



2023 Environmental, Social and Governance Report



2023

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About this Report

Description of name

For the convenience of expression, "SDMC", "we" and "Company" mentioned in this Report refer to Shenzhen SDMC Technology Co., Ltd.

Report explanation

This Report is SDMC' s 2023 sustainable development report and mainly discloses the ideas, important progresses, work summary and future plans of SDMC and its subsidiaries in terms of sustainable development.

Basis of preparation

This Report is prepared pursuant to the Global Reporting Initiative (for short GRI), SA800, Ecovadis and relevant Chinese regulations, standards, guidelines and other requirements, as well as SDMC' s actual situation. For indicators disclosed herein , please see the section "Index of GRI Contents" for details.

Time frame

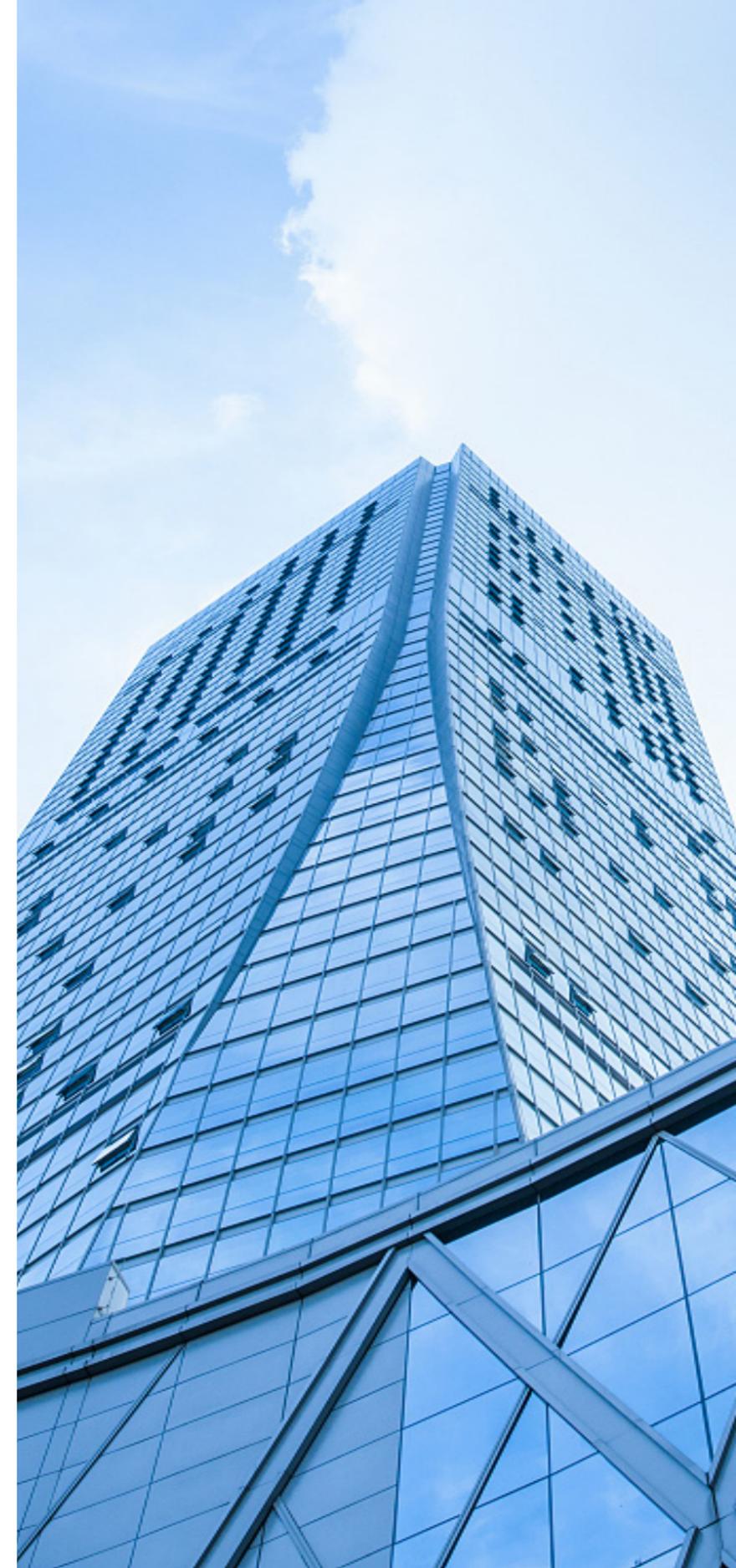
Unless otherwise stated, this Report covers the period from Jan. 1, 2023 to Dec. 31, 2023.

Content

This Report covers Shenzhen SDMC Technology Co., Ltd. and its subsidiaries and branches.

Data sources

The data used herein are derived from SDMC' s official documents and related reports



Remarks from the Chairman



The year 2023 is the 20th establishment anniversary of SDMC. The customers, partners, employees, and shareholders of SDMC have stood together for twenty years, trusting and supporting each other. We are sincerely grateful to your efforts. By virtue of rich industrial experience and excellent product quality, SDMC now has become a professional brand in the global operation market, distributing its products and winning trusts of customers around the world. We will stay true to our missions, make further breakthrough in market development and product innovation, and keep on moving.

We have always adhered to the business layout of global market, and explored and expanded to the branding business market step by step while empowering the business of operators. To improve our product innovation ability, We have improved our product innovation ability by: increasing resources available to the technical team; continuously promoting the application of innovative technologies in existing products; carrying out in-depth research and development in digital video, intelligent connection and cloud services; and making multi-dimensional layout of new products and new business. Especially in the artificial intelligence (AI) field which is the most important, on one hand, we have carried out the research and development on AI software platforms, AI intelligent hardware and AI knowledge base systems

to improve our innovation efficiency, provide customers with AI products and solutions, promote transformation and upgrading of SDMC and its customers, and embrace the opportunities and challenges of the AI era. On the other hand, we will build more local service capacities in each field, provide customers with overall solution supports, share visions with customers, and provide leading professional products and high-quality and efficient services, to continue to create values together with our customers.

We deeply incorporated the ESG concept into our daily operations and management in the last year. In our deep mind, only on the basis of normalized management and absolute incorporation of society responsibility consciousness into the green product concept, protection of rights and interests of employees and care, and cooperation and win-win goal, can we truly achieve the sustainable enterprise development strategic target. We will adhere to the integrity of business, continue to improve the compliance management system, and carry out upstream and downstream business cooperation by adhering to the concept of honesty and transparency. We will continuously improve our management performance in governance, covering compliance governance, intellectual property protection, quality system improvement, and information construction. Over the past year, we actively responded

to the carbon peaking and carbon neutrality goals, joined the Science Based Targets Initiative (SBTi), continued to practice the green management idea for the product life cycle, calculated carbon footprints for main products, and actively developed emission reduction plans, realizing low carbon on the whole product chain from procurement of raw material to delivery. Moreover, we also incorporated paperless office, energy conservation and emission reduction in our management.

With the increasing expansion of the team, we will more firmly implement the people-oriented management strategy, and enhance the employees' sense of value and happiness by optimizing the organizational structure, building a scientific compensation & incentive system and a training program, and creating a learning, innovative, and dynamic organization of high execution. In the future, all our colleagues will work together with our partners to build a green and intelligent Smart Home ecosystem under the belief of "Cooperating and Advancing" to provide millions of families around the world smart living experience, and strive to become a truly sustainable and socially responsible enterprise.

— Chairman 

About SDMC

Hi-tech enterprise: Founded in 2003, SDMC is a national high-tech enterprise integrating research and development, sales and cloud services of hardware and software products, a national "small giant" enterprise, as well as IoT smart home control platform engineering technology research center of Guangdong Province. In 2014, SDMC was successfully listed on the National Equities Exchange and Quotations (stock code: 430755), was incorporated in the innovation level. In 2020, Tencent made its strategic investment in SDMC to build an IoT platform and compose a new chapter about the Internet with SDMC.

Technical innovation: SDMC insists on the development strategy of "smart terminal + system platform and service", focusing on such cutting-edge technologies as video cloud service, edge cloud technology, Internet of Things, and VR/AR, and provides one-stop ecological hardware and software products and services for global operators.

Leading product: SDMC's core products include Android TV smart terminal products authorized by Google and Netflix, network access communication products of a new generation, XMediaTV video cloud platform, terminal equipment management system and value-added operation services.

Broad layout: Up to now, SDMC has established core partnerships with a number of operators, and its marketing networks and services have been spread across more than 100 countries, serving more than 300 customers and covering more than 100 million home users around the world.



Mission and Vision: Be committed to the intelligent construction of global operators, and jointly build a smart home ecosystem for millions of connected homes to enjoy a better life.

Strategic Positioning: A leading solution provider of Digital Video, Smart Connection and Cloud Services.

Values: Our core values are the common code of conduct for us, reflecting the way SDMC's employees behave and guiding us to strive for excellence.



Customer First

Customer focus, customer satisfaction and creating greater values for customers

Integrity

Integrity is the foundation. We establish a friendly and mutual trust relationship in the spirit of contract and in the light of truthfulness and good faith.

Undertakings

Conscientious and meticulous, initiative and responsible, active and accountable

Teamwork

Be proactive, serve a part of team, mutually complement, and pool efforts together for common goals.

Innovation

Customer focus, breaking through thinking, improving continuously, making innovations, constantly surpassing to enhance corporate competitiveness

Progressive

Initiatively stepping out of comfort zone, building on efforts, surpassing ourselves, and pursuing excellence

Love and Sharing

Love is the source of motivation. We deliver love to all value contributors, share joy and achievements.

发展历程

Strategic Positioning

The leading solution provider of Digital Video, Smart Connection and Cloud Services

2003

- Founded in Shenzhen, China

2004-2010

- 2005**
 - Released DM2016 encryption chipset
- 2008**
 - Developed and designed digital TV modules and dongles
 - Awarded the certificate of "National High-tech Enterprise"
- 2010**
 - Deployed Android solutions into the overseas market

2011-2016

- 2012**
 - Launched digital video solutions
- 2014**
 - Listed on the NEEQ (Stock Code: 430755)

2017-2019

- 2017**
 - Cooperation with China's Mango TV in content operation
 - Released the self-developed OTT platform - XMediaTV
 - Became the partner of Google Android TV
- 2018**
 - Launched 4K STB for Netflix Hailstorm Program
- 2019**
 - Launched IoT cloud platform

2020-2023

- 2020**
 - Released smart connection solutions and SaaS platform
- 2021**
 - Awarded the certificate of Technologically Advanced "Little Giant" Enterprise
- 2022**
 - Strategic cooperation with Tencent and Luxshare
 - Listed on the "2022 Shenzhen Top 500 Enterprises"
- 2023**
 - Won the bid for a land parcel in Bao'An District, Shenzhen
 - Released Matter-ready Smart Home IoT Solutions
 - Authorized by Google as an ODM for Google TV projectors



Milestones of 2023

2023.01

SDMC won the Lot A011-0209 in Bao'an District, Shenzhen, China together with Shenzhen Comtech Technology Co., Ltd., and planned to build its own research and development building.



2023.03

SDMC joined the Netflix supplier training plan and became one of the six global equipment suppliers of Netflix.



2023.03

SDMC won the honors including the Shenzhen Well-known Brands, Global Trustworthy Brands, Top 100 Small and Medium-sized Independent and Innovative Enterprises of Shenzhen, and was listed in the "2022 List of Innovative Enterprises in Guangdong-Hong Kong-Macao Greater Bay Area - Innovation Achievement".



2023.06

The "4K MINI TV BOX" independently developed by SDMC successfully won the 2023 Red Dot Design Award by virtue of its unique water drop shape, excellent performance and green design concept. 2023 Red Dot Design Award



2023.11

SDMC held the Handover Ceremony of the 1,000,000th Smart TV Box of the 007 Project & Ceremony of Delivering More Than 1,000,000 Sets of Single Smart TV Box Within Six Months



2023.10

SDMC has been set up for 20 years.



2023.09

SDMC was listed in "2023 Shenzhen Top 500 Enterprises".



2023.09

SDMC launched its collaboration with Google Cloud to create innovative AI+IoT smart home solutions on Google Cloud for customers based on Matter.



2023.09

SDMC announced strategic cooperation with THX Ltd., a global leading company specialized in high-fidelity audio and video calibration, certification and technology, to jointly expand the paid operators market



2023.01-11

SDMC participated in 8 exhibitions, including the Mobile World Congress, the International Consumer Electronics Show (CES), and the International Broadcasting Convention.



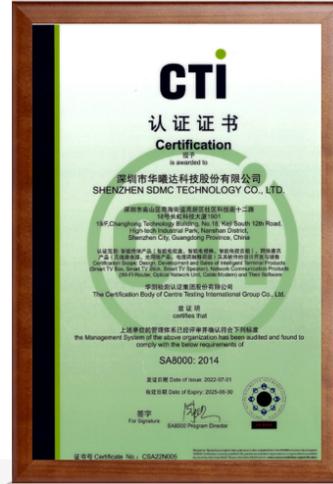
Honors of this year



2023 Red Dot Design Award



2023 Shenzhen Top 500 Enterprises



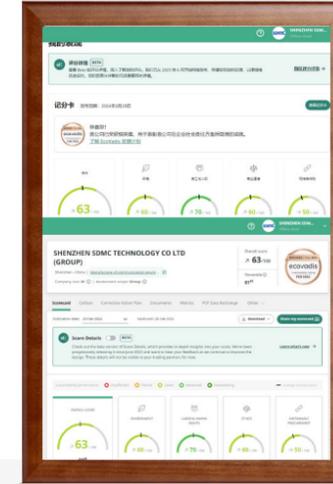
SA8000



Global Trustworthy Brands



2022 Outstanding Contribution Award for Investment Attraction Enterprises of Xin'an Street



Ecovadis(Bronze Medal)



The 7th List of Top 100 Small and Medium-sized Independent and Innovative Enterprises of Shenzhen



The 21st (2022) Shenzhen Enterprise Innovation Record Awards - Benchmarking Enterprises for Independent Innovation



The 21st (2022) Shenzhen Enterprise Innovation Record Awards - Innovation Records of Shenzhen Enterprises (Chinese) (XmediaTV)



The 6th Shenzhen Industry Award (Nomination)



List of Innovative Enterprises in Guangdong-Hong Kong-Macao Greater Bay Area - Innovation Achievement



Shenzhen Well-known Brands

01

Development Governance

- ESG management
- Communications with stakeholders
- Analysis of substantive issues

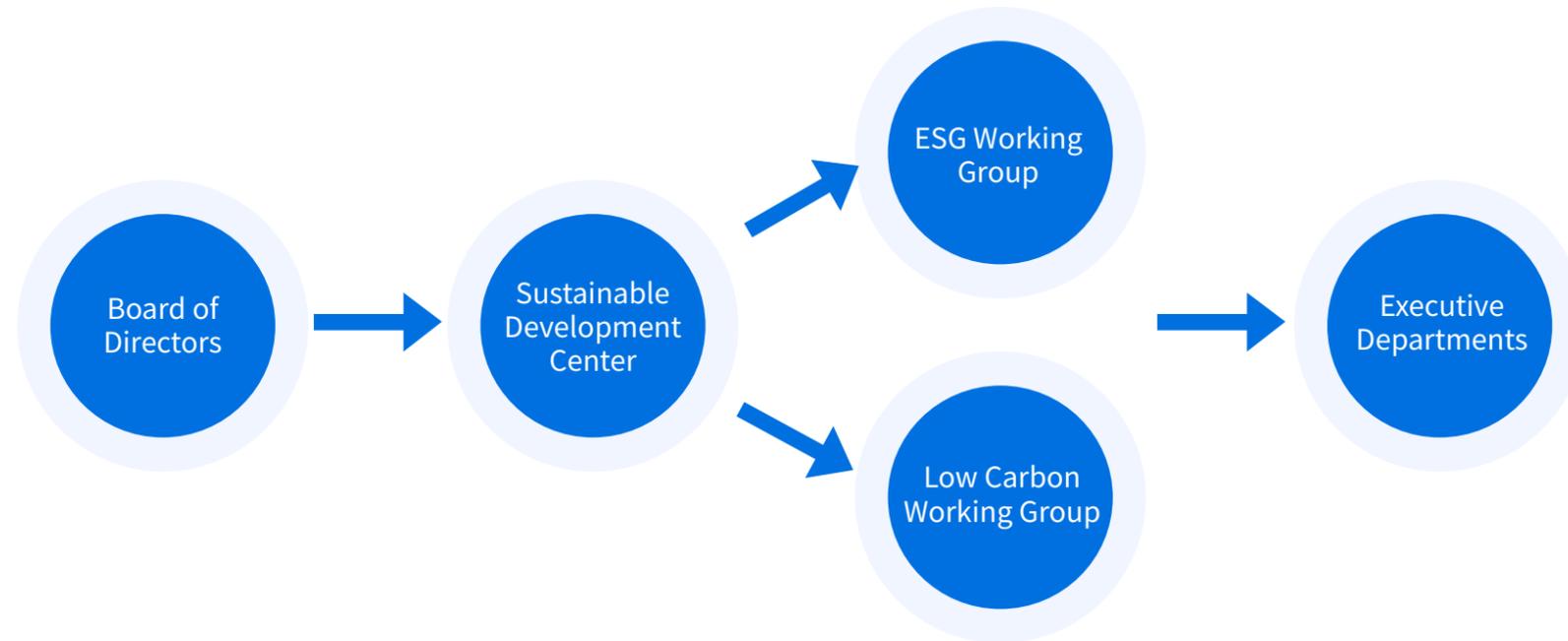


ESG governance

ESG governance structure

SDMC, with its strategic development goals, persistently strengthens its ESG governance system, level up ESG governance and integrate sustainable development into its daily business management activities. In order to implement the ESG concept, we have elevated ESG to the corporate level and built an ESG governance structure.

