

2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Zhejiang Shuanghuan Driveline Co., Ltd.

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About this Report

Zhejiang Shuanghuan Driveline Co., Ltd. has released its second Environmental, Social, and Governance (ESG) report (hereinafter referred to as "this report"). The purpose of this report is to disclose the company's ESG-related strategies, management measures, and performance in response to stakeholders' expectations regarding the company's sustainable development and information disclosure. It aims to help stakeholders understand the opportunities and challenges the company faces in the process of sustainable development, as well as the efforts made to achieve sustainable goals and to create value together with stakeholders.

Basis of the Report

This report has been prepared with reference to the Global Sustainability Standards Board (GSSB) "Sustainability Reporting Standards (GRI Standards)" and the United Nations Sustainable Development Goals (UN SDGs).

Reporting Scope

Reporting Period: January 1, 2023, to December 31, 2023. Some content extends beyond the mentioned time frame.

Release Cycle: Annual report.

Entities Covered: The content of this report covers Zhejiang Shuanghuan Driveline Co., Ltd. and its subsidiaries, which are listed in "Explanation of References".

Obtaining the Report

The report is available in both Chinese and English, in printed and online versions. The online version can be accessed and downloaded at: <http://www.cninfo.com.cn>.

In the event of any discrepancies between the Chinese and English versions, the Chinese version shall prevail.



Explanation of References

"Shuanghuan Driveline", "Shuanghuan", "the company", "we"	→	Zhejiang Shuanghuan Driveline Co., Ltd.
"Zhejiang Shuanghuan"	→	Zhejiang Shuanghuan Driveline Co., Ltd – Yuhuan Base.
"Jiangsu Shuanghuan"	→	Jiangsu Shuanghuan Gear Co.,Ltd.
"Jiaxing Shuanghuan"	→	Shuanghuan Gear (Jiaxing) Precision Manufacturing Co., Ltd.
"Chongqing Shuanghuan"	→	Shuanghuan Driveline (Chongqing) Precision Technology Co., Ltd.
"Shuanghuan Supply Chain"	→	Zhejiang Shuanghuan Supply Chain Co., Ltd.
"Huanyi Technology"	→	Zhejiang Huanyi Technology Co.Ltd.
"Fine Intelligent Technology"	→	Zhejiang Fine Intelligent Technology Co., Ltd.
"Fine Motion Technology"	→	Zhejiang Fine Motion Robot Joint Technology Co., Ltd.
"Fun Drive Technology"	→	Zhejiang Fundrive Technology Co., Ltd.
"Jiangsu Huanou"	→	Jiangsu Huanou Intelligent Transmission Equipment Co., Ltd.
"Shuanghuan Research", "Huanyan Driveline"	→	Huanyan DriveTech (Jiaxing) Research Institute Co, Ltd.
"Dalian Huanchuang"	→	Dalian Huanchuang Precision Manufacturing Co., Ltd.
"Evoring"	→	Evoring Precision Manufacturing Kft.

Contact Information

If you have any questions or suggestions regarding the content of this report or Shuanghuan Driveline ESG work, please contact us through the following ways:

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Other Statements

The board of directors of Shuanghuan Driveline guarantees that the content of this report does not contain any false records, misleading statements, or significant omissions, and assumes individual and joint responsibility for the truthfulness, accuracy, and completeness of its content.

Message from the Chairman



Shuanghuan Driveline has been established for 43 years and is consistently dedicated to providing excellent solutions for global mechanical transmission systems. We believe in achieving big with small steps, pursuing excellence through precision, and using small gears to move the world. Reflecting on 2023, Shuanghuan focused on strengthening legal and compliance management, deepening research and development innovation capabilities, solidifying manufacturing fundamentals, advancing a diversified concentric gear strategy, and expanding global layout, all in pursuit of sustainable, high-quality development.

Adhering to Baselines, Respecting Limits, Promoting Healthy Development

Shuanghuan Driveline regards safe production, clean cooperation, and compliance as the bottom line of its operation. From ideological safety preaching and training to various practical safety drills, Shuanghuan continuously reinforces employees' safety awareness and strengthens the defense line of safe production. Through measures such as rulemaking and case preaching, Shuanghuan takes practical actions to build a culture of integrity and deepen clean cooperation. In terms of environmental protection, Shuanghuan is committed to sustainable development through measures such as green energy utilization, cost reduction, efficiency increase, and energy monitoring, with an energy intensity of 49.42 MWh per million yuan of operating income, leading the industry and earning titles such as a national-level green factory. Shuanghuan adheres to the unity of rights and obligations, fulfills responsibilities to the utmost extent in taxation, intellectual property rights, and other aspects, abides by legal norms, and regulates business operations.

Refining Internally and Externally, Pursuing Excellence, Solidifying Foundations

"Without a solid foundation, everything is shaky." Shuanghuan upholds the core values of "Better every time, always" and focuses on internal refinement, external perfection, and continuous improvement to ensure stability and progress. In 2005, Shuanghuan introduced the Lean Production System, with "the shopfloor is the market" as its guiding principle, dedicating efforts to solidifying the foundation of its development. This commitment has earned recognition from top international automotive companies. Furthermore, Shuanghuan continues to enhance on-site management, delve into manufacturing logic, and strive for excellence in product quality, cost reduction, and timely delivery through internal efficiency improvements and external service optimization.

