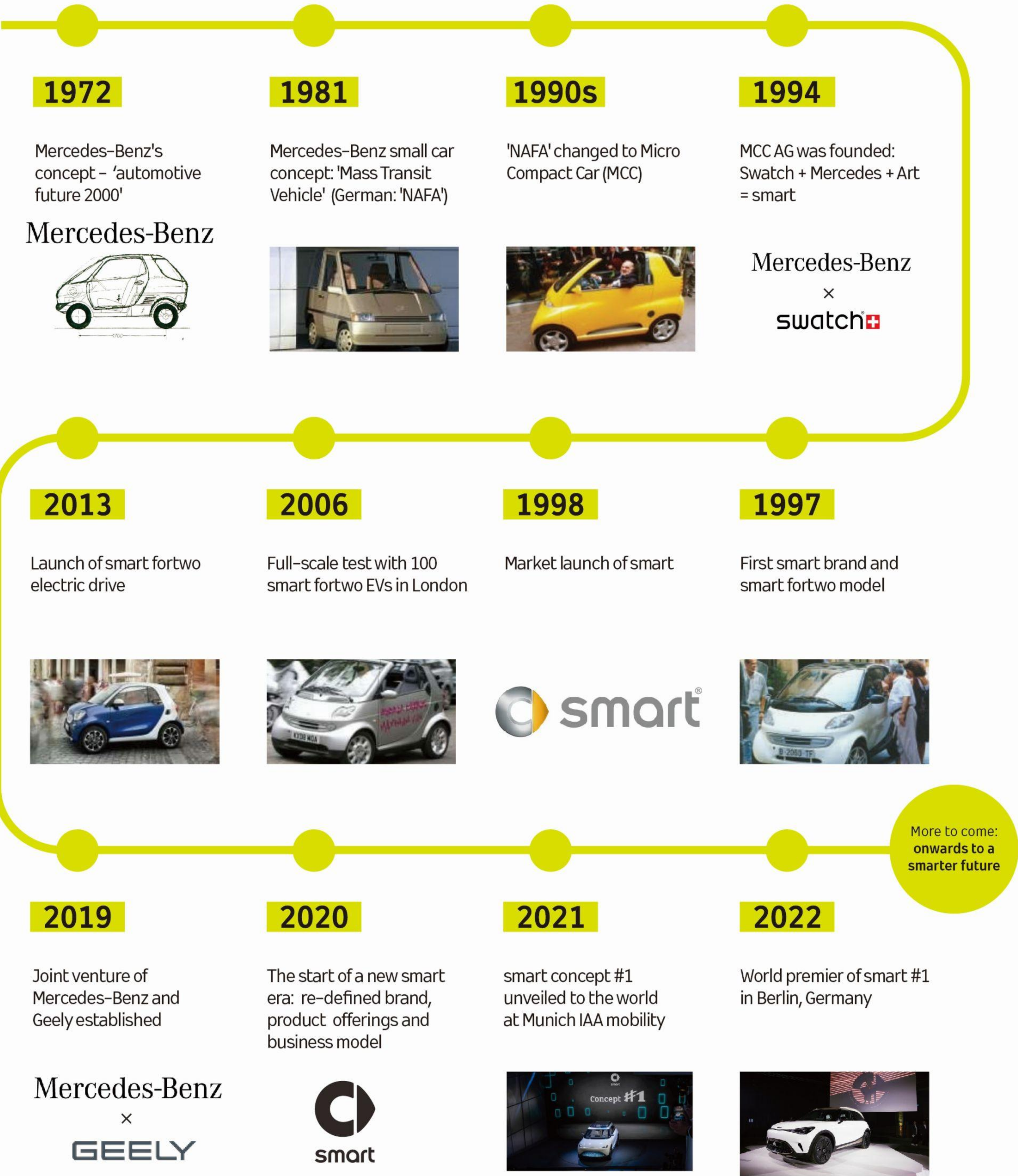
Our Culture and Values

smart Evolution

Since the birth of the brand in the 90s, smart has always maintained the vision **“to design a smarter future together”**. In 2019, smart Automobile Co., Ltd. was officially established. With a forward-looking “China-Europe dual-home” global development strategy, smart is committed to developing into a world-leading, premium, pure electric automobile technology brand.



Brand evolution



smart Brand Values

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



New Premiumness

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



Future Tech

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



Avant-garde Co-creation

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

Our Sustainability Strategy and Aspiration

Our sustainable development vision and objectives are embedded in smart’s culture and demonstrated in company behaviours. Our sustainable business model successfully balances all the factors involved in ESG, as the company achieves financial growth while balancing the impacts on society, environment, and local and regional economy. This effectively encompasses all aspects of responsible management of ESG-related issues and supports the brand purpose.

Sustainability is always on the agenda of our management meetings. Management at smart takes responsibility for leadership and actively promotes sustainable development at all levels of the Company, ensuring the sustainability strategy and overall business objectives are aligned. Management also provides ongoing insight into trends and market practices, and directional support for working-level sustainability.

The five pillars of our strategy are interconnected and collectively contribute to our brand inspiration. In order to achieve the sustainability objectives such as aiming to provide a carbon-neutral pure-electric vehicle model by 2045, all employees of the Company need to work together to advance the sustainable development agenda from top to bottom. In 2021, the Company rolled out a survey to gather insights from employees and understood the material areas for which they care most. From 2022, sustainability will be included as a key performance indicator in the Company’s performance review.

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

In 2021, to enhance partnership with external stakeholders and effectively listen to their comments and suggestions, smart rolled out stakeholder engagement meetings with key tier-1 suppliers and major financial institution partners. We embedded their insights into our sustainability strategy and roadmap. We will continue communicating and partnering with suppliers, investors, governments and NGOs to share our sustainable development achievements and engage them in our sustainable development journey.

As the first production model in the new smart family, the all-new smart #1 has offered the first glimpse of smart’s vision for the innovative exploration on sustainable mobility, and has demonstrated smart’s determination to facilitate global sustainability journey.



Supporting Sustainable Development Goals

Since 2015, the 17 Sustainable Development Goals (“SDGs”) of the United Nations (“UN”) 2030 Agenda for Sustainable Development are a call for action to end poverty, protect the planet and ensure that all people enjoy the benefits of peace and prosperity. Motivated to contribute to the global sustainability agenda, smart made every effort to embed SDGs into our own sustainability strategy and roadmap, leading the Company to contribute to the achievements of SDGs based on the pillars of the sustainability strategy.

smart Strategy Pillar	 UN SDGs supported
Integrity & Transparency	 SDG 16 Peace, justice and strong institution
Product & Privacy	 SDG 9 Industry, innovation and infrastructure  SDG 11 Sustainable cities and communities  SDG 12 Responsible consumption and production
Climate & Carbon	 SDG 7 Affordable and clean energy  SDG 13 Climate action
Circularity & Resources	 SDG 12 Responsible consumption and production
Employees & Society	 SDG 5 Gender equality  SDG 8 Decent work and economic growth  SDG 10 Reduced inequalities  SDG 17 Partnerships for the goals

Our Sustainability Governance

The sustainability governance plays a pivotal role in smart's corporate business. The Company continuously optimises sustainability governance structure to bring into play the management functions of organisations at different levels on ESG-related issues, and constantly enhances the corporate ESG governance standards.

At smart, the sustainability governance structure prioritises decision-making with the highest governance body as the core. We believe a good sustainability governance structure and clear operating mechanism can clarify the business reporting process, fully implement ESG measures, and effectively improve our sustainable development performance as well as the quality of disclosure. This enables smart to realise the strategy and vision of sustainable development.

The Executive Management Committee ("EMC") has been engaged in establishing smart sustainability strategy, aspirations, objectives and relevant policies. The EMC is responsible for identifying and assessing the material environmental and social risks as well as the corresponding management and control mechanisms. In addition, the EMC takes charge of reviewing the effectiveness of smart's strategy, governance, and performance, reporting material ESG issues and progress to the Board and offering relevant recommendations. We believe the EMC's active engagement demonstrates

the importance attached to ESG information for stakeholders, enhances the trustworthiness of ESG information disclosures, and advances holistic ESG implementation across the Company.

smart's ESG working group has been built with experts from research and development ("R&D"), Compliance and the Corporate Office, serving to coordinate decision-making processes between management and the operational level, as well as to roll out the strategy. The responsibilities of the working group also include reporting smart's material ESG issues, developing ESG-relevant policies and monitoring the systems. The working group takes charge of identifying the key sustainability team members in operations and determining which ESG metrics and corresponding evaluation process are right for smart. The lean sustainability governance structure enables smart to facilitate the collaboration across departments, drive the sustainability activities and guide the initiatives to be gradually accomplished.

Representatives at the operational level take charge of the implementation, execution, reporting and feedback of the strategies. The key departments include Legal, Compliance, Marketing, Sales & Services, IT, Human Resources, the Global Quality Centre, Procurement, Manufacturing, etc. They are collectively responsible for tracking and monitoring ESG data and tracing how the data is created and communicated through

the organisation. They also report regularly about the problems encountered in collecting, reviewing and disclosing ESG information and ensure the effectiveness of the monitoring system. In addition, the role of representatives at the operational level also includes engaging employees for sustainability goals and continuously maximising the impact of sustainable development.

Looking ahead, the Company will regularly review and update the responsibilities for each level of the sustainability governance structure. We will persist in enhancing environmental and social sustainability while enriching users' experiences and increasing shareholder value. We will spare no effort to lead the way to a better world with stakeholders.



Prioritising Material Topics

In 2021, the Company conducted a comprehensive materiality assessment and analysed the results in detail. This materiality assessment led us to identify and prioritise the sustainability issues that matter most to smart and our stakeholders. These formed the base of the Report as well as our sustainability strategy.

The process involved three major steps as shown below

1. Identification >>>

The Company created a list of 31 potential topics, and grouped them into five categories according to sector guidance from the Sustainability Accounting Standards Board (SASB) reporting framework: environment, social capital, human capital, business model and innovation, and leadership and governance.

The topics were identified through:

- Broad economic, social and/or environmental interests and topics raised by stakeholders (including employees, suppliers and investor groups)
- Broad-based societal expectations that were not identified directly from stakeholders
- Economic, environmental and social impacts and consequences of the Company’s business development (e.g. risks to our business model or reputation)
- Key organisational values, policies, strategies, and operational management systems
- Laws, regulations, international agreements, and voluntary agreements of strategic significance to the Company and stakeholders
- The core competencies of employees and their engagement and contributions to sustainable development

The Company conducted a peer benchmarking exercise to gauge performance according to the material topics that industry peers reported on, creating further insights into the general trends and challenges within the industry. At the same time, we checked against the latest laws and regulations, international agreements of strategic significance, global reporting frameworks and universal standards such as GRI, SASB, and the SDGs to provide the base and evaluation criteria for the confirmation of smart’s materiality issues.

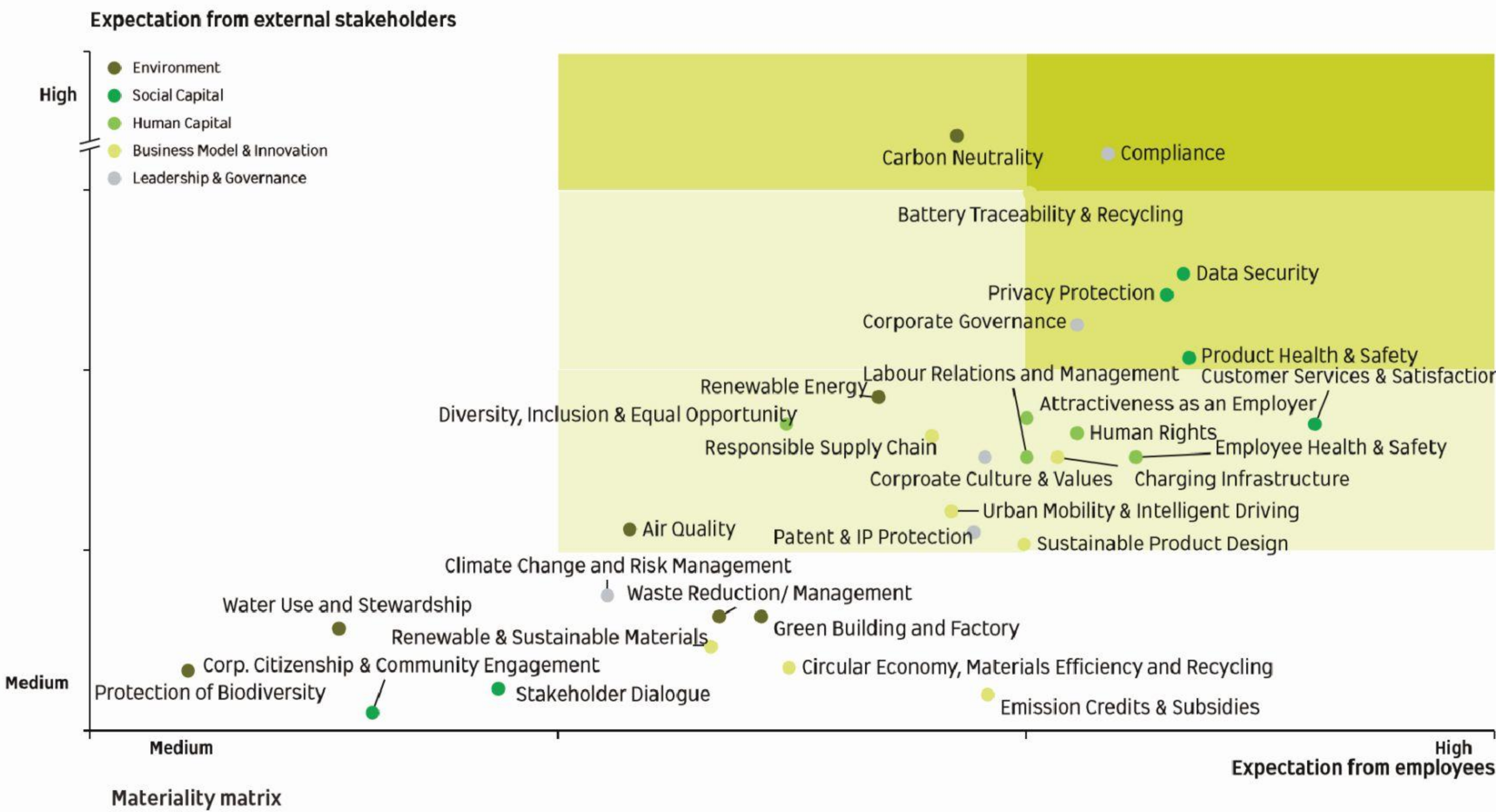


By fauxels / source: Pexels

2. Prioritisation >>>

In 2021, in the process of developing sustainability strategy, the Company sought to gain a more comprehensive view of the ESG issues that are most strategically relevant to operations and their prioritisation for stakeholders. The employees across 16 departments in both Europe and China were invited to participate via online questionnaires. We also conducted in-depth interviews with our business partners, including key suppliers and financial institutions.

Based on the feedback from internal (i.e. smart’s management and employees) and external stakeholders (e.g. suppliers, financial institutions, etc.), 31 material topics were plotted into a materiality matrix by their respective priority levels as presented in the diagram below:



Seven of these issues are deemed critical by both smart and stakeholders, which are: Compliance, Carbon neutrality, Battery traceability and recycling, Data security, Privacy protection, Corporate governance and Product health and safety.

3. Review >>>

The materiality assessment results were reviewed and confirmed by the EMC. To ensure that our sustainability work is more comprehensive and more reflective of stakeholder expectations, the 25 topics prioritised through the materiality matrix constituted the base of five sustainable development strategy pillars.