We clearly define the Board of Directors serving as the top leader, authorize the Sustainable Development Center as the decision-making level, and set up the ESG Working Group as the planning level, the low-carbon working group as the leading green work department, and each department as the actual implementation level. Coordinated by the Sustainable Development Center, the ESG Working Group takes the lead in management and organizes all departments to implement the work in combination with division of responsibilities, business features and objectives, and jointly standardizes SDMC's regulations on environmental, social and corporate governance.



Board of Directors:

The Sustainable Development Center is authorized to make decisions and supervision with respect to the matters on SDMC's sustainability work.

Sustainable Development Center:

To coordinate and supervise ESG strategy management;
To work out specific strategic guidelines

ESG Working Group:

To plan ESG schemes, track and manage processes

Low Carbon Working Group:

To lead and promote green environmental management;
To implement environmental related laws and other policy documents

Executive departments:

To execute the work tasks assigned by the ESG Working Group;
To push out and implement actual works of the corresponding topics;
To regularly report and provide work progress feedback to the ESG Working Group.

Communications with stakeholders

SDMC highly values communication with key stakeholders. We collect and seriously learn individualized stakeholders' demands with respect to ESG through various channels such as regular general meeting of shareholders, questionnaire surveys, communication with customers and audits, and comprehensively analyze internal and external factors, and actively respond to the expectations and demands of relevant parties.

	 Employees	 Investors / shareholders	 Customer	 Suppliers /partners	 Government / regulatory agencies	 Industry associations / institutions	 Media platforms
Expectations and demands	Employee benefits Employee communication Employees' health and safety Employees' career development	Corporate governance Protection of shareholder's rights Compliant operation	Product quality and safety Client services	Business ethics and integrity Stable cooperation	Greenhouse gas management Helping economic development Compliant operation Business ethics	Scientific and technological innovation Producing green and low-carbon products	Information transparency Charity Product quality and safety
Responses and measures	Improving compensation and benefits Enhancing employee communication Safeguarding occupational health and safety Promoting staff development	Strengthening corporate governance Safeguarding shareholders' rights Compliant and legal operation	Improving quality management Improving customer satisfaction	Construction of integrity Communication and training	Practice of green development Responding to national policy Compliant and legal operation Scrupulously abiding by business ethics	Industry seminar Product exhibition	Keep communication with the media Social welfare projects Improving quality management

Analysis of substantive issues

According to the relevant provisions and guide requirements of China and combined with the internal development strategy of SDMC and industrial development, SDMC identifies and analyzes substantive issues every year, identifies and screen issues including environment, society and control through a questionnaire survey on all interested parties. 14 important issues are identified, including 6 issues of high significance and 5 issues of moderate significance. This is conducive to co-create sustainable values, and form a substantive issue analysis matrix.

Highly important topics

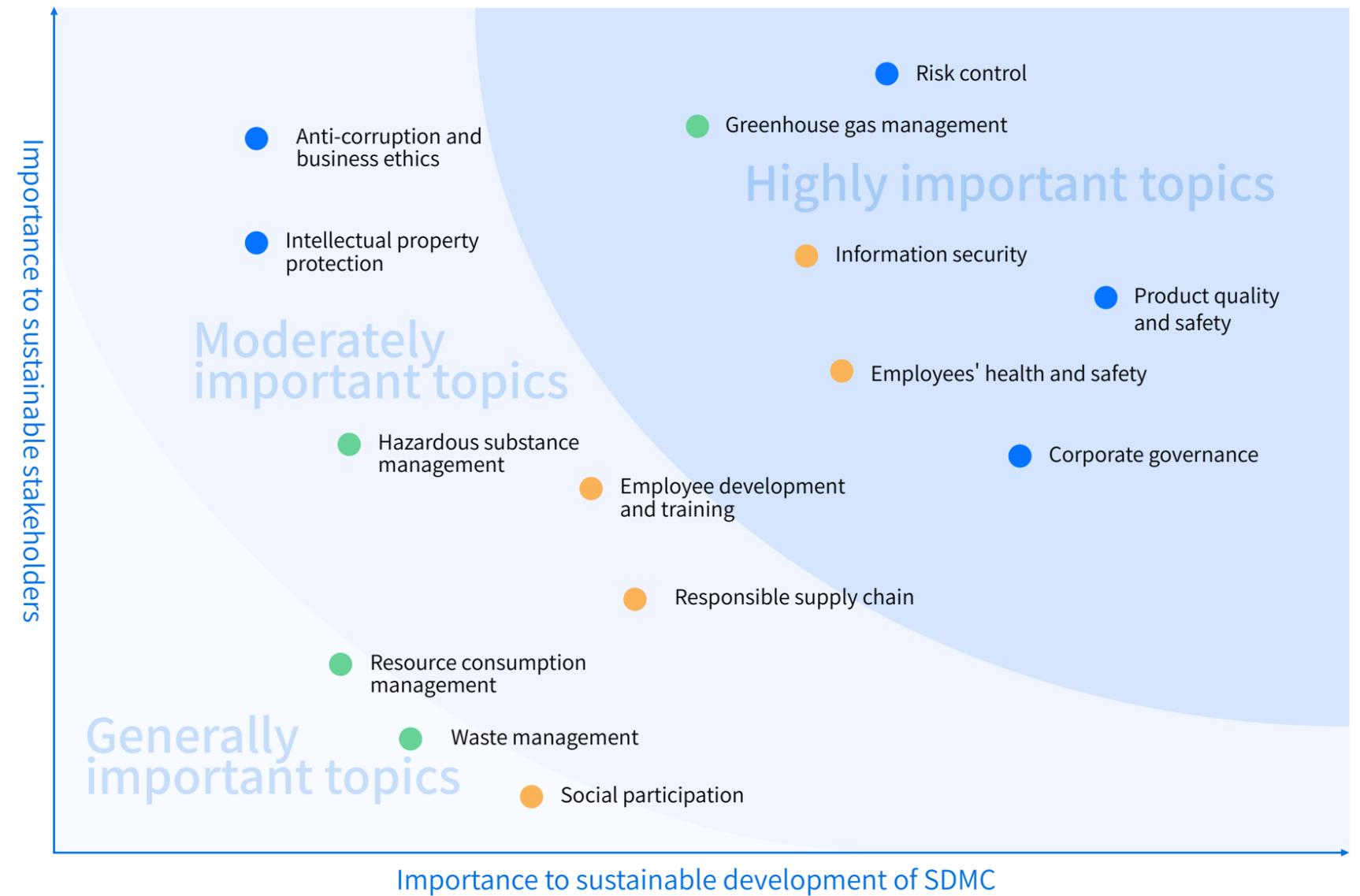
- Product quality and safety
- Risk control
- Employees' health and safety
- Greenhouse gas management
- Information security
- Corporate governance

Moderately important topics

- Anti-corruption and business ethics
- Intellectual property protection
- Employee development and training
- Responsible supply chain
- Hazardous substance management

Generally important topics

- Resource consumption management
- Waste management
- Social participation



02

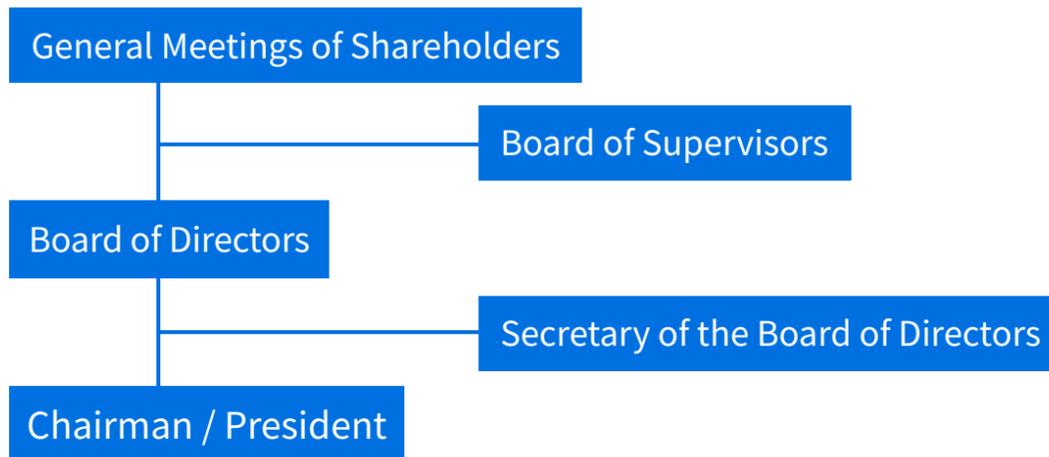
Steady Operation

- Corporate governance
- Risk control
- Business ethics
- Intellectual property protection
- Information security management



Corporate governance

SDMC has established a comprehensive and balanced corporate governance structure in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Management Measures, the Business Rules, and the Articles of Association, along with other relevant laws and regulations. Specifically, SDMC has established its shareholders' meeting, the Board of Directors, and the Board of Supervisors, and has formulated their respective rules of procedure. SDMC has established its sound systems of shareholders' meeting, board of directors, and board of supervisors, and has formulated a series of comprehensive framework documents for corporate governance. It fully utilizes the functions of the shareholders' meeting, the Board of Directors, the Board of Supervisors, and independent directors. In addition, SDMC has further standardized its management, forming a clear and regulated coordination and checks-and-balances mechanism among its authority bodies, decision-making bodies, supervisory bodies, and the management team.



Corporate governance

Operation basis

In 2023, SDMC held 13 meetings of the Board of Directors where independent directors expressed their independent opinions for 11 times, 11 meetings of the Board of Supervisors, and 6 General Meetings of Shareholders

Board of Directors

During the reporting period, SDMC's Board of Directors was composed of 6 directors, including 1 female director and 2 independent directors which do not hold any shares of SDMC in any form. SDMC's independent directors have good professional competence and educational backgrounds, bringing extensive business and financial experience to SDMC's Board of Directors, and giving full play in checks and balances for long-term shareholder interests.

Board of Supervisors

The Board of Supervisors of SDMC shall be in charge by the General Meeting of Shareholders, which shall be composed of 3 supervisors including 1 employee representative. The supervisors of SDMC shall present as required at the Board of Supervisors, the General Meeting of Shareholders, and the Board of Directors to effectively supervise and inspect SDMC's related transactions, major investments and financial conditions, and strictly implement relevant statements and commitments of the Board of Supervisors.

With respect to the candidates for the members of the Board of Directors and the Board of Supervisors, various factors including age, gender, educational background, professional skills and management experience are considered to enhance SDMC's ability to cope with complex environments and achieve sustainable development.

General Meeting of Shareholders

The General Meeting of Shareholders is the authority of SDMC. According to the Articles of Association and the Rules of Procedure of the Shareholders' General Meeting, SDMC convenes a shareholders' meeting in accordance with the law, and combines the live voting and online voting, to guarantee the shareholders' rights to know, to participate, inquiry, and vote.

Corporate governance

Relationship management of investors

In order to promote and improve the governance structure and standardize the management of investor relations, SDMC formulates the Management System of Investor Relations according to relevant laws and regulations and combined with the actual situation to manage the investor relations, protect the investors' rights to know and participate in the major issues of SDMC, safeguard the interests of small and medium-sized investors, and continuously create reasonable income for investors.

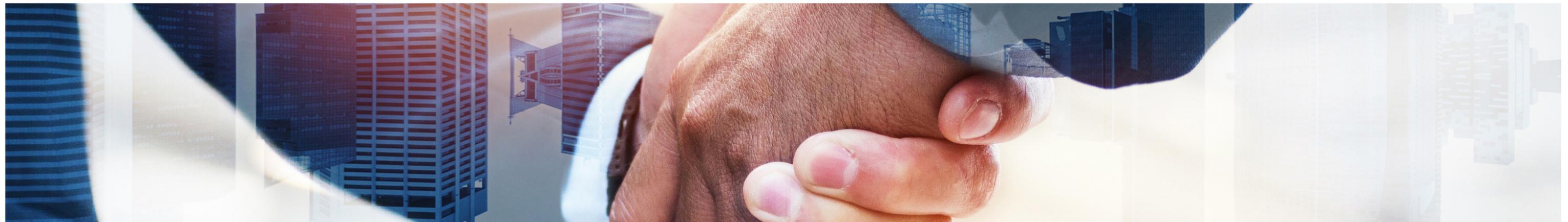
Information disclosure compliance

SDMC strictly observes the provisions of the Company Law, Securities Law, Measures for Supervision and Administration of Non-listed Public Companies, Measures for Administration of Information Disclosure of Non-listed Public Companies, and Rules for Information Disclosure of Listed Companies in National Equities Exchange and Quotations, and formulated the Information Disclosure Management System to disclose information in a timely, true, accurate and complete manner and to ensure that investors have equal access to information. SDMC will regularly update reports, financial reports and relevant information on the official information disclosure website designated depending on the actual situation. During the reporting period, SDMC had no false records, misleading statements or material omissions.

162 disclosure announcements and 4 regular reports

Exchange among investors

Through announcements, roadshow seminars, on-site reception, call, SMS and email, SDMC positively explains and transmits its development strategies, operating conditions and other important information to its shareholders, ensuring that all shareholders can have equal access to its information and safeguarding the legitimate rights and interests of all shareholders.



Risk control

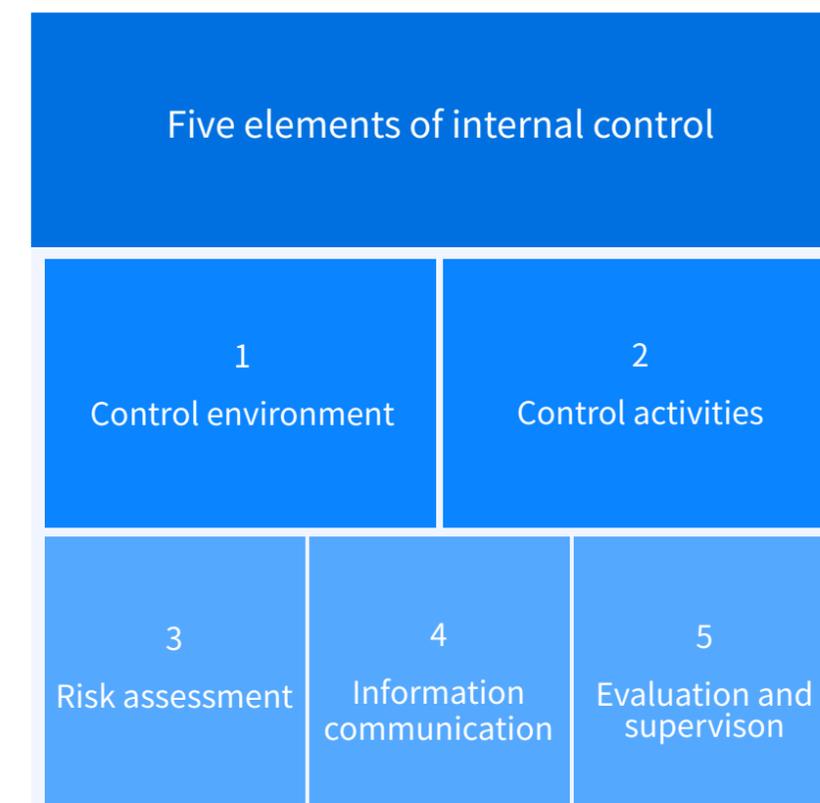
Governance strategy

Risk control is one of the most important guarantees for sound and sustainable operation and an important part of the internal governance and control system. We continuously optimize the internal control system and risk management process based on the Internal Control System, and identify, evaluate, respond to compliance risks, supervise improvements in terms of risk control so as to achieve overall risk control and sound corporate development.

Risk stratification	Risk classification	Control strategy
Macro risks	Economic environment	To know well and evaluate economic environment risks, analyze risk cycle and pattern, identify the direction of market supply and demand and price fluctuations because the global macroeconomic environment directly or indirectly affects the market trend of customers.
	Corporate governance	To continuously optimize corporate governance system and structure, standardize operation and management by systems, concern shareholders' legitimate rights and interests, strengthen the management over investor relations, and ensure the continuous increase of the corporate governance level.
	Industry policy	To keep business development in line with the policy direction, sense national policies, timely adjust business scale and pace, reduce the impact of industry policies on business, and properly use policy effects to avoid industrial policy risks.
Compliance risk	Intellectual property protection	To establish an effective and reasonable standardized process for intellectual property management, focus on intellectual property rights of relevant technologies during R&Ds or even in pre-research stage, and focus on the investigation and identification of infringement risks of external intellectual property rights to avoid infringement risks.
	Business ethics	To set up an ethics and discipline committee and an anti-fraud working group, implement a sunshine code of conduct in combination with institutional systems, and regularly carry out compliance promotion and training on business ethics.
	Employee and labor protection	To concern the protection of employees' legitimate rights and interests, optimize labor and employee management system, regularly conduct employee activities, promote the establishment of a harmonious relationship between SDMC and employees, and keep smooth communications.
Business risk	Technology and market	To continuously research and develop new technologies and products and lay out diversified markets because of crucial impacts of product innovation advantages and market layout on business development, provide customers with one-stop ecological product services, and maintain advantages in the industry.
	Product quality control	To control and manage product quality in the whole process from design to production strictly as per quality requirements and processes, and continuously optimize quality control processes, including enhancing the ability in product full-cycle quality management by means of systematic and intelligent management tools.
	Climate and environmental protection	To concern climate change, develop scientific and reasonable carbon reduction targets and plans, practice green environmental protection concepts, strengthen the promotion of environmental protection awareness, implement action plans from top to bottom, and improve the ability to cope with such risks.

