Huaqin Technology

Sustainability Report 2022

Contents

About This Report

Overview

This report, the second annual sustainability report released by Huaqin Technology Co., Ltd., presents our ideas, practices, and performance in sustainable development in an objective, transparent, and comprehensive manner.
We will continue to publish the report annually.

Reporting Scope

The report covers Huaqin Technology Co., Ltd. and its subsidiaries and affiliates, unless otherwise noted. References in this report to "Huaqin Technology", "Huaqin", "the Company", "we", "us", and "our" mean Huaqin Technology Co., Ltd.

Reporting Period

Unless otherwise specified, the report covers the period from January 1 to December 31, 2022.

Disclosure Principles

The report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option, as well as the relevant regulations and guidelines of the Shanghai Stock Exchange. Any matters not included in the report due to various objective conditions will be disclosed in future reports.

Data Collection

The information and data disclosed in this report are obtained from the official documents, statistical reports and financial reports of Huaqin Technology Co., Ltd. and its subsidiaries and affiliates.

Unless otherwise specified, all currency units in this report are in USD.

How to Obtain

This report is published only in electronic form to fulfill our commitment to environmental protection. The electronic version can be viewed or downloaded online at the official website of Huaqin: https://www.huaqin.com.

Feedback

Thank you for reading this report. If you have any comments or suggestions on this report, please contact:

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Message from the Chairman

Vincent Qiu

Founder, Chairman and CEO of Huaqin Technology

2022 is an extraordinary year for Huaqin and most consumer electronics companies in China. Faced with difficulties and challenges brought by external uncertainties, volatility, and declining global consumer demand, we adhered to sustainable development and pursued solid and steady progress with greater efficiency. While doing the right thing and challenging ourselves, we maintained overall operating performance against the market trend. Over the past year, we obtain $13.23 billion revenue, a year-on-year increase of 10.61%.

We are fully aware that ESG fulfillment on top of robust business operations is key to sustainable development. In 2022, Huaqin continued to focus on digital transformation and efficiency improvement. Through rapid iteration, we have realized improvements across the board, including ISC and financial change, to enhance the efficiency of the whole value chain. Meanwhile, we take on social responsibilities to establish a high-quality development model featuring green, low-carbon, and sustainable growth. We continue to create a dynamic and caring workplace for employee growth and development, also give back to the community with practical actions. This is how we deliver on our corporate social responsibility. We maintain comprehensive and sincere communication with stakeholders in all ways to respond to their concerns and build strategic mutual trust. By combining their concerns into corporate strategies and core business areas, we work with stakeholders to stimulate sustainable development in economy, industry, society, and environment.

A robust corporate governance model provides effective support for our long-term strategic development. Huaqin attaches great importance to corporate governance. We focus on issues such as business ethics, integrity, compliance management, and sustainable development to continuously improve our management systems for internal control and compliance and sustainable development. Legal compliance is a must-have for our management systems. In 2022,we established a comprehensive three-tier compliance management system that integrates compliance requirements into business processes to protect the legal rights and interests of the group, partners and employees. Under the leadership of the Board of Directors, we have formed an ESG management framework that covers governance, management, and execution to facilitate effective ESG performance across the board.
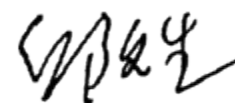
ESG performance depends on R&D investment and technological innovation. With the mission of improving people's communication and life, Huaqin has developed industry-leading technologies and overcome technical challenges to create a "2+N+3" product portfolio, so that more can enjoy a better life brought by technology and innovation. At Huaqin, R&D investment is a priority. Our R&D investment over the past year reached $720 million, a year-on-year increase of 39.54%. In 2022, our Global R&D Headquarters in Shanghai also moved faster to develop the cutting-edge technology of innovative electronic products and deepen strategic cooperation with world-class technology companies. As a typical "chain leader" in the electronic information industry, Huaqin contributed to the high-quality part development of the whole industry through technical support, strategic investment, and business development, and assisted the smart hardware industry to improve key areas in the upstream sector.

To establish a high-quality development model featuring green, low-carbon, and sustainable growth, Huaqin takes on environmental responsibility actively. We invest in carbon reduction innovation and practices through managerial and technological measures to ensure relevant goals are achieved. In 2022, Huaqin increased efforts in lean production management, incorporating green concepts into the entire life cycle of product development: including design, material procurement, production, use and recycling, and using more environmentally friendly materials, durable products, and sustainable packaging. Besides clean energy development and application, Huaqin also adopted managerial and technological measures to save energy and reduce emissions. In 2022, the two manufacturing centers in Nanchang and Dongguan alone reduced 11,507 tons of carbon emissions.

Employees are key to our sustainable development. Huaqin strives to create a workplace where employees have a high level of happiness and a sense of fulfillment. We are always working to build an open and reliable platform where "the harder you work, the happier you will be" and employees are provided with fair and equitable development opportunities. In 2022, Huaqin recruited 1,429 fresh graduates to build a sustainable talent pipeline so that "first-class talents are arranged in emerging first-tier cities to serve major customers".

With relentless pursuit, we will usher in a bright future. At the critical point of the fourth five-year period, Huaqin is celebrating its 18th anniversary. We are more determined toward sustainable and high-quality development and continue to ensure industry dominance, technological strengths, and CSR contributions. Ultimately, we aspire to be a trustworthy company that creates value for the whole industry and society.
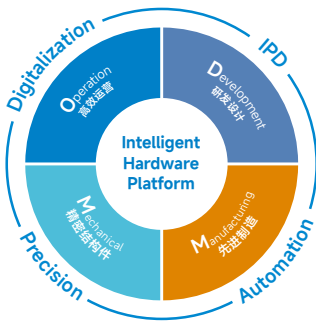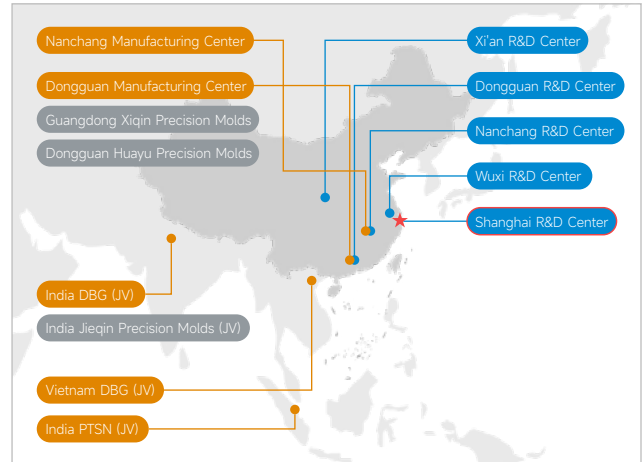
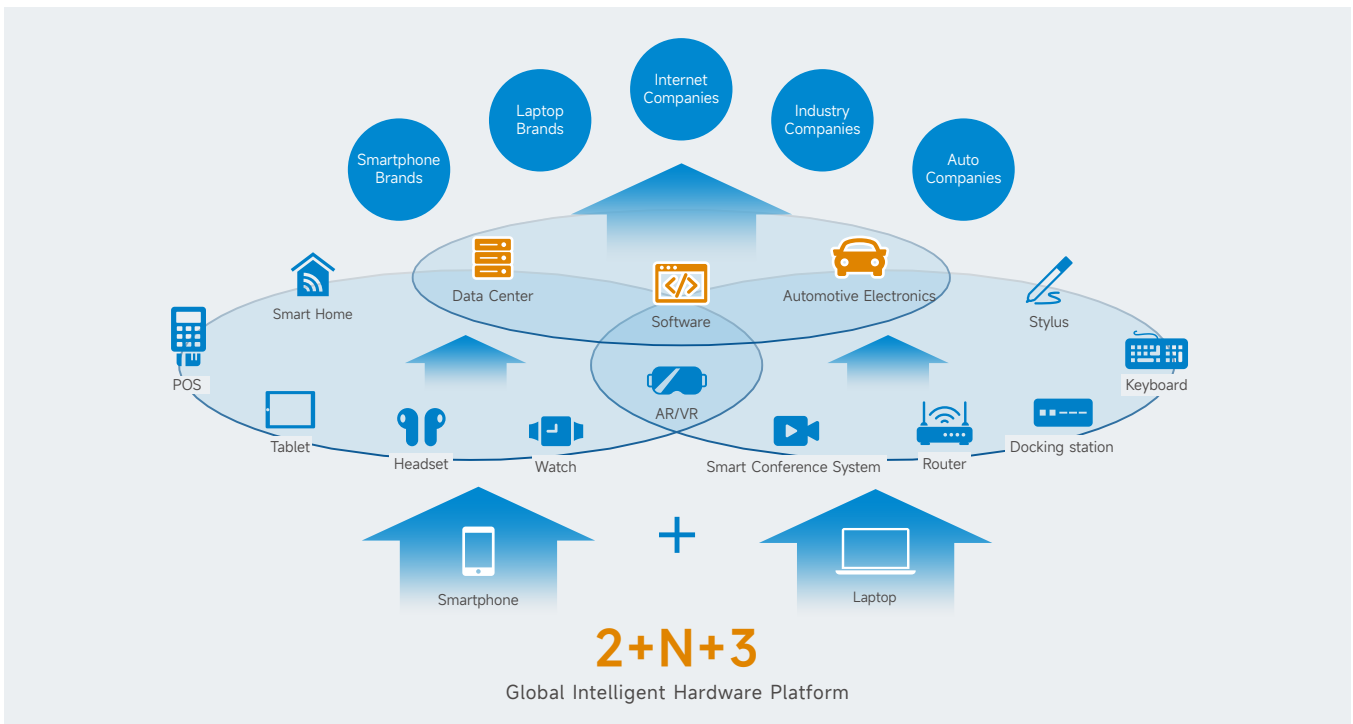Chairman's signature:

About Huaqin

About Huaqin

Founded in 2005 and headquartered in Shanghai, Huaqin Technology Co., Ltd. ("Huaqin") is a world-leading enterprise specializing in smart hardware products. With the mission to "Improve People's Communication and Life", Huaqin offers end-to-end product development, manufacturing, and operation of software, hardware, and systems to global tech companies. Every year, hundreds of millions of intelligent products from smartphones, tablets, laptops, and smart wearables to AIoT products, IDC products, and automotive electronics are delivered to consumers worldwide in over 100 countries and regions. Huaqin has a strong global R&D network, with five R&D centers across China in Shanghai, Dongguan, Xi'an, Nanchang, and Wuxi, as well as two domestic manufacturing centers in Nanchang and Dongguan and three overseas manufacturing bases in India, Indonesia, and Vietnam.

Nanchang Manufacturing Center
Dongguan Manufacturing Center
Guangdong Xiqin Precision Molds
Dongguan Huayu Precision Molds
Xi'an R&D Center
Dongguan R&D Center
Nanchang R&D Center
Wuxi R&D Center
Shanghai R&D Center
India DBG (JV)
India Jieqin Precision Molds (JV)
Vietnam DBG (JV)
India PTSN (JV)

Positioned as an intelligent hardware platform driven by efficient operation, R&D, advanced manufacturing, and precision mechanical parts, Huaqin has horizontally expanded its product lines and developed a "2+N+3" business layout, which includes smartphones, laptops, consumer electronics, data centers, automotive electronics, and software. The company ranks first globally in terms of ODM/IDH shipment volume of smartphones, tablets, and laptops.

Intelligent Hardware Platform
Digitalization · IPD · Operation · Development · Mechanical · Manufacturing · Precision · Automation

Smartphone Brands
Laptop Brands
Internet Companies
Industry Companies
Auto Companies

POS
Smart Home
Data Center
Software
Automotive Electronics
Stylus
Keyboard
Tablet
Headset
Watch
AR/VR
Smart Conference System
Router
Docking station
Smartphone
Laptop

2+N+3
Global Intelligent Hardware Platform

While focusing on digitalization and automation, Huaqin revolves around the core strategy of "building an intelligent hardware platform" to pursue innovation together with global tech companies and ecosystem partners. Huaqin has evolved into an intelligent hardware manufacturer with strong R&D capabilities and global competitiveness. It has become a hardware player that excels in software, and has established a large-scale business focused on.