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

smart sustainability strategy pillars

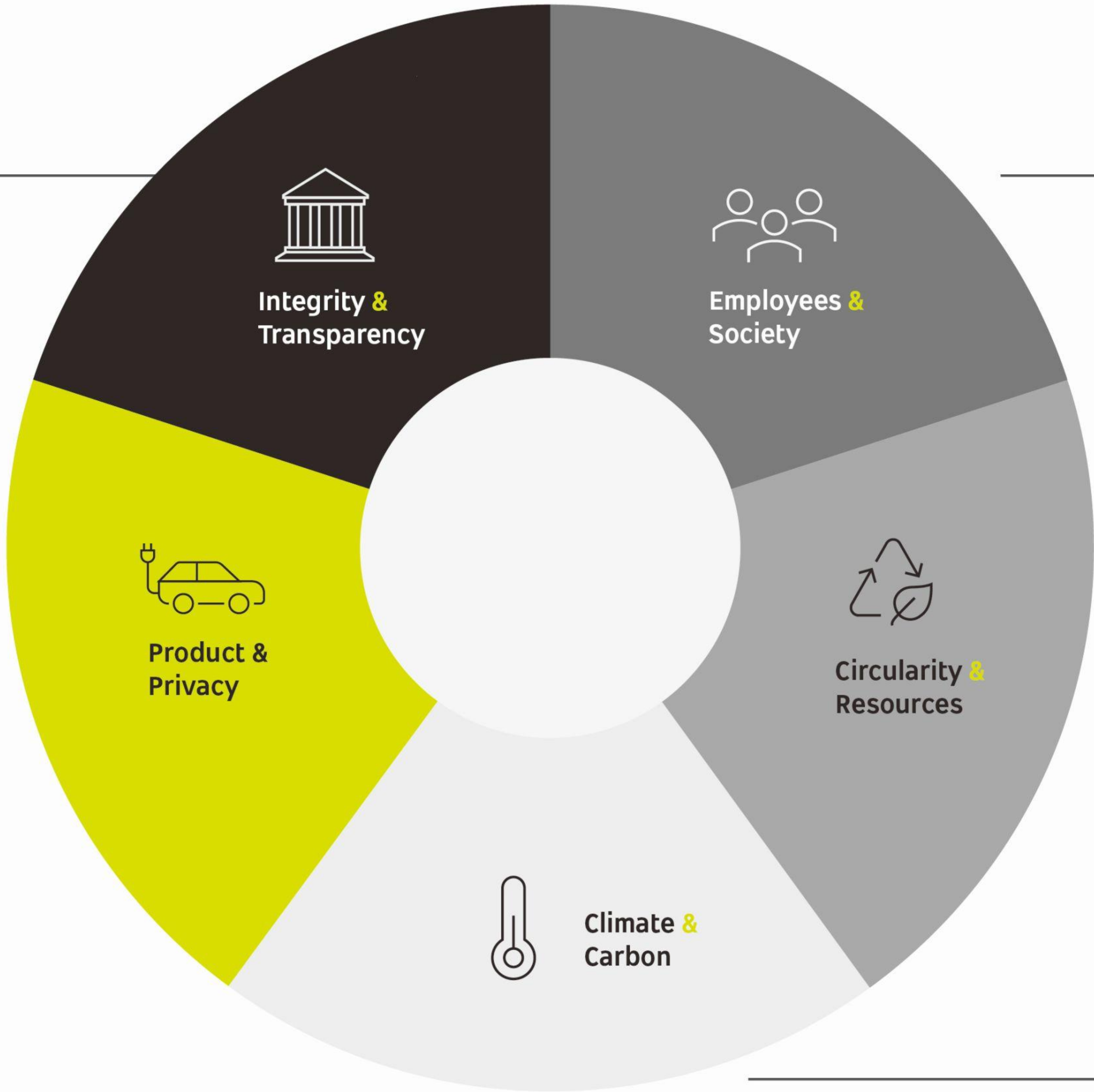
Our sustainability strategy focuses on business development and ESG material topics, facilitating to realise the corporate vision “to design a smarter future together” and supporting UN SDGs.



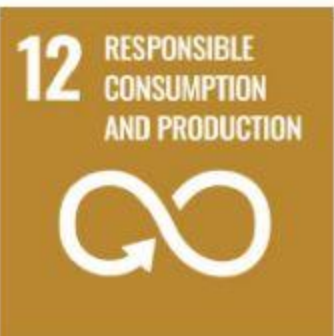
- Compliance
- Corporate governance
- Corporate culture and values
- Patent and IP protection
- Climate change and risk management



- Product health and safety
- Customer service and satisfaction
- Charging infrastructure
- Urban mobility and intelligent driving
- Privacy protection
- Data security



- Diversity, inclusion and equal opportunity
- Labor relations and management
- Attractiveness as an employer
- Employee health and safety
- Human rights
- Responsible supply chain
- Corporate citizenship and community engagement



- Sustainable product design
- Battery traceability and recycling
- Waste reduction and management
- Green building and factory








- Carbon neutrality
- Air quality
- Renewable energy

Dialogue with Stakeholders

The Company believes that continuous cooperation with stakeholders is beneficial for developing and maintaining strong relationships with them. It also enables us to more understand stakeholders’ specific needs, perceptions, and concerns. As such, the Company regularly communicates with stakeholders about sustainability topics. In addition, we responded to their expectations and requirements through integrating their suggestions into strategy. The Company expects to work with stakeholders to achieve win-win cooperation and jointly drive sustainable business development.

By ascertaining the extent to which stakeholders and smart interact with each other on business performance, we have identified five key stakeholder groups:



Our key stakeholders	Relationships and channels of engagement ¹	Most concerned sustainability topics from the view of stakeholders
 Investors	<p>Investors are the shareholders of the Company, and smart has the responsibility to listen to their concerns and ensure alignment in our common purpose of nurturing an adaptive, resilient business.</p> <ul style="list-style-type: none">• Regularly disclose information on business• Regularly convene general meetings and issue reports	<ul style="list-style-type: none">• Carbon neutrality• Compliance• Battery traceability and recycling• Corporate governance• Data security
 Users	<p>Our business success is closely related to the satisfaction of users, so we listen carefully to users’ concerns and respond to their evolving demands.</p> <ul style="list-style-type: none">• Third-party user service surveys• Gather feedback from experienced front-line personnel who interact with potential users in roadshows	<ul style="list-style-type: none">• Customer service and satisfaction• Charging infrastructure• Product health and safety• Battery traceability & recycling• Urban mobility and intelligent driving
 Employees	<p>Employees are the core of business development and it is essential that we listen to their concerns and needs, so that we can attract and retain the best talents.</p> <ul style="list-style-type: none">• Annual employee engagement surveys• Cross-department sharing in workshops/training, and focus group meetings when needed• Whistle-blower channels including email and hotline• Employee communication channels	<ul style="list-style-type: none">• Customer service and satisfaction• Product health and safety• Data security• Privacy protection• Employee health and safety
 Suppliers	<p>As a player in the automotive industry, smart has many suppliers of auto parts and high-tech services. By working closely with suppliers, smart can engage them on sustainability journey and expand the impact of sustainability initiatives.</p> <ul style="list-style-type: none">• Regular supplier reviews and assessments• In-depth interviews• Workshops/training for suppliers and contractors (especially compliance and employee health and safety trainings)	<ul style="list-style-type: none">• Carbon neutrality• Battery traceability & recycling• Compliance• Privacy protection• Product health and safety
 Society and the public	<p>Listening carefully to the public and addressing their concerns and requests are vitally important to achieve smart’s vision and mission.</p> <ul style="list-style-type: none">• Feedback collected from front-line employees who interact with public	<ul style="list-style-type: none">• Carbon neutrality• Battery traceability and recycling• Responsible supply chain• Human rights• Renewable energy

¹ Channels of engagement listed are non-exhaustive

Integrity & Transparency 02



We are committed to conducting business with integrity and transparency.

We believe that enshrining integrity and transparency in a company's business strategy makes it more agile and better prepared to deal with rapid changes.

We believe that the highest governance body needs to demonstrate leadership to successfully integrate compliance and risk management into smart's corporate culture, daily operations and business relationships. To ensure that smart continually abides by strict standards of corporate governance and business ethics, integrity and transparency have become the basic requirements of the Company's day-to-day operations.



Compliance and Whistleblowing

“We always do the right thing” is smart’s first compliance principle. Strong governance within smart provides the foundation for building a culture of ethical behaviour while enabling us to minimise business risk. By acting with integrity, the Company has earned the trust of business partners, suppliers, customers and other stakeholders. Beyond abiding by applicable laws, regulations and normative guidance, the Company has established a comprehensive corporate governance framework with internal controls and whistle-blowing system.

Five compliance principles guide smart’s corporate behaviour:

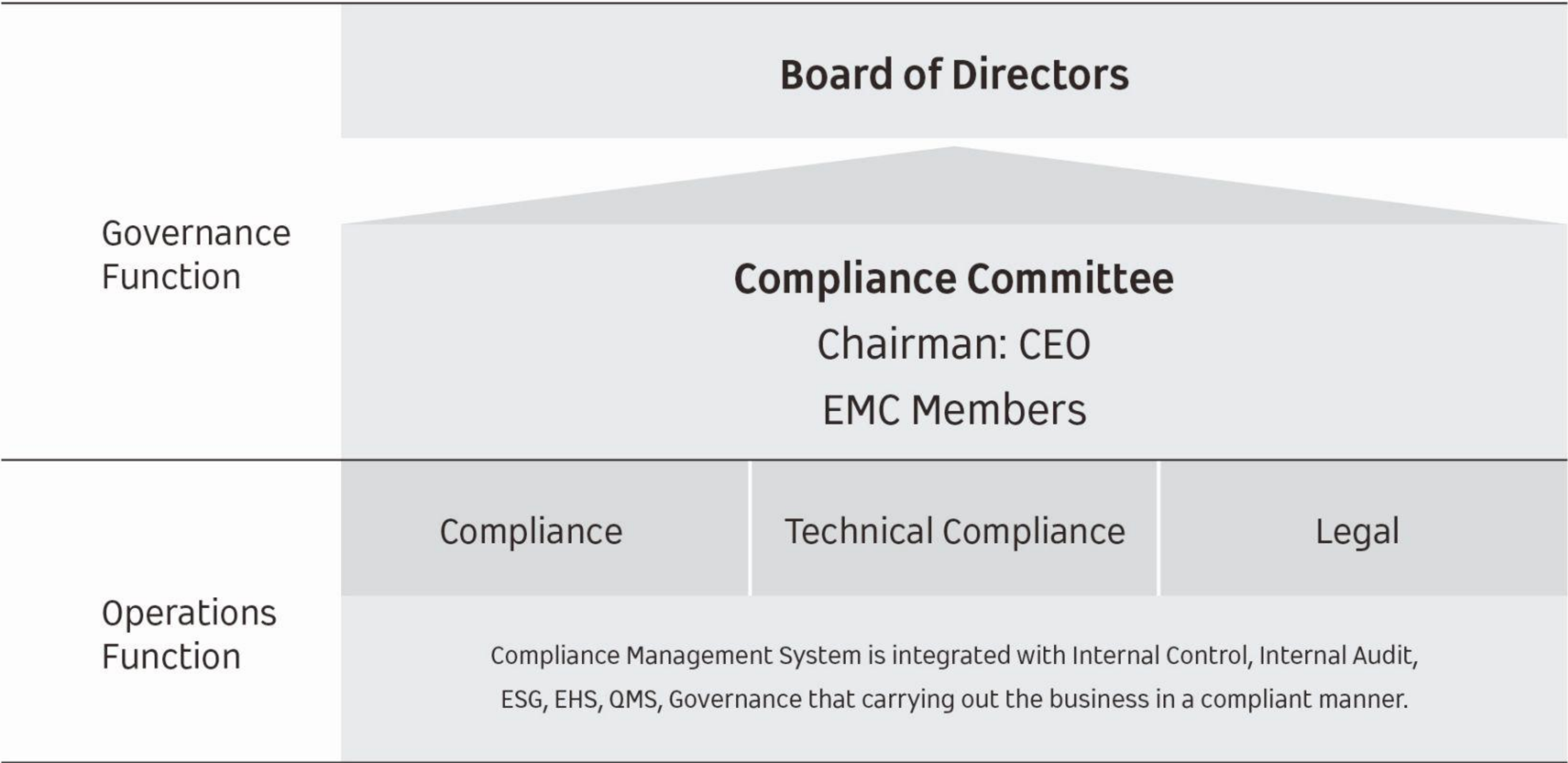
- We always do the right thing.
- We shall neither bribe anyone nor accept bribes from anyone.
- We insist on full compliance with the principle of “every time – everything – everywhere” and never tolerate violations.
- We act in a “people-oriented” manner and with an open, fair, and transparent attitude towards all stakeholders.
- We act as a good corporate citizen.

Establishing a Robust Compliance Management System

The compliance management system has been launched to align with ISO 37301:2021 Compliance Management Systems. We adhere to laws and regulations of the countries in which we have business operations.

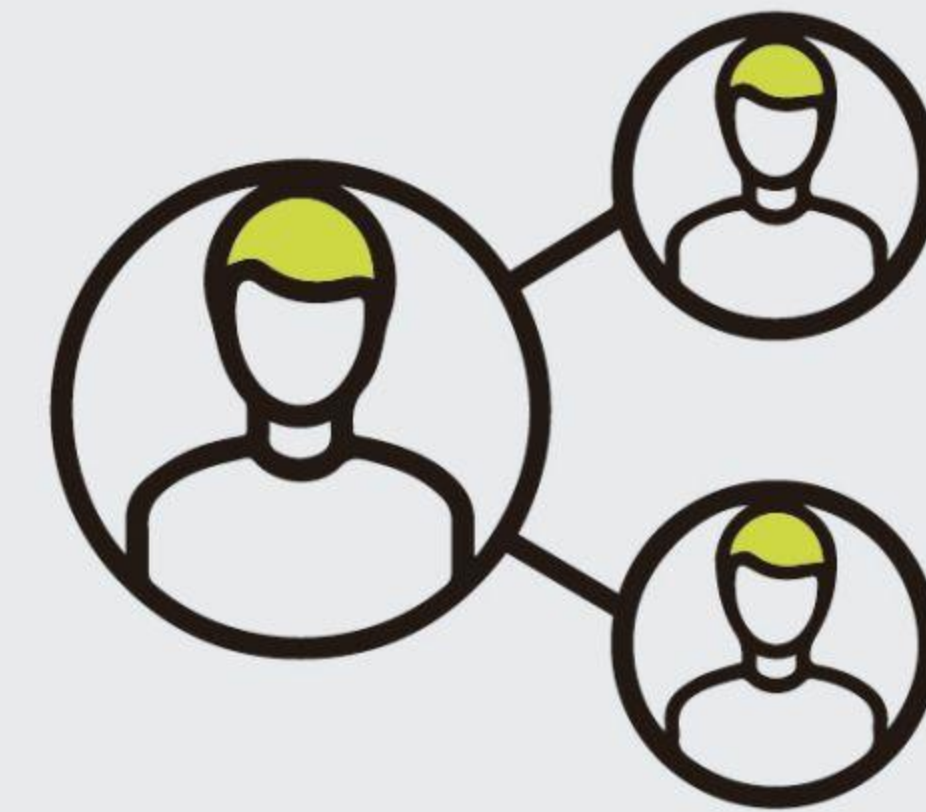
With regards to the compliance structure, Compliance Committee headed by the CEO is responsible for defining and supervising the compliance strategy, principles, and regulations, as well as handling major compliance issues and reporting the compliance status to the Board. As for business operations, the Compliance Office has been organised to set up the compliance management system and to manage the daily compliance operations.

Compliance Committee



The compliance management system has been developed and carried out for ensuring all of smart’s departments uphold integrity and compliance policies. In 2021, the focuses of the system were the areas of anti-corruption, technology, data, anti-trust, anti-competitive behaviour, anti-money laundering, human rights, export control, etc.