Internal control management

To set up an internal audit team consisting of the management decision-making body and the management under the current internal control and compliance system, audit and supervise daily operations, and ask for external auditors to audit compliance of business, procurement, finance and others, forming an internal and external internal control management evaluation system to ensure sound risk control under the premise of effectively internal control and compliance.

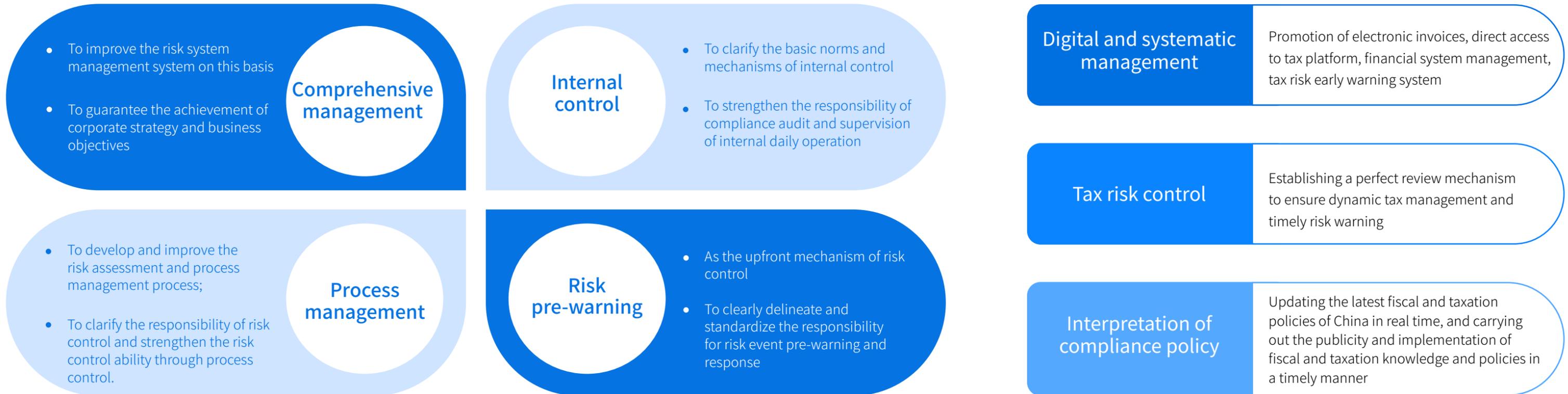


Risk control

Systems and procedures

Under the current system of internal control compliance, SDMC: keeps on improving the business risk control system; identifies, evaluates and deals with, supervises, and make improvements on compliance risks from the perspective of risk control; formulates the Contract Review Management System, the Seal Management System, Sensitive Information Management Practices, Process Management System, Password Security Management Practices and other risk control system; and defines risk management responsibilities and process guide, to promote continuous improvement of systems and procedures and ensure effective development of all kinds of special risk management.

SDMC carries out overall effective control management and daily special risk management for risk control from aspects below:

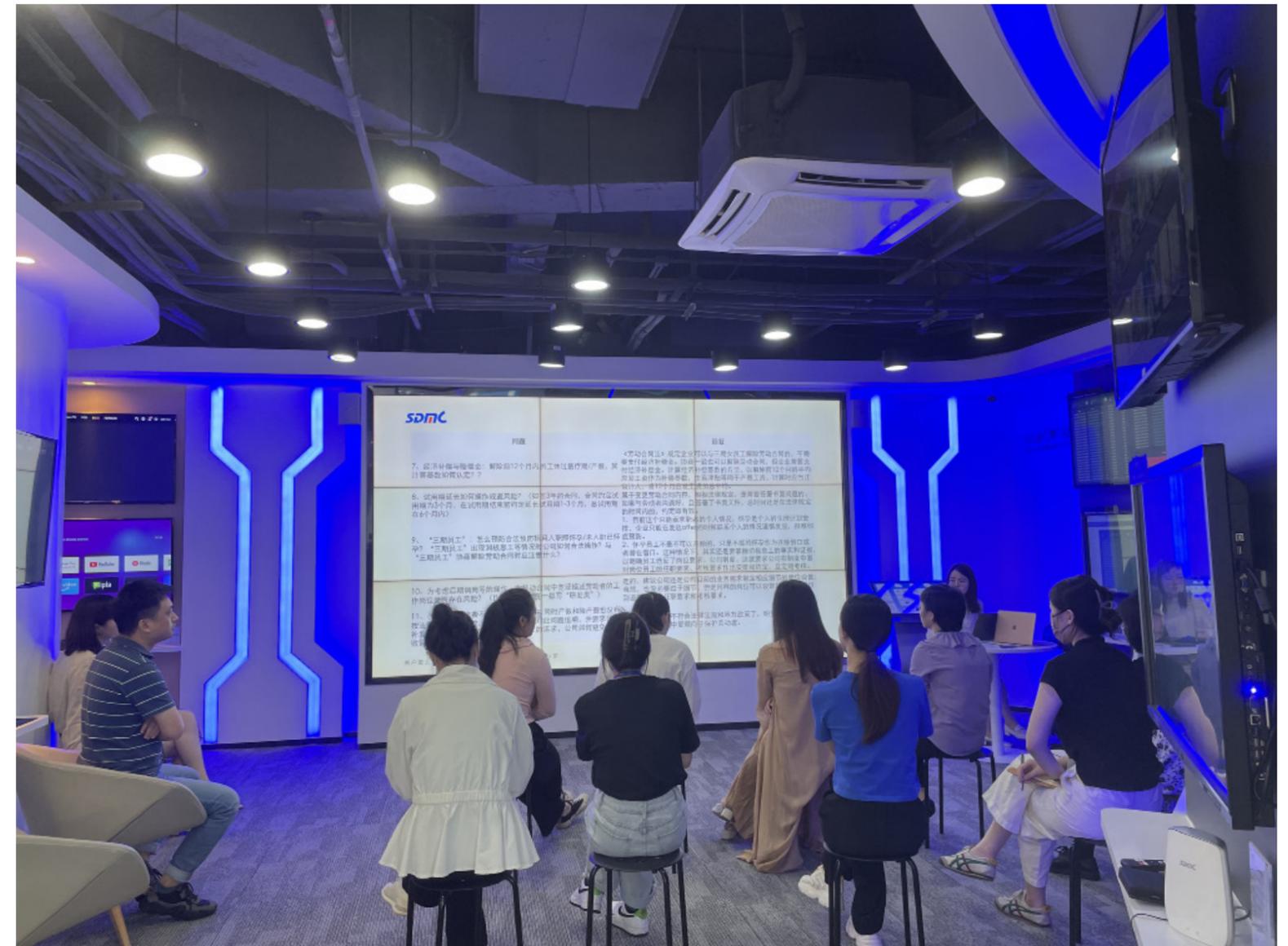


Risk control

Construction of compliance culture

SDMC is committed to: promoting awareness and culture construction in compliance to all employees; providing specific publicity and training to relevant personnel through multiple platforms according to their respective functions, businesses, work scenarios, and sensitivity/key position scenarios; and through communication, survey, compliance publicity and specific training, continuously implementing the value of compliance culture for all employees, strengthening all employees' perception of compliance risk control, continuously improving all employees' compliance awareness, and gradually forming SDMC's compliance culture recognized by all employees

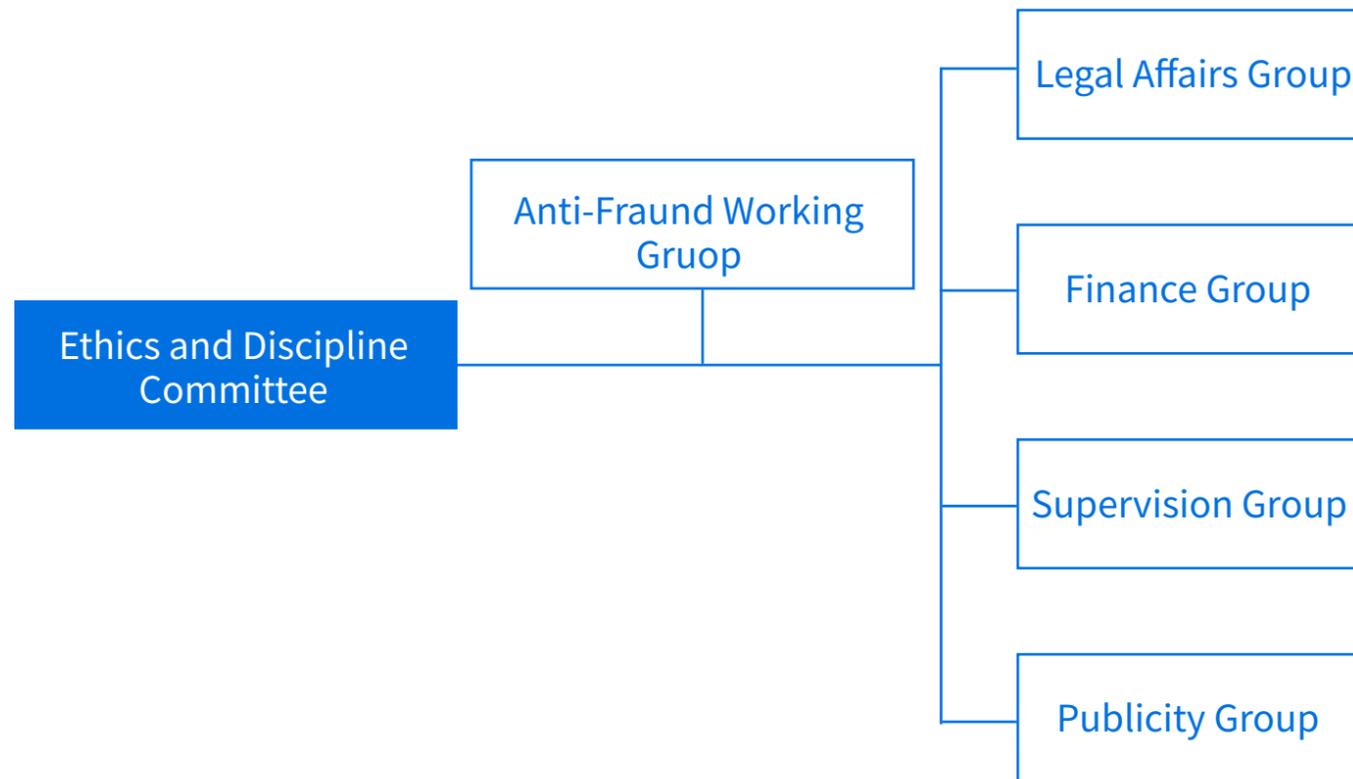
Law lecturer	Compliance lecture	Special protect of commercial
<p>Internal publicity on laws and regulation</p> <p>Law popularization and them traning for all employees</p>	<p>Publicity on internal compliance risk warning</p> <p>Special prompts + compliance training</p>	<p>Publicity of basic business ethics</p> <p>Special training + publicity to all employees</p>



Business ethics

Governance architecture

Ethics and integrity are important cornerstones of corporate compliance. Adhering to business ethics and insisting on good faith are crucial to corporate governance as well as social influence. SDMC actively integrates corporate culture and ethical values into business operations to promote healthy growth and contribute to the construction of a harmonious business environment.



System and procedure management

SDMC continuously promotes the improvement and implementation of anti-fraud related systems and codes with "high standards and strict requirements", and from time to time makes modifications and adjustments pursuant to the national laws and regulations in related fields and SDMC's internal dynamics to adapt to the new forms and new normal development situation.

Basic Normas of Business Conduct

Guide employees to adhere to professional ethics and delineate the code of conduct, thereby promoting transparency and preventing fraudulent behaviors.

It has established detailed regulations in various areas, including self-discipline, conflict of interest, use of company property, fair competition and transactions, information confidentiality, anti-bribery and anti-corruption, insider trading, information security and confidentiality, and data protection.

Anti-fraud Management System

Strengthen internal controls and regulate employee behaviors.

During the reporting period, SDMC has refined the definition of fraudulent behaviors, clarified the responsibilities and authorities of relevant personnel, and established the whistle-blowing handling procedure.

Anti-bribery Implementation Rules

Prevent and manage commercial bribery and corruption, regulate the behaviors of employees and stakeholders, and mitigate legal risks.

During the reporting period, SDMC has improved the relevant guidelines on combating commercial bribery and specified operational rules, control responsibilities, and punitive measures.

Business ethics

Anti-corruption and anti-bribery

SDMC strictly follows business ethics in the world and related laws & regulations, and always implements anti-fraud and anti-corruption requirements in the internal management and all business activities with external partners. SDMC will continue to improve the anti-bribery management system and the integrity governance framework. SDMC has established rules and regulations covering anti-commercial bribery and anti-fraud management, kept on passing on compliance requirements for anti-corruption and integrity to its employees and partners, and clarified a "zero tolerance" policy on corruptions and frauds, providing guarantee to its anti-corruption and anti-fraud missions.

Anti-fraud

SDMC sets up a "red line" for frauds all the way, regularly reviews integrity and fraud-related systems, and make revisions when necessary, to ensure that the systems comply with the current laws and regulations as well as the present business development situation SDMC. SDMC formulates the Basic Norms of Business Conduct, Anti-fraud Management System, and Rules for Implementing Anti-commercial Bribery, revised the Supplier Integrity Agreement and Employee Integrity Commitment, improves violation punishment on supplier, requires the supplier to carry on declaration on interest conflict, and advocates the supplier to actively cooperate with the compliance investigation.

Construction of integrity culture



Regular publicity:
4 times / year

Integrity Commitments executed:

649



Integrity and compliant training:
On-site/off-line training + classroom test
Integrity Commitment executed by all employees

Integrity Commitments Coverage:

100%



Theme publicity:
6 sessions / year

Key positions participating in the training:

70

Business ethics

Reporting and investigation mechanism:

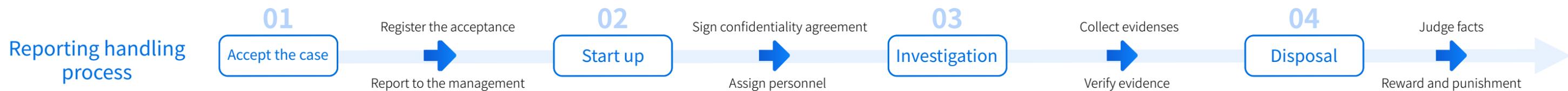
In order to encourage the staff to participate in anti-fraud activity, reveal and report frauds, we have set up multi-form reporting channels (including public reporting mailbox, reporting phone, website, email, WeChat Official Account, internal community complaints, etc.). Any fraud can be reported through relevant channels. SDMC will provide strong protection for whistleblowers according to laws and regulations. SDMC's anti-fraud investigation department will start investigation and verification of evidence as per the procedures of systems and codes upon receipt of the report. The results upon confirmed will be submitted to SDMC's relevant department for settlement pursuant to the relevant laws and regulations or rules, and appropriate punishment will be imposed to the offenders or the case will be transferred to competent public security authority as per the severity of the situation.