Milestones

Mobile ODM

Mobile Devices

Domestic top-tier brand and overseas regional brand

IoT

Intelligent Hardware Platform

A manufacturer with strong R&D capabilities, a hardware player that excels in software, and a large-scale business of efficiency (IPD process for efficient decision-making)

2005-2009	2010-2014	2015-2019	2020 —

Mobile IDH

PCBA Mode

Chinese emerging brand

Intelligent Terminal ODM

Diverse intelligent products

Global first-line consumer electronics brand

Corporate

Mission

Improve people's communication and life

Values

Customer Success
Adaptability to Changes
Integrity Cooperation
Commitment Passion

Vision

To be a leading provider of intelligent products and services

HQ

2022 Data

Operating Performance

Operating Revenue

$13.23 billion

Return on Net Assets

23.35 %

R&D Investment

$720 million

Intellectual Property Licenses

3917

Invention Patents

900+

Environmental Performance

Environmental Protection Investment

$4,636,700

GHG Emission Intensity
(Tons of CO2 Equivalent)

160,215

Total GHG Emissions
(Tons of CO2 Equivalent / Million Operating Revenue)

1.73

Number of Energy Conservation and mission Reduction Projects

50+

Total Water Consumption

2,668,932 tons

Social Performance

Number of Employees

29,727

Ratio of R&D Personnel

41.40 %

Employee Training Coverage

100 %

Total Employee Training Hours

117,732 hours

Total Public Welfare Projects

28

Title Awarded for 6 Consecutive Years

Best Employer

2022 Industry Honors

CSR China Education Award
CSR CHINA TOP100 Rank

16th in 2022 Top 100
Electronics Enterprise

57th in Top 500 Private
Manufacturing Enterprises
in China

100th in Top 500
Private Enterprises in China

National Model Enterprise
for Harmonious Labor Relations

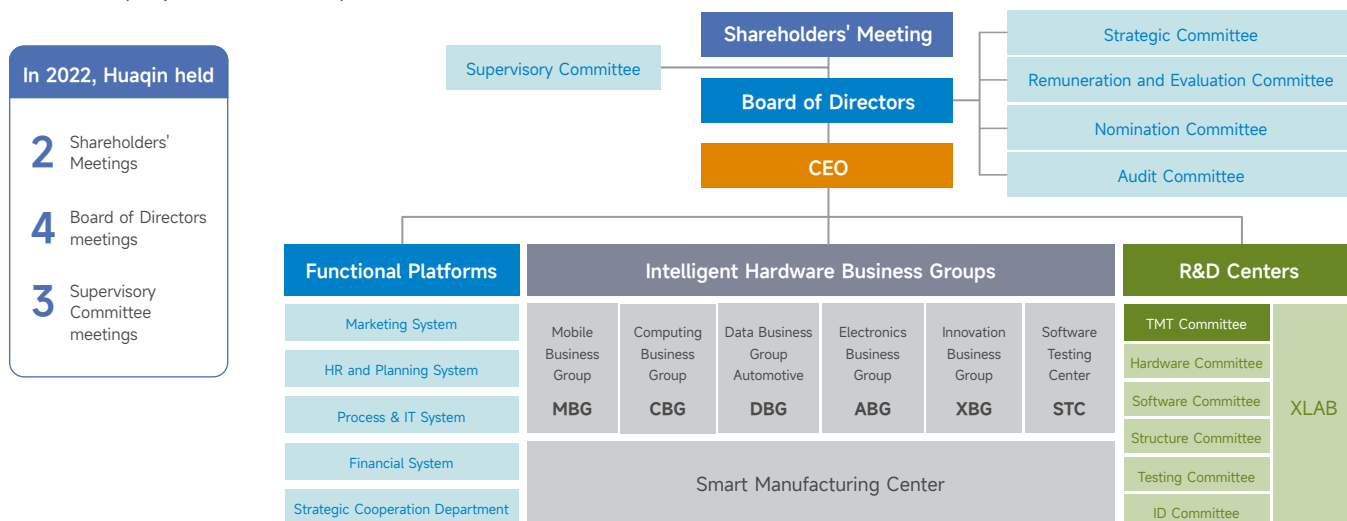# Effective Governance for Sustainable Development

Corporate Governance

Huaqin has established a legal and compliant institutional framework that satisfies the needs of actual operations and strictly following the provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Governance for Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and other laws, regulations, and normative documents.

Governance Structure

Huaqin keeps optimizing the corporate governance structure and gives full play to the roles of the Shareholders' Meeting, the Board of Directors, and the Supervisory Committee in making major decision, operations, management, and supervision to protect the legitimate rights and interests of shareholders. In 2022, Huaqin conducted 2 Shareholders' Meetings, 4 Board of Directors meetings, and 3 Supervisory Committee meetings. The convening and voting procedures of all meetings conformed to the provisions of applicable laws and regulations and the Articles of Association, and all voting results were legitimate. These practices have established a strong foundation for the company's standardized operations.

In 2022, Huaqin held

2 Shareholders' Meetings

4 Board of Directors meetings

3 Supervisory Committee meetings

Shareholders' Meeting

Supervisory Committee

Board of Directors

CEO

Strategic Committee
Remuneration and Evaluation Committee
Nomination Committee
Audit Committee

Functional Platforms
- Marketing System
- HR and Planning System
- Process & IT System
- Financial System
- Strategic Cooperation Department

Intelligent Hardware Business Groups
- Mobile Business Group — MBG
- Computing Business Group — CBG
- Data Business Group Automotive — DBG
- Electronics Business Group — ABG
- Innovation Business Group — XBG
- Software Testing Center — STC

Smart Manufacturing Center

R&D Centers
- TMT Committee
- Hardware Committee
- Software Committee
- Structure Committee
- Testing Committee
- ID Committee

XLAB

Shareholders' Meeting

Our shareholders consist of our founding members, China Mobile, Intel, Qualcomm, Northern Light Venture Capital, China Merchants Securities Investment, and Zhangjiang Hi-Tech Park, all with a strong and prominent presence in the electronic information industry and strategic investment. The Company regulates the convening, holding, and voting procedures of shareholders' meetings in strict accordance with the provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Articles of Association, the Rules of Procedure for Shareholders' Meetings, as well as other applicable laws and regulations, to protect the legitimate rights and interests of minority shareholders. Furthermore, we engage lawyers to attend the shareholders' meetings and to issue legal opinions on relevant convening and voting procedures, fully respecting and safeguarding the legitimate rights and interests of all shareholders.

Board of Directors

There are four special committees under the Board of Directors, namely the Strategic Committee, the Nomination Committee, the Remuneration and Evaluation Committee, and the Audit Committee. Each special committee performs its duties under the relevant laws and regulations, the Articles of Association, and its implementation rules. The Board of Directors comprises diverse high-end talents with rich experience and a good reputation in the industry and academia.

The Board of Directors comprises a total of 9 directors, including 3 independent directors. Among all directors, 78% are male and 22% are female.

Supervisory Committee

The Supervisory Committee is accountable to the Shareholders' Meeting, and the supervisors are elected and appointed in strict accordance with the selection and appointment procedures stipulated in the Company Law of the People's Republic of China, the Articles of Association, and other laws and regulations. The Supervisory Committee has formulated the Rules of Procedure, which stipulates its composition, functions, and powers, as well as the procedures for meeting convening and holding, proposal discussion, and voting. All supervisors are expected to independently and lawfully exercise their supervisory powers over corporate financial issues and the duty performance of directors and senior managers. They operate under the principle of being responsible to all shareholders. The Supervisory Committee has a total of 3 supervisors, including 1 employee supervisor.

Internal Control Management

Huaqin has formulated, under the Company Law, the Articles of Association, and relevant laws and regulations, a comprehensive internal control system that effectively plays its role of control and prevention in all aspects of corporate management.

The internal control framework serves as a guideline that describes the internal control framework implemented in the Company, along with the objectives and significance of each element. Huaqin's internal control framework involves the internal environment, risk assessment, control activities, information communication, and internal supervision. It specifies the key tasks and responsible leaders for each element and integrates these elements into the management and business processes. Together with continuous assessment of the element operation, it ensures that Huaqin can achieve its strategic objectives and business goals.

Huaqin focuses on internal control management through institutional improvement and enhanced internal management. In 2022, we have built three lines of defense for internal control to inspect and supervise whether our business processes and systems are compliant.

In 2022, Huaqin prepared the annual evaluation report for internal control based on daily and special supervision to evaluate the effectiveness of internal control as of December 31, 2022 (reporting base date), with a standard unqualified audit report issued by Dahua Certified Public Accountants.

Business Ethics and Integrity

Huaqin puts business ethics and integrity at the core of its work and establishes a sound supervisory system. With the aim of cultivating a compliant and honest ecosystem, Huaqin tolerates no corruption or bribery of any form. A working atmosphere that respects compliance and integrity is in place through such solid actions as establishing relevant systems and mechanisms, perfecting the supervision system, and enhancing preventive education.

Develop

We have formulated and implemented the Huaqin Internal Control Management System, Huaqin Business Ethics Management System, Huaqin Integrity Management System, and Huaqin Regulations on Handling and Managing Violations globally. A dedicated internal audit and compliance team has been established to lead the anti-corruption and anti-fraud work, to be specific, advancing the development and implementation of business ethics systems including anti-corruption and anti-bribery systems, conducting special audits on anti-corruption practices, and reporting to the Audit Committee of the Board of Directors.

We urge employees and suppliers to work and cooperate honestly and lawfully with a Letter of Commitment to Integrity signed by employees holding key positions and a Letter of Commitment to Anti-Bribery signed by all suppliers.

In 2022, we clarified the responsibilities of business departments, internal control, internal audit and supervision — the three lines of defense in the internal control and compliance management system that supervise and support each other. Huaqin joined the Trust and Integrity Enterprise Alliance and established the integrity blacklist with several renowned enterprises. We also worked with local judicial authorities on the investigation of illegal incidents and the legal education of all employees. In 2022, Huaqin continued to strengthen its internal audit and successfully completed a total of 32 audit projects in such fields as procurement, finance, and operations. The report and complaint channel was improved and 26 complaint and report cases were handled. Corrections and reinforcements were executed through analysis of the cases to address both symptoms and root causes.

Integrity Compliance Training and Promotion

To strengthen Huaqin's bottom line culture and enhance employees' awareness of integrity compliance, we have introduced a variety of training sessions and promotion campaigns. These initiatives include introducing integrity compliance systems, on-site integrity compliance lectures, executive sharing on compliance, employee sharing on integrity compliance, integrity examination, regular integrity compliance week, conducting case briefings, bulletin boards, and emails. As a result, employees have greatly raised their awareness of integrity compliance and self-discipline and a clean workplace has been shaped.

We have developed compliance promotion manuals and organized wide range of lectures and training sessions on compliance management systems, institutions, business ethics, and information security throughout the group. As a result, a culture of integrity and compliance has been alive at Huaqin.

In 2022, we organized 8 integrity compliance lecture and training sessions and issued over 30 compliance briefings to explain relevant regulations and cases studies.

Compliance Training in Shanghai

Compliance Training in Dongguan

Huaqin Compliance Promotion Manual

Compliance Training in Wuxi

Compliance Training in Nanchang

Huaqin holds the Integrity Compliance Week every September, focusing on the "Work with Integrity". In the 2022 campaign brought various activities in five locations including Shanghai, Nanchang, and Dongguan, in which more employees were exposed to the culture of integrity and gained a deeper understanding of integrity.

Campaign in Shanghai

Campaign in Dongguan

Campaign in Wuxi

Campaign in Nanchang

Campaign in Xi'an

Report A Violation
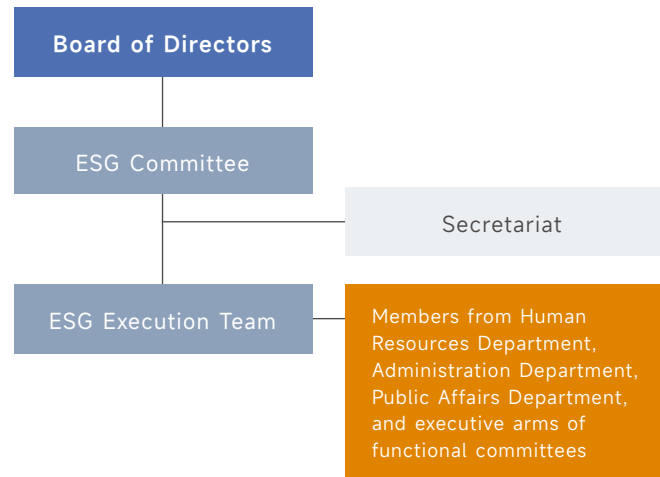
Email: report@huaqin.com

Tel.: 18516617679

Huaqin encourages all employees and partners to report faithfully on violations. All reports and complaints will be handled in a timely manner and the personal information of the whistleblowers will be kept strictly confidential. We disallow any direct or indirect retaliation against the whistleblowers.

Sustainable Development Management

Sustainable Development Management Framework

Huaqin continues to pursue technological innovation and sustainable development to create value for the industry and society. We have formed the ESG management framework that covers governance, management, and execution. The ESG Committee was established in 2022, consisting of the chairman and senior management of functional committees including the Carbon Neutrality Committee, Human Resources Committee, Information Security Committee, and Public Affairs Committee. The ESG Committee is accountable to the Board of Directors and leads in ESG affair supervision and management across the Company. Regular meetings are held by the ESG Committee to discuss and make decisions on sustainable development issues. Additionally, an ESG Execution Team has been formed to develop and implement sustainable development plans for the Company and report to the ESG Committee.

Board of Directors

ESG Committee

Secretariat

ESG Execution Team

Members from Human Resources Department, Administration Department, Public Affairs Department, and executive arms of functional committees

Stakeholder Engagement

Effective communication with stakeholders is critical to our sustainable development. Huaqin values the concerns and needs of stakeholders. We are committed to maintaining comprehensive and sincere communication with stakeholders through various channels. This enables us to understand their concerns and build strategic mutual trust. By combining their concerns into corporate strategies and core business areas, Huaqin collaborates with stakeholders to stimulate sustainable development in the economy, industry, society, and environment.