Regular workforce trainings on integrity and compliance are conducted for employees of different grades (e.g. new employees, middle-management staff, etc.) to ensure the effectiveness of smart’s compliance management. During the Reporting Period, smart implemented two mandatory compliance trainings for all employees. The compliance topic was also integrated into two additional trainings offered to marketing, sales, and services staff.



Enhanced Whistle-Blower Reporting Channels

The Company has established and implemented the Compliance Whistle-blower Policy to provide support for employees in reporting serious misconduct including corruption, environmental offenses, breaches of human rights, infringements of antitrust and competition law, money laundering and terrorist financing, and data protection breaches.

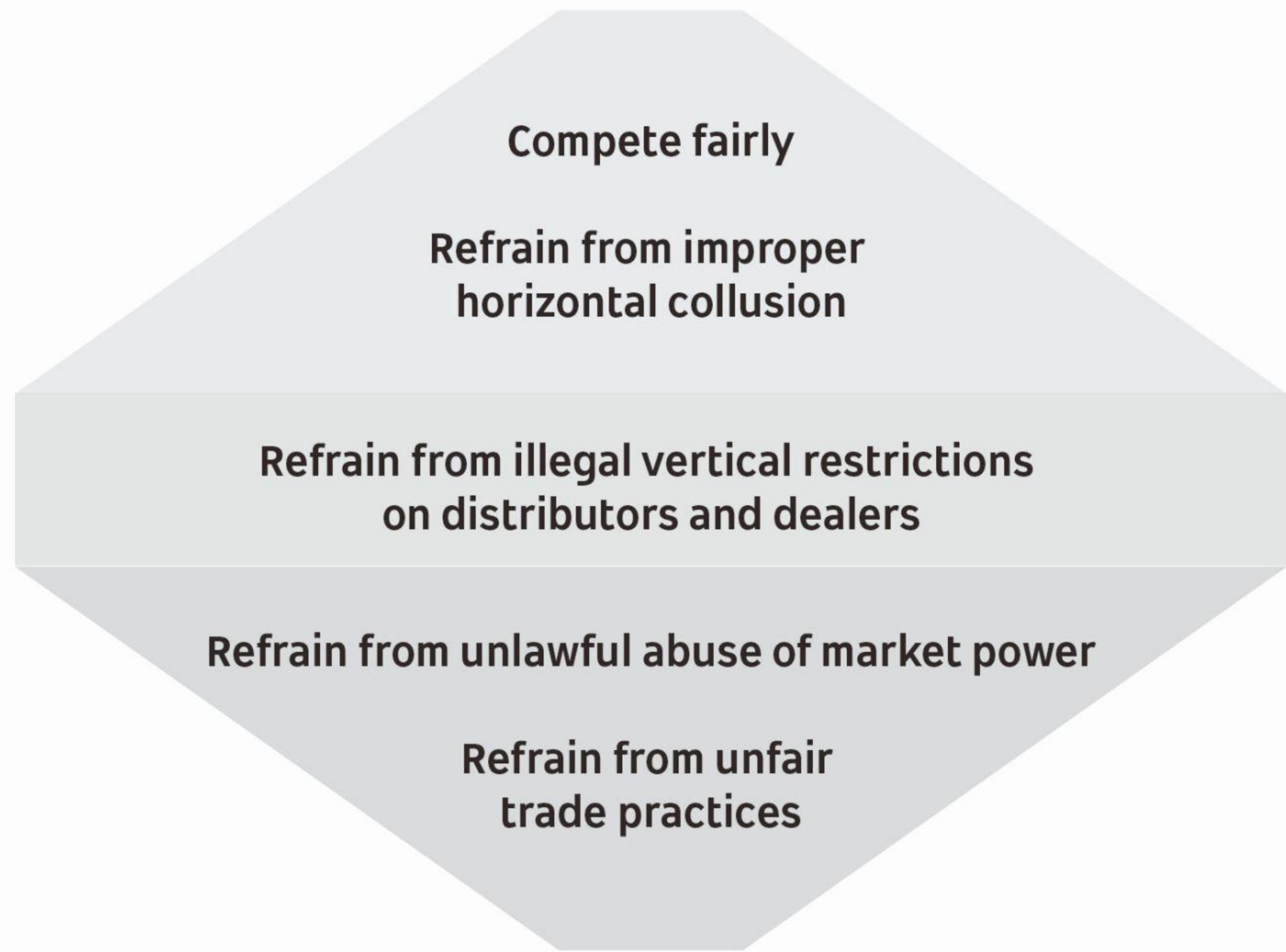
Confidentiality and fairness are the underlying principles of the whistle-blowing system. Each reported case is reviewed and treated separately, and an appropriate course of action is determined for each.

A wide range of reporting channels are available, including an email channel and a dedicated hotline. During the Reporting Period, three whistle-blowing system-related trainings were performed.

Promoting Fair Competition

In compliance with relevant EU and Chinese antitrust laws and regulations, the Company has developed antitrust compliance system. The Antitrust Compliance Policy developed and put into effect on that basis aims for setting out clear procedures and guidelines to protect the interests of consumers. It has also articulated the practices that should be prohibited, including banning cartels and concerted practices between competitors, regulating agreements with users or suppliers that restrict their independent business activities, prohibiting companies from abusing their dominant market positions, and screening corporate transactions and restructurings to prevent overconcentration of market power.

The Company upholds the following principles regarding antitrust compliance:



In 2021, smart conducted in-depth trainings on antitrust compliance policy for employees. During the Reporting Period, there was no legal action regarding anti-competitive behaviour or violation of antitrust legislation.

Respecting and Protecting Intellectual Property

R&D always plays a central role in the electric vehicle ("EV") industry. smart is diligent in technology research and development, and strongly supports the use of proprietary technology and the iteration of new models to create new markets and user segments. The Company secures fruits of R&D and also respects the intellectual property rights of other business partners. The Company has introduced clear rules to avoid any infringement of the intellectual property rights of others.

The Company strictly complies with the IP-relevant laws and regulations. By developing and carrying out the Patent Management Policy, we have stipulated the regulations and procedures relevant to patent applications, maintenance, utilisation, protection, etc. The Patent Administration Board led by the Company's Vice President of R&D and Finance as well as the Legal Director is the decision-making body for the patent administration and affairs.

By securing IP rights at an early stage, the Company aims to provide high-value-added vehicle models and services based on the integration of external and in-house technologies.

At smart, we encourage innovation and strive to prevent the loss of IP. During the Reporting Period, the Company was granted 116 patent certifications and 15 trademarks.



Anti-Corruption

smart abides by the relevant laws and regulations in the jurisdictions where we operate to prevent against corruption, extortion, fraud and money laundering. We stand for fairness in business operations and adopt a zero-tolerance policy for active and passive corruption. These specific provisions for anti-corruption are anchored in smart's Code of Conduct and key policies dealing with gifts and hospitality, conflict of interest, anti-bribery, anti-fraud, anti-money laundering, and donation and sponsoring. These policies and guidelines can be accessed at any time on an internal website for smart employees.

The Company requires suppliers and other business partners to comply with anti-corruption policies as well. The Supplier Code of Conduct and the compliance provision of supplier contracts contain explicit anti-corruption provisions. The code is communicated to suppliers from the Company's Procurement department via relevant communication channels.

Key initiatives of anti-corruption include the implementation of employee trainings and the active development of corporate anti-corruption culture. In 2021, smart has implemented mandatory anti-corruption training that was rolled out for all employees. During the Reporting Period, there was neither confirmed incident of corruption nor any dismissal or discipline for employees due to corruption related cases.



- Zero tolerance
- Anti-corruption policies available on website
- Full-workforce anti-corruption training

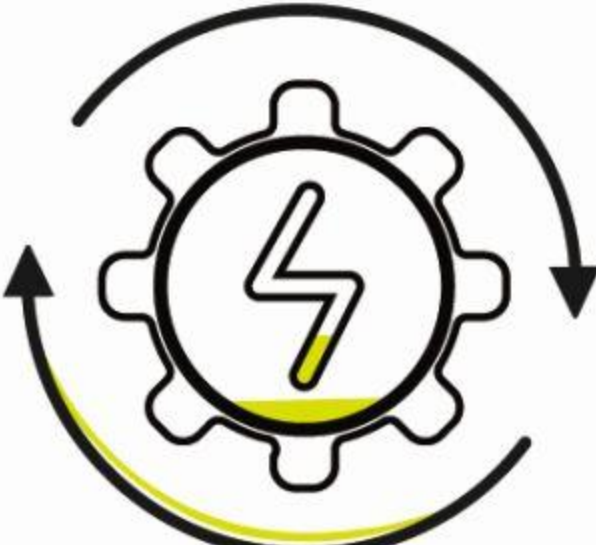
Risk Management

We believe that taking a forward-looking approach to identifying and managing the risks and opportunities associated with business activities is crucial to smart's long-term business development and success. The Company has established Risk Management System ("RMS") to manage risks responsibly. Apart from financial and compliance risks, the Company has embedded sustainability into the RMS.

Developing the Board of Directors' Role in Risk Management

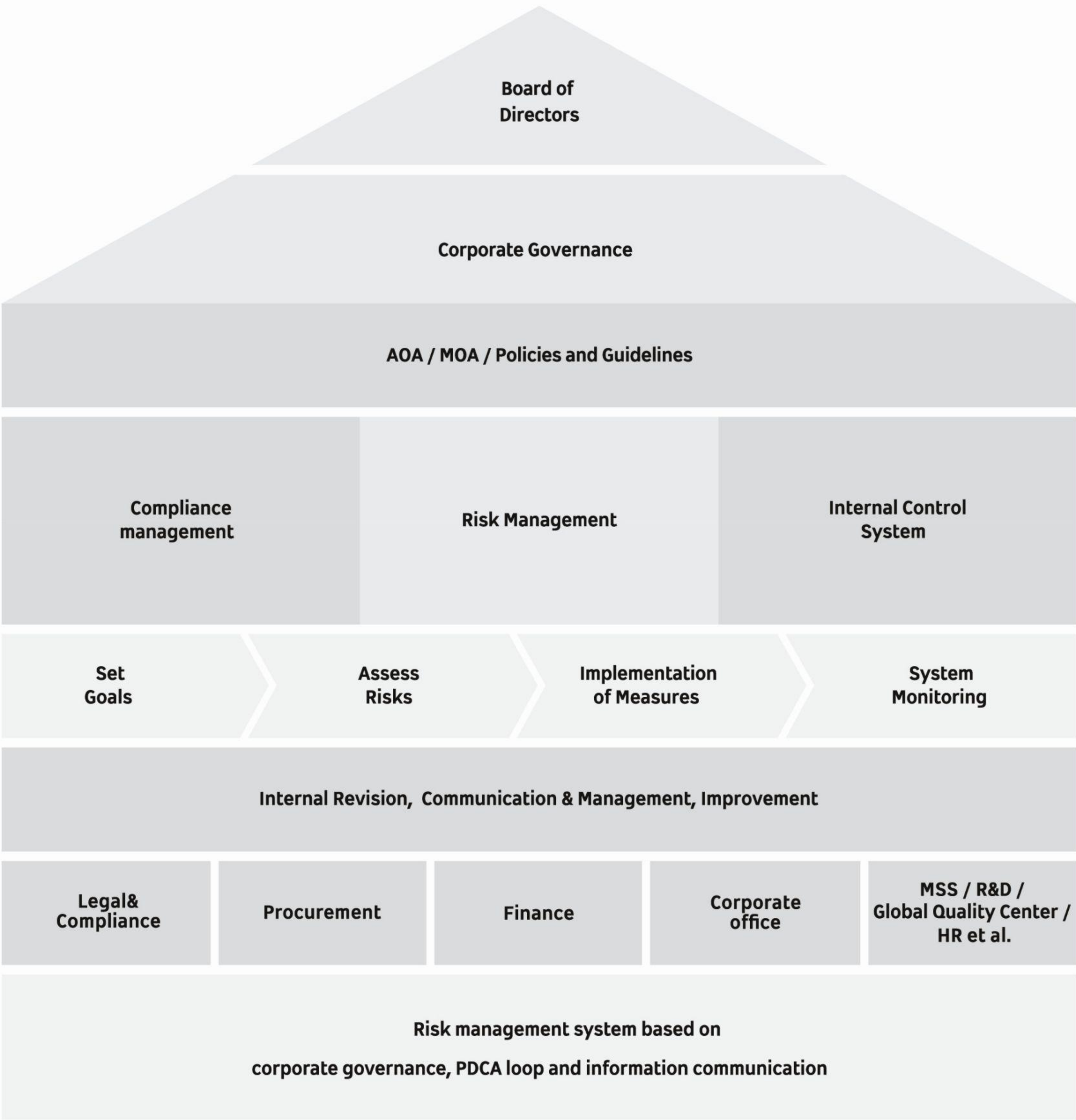
The RMS has defined smart's primary principles and elements, appropriately and effectively benefiting the management and control of material risks. This applies to the assessment of financial and non-financial risks that could arise in the course of business.

The structure of the RMS is designed to ensure that the Board of Directors' oversight responsibility is solidly supported by corporate governance, policies and guidelines, and fully enforced via plan-do-check-act ("PDCA") risk management process. The three key functions: compliance management, risk management, and internal control at smart are keeping close cooperation and communication to manage corporate risks effectively. Meanwhile, the System is also supported by Legal, Compliance, Procurement, Finance, Corporate Office, and other departments.



PDCA
Risk management process

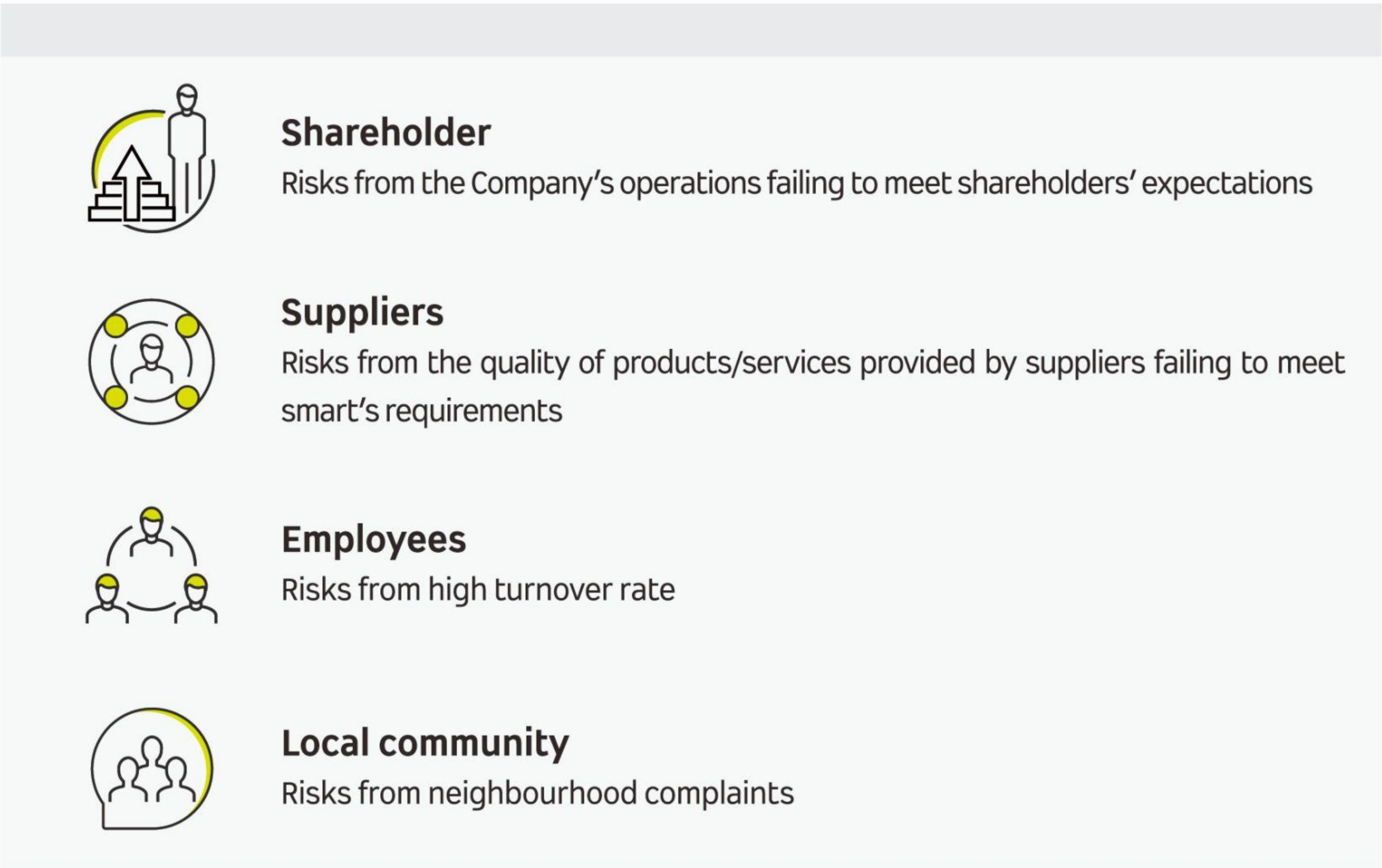
Risk Management System – Key Elements



Embedding Stakeholders and Sustainability in Risk Management System

smart continuously enhances risk management capability to handle increasingly strict internal and external requirements and potential negative impacts. This particularly applies to the list of risk focus areas in business operations, which are divided into 21 different modules, including policy risk, economic risk, market risk, technology risk, supply chain risk, etc.