Reporting channels:

Reporting telephone: 0755-86018266
 Reporting email: lianzheng@sdmctech.com
 WeChat official account: sdmctech
 Visit/reporting address: 19/F, Changhong Technology Building, No. 18, Keji South 12th Road, High-tech Industrial Park, Nanshan District, Shenzhen, China

Informer's privacy protection:

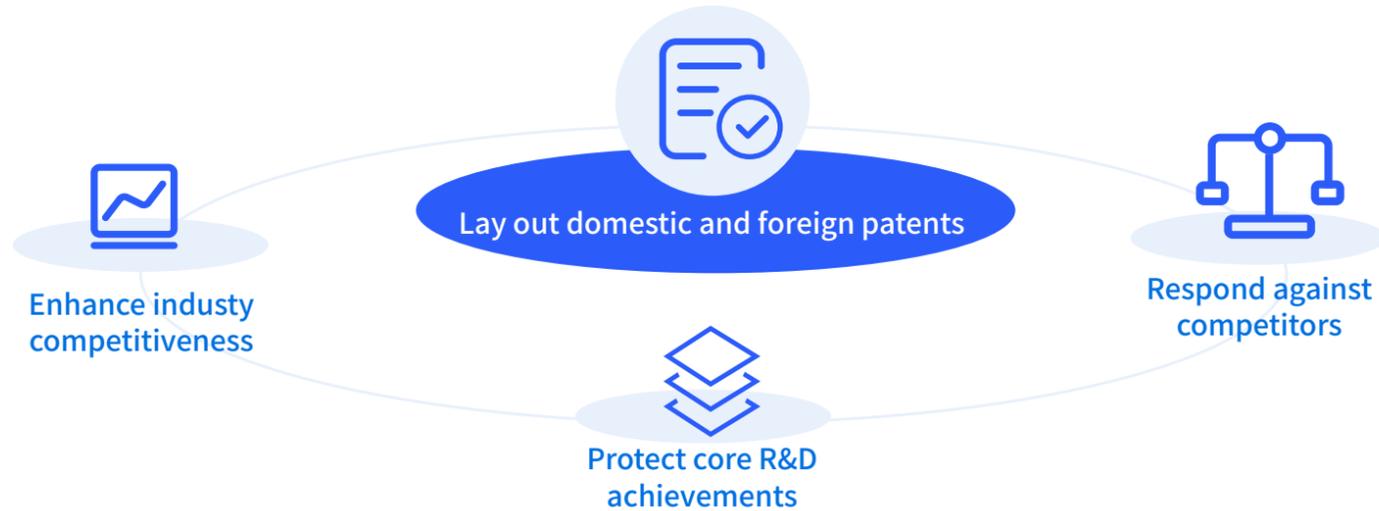
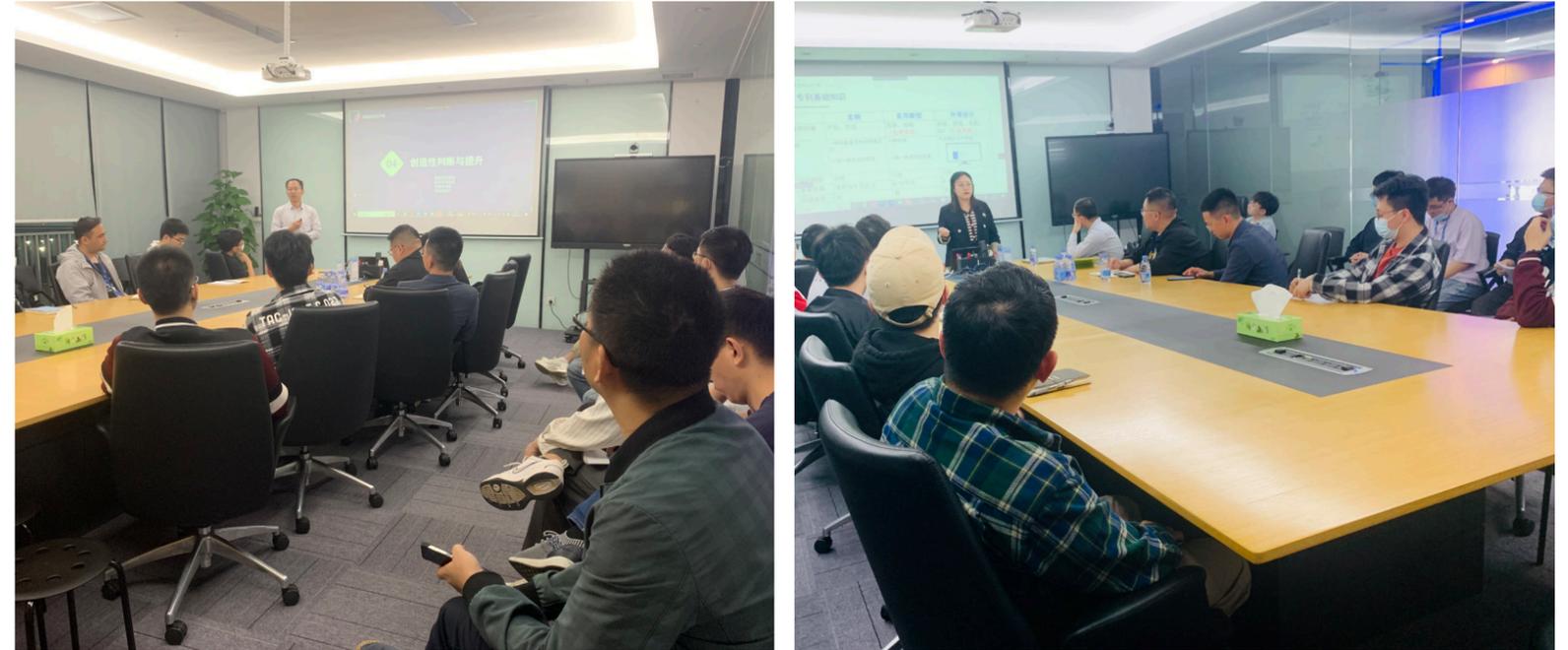
SDMC guarantees the information confidentiality of the Informer and never allows anyone (including investigators) to disclose the privacy information of the Informer. SDMC will provide strong protection measures for the Informer within the scope of laws and regulations. For the violence reports accepted, the anti-fraud investigation group or the management will check the information and ensure that the person be accused has no same departmental relationship and no any relationship as relatives or for other interests and guarantee fair and proper handling of the reported information and the Informer that the reported information and whistleblower.



Intellectual property protection

SDMC highlights protection of its own research results and the high-quality generation of intellectual property rights, strictly abides by intellectual property laws and regulations, and continuously strengthens internal intellectual property management. To enhance the awareness of invention and patent protection, encourage the employees to attach importance to and actively apply for patents, and safeguard integrity of the effectiveness, rights and interests of the intellectual property rights, we formulate the Patent Management Specification, Trademark Management Specification and other internal documents, improve and optimize whole process management of the intellectual property rights from the goal programming to patent indemnification.

To avoid infringements on others' rights and interests, SDMC will conduct infringement risk assessment in each stage of research and development, procurement, pre-sales, and promotion, and propose intellectual property protection or avoidance schemes. Moreover, SDMC will aperiodically carry out specialized training on R&D technology, stimulate innovation, strengthen the consciousness of protecting intellectual property rights. During the reporting period, SDMC organized online training and on-site training, and the participation rate of R&D personnel was 85%.



 SDMC now has **250** intellectual property patents

 During the reporting period, SDMC had **52** new authorized patents

 The participation rate of R&D personnel was **85%**

Information security management

SDMC attaches great importance to the information security, and strictly abides by relevant laws and regulations on information security management and regulatory requirements. To protect trade secrets and core competitiveness and ensure business continuity and operational efficiency, it has formulated internal practices and rules, including the Password Security Management Practices, Data Backup Management System, and Process Management System, strengthening management on data information and password security and ensuring the safety in use. During the reporting period, SDMC has obtained ISO 27001 information security management system certification and ISO20000 information technology service management system certification.

01 System management

- Implement the national information security protection system and classification management on SDMC's information assets.
- Establish specifications and operating procedures, specify operating duties, and strengthen operation management.
- Ensure relevant security measures or specifications comply with current laws and regulations and regulatory requirements.

02 System maintenance management

- Independent product development environment set up to protect the development environment with encryption and ensure data security.
- Monthly system maintenance, evaluation and analysis of security requirements of the system, and available security mechanism corresponding to the business security level requirements to ensure the safe and stable operation of the system.

03 Safety protection management

- Security isolation for cyber area boundary to form independent access channels to different areas, and regular audits of access rights.
- Optimized and upgraded firewall strategies to prevent the network from being attacked and ensure office security.

04 Daily operation management

- Set up a special information security and compliance project; invite the staff to participate in the project through the questionnaire, inspection and audit, improvement measures and daily management; review each major aspect of the company in depth; and launch an internal online questionnaire.
- Investigate the actual operation of information security in each module and each link and effectively identify risk points through inventory.
- On the basis of the questionnaire survey, each department carries out self-inspection and audit, including physical security, document confidentiality, application system, network security, information exchange, personnel turnover, and analyzes feedback and proposes improvement.

05 Information security culture construction

- In order to ensure information security, SDMC carries out 14 training sessions on information security through various forms, including online posters, on-site training, and release of information security knowledge on through system platforms.
- The training covers daily communication, email security, password security, network security, physical environment security, and information asset security, to strengthen the information security awareness of employees.



14

Information security training

706

Participants in information security activities

313

Information security feedback

670

Information security training participants

Collaborative Development

- Responsible supply chain
- Product quality and safety
- Client services

03

Responsible supply chain

Vendors management

In order to ensure that the quality compliance of products and services provided by suppliers, standardize supplier management, and further strengthen the control of the supplier management process, SDMC formulates the Supplier Management Control Procedure, Supplier Access Qualification Management Specification, and the Supplier Classification Management Specification.

Supplier development and admittance

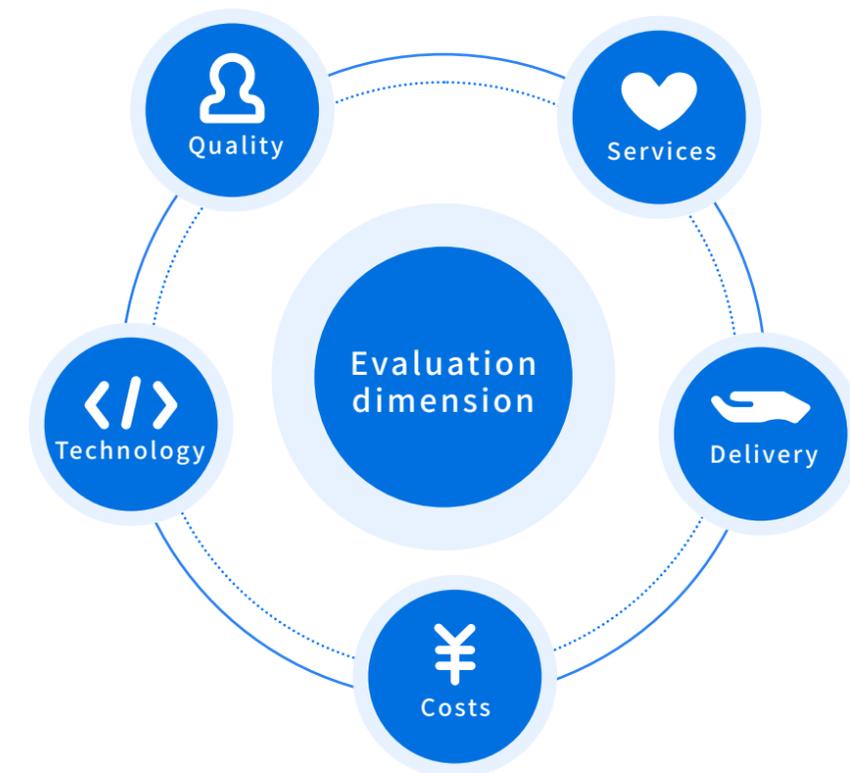
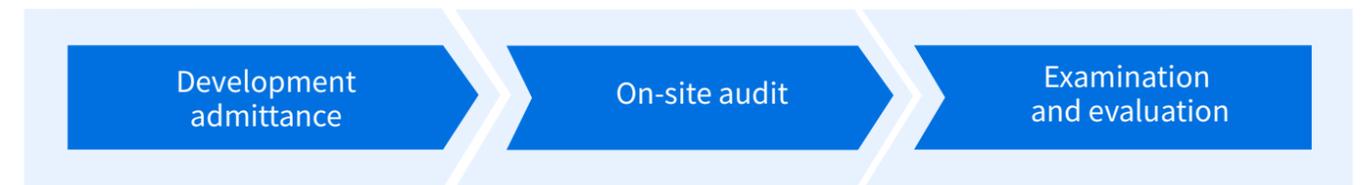
According to the product demand and requirements in the Supplier Admittance Qualification Management Specification, SDMC searches intended suppliers, preliminarily screens them, and sends the Basic Information Questionnaire for Supplier, in order to learn their business nature, business scope, production capacity, qualification certification and other details.

On-the-spot audit of supplier

According to the rules of supplier management, SDMC formulates the *On-site Supplier Evaluation Form*, conducted on-site audit and assessment on technical compliance of its products and preliminary technical exchange, and records assessment results in the form. The suppliers whose score reaches the criteria will be listed as qualified suppliers. Otherwise, the suppliers will be listed in a re-review list and subject to re-assessment upon rectification.

Examination and evaluation on supplier

To optimize the structure of manufacturing supplies, distinguish the supplier management strategy, improve the overall supply quality, and prevent major risks, SDMC formulates the Supplier Classification Management Specification and Monthly Performance Evaluation Management for Supplier. For daily management on supplier, SDMC carries out the comprehensive evaluation every month from five dimensions, including technology, quality, service, delivery and cost, and stipulates four supplier ratings (A, B, C and D). For suppliers which can not meet the requirements of the supplier, SDMC will provide counselling and assistance on rectification. The rectification period is 3 to 6 months, during which orders and cooperation will be reduced until the supplier is qualified after rectification. Where the improvement effect is still substandard, such rectification is deemed as invalid, and the supplier will be enrolled in the list of unqualified suppliers, with the cooperation cancelled.



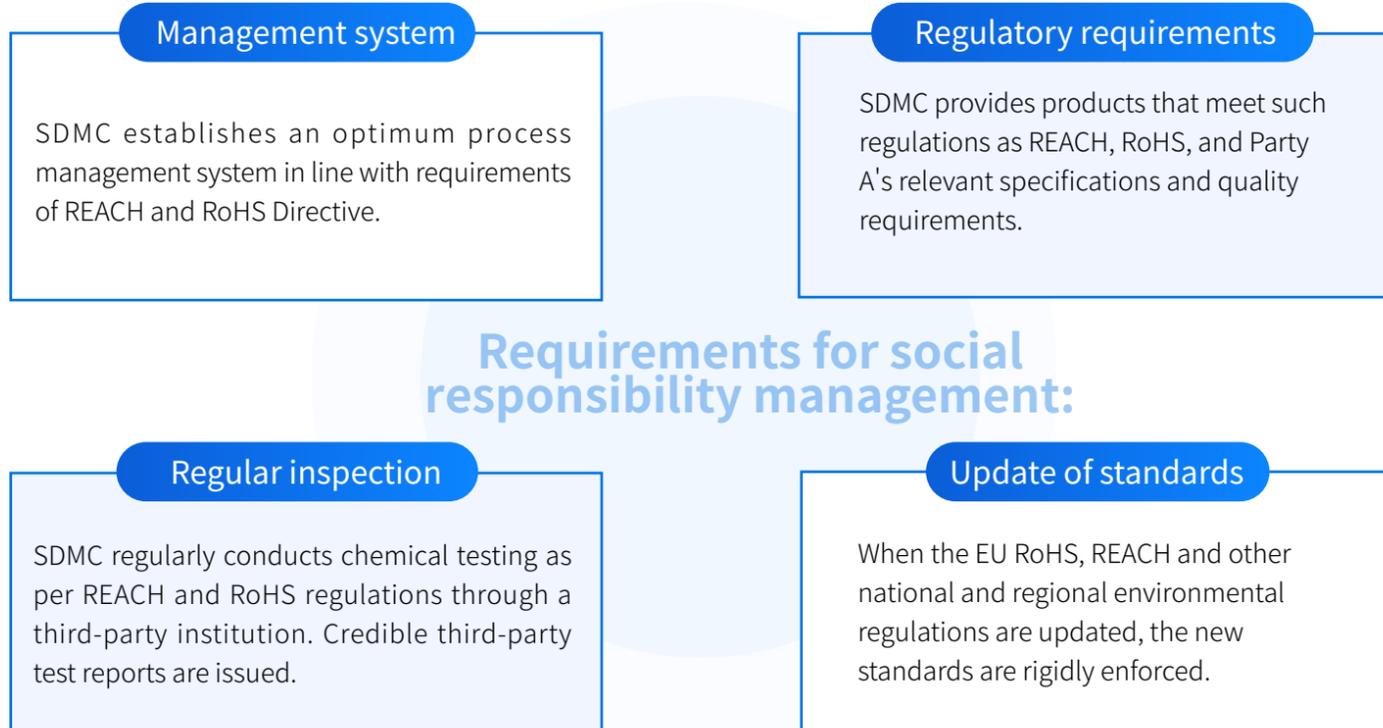
Responsible supply chain

Product material management

To effectively prevent materials, components, parts and products containing hazardous substances from being incorporated or used and to ensure the compliance of all materials with environmental requirements, SDMC sets forth requirements for suppliers and internal teams with respect to the control of hazardous substances, and helps all parties concerned have a clear understanding of the standards for hazardous substances in terms of environmental laws and regulations and the market so as to ensure that all aspects comply with laws and regulations and customer requirements and reduce the impact of hazardous substances on human health and the environment. In addition, SDMC has established a comprehensive process management system that complies with the Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), as well as the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations (2011/65/EU & (EU) 2015/863).

SDMC declares strict adherence to international conventions, refusing to accept, purchase, or use conflict minerals from the Democratic Republic of Congo and its surrounding countries and regions. SDMC also requires all suppliers to ensure that no conflict minerals are used in the raw materials and manufacturing of all products supplied by them.

We conduct due diligence in our supply chain management to promote responsible management and continuous improvement of the supply chain with respect to conflict minerals such as tantalum (Ta), tin (Sn), gold (Au), tungsten (W) and other metals. Our goal is to ensure that these metals are not sourced from conflict areas in the Democratic Republic of Congo through armed groups or illegal channels.



Percentage of suppliers that have provided their statements of non-use of conflict minerals: 100%.

Requirements for suppliers:

- Promise that no conflict minerals are used in the raw materials and manufacturing of all products supplied by them.
- Sign the Statement of Conflict-Free Minerals and guarantee that no conflict minerals are contained in the products sold to SDMC.

* SDMC has published a statement on its official website declaring the non-use of conflict minerals.



Responsible supply chain

Supplier social responsibility management

SDMC has developed a Corporate Social Responsibility (CSR) Agreement, and will require all suppliers to be introduced to sign. The contents of the agreement include labor standards, health and safety, environmental protection, business ethics and management system, specifying the regulations on the supplier social responsibility management and their behavior.