Stakeholders	Concerns	Our Response	Main Communication Channels
Government and other regulatory bodies	Compliance with laws and regulations Economic growth Tax compliance Employment Energy saving and emission reduction	Compliant and honest operations Sound operation and sustainable development Fulfilling tax obligations Creating more jobs Focusing on green operation	Relevant meetings Policy consultation Supervision and inspection Information reporting
Communities	Contribution to community development Employment Harmonious society	Supporting and contributing to a better community Participating in pro bono activities Organizing volunteer activities	Occasional pro bono activities Face-to-face communication Volunteer activities
Shareholders and investors	Business development Legal operation Protection of shareholders' rights and interests	Sound and sustainable operations Complying with laws and regulations Disclosing important information in a timely manner	Shareholders' Meeting Regular reports Face-to-face communication
Customers	Product development and technological innovation Product security Information security and quality	Investing continuously in R&D and technology Responding to customer needs quickly Improving the quality management system Shaping a sound information security system	Meetings, face-to-face communication Customer satisfaction survey Pre-sales communication After-sales service
Employees	Occupational health and safety Remuneration and benefits Career development	Establishing a sound health and safety system Comprehensive career development paths Training sessions at all levels Competitive compensation and benefits	Health and safety training Employee training and skill development Employees' congress Employee feedback platforms
Suppliers	Long-term stable partnership Business ethics and anti-corruption Fair procurement	Introducing the supplier selection mechanism Conducting supplier training and audits Signing relevant supplier code of conduct	Annual supplier conference Supplier training On-site audit and communication

Efficient Operations for Long-Term Development

Technological Innovation

Based on business and local conditions, Huaqin is committed to establishing a globally competitive R&D network and a multi-level R&D system, It has built five major R&D centers across China in Shanghai, Dongguan, Nanchang, Xi'an, and Wuxi. These centers focus on the research of smart hardware products as smartphones, tablets, laptops, smart wearables, data center products, and automotive electronics.

Shanghai R&D Center

New Shanghai Headquarters / Global R&D Center

Xi'an R&D Center

Dongguan R&D Center

Nanchang R&D Center

Wuxi R&D Center

Invest in superior R&D resources and advance intelligent manufacturing through large-scale R&D projects

Huaqin prioritizes technological innovation and building of its R&D team building. With increased R&D investment, R&D innovation platforms, and in-depth R&D projects, we encourage independent innovation, develop industry-leading technologies, and tackle the technological challenges faced by the industry.

Invest more in technological R&D and intellectual properties

Since its inception, Huaqin has been increasingly investing in technological innovation. In 2022, Huaqin spent $720 million in R&D, marking a significant year-on-year growth of 39.54%, along with a pipeline of 12,308 R&D experts. Huaqin boasts a high-value portfolio of hundreds of patents to protect its technological innovations. Through years of efforts in improving the patent network and maximizing its technological edges, Huaqin keeps cementing its smart hardware leadership.

As of the end of January 2023, Huaqin boasted

authorized intellectual property rights	authorized patents	invention patents	software copyrights
3,917	Nearly 2,500	Over 900	1,369

Build technological innovation platforms and explore technology frontiers

We built a technology center that serves as a platform for technological innovation. The TMT Committees apply advantages accumulated in smartphone R&D, embedded software, and rapid productization over the years to such smart products as laptops, tablets, smart wearables, AIoT products, data center products, and automotive electronics.

We established the Software Testing Center to make Huaqin competitive in software testing. On top of that, a comprehensive infrastructure platform based on integrated development was built to meet the complex product needs of customers across different industries.

X-lab was established to attract more top talents and improve our innovation capability in acoustics, optics, thermal design, microwave, and battery (new energy), enhancing our technology for productization and securing our industry leadership in cutting-edge technologies.

Expand technological R&D business worldwide

In 2022, Huaqin has been significant progress in establishing its global R&D headquarters. The project, once completed, will make full use of Shanghai's advantages in domestic and foreign talents and the integrated circuit industry, and focus on the cutting-edge technology of innovative electronic products. It will deepen strategic cooperation with world-class technology players and create a global advanced technology innovation platform ready for the future. Meanwhile, the project will also focus on improving the comprehensive capabilities of the headquarters and upgrading the 1+5+5 intelligent hardware ecosystem centered on Shanghai and reaching out to a global scale. This strategic effort will strengthen the headquarters' resource allocation capacity in the global industrial chain.

Digital Management

To support the overall business strategy of "2+N+3" and achieve operational excellence, we set up a digitalization committee under the general principle of "integrated design, central platform, and unified standard". The committee aims to improve management for digital transformation step by step and unify end-to-end core business processes, data standards, and systems by 2025. By doing so, Huaqin aims to achieve efficient and transparent operations, consistent management, and effective risk control measures.

Organizational Structure of Digitalization Committee

The Digitalization Committee was established within the group to support the departments at all levels in setting goals and objectives for digital transformation and putting them into practice under the general principles. The Digitalization Committee includes senior managers from various functional areas, such as R&D, supply chain, marketing, finance, HR, investment, process, and IT systems. Additionally, the committee also includes an office for the execution and coordination of transformation routines and the implementation of strategic objectives. The Digitalization Office operates on a weekly and monthly basis, holds special meetings for discussions as

Organizational Structure of Digitalization Committee
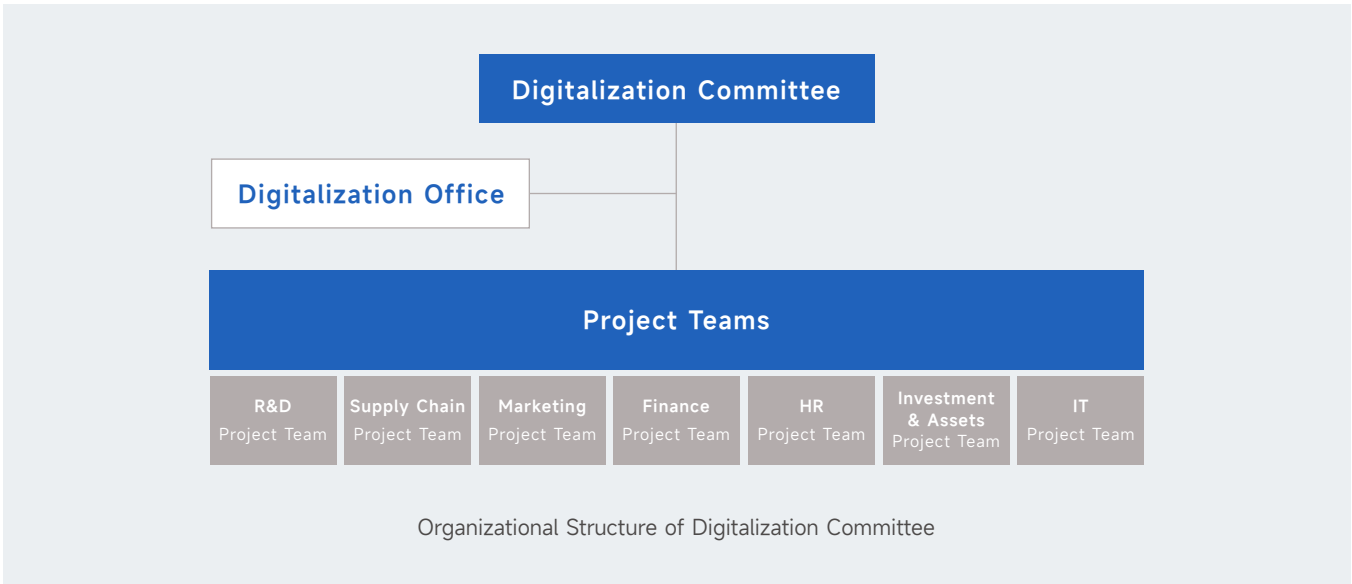
Digital Transformation Results

Huaqin aspires to achieve transparent operations, improved efficiency, reduced costs, and enhanced happiness through digital transformation. From the beginning, Huaqin has outlined the general principles of "integrated design, central platform, and unified standard" to steer digital transformation in R&D, operations, marketing, manufacturing, HR, administration, and finance. Remarkable results have been achieved.

Transparent operations, improved efficiency, reduced costs, and enhanced happiness

Enhanced customer value Robust operations & development Responsible player	Visible operations & management Controllable management process Fewer accidents in management	Higher work efficiency Self-value fulfillment Enhanced happiness
Decision-Making Level	**Management Level**	**Execution Level**
✓ Transparent operation ✓ Reasonable decision-making ✓ Model innovation	✓ Visible processes ✓ Smart warning ✓ Ex ante forecast	✓ Reduced repetitive work ✓ Improved efficiency ✓ Better ease of use

R&D

To integrate R&D personnel and improve R&D efficiency, Huaqin has gradually built an efficient and process-oriented IPD model since 2015. Under the model, an integrated team, including an operational director, marketing representatives, R&D representatives, procurement representatives, manufacturing representatives, and quality representatives, is formed for each R&D project. This approach raises the company-wide awareness of whole-process product development and integrates internal resources to support customers in project development. Furthermore, Huaqin can realize standardized, digital, and process-oriented R&D management. In 2022, Huaqin launched a new round of IPD iteration, with a focus on the business process, aiming to increase overall R&D efficiency by 10%.

Integrated Product Development

IPD Process
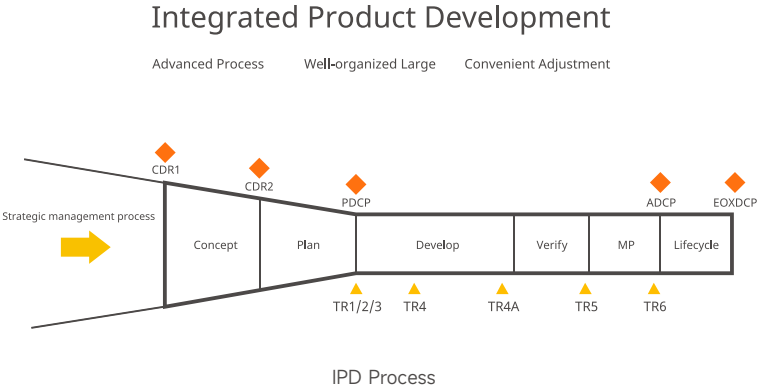
Operations

An operation middle platform was built to share data including customer demands and orders through EDI, enable seamless connection, and reduce manual operation and error rate. It also allows us to share data with upstream suppliers through the SRM platform, increasing the efficiency of the whole supply chain. The internal departments are connected through the IBP platform for full coverage of the supply chain. In a word, it provides efficient support for receiving customer orders and communicating purchase orders and forecasts.

In 2022, Huaqin invested heavily to reconstruct and build forward-looking supply chain processes and systems, which enhance synergy and efficiency and refine management granularity. Significant improvement has been registered in key supply chain indicators in the pilot project.

Over the next two years, we will further optimize our systems and processes to adapt to various businesses and level up operations across the supply chain. We will advance the digitalization drive by the supply chain, aiming to provide customers with more efficient services of better quality.

Marketing

By combining digital technology with traditional marketing tools, we have reached customers through efficient and convenient communication channels. We deliver a convenient service experience to customers so they can access accurate and timely information in contract management, quotations, order processing, forecasting, expenses, or customer management. As a result, our marketing and sales have become more precise and efficient as our business decisions are now based on the optimal utilization of data inside and outside the Company.

Finance

We have also reformed our financial systems (IFS) by reviewing the financial process framework (FPF), building platforms for financial data management, developing and optimizing core financial systems, and promoting data governance, to build a sound digital financial system.

In 2022, the management of all our assets went digital, which made the process real-time and well-targeted, and management decision-making became more reasonable and accurate. Reconciliation also became more accurate and faster with the help of bots.

Manufacturing

We have started systematic construction of the manufacturing dashboard as part of a three-year plan covering data visualization, early warning, error proofing, and intelligent transformation. Our goal is to complete factory digitization in 2024. With core data visualization completed in 2021, 90% of data visualization will be accomplished by 2023 at the latest.

HR & Administration

After institutional review, process development, and data governance, Huaqin has made significant improvements in key areas of HR and administration in DL recruitment, electronic signature, and HR self-service, satisfying tens of thousands of employees in scenarios like contract signing, electronic signature, and one-stop HR services.

Data Quality

Data quality is the cornerstone of digital transformation. To ensure quality data and improve data management, we set up a specialized department in 2021 for medium- and long-term data governance, targeting data quality, data standardization and consistency management, data sharing and integration, and data security and compliance.

Supply Chain Management

We are committed to building a transparent, secure, agile, cost-leading and sustainable supply chain system, while maintaining a win-win partnership with our suppliers. We build an efficient operation process and a comprehensive digital and systematic IT system for effective vertical resource integration to create a world-class supply chain system. We develop a team of differentiated suppliers, a global network of strategic procurement, and a risk management mechanism to establish a competitive supply chain for our strategic goals.

Technology Procurement
Technological innovation
Joint planning, design, and development
Localization, standardization, and generalization

Talent Pipeline
Fresh graduate cultivation and retention
New manager training and empowerment
Potential talent training and empowerment
Multiple locations

Digital Transformation
Project-based implementation
Data quality assurance
System visualization

Tailored Green Supply Chain

Supplier Health
2-4 h supply circle
Environmental protection

Supply Security
Demand management
Layered stock
Industry-finance integration

Fixed Asset Ecosystem
EAM
Centralized procurement
Self-developed procurement

Construction of Supply Chain CSR Management System

Huaqin has established a supplier relationship management (SRM) system that spans the entire lifecycle from supplier introduction, on-site audit, and contract management to performance management. To fulfill our corporate social responsibility and deliver on our commitment to sustainability, Huaqin has established a comprehensive procurement CSR management system based on the United Nations Guiding Principles on Business and Human Rights (UNGP), the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and the International Labour Organization (ILO) Guidelines for Multinational Enterprises, as well as the Responsible Business Alliance (RBA) Code of Conduct and the Joint Audit Cooperation (JAC) Supply Chain Sustainability Guidelines. We require that all suppliers sign and abide by the CSR system that encompasses labor standards, safety and health, environmental protection, business ethics, and management systems. Huaqin strives to conduct sourcing and business on our products, employees, and suppliers in a socially, environmentally, and ethically responsible manner.