R&D-Driven, Digitally Empowered, Innovation for Breakthroughs

Shuanghuan always sees technology as the cornerstone of its existence, striving to build the world's largest modular assembly research institute and creating an integrated model of industry-college-research institute, focusing on production, reserve, and research generations. While vigorously promoting the construction of existing industrial capabilities, Shuanghuan also continuously explores future industrial directions, actively responding to market changes, and meeting new customer demands through in-depth research and forward-looking layouts. Moreover, leveraging digitization as a new productivity factor in the new era, Shuanghuan relies on its manufacturing foundation to accumulate manufacturing data, promote green manufacturing, facilitate the digital transformation of enterprises, and achieve sustainable, high-quality development.

Focus on Core Business, Uphold Entrepreneurship, Cultivate a Layout with Gear at the Core

Benefiting from the accumulation in various aspects such as technology and management, Shuanghuan products have entered various fields including automotive, wind power, robotics, smart home, and intelligent manufacturing. This has formed a comprehensive product layout ranging from items worth from a few cents to several million, from non-metallic to metal, from small components to large assemblies, and from hardware to software. This layout has created the Shuanghuan system with the parent company as the backbone, the research institute as the sword, and subsidiary companies as the driving force. Additionally, Shuanghuan actively explores overseas markets, taking going global as a new starting point, meeting customers' localized demands, and striving to achieve true globalization.

Zhejiang Shuanghuan Driveline Co., Ltd.
Chairman Mr. WU ChangHong



About Shuanghuan

Zhejiang Shuanghuan Driveline Co., Ltd. (Stock Code: 002472) is a leading global manufacturer of gear components, dedicated to "driving the transition in the gear industry" and providing high-speed, low-noise, safe, and sustainable products for global mechanical transmission systems.



Company Overview

Zhejiang Shuanghuan Driveline Co., Ltd. was founded in 1980 and publicly listed on the Shenzhen Stock Exchange in September 2010. For more than 40 years, the company has been focusing on the R&D, manufacturing, and sales of gears and their components, which are the core components of mechanical transmission, a leading global manufacturer in the gear component industry.

Shuanghuan Driveline's management headquarters is located in Hangzhou, Zhejiang Province. It has over a dozen subsidiaries in 3 countries and 11 cities, including Zhejiang Shuanghuan, Jiangsu Shuanghuan, Jiaying Shuanghuan, Chongqing Shuanghuan, Huanyi Technology, Fine Intelligent Technology, Fine Motion Technology, Fun Drive Technology, Jiangsu Huanou, Shuanghuan Research, Dalian Huanchuang, and Evoring.

Shuanghuan's products include gears for new energy and fuel vehicles, commercial vehicles, rail transit, off-road machinery, industrial robot reducers, wind turbines, and gears and components for the livelihood sector, covering various fields such as clothing, food, housing, transportation, labor, energy, and smart living. Shuanghuan has become a supplier for renowned enterprises in various industries including Toyota, Volkswagen, ZF, Caterpillar, BYD, BorgWarner, GAC, NIO and more. Sales to Fortune Global 500 customers account for over 50% of total revenue.

43
years old
founded in 1980


11
cities



A global leader
in professional gear
components manufacturing



A national leader in NEV
gear manufacturing



A national leader
in industrial robot
reducer manufacturing

Corporate Culture



Company Mission

Committed to providing high-speed, low-noise, safe, and sustainable products to global mechanical driveline systems and creating continuously improved value for customers, employees, shareholders, suppliers and society.

For Customers

Meeting collaboration needs and boosting competitive advantages.

For Employee

Providing room for development and realizing the value of life.

For Shareholders

Continuing to generate profits and returning with investment income.

For Suppliers

Sharing development opportunities and working together for a win-win future.

For Society

Practicing public welfare responsibility and actively paying back society.



Vision

Changing the self-sufficiency pattern of the gear industry, becoming a global leader in precision transmission.



Core Values

Better every time, always.



Spirit

One Team. One Passion. For Life.



Four Staff Qualities

Professionalism, Dedication, Efficiency, Integrity.



Five Major Corporate Cultures

Goal Culture, Responsibility Culture, Improvement Culture, Striving Culture, Family Culture.