Requirements for social responsibility management:

- 01 No employment or use of child labor
- 02 No use of forced or compulsory labor
- 03 No offensive acts
- 04 Anti-discrimination and anti-harassment
- 05 Respect for employees' right to rest, and assurance of paid vacation rights of all employees
- 06 Provision of environmental protection certification
- 07 Provision of proof of compliance with relevant environmental standards
- 08 Provision of a safe and healthy working environment for employees
- 09 Making maximum efforts to control hazards and taking preventive measures to prevent accidents and occupational diseases
- 10 Provision of regular training to equip employees with health and safety knowledge
- 11 Adherence to the principles of honesty, integrity, and business ethics
- 12 Taking appropriate measures to protect information, avoiding discussion or disclosure of confidential information in public settings, and adhering to non-disclosure agreements

Training for suppliers

SDMC has always emphasized communication with suppliers and providing them with training. To enhance the sustainable development of the supply chain, SDMC regularly conducts both routine and specialized training for suppliers. In addition, in response to any issues regarding product quality and processing of its suppliers, SDMC promptly organizes personnel to visit suppliers' sites to help them correct issues, thereby improving product compliance and supply timeliness.



Product quality and safety

Quality management system

SDMC has established a customer-centered quality management system, and strictly abides by the local laws and regulations where SDMC is located and customers located, and other locations. SDMC integrates the international ISO9001:2015 system standard into business processes, and abides by the requirements of the quality management system.

SDMC at all times, in the light of the quality policy of "customer satisfaction, quality first", implements the quality consciousness of quality first and zero defect and continuously improves the quality of products and services to meet the needs of customers for good satisfaction.



Overall quality management

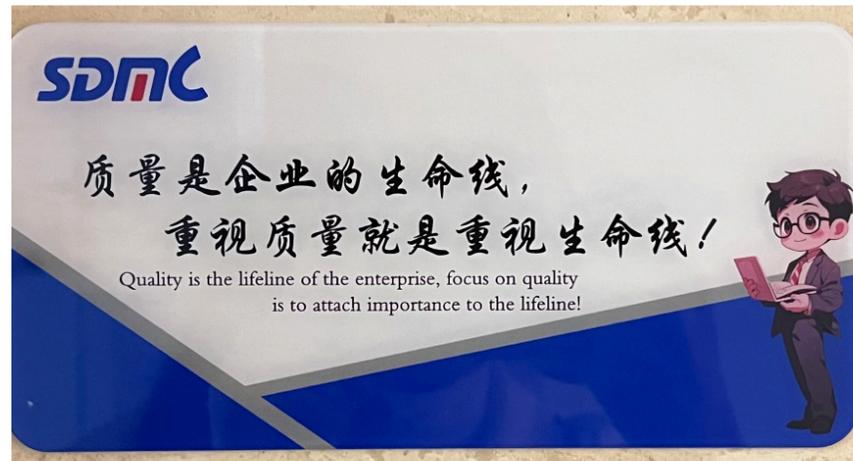
SDMC and all its employees conduct overall quality management for the whole course from customer demands to delivery of qualified products to customers with professional techniques and scientific methods, and continuously level up the quality of products and services.



Product quality and safety

Construction of quality culture

We plan an activity themed by "strengthening the quality and the process construction to build the base of the high-quality development", which incorporates daily work, solves specific problems, sparks the concern of the staff on quality and process, and arouses the joint efforts of the staff, to ensure the sustainable development of SDMC and the excellent performance of the staff, and lay the foundation for the realizing high-quality development of SDMC.



Publicity and implementation of quality awareness:

We make posters and cards for publicity, call on the staff to put forward their own quality suggestions, take personal voice as the criterion, and constantly improve themselves until self-realization of the prophecy.



Quality management system and process audit activities:

We identify the deficiency of quality management system and process operation, and potential issues and risks, effectively prevent problems through making and implementing countermeasures, improve the quality consciousness of the staff, ensure the effectiveness and compliance of SDMC's quality management systems and processes, and lay a solid foundation for the sustainable development of SDMC.



Planning and implementation of QCC special improvement activities and process rationalization suggestions:

Through quality inspection tools and methods, we solve practical issues, achieve technical innovation, optimize business processes, and improve working methods.



Quality training:

We complete the ISO9001:2015 internal training, FMEA training, reliable engineer training, quality management training, and training on quality inspection tools and methods, with more than 600 participants.

Product quality and safety

Product quality and safety

SDMC, regarding safety as an essential of the product lifecycle, strictly abides by the local laws and regulations on product safety wherever we operate businesses:

- SDMC controls hazardous substances in the whole course from design and development to selection of raw materials and manufacturing process in accordance with the testing requirements specified in RoHS 2.0, REACH, and California Proposition 65, etc.
- SDMC simulates the actual use scenarios of consumers, tests and evaluates factors affecting product safety, for example, accidental hazard, as well as abnormal operating conditions of products for compliance with CE, UL, CCC and other safety requirements.
- SDMC highly values the protection of customer privacy, and strictly keeps customers' information confidential and never discloses any information to a third party without permission of the customers except for using them only for product development and better product, technology and services.



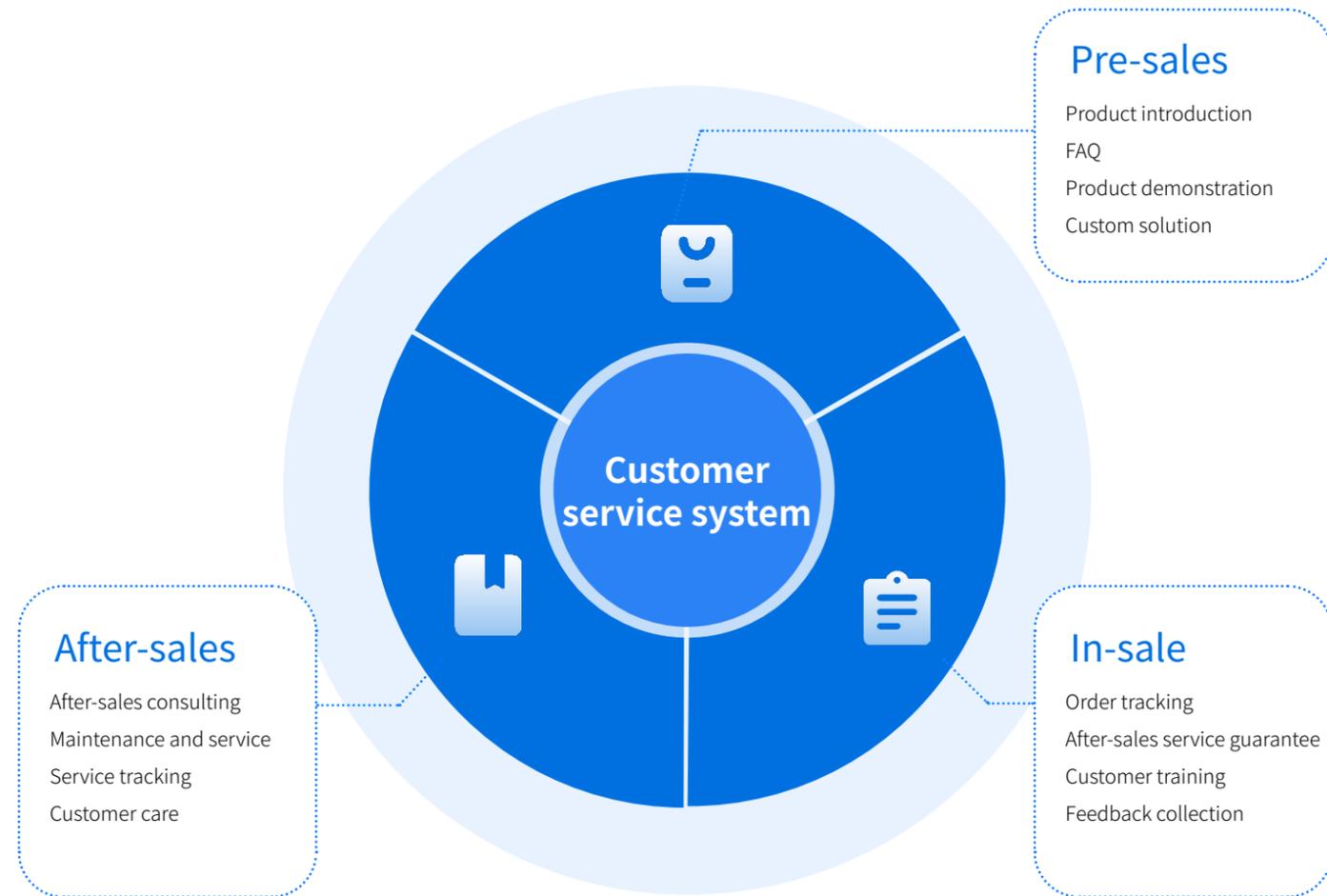
Product compliance and certification

Country/region	Certificates
Global	CB、MTBF、BQB、Wi-Fi Alliance
EU	CE、ROHS、REACH、WEEE
USA	FCC、ETL、UL、TSCA、CP65、TPCH、PFAS、RoHS
JP	PSE、JATE、TELEC、VCCI
China	SRRC、CCC、CQC、BSMI、NCC
Australia	RCM、MEPS
Canada	ISED、ICES 003
Other countries or regions	UKCA、KCC、WPC、MIC、MTC、TDRA、SUBTEL.....

Customer service

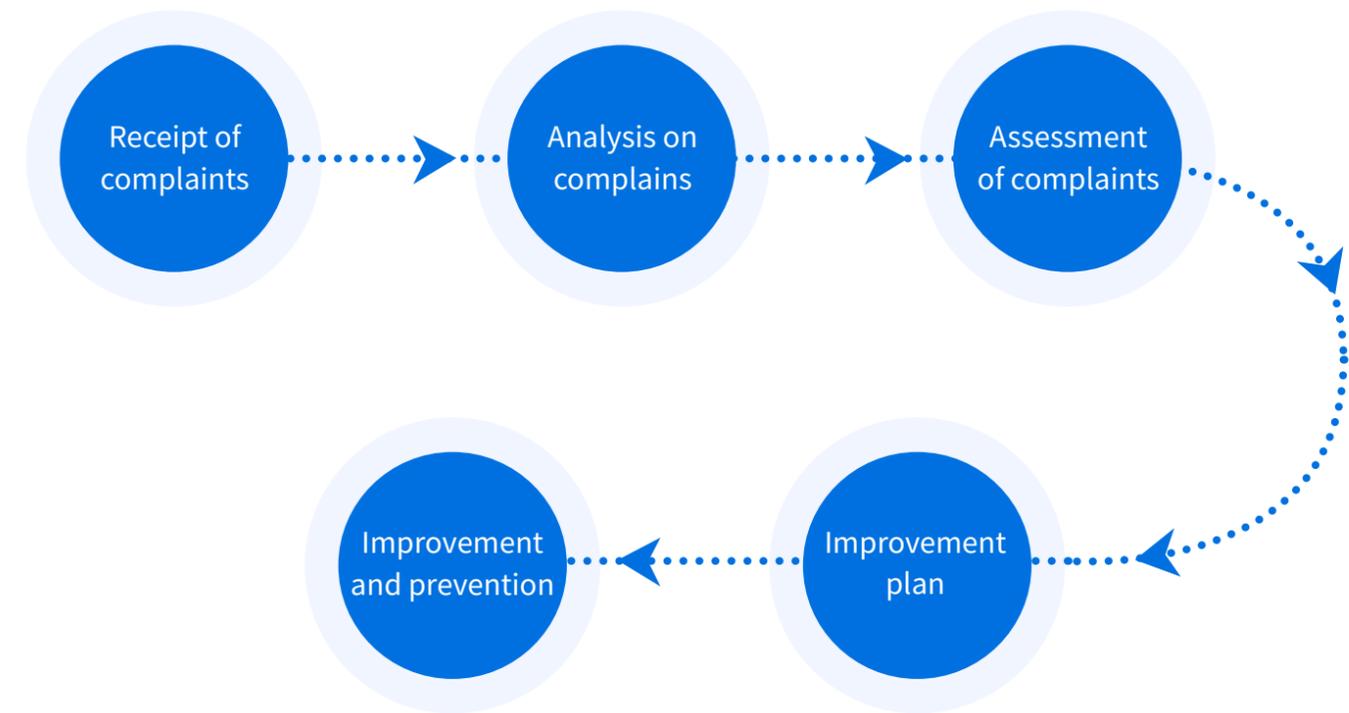
Customer service system

We take pre-sales, in-sale and after-sales service system as the basis, realize customer value from the actual needs of customers, provide customers with truly valuable services by relying on digital construction, and help customers better use products.



Customer complaint management

We value the opinions of the customer and feedback, formulate the Customer Complaint Handling Process, carry out systematic management on the processing of customer complaints and quality event, covering the whole process from the collection, analysis, assessment and solution for customer complaint information, set up a special disposal group in the first place to deal with complaints about product quality and service when receiving the complaint, and coordinate each link for timely response and follow-up.



Customer complaint handling procedure

Green and Low-carbon Development

- Environmental management system
- Greenhouse gas management
- Response to climate change
- Green office
- Green product management
- Hazardous substance management
- Resource consumption source management
- Waste management



Environmental management system

SDMC, aware of the importance of environmental management to the company and human being, strictly abides by the local laws and regulations on environment protection wherever we operate businesses and our products are distributed, and has established and effectively run ISO14001 environmental management system. Adhering to the environmental management policy of "people-oriented, technological innovation to reduce pollution; efficient energy saving, strengthening management for continuous improvement", we set environmental management goals, effectively implement environmental protection measures, improve SDMC's environmental management level, and achieve long-term sustainable development.



Greenhouse gas management

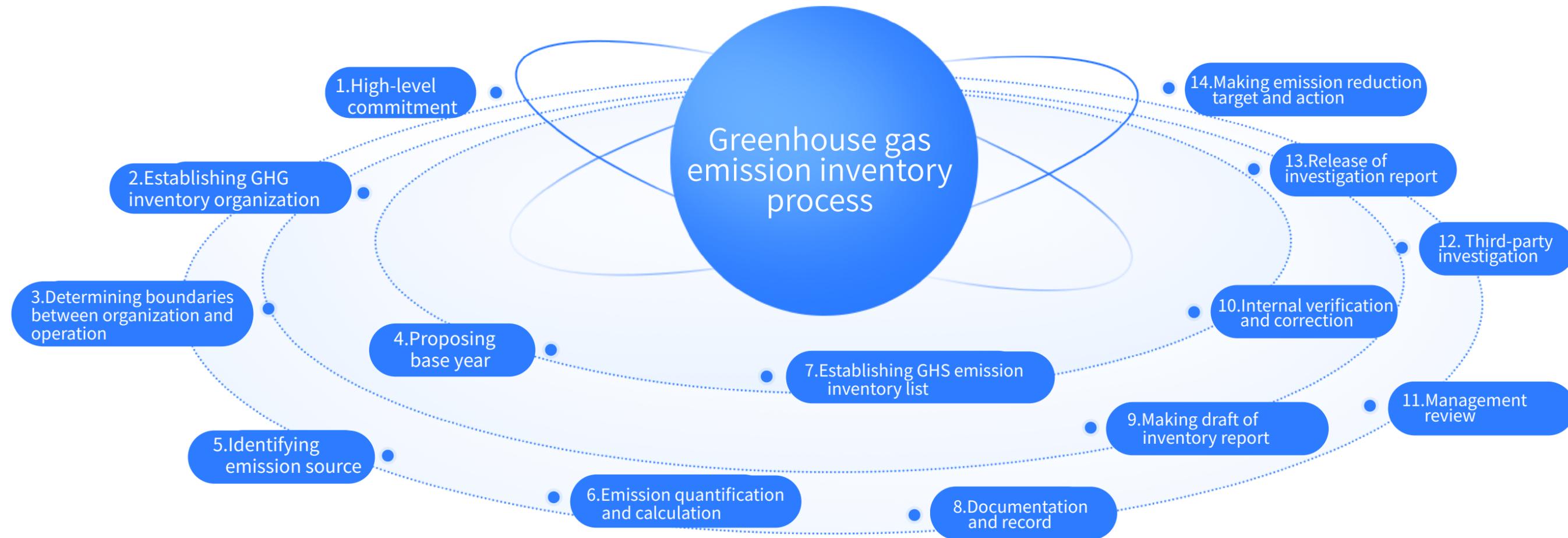
The climate change caused by excessive greenhouse gas emissions has increasingly significantly global concern faced by the world. Shenzhen SDMC Technology Co., Ltd., in the light of environment concept of sustainable development and shouldering social responsibility, is actively committed to inventory and control of greenhouse gas emissions, analysis on carbon prints of its products, and take carbon reduction measures, to slow down global warming caused, save energy and resources and maintain the sustainable development of the global ecological environment through effective management means.

In May 2023, SDMC passed the verification of authoritative agencies, met the requirements of ISO14064-1:2018 greenhouse gas inventory system, and obtained the certificate.

In 2023, SDMC conducted an assessment on carbon footprint and life cycle of two products from the stages of raw material procurement and transportation, production and transportation, use, and abandonment & recycling.