Suppliers are subject to joint field audits by the R&D, procurement, and quality departments to evaluate their workplace environment and compliance with relevant environmental protection requirements. In addition, suppliers are required to hold certifications such as ISO9001 and ISO14001. Huaqin incorporates the anti-commercial bribery commitment into the procurement framework agreement, and makes integrity anon-negotiable principle. Any supplier found to violate this

commitment will be banned from future cooperation. Suppliers in the Approved Vendor List (AVL) are subject to regular performance assessments by multiple departments on costs, delivery, quality, CSR fulfillment, and services. Based on the assessment results, we identify the continuous improvements to be made by suppliers based on the assessment results, and help suppliers improve their awareness of social responsibilities and management capabilities.

Huaqin is committed to never supporting or use utilizing conflict minerals including tin, tantalum, tungsten, gold, and cobalt from unknown sources. We fully support the actions of the Responsible Business Alliance (RBA) and the Global e-Sustainability Initiative (GeSI) against conflict minerals. We comply with the OECD guidance on conflict minerals and the RBA program to conduct responsible supply chain sourcing and facilitate Reasonable Country of Origin Inquiry (RCOI) and Due Diligence (DD).

We encourage suppliers to define policies aimed at preventing and reduce any human rights and environmental risks that may be caused by minerals contained in their products. Suppliers are required to track the source of and conduct due diligence on minerals in the purchased products. We share due diligence information with customers, and collaborate with both customers and suppliers to promote the sustainable development of mineral supply chains.
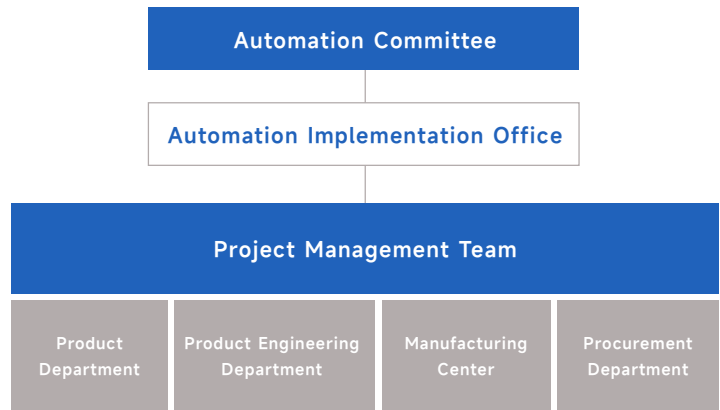
Business Automation and Lean Manufacturing

Dedicated to business automation, we have established the Automation Committee to promote automated intelligent manufacturing across all categories, including mobile phones, tablets, laptops, and smart wearables. By 2025, our goal is to install 50,000 sets of equipment, with baseline automation rate improved to 70% and labor saved by 15,000 people, building an industry-leading intelligent equipment management ecosystem at the best efficiency.

Automation Committee Structure

The Automation Committee has been created to help all relevant manufacturing departments set and work toward their individual goals that are aligned with the overall organizational automation goals. Comprised of senior executives from the Equipment Technology Department and various manufacturing departments, the Committee has an office to control the execution and coordination of automation routines and the implementation of strategic objectives.

The Automation Committee is responsible for defining the company's course of automation and overall objectives. It supports the Automation Implementation Office in setting project objectives for each business segment, guides and monitors implementation of objectives, providing guidance for project improvements, and inspecting special improvement results.

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┌─────────────────────────────────────┐
│        Automation Committee          │
└─────────────────────────────────────┘
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┌─────────────────────────────────────┐
│   Automation Implementation Office   │
└─────────────────────────────────────┘
                  │
┌─────────────────────────────────────┐
│        Project Management Team        │
└─────────────────────────────────────┘
┌──────────┬──────────────┬──────────┬──────────────┐
│ Product  │   Product    │ Manufac- │ Procurement  │
│Department│  Engineering │  turing  │  Department  │
│          │  Department  │  Center  │              │
└──────────┴──────────────┴──────────┴──────────────┘
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Organizational Structure of the Automation Committee

Achievements of Automation

In 2022, Huaqin invested in approximately 2,200 sets of automation equipment including FATP and SMT lines, which saved labor costs of nearly 1,800 people. Huaqin supercharged the automation efforts at baseline in smartphones, tablets, smart bands, smart watches, TWS earphones, and laptops. At the same time, we achieved technological breakthroughs in key FATP processes to ensure industry leadership.

The independent automation R&D team was expanded to cover the whole process , including design, assembly, operations and maintenance, renovation, and reuse. Equipment standardization was promoted to realize modularized physical design, generalized control platforms, and integrated user interfaces. We also managed to shorten idle time to ensure high utilization and reliability of equipment by adopting relevant mechanisms, growing our talent pools, improving the automation introduction process, and identifying key risks. We customized the EAM/TPM/Scada/Andon systems and established an equipment data acquisition warehouse to integrate real-time monitoring, instant alarming, intelligent prediction and analysis warning, and pulling features to ensure efficient equipment operation. Additionally, a DFA (design for assembly) middle platform was created, incorporating special DFA items, baselines, projects, and rules, to enable effective collaboration between the manufacturing and R&D departments and improve the standardization of design and production.

Independent R&D Team
Capacity building
Design standardization
Asset activation capabilities

Low Equipment Failure Rate
Equipment condition monitoring
Intelligent equipment warning system

Less Human Effort and Higher Efficiency
—
High Quality

High Reliability
Equipment standardization
Shortened idle time

Efficient Collaboration
Creation of a DFA technology platform

High Quality Strategy

Huaqin has been adhering to the tenet of quality as lifeblood since its inception. A high-quality strategy has been developed at the group level for long-term development. We continue to improve the quality control system covering R&D and design, material procurement, manufacturing management, product flows, supply assurance, and after-sales services. Through these efforts, we have earned a reputation as a quality benchmark in the industry.

High-Quality Control Throughout the Lifecycle

Huaqin has built an integrated quality management and organization mechanism that spans the full product lifecycle and aims to cultivate a diversity of quality talents, to facilitate its transformation into an agile organization. Based on the overall organizational structure and corporate culture, we have continuously optimized the quality control mode to create a new, open, and flexible management structure that effectively aligns Huaqin's internal quality control with the customer value chain.

In the early stage of a project, we identify potential risks regarding new goals, processes, and technologies for proactive planning and prevention. During project execution, we break down quality objectives and implement them individually, and review the fulfillment of leading indicators regularly for timely improvement. Meanwhile, we encourage 4Q (PQE, PQA, SQE, and IQC) interaction and end-to-end interconnection among the R&D, procurement, and production departments, so as to provide adequate resources for smooth project implementation and quality control. Huaqin and the manufacturing centers have been certified with ISO 9001 and QC 080000 (International Electrotechnical Commission quality assessment system for hazardous substance in electronic components). The domestic manufacturing centers have passed IATF 16949 (technical specification for automotive sector quality management systems), ISO 13485 (medical device standard), and other quality system certifications.

| QC 080000 Certificate | IATF 16949 Certificate | ISO 13485 Certificate | ISO 9001 Certificate |

Quality Vision

Our quality vision: To make Huaqin synonymous with high quality in the intelligent hardware industry.

Quality Culture

Quality is deeply embedded in our culture and reflects our core values. The abbreviation "HQ" for "HuaQin" can also be interpreted as "High Quality", implying that Huaqin has been committed to quality since its inception. Our quality culture: follow process specifications, ensuring that things are done correctly the first time, and continuously seeking opportunities for improvement.

High Quality

Internal and External Quality Empowerment

To create an atmosphere where everyone values quality and to raise their quality awareness, Huaqin organizes an annual "Quality Month" campaign. This campaign includes various activities such as skill competitions, knowledge lectures, examinations, special internal audits, on-site training, and questionnaires every year. These quality training sessions and all-round communication have assured that our employees can always bear high quality in mind.

Case: Quality Month

Since 2008, Huaqin has been organizing the "910 Quality Month" campaign as part of our ongoing efforts to build a quality culture. Guided by the quality culture of "following process specifications, doing things right the first time, and always making improvements",

we clearly communicated our quality vision, objectives, management policies, and benchmarks to all of our employees so that they can always bear high quality in mind.

Themed "High Quality for Future", the quality month campaign in 2022 included diverse promotional activities like quality commitment and knowledge quizzes to enhance the quality awareness of all employees.


Case: Quality Skill Competitions

Every year, we launch various quality skill competitions. In 2022, a series of skill competitions like appearance inspection, quality control, knowledge quiz, and scenario simulation
were held to motivate employees to strictly follow the production process, learn quality knowledge, raise quality awareness, and spread quality culture, ensuring that all the employees bear quality in mind.

2022 Quality Honors

By maintaining full lifecycle quality control, Huaqin continues to build high-quality products and services, with wide recognition from customers. In 2022, we received a number of excellent and outstanding quality awards from customers.
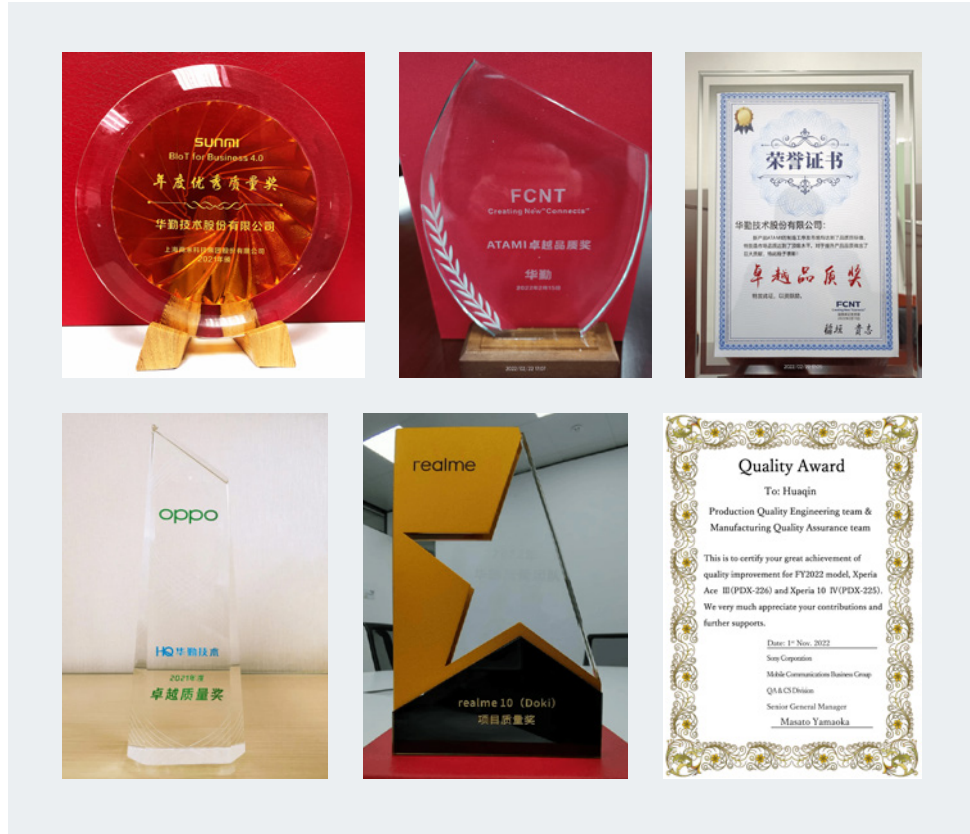
Sunmi Annual Quality Award

FCNT ATAMI Quality Excellence Award

FCNT Quality Excellence Award

OPPO Quality Excellence Award

realme Project Quality Award

SONY Quality Award

In 2022, our wholly-owned subsidiary Nanchang Huaqin Electronic Technology Co., Ltd. was awarded the "Fourth Nanchang Mayor's Quality Award" by Nanchang Municipal People's Government for its high quality performance.

Business Continuity Management

After years of effort, Huaqin has built an end-to-end business continuity management system, identified relevant procedures, set up a management organization, and developed preparedness plans for various risk events. We have developed policies and processes in procurement, manufacturing and logistics, backed up by HR, finance, legal, and IT departments. With effective process building and risk management measures, we have continuously improved our emergency preparedness and disposal, maintained the continuity of strategic objectives, and realized steady and sound business operations.

Key Initiatives in Procurement

We source raw materials from multiple suppliers, prioritizing those with multiple manufacturing sites. During mass production, we prepare safety stock to better address the ever-changing customer demand and uncertainties during the pandemic.

Key Initiatives in Manufacturing

We have established two domestic manufacturing centers in Nanchang and Dongguan, as well as three overseas manufacturing bases in India, Indonesia, and Vietnam. These complementary sites allow Huaqin to provide quality products and services to global tech customers in a sustainable manner.

Information Security Assurance

Huaqin works to protect the information security for ourselves, customers, and employees. We have implemented effective measures to control and protect internal information security. This includes enhancing our internal information security management systems, strengthening the information security protection mechanism, and enhancing employees' awareness of information security protection.

Construction of the Information Security System

In strict accordance with the Cybersecurity Law of the People's Republic of China and the Personal Information Protection Law of the People's Republic of China, Huaqin has obtained the ISO 27001 (information security management system) certification and developed a complete information security system that classifies all information, sets up corresponding approval processes, and defines all violations and penalties.

ISO 27001 Certificate

Information Security Risk Control

Huaqin has established the Information Security Committee to strengthen information protection policies and implement prevention strategies for physical security, data security, and personal information security. To ensure the security of information in use, Huaqin provides internal employees with online and offline training courses on subjects such as the prevention of internal and external network attacks and intrusions, and information security in secure areas. Moreover, Huaqin carries out information security month activities and organizes information security exams every year to enhance all employees' awareness of information security risks and their ability to identify them. Based on the comprehensive information security protection system, Huaqin also reinforces the protection of customer information through controls over its internal operation and suppliers.