We also incorporate risks and opportunities relevant to external stakeholders into the system.



The ever-evolving landscape of sustainability-related risks continues to have a significant impact on our business operations. Therefore, we have incorporated these risks into our corporate risk management framework to better identify the full spectrum of risks. We also take the materiality assessment results into account for smart's sustainability report and risk management.

In 2021, the Company identified ESG-related risks that could negatively impact smart's earnings, financial position, asset situation, and reputation. Climate change, human rights in supply chain, and data security are a few examples. Looking ahead, the Company will pay continuous attention to ESG issues and integrate them into the RMS, and optimise the System with the aim to mitigate, control, and monitor associated ESG risks and roll out improvement measures.

2021 Results

The Company has developed and carried out anti-corruption policies and procedures, including but not limited to: Anti-Corruption and Anti-Bribery Policy, Anti-Fraud Policy, Compliance Code of Conduct, Gift and Hospitality Policy, Conflict of Interest Policy, Business Partner Integrity Management Policy, Global Export Control and Sanction Compliance Check Policy, Donation and Sponsoring Policy, Anti-Money Laundering Policy, Mandatory Compliance Consultation Policy, Compliance Whistleblowing BPO Process Policy, Compliance Training and Communication Policy and Compliance Risk Assessment Policy.

The Company has integrated anti-corruption, compliance and whistle-blowing system clauses into employee handbook, Employee Code of Conduct and Supplier Code of Conduct.

During the Reporting Period, there was no legal action regarding anti-competitive behaviour, violation of anti-trust or monopoly legislation in which the Company has been identified as a participant. There was no legal case regarding corruption brought against smart or employees. There was no confirmed incident of corruption, neither was there any confirmed incident in which employees were dismissed or disciplined for corruption.

As for supplier compliance practices, during the Reporting Period, there was no confirmed incident where contracts with business partners or suppliers were terminated or not renewed due to violations related to corruption.

When it comes to environmental compliance, there was no incident of environmental non-compliance in 2021.

During the Reporting Period, the Company was in compliance with intellectual property laws and regulations and respected the intellectual property rights of third parties. There was no infringement occurred.

Looking Ahead

The Company will continuously improve the overall integrity and transparency of the conduct of both the Company and suppliers. It will elevate smart’s positive brand image and attract like-minded business partners for the Company’s future development and cooperation. We will continue to advance with integrity and transparency principles of operation to enforce the governance structure and improve operational efficiency for the long-term benefit of our stakeholders. Looking forward, as part of our sustainability strategy, the Company will work on the following initiatives:

- Taking integrity into account in the decision-making process
- Improving compliance mechanisms and whistleblowing system
- Combatting corruption at both company and supplier levels
- Managing and mitigating compliance risks
- Building up sustainability policies
- Continuing to publish annual sustainability reports



Product & Privacy

03



We design premium, pure electric vehicles to engage people with the sustainable mobility ecosystem and bring safety and privacy protection to our users.



The Company assumes responsibility for delivering safe, high-quality EVs to users. We continuously explore ways to reduce the environmental impact of a vehicle's life cycle, offer a comprehensive package of advanced technologies which guarantee the safety and quality of products, and conduct responsible marketing.

In the digital age, data security is undoubtedly an important part of realising our vision – to explore the best solutions for future urban mobility. smart is a strong advocate for user privacy and data security. We believe in harnessing the benefits of data governance to improve business operations and make a different experience to users and the wider society. At the same time, we work together with stakeholders to identify and manage the risks relating to cyber security and data protection. Alongside digital security, the Company's information protection management system is in accordance with the General Data Protection Regulation ("GDPR") and other relevant data governance laws and regulations in the markets where we have business operations works. This protects the rights and privacy of users, suppliers, employees and business partners.



Product Responsibility

– User Health and Safety

smart aims for accident-free driving, where drivers and passengers can safely and confidently enjoy the freedom of mobility. We have integrated numbers of our latest developed technologies into the smart #1, including active and passive safety measures applied for effective accident prevention and timely protection in case of an inevitable accident.

Furthermore, with our determination to meet or even exceed the expectations of users, the Company keeps improving the technologies and product quality standards. smart offers products of safety and high quality to strengthen user trust. smart has developed a quality management system that continuously enhances product quality at every stage – encompassing planning, R&D, production, sales and after-sales services.



Shaping a Mobility Future with Safety

Over the evolution, smart brand has built a distinctive culture of mobility. Along with the new smart brand and smart #1, the brand influence is being expanded in the fields of EVs and intelligent driving. Today, the Company is making rapid progress in the areas of intelligent driver assistance technology and system. The sensors, controller systems, and other configurations applied in this system are based on international safety standards, including but not limited to ISO 26262 Functional Safety Standard for Modern Road Vehicles, ISO 21448 Road Vehicles – Safety of the Intended Functionality and ISO 21434 Road Vehicles – Cybersecurity Engineering. smart Pilot Assist intelligent driving system ensures the necessary capabilities to drive an automobile with sensors and computers. During the Reporting Period, we participated in the intelligent driving forum to share our insights and achievements on future urban mobility with stakeholders.

The Company spares no effort to improve safety in urban mobility. Well-established safety standards have been integrated within smart’s holistic product development system, ranging from conceptual design and engineering development to product industrialisation. A dedicated collaboration team among R&D, Quality and Technical Compliance has been assembled for the safety review of every deliverable. In 2021, the Company issued the Vehicle Campaign Procedure and Recall Management Methods to clarify the management criteria for quality issues that arise during vehicle production, sales and after-sale services. We aim to ensure the industry’s leading level of user response by strengthening the communication with users on safety issues and minimising potential losses and negative impact on public safety, public interests, and the social and economic order.



smart #1's winter test in Yakeshi, Inner Mongolia

At the beginning of 2022, as the first production model in the family, the all-new smart #1 completed a series of aerodynamic and winter tests. In the far north of China, at one of the world's coldest testing grounds with temperatures around -40°C , our test vehicles successfully dealt with multiple challenges from extremely cold weather.



Looking ahead, smart is steadily strengthening software development capability in order to ensure the safety and quality of software systems for better user experience in active and passive safety.

Designing and Implementing the Quality Management System

Along with advancing R&D capacity, smart is committed to delivering the high-quality product and services. The Company strictly abides by the Product Quality Law of the People's Republic of China, the Protection of Consumers' Rights and Interests Law of the People's Republic of China, the Regulation (EU) 2018/858,² and the Regulation (EU) 2019/2144.³ Based on these laws and regulations, we have formulated and implemented quality management system ("QMS"), covering the processes ranging from auto design, R&D, sales and after-sales service management. In the future, the Company will insist on improving product quality, and strengthening information inspection and vehicle capability review.

By the end of 2021, both the Company and the manufacturing plant of smart #1 had been certified with ISO 9001 Quality Management Systems. Looking ahead, the Company will continue to enhance the QMS and strengthen the quality management capabilities. On the basis of meeting compliance requirements, the Company will set and strive to reach higher product quality standards, and will continuously deliver service of reassurance and satisfaction to users.

² Regulation (EU) 2018/858 of the European Parliament and of the Council (30 May 2018) on the approval and market surveillance of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles.

³ Regulation (EU) 2019/2144 of the European Parliament and of the Council (27 November 2019) on type-approval requirements for motor vehicles and their trailers, and systems, components and separate technical units intended for such vehicles, as regards their general safety and the protection of vehicle occupants and vulnerable road users.

User Privacy and Satisfaction

At smart, we focus on the user and pay rigorous attention to personal data protection. By working closely with users, the Company better understands the demands related to user privacy and data protection, while taking industry trends and potential vulnerabilities into reach. Furthermore, we keep strengthening innovative capabilities and relevant initiatives to promote technology innovation and devote ourselves to provide users with better mobility journey.

Ensuring Privacy Protection

Respecting user privacy remains an essential part of ensuring legal compliance. The Company understands the importance of user privacy protection and clarified our data protection organisation, framework, network, internal training and monitoring processes. The Company strictly abides by the privacy protection laws and regulations in the countries and regions where we collect and handle personal data. We adhere to GDPR, Law of the People’s Republic of China on Cybersecurity and the Data Security Law of the People’s Republic of China, etc.

The Company has set up the information security management system to mitigate the risk of user data loss and breach of user privacy. The mandate and goal of Technical Compliance department and information security management system is to mitigate risks while creating a global protection framework for user privacy-compliance issues in business operations. The Company establishes the privacy-protection standards in accordance with “privacy by design” principle so that personal data can be best protected with software and hardware designed and developed to comply with privacy protection regulations from the very start. We continuously build employees’ capacity to handle data correctly and clarify their corresponding accountabilities as well.

The Company particularly focuses on the high privacy-related risks identified. These include life cycle management of vehicle products and services from manufacturing to end-of-life, roles and responsibilities linked to personal data, and data outside of controlling systems. Through research

and regular assessment, the Company continues to focus on emerging financial or reputational risks related to privacy protection. In 2021, we rolled out two mandatory full-workforce privacy protection trainings, with the aim to ensure that employees maintain a clear awareness of privacy protection issues and solutions to those issues.

The Company has published a privacy policy on the official website, explaining how we collect personal data, what we do with it, for what purposes, on what legal basis that is done, and what rights and claims are associated with it for users. Technical security measures have been used to protect and manage the data against manipulation, loss, destruction and unauthorized access. At the same time, we continuously improve security measures in line with technological developments.

Delivering a Mobility Journey with Digitalisation

The Company is designing a more sustainable and mobile future through digitalisation. Advances in digitalisation facilitate to understand user needs and deliver innovative services. For example, smart’s digitalised D2C model has redefined the mobility experience of users from the following aspects:

- Newly designed experience of “key user touchpoints” to allow more user participation and deepen interactions with users: We create a differentiated “user core touchpoint” experience including a variety of experience scenarios such as test drive, charging installation and delivery;
- Comprehensively improved online user experience and enhanced frequency and outcomes of online user interaction: We encourage users to obtain information online and review it with offline experiences. Furthermore, we have developed a smart Community and membership system to engage users and to welcome feedback.

In China, along with building a community around e-commerce, apps and mini programs, smart closely interacts with users and advances the digitisation of the entire sales process, improving the transparency of order management (such as transparent terminal prices and order status) and providing users with a convenient and visualised digital purchase journey.

Data Security

As a company driven by innovation and technology, compliant handling of data and information is of the utmost importance. When using data, the individuals’ rights must be appropriately protected. The Company is committed to safeguarding the rights of any person whose data we process, including but not limited to employees, users, suppliers and other business partners.

Enhancing Data Security and Transparency

The Company has established and implemented information security management system (“ISMS”) based on GDPR, ISO/IEC 27001 Information Security Management, ISO/IEC 27701 Privacy Information Management System, and relevant laws and regulations in China pertaining to information and data, including but not limited to the Personal information Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on Cybersecurity and the Data Security Law of the People’s Republic of China. Responsibility for data governance sits with smart’s Technical Compliance department.

The Company’s ISMS has received ISO/IEC 27001 Information Security Management System certification and ISO/IEC 27701 Privacy Information Management System certification.⁴ The Company has a comprehensive suite of policies, guidelines and instructions that set standards for data security and governance. We protect the personal data of employees and users. All of our documentation and processes fulfil the requirements of GDPR and China’s relevant regulations. As disclosed in this Report, user data is handled in accordance with the confidentiality obligations outlined in the terms and conditions of our privacy policy.

⁴ The Company has obtained ISO/IEC 27001 Information Security Management System and ISO/IEC 27701 Privacy Information Management System certifications in September 2021 and January 2022, respectively.

It is essential for the Company to protect information systems and communication channels. We actively prevent against criminal or illegal activities of any kind, including unauthorised access, information leakage and misuse of data or systems. The Company’s Global IT Service units maintain organisational, process-related and technical information security countermeasures based on recognised international standards. The Company has invested significant resources in continuously monitoring IT system vulnerabilities, following best practices on patching. In addition, harmonised electronic and physical security measures have been employed to bolster ability to handle sensitive data.

The Company has integrated data security by designing it into R&D processes. A data privacy support unit has been set up to provide professional compliance advice for business enquiries involving privacy protection, such as privacy compliance enquiries from offline stores, and web/app developers. Externally, the Company has collaborated with third-party consultants to jointly advance data privacy practices and disclosures.

In 2022, we aspire to expand the coverage of ISO/IEC 27001 Information Security Management, ISO/IEC 27701 Privacy Information Management System certification applying to ISMS, and smart Europe will submit an application for Trusted Information Security Assessment Exchange (“TISAX”). The Company is planning to publish a white paper on data protection, conduct cross-border data assessments, and roll out supplier data audits.

Employee Data Security Trainings

Employee training is an important enabler for data governance. The Company has organised targeted trainings particularly for those dealing with personal and corporate data as part of their daily work. It is helpful to instil an understanding of the importance of following company’s data governance systems and processes, and to deliver accurate outcome reporting.

In line with the GDPR and our global approach to ensure data governance, the Company regularly conducts offline and e-learning courses. In 2021, we rolled out two mandatory one-hour trainings for all employees to introduce Personal information Protection Law of the People’s Republic of China in details. Furthermore, other two privacy protection trainings have been provided to each department’s privacy representatives and four mandatory data privacy trainings for certain departments that have greater data risk exposure such as R&D, marketing and sales.

2021 Results

At smart, we will more communicate with users and potential users in order to understand their needs and preferences, so that we can effectively develop and produce innovative vehicles that align with their needs. smart promises to provide users with all relevant information in relation to marketing and sales and make sure that information is accurate, truthful and transparent to support them in wise purchase decision-making. smart welcomes and values feedback from users, and wishes to create a sustainable and smarter future for them.

In 2021, smart designed information security management system for the security of data and privacy. The system has received ISO/IEC 27001 Information Security Management System certification and ISO/IEC 27701 Privacy Information Management System certification⁵. The Company also conducted full-workforce mandatory privacy trainings to ensure employees’ data security awareness.

There was no substantial complaint received concerning breaches of user privacy, and there was no identified leak, theft, or loss of user data.

During the Reporting Period, we invested over RMB 85 million in digitalisation.



⁵ The Company has obtained ISO/IEC 27001 Information Security Management System and ISO/IEC 27701 Privacy Information Management System certifications in September 2021 and January 2022, respectively.