Greenhouse gas management



- 1. High-level commitment
- 2. Establishing GHG inventory organization
- 3. Determining boundaries between organization and operation

- 4. Proposing base year
- 5. Identifying emission source
- 6. Emission quantification and calculation
- 7. Establishing GHS emission inventory list

- 8. Documentation and record
- 9. Making draft of inventory report
- 10. Internal verification and correction
- 11. Management review

- 12. Third-party investigation
- 13. Release of investigation report
- 14. Making emission reduction target and action

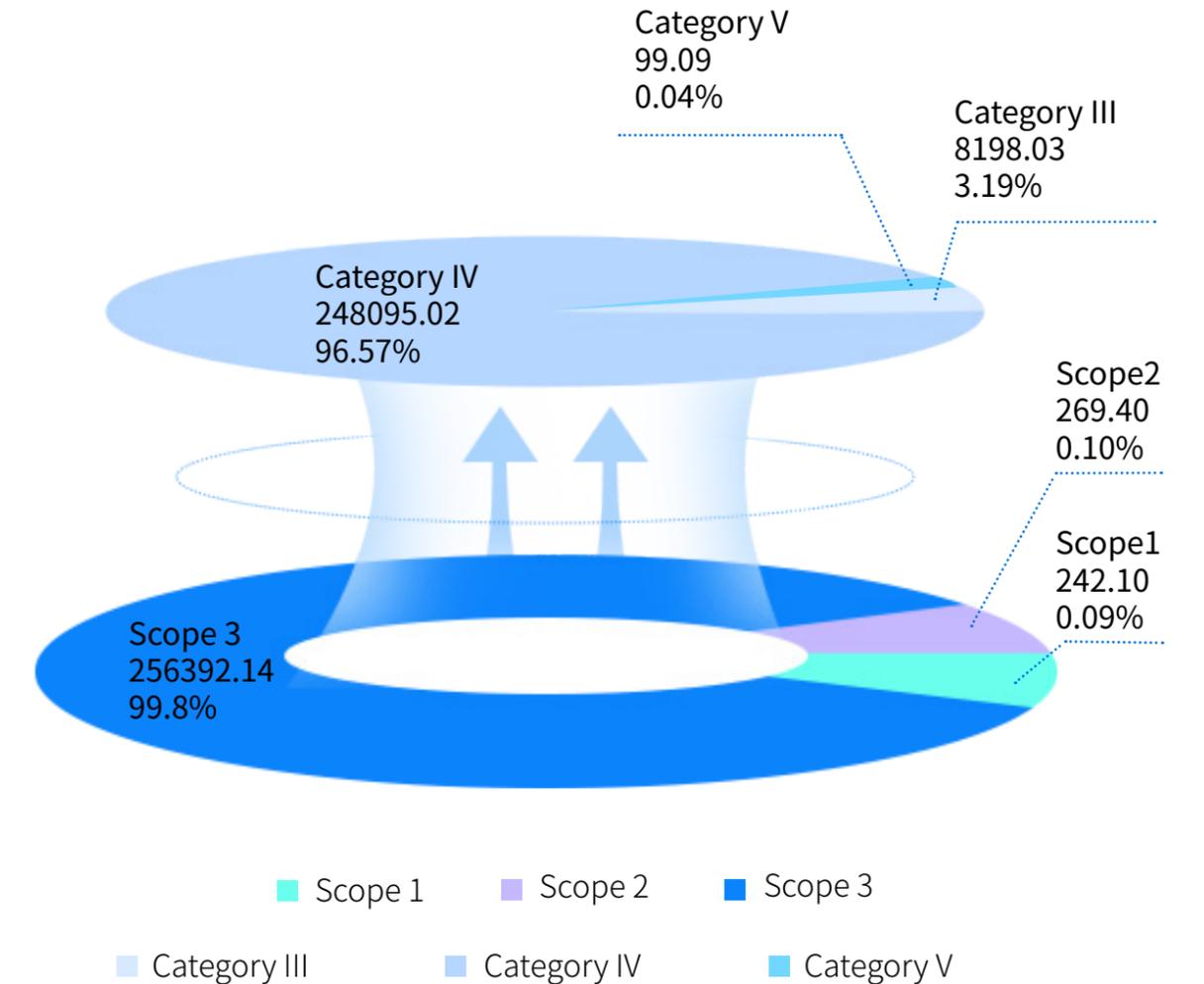
Greenhouse gas management

Carbon emission management

SDMC insists on the development mode of "low consumption, low pollution, and high efficiency", and makes all effects to create a resource-saving and environment-friendly green office space. SDMC, on the premise of guaranteeing business continuity, actively promotes energy improvement actions to control and reduce carbon emissions by means of lowering energy consumption for every unit of economic output, thereby significantly increasing resource efficiency, reducing greenhouse gas emissions and realizing low-carbon operations.

In 2023, the total of SDMC's carbon emission totals is 256,903.64 tons of CO2 equivalent:

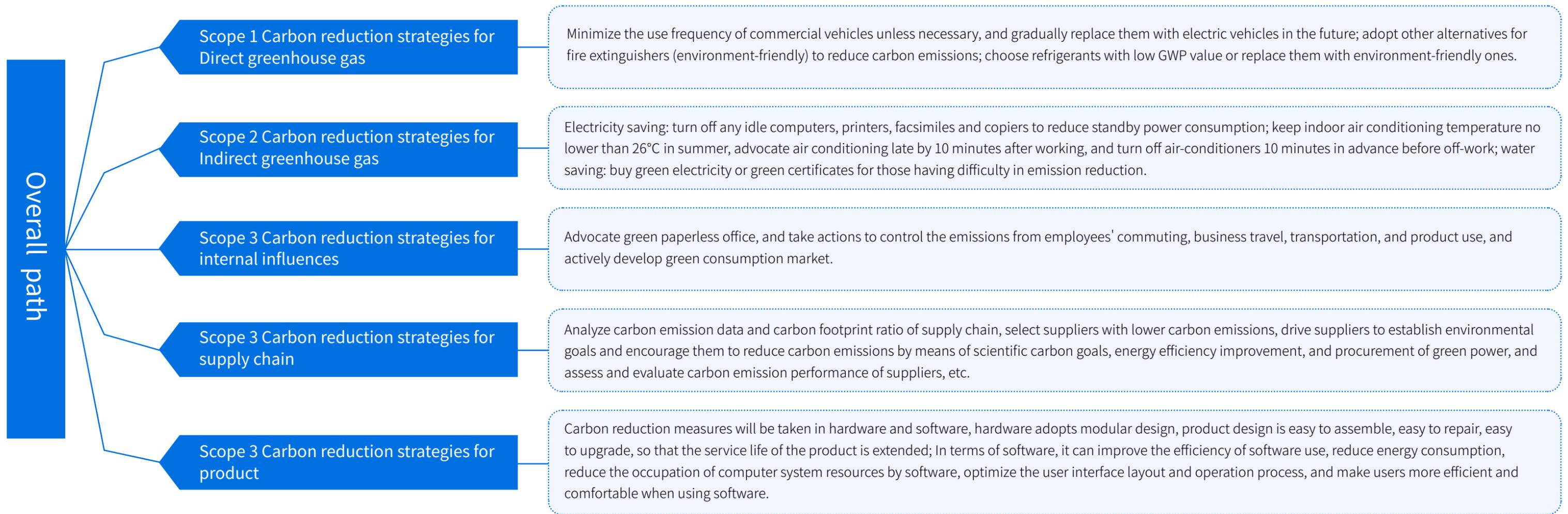
	Scope 1	Scope 2	Scope 3				Total
			Category III	Category IV	Category V	Total of Scope 3	
Carbon emission (tons of CO2 equivalent/year)	242.10	269.40	8198.03	248095.02	99.09	256392.14	256903.64
Percentage	0.09%	0.10%	3.19%	96.57%	0.04%	99.8%	100.00%



Greenhouse gas management

Overall path

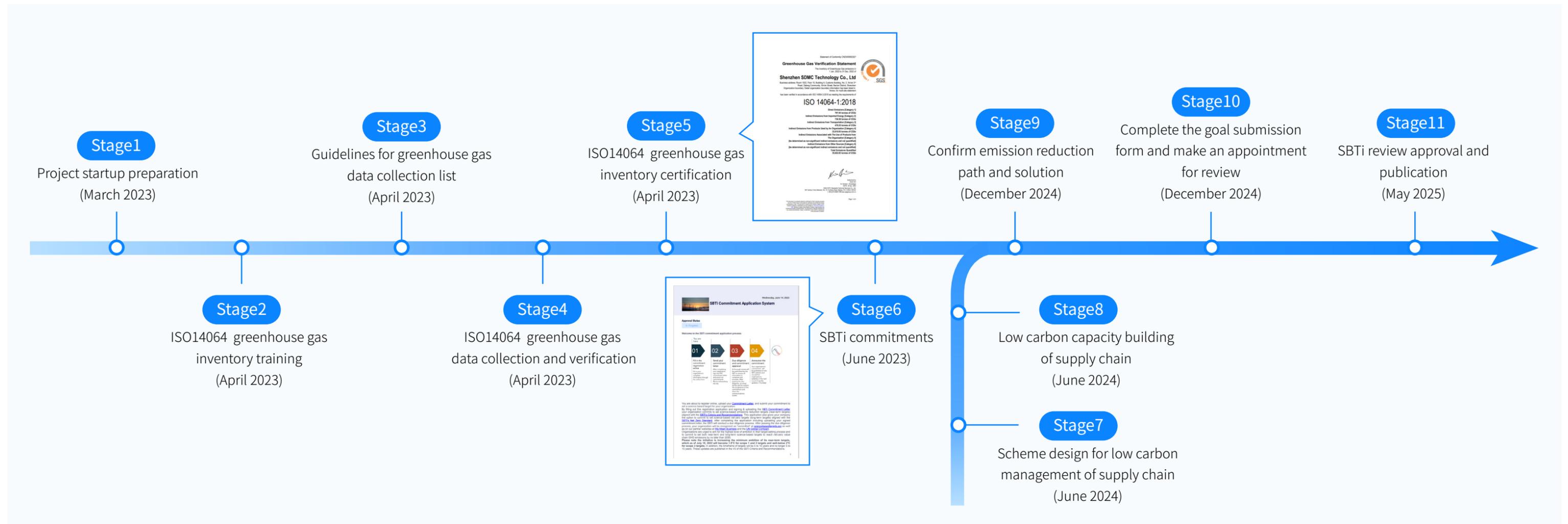
SDMC will promote the emission reduction from operations (Scope 1 + Scope 2) and supply chain (Scope 3) by means of active emission reduction. For a small part of the supply chain difficult to realize emission reduction, SDMC will make offset by development and carbon emission reduction credits in the future.



Response to climate change

Science Based Targets Initiative (SBTi)

Climate change is one of the major challenges facing the world, which causes problems such as extreme weather and has serious influence on the human society and natural environment. In order to effectively respond to climate change, reduce its adverse effects on the earth, SDMC commits to formulate scientific goals to reduce carbon emissions and achieve the climate neutral. SDMC has actively responded to the initiative and executed the commitments on SBTi goals in June 2023.



Green office



We abide by such laws and regulations as the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on Energy Conservation, advocate green office, and require all employees to create a green office environment from small things around us, and integrate green concepts into all offices.

SDMC, with "Advocacy on Energy Conservancy + Practical Measure", implements measures and improves the efficiency of resource utilization, saves resources for the company and the society, and contributes to pollution reduction, green life, ecological civilization, and environment-friendly society.

Introduction of electronic seal

During the reporting period, SDMC actively promoted the use of electronic stamps online, achieving greening execution without using any express, paper, and printing machine. SDMC practices the sustainable development concept of paperless office.

Daily publicity



Notice board



Green product management

SDMC devotes to providing environment-friendly products, and incorporates the concept of green environment protection into the entire life cycle of product materials, design and use to develop green products with all efforts.

Product design

- **Energy-saving electronic components are employed**, for example, low-load efficient DCDC with EN enable pins, by which OFF function is available in case of inactivity; LEDs are employed for high brightness and low current; additionally, LPDDR4 with low power consumption is employed for a lower energy consumption and electricity expenses of the equipment.
- **Proper heat dissipation system is designed** to avoid equipment overheating and power waste.
- **Software code optimization (energy saving algorithm)** is employed to perform tasks more efficiently, thus reducing the energy consumption of the device (automatic power off/reduction: the power of the device in standby is reduced from 0.5w to 0.3-0.2w).
- **Optimization of product structure** and continuous promotion of the development of miniaturization of PCB boards are to reach more than 80% utilization.
- **Recyclable components are designed** to facilitate the renewal and maintenance of equipment. Recyclable plastic housing, no screw, and stickers without chemical adhesives.
- **Data compression and streamlined software design** are employed to minimize resources waste during data storage and transmission.



Product material

- **Recyclable and reusable materials are employed** to minimize environmental impact, for example, structural shell materials, and PCR materials;
- **Materials and suppliers in line with environmental standards are selected** to minimize impacts of the materials on environment;
- **Lead-free soldering technology for electronic parts is employed** to reduce the release of harmful substances and environmental pollution.

Product use

- **Guidance and service for product and equipment maintenance**
- **Software update and upgrading are performed** to enhance equipment functions and prolong the service life of the product

Hazardous substance management



Resource consumption management

SDMC highly values the influences of resource consumption on the society. Now, SDMC's resource consumption is dominated by water and electricity. SDMC has developed "Water & Electricity Resource Management Procedures" to promote and implement energy saving and emission reduction measures, improve the comprehensive utilization rate, and achieve sustainable development with low consumption, low emission and high efficiency.

SDMC continuously promotes sustainable production and resource utilization, and gives priority to purchasing environment-friendly materials and recyclable packaging materials.

Waste management

SDMC highly values waste management, and has established Solid Waste Collection and Disposal Management Procedures for general solids wastes in offices, and conduct management by classification of wastes as per the requirements, and then assign the property company to entrust the municipal authority for unified transfer and treatment to minimize the impact of wastes on the environment. Meanwhile, SDMC requires partners, outsourcing factories and suppliers to establish corresponding disposal systems for hazardous wastes and supervise their implementation.

People Orientation

- Employee rights protection
- Employee care
- Career development and training
- Occupational health and safety
- Charity



Employee rights protection

Employment and structure of staff

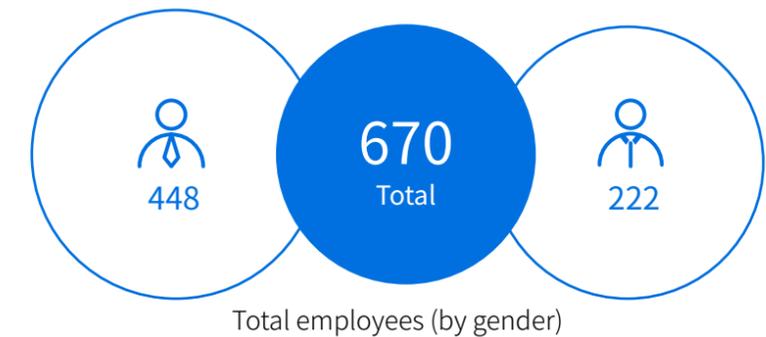
SDMC adheres to the core concept of “people orientation” and integrates the value and culture of “love and sharing”. It always insists on creating an innovative, diverse, inclusive, interactive and shared working environment. SDMC respects the rights and demands of employees, protects the legitimate rights and interests of employees from infringement in terms of recruitment, employment, salary and welfare, and training system, and provides employees with more comprehensive benefits and development channels to help their development.

Daily management system

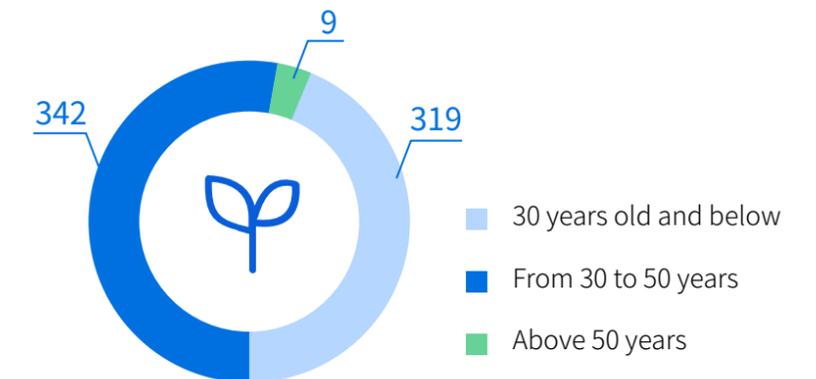
SDMC and its subsidiaries are actively committed to the protection of human rights, strict implementation of international conventions and local laws and regulations about labor and employee rights and benefits, such as the Universal Declaration of Human Rights, International Labor Organization Convention, Labor Law of the People’s Republic of China, Law of the People’s Republic of China on Labor Contracts, and Provisions on the Prohibition of Using Child Labor. SDMC respects and insists on protecting the legal rights and interests of workers, and integrates these into the daily work process and system management. SDMC formulates the Attendance Management Measures, Recruitment Administration Measures, Holiday Management Measures, Entry Procedures and a series of rules, to forbid to employment and use of child labors, resist all forms of forced labor and employment discrimination, and wipe out all human rights abuses.

Reporting period data

During the reporting period, SDMC had 670 employees worldwide, including supply chain, sales, research and development, financial and administrative personnel, among which the research and development personnel accounted for 64.78%. Its social insurance coverage and commercial accident insurance coverage for employees were both 100%. SDMC upholds the principles of “fairness, justice and equality” and provides transparent promotion channel to its employees. Its female management cadre accounts for 20.12%, and the management cadre with the service year less than 3 years of management cadres accounts for 50%. SDMC provides every employee an opportunity to show and achievement.