Internal Operation Control

Strict background checks are done for all key positions that have access to customer information. In addition, for key positions at the project level, a commitment letter or confidentiality agreement specific to the project will also be signed. Customer-related documents are encrypted, with specific storage locations and disposal authority defined. The use of removable storage devices for copying operations is strictly prohibited. Furthermore, Employees are strictly prohibited from sending company documents to personal email addresses.

Supplier Control

All suppliers are required to sign a confidentiality agreement before their cooperation with Huaqin. Moreover, they must present their valid ID when entering the company to prevent unauthorized access. Huaqin has strict restrictions on all physical and logical access by suppliers. In addition, Huaqin conducts annual information security inspections and supervision of key suppliers to ensure compliance and mitigate any potential risks.

Social Commitment and Responsibility

Promoting Social Equity

Promoting the Popularity of the Internet

Huaqin has been committed to improving people's communication and life since its inception. We always believe that everyone should be able to enjoy a smart life through technical inclusion to promote social equity.

Through efficient operation, R&D innovation, advanced manufacturing capabilities, design and manufacturing capabilities of precision mechanical parts, we continue to deliver better smart terminal products with enhanced R&D and manufacturing efficiency. This enables us to offer cost-effective and stay ahead of market competition. In 2022, Huaqin led the industry in terms of total shipment. In particular, the shipment of smartphones, tablets, and laptops segments are topped the global ODM/IDH industry. As a result, Huaqin has become a driving force in promoting smartphones, tablets, laptops, smart hardware, and connectivity worldwide, contributing to the cause of for social equity.

Enabling Inclusion and Equity for Seniors

So what can the ever-developing technology help solve the aging population in China? How can technology assist the elderly in adapting to the later years of life? We take the physical and mental differences into account when designing elderly-friendly products. With emerging technologies such as smart hardware, IoT, cloud computing, and AI, we are able to help the elderly enjoy convenient tools for their daily life and travel and improve their quality of life, sense of happiness, and social engagement.

Huaqin is committed to being a socially responsible organization. In response to the call of "making technology easier for seniors", we have developed AI technologies that help the elderly cross the "digital divide" and lead a happier and better life, promoting the development of a Healthy China.

Case: Elderly-Friendly and Accessibility Features
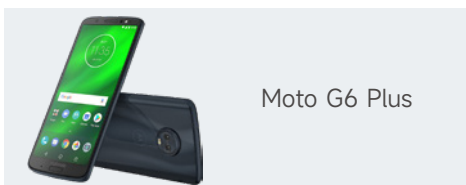
Moto G6 Plus

Moto G7 Play

HAC, TTY, Easy Mode on Moto G6 Plus, Moto G7 Play, and other models help the hearing-impaired and the elderly communicate more easily and enjoy a smart lifestyle.

HAC: Hearing aids can be used with smartphones to help hearing-impaired/elderly people. With hearing aid compatibility (HAC), noises caused by the incompatibility between digital mobile phones and hearing aids are eliminated, so that people wearing hearing aids can answer phone calls without interference.

TTY: Teletypewriters can be used with smartphones to support people who are deaf, hard-of-hearing, or have a severe speech impairment.

Easy Mode (Simple Mode/Elderly Mode): This mode only provides some basic features such as camera, photo album, phone call, and SMS and increases the icon and font size, making it easy to use for seniors.

Voice Assistant: The feature provides voice feedback to help blind and visually impaired users. For example, it describes what to tap, select, and activate.
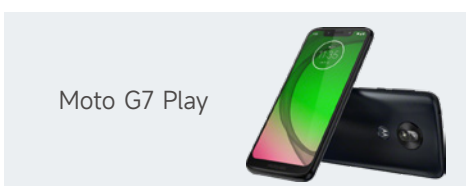
University-Business Cooperation

Huaqin works with colleges and universities through technical seminars and internship programs, helping cultivate new skilled professionals for local communities. By building a collaborative innovation system and integrating respective resources, we have improved our capabilities in innovation and entrepreneurial capabilities while creating mutually beneficial outcomes in talent training, entrepreneurship, and business incubation.

Huaqin keeps exploring new modes of university-business cooperation. In 2022, Huaqin signed agreements with multiple colleges and universities regarding new apprenticeship and talent training initiatives. High-caliber talents that can meet corporate needs are cultivated to promote quality socio-economic growth. In 2022, our manufacturing centers were recognized as the demonstration base for the cultivation of highly skilled talents, providing vocational skill training for enterprises, educational institutions, and society.

Public Welfare

To better highlight our social commitment and fulfill our corporate social responsibility, Huaqin set up the "Huaqin Care Fund" in January 2011. This fund supports various charitable activities, including grant-aided education, environmental protection and carbon reduction, health assistance to the disabled, assistance to the poor and the weak, and disaster relief support.

Grant-Aided Education

We foster education, bridge the education gap, and diversify education in impoverished areas.

Environmental Protection and Carbon Reduction

Under the goal of carbon neutrality, Huaqin facilitates ecological construction and environmental protection and explores a green operation mechanism in environmental pollution prevention and control, green development, and water resource conservation.

Health Assistance to the Disabled

By subsidizing early diagnosis and early intervention technologies, we help kids with congenital diseases to improve, recover, and live with dignity.

Assistance to the Poor and the Weak

We provide financial support to resource-poor areas in central and western China or the disadvantaged in cities, fund social organizations to carry out sustainable development programs in urban and rural communities, and help rural revitalization through skill training.

Disaster Relief Support

Whenever there is a major natural disaster, we make every effort to provide as many resources as possible to ensure people's basic living needs in the affected areas.

There is no end to public welfare. Huaqin is actively contributing its part and joining hands with more to help those in need.

By the end of December 2022, we have operated

Public Welfare Projects	Partners	Number of Beneficiaries
28	15	5万+

2022 Charitable Activities

Grant-Aided Education and Assistance to the Poor and the Weak

In December 2022, Huaqin donated winter clothes and books to the children in Bugu Village, Maxiu Township, Bianba County, Changdu City, Tibet Autonomous Region and Yunzhou Primary School, Heba Town, Datong Lake District, Yiyang City, Hunan Province to pass on warmth and hope.

"Diligence & Reflection" Science Campaign

2022 Library Support

In September 2022, Huaqin, Shanghai United Foundation, and Shanghai Yusi Youth Computing Science Development Center launched the "Diligence & Reflection" Science Campaign. Focusing on "popularizing science and inspiring innovation", a specially designed science and technology education course is held once a week, including an introduction to computer programming and hands-on practice in creative electronics. As of January 2023, 11 science courses have been conducted, serving more than 450 people in total.

In 2021, Huaqin became one of the first members of "Huiyi Respect for the Elderly Alliance" established by the Beicai Town Government of Pudong New Area, Shanghai. In 2022, we continued to take practical actions to respect and support the elderly, creating a new environment where senior citizens are respected, cared for, and live happily in their later years. In September and October 2022, Huaqin donated epidemic prevention supplies, daily necessities, and food to three senior care centers in Nanchang and Wuxi, conveying our good wishes for their health.

Care for the Elderly

Care for the Elderly

Charity Station in Tangxia Town, Dongguan, Guangdong Province

In July 2022, Huaqin made a donated to Dongguan Charity Federation for a charity station in Tangxia Town aiming to provide assistance to those facing temporary and emergency difficulties. It is part of the efforts to build the "Dongguan Charity" service brand and shape an atmosphere where everyone is actively involved in helping one another.

Communication — Care for Autistic Children

In March 2022, Huaqin funded to the Shanghai Qingcongquan Training Center for Children with Special Needs to develop "Q Scenario Simulation Classroom", This innovative initiative is designed to enhance the cognitive, life, and social skills of autistic children, so that they can learn to adapt to the simulated real-life scenarios in a safe and healthy environment. The classroom features simulated real-life scenarios such as supermarkets, hospitals, and clothes stores can fully engage children in experiencing and learning new things, thus creating a more inclusive environment for their integration into society.

Support to Autistic Children

Communication — Care for Autistic Children

Green Power on Campus

In response to China's carbon neutrality goal and to improve education and ensure equal access to education in poor areas, Huaqin started in February 2022 the "Green Power on Campus" project which combines photovoltaic (PV) technology and energy storage to ensure uninterrupted green power supply to schools in areas with weak educational resources. Together with the Overseas China Education Foundation, we funded the installation of a 68.20 kWp PV power generation system at Liuzhai Middle School in Huining County, Gansu Province to reduce its electricity expenses. The PV system can reduce CO_2 emissions by 99 tons per year, equivalent to planting 5,000 new trees every year.

Green Power on Campus

Green Power on Campus

Environmental Protection and Green Leadership

Dual Carbon Strategy

China and its businesses have shared the goal of addressing climate change and advancing the transition to a low-carbon economy. As a global leading intelligent hardware platform, Huaqin has formulated the "dual carbon strategy" in response to China's "dual carbon" goal. Huaqin is dedicated to promoting low-carbon development and lead the industry toward a greener, win-win and sustainable

"Dual Carbon" Targets

Based on Huaqin's carbon neutrality targets, the carbon neutrality plan is divided into four stages:

2021
前

Starting to control carbon emissions

Emission strategy

- Designing the roadmap to carbon neutrality with yearly targets
- Consulting professional firms to empower teams with skills and certification
- Keeping updated with government policies
- Requesting customers to provide training
- Enhancing organizational influence with achievements and expanding gradually

2030
前

Peaking carbon emissions

Carbon emissions and their sources are effectively controlled

- Green technology R&D
- Purchasing renewable energy
- Controlling carbon emissions of top 100 suppliers in the upstream supply chain

2050
前

Achieving regional targets

for carbon neutrality

- Achieving targets in Shanghai, Wuxi, and Xi'an first
- Achieving targets for some of the products

2060
前

Achieving overall target

for carbon neutrality

Huaqin continues to increase efforts in response to climate change, promoting energy saving, and emission reduction. Each year, we invest in carbon reduction innovation and practices through managerial and technological measures to ensure relevant goals are achieved. We continue to improve energy efficiency and reduce carbon emissions through self-built PV projects, energy-saving renovation projects, investment in high-efficiency equipment, and lean management. In 2022, our total greenhouse gas (GHG) emissions were 160,215 tons of carbon dioxide equivalent.

Environmental Management Mechanism

In strict compliance with relevant local laws and regulations and industry emission standards, Huaqin has developed such as the Hazardous Waste Disposal Agreement, the Solid Waste Management Regulations, and the GHG Control Management System to improve our environmental management system. Guided by our "dual carbon strategy", we have established a group-wide management system and framework for carbon emission reduction. The Carbon Neutrality Committee has also been set up to conduct annual audits of carbon emission reduction throughout the group and promote continuous progress in green and low-carbon production and operation. We actively promote certification to third-party authoritative environmental standards. Huaqin and the manufacturing centers in China have been certified with ISO 14001 (environmental management system). In 2022, our wholly-owned subsidiary Nanchang Huaqin Electronic Technology Co., Ltd. received ISO 50001 (energy management system) certification. I In the future, Huaqin will improve internal environmental management standards by promoting ISO 14001 and green factory certification and plans for third-party GHG inventory.

ISO 14001 Certificate

Creating Environmentally Friendly Products

Huaqin integrates the concept of green and sustainable development into the full product life cycle from material procurement to R&D, design, production and packaging. This approach allows us to provide customers with more eco-friendly products.

Green Supply Chain

All our materials comply with strict environmental laws and regulations, directives or certifications. A variety of renewable materials such as recycled paper and plastic have been used in many products. We will also work with our suppliers to explore the possibility of using more high-quality renewable materials. Furthermore, we actively collaborate with our suppliers to fulfill their responsibilities under environmental laws and regulations. These include compliance with RoHS (Restriction of Hazardous Substances), REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) requirements, PAHs (Polycyclic Aromatic Hydrocarbons) Directive, Battery Directive, Packaging Directive, WEEE (Waste Electrical and Electronic Equipment) Directive, POPs (Persistent Organic Pollutants) Regulation, California Proposition 65, and Restriction on the Use of Hazardous Substances in Children's Products. For example, materials provided by suppliers must meet the latest requirements of our corporate standards and technical documents on the restricted use of hazardous substances in eco-friendly products, and applicable laws and regulations. Suppliers are expected to provide test reports on hazardous substances, as stipulated by environmental protection laws and regulations for the materials they provide.
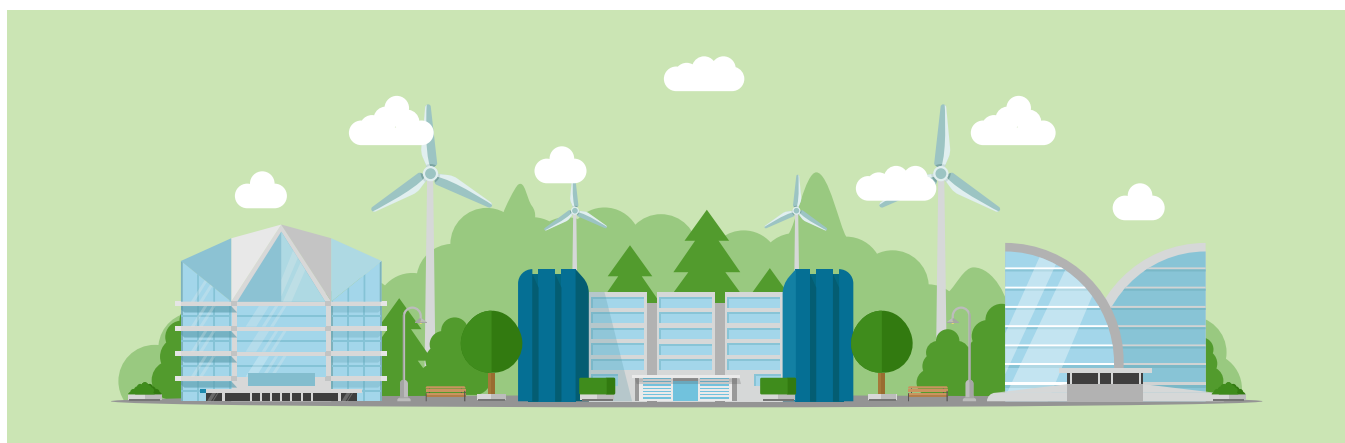
Green Design

Our commitment to green products starts with design phase. We conduct strict audits of raw materials to meet all environmental requirements. By pursuing technological innovation, applying low-carbon technologies, and reducing energy consumption, we strive to achieve environmentally friendly design and research and development (R&D) practices. One example of our approach is modular product design, which allows easy upgrade and maintenance and increased usage. To create reusable green products, we start from the non-destructive disassembly of high-value modules, explore possible recycling solutions, and classify and put the reusable materials into reprocessing, thus improving the re-utilization rate of recycled and original products.