Looking Ahead

As a part of our sustainability strategy, smart will endeavour to achieve the global certifications and recognitions of car safety standards and focus on enhancing the smart Quality Ecosystem. At the same time, the Company is planning to expand quality trainings from smart employees to related suppliers, distributors and service division personnel. Furthermore, together with industrial partners and users, we are willing to shape future urban mobility by reliable intelligent driving technologies.

With regards to privacy protection and data security, as guided by sustainability strategy and roadmap, the Company will be working on the following initiatives:

- Establishing a global cybersecurity structure
- Conducting annual data compliance risk assessments
- Enhancing cybersecurity technology and operation
- Improving global security compliance framework and controls
- Striving to achieve automated and AI-enabled cybersecurity defence

Climate & Carbon

04



We take our decarbonisation commitment seriously. Producing a carbon-neutral vehicle model and providing low-carbon solutions is our mission.



In recent years, extreme weather, such as heat waves, droughts and flooding due to heavy rain have resulted in a huge number of severe natural disasters globally. The leading culprit behind these frequent extreme-weather events is climate change, where global warming caused by excessive CO₂ emissions and other greenhouse gases is a major factor.

International frameworks and initiatives such as the Paris Agreement and the UN SDGs have made significant progress in advancing sustainable living. In particular, the Paris Agreement and its signatories have set clear climate-related targets and strongly promoted raising awareness of corporate responsibility. The EU aims to be climate-neutral by 2050, and China has pledged to become carbon neutral by 2060.

2021 was a new chapter for smart. As a premium, pure electric vehicle technology brand, we recognise the Company's role in supporting these carbon-neutrality commitments. The Company endeavours to bring its new generation of zero-emission, pure electric cars to the global market, while remaining mindful of the environmental impact of greenhouse gas ("GHG") emissions. To this end, the Company has set clear strategic goal - **to provide a carbon-neutral pure-electric vehicle model by 2045.**

smart

Sustainability Report 2021



Sustainable Design

Sustainability is always on our mind. In April 2022, smart celebrated the world premiere of the all-new compact SUV – smart #1 in Berlin, setting a new milestone for the brand development. It has fully embodied smart’s brand values – New Premiumness, Future Tech, and Avant-garde Co-creation.

Sensual Producty – Our Design Philosophy

smart is always striving to push boundaries and create the future. The first-ever smart pure electric SUV targets the young generation who seeks sustainable electric transport. Thanks to our design philosophy, smart #1 offers the perfect blend of innovative design and cutting-edge technology based on Sustainable Experience Architecture (“SEA”).

The smart #1 achieved a drag coefficient performance of just 0.29 in the China Automotive Engineering Research Institute in Chongqing. This is a top-ranked achievement, especially when compared side-by-side with SUV competitors in the same segment. Drag coefficient is the core factor influencing a vehicle’s energy consumption, range, wind noise and stability at high speed. Thanks to the “Sensual Producty” design philosophy applied by Mercedes-Benz global design team, the smart #1 features a pure and elegant streamlined exterior, a perfect balance of aesthetics and aerodynamics. Furthermore, wind resistance and noise have been significantly optimised, contributing to greater energy efficiency, comfort and driving range increase.

In addition, the Company has recognised that the use of sustainable materials is critical to reducing environmental impacts throughout the life cycle of vehicles. A range of recycled content has been embodied in the design and production of smart #1, including but not limited to steel, aluminium, fabric, and plastics.

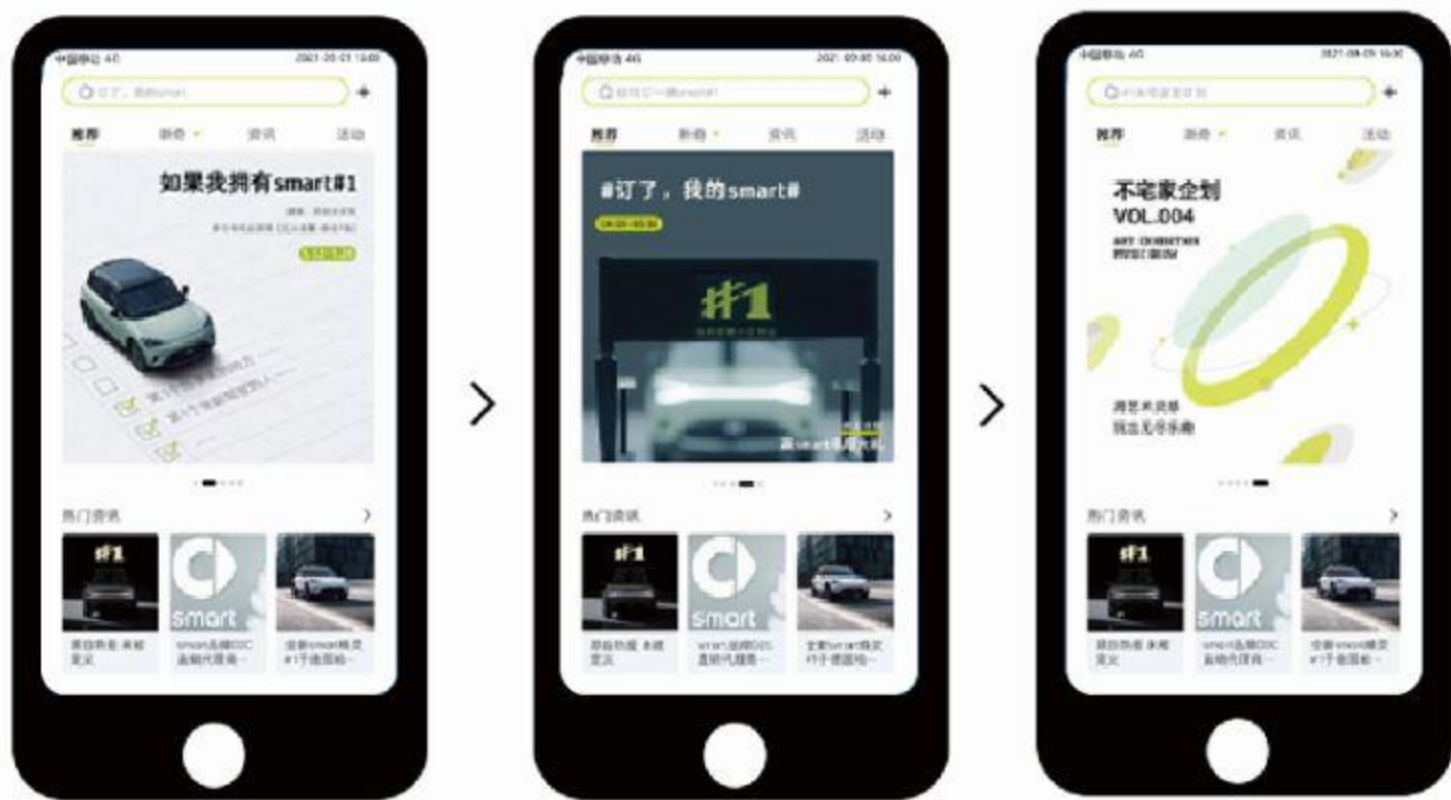


Empowering Connectivity and Digitalisation

We believe that the future is co-creative and connected. smart remains dedicated to the inter-connected experience between people and cars, people and people, as well as people and the city. The smart #1 has a high-performance, highly integrated platform which centrally controls the four main domains: infotainment, drive assistance systems, electromobility-specific functions and the electric/electronic vehicle architecture (“E/E architecture”). Thanks to dynamic over-the-air (“OTA”) software updates, more than 75% of the vehicle’s Electronic Control Units (“ECUs”) can be updated remotely on an ongoing basis.

The unique design of the control interface, which is shown for the first time in the smart #1, is particularly user friendly. A three-dimensional globe serves as the central menu item on the high-resolution 12.8-inch touchscreen. An artificial intelligence (“AI”) avatar guides the user to navigate through the menus and functions. Thanks to AI, the avatar constantly learns from users’ behaviours and can thus adapt to their individual preferences.

In addition, smart app for smartphones provides a smooth and high-quality user experience. It not only functions as a digital key, but also enables the seamless integration of various connected services and functions into users’ digital ecosystem. By providing digital services, we can listen to the voice of users on a wide range of topics, including sharing, charging, connectivity, vehicle control and Intelligent driver assistance system.



A preview of smart’s digitalisation: extensive connectivity for maximum comfort and safety

Decarbonisation and Energy Management

Faced with increasing global and stakeholder concerns about critical issues such as climate change and resource scarcity, smart takes these issues seriously and has further regarded them as a driving force to our vision – to explore the best solutions for future urban mobility". GHG emissions are the top of smart’s focus topics. We aim to provide carbon-neutral pure-electric vehicle model by 2045.

Conducting Life Cycle Carbon Footprint Assessment

smart believes that pure electric vehicles will lead the future of the automotive industry. The smart #1 has offered a glimpse of the Company’s commitment to a sustainable, net-zero world. Whilst working towards carbon neutrality, the Company will constantly improve the transparent disclosure of GHG emissions.

Automobiles emit CO₂ throughout their life cycle, during production, use and disposal. Although EVs emit no exhaust gases such as CO₂ while driving, there is still a need to consider the environmental impact of the source of power used for charging.

The Company expects to use LCA to better understand the life cycle emissions of our product. Based on ISO 14040 Environmental Management – Life Cycle Assessment and ISO 14067 Greenhouse Gas – Carbon Footprint of Products, in 2021, the Company developed LCA methodology and defined relevant data sources for products’ lifecycle carbon emissions accounting. In 2022, the Company will assess suppliers by industry and by tier to find out where the greatest environmental impacts in supply chain occur, and prioritise our attention and resources accordingly. Moreover, we will conduct the analysis at the major component level to identify potential opportunities for carbon reduction according to carbon intensity. Now and in the future, LCA will also enable the Company to monitor and highlight low-carbon technological trends within supply chain.

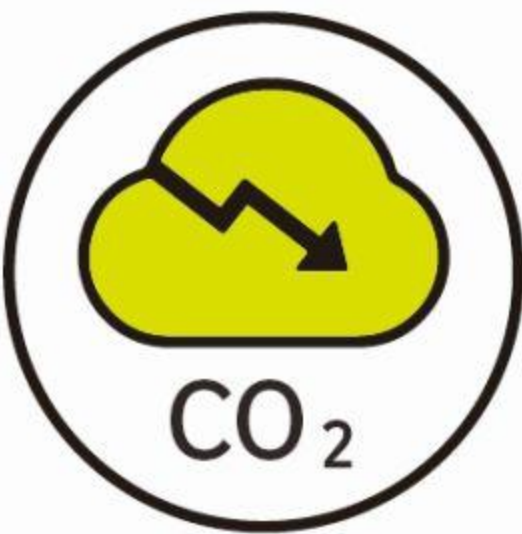
Utilising Renewable Energy

The Company strictly abides by the relevant laws and regulations for energy conservation, including the Law of the People’s Republic of China on Conserving Energy, the Renewable Energy Law of the People’s Republic of China, and the Measures for the Administration of Industrial Energy Conservation.

Along with promoting, developing and scaling up the smart #1 and other pure electric models, smart is also striving to using electricity generated from renewable energy sources. The manufacturing plant of smart #1 has committed to sourcing 30% of manufacturing electricity from renewable sources by 2025. A rooftop solar power system is being installed at the plant, which is expected to achieve the following estimated annual carbon emission reduction:

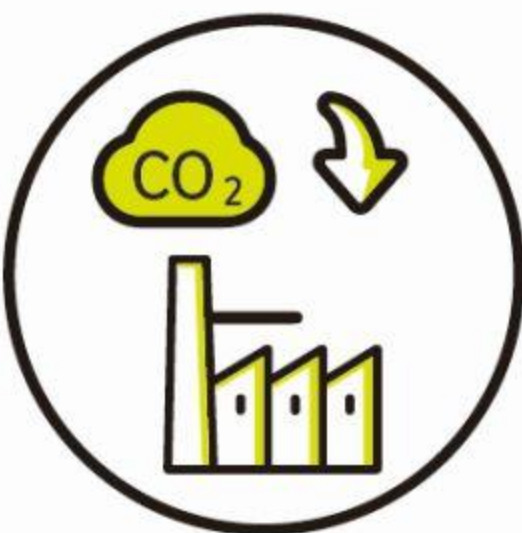
No.	Location	Available area (square meters)	Capacity (MW)	Estimated power generation per year (kWh)	Estimated annual coal equivalent savings (tonnes)	Estimated annual carbon emission reduction (tonnes)
1	Parking lot for finished vehicles	340,000	30	27,000,000	8,900	23,200
2	Roof of Phase I plant	370,000	25	22,000,000	7,300	18,900
3	Roof of Phase II plant	250,000	17	15,000,000	4,900	12,900

Key technical parameters of the roof solar installation initiative



23,200 tonnes

Estimated annual carbon emission reduction
Finished vehicle parking lot



18,900 tonnes

Estimated annual carbon emission reduction
Phase I plant roof

12,900 tonnes

Estimated annual carbon emission reduction
Phase II plant roof



The solar roof in the manufacturing plant of smart #1

The Company is actively promoting the use of renewable energy. 65% of the electricity used in our Germany office was generated from renewable energy. During the Reporting Period, smart utilised 466,301.65 kWh of electricity for self-operation. We have offset the consumption of electricity sourced from non-renewable energy with International Renewable Energy Certificates purchased. Furthermore, the Company has introduced various types of energy-saving equipment in offices, and been working to promote employees' energy saving awareness.

Green Supply Chain

smart strives to provide users with truly sustainable mobility. We understand well that most of the environmental impact and Scope 3 GHG emissions generated by smart are linked to purchased goods and services. Therefore, the Company is stepping up to collaborate with suppliers to increase the use of renewable energy and sustainable materials in the value chain, reducing the negative environmental impact.

Enhancing Environmental Management in the Supply Chain

All suppliers are subject to the Company's Supplier Code of Conduct, which has stipulated our sustainability principles and minimum requirements, including compliance with local laws and regulations, labour practices, health and safety standards, environmental protection and the prevention of corruption and bribery.

In order to facilitate fair competition and optimise smart's corporate value, the Company has applied a set of stringent procurement and tendering policies. We invite suppliers to complete a sustainability questionnaire to demonstrate the ESG-related expertise of their products or services.

Supply chain localisation is critical to the Company's business development. It can empower business operations while increasing supply chain's flexibility to respond to natural, political and other contingencies, lowering operational risks. Moreover, when working with local suppliers, smart makes an endeavour to support the economies of local communities where we operate and realise local environmental benefits such as reduced shipping distances and lower associated emissions. We are proud that 95% of the Company's suppliers are localised companies, and we work cross-functionally on logistics planning to maximise the benefits of supply chain localisation.



95%
of our suppliers
are localised
companies

Greening Factory Operations

smart constantly works with critical partners to update production facilities, introduce new equipment and improve operational efficiency to conserve energy and reduce CO₂ emissions from production activities. In 2021, we introduced and adopted a highly efficient paint process for production lines by reducing coatings for energy conservation. In addition, we have taken other energy-saving measures to enhance the environmental benefits of operations, including:

- All lighting uses LED lamps instead of metal halide or fluorescent lamps.
- “6+9+6” insulating glass has been installed for all exterior windows.
- All water supply systems are equipped with variable frequency pumps and pressure stabilisation tanks.
- All conveyor lines are self-starting and self-stopping, controlled by sensors.
- All sanitary facilities have adopted energy- and water-saving products.



smart #1 manufacturing plant panoramic concept map

2021 Results

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

Energy consumption		
Non-renewable fuel (direct) consumption		
Gasoline	in L	2,314.68
of which Hangzhou office	in L	–
of which Hangzhou Bay office, Ningbo	in L	2,314.68 ⁶
of which Europe office	in L	–
Purchased energy (indirect) consumption		
Electricity ⁷	in kwh	466,301.65
of which Hangzhou office	in kwh	191,187.39
of which Hangzhou Bay office, Ningbo	in kwh	227,183.16
of which Europe office	in kwh	47,931.10
Total energy consumption	in kwh	487,331.65

⁶ The figure represents the total amount of gasoline consumed by smart owned vehicles for employees commuting in between offices in China in 2021.
⁷ For Europe, 65% of the electric power used in our Germany office was generated from renewable energy during the Reporting Period. smart has offset the consumption of electricity sourced from non-renewable energy for self-operation during the Reporting Period with International Renewable Energy Certificates purchased.