Total employees (by gender)



Total employees (by age)



Total employees (by job category)

Administrative personnel

Employee benefits

Along with the intense enterprise competition, employee benefits become key elements to attract and keep talents. SDMC strictly abides by relevant international laws and regulations and will continue to focus on employee needs, constantly improve and optimize the welfare policy, and create a fairer and healthier working environment of development potentials for the staff.

Care for employees

welfare such as holiday, birthday, wedding gifts and visit care



Holidays

statutory holidays, marriage leave, maternity leave, funeral leave, sick leave, statutory annual leave, etc.



Health insurance

five insurances and one fund, physical examination and commercial insurance



Learning

induction training and professional skill training



Cultural activity

physical activity, holiday activity and club activity



Others

team building activities, afternoon tea and flexible working system



Employee rights protection

Incentive in time

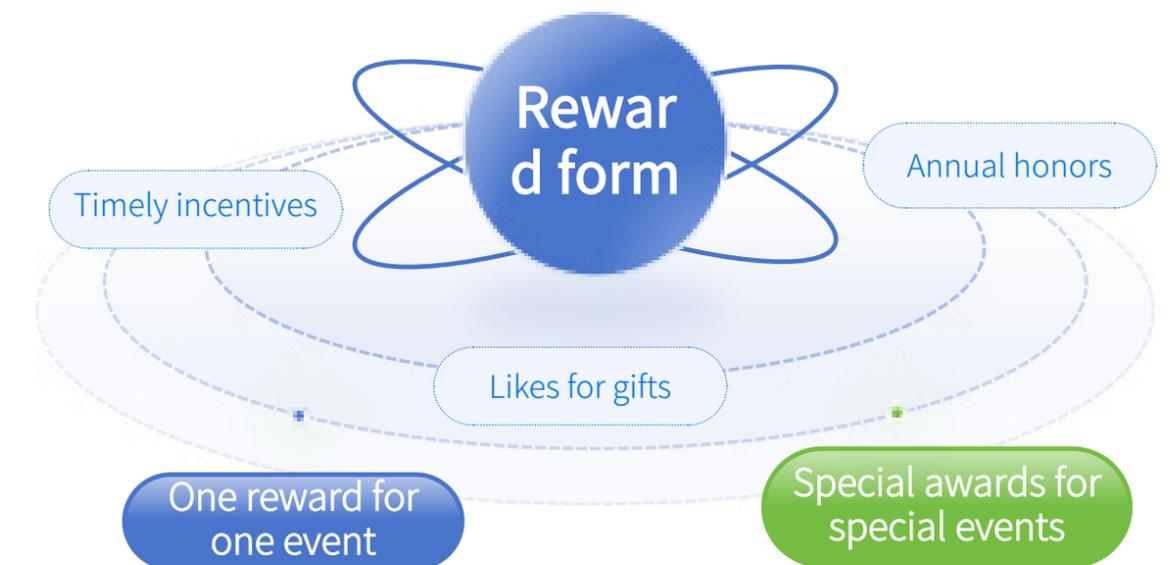
SDMC affirms the effort and creation of employees, and formulates the Timely Incentive Implementation Management Specification which clearly specifies rewards or affirmative measures to the excellent employee, stimulates the work motivation and enthusiasm of employees, and creates a positive team culture. Timely reward is a key supplement to the semi-annual and annual honor awards. In order to highlight the timeliness of incentives, the incentive method of “one award for each event” and “special awards for special events” are implemented. The timely rewards comprise company-level and department-level one.

In June 2023, SDMC comprehensively upgraded the incentive module in time and launched an online likes platform to provide a real-time sharing function of likes. Employees can view excellent deeds of their own or others at any time through the likes list. This can enhance their sense of honor to serve SDMC.

As of the reporting period, 508 persons has been liked. SDMC rewarded the outstanding candidates liked. In addition to gifts, SDMC also presented the medal of honor and praises to these candidates, building their sense of honor, pride and achievement.

Timely incentive of SDMC	
Company-level incentive	Department-level incentive
For employees and teams who have made important contributions to the SDMC’s business development, technological innovation, cost reduction, efficiency improvement, system construction, efficiency improvement, and risk control, or for a team set up by SDMC to solve a specific problem according to its management and development needs, which has made breakthrough and achievements Combining with strategic points and key jobs of SDMC in current stage	Provide timely incentives to excellent employees which have good performance in the job, improve work efficiency, have rapid growth and progress, better work attitude and work performance, with a focus on honoring outstanding behaviors or deeds in line with SDMC’s values in daily work.

Reward form



Employee rights protection

Employee Communication

SDMC is committed to optimizing the employee communication mechanism, realizing barrier-free communication with employees, and fully listening to and respecting their opinions and suggestions. SDMC encourages employees to actively participate in its management and jointly promote its development, ensures effective settlement of the employee's actual problems through diversified communication methods, and jointly create a harmonious and efficient working atmosphere.



Regular communication meeting	Different departments will convene various business meetings and communication meetings to share information, discuss issues, decision-making matters, and ensure synchronization and transparency of the internal organization information.
Survey on employees' comments	Through periodic questionnaire, SDMC collects employee's feedback and comments on company policy, working environment, and their occupational development, to facilitate the management to adjust the company strategist and improve the employee satisfaction.
Regular personal interview	SDMC implements one-to-one performance appraisal and interview on career development planning, focuses on the personal growth of employees, solve the employees' work confusions, and promote the understanding and trust between the superiors and the subordinates.
Regular personal interview	SDMC implements one-to-one performance appraisal and interview on career development planning, focuses on the personal growth of employees, solve the employees' work confusions, and promote the understanding and trust between the superiors and the subordinates.
Online communication platform	SDMC builds an internal community within the enterprise, encourages the staff to interact, exchange and share knowledge anytime and anywhere, breaks the barrier of the hierarchy, and promotes cross-sector collaboration.
Team building activity	SDMC holds various team building activities to improve team cohesion and build a harmonious working atmosphere, and improves communication on informal occasions.
News bulletin board	SDMC releases its latest trends, policies and notices on an electronic bulletin board, to ensure that all employees can quickly obtain important information and learn its important messages.
On-line training and learning platform	SDMC provides a number of online training resources and courses, not only meeting the learning and development needs of employees, but also building a bridge for learning and communication between employees.
SMS and instant messenger	E-mail and instant messaging software are widely used in daily work, to transfer information and settle issues in a fast and convenient manner and ensure efficient work.

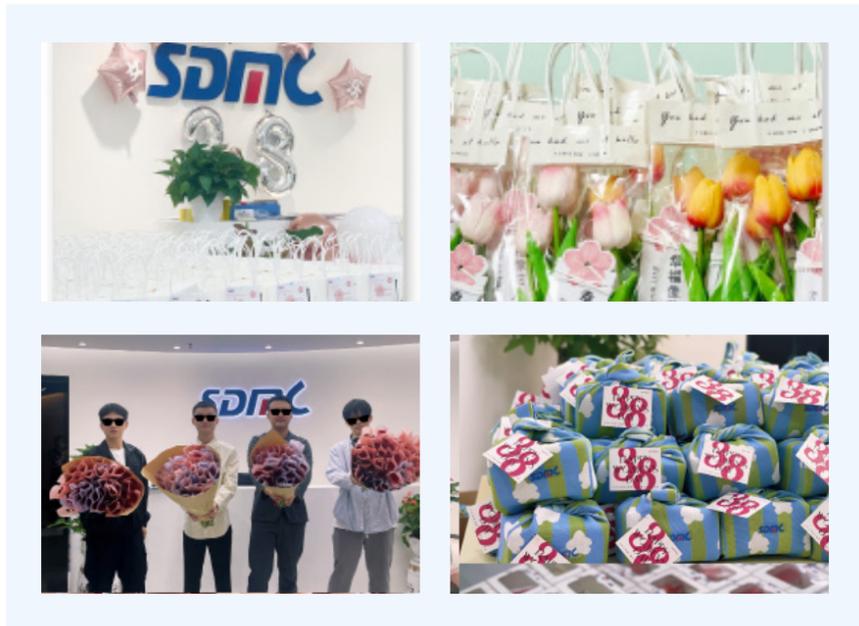
Employee care

Cultural activities

SDMC devotes to creating a caring working environment by organizing a variety of employee care activities, providing employees with a relaxed and harmonious workplace, and help them relieve work pressure and have a pleasant working experience. The Annual Cultural Event has a variety of activities, making every employee feel the care and support of SDMC.

01 Activities of “International Women’ s Day”

On March 8, the International Women’ s Day, SDMC presents delicate gift bags and sends the best wishes to all female employees of SDMC.



02 Activities of Teacher’ s Day

On the Teacher’ s Day, SDMC presents most sincere gratitude and blessing to every lecturer and tutor.



03 Programmer activities

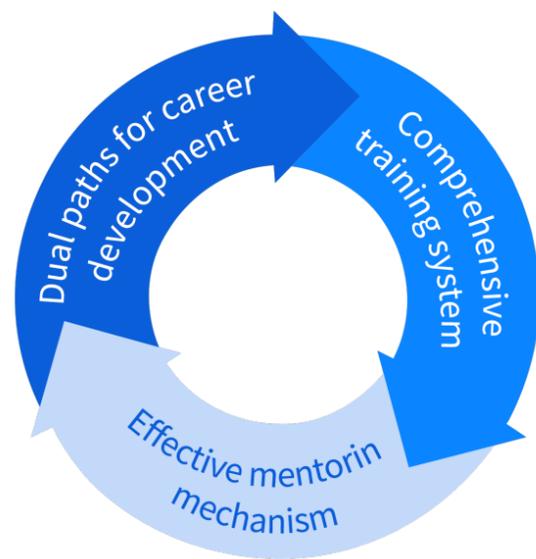
On October 24, the Programmer’ s Day, SDMC will celebrate the memorable holiday in the most pleasant and relaxed way with each solid and great programmer.



Career development and training

Employee development

SDMC prizes the all-round development of employees, and is committed to promoting the personal career development of employees and the coordinated development of its strategies through establishing an integrated and diversified talent development system.

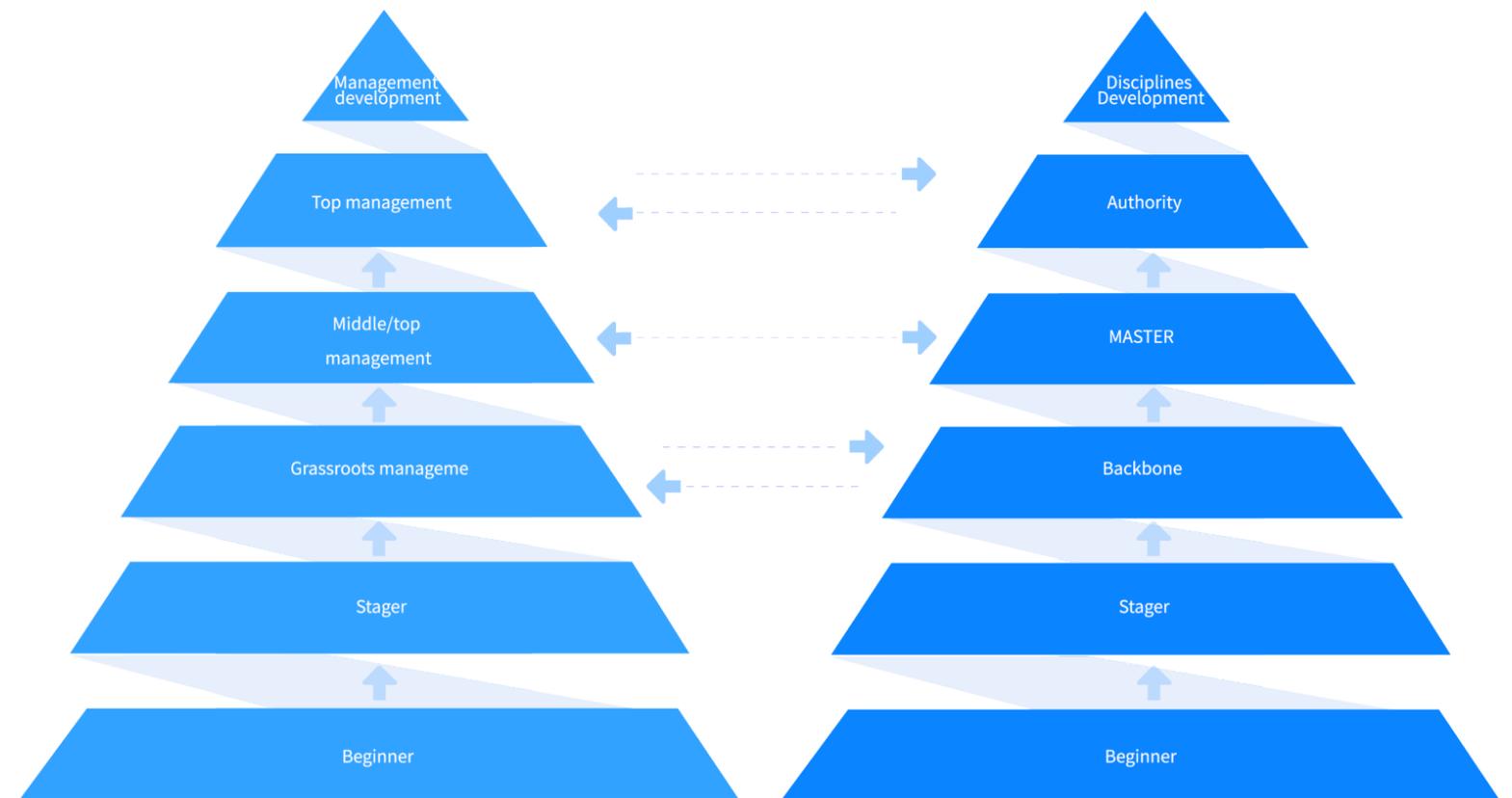


- The Company has established a dual-track career development system that offers employees parallel paths for both managerial and professional positions, creating a three-dimensional career development platform for them.
- We have established a comprehensive and effective training system designed to help our employees grow and develop.
- The Company provides “one-on-one” mentoring for new employees. The goal is to understand their thoughts and concerns and provide timely and effective assistance.

Talent assessment

SDMC will conduct differentiated assessment criteria according to the nature of the position for all-round and multi-dimensional performance evaluation every year. In 2023, SDMC carried out a special activity of talent inventory through the 360 questionnaire evaluation system, covering nearly 700 persons, to meet its long-term strategic development needs by identifying and cultivating management talents of high potential. Combined with multi-angle evaluation, the employees of SDMC are evaluated in a more objective manner, the employee value is recognized, the individual performance is improved, and the strategic goals of the organization are achieved. The performance improvement plan is formulated at the same time, as the important basis for planning enterprise development direction.

Dual paths for career



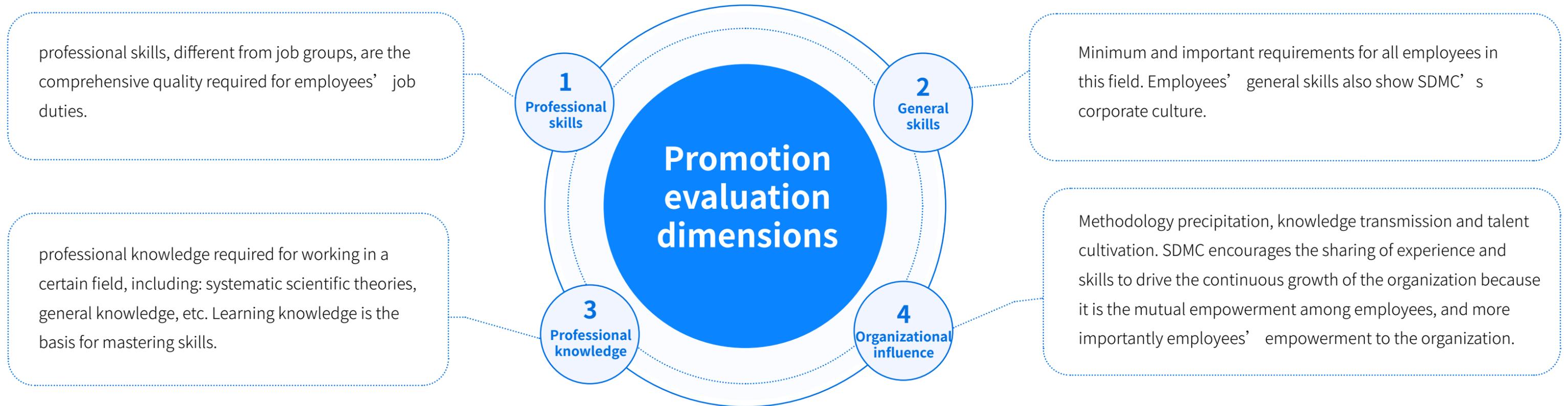
Paralleled and consonant dual paths
Minimum threshold requirements for professional grade for promotion to management grade

Career development and training

Employee promotion

SDMC provides employees with clear and definite career development paths, unceasingly optimizes and normalizes promotion process to ensure fair and rational talent development, helps employees realize their values in a right post, and stimulates employees' enthusiasm for work for further development of the company and individuals. SDMC has launched a mechanism relating to dual-channel development road, providing a clean promotion process. Any nominee for promotion should be jointly reviewed by his immediate supervisor, level-2 and level-1 department principals, HR Department, Administrative Department, and review committee etc. and a promotion announcement should be issued.