Green Manufacturing

Huaqin consistently follows a "high quality strate-gy" and manufactures products that are durable and high-quality products. During the manufactur-ing stage, we conduct strict reliability tests against international standards to ensure enhanced product usability in severe conditions and reduced resource consumption. To carry out these tests, we have multiple specialized reliability labs in China, where we simulate use scenarios and perform reliability tests on different products and components to ensure product quality before shipment. Tests include drop tests, temperature cycling tests, and abrasion tests.

Environmental reliability

Mechanical reliability

RF antenna radiation

Audio and call

Hazardous substance testing

Green Packaging

We have developed better and more efficient packaging designs that meet customer needs, aiming to reduce the use of packaging material and cut packaging and logistics costs. Huaqin is using a variety of renewable materials such as recycled paper and plastic in various products to reduce resource consumption.

Green Manufacturing for High-Quality Development

Our major manufacturing centers in Nanchang and Dongguan take steps to pursue green, low-carbon, and sustainable operations based onthe principle of "low consumption, low pollution, and high efficiency", We strive for green and high-quality development by implementing various measures.

To create green factories, we use as much renewable and clean energy as possible at the source, take technical and managerial measures to save energy during our operations, and properly dispose of hazardous waste and organize environmental awareness programs. These efforts have enabled us to cut costs with increased resource utilization and reduced waste generation, and achieve more efficient, sustainable, low-carbon operations.

2022 green manufacturing data for the two manufacturing centers in Nanchang and Dongguan:

Energy saving and consumption reduction measures implemented	Total energy savings	Total CO2 emission reduction	CO2 reduction year-on-year increaset
50+	12,109,739 kWh	11,507 tons	80.93 %

Nanchang

Nanchang No.1 Manufacturing Center

Nanchang No.2 Manufacturing Center

Dongguan

Dongguan No.1 Manufacturing Center

Dongguan No.2 Manufacturing Center

Dongguan No.3 Manufacturing Center

Use Clean Energy

We use renewable energy in our operations wherever possible and are building PV power systems, solar water heating systems, and other green energy facilities at our two manufacturing centers.

More than 6,000 PV panels have been installed at Nanchang No.1 Manufacturing Center to provide over 5 million kilowatts of electricity per year. In 2022, we continued to build PV power stations at the manufacturing centers in Nanchang and Dongguan.

Case: PV Power Station at Nanchang No.2 Manufacturing Center

In 2022, we started a 7.3MW rooftop solar power project at the Nanchang No.2 Manufacturing Center, covering a total rooftop area of 84,200 m².

The estimated annual power generation is 7.43 million kWh, equivalent to an annual reduction of about 5,900 tons of carbon dioxide.

Case: PV Power Station at Dongguan Manufacturing Center

In 2022, we started the construction of PV power generation facilities at the Dongguan manufacturing center, covering a total rooftop area of 34,000 m².

The first phase has an installed solar capacity of 818 kWp over 10,000 m².

Solar Water Heating System

The solar water heating systems at our Nanchang and Dong-guan centers provide hot water for thousands of people each day. By replacing the traditional hot water system with air-source heat pumps and building a solar hot water system that can be used all year round, we can reduce gas and electricity consumption and reduce carbon emissions.

Nanchang Solar Water Heating System

Technology-Backed Energy Saving

Spending on energy-saving renovation projects kept growing to $701,650 in 2022. Nanchang and Dongguan manufacturing centers adopted new technologies to save energy, including air compressor heat recovery, warehouse and dormitory lighting renovation, sched-uled operation of hot water units, and frequency reduction of fresh air units.

### Case: Air Compressor Heat Recovery at Dongguan

Some dorm buildings in Dongguan Manufacturing Center used air-source heat pumps for hot water supply. As the energy consumption is high, the waste heat of the air compressor is recovered to bring down both electricity usage and carbon emission.

Case: Frequency Reduction of Fresh Air Units at

The fresh air units can ensure satisfactory temperature and humidity at 45 Hz. To save energy, the frequency of each unit is lowered by 5 Hz to lower the energy consumption by about 3.4 kW/h each, while desired
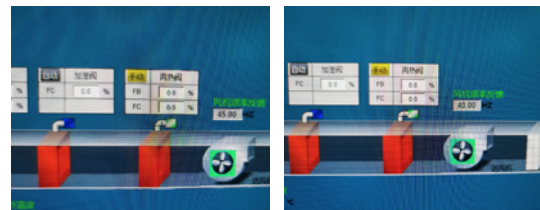
Before   After

Energy Saving Through Management

Huaqin keeps refining energy management through various measures, including the standard energy use models, improving basic equip-ment maintenance, adjusting equipment parameters, scheduling reasonable production downtime, energy saving signs, and area management. These efforts help improve energy utilization efficiency and achieve energy saving.

Case: Energy saving signs and area management

Huaqin keeps improving its energy-saving measures and implementing prompt signage and area management for electricity usage.

Case: Factory Monitoring & Control Systems (FMCS)

The Company has introduced the FMCS at No. 2 Manufacturing Center in Nanchang, enabling remote centralized monitoring of energy and power systems in the plant. By implementing remote control and independent control and automation of various subsys-tems, it has reduced the energy consumption of foundamental equipment and achieved energy conservation and emission reduction.
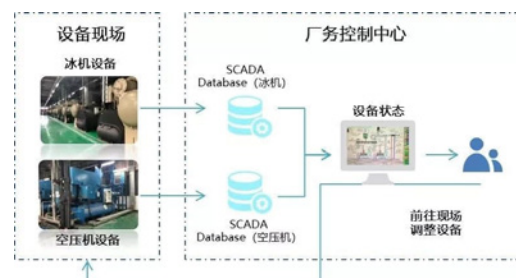
Internal Energy-saving Audit

To enhance energy conservation, reduce consumption and promote low-carbon environment protection, Huaqin has set up an internal energy-saving organization and introduced the

Floor/division management
- Set up an internal energy saving organization
- Establish a daily spot check mechanism
- Forecast line operation on holidays

Departmental inspection and supervision
- Establish the departmental energy-saving inspection system
- Create inspection duty roster

Platform audit management
- Biweekly energy-saving audit
- Park inspection
- Key energy-using equipment audit
- Key inspection on holidays

departmental energy-saving inspection system and a daily spot-checking mechanism. Energy consumption in all areas of the plant is audited on a daily basis to ensure on-demand use of electricity and power shutdown are conducted in a timely manner. Potential problems are analyzed for future optimization.

Three-waste Management

Huaqin has a well-developed system for waste management, including partnerships with certified waste disposal companies to classify and dispose of our waste, aiming to minimize the negative environmental impact to the greatest extent possible. Meanwhile, we have undertaken initiatives to reduce waste generation by raising awareness among our employees, which have received a tremendous response from our employees. Our employees join in these campaigns enthusiastically and have learned a lot about environment protection.

Waste Classification		Example	Disposal
Solid Waste	Non-recyclable waste	Domestic waste	Designated suppliers regularly sort and remove the waste
	Canteen waste	Leftovers and waste cooking oil and fats	Harmless disposal by designated certified suppliers
	Recyclable waste	Packaging boxes and metal parts	Recycled and reused by designated suppliers and then handed over to certified suppliers for disposal
	Hazardous waste	Waste cutting fluid	Centrally stored in a designated area and then processed by certified suppliers
	Construction waste	Waste from refurbishments	Centrally stored in a designated area and then processed by construction companies
Wastewater	Canteen wastewater	Oily wastewater from canteens	After oil is removed through an oil separation tank, wastewater is discharged into the municipal sewers if it meets the required standards.
	Other domestic wastewater	Wastewater from bathrooms, office pantries, and sanitation	Discharged into the septic tank for sedimentation if it meets the required standards
	Sporadic wastewater	Sporadic wastewater generated from the production process	Recycled and disposed of by an industrial wastewater treatment facility and discharged if it meets the required standards
Waste Gases	Waste gases from canteens	Cooking fumes from hobs	After being purified by purifiers and meeting the standards, the emissions are discharged in an organized manner. Additionally, we have installed online monitoring devices for monitoring the concentration of oil fumes, which are connected to the government website, allowing real-time monitoring to ensure compliance with emission regulations
	Industrial waste gases	Industrial waste gases generated from the production process	Centrally disposed of by the waste gas treatment facility on the roof of the building and then discharged if it meets the required standards

Case: Waste Gas Disposal on Dongguan Campus

Industrial Waste Gas Disposal

Currently, there are two bag filter facilities, 2 activated carbon waste gas treatment facilities at Songshan Lake production base in Dongguan, as well as 4 and 2 activated carbon waste gas treatment facilities in Dongkeng and Tangxia, respectively, with the treatment efficiency of over 90%. A total of 21 organized exhaust gas emission outlets in the Park have been tested and the emission concentrations from these outlets all comply with regulatory standards for exhaust gas emissions.

Waste Gas Disposal Facilities

Zero Landfill of Wastes

We have regularly monitored and analyzed the waste data of each plant to identify potential improvements in waste disposal methods and worked with all plants to implement targeted improvements, gradually enhancing the overall resource utilization rate of the Group, replacing direct incineration and landfilling of wastes and increasing waste transformation rate. Besides, we have also been promoting the construction of zero landfill construction and replicating successful experience within the Group. During the reporting period, our wholly-owned subsidiary Nanchang Huaqin obtained UL 2799 Zero Landfill certification and achieved the highest Platinum level in waste transformation rate (100%, with 8% for waste-to-power generation).

UL 2799 Zero Landfill of Wastes
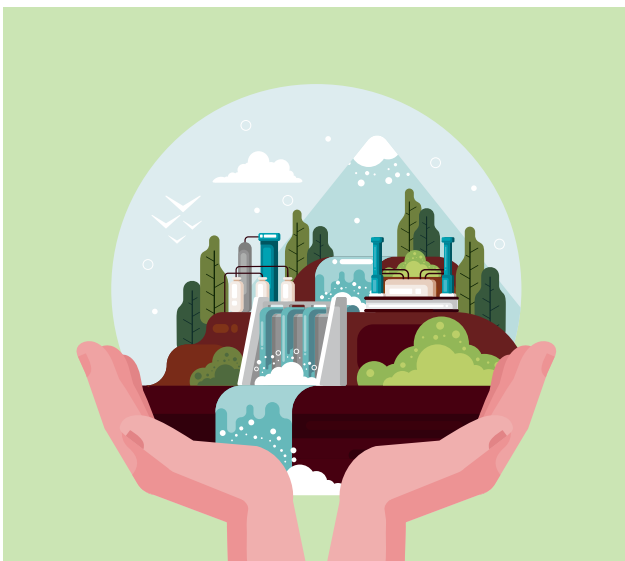
Noise Management

We adopt eco-friendly, low-noise equipment, sound layouts, and sufficient greenery coverage to keep the noise generated by our factories below the standard limit. We have optimized processes by transforming aging from offline to online, lowering worker exposure to noise. We also install mufflers on nitrogen generators, air compressors, and other machinery and equipment to reduce noise by up to 30 dB. Noise detection is performed in all directions around the factory perimeter to ensure we meet the national Class 2 limit, that is, < 60 dB(A) during the day and < 50 dB(A) at night.

Diagram for Noise Sampling Points

Water Resources Management

Huaqin has promoted water conservation and strengthened the recycling and utilization of water resources. In accordance with relevant laws and regulations and local emission standards, Huaqin has actively promoted the concept of water resource management. In daily production and operations, we have actively implemented various water conservation measures, including the installation of water-saving sanitary ware, sensor-activated faucets, monthly water consumption monitoring, special inspections and posting of water-saving signage, all of which have contributed to water conservation efforts.

Biodiversity

Huaqin is committed to making every effort to protect the biodiversity. To this end, we have prohibited the use of persistent organic pollutants that may harm the biodiversity, incorporated all substances regulated by POP regulations into Huaqin's hazardous substance management standards, and ensure compliance with POP Regulations for all products and chemicals in our production processes.

Safe Use of Chemicals

To reduce environmental pollution from electronic waste and protect the health and safety of users, we have built a comprehensive chemical management process and strictly comply with the laws and regulations of various countries around the world. At the same time, we have established a hazardous substance testing laboratory to conduct thorough analysis of our product's chemical composition of our products. To ensure ongoing prevention and management, we have established a hazardous substance management system based on the QC080000 system to guarantee Huaqin's sustained competition in environmental protection. For example, all mobile phones, tablets, and wearables of Huaqin are free from brominated flame retardants (BFRs), chlorine flame retardants (CFRs), phthalates, contributing to our commitment to environmental protection and sustainability.