National-level Awards and Honors



Provincial and Municipal Level Awards and Honors

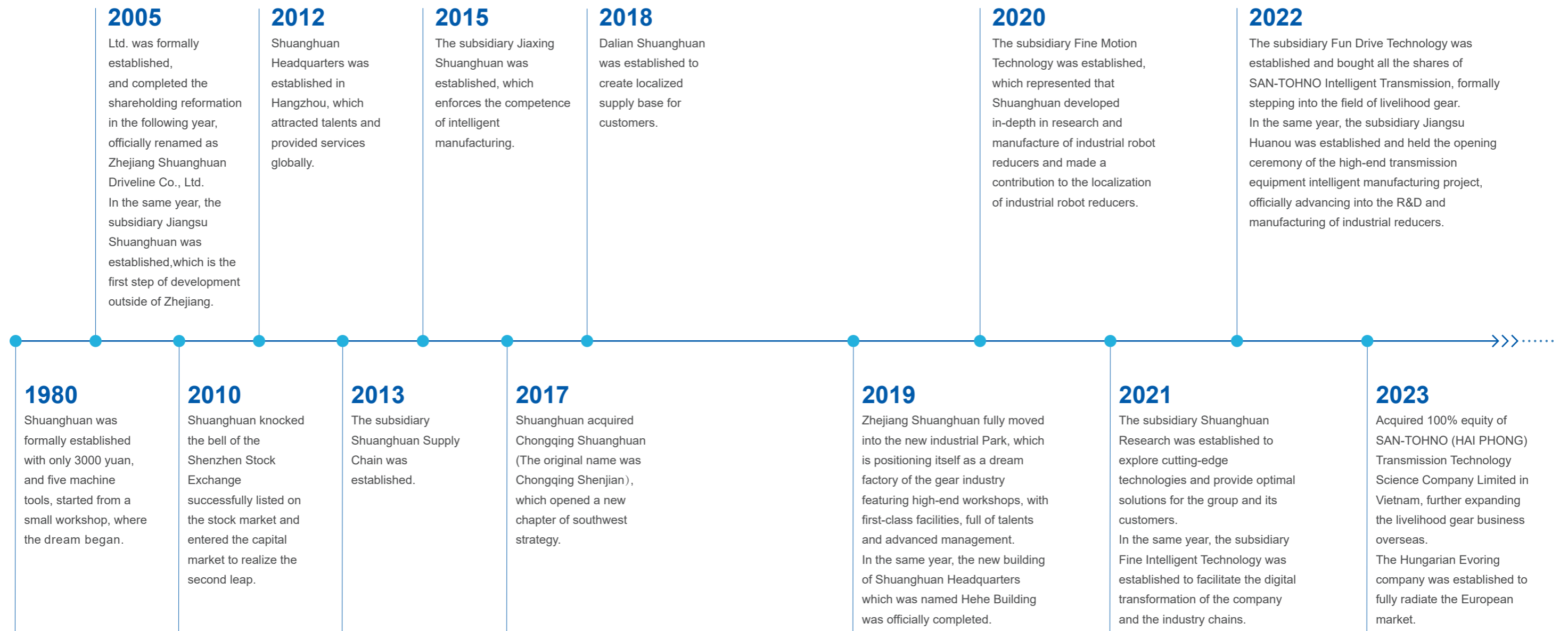


Project Honor Awards





Development Milestone



Business Layout



Business Layout

Over the past 40 years, Shuanghuan Driveline has grown from scratch, vigorously developing the traditional gear business while solidifying its market position in industrial robot reducers. The company has also ventured into the industrial gearbox and livelihood gear sectors, aiming to provide digital manufacturing upgrade services for the upstream and downstream industrial chains and enhancing its domestic and international presence. By the end of 2023, Shuanghuan Driveline has become a modern group company operating across China, Hungary, Vietnam, Italy, and the United States, supplying precision transmission parts to over 20 countries worldwide, and striving to become one of the top 100 global automotive parts companies.

Domestic Footprint

Headquartered in Zhejiang Province, with business coverage spanning over 20 provinces, autonomous regions, and municipalities directly under the central government.



Covering 20+ provinces, autonomous regions, and municipalities in China

Overseas Footprint

With factories or offices in Vietnam, Italy, Hungary, and the United States, exporting to more than 20 countries including Germany, Italy, France, the United Kingdom, the United States, South Korea, and Thailand. Our footprint covers multiple important countries in Asia, Europe, North America, and South America.



Covering 20+ countries worldwide

ESG Performance

Production capacity	120 billion	Year-on-year net profit growth	40.26%
Global subsidiaries	10 +	Basic earnings per share	0.97 yuan
Year-on-year revenue growth	18.08%	Weighted average return on net assets	10.67%

Environmental Performance

GHG emissions (Scope 1): **20,864.45** tons CO₂e

GHG emissions (Scope 2): **274,595.79** tons CO₂e

Renewable energy usage: **9,589.4** MWh, resulting in a reduction of **6,564.16** tons of GHG emissions

GHG emissions intensity per 10,000 yuan of industrial value added: **1.01** tons CO₂e
a year-on-year decrease of **4.72%**