GHG emissions ⁸		
Direct GHG emissions, Scope 1	in CO ₂ e kg	6,417.15
of which Hangzhou office	in CO ₂ e kg	–
of which Hangzhou Bay office, Ningbo	in CO ₂ e kg	6,417.15
of which Europe office	in CO ₂ e kg	–
Indirect GHG emissions, Scope 2	in CO ₂ e kg	310,556.03
of which Hangzhou office	in CO ₂ e kg	134,500.33
of which Hangzhou Bay office, Ningbo	in CO ₂ e kg	159,823.35
of which Europe office	in CO ₂ e kg	16,232.35
Total GHG emissions in Scope 1 and 2	in CO ₂ e kg	316,973.18
of which Hangzhou office	in CO ₂ e kg	134,500.33
of which Hangzhou Bay office, Ningbo	in CO ₂ e kg	166,240.51
of which Europe office	in CO ₂ e kg	16,232.35

⁸ smart uses the GHG Protocol Corporate Guidance for reporting emissions for self-operation. Due to the asset-light business model, Scope 1 emissions are only generated by the use of gasoline for operations in HQ (Hangzhou office and Hangzhou Bay office, Ningbo). Scope 1 emission factors have been derived from the Intergovernmental Panel on Climate Change (“IPCC”). Scope 2 emissions include indirect emissions from the use of electricity purchased for operations in HQ (Hangzhou office and Hangzhou Bay office, Ningbo), and smart EU. Location-based emission factors have been taken from China Energy Statistical Yearbook 2013, the data of Power in East China released by government department, and Association of Issuing Bodies (“AIB”) Germany 2020.

Looking Ahead

We have acknowledged that the Company is still in the early stages of decarbonisation journey. In the future, jointly with initiatives, smart will provide solutions benefiting sustainable design, decarbonisation, energy management, and green supply chains. As guided by smart sustainability strategy and roadmap, the Company will be working on the following actions:

- Continuing to work across R&D and Procurement on sustainable material development and selection
- Continuing to develop EV models to enrich our pure electric vehicle portfolio
- Developing and implementing initiatives in terms of life cycle carbon management from the self-operation, supply chain and use phases
- Initiating programs to engage suppliers in carbon disclosure and management
- Enhancing environmental supply chain audits



By Tiff Ng / source: Pexels

Circularity & Resources 05



We embed “life cycle thinking” into our business. We are committed to the circular economy and responsible sourcing.



The circular economy aims to detach economic success from linear resource consumption. The Company uses resources carefully to minimise the loss of valuable materials. Such business management not only promises ecological benefits, but also provides new impulse for business activities.

The principles of the circular economy are exactly aligned with smart’s brand values – New Premiumness, Future Tech and Avant-garde Co-creation. The Company actively promotes materials recycling and resource conservation. In terms of in-house procurement, the Company is sincerely advancing sustainability management with the aim of effectively responding to complex and interconnected supply chain issues, such as environmental impact and human rights in battery chain, resource scarcity and biodiversity.



Sustainable Materials

The automobile industry is resource intensive, particularly with regards to the production of components and the supply of raw materials. smart will create and enable a more sustainable and equitable value chain by using more recycled and sustainable materials.

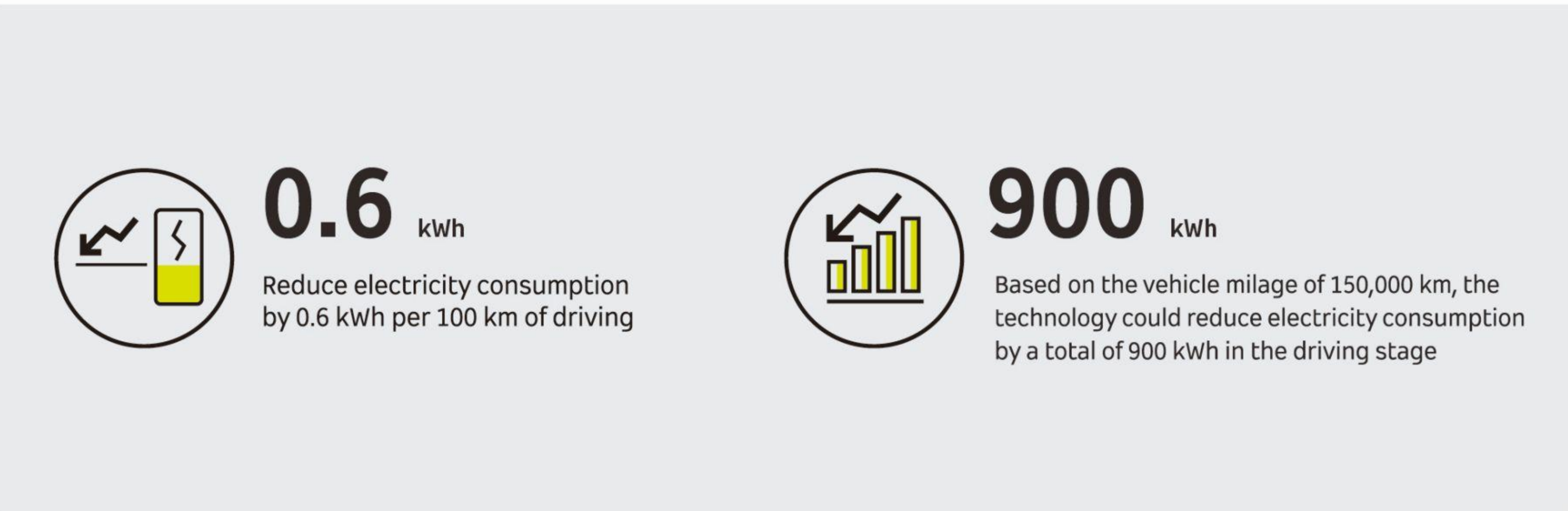
The use of recycled and sustainable materials is an important part of the Company’s decarbonisation and green transformation. Not only selecting new materials in the supply chain with better recyclability and environmental friendliness, but we are also enhancing technologies for exploring alternative and recycled materials, improving the quality of recycled products and forming an environmentally friendly production model. As for material circularity, the Company:

- Considers the use of recycled materials during product design and ensures that these materials and relevant auto components will remain reusable in the future
- Focuses on quality and repairability so that our EVs remain in use for as long as possible
- Develops new business models that require auto parts (including batteries) to be recycled at the end of their useful life

In 2021, smart incorporated recycled and sustainable materials into various auto parts, including a significant share of steel and aluminium. Furthermore, we collaborated with suppliers to increase the use of recycled plastic. Recycled steel is used in vehicle subframes, bodies and closures. This improves the recycling ratio of materials used in the vehicle and advances the concept of environmental protection. Recycled aluminium is applied to the side rocker, bumper armature and wheel rim parts. With regards to material selection for vehicle seats, we use recycled PET to replace traditional fabrics. Some fabrics of seats are also coated with a material made from PET plastic bottles. Some of the seat fabrics are made from safe and skin-friendly silicone.

In addition, silicon carbide (“SiC”) technology has been adopted for the vehicle’s electric drive system to reduce the carbon emissions generated during the vehicle driving.

It is estimated to help reduce electricity consumption by 0.6 kWh per 100 km of driving. Based on the vehicle mileage of 150,000 km, the technology could reduce electricity consumption by a total of 900 kWh in the driving stage.



Battery Traceability and Recycling

The traceability and subsequent recycling of automotive batteries is a vital part of increasing material reuse and one of the Company's focus areas. It is vitally important to ensure compliance from the sources of battery production while managing subsequent battery recycling to form a green cycle that covers the entire battery supply chain. The Company strives to comply with the evolving battery-relevant regulations in both China and Europe, in order to track and monitor all aspects of battery reuse and maintain existing green advantage. At the same time, smart has developed and carried out a battery traceability system in China.

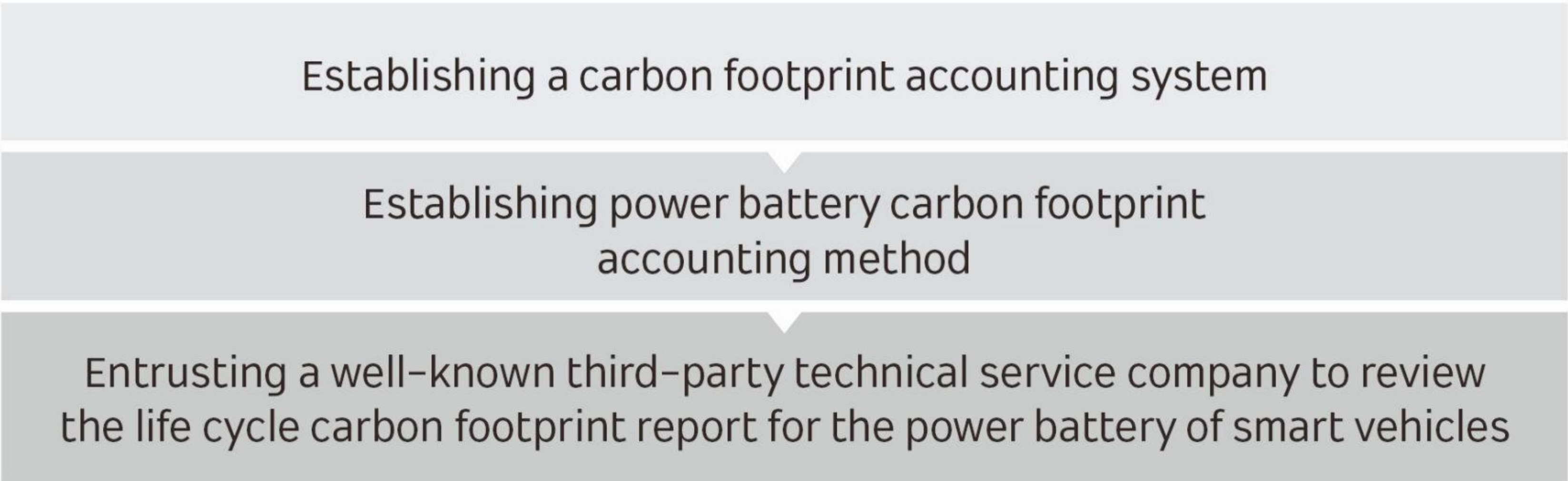
Establishing a Robust System for Battery Traceability

The Company aims to address responsible sourcing issues in the entire battery supply chain. We endeavour to ensure responsible and sustainable sourcing of conflict minerals and cobalt. In 2021, smart engaged with supply chain partners, stakeholders and companies from related sectors on impactful activities. Apart from having developed and planning to launch tools, we also stepped up the resource deployment to ensure regulatory compliance and responsible sourcing.

In China, smart has launched Supplier Relationship Management System ("SRM") and Dealer Management System ("DMS") to systematically manage suppliers, manufacturers, the stages of sales and after-sales. A near complete new energy vehicles battery recycling traceability management system has been put in place to manage data of the entire automotive battery chain, from production and sales to recycling. Through accurate information, the System supports battery replacement, recycling and reuse, increasing the capacity of battery recyclability.

Battery traceability in Europe is also in the rapid preparatory phase. The new EU battery regulation requires battery manufacturers to provide product carbon footprint reports based on the EU production environmental footprint ("PEF") guidelines, which are the most definitive life cycle assessment specifications in the world. The Company will calculate the life cycle carbon footprint of vehicle batteries according to PEF requirements to ensure the authenticity and credibility of

carbon emission data. We will create a vehicle carbon footprint accounting system and obtain carbon footprint declaration certificates based on the steps shown in the table below:



Furthermore, the battery traceability management system we created for Europe will refer to the data management system already in place in China. It will enable data and information monitoring and sharing to ensure timely and effective management. The interoperable information and data will form a closed loop to facilitate all-round management on battery traceability.

Investments and Partnership in Battery Recycling

To be a circular business, the Company collaborates with a third-party battery recycling service provider to offer batteries a second life for renewable energy storage. Finally, the partner of the Company recycles the batteries where there is residual value in the battery components at the end of their second life.

During the battery recycling process, our suppliers and third-party intermediaries are stringently required to meet their responsibilities to stakeholders and the environment in accordance with the basic requirements set out in smart's Supplier Code of Conduct.

The Company has strict requirements for suppliers in terms of battery collection, transportation technology, packaging technology, battery disassembly and destruction. For example, transport vehicles must be waterproof with a dangerous goods transport license. Battery dismantling operators must hold an electrician's license and be trained to dismantle batteries. There are three key steps in terms of the whole process of battery dismantling, namely battery pack shell dismantling, module dismantling and cell crushing. Cameras have been set up for all the steps to monitor for misconduct. In addition, the battery code should be entered in the tracking system, which can be remotely accessed for real-time monitoring.

Waste, Water and Biodiversity

There is a close relationship in between resource conservation and biodiversity. Therefore, the United Nations calls on society and corporations to minimise waste and dispersion of pollutants into the environment with SDGs. To this end, smart has offered a range of approaches that support the SDGs and environmental protection.

The manufacturing plant of smart #1 strictly abides by the environmental laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Law of the People's Republic of China on Noise Pollution Prevention and Control and the Law of the People's Republic of China on the Prevention and Control of Soil Pollution.

Enhancing Environmental Awareness among Employees

At smart, while striving to achieve our business goals, we are committed to conducting operations in a sustainable and environmentally responsible manner. We continually promote environmental awareness among employees, and we believe that employees have expectations towards smart for social responsibility and environmental commitment as well.

The water consumed by our offices is supplied by municipal water. During the Reporting Period, the total water consumption was 2,848.43 m³. The wastewater generated from each office is discharged into the sewer system of the rented building and then is discharged via the municipal sewer system into the municipal wastewater treatment plant, where wastewater is finally discharged after the treatment in accordance with the standard.

smart seeks to reduce, reuse, and recycle the waste produced whenever feasible, minimising the proportion of landfills. Our waste is always handled according to applicable national and local laws

and regulations. The Company separates waste at the source and focus on sorting out and further recycling products made of paper, plastic, tin, and other recyclable materials. Within our offices, we work hard at raising awareness of waste management and pursuing the best practices of managing waste. With providing recycling bins and rolling out other initiatives, we promote the importance of waste collection and recycling among employees.

Improving Water Conservation at the Manufacturing Factory of smart #1

Water supply level is becoming increasingly tight as populations increase and climates change, requiring companies to conserve water wherever possible. The construction and operation of the manufacturing factory of smart #1 acts in strict accordance with the Law of the People's Republic of China on Prevention and Control of Water Pollution and the Law of the People's Republic of China on Water and Soil Conservation.

smart is dedicated to water resource conservation and water efficiency improvement. The manufacturing plant of smart #1 has set a short-term water stewardship target: water use per vehicle will be less than 2.34 tonnes in 2022. Furthermore, the following measures have been adopted to conserve water resource in the production and operational aspects of the plant:

- Water-recycling program:**
 The wastewater from production and domestic use in manufacturing plant of smart #1 is filtered by quartz sand after anaerobic and aerobic biochemical treatment. Then the wastewater can be used for toilet flushing. In addition, a portion of the wastewater is reused in production processes after the treatment with ultra-filtration ("UF") equipment, reverse osmosis ("RO") equipment and ultra-violet ("UV") disinfection equipment.
- Dry spray-painting technology:**
 The dry spray painting has been advanced, and boxes are used to absorb the paint mist. This can save water compared to the traditional wet spraying process.

Moreover, the production wastewater of the plant is collected and treated by an onsite facility before being discharged into municipal sewage treatment stations. Real-time wastewater monitoring equipment has been installed in the wastewater outlets to meet compliance requirements. The plant also performs regular third-party wastewater tests.