Promoting Energy-Saving Awareness

To promote energy conservation knowledge awareness among all employees, Huaqin regularly organizes energy-themed promotional activities and holds annual implementation meetings focused on energy conservation. These initiatives aim to engage all employees and energy conservation, within the group each year and carried out the implementation meeting of energy conservation to ensure the participation of all employees to effectively carry out energy-saving initiatives and reduce energy consumption.

Vigorously Developing Green Logistics

Transition from Paper to Electronic Documents

Electronic documents are available in Huaqin's on-site warehousing system and logistics system, allowing customers, suppliers, and Huaqin employees to exchange electronic documents easily. This environmentally friendly and efficient solution effectively reduces the consumption of paper documents. It is expected to save 500,000 sheets of paper annually.

Reduced Carbon Emission in Storage and Transportation

In 2022, we have replaced more fuel-powered forklifts with electric ones in warehouses to reduce carbon emissions. Additionally, our carriers have upgraded their fleet with vehicles that meet the national emission standard I and II with that of vehicles meeting standard III, with the carbon emission reduced by 30%.

Recycling Packaging Materials and Using Recyclable Materials

The pallets used in the transportation between factories and warehouses are recycled, and it is strictly prohibited to scrap pallets that are still in usable condition. Some orders from direct-delivery warehouses require pallet dismantling before delivery. The corner guards removed during the dismantling process are recycled and reused in packaging operations, reducing from secondary packaging and transportation. Previously 100% lead or steel wire seals for vehicles have been mostly replaced by recyclable plastic seals.

Reducing Transport Trips

In 2022, we have continuously optimized the transportation routes of self-procured and customer-furnished materials and promoted a direct delivery model for materials to plants to reduce the number of transportation trips. Moreover, for shipments of complete units with the height below 1.2 meters, we implemented stackable transportation methods. This approach improved the vehicle loading capacity and reduced the number of transportation trips.
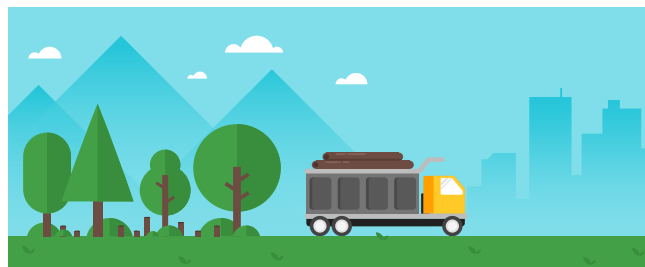
Actively Promoting Green Office

Huaqin has been actively advocated and promoted green office initiatives, and formulated the Regulation on Office Environment Safety Management. We encourage employees to cultivate green office practices and adopt energy-saving habits, aiming to create a green and energy-efficient workplace. To achieve a paperless office, the company has adopted smart collaborative office software which enable online approval process and online document sharing. Since 2021, Huaqin has launched hotel and ride-hailing platforms for digital management and reimbursement of business trip expenses and hotel invoices, through which more papers have been saved.

Huaqin has made significant efforts to promote green logistics by adopting electronic documents instead of paper documents. Together with green office practices, hotel and ride-hailing platforms, Huaqin has saved over 880,000 sheets of paper throughout the whole year of 2022.

Papers for receipts and invoices saved in 2022

Logistics Bills	Hotel Invoices	Ride Hailing Invoices
saved annually	saved annually	saved annually
500,000	97,000	290,000

People-oriented Development

Employee Rights and Interests Protection

Adhering to the human resource policy of "People-oriented", Huaqin is committed to respecting, caring for, and protecting the legitimate rights and interests of employees. We strictly complied with various labor laws and regulations, including the Labor Law, the Labor Contract Law, the Social Insurance Law, the Law on the Protection of Minors, the Regulations on the Prohibition of Child Labor, and other related laws and regulations. Huaqin has always complied with the International Labor Organization (ILO) and implemented non-discriminatory management policies in all production and business activities including recruitment and employment. We have strongly oppose the practices of child labor, forced labor, and human trafficking. According to the actual production and operational needs of the company, we ensure reasonable arrangements for employees' work, rest, and vacation, and uphold the bottom line of employee rights and benefits.

Diverse and Inclusive Workforce with Equal Opportunities

The diversity of our employees is the source of our innovation and success, and it is an integral part of our corporate culture. Huaqin places great value on diversity and equal opportunities for all employees.

We are committed to building an inclusive and equal workplace that respects fair competition and religious liberty, fights discrimination, and provides equal employment opportunities to workers as per law. As of the end of the reporting period, among all Huaqin employees, 72% are male and 28% are female.

As of the end of the reporting period, among all Huaqin employees

Male employees
72%

Female employees
28%

Listening to and Interacting with Employees

Huaqin is willing to listen to its employees and providing multiple channels for them to express their voices, including employee workshops, meetings with senior management and the president, and offline employee consulting days. In this way, the voices, needs, problems, and suggestions of employees at all levels could be heard and resolved. Employees can also offer feedback through the employee relations hotline and suggestion boxes. Futhermore, Huaqin offers an internal social platform called "Huaqin Moments", where employees are encouraged to express their problems and suggestions regarding jobs, workplace, management, daily life, and even publicly or anonymously. This allows our functional departments to optimize our work processes and resolve issues timely.

Employee Consulting Day

Employee Consulting Day

Meeting with the President

Talent Attraction and Development

Talent as the most valuable asset remains a strategic focus of Huaqin. We have always been committed to attract and cultivate talents. A group of operations and management talents with deep expertise are gathered here to fuel its development as they keep improving themselves.

Over the past three years, Huaqin have contributed to job creation and cares for its employees.

51job.com | Outstanding Human Resource Management

Chinahr.com | Attractive Employer of the Year

MOKA | Best Digitalization Practice

Nowcoder.com | Most Popular Employer Among College Graduates

Haitou.cc | Most Influential Employers

National Model Enterprise for Harmonious Labor Relations

Talent Recruitment

Huaqin searches for talent through various internal and external channels every year, including regular on-campus recruiting, online recruitment platform, internal recommendations with rewards, and talent rotation opportunities. On-campus recruiting is a great way to find qualified talent. Huaqin has collaborated with over ten colleges and universities, sending over 500 interviewers to more than 100 on-campus publicity events each year.

We have a comprehensive internal recommendation system that encourages all to recommend talents both inside and outside the company. Successful recommendations are rewarded depending on the job level. Furthermore, exceptional recommendations are recognized and honored annually.

Employees enrolled in
on-campus recruiting in 2022

1429

Multi-tiered Employee Training

Huaqin has set up a well-developed training system, including the Internal Mentor System and Part-time Lecturer System. Together with Pavilion of Diligence, an online learning platform that is open to all employees, and offline professional training and empowerment activities, all our employees can receive comprehensive training for self-improvement.
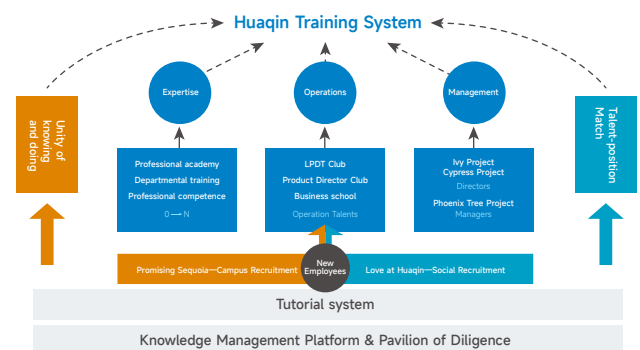
Integrated Talent Training System at Huaqin

Our training courses primarily focus on five categories: general, management, business, professional, and operations, which help employees at all levels to improve their professional skills and occupational competency. To ensure effective training, we have set up a team of internal trainers and professional mentors.

Training Data in 2022

Employee Training Coverage

100%

Total Employee Training Hours

117,732 hours

Number of certified internal trainers in 2022

600+

Huaqin has a comprehensive online learning platform that offers a wide range of courses. The online learning platform has satisfied the needs for various empowerment scenarios such as professional knowledge for R&D personnel, empowerment of operation talents, and management development. Through the closed loop of learning, practice, and examination, online learning can better empower employees, and improvements can be applied in many talent development scenarios. Huaqin is now guiding its business development with data.

By the end of 2022

Total internal online courses

1452

Monthly average logins

30,000

Case: Professional Academy

Huaqin offers 14 professional academies that span hardware, structure, testing, and large-scale operations.

Huaqin academies are constantly looking for new ways to empower our people from newcomers to veterans, with a focus on individualized, differentiated, and systematic needs. In 2022, a total of 446 face-to-face courses were offered.

Case: Phoenix Tree Advanced Training Course

Target: High-potential managers

Highlights: Strict admission to find high-potential students; combination of training and practice for all-around improvement.

Course: [Embracing Huaqin Culture] [Strategy-Performance Balance] [Shaping An Enthusiastic and Powerful Team] [Better Leadership for Organizational Excellence]

Comprehensive Promotion System

We offer three career paths for our employees to follow: operations, managers, and specialists, with a total of six job groups. Each year, we provide promotion opportunities for specialists, make available management job openings, and hold internal recruitment events. We assess the professional capabilities of all personnel based on the qualification criteria to get the right people in the right positions. Moreover, we encourage managers to develop their leadership and specialists to improve their professional skills, allowing all employees to constantly hone their skills in a variety of sectors in a performance-oriented and behavior-oriented approach to empower growth across paths.

Healthy Workplace and Care

Harmonious Working Workplace

We value the workplace and living conditions of our employees. Our R&D centers are equipped with an array of amenities such as canteens, convenience stores, and ATMs. Our manufacturing centers offer canteens run by trusted suppliers. To maintain the safety and nutrition of staff meals, we regularly evaluate food safety, hygiene, food quality, services, and prices, removing suppliers with low ratings. Our dormitories offer pharmacies, barbershops, laundromats, activity centers, and mobile karaoke facilities. Additionally, our branch office buildings include multiple beverage stations and leisure areas, nursing rooms, all-in-one SSC service centers, and gyms. These efforts have given our staff a happier and more contented workforce.
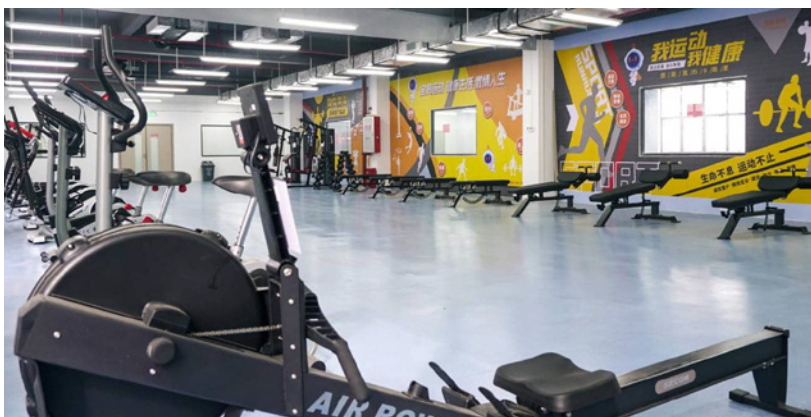
Rich Cultural and Sports Activities

We hold a variety of entertainment and activities for our employees, with a focus on health, services, and skills, aiming to improve their employees' well-being. We also organize blind date events twice a year and a group wedding ceremony once a year to bring happiness and balanced life to employees. Besides, family days are held regularly to encourage employees to spend more quality time with their families outside of work. Huaqin employees set up 25 employee clubs to enrich their leisure time. These include a badminton club, basketball club, swimming club, billiards club, foodie club, running club, and reading club. With the support of local associations and trade unions, Huaqin encourages and supports physical activities that help employees manage physical and mental health, such as the "Lingang Cup" Health Run, "Golden Autumn Cup" Games, Huaqin Shanghai 2022 Tennis Parent-Child Game, South China Huaqin 2022 Fun Games, 2022 Wuxi Huaqin Cup Basketball Tournament, 2022 Nanchang Huaqin 3rd Badminton Competition, and 2022 Xi'an Basketball Game. These events enrich the lives of our employees and helping them relax and find a better work-life balance.

Comprehensive Remuneration and Benefits System

Huaqin is committed to providing employees with a comprehensive remuneration system that is fair and competitive. Besides, the Company has also established an ability assessment mechanism to objective performance evaluation, along with reasonable remuneration incentives and a personal growth platform with multiple career paths. We have also set medium and long-term salary incentive policies to encourage our employees to grow and develop together with us. In addition, the Company has established a comprehensive honor system that timely offers employees not only spiritual recognition as well as generous material rewards. Huaqin provides comprehensive benefits for employees and their families. Huaqin has always complied with applicable laws and regulations to sign labor contracts with all employees on onboarding. All employees have access to social insurance and provident fund, and enjoy paid holidays such as legal holidays, annual leave, wedding and funeral leave, maternity leave, and paternity leave, as required by law. In addition to daily subsidies for transportation, meals, and communication expenses. To attract external talents and support of the Huaqin Nanchang Development Strategy, the company is actively working on talent acquisition and promotion. For instance, we have set up the "Lakeside Talent Housing Program" by working with local governments and partners. The talent housing is adjacent to the office area of the Nanchang manufacturing center, effectively solving the housing problem for high-value employees. To make it easier for employees' children to attend local schools, Huaqin has concluded agreements with primary and secondary schools in Nanchang and Dongguan to offer spaces for employees' children. This solves a major concern for employees with young children.