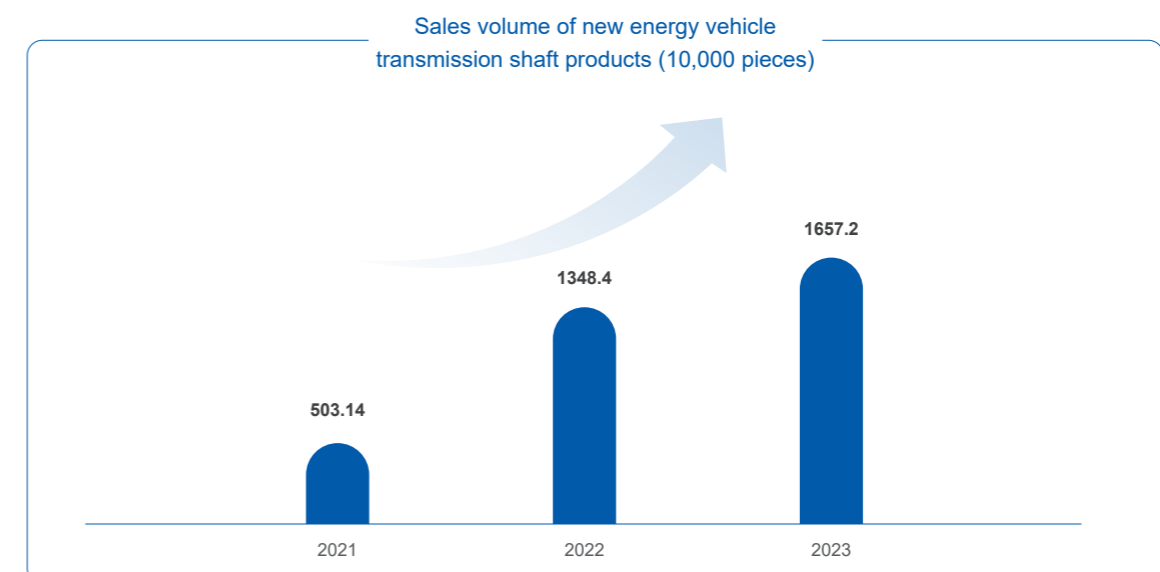
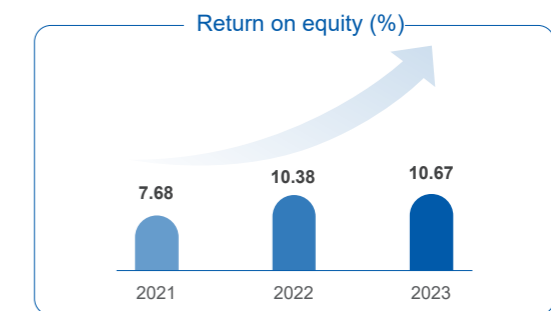
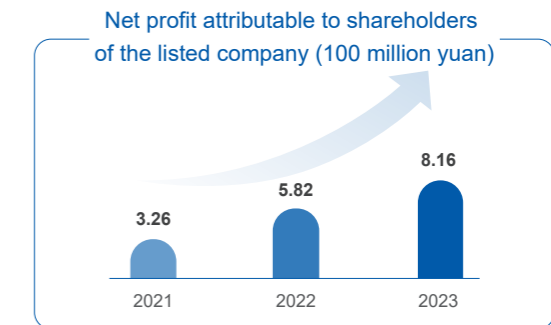
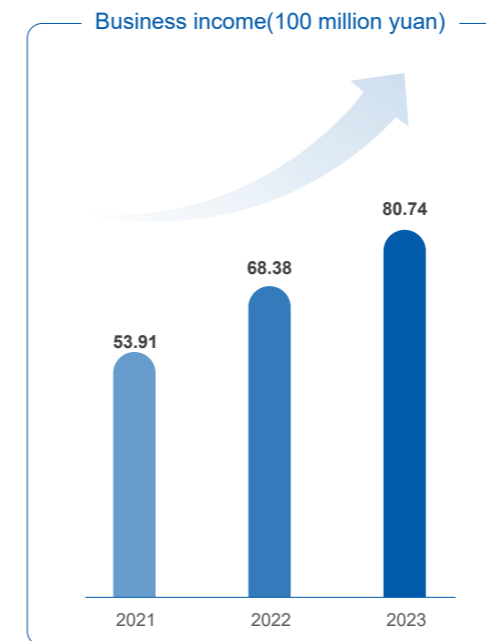
Internal recyclable turnover box utilization rate: **100%**

Social Performance

Number of employees	7,263	Number of patents obtained	383
Employee satisfaction rate	80+%	Participation in and leadership of national (industry) standards	23
Number of employees with more than 10 years of tenure	1,051	Average score of product quality process audits	98.08
Research and development investment	384 million	Number of beneficiaries of Shuanghuan Love Fund	1000+

Governance Performance

Coverage rate of business ethics training: **100%**.



01

Establishing Robust and Compliant Governance

Compliance Operations

ESG Governance



BETTER EVERY TIME, ALWAYS



Establishing Robust and Compliant Governance

Shuanghuan Driveline strictly adheres to the requirements of laws and regulations such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, as well as relevant regulatory rules and normative documents. We deepen comprehensive risk management, promote the construction of a compliance culture, and strictly adhere to the bottom line of compliance in business operations.

Compliance Operations

Corporate Governance

Shuanghuan Driveline has established a governance structure consisting of the Shareholders' Meeting, Board of Directors, Board of Supervisors, and Executive Management. Each level operates within its authority, assuming its responsibilities, creating a clear division of powers and responsibilities, and forming a governance mechanism characterized by clarity, coordination, and checks and balances, ensuring efficient and compliant corporate governance.



Shareholders Meeting

The Shareholders' Meeting is the supreme governing body of the Company. It makes decisions on the Company's business policies and investment plans by law, reviews and approves the reports of the Board of Directors, the Company's annual financial budget plan, settlement plan equity incentive plan, etc.



Board of Directors

The main responsibilities of the Board of Directors include convening shareholders' meetings, implementing resolutions of the shareholders' meetings, managing the company's information disclosure matters, etc. It has subcommittees such as the Audit Committee, Nomination Committee, Strategic and Investment Committee, Remuneration and Evaluation Committee, and ESG Committee, which complement each other and provide strong support for the efficient decision-making of the board.



Board of Supervisors

The Board of Supervisors composed of shareholder representatives and employee representatives, supervises the company's operations in terms of accounting and business, overseeing risks before, during, and after events. In 2023, the Board of Supervisors' oversight activities during the reporting period did not identify any risks within the company.

Comprehensive Risk Management

Shuanghuan Driveline has comprehensively identified all risk points involved in business operations, clarifying the internal control measures and control processes of risk points, strengthening the effectiveness of risk control management, and implementing risk prevention and control for steady operation.

Risk of Macroeconomic Changes

Economic downturns or cyclical fluctuations may lead to decreased market demand, resulting in sales challenges. Factors such as abnormal financial market fluctuations and tightening bank credit may adversely affect financing and operations.