With respect to employee promotion, semi-annual or annual evaluation is conducted as per SDMC's position grade and class system from four aspects including employee's professional skills, general skills, professional knowledge and organizational influence. The promotion is determined as per the evaluation results of each level to ensure the fairness, justice, openness and transparency.



Career development and training

Training of employees



	Coverage & goals	Training project
Leadership development	Competency training program for manager	Training on empowerment of management cadres Empowerment training program for middle and basic management cadres
Training of high potential	Training program for high potential talent selected for SDMC	Training on empowerment of high-potential management cadres Training of new and high-potential management cadres
Professional ability training	Skill/quality training program for each discipline of SDMC	Business empowerment training Business etiquette training
	Product learning route map for corresponding positions through experience learning in each stage of each position, and set up and implement talent criteria, occupational development route and other training mechanisms	Learning route map
New force training	Talent development program for new socially recruited employees	Training for new socially recruited employees
	Talent development program for new employees recruited from colleges	Training program for new employees recruited from colleges

Training data by the end of reporting period

Training course 298	Total training courses 485.1	TParticipants 3160	Total training duration 4154.5	Coverage of employee under training 100%	Annual training satisfaction 9.35 <small>(full score: 10)</small>
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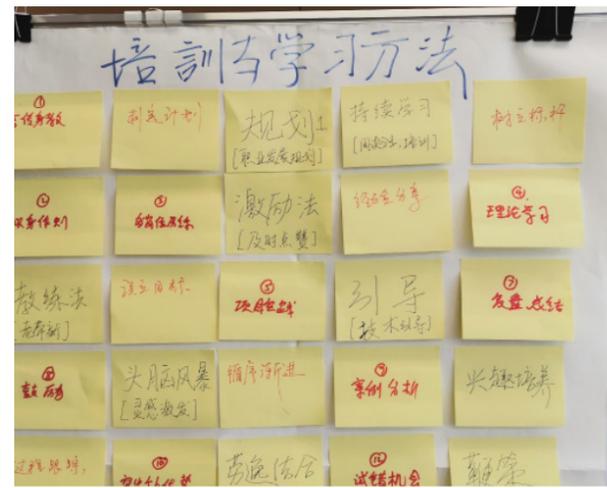
Career development and training

Training of management cadres

SDMC knows management cadres are the core forces for the sustainable development of an enterprise. As a result, SDMC builds a comprehensive and systematic training mechanism to promote the management cadres' cognition and practice ability and help implementation of its strategic objectives.

In 2023, through special training, seminars and other forms, SDMC enabled the management cadres to deeply understand the importance of management in development of enterprises, and mastered the strategies and methods of integrating training of management cadres into daily management. Through the combination of theory and practice, SDMC enhances the coping ability of management cadres in management practice by case analysis and simulation exercises.

To ensure that the training content is specific and effective, SDMC formulates a personalized training plan according to the job characteristics and development needs of management cadres, and designs corresponding training courses and practical projects for management cadres of different levels and functions. Fifty-six persons have participated in this training, all of which have gotten the graduation certificates.



Career development and training

New employee training

In order to help new employees fit to their work faster and improve their professional qualities, SDMC provides a comprehensive training for new employees.

On July 4, 2023, SDMC recruited 41 new employees. In order to help them learn SDMC and its corporate culture faster, master basic professional skills, quicken role recognition and transformation, and truly grow from students to “SDMC people”, SDMC launched a one-week training from July 4 to July 10, themed by “Starting from the New - 2023 Pre-job Training Camp for New Employees” .



Occupational health and safety

SDMC strictly abides by laws and regulations, including the Law of the People’s Republic of China on Production Safety, Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases, and Management Measures for Production Safety Accident Emergency Plan, and makes detailed specification guidance and reminder for employee occupational health and safety.

Safeguarding occupational health and safety

- **Certification**
Occupational health and safety management system certification
- **Healthy environment**
Regular inspection and evaluation on drinking water and other health equipment
- **Detection of hazard factor**
SDMC carries out comprehensive inspection and testing for the occupational hazards, e.g., formaldehyde in offices, to ensure the compliance with regulations of China
- **Fitness**
SDMC regularly holds badminton activities and basketball activities and inspires its employees to participate such activities.

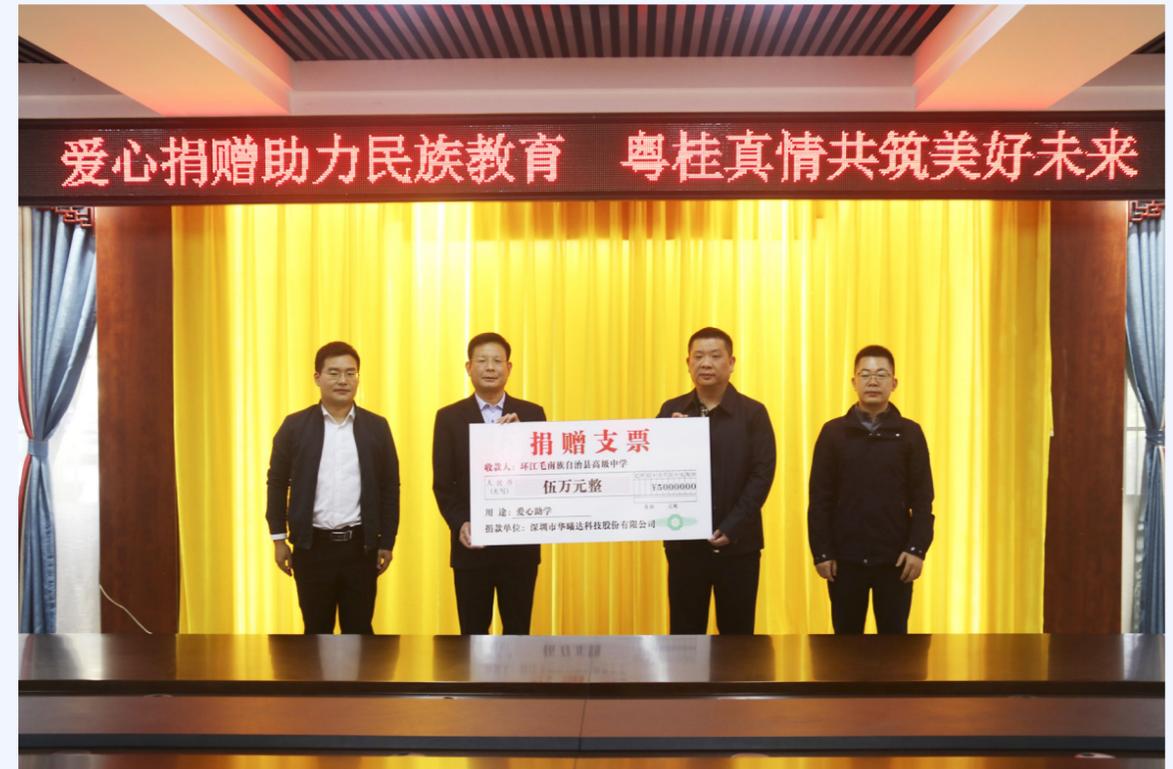
Health and safety measures

- Fire drills are held for employees at least twice a year.
- Fire protection equipment, such as fire extinguishers and hydrants are installed appropriately and regularly checked.
- Regular check lock portals and channels for blockage and lock those as required.
- Exit route must be posted up in each office, with exit lighting/boards and emergency lamps installed.
- Emergency lights must be tested regularly.



Charity

SDMC actively performs its social responsibilities and continues to pay attention to rural education. To support education for development in race regions, SDMC donated CNY50,000 to the activity of “Building Excellent High Schools in Ethnic Minority Areas” in Huanjiang Maonan Autonomous County, to further promote the development of rural education, improve the education supporting construction, provide better learning and living environment for students, and make the students understand the knowledge and concepts in book.



Appendix I

Index of GRI contents

Indicator	Description	Section	
GRI 2: General Disclosure 2021	2-1	Details of organization	About SDMC
	2-2	Entities to be incorporated into the organization's sustainable development report	About this Report
	2-3	Reporting period, reporting frequency, and contact	About this Report
	2-4	Information restatement	Greenhouse gas management
	2-5	External certification	External certification
	2-6	Activities, value chains, and other business relationships	About SDMC
	2-7	Employees	Employee rights protection
	2-8	Workers other than employees	Employee rights protection
	2-9	Governance structure and composition	ESG Governance Structure
	2-10	Nomination and selection of the top governing body	ESG Governance Structure
	2-11	Chairman of the top governing body	ESG Governance Structure
	2-12	Supervisory role of the top governing body in managerial influence	ESG Governance Structure
	2-13	Authorization of responsibility for managerial influence	ESG Governance Structure
	2-14	Role of the top governing body in sustainable development report	ESG Governance Structure
	2-15	Conflicts of interest	Communications with stakeholders
	2-16	Communication on major concerns	Communications with stakeholders
	2-17	Common knowledge of the top governing body	ESG Governance Structure
	2-18	Performance evaluation of the top governing body	Corporate governance

Indicator	Description	Section	
GRI 2: General Disclosure 2021	2-19	Payment policy	/
	2-20	Compensation determination procedure	/
	2-21	Annual total compensation ratio	/
	2-22	Statement about sustainable development strategy	SRemarks from the Chairman
	2-23	Policy commitment	Performance indicators
	2-24	Integration of policy commitment	Performance indicators
	2-25	Procedure for remediation of adverse impact	Steady operation
	2-26	Mechanism for seeking advice and raising concern	Communications with stakeholders
	2-27	To abide by laws and regulations	Anti-corruption and business ethics
	2-28	Membership of association	/
	2-29	Stakeholder engagement approach	Communications with stakeholders
	2-30	Collective bargaining agreement	Employee rights protection
	GRI 3: Substantive Issues 2021	3-1	Determining process of substantive issues
3-2		List of substantive issues	Analysis of substantive issues
3-3		Management of substantive issues	Analysis of substantive issues
GRI 201: Economic Performance 2016	201-1	Direct production and distribution of economic value	Performance indicators
	201-3	Stipulation of benefit plan obligations and other retirement plans	Employee care

Indicator	Description	Section
GRI 203: Indirect economic impact 2016	203-1 Investment in infrastructure and supporting services	Charity
GRI 205: Anti-bribery 2016	3-3 Management of substantive issues	Anti-corruption and business ethics
	205-1 Operation workplace where a bribery risk has been evaluated	Anti-corruption and business ethics
	205-2 Communication and training of anti-bribery policies and procedures	Anti-corruption and business ethics
	205-3 Bribery incidents confirmed and actions taken	Anti-corruption and business ethics
GRI 206: Anti-competition Conduct 2016	3-3 Management of substantive issues	Anti-corruption and business ethics
	206-1 Legal actions against anti-competition conduct, and antitrust and antitrust practices	Anti-corruption and business ethics
GRI 302: Energy 2016	302-1 Energy consumption for organization	Performance indicators
	302-2 Energy consumption outside the organization	Performance indicators
	302-3 Energy intensity	Performance indicators
	302-4 Reduction of energy consumption	Greenhouse gas management
	302-5 Reduced energy demand for goods and services	Greenhouse gas management
GRI 303: Water Resources and Sewage 2018	3-3 Management of substantive issues	Resource consumption management
	303-1 Interaction between organization and water as common resources	Resource consumption management
	303-2 Impact of management on drainage	Resource consumption management
	303-3 Water intake	Performance indicators

Indicator	Description	Section
GRI 303: Water Resources and Sewage 2018	303-4 DRENAGE	Performance indicators
	303-5 Consumed water	Performance indicators
GRI 305: Emission 2016	3-3 Management of substantive issues	Greenhouse gas management
	305-1 Direct (Scope 1) greenhouse gas emission	Greenhouse gas management
	305-2 Indirect energy (Scope 2) greenhouse gas emission	Greenhouse gas management
	305-3 Other indirect (Scope 3) greenhouse gas emission	Greenhouse gas management
	305-4 Greenhouse gas emission intensity	Greenhouse gas management
	305-5 Greenhouse gas emission reduction	Greenhouse gas management
	305-7 Emission of NOX, SOX and other major gases	Greenhouse gas management
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impact	Waste management
	306-2 Management of significant waste-related impact	Waste management
	306-3 Generated waste	Waste management
	306-4 Waste transferred from disposal	Waste management
	306-5 Waste disposed	Waste management
GRI 308: Environmental Assessment on Supplier 2016	3-3 Management of substantive issues	Responsible supply chain
	308-1 New suppliers screened through environmental assessment	Responsible supply chain
	308-2 Adverse environmental impact of supply chains and actions taken	Responsible supply chain
GRI 401: Employment 2016	401-1 Hiring rate of new employees and employee turnover rate	Performance indicators
	401-2 Benefits provided to full-time employees (not including temporary or part-time employees)	Employee care

Indicator	Description	Section
GRI 402: labor-capital relationship 2016	402-1 Minimum notice period about operation change	Employee rights protection
GRI 403: Occupational Health and Safety 2018	403-1 Occupation Health and Safety Management System	Occupational health and safety
	403-2 Hazard identification, risk assessment and accident investigation	Occupational health and safety
	403-3 Occupational health service	Occupational health and safety
	403-4 Occupational health and safety matters: worker participation, consultation and communication	Occupational health and safety
	403-5 Occupational health and safety training for workers	Occupational health and safety
	403-6 Good for worker health	Occupational health and safety
	403-7 Prevention and mitigation of occupational health and safety impact directly related to business relation	Occupational health and safety
	403-8 Workers covered by the occupational health and safety management system	Occupational health and safety
	403-9 Occupational injury	Occupational health and safety
	403-10 Work-related health problems	Occupational health and safety
GRI 404: Training and Education 2016	404-1 Annual average hours of training of each employee	Performance indicators
	404-2 Upgrading program and transition assistance program of employee skills	Career development and training
	404-3 Percentage of employees regularly reviewed for performance and career development	Performance indicators
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governing body and staff	Employee rights protection

Indicator	Description	Section
GRI 406: Anti-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Employee rights protection
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operation workplace and supplier possible to undergo risks in rights related to freedom of association and collective bargaining	Employee rights protection
GRI 408: Child Labor 2016	408-1 Operation workplace and supplier at significant risks of child labor incidents	Employee rights protection
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and supplier at significant risks of forced or compulsory labor incidents	Employee rights protection
GRI 414: Social Assessment on Supplier 2016	414-1 New suppliers screened through social assessment	Responsible supply chain
	414-2 Adverse social impact of supply chains and actions taken	Responsible supply chain
GRI 416: Customer Health and Safety 2016	416-1 Assessment on health and safety impact of product and service categories	Product quality and safety
	416-2 Violations of health and safety impact of products and services	Product quality and safety
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints related to invasion of customer privacy and loss of customer data	/

Appendix II

Environmental Performance

Indicator		Unit	Data
Scope I: Total greenhouse gas emissions		Tons of CO2 equivalent	242.10
Stationary emission sources	Diesel fuel	Tons of CO2 equivalent	0.06
Mobile emission sources	Gasoline	Tons of CO2 equivalent	55.71
Fugitive emission sources	Heptafluoropropane, R32、 R404a、 R410a、 R134a、 CH4	Tons of CO2 equivalent	186.33
Scope II: Total indirect emissions from input energy		Tons of CO2 equivalent	269.40 (Offset green certificate)
Scope III: Total other indirect emissions		Tons of CO2 equivalent	256392.14
Category III: indirect GHG emissions from transportation		Tons of CO2 equivalent	8198.03
Category IV: indirect GHG emissions from products used by organization		Tons of CO2 equivalent	248095.02
Category V: indirect GHG emissions associated with the use of products from the organization		Tons of CO2 equivalent	99.09

Governance Performance

Indicator	Unit	Data
Number of the members of the Board of Directors	Person	6
Number of male directors	Person	5
Number of female directors	Person	1
Number of the board meetings held	Times	13
Board of Supervisors	Times	11
General Meeting of Shareholders	Times	6
Communication activity with investor	Times	7
Attendance of the Directors for the meetings of the Board of Supervisors	%	100
Regular reports disclosed	Times	4
Number of announcements disclosed	Pcs	162
Special line interaction with investor	Times	50
SMS interactions with investors	Times	100
Investor' s roadshow	Session	3
Survey institutions	/	23
Patents applied and granted	Item	250
New granted patents	Item	25
Integrity commitments coverage	%	100

Social Performance

Indicator	Unit	Data
Total number of employees	Person	670
Number of male employees	Person	448
Number of female employees	Person	222
Number of persons less than 30 years old	Person	319
Above 30 to 49 years old	Person	342
Number of employees aged 50 and above	Person	9
Employees in Chinese Mainland	Person	638
R&D personnel	Person	434
Supply chain personnel	Person	86
Sale personnel	Person	84
Financial personnel	Person	17
Administrative personnel	Person	49
Participation in information security training	Person/time	706

Indicator	Unit	Data
TParticipation in information security training	Person	670
Information security comment and feedback	pcs	313
Execution rate of Statement of Conflict-Free Minerals	%	100
Liked persons throughout the year	Person	508
Employees with more than 5 likes	Person	135
Employees with more than 10 likes	Person	13
Persons achieving total scores of 30 points and above throughout the year	Person	38
Persons achieving total scores of 20 points and above throughout the year	Person	111
Annual training course	Session	298
Total training duration throughout the year	Hours	481.5
Total trainees	Person/time	3160
Total training duration of employees	Hours	4154.5
Training coverage	%	100
Annual training satisfaction	min	9.35 (full score: 10)
Donation	CNY	50000



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