Onboarding
New employee orientation/mentoring

Enjoyable work
Meal and transportation subsidies, team building, model selection, quarterly bonuses, and annual bonuses

Growth and development
Career planning, multiple career paths, training system, and internal trainer system

Entertainment and activities
Department activities, interest clubs, blind date events, and group wedding ceremony

Holidays
Holiday gifts, anniversaries, and R&D day

Anniversary gifts
Gifts for 1st, 3rd, 5th, 10th, and 15th anniversaries with Huaqin, Meritorious service award

Marriage
Wedding bonus

New parents
Maternity and paternity leaves, and gifts for new parents

Healthcare
Annual physical examination, medical insurance, commercial insurance, paid sick leave, and Employee Care Fund

Retirement
Social pension insurance and meritorious service award

BENEFITS

Employee Care Fund

The Employee Care Fund, established in 2011, focusese on solving difficulties faced by employees. Our Employee Care Fund is available to all Huaqin people, providing financial assistance in cases of of illness or serious accidents. As a result, employees can rest assured that they and their families are always protected. Huaqin values the well-being of its employees and their families and offers employee gift packs for special occasions, such as marriages and the birth of children.

In 2022, the Employee Care Fund received over

840 requests

Occupational Health and Safety

EHS (Environment, Health, and Safety) is a top priority for Huaqin, which is committed to providing employees with a healthy and safe working environment, ensuring that they can work with assurance and ensuring safe and stable production operations.

Construction of the Health and Safety Management System

Huaqin has complied with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Work Safety Law of the People's Republic of China, international occupational health and safety management systems and standards, and other laws and regulations. Huaqin has implemented a multi-level safety and health management system that regularly updates information on hazard sources and formulates hierarchical control measures, including the Risk Assessment and Control Management Code, Safe Production Responsibility Code, Occupational Disease Hazard Prevention and Control Responsibility Code, Emergency Preparedness and Response Control Procedures, Hidden Danger Investigation and Management Code, Fire Safety Management Code, Occupational Disease Hazard Emergency Rescue and Management Code, etc. The Safe Production Management Committee and Safe Production Management Team have been set up to head and coordinate safety management. The Safe Production Management Committee involves management specialists for safety, occupational health, environmental protection, and emergency response, who are fully responsible for the safety, environment, and occupational health in the plants. An occupational health management platform is also in place to apply for medical examinations online and maintain an independent health record offline in strict accordance with the requirements of the Occupational Disease Prevention and Control Law. Huaqin conducts conducted various audits (including internal audit, external audit, customer and government audits) annually to verify that the safety management system operates properly.

ISO 45001 Certification

Huaqin has been certified for ISO 45001 occupational health and safety management system, ISO 14001 environmental management system, Level 2 Safety Standard, and Results-Based Accountability (RBA).

With the goal of "100% safety and no hazards", Huaqin has introduced the production safety responsibility system and requires all employees to sign the liability statement regarding safe production. Through safety performance assessments and detailed responsibilities, all employees are engaged in EHS to improve the safety performance. In 2022, there were no safety and environmental accidents.

Health and Safety Digitalization

We has built an intelligent manufacturing information system, which introducing automated equipment or processes for jobs that are labor-intensive, exhausting, or involve occupational hazards to reduce occupational health and safety risks.

Health and Safety Culture

Huaqin has regularly held fire drills, hands-on fire extinguisher training, safety training sessions, special drills, and safety month events for all its staff. In 2022, multiple fire drills, equipment safety training, and safety training that involve all employees were held.

Case: Safe Production Month Activity

In response to the national call for safe production, Huaqin has held Safe Production Month every June to implement the safe production responsibility and create an atmosphere that engages all in safety management. Under the theme of "Perform Duty As Per Safe Production Law", the campaign focuses on responsibility implementation, root cause elimination, and supervision and checks.

Through such activities as watching promotional videos, cross-checking, fire drills, and safety knowledge contest, employees' safety awareness was enhanced to drive the safe development of the company.

Case: Work Safety Training at Nanchang Manufacturing Center in 2022

In 2022, Nanchang Manufacturing Center organized 23 safe production training sessions, 16 equipment safety training sessions, 29 fire protection theoretical and hands-on training sessions, 194 onboarding training sessions, 2 fire drills, and 8 other emergency response drills. We conducted multiple safety hazard investigations and real-time equipment safety inspections, held relevant activities, recognized outstanding performance, and published monthly health and safety journals and group articles to help improve the health and safety awareness of our employees, especially rank-and-file employees.

In addition to annual and pre-employment physical examination, Huaqin has also provided commercial insurance to employees based on their occupational needs to make sure that all employees stay healthy. Employees' families can take the physicals at the same discounted price. Each year, Huaqin conducts regular surveys among employees in all regions on their satisfaction with physicals and improves these services accordingly. Besides, Huaqin invites healthcare professionals to present 3 or 4 health workshops each year, covering various topics such as nutrition and mental health.

Appendix 1: GRI Index

GRI Standard	Disclosures	Chapters and Sections
Organizational Profile	102-1 Name of the organization	About This Report
	102-2 Activities, brands, products, and services	About Huaqin
	102-3 Location of headquarters	About Huaqin
	102-4 Location of operations	About Huaqin
	102-5 Ownership and legal form	About Huaqin
	102-6 Markets served	About Huaqin
	102-7 Scale of the organization	About Huaqin
	102-8 Information on employees and other workers	People-oriented Development
	102-9 Supply chain	Supply Chain Management
	102-10 Significant changes to the organization and its supply chains	Supply Chain Management
	102-11 Precautionary principles or approach	Corporate Governance
	102-12 External initiatives	Environmental Protection and Green Leadership
	102-13 Membership of associations	/
Strategy	102-14 Statement from senior decision-maker	Message from the Chairman
	102-15 Key impacts, risks, and opportunities	Message from the Chairman, Efficient Operations for Long-term Development
Ethics and Integrity	102-16 Values, principles, standards, and norms of behavior	About Huaqin
	102-17 Mechanisms for advice and concerns about ethics	Effective Governance for Sustainable Development
Governance	102-18 Governance structure	Corporate Governance
	102-19 Delegating authority	Corporate Governance
	102-20 Executive-level responsibility for economic, environmental, and social topics	/
	102-21 Consulting stakeholders on economic, environmental, and social topics	Sustainable Development Management
	102-22 Composition of the highest governance body and its committees	Corporate Governance
	102-23 Chair of the highest governance body	Please refer to the financial audit report
	102-24 Nominating and selecting the highest governance body	Please refer to the financial audit report

Appendix 1: GRI Index

GRI Standard	Disclosures	Chapters and Sections
	102-25 Conflicts of interest	Please refer to the financial audit report
	102-26 Role of highest governance body in setting purpose, values, and strategy	/
	102-27 Collective knowledge of highest governance body	/
	102-28 Evaluating the highest governance body's performance	Please refer to the financial audit report
	102-29 Identifying and managing economic, environmental, and social impacts	/
	102-30 Effectiveness of risk management processes	Please refer to the financial audit report
	102-31 Review of economic, environmental, and social topics	Please refer to the financial audit report
	102-32 Highest governance body's role in sustainability reporting	Sustainable Development Management
	102-33 Communicating critical concerns	Sustainable Development Management
	102-34 Nature and total number of critical concerns	Sustainable Development Management
	102-35 Remuneration policies	Please refer to the financial audit report
	102-36 Process for determining remuneration	/
	102-37 Stakeholders' involvement in remuneration	/
	1102-38 Annual total compensation ratio	/
	102-39 Percentage increase in annual total compensation ratio	/
Stakeholder Engagement	102-40 List of stakeholder groups	Sustainable Development Management
	102-41 Collective bargaining agreements	/
	102-42 Identifying and selecting stakeholders	Sustainable Development Management
	102-43 Approach to stakeholder engagement	Sustainable Development Management
	102-44 Key topics and concerns raised	Sustainable Development Management
Reporting Practice	102-45 Entities included in the consolidated financial statements	About This Report
	102-46 Defining report content and topic Boundaries	About This Report
	102-47 List of material topics	/
	102-48 Restatement of information	Not applicable

Appendix 1: GRI Index

GRI Standard	Disclosures	Chapters and Sections
Reporting Practice	102-49 Changes in reporting	Not applicable
	102-50 Reporting period	About This Report
	102-51 Date of most recent report	About This Report
	102-52 Reporting cycle	About This Report
	102-53 Contact information for questions regarding the report	About This Report
	102-54 Claims of reporting in accordance with the GRI Standards	About This Report
	102-55 GRI content index	Global Reporting Initiative (GRI) Standards
	102-56 External assurance	/
Management Approach	103-1 Explanation of the material topic and its Boundary	/
	103-2 The management approach and its components	/
	103-3 Evaluation of the management approach	/
Economic Performance	201-1 Direct economic value generated and distributed	About Huaqin
	201-2 Financial implications and other risks and opportunities due to climate change	Green Manufacturing
	201-3 Defined benefit plan and other retirement plans	/
	201-4 Financial assistance received from government	/
Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	/
	202-2 Proportion of senior management hired from the local community	/
Indirect Economic Impacts	203-1 Infrastructure investments and services supported	Community Responsibilities
	203-2 Significant indirect economic impacts	Community Responsibilities
Procurement Practices	204-1 Proportion of spending on local suppliers	/
Anti-corruption	205-1 Operations assessed for risks related to corruption	Corporate Governance
	205-2 Communication and training about anti-corruption policies and procedures	Corporate Governance
	205-3 Confirmed incidents of corruption and actions taken	Corporate Governance
Anti-competitive Behaviors	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	/

Appendix 1: GRI Index

GRI Standard	Disclosures	Chapters and Sections
Materials	301-1 Materials used by weight or volume	/
	301-2 Recycled input materials used	/
	301-3 Reclaimed products and their packaging materials	Green Manufacturing
Energy	302-1 Energy consumption within the organization	Green Manufacturing
	302-2 Energy consumption outside of the organization	/
	302-3 Energy intensity	Green Manufacturing
	302-4 Reduction of energy consumption	Green Manufacturing
	302-5 Reduction in energy requirements of products and services	Creating Environmental-Friendly Products; Green Manufacturing
Water Resources	303-1 Water withdrawal by source	Green Manufacturing
	303-2 Water sources significantly affected by withdrawal of water	No such water sources
	303-3 Water recycled and reused	Water Resources Management
Biodiversity	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable
	304-2 Significant impacts of activities, products, and services on biodiversity	Not applicable
	304-3 Habitats protected or restored	Not applicable
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable
Emissions	305-1 Direct (Scope 1) GHG emissions	Green Manufacturing
	305-2 Energy indirect (Scope 2) GHG emissions	Green Manufacturing
	305-3 Other indirect (Scope 3) GHG emissions	Green Manufacturing
	305-4 GHG emissions intensity	Green Manufacturing
	305-5 Reduction of GHG emissions	Green Manufacturing
	305-6 Emissions of ozone-depleting substances (ODS)	/
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	/

Appendix 1: GRI Index

GRI Standard	Disclosures	Chapters and Sections
Effluents and Waste	306-1 Water discharge by quality and destination	/
	306-2 Waste by type and disposal method	/
	306-3 Significant spills	No major spills
	306-4 Transport of hazardous waste	Green Manufacturing
	306-5 Water bodies affected by water discharges and/or runoff	Green Manufacturing
Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	No occurrence
Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	Supplier Management
	308-2 Negative environmental impacts in the supply chain and actions taken	Supplier Management
Employment	401-1 New employee hires and employee turnover	Talent Attraction and Development
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Healthy Workplace and Care
	401-3 Parental leave	Healthy Workplace and Care
Labor/Management Relations	402-1 Minimum notice periods regarding operational changes	Strict compliance with national/regional laws and regulations
Occupational Health and Safety	403-1 Workers representation in formal joint management–worker health and safety committees	Occupational Health and Safety
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	/
	403-3 Workers with high incidence or high risk of diseases related to their occupation	Not applicable
	403-4 Health and safety topics covered in formal agreements with trade unions	Occupational Health and Safety
Training and Education	404-1 Average hours of training per year per employee	Talent Attraction and Development
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Attraction and Development
	404-3 Percentage of employees receiving regular performance and career development reviews	/
Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Talent Attraction and Development
	405-2 Ratio of basic salary and remuneration of women to men	/
Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	Employee Rights and Interests Protection
Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	/
Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	Employee Rights and Interests Protection; Supply Chain Management

Appendix 1: GRI Index

GRI Standard	Disclosures	Chapters and Sections
Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Healthy Workplace and Care
Security Practices	410-1 Security personnel trained in human rights policies or procedures	Not applicable
Rights of Indigenous Peoples	411-1 Incidents of violations involving rights of indigenous peoples	Not applicable
Human Rights Assessment	412-1 Operations that have been subject to human rights reviews or impact assessments	/
	412-2 Employee training on human rights policies or procedures	/
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	/
Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	/
	413-2 Operations with significant actual and potential negative impacts on local communities	/
Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	Supply Chain Management
	414-2 Negative social impacts in the supply chain and actions taken	Supply Chain Management
Public Policy	415-1 Political contributions	Not applicable
Customers Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	Creating Green Environmental-Friendly Products
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No relevant incidents
Marketing and Labeling	417-1 Requirements for product and service information and labeling	/
	417-2 Incidents of non-compliance concerning product and service information and labeling	No relevant incidents
	417-3 Incidents of non-compliance concerning marketing communications	No relevant incidents
Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Information Security Assurance
Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	No violation of relevant laws and regulations

Appendix 2: Feedback

Item	Very Good	Good	Average	Bad	Very Bad
Your overall evaluation of this report					
What do you think of the quality of the information disclosed in this report					
Which parts of this report interest you the most (please specify)					
What suggestions do you have for our future ESG work/report (please specify)					
Your contact information **(Huaqin will keep your personal information strictly confidential)**					
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