In the context of complex economic changes, both supply and demand sides face favorable and unfavorable factors. Shuanghuan Driveline focuses on growth opportunities, targets high-quality customers, explores new avenues for growth, and mitigates the impact of macroeconomic fluctuations.

Internal Control Risks

The company may face adverse impacts on its corporate image, continuity of operations, or normal functioning due to factors such as inadequate organizational structure, ineffective management decisions, employee misconduct, system and technical deficiencies, and insufficient supervision and feedback mechanisms.

To address these risks, we enhance its internal control systems, improve employee competencies, strengthen the system and technological infrastructure, stay updated on changes in regulations and policies, and establish robust supervision and feedback mechanisms. Additionally, regular internal control risk assessments and audits will be conducted to promptly identify and resolve issues, ensuring the effectiveness of internal controls and enhancing management efficiency.

Risk of Fluctuations in Raw Material Prices

The company's production and operation are subject to fluctuations in the prices of major raw materials, which may affect the company's gross profit margin to some extent and have an adverse impact on its performance.

Measures such as technological innovation, process equipment optimization, internal efficiency improvement, supply chain management, and waste reduction are implemented to mitigate the impact of fluctuations in raw material prices. Additionally, the company has signed price linkage agreements with most customers, collaborating with steel mills to seek mutually beneficial solutions.

Environmental Risks

The environmental pollution incidents may involve public crises, causing harm to the lives, property, and safety of surrounding residents.

The company has formulated emergency plans for environmental emergencies, established emergency response teams, and equipped corresponding emergency facilities and equipment. It has also clarified the responsibilities of emergency management agencies and the on-site disposal and rescue plans for incidents. Regular drills are conducted annually according to the emergency plan to organize effective rescue operations for environmental incidents and minimize environmental impacts.

Risk of Exchange Rate Fluctuation

The company's export business primarily settles in foreign currencies, and fluctuations in the exchange rate of the Renminbi (CNY) can have significant impacts. On one hand, it may affect the export sales prices of the company's products. On the other hand, when converting foreign currency assets generated from export business into CNY, it may result in corresponding exchange losses for the company.

To address these risks, the company closely monitors the impact of exchange rate fluctuations and maintains exchange rate risks at manageable levels through strengthened exchange rate management practices.

Information Security Risks

The threats faced by information systems and their vulnerabilities may lead to the leakage of company trade secrets and customer privacy information.

The company, with the Information Technology Department at its core, has established a multi-tiered security management organizational structure and implemented the responsibilities of security management personnel. Driven by policies, a comprehensive network security management system has been established. In terms of technical security, a network boundary protection system has been set up and network security control policies have been configured. Identity authentication technologies have been strengthened to ensure secure access identification. Remote access control measures have been built to effectively manage remote access. In terms of operational security, the construction of physical environment security enhances protection capabilities. Regular emergency drills are conducted to ensure the feasibility of emergency plans, and necessary measures such as data backup are taken to ensure the security of critical data.

Business Ethics

Compliance is the fundamental baseline that Shuanghuan Driveline upholds. We adhere to ethical standards, establishing a fair, honest, and responsible business environment to demonstrate Shuanghuan's professionalism, dedication, efficiency, and integrity.

The company has established an Internal Audit Department and a Legal Department to continuously develop and improve its risk management and internal control systems.



Internal Audit Department

Special audits on major matters such as related party transactions, the use and custody of raised funds, internal control evaluation audits as required by the China Securities Regulatory Commission, and operational management audits on infrastructure projects, expense management, procurement management, and information security, etc.

Legal Department

Manages the contract review process, drafting, and modification, assists business departments in effectively controlling legal risks in daily operations, handles legal disputes, provides legal consultations, conducts legal training sessions, etc.

We adhere to the laws and regulations of all global operating locations, maintaining a "zero tolerance" policy toward all forms of corruption and bribery. The company has established guidelines such as the *Integrity Management Measures* and created a conflict of interest matrix to clearly identify conflicts of interest among stakeholders. The *Employee Code of Conduct* explicitly prohibits collusion in bidding, infringement of trade secrets, false marketing, and any other forms of unfair competition. All business activities are conducted in strict compliance with and commitment to high standards of business ethics.

We encourage employees to report gifts they were unable to refuse. We incorporate integrity management into our ethical assessments, rewarding employees who uphold honesty and loyalty. Those involved in improper earnings are subject to penalties, such as suspension, salary reduction, warning, or dismissal. Employees in key positions are required to sign *Employee Integrity Commitment*. Additionally, the company periodically conducts integrity training and case-based warning education, establishing integrity files for senior managers and critical positions across the group for systematic, comprehensive follow-up and supervision. To ensure the legitimate rights and interests of stakeholders, we periodically investigate integrity-related activities involving suppliers and other relevant parties, collecting evidence.

We advocate for an honest and clean corporate culture, incorporating business ethics into new employee training. For employees in key positions, we conduct regular specialized training sessions to enhance their awareness of integrity and self-discipline, prevent conflicts of interest, and strengthen internal supervision and accountability mechanisms. During the reporting period, the coverage rate of business ethics training for our employees was 100%.