Preserving environment and biodiversity

Countries around the world depend on a range of natural resources. With strong connection to human well-being, biodiversity is a critical basis for human survival and development, and is related to the stability of communities and economies. The Company has long been aware of the serious decline in biodiversity and destruction of ecosystems which affect both developing and advanced economies.

The Company considers the preservation of biodiversity in the site management. At smart, biodiversity has been integrated into site selection criteria. The manufacturing plant of smart #1 is required to operate in a responsible manner and to minimise negative effects on the environment. We collaborate with our manufacturing partner to mitigate negative impacts such as resource depletion, air, soil and water pollution, and biodiversity loss.

The plant minimises volatile organic compounds (“VOCs”) emissions from the production process through the following measures:

- Acrylic painting technology:**
Oil-based paint has been replaced with acrylic paint to reduce the negative environmental impact in the production. Additionally, the coating process of traditional vehicles is divided into four layers: electrophoresis, middle paint, colour paint and varnish paint. Technology improvement of removing middle paint layer can reduce VOCs emissions by 30% while improving production efficiency by 30%.
- Regenerative thermal oxidiser (“RTO”) technology:**
RTO technology oxidises and decomposes the VOCs in the exhaust gas into carbon dioxide and water by high temperature combustion. Afterwards, the generated high-temperature gas is reused in the subsequent combustion process. This technology can not only significantly reduce the VOCs emission, but also can decrease the energy consumption.

Moreover, low-temperature sludge drying equipment will be adopted in the manufacturing plant of smart #1 from 2022. It is estimated to reduce the amount of hazardous waste generated by 50% or more.

2021 Results

During the Reporting Period, the resource consumption is as follows:

Materials used per car	Unit	smart #1
Steel	in kg	864
Wrought aluminium	in kg	228
Thermoplastics	in kg	192
Cast aluminium	in kg	124
Ternary material	in kg	103
Graphite	in kg	65
Rubber	in kg	67
Copper and copper alloys	in kg	55
Cast iron	in kg	59
Recyclable materials used per car		
Steel	in kg	130
Aluminium	in kg	40
Non-metal	in kg	1.2

Municipal supplied water consumption ⁹		
Total	in m ³	2,848.43
of which Hangzhou office	in m ³	1,089.23
of which Hangzhou Bay office, Ningbo	in m ³	1,759.20

Waste for disposal		
General industrial waste, total	in tonnes	0.76
of which Hangzhou Bay office, Ningbo ¹⁰	in tonnes	0.76

⁹ Since most European employees worked from home in 2021, and considering the low portion of the overall water consumption in European office, the scope of water consumption by location for 2021 disclosure includes only Hangzhou office and Hangzhou Bay office, Ningbo.

¹⁰ During the Reporting Period, smart disposed end-of-life interior parts of 0.76 tonnes.

Looking Ahead

smart has been increasingly focusing on the natural ecosystem and minimising resource use and waste through sustainable design. Achieving circularity of batteries and other key materials will be a considerable accomplishment. In coming years, the Company will continue to develop and deploy circularity initiatives, including but not limited to:

- Enhancing circularity in material use
- Researching and using plant-based materials
- Developing closed-loop battery management
- Collaborating with battery suppliers to improve high-risk material management
- Initiating a "zero waste-to-landfill" program with suppliers



Employees & Society 06



We empower individuals for the common benefit and continue to strengthen engagement with our partners for sustainable development.



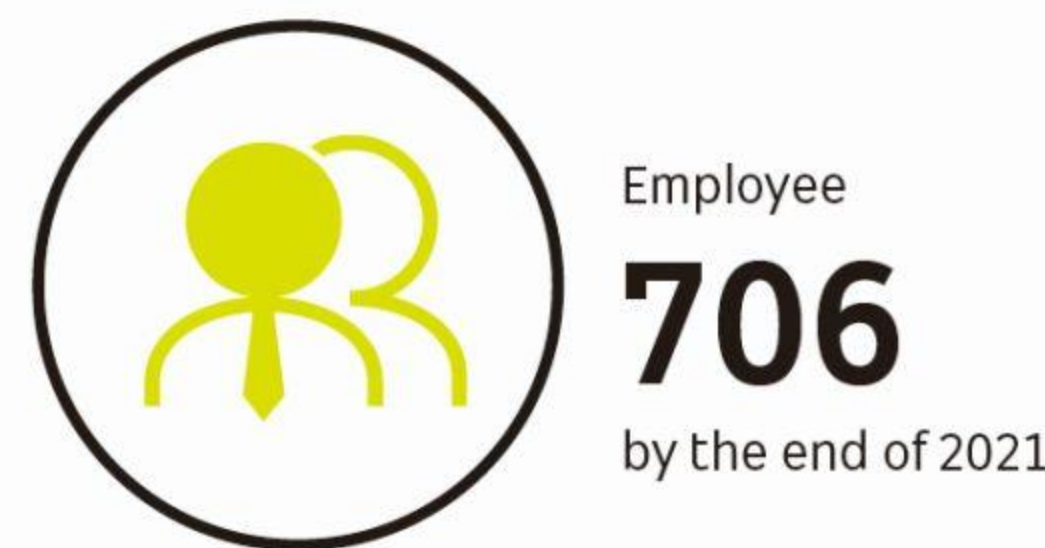
smart respects and values the dignity, well-being and rights of employees and the wider community. We embrace diverse backgrounds and perspectives. With active collaboration, community involvement and excellent corporate citizenship performance, we aim to earn the trust of stakeholders while building and expanding the sustainability impact of the brand.



By Leah Kelley / source: Pexels

Diversity and Inclusion

smart’s talented team has laid a solid foundation for the vision – to explore the best solutions for future urban mobility. By the end of 2021, we had 706 caring, dedicated, and creative employees. Talents are the key to business success, and the Company will more actively integrate diversity culture into talent acquisition practices.



Creating a Diverse and Inclusive Workplace

smart strictly adheres to all relevant rules and requirements for equal treatment of employees in terms of employment. We strictly abide by the Labour Law of the People’s Republic of China, the Employment Promotion Law of the People’s Republic of China, the Special Rules on the Labour Protection of Female Employees, the Law of the People’s Republic of China on the Protection of Minors, as well as the relevant employment laws and regulations in Europe. To create a more inclusive and equal workplace, smart Automobile Recruitment Management System has been established and implemented.

Diversity in the automobile sector is a challenge around the world. The Company is committed to creating a diverse and inclusive working environment for all employees. Any form of discrimination or harassment related to race, religion, gender, or disability is not tolerated at smart. In accordance with the Company’s Supplier Code of Conduct, we also require suppliers to ensure equal opportunity of employment and avoid any forms of discrimination.

smart believes that the cultural exchange and integration can add to the enthusiastic and friendly atmosphere in the workplace and bring inspiration coming up to our staff. In the future, we expect that our employees could experience more diverse cultures at smart.



Diwali celebration at smart Europe

With regards to Board diversity, there is one female Board member out of six members since the establishment of the smart joint venture. In April 2022, we have brought on a new female EMC member. At the same time, smart is striving to increase the proportion of women in the management levels.

By the end of 2021, women accounted for nearly 30% of the Company’s total workforce. To ensure steady progress in employment, smart will make an utmost effort for equal employment opportunities and full diversity in all aspects of employment. We are taking multiple initiatives to promote diverse and inclusive corporate culture while enabling every employee to express diverse opinions.



By fauxels / source: Pexels



By visual / source: Pexels

Promoting Diversity in Recruitment

The Company has established and put in place smart Automobile Recruitment Management System, which plays a key role to improve smart’s workplace diversity. We are proactively recruiting people with diverse backgrounds and age groups.

For campus recruiting, smart designated over 50 position vacancies based in 8 cities for new talents in China in 2021. We placed a strong emphasis on the diversity of new hires, and in 2021, smart has recruited 669 talents from different backgrounds and age groups. Nearly 30% of new employees are female.

Occupational Health and Safety

To provide a healthy and safe working environment for employees is a fundamental guarantee of human rights. Authorities such as the International Labour Organisation (“ILO”), the Organisation for Economic Co-operation and Development (“OECD”) and the World Health Organisation (“WHO”) have repeatedly emphasised its importance. Furthermore, occupational health and safety is also part of the UN SDGs.

Health, safety, and employee well-being are always embedded in smart’s core values. We aim to provide an injury-free workplace. Our initiatives promote a company-wide culture where employees embrace a safety-first mentality.

Establishing a Robust Occupational Health and Safety Management System

We advocate the continuous enhancement of employee physical conditions, and we keep ensuring that appropriate safety measures are in place to create a healthy and safe working environment for employees.

At the corporate level, in 2021, the Environment, Health and Safety Management System Manual (“the Manual”) has been developed and applied in alignment with ISO 14001 Environmental Management Systems, and OHSAS 18001 Occupational Health and Safety Management Systems. The Manual and the occupational health and safety management system clearly demonstrate the commitment of smart to prioritise employees’ safety and well-being. The applicable scope of the Manual includes employees, suppliers, contractors, and other people whose work or work-related activities are to some extent under the management of smart.

We set rigorous Environment, Health and Safety (“EHS”) standards for production activities. We have developed and implemented a comprehensive EHS system at the manufacturing plant of smart #1. It covers all full-time employees and interns across the factory. During the Reporting Period, an internal assessment was conducted on the EHS management system. Going forward, the

Company is planning to apply for ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System certification for the system.

During the Reporting Period, there was no high-consequence work-related injury happened at smart, and there was no work-related fatality.



By fauxels / source: Pexels

Improving Employee Well-being

At smart, we are continuing to create vitality in the workplace and to provide systematic support for employees. In 2021, the Company conducted an annual market review on pay, benefits, insurance and other areas to ensure competitive compensation and benefits for talents.

The Company provides statutory benefits to employees in line with the local government policies and requirements. In China, employee benefits include, but are not limited to:

- Annual health check-ups for all employees
- Supplementary medical insurance
- Annual full-paid statutory leave with minimum 5 working days and up to 15 working days per year according to seniority and length of service
- 15 consecutive calendar days of parental leave for all male employees
- Maternity leave for all female employees, as well as breastfeeding leave of at least 1 hour per working day
- Prenatal examination leave
- 1 to 3 days of bereavement leave for immediate family members



smart's Hangzhou office

In 2021, employees based in Hangzhou relocated to a new office at Aoti Vanke Centre, a US Green Building Council LEED Gold-certified building. This new workplace helps employees improve their work-life balance and creates a smarter urban lifestyle for young people, further enhancing social interaction and promoting sustainable development. It also meets a wide range of needs on flexible work and meeting sets. At the same time, extensive integration of the latest mobile technologies has created a more efficient and environmentally friendly working environment for employees.



LEED Gold Certificate

Learning and Development

We recognise that high employee engagement can effectively reduce turnover rates and increase job enthusiasm and satisfaction. At company level, we strive to provide equal and multi-topic training programs for all employees, advance career development channels, and stimulate innovation and breakthroughs. The Company supports employees to improve their knowledge and skills so that they could realise self-worth.

Providing Equal Opportunities in Learning and Development

The Company abides by the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and other laws and regulations applicable in Europe. We believe that employee development and satisfaction are crucial to corporate success in the future. Therefore, the Company has been committing significant resources to provide employees with learning and development programs. This would facilitate employees to draw out their potential and set sail on their dreams, and the Company could unlock stronger efficiencies simultaneously.

The Company has developed and implemented Training Conduct Procedures for both in-house and third-party trainings. The training system has been designed and third-party verified in accordance with ISO 9001 Quality Management System.



This procedure divides the training into four steps:



The training programs designed by the Company include general training and the training focusing on management and professional skills. With efforts in employee learning and development, we encourage employees to grow with the Company. During the Reporting Period, smart conducted 28 training sessions with 1,859 participants. The training categories included intelligent driving, data security, performance management, business operations, compliance, accounting principles, etc. In addition to in-house activities, we support industry experts taking part in third-party seminars and external trainings as well. During the Reporting Period, carbon experts, data experts and project managers of the Company participated in various events to build understanding of industrial trends, advance professional skills and enhance industrial exposure. 100% of the Company's employees participated in at least one training.

At smart, the voice of every employee deserves to be respected. In order to enhance effective communication between top management and front-line employees, the Company arranged two programs "Dialogue with CEO" and "Dialogue with project directors". We sought to facilitate the communication and interaction between staff and CEO or project directors and listen to the voices of employees. We aim to earn the trust of employees and enhance our corporate culture and values through these communications.

Optimising Employee Performance Management and Improving Employee Satisfaction

The core concept of performance management is to continuously optimise the performance of companies, departments and employees. The Company conducts quarterly performance appraisals focusing on competence, performance and value so that employees receive timely feedback for their work. There are five performance ratings: outstanding, excellent, successful, inconsistent, and insufficient.

If employees have any objections to their performance grade, they can file a statement to the Human Resources department within three working days after the appraisal results.

In 2021, 100% smart's employees took part in quarterly and annual performance reviews.

We believe that an increase in employee satisfaction can greatly contribute to corporate development and performance. During the Reporting Period, we conducted employee satisfaction surveys in both headquarters and Europe. The result of the survey provided smart with a number of helpful insights from employees.



Human Rights in the Supply Chain

smart respects human rights and has a zero-tolerance policy towards child labour, forced labour and hazardous working conditions.

The Company’s Supplier Code of Conduct sets strict requirements throughout the supply chain, with the aim to uphold human rights in a more comprehensive way. We require suppliers to ensure emphasis and respect for all internationally proclaimed human rights by avoiding causation of and complicity in any human rights violations. Heightened attention has been paid to ensuring respect for the human rights of women, children, migrant workers, and local communities. The Company emphasises the prohibition of forced labour, child labour and any discrimination or lack of respect for employees. In addition, we have outlined strict requirements on working hours, wages and benefits, health and safety for employees of suppliers. We are proud that during the Reporting Period, 100% of the Company’s existing suppliers have signed and committed to smart’s Supplier Code of Conduct.



100%
of the Company’s existing
suppliers have signed and committed
to smart’s Supplier Code of Conduct

The Company always attaches importance to the potential risk of human rights violations and negative environmental impacts in the battery material supply chain. To this end, we require battery suppliers to implement responsible sourcing practices to mitigate these risks. In addition, the Company will soon carry out third-party audits as well as supplier social self-assessments to more efficiently trace and document the environmental and social performance of battery suppliers.

The topic of human rights was found to be a high priority for both employees and external stakeholders in the materiality assessment. The Company embeds and emphasises human rights in smart sustainability strategy as well. We are in the process of building the sustainability management capabilities of in-house procurement to assess our suppliers’ performance and to integrate the results of assessments into supplier selection and contract extension processes.

Covid-19 Pandemic Management

COVID-19 has had tremendous impact on the world since the early 2020. It has reinforced the importance of putting people first and embracing disruption to evolve. The Company continuously regards our employees’ well-being as a top priority to ensure that they are decently cared for and supported.

In response to COVID-19, the Company deployed resources to support colleagues in both China and Europe. We provided essential resources such as masks to ensure our employees were supported timely. In addition, we fully researched employees’ preferences for working remotely, onsite or with a blended approach. The Company timely upgraded digital working tools and IT support to enable employees to have the efficient remote working.

It was not easy to attract tomorrow’s talents during the pandemic. However, our talent acquisition team quickly shifted to a new virtual model for interview, internships, recruiting and onboardings. Close collaboration between team members and strong support from cross-functional colleagues have demonstrated the team’s excellent resilience and flexibility.

In the future, we will continue to take multiple measures to provide diversified resources, pay attention to the physical and mental health of employees, and enhance their sense of belonging and happiness.