Information Security

As the company's informatization, digitalization, and intelligent construction continue to advance, we have continuously upgraded and improved our information security management efforts. Shuanghuan Driveline has established a comprehensive information security management system and equipped a robust information technology team. We conduct risk assessments develop control measures for different stakeholders and types of information, and establish emergency response mechanisms. We provide information collection protection notices for employees, suppliers, customers, visitors, etc. We assess and audit information security-related services from suppliers providing information services. Company documents are encrypted, and we employ a combination of cloud desktop and Data ferrying to deeply protect R&D data. We strictly control the R&D, office, and internet networks to ensure data security. Additionally, the company provides information security awareness and specialized training for employees and relevant departments.

We have conducted information security emergency drills, intranet attack and defense exercises, and security penetration testing for quality management systems and business intelligence systems to test and enhance system security capabilities. During the reporting period, Shuanghuan Driveline did not experience any information security or customer privacy breach incidents. The company's information security system has obtained TISAX certification, and the D-MOM system has passed the third-level security evaluation.

Transparent Communication

Shuanghuan Driveline establishes and maintains internal and external communication procedures to ensure communication with all stakeholders, including employees, suppliers, and customers, through verbal, written, and fax communication as well as regular visits. We actively seek their opinions and suggestions, maintaining traceability of information. In response to queries, inquiries, and complaints from stakeholders, relevant departments conduct investigations, verify the situation, analyze the underlying reasons, respond, and resolve the issues after making decisions.

The grievance mechanism

- Establish anonymous reporting channels such as email, phone, and enterprise WeChat, and provide timely feedback on investigation results;
- During the grievance process, strictly adhere to the principle of confidentiality. The whistleblowing materials must not be copied, accessed, confiscated, or destroyed without authorization. The personal information of the whistleblower must not be disclosed, and the reporting materials must not be shown to the investigated unit or individual;
- Upon receiving a report or evidence, promptly collect and organize the information and verify its authenticity, ensuring that the legitimate rights and interests of the reported individuals are not violated and preventing malicious reporting;
- Once verified, disciplinary recommendations will be proposed for the parties involved, and suspected cases of illegal activities will be referred to the relevant departments.



In 2023, Shuanghuan Driveline did not experience any incidents violating relevant regulations on product and service information and labeling.

ESG Governance

Shuanghuan Driveline adheres to high-quality and sustainable development. Guided by the vision of being a responsible enterprise, we have established and enhanced an organizational system and working mechanism for ESG management, coordinated ESG work, and promoted the implementation of matters. Through the organic integration of responsibility management and ESG management, Shuanghuan has laid a robust foundation for its sustainable development in ESG management.

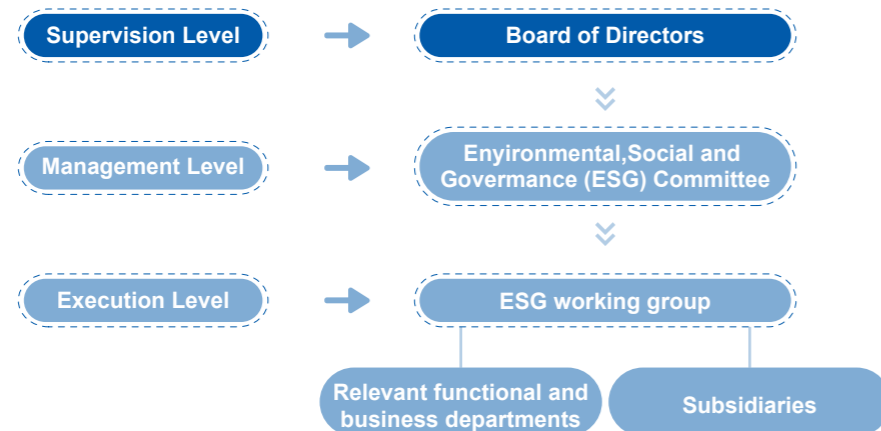
Responsibility Vision

Shuanghuan Driveline adheres to the path of gear engagement development and fulfills its responsibility to build a harmonious society. Relying on the company's core values, Shuanghuan closely connects its own development with society, serving the progress and prosperity of human society.



ESG Management System

Shuanghuan has established an ESG Committee at the board level, responsible for formulating the company's ESG goals and development plans, supervising the operation of ESG within the company, researching ways to enhance the company's ESG performance, and reporting its work to the board and making recommendations. An ESG Working Group has been set up, which operates under the guidance of the management, to coordinate the various departments and subsidiaries in carrying out related tasks. This group submits formal proposals to the ESG Committee to ensure standardized progress in the company's ESG efforts.