- Provide employees essential resources such as masks
- Timely upgrade digital office tools and IT support
- Continuously provide diversified resources
- Pay attention to employee physical and mental well-being

Corporate Citizenship

Corporate citizenship has always been an integral part of our sense of responsibility as a company. This tradition goes back to smart’s brand heritage and is firmly embedded in contemporary corporate mission. Together with our employees, customers and suppliers, we are able to support the SDGs and the economic development of local communities.

In 2021, smart collaborated with well-known brands to coordinate a range of activities to promote sustainable consumption and lifestyles.

- The co-branded “Drive smart, eat well” collaboration between smart and Wagas promoted sustainable lifestyle options and created new experiences and inspiration for the public in areas such as health and sustainable diets.
- AI Co-creation is an offline project. The public can co-create the smart song through audio or video uploading channels. This offered a glimpse of how we uphold and share our corporate value – Avant-garde Co-creation.



AI Co-creation Shanghai stop

2021 Results

Details of smart's employment and training figures during the Reporting Period are as follows:

Total workforce by gender and age

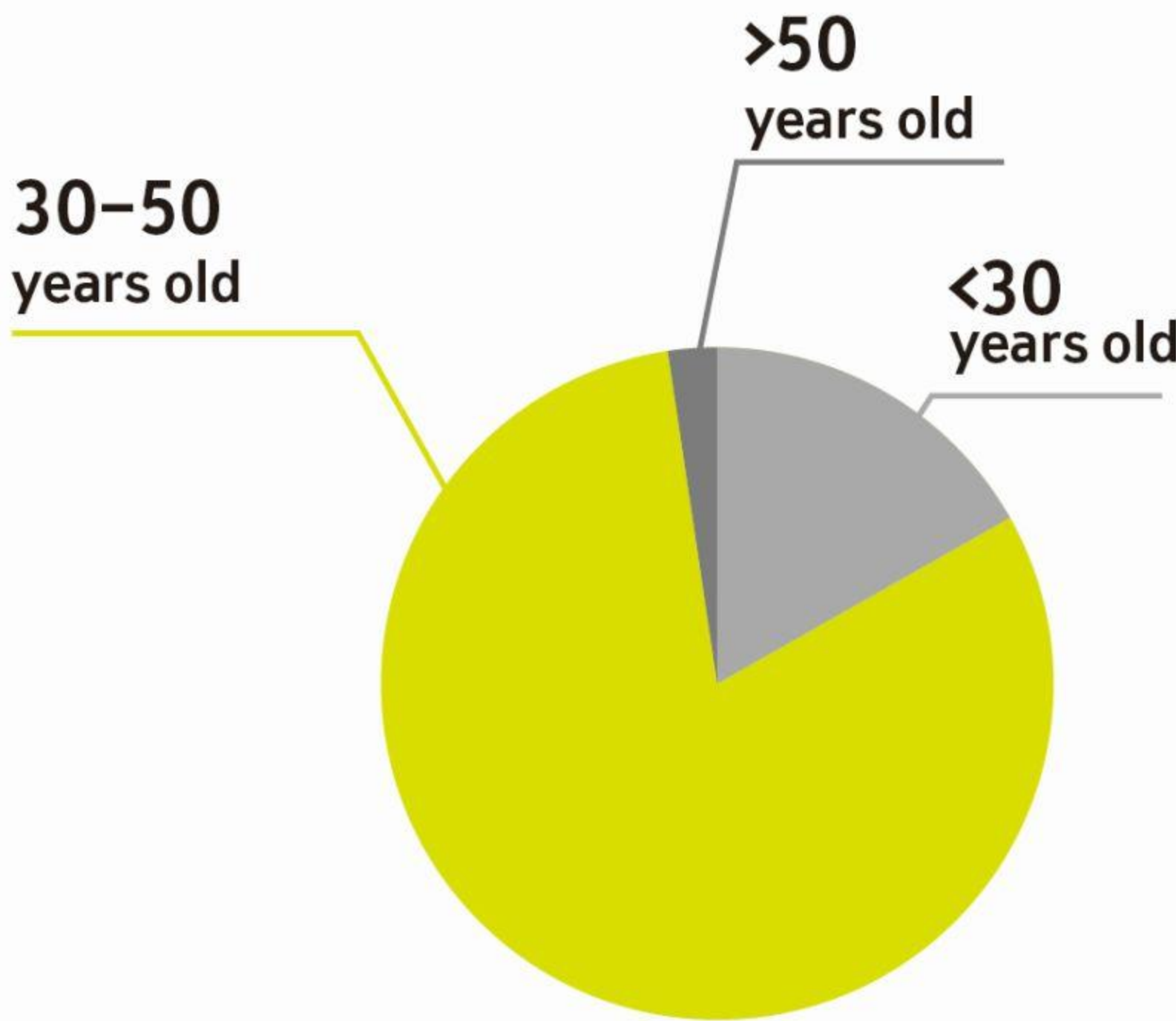
Total

706

<30 years old
Men 59
Women 61

30–50 years old
Men 440
Women 133

>50 years old
Men 12
Women 1



Total workforce by region

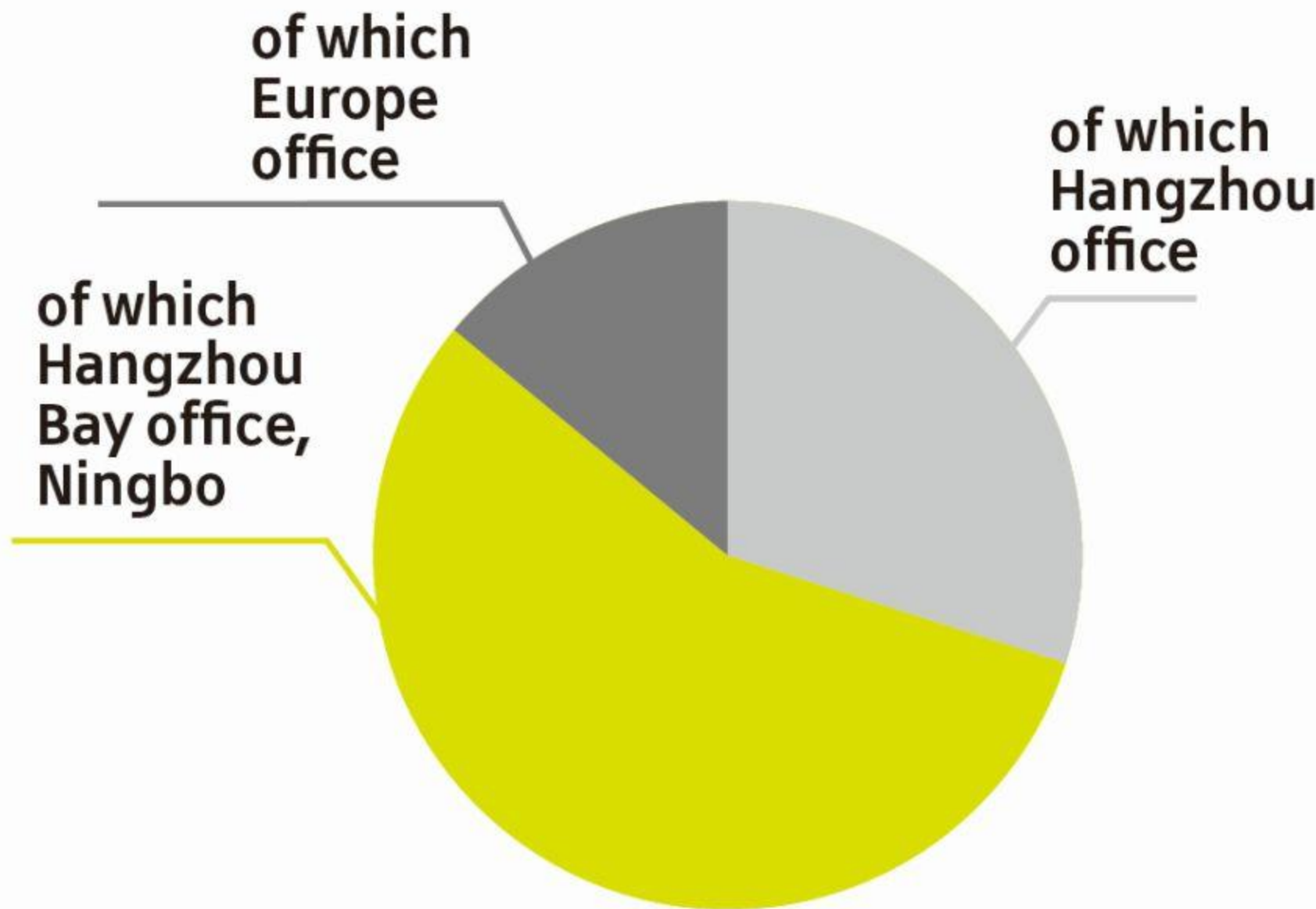
Total

706

of which Hangzhou office
209

of which Hangzhou Bay office, Ningbo
396

of which Europe office
101



Diversity of governance bodies and staff category by gender *			
Governance bodies	Men	Women	Total
Board of Directors	5	1	6
EMC team	4 ¹¹	0	4
Employees	Men	Women	Total
Department/ Sub-department leaders	46	13	59
all other employees	461	182	643

New hires by region, gender and age *						
	Men			Women		
	<30 years old	30-50 years old	>50 years old	<30 years old	30-50 years old	>50 years old
Hangzhou office	3%	17%	–	3%	9%	–
Hangzhou Bay office, Ningbo	6%	41%	1%	3%	8%	–
Europe office	1%	4%	1%	1%	3%	–

Trainings by grade and gender *				
	Men	Women	Total	%
EMC team	4	0	4	100%
Department/ Sub-department leaders	46	13	59	100%
All other employees	461	182	643	100%
Total	511	195	706	100%

¹¹ In April 2022, we have brought on a new female EMC member. smart is on the process of increasing the proportion of women, including the top management level.

Looking Ahead

As always, smart will earnestly develop a diverse and inclusive corporate culture and equally listen to the voice of every employee. We will spare no effort to foster diversity at all workforce, management and board levels, and increase the percentage of women in management positions. Sustainability and diversity will be embedded in our L&D system as well.

To assure and advance employee health and safety, the Company will continue to enhance and apply our OHS management system, carry out active safety engagement, and do our utmost to eliminate safety hazards and risks that could lead to fatal and serious injuries in the workplace.

smart commits ourselves to uphold human rights and has embedded it into our supply chain management. In coming years, we will work with suppliers to mitigate human rights risks in supply chains. Meanwhile, the Company will assess suppliers’ performance, and require rectification in case of any non-compliance issues. We will review the Company’s Supplier Code of Conduct and supplier assessment system from time to time to support compliance and further implement the zero-tolerance policy to child or forced labour in any form. The Company will continue to enhance capability on both procurement department and suppliers’ sides to respond to supply chain social issues in a more efficient way.

As a corporate citizen, smart is willing to work with partners to achieve the social commitment. Going forward, in line with the SDGs, the Company will develop a community engagement plan with focus areas, and further initiate annual flagship programs. At the same time, smart’s volunteering network will be developed in both China and Europe so that employees can be engaged for community activities and working towards the collective good.

Conclusion – the start of the “smart” Sustainability Action Plan



In 2021, in the face of numerous challenges, smart began a new chapter of transformation and development. Gathering optimism and excitement for the road ahead, we set off on our sustainable development journey.

From 2022, following the launch of the pure electric smart #1, we keep the vision of "exploring the best solutions for future urban mobility" firmly in our mind, continuously developing and practising our sustainability initiatives centred around our five sustainability pillars.

The Company has now officially launched the “smart” sustainability action plan:



sound integrity and transparency
to commit to conducting business with sound integrity and transparency



mobility innovation
to design premium, pure electric vehicles to promote sustainable and secure urban mobility



action to net-zero
to produce a carbon neutral car and provide low-carbon solutions



responsible sourcing
to embed “life cycle thinking” into our business and contribute to the circular economy and responsible sourcing



together for tomorrow
to empower individuals for the collective good, and to collaborate with partners on the sustainability journey together

We sincerely invite you to join smart on the sustainability journey – exploring a more sustainable, smarter future together.



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GRI Standard	Disclosure	Page references
Organizational profile	102-1 Name of the organization	1
	102-2 Activities, brands, products, and services	6, 7
	102-3 Location of headquarters	The Company is headquartered in Hangzhou Bay, Ningbo, China.
	102-4 Location of operations	The Company's offices are located in Hangzhou, China, Hangzhou Bay, Ningbo, China and Europe.
	102-5 Ownership and legal form	2
	102-6 Markets served	7
	102-7 Scale of the organization	87
	102-8 Information on employees and other workers	87, 88
	102-9 Supply chain	23, 57, 64, 84
	102-10 Significant changes to the organization and its supply chain	2, 8
	102-11 Precautionary Principle or approach	38, 40, 41, 42, 43, 52, 62, 64
	102-12 External initiatives	13
	102-13 Membership of associations	N/A
Strategy	102-14 Statement from senior decision-maker	2, 3, 4
	102-15 Key impacts, risks, and opportunities	16, 17, 18, 19, 22, 23, 33, 34, 35
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	102-20 Executive-level responsibility for economic, environmental, and social topics	14, 15
	102-26 Role of highest governance body in setting purpose, value, and strategy	10, 14, 15
	102-30 Effectiveness of risk management process	14, 15, 33, 34, 35
	102-32 Highest governance body's role in sustainability reporting	14, 15
	102-33 Communicating critical concerns	14, 15
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	102-42 Identifying and selecting stakeholders	22, 23
	102-43 Approach to stakeholder engagement	16, 17, 18, 19, 23
	102-44 Key topics and concerns raised	23
Reporting practice	102-45 Entities included in the consolidated financial statements	1
	102-46 Defining report content and topic Boundaries	16, 17, 18, 19
	102-47 List of material topics	20, 21

	102-48 Restatements of information	N/A
	102-49 Changes in reporting	N/A
	102-50 Reporting period	1
	102-51 Date of most recent report	4
	102-52 Reporting cycle	1
	102-53 Contact point for questions regarding the report	1
	102-54 Claims of reporting in accordance with the GRI standard	1
	102-55 GRI content index	93, 94, 95, 96, 97
	102-56 External assurance	N/A
Anti-corruption		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	1, 18, 23, 24, 26, 32
	103-2 The management approach and its components	27, 28, 30, 32
	103-3 Evaluation of the management approach	32, 36, 37
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	32
	205-3 Confirmed incidents of corruption and actions taken	32, 36
Anti-competitive Behaviour		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	1, 18, 23, 29, 30
	103-2 The management approach and its components	29, 30
	103-3 Evaluation of the management approach	29, 30, 36, 37
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	29, 36
Materials		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	1, 18, 23, 62, 64
	103-2 The management approach and its components	64, 65, 66, 67, 68, 71
	103-3 Evaluation of the management approach	71, 72, 73
Energy		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	1, 18, 23, 50, 59, 60
	103-2 The management approach and its components	54, 55, 56, 57, 58
	103-3 Evaluation of the management approach	59, 60, 61
GRI 302: Energy 2016	302-1 Energy consumption within the organization	59

Biodiversity		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	1, 18, 23, 70
	103-2 The management approach and its components	70
	103-3 Evaluation of the management approach	70, 73
Emissions		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	1, 18, 23, 50, 59, 60
	103-2 The management approach and its components	54, 55, 56, 57, 58
	103-3 Evaluation of the management approach	59, 60, 61
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	60
	305-2 Energy indirect (Scope 2) GHG emissions	60
Effluents and Waste		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	1, 18, 23, 62, 66, 67, 68
	103-2 The management approach and its components	66, 67, 68, 72
	103-3 Evaluation of the management approach	72, 73
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GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	1, 18, 23, 28, 35, 57
	103-2 The management approach and its components	35, 57
	103-3 Evaluation of the management approach	35, 36, 37, 57
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	36
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GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	1, 18, 23, 57, 58
	103-2 The management approach and its components	57, 58, 69, 70
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GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	1, 18, 23, 74, 87, 88
	103-2 The management approach and its components	76, 77 ,79
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