Stakeholder Engagement

Stakeholders	Communication Channel	Topics Concerned	Our Response
 Government and Regulatory Agencies	<ul style="list-style-type: none"> Regulatory communication Government announcements 	<ul style="list-style-type: none"> Product quality and safety Occupational health and safety Business ethics 	<ul style="list-style-type: none"> Compliance with legal and regulatory requirements Tax Compliance Information disclosure
 Shareholders and Investors	<ul style="list-style-type: none"> Quarterly, semi-annual, and annual performance reports Shareholders' meetings Responding to media inquiries through meetings and communication Website and email 	<ul style="list-style-type: none"> Business ethics Intellectual property management 	<ul style="list-style-type: none"> Explaining the latest developments of the Group to shareholders and investors Seeking support from shareholders and investors for management decisions Creating investment returns for shareholders
 Customers	<ul style="list-style-type: none"> Lean management and lean production Conducting customer satisfaction surveys Improving customer communication channels 	<ul style="list-style-type: none"> Product quality and safety Innovation and research development Intellectual property protection Supply chain management Information security 	<ul style="list-style-type: none"> Establishing customer complaint and response mechanisms Optimizing research, supply, production, and sales full-cycle services Technology-embedded marketing Integrated sales approach Signing confidentiality agreements with customers
 Employees	<ul style="list-style-type: none"> Employee visits Employee satisfaction surveys Collective bargaining meetings and communication sessions Employee assemblies Recognition ceremonies for outstanding employees Training and performance review discussions 	<ul style="list-style-type: none"> Occupational health and safety Talent attraction and retention Diversity and equal opportunities Training and development 	<ul style="list-style-type: none"> Ensuring employee occupational health and safety Providing competitive compensation and benefits Conducting diversified employee training Establishing a complete development pathway Enhancing facilities in the smart living community
 Suppliers and Partners	<ul style="list-style-type: none"> Supplier conferences and other communication meetings On-site communication and audits Daily communication 	<ul style="list-style-type: none"> Product quality and safety Supply chain management Contractor occupational health and safety 	<ul style="list-style-type: none"> Ensure suppliers provide products and services that meet required standards and operate in compliance with applicable laws and regulations Establish a cooperative atmosphere of mutual trust
 Community and Public	<ul style="list-style-type: none"> Conduct visits and research community needs Participate in community development needs communication meetings 	<ul style="list-style-type: none"> Community investment 	<ul style="list-style-type: none"> Support local education Organize public welfare activities Support the local industrial chain Promote regional economic development
 Governmental Organizations (NGOs) / Non-Profit Organizations (NPOs)	<ul style="list-style-type: none"> Share corporate experience Participate in meetings, forums, and other interactive activities Enhance international exchange and cooperation 	<ul style="list-style-type: none"> Supply Chain Management Responding to Climate Change Labor and Human Rights 	<ul style="list-style-type: none"> Participate in public policy and industry standards research discussions Engage in discussions on issues of public concern Attend strategic cooperation forums to discuss building efficient, safe, and competitive supply chains
 Environment	<ul style="list-style-type: none"> Annual reports Regularly publish corporate ESG reports 	<ul style="list-style-type: none"> Responding to Climate Change Environmental Compliance Waste Management Water Resource Management 	<ul style="list-style-type: none"> Constructing photovoltaic projects, and energy storage projects to promote energy structure transformation. Purchasing green electricity and green electricity certificates Classifying and managing waste storage, and promoting recycling Complying with regulations for wastewater and emissions disposal

Materiality Assessment

To better respond to the expectations and demands of stakeholders, the company comprehensively identifies the concerns and expectations of stakeholders regarding the company. By employing methods such as policy research and industry benchmarking, we update, filter, and evaluate material topics and define the topics that are important to both the company and stakeholders, focusing on disclosing and addressing the expectations of multiple parties.

The selection of material topics focuses on both non-financial and financial aspects. Non-financial materiality refers to the responsibility undertaken by the company, driven by its core values, stakeholder expectations, and social and environmental contexts, to mitigate significant potential negative impacts and increase positive impacts on society and the environment. Financial materiality refers to significant short-term or long-term financial or strategic risks or opportunities brought to the company by environmental, social, and governance-related issues.



Materiality
Responding to Climate Change
Clean Technology Opportunities
Waste Management
Water Resource Management
Product Quality and Safety
Business Ethics
Intellectual Property Protection
Information Security

Materiality
Innovation and R&D
Diversity and Equal Opportunities
Talent Attraction and Retention
Occupational Health and Safety
Supply Chain Management
Training and Development
Community Development

Responding to Sustainable Development Goals

Shuanghuan Driveline aligns its significant business activities with the 17 United Nations Sustainable Development Goals (UN SDGs), which encompass 169 specific targets. We formulate corresponding actions to actively respond to 9 of the SDG targets, gradually making substantive contributions to achieving sustainable development goals.

- Providing employees with a safe and healthy work environment, focusing on their physical and mental well-being, and supporting their career development. Ensuring labor and human rights, opposing child labor, forced labor, and other human rights violations.
- Establishing fair and competitive compensation and benefits internally and externally, fostering a conducive work environment, and offering dignified employment to employees.
- Eliminating all forms of inequality, embracing diversity, providing equal employment opportunities and pay for women employees, and respecting the customs, traditions, and religious beliefs of different groups.
- Collaborating with suppliers and customers to promote sustainable production and consumption patterns, achieving a circular economy.



- Reasonably managing water resources, reducing pollution, enhancing the recycling of water resources and solid waste, and establishing a sustainable production mode.
- Strengthening energy management, improving energy structure, and enhancing energy efficiency.
- Integrating climate change mitigation measures into the corporate development strategy, actively responding to climate change, and undertaking corresponding actions.



- Achieving higher levels of economic productivity through technological upgrades and innovation.
- Constructing compliant, transparent, and responsible institutions to reduce occurrences of unethical business behavior.



02

Serving High-Quality and Innovative Services

Research and Innovation

Product Quality and Safety

Customer Relationship Management



BETTER EVERY TIME, ALWAYS



Serving High-Quality and Innovative Services

Shuanghuan Driveline always adheres to the product quality management policy of "Customer Satisfaction, Sincerity Forever" and the quality concept of "Meticulousness, Excellence." Focusing on customer needs, we continuously innovate and develop products that excel in performance and quality, aiming to provide high-quality services to our customers.



In 2023 We achieved

★ Quality Management Performance

- Reduced internal and external quality losses and overall quality costs for three consecutive years.
- Established a supplier management system and implemented supplier quality management.
- Implemented VDA6.3 system in all bases by the Group Quality Department.
- Met standards for internal and external quality losses, customer plant PPM, and return rates.

★ Continued High Investment in R&D

- Over the past two years, R&D expenditure has consistently accounted for over 4% of revenue.

★ A Wealth of Innovations

- Hold a total of 383 effective patents.
- Led or participated in the establishment of 23 national (industrial) standards.
- Initiated a total of 119 new product development projects over the past three years.

★ Actively Engaging in Cooperation

- Collaborate with renowned domestic and international universities on research and development projects.

★ Expanding Application Fields

- Continuously expanded product lines and application fields.

★ Breakthrough in Key Technologies

- Successfully developed new gear structure of high-strength, low-noise for new energy electric drive, addressing the challenges of mass production due to the complex structure and high design difficulty of integrated gear products.
- Achieved breakthroughs in gear manufacturing for hybrid vehicle applications with high standard requirements, conducted basic research on new materials and processes, and developed innovative methods and technologies for meshing optimization, enhancing vehicle performance and efficiency while reducing energy consumption and emissions.



In 2024 We will continue to

★ Enhance Quality Management Efforts

- Optimize team structure for better adherence to standards.
- Enhance supply chain quality management to ensure stability and reliability.
- Define specific performance targets for each project under stakeholders' requirements, continuously monitor progress, and progressively elevate objectives.

★ Continuous Improvement and Innovation

- Enhance the company's R&D capabilities in the commercial vehicle transmission field, and increase the value per unit.
- Optimize the gear grinding process for new energy electric drive gear products to improve gear NVH performance.
- Deeply engaged in the design and development of customer differential assemblies and new structural designs for differentials, breaking away from the traditional split form of the main reduction gearbox housing.

★ Strengthening R&D Innovation Capabilities

- Increase R&D investment to build a more comprehensive and competitive R&D team.
- Strengthen collaboration with universities and research institutions.

★ Expanding Product Lines and Application Fields

- Further expanded product lines based on market demand and explored emerging application fields.

Research and Innovation

Innovation R&D Management Mechanism

In 2023, we refined the institutional requirements for various stages of technological innovation projects based on our existing innovation management mechanism.



Project Management

- **Forecasting:** Conduct market forecasting, market analysis, and market technical path analysis.
- **Project initiation:** Clearly define goals, budgets, timelines, and personnel allocation.
- **Planning:** Develop a project schedule.
- **Monitoring:** Regularly evaluate progress.
- **Closure:** Conduct a comprehensive assessment of results.



Quality Control

- Establish and enforce rigorous quality testing standards.
- Rectify non-conforming products until they meet quality standards.



Intellectual Property Protection

- Enhance intellectual property training.
- Improve the implementation of intellectual property registration system.
- Regularly assess research and development outcomes to prevent infringement.



Funds Management

- The R&D budget allocation and utilization are managed by the finance department.
- Develop a budget utilization plan to ensure reasonable use.



Risk Management

- Evaluate potential risks during the R&D process.
- Develop response strategies, regularly track progress, and provide feedback on outcomes.



Team Collaboration and Communication

- Establish an efficient communication mechanism.
- Organize regular team-building activities to encourage team members to share experiences.



Document Management and Confidentiality

- Establish a document management system to ensure the secure storage and orderly management of R&D documents.
- Encrypt sensitive documents to prevent information leakage and unauthorized access.

Innovation Incentives



Chairman's Special Contribution Award

Recognizing teams and individuals who have made outstanding contributions to market development, production operations, technological advancement, and management innovation.



General Manager Project Achievement Award

Departments nominate projects, and assessment is based on the annual achievement rate, with rewards granted by the General Manager based on the completion of annual targets.



Establishment of an Innovation Incentive Fund

Providing rewards to teams and individuals who achieve outstanding results in research and development innovation, aiming to stimulate employees' innovation enthusiasm.



Providing Innovation Promotion Opportunities

Offering promotion opportunities for employees who excel in innovative activities, encouraging active engagement in innovation practices.



Fostering an Innovative Cultural Atmosphere

Advocating for a culture of daring experimentation and tolerance for failure, creating a tolerant and free environment for innovation among employees.

High-Quality Innovative Talent Team

Through the recruitment of high-end research and development talents and the cultivation of original, independent R&D teams, Shuanghuan has gradually built a "highly specialized and advanced" innovation team capable of continuously driving the company's technological and product innovation and leading the direction of industry development.

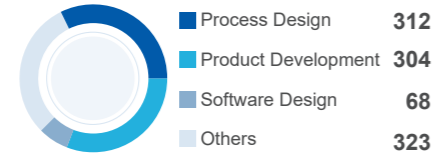
Composition of Elite R&D Team

- Postdoctoral workstation, experts from the national "Talent Introduction Program"
- Provincial leaders in science and technology entrepreneurship and innovation, key experts at the provincial level
- Qianjiang talents, foreign experts, overseas engineers
- 500 Elites in Taizhou
- National Model Enterprise in Technology Innovation
- Provincial-level master craftsmen workshops

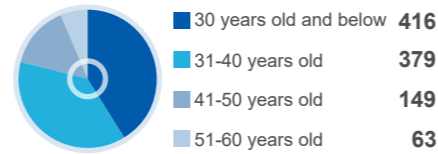
Research and Development Personnel



R&D Staff Composition by Functions



R&D Staff Composition by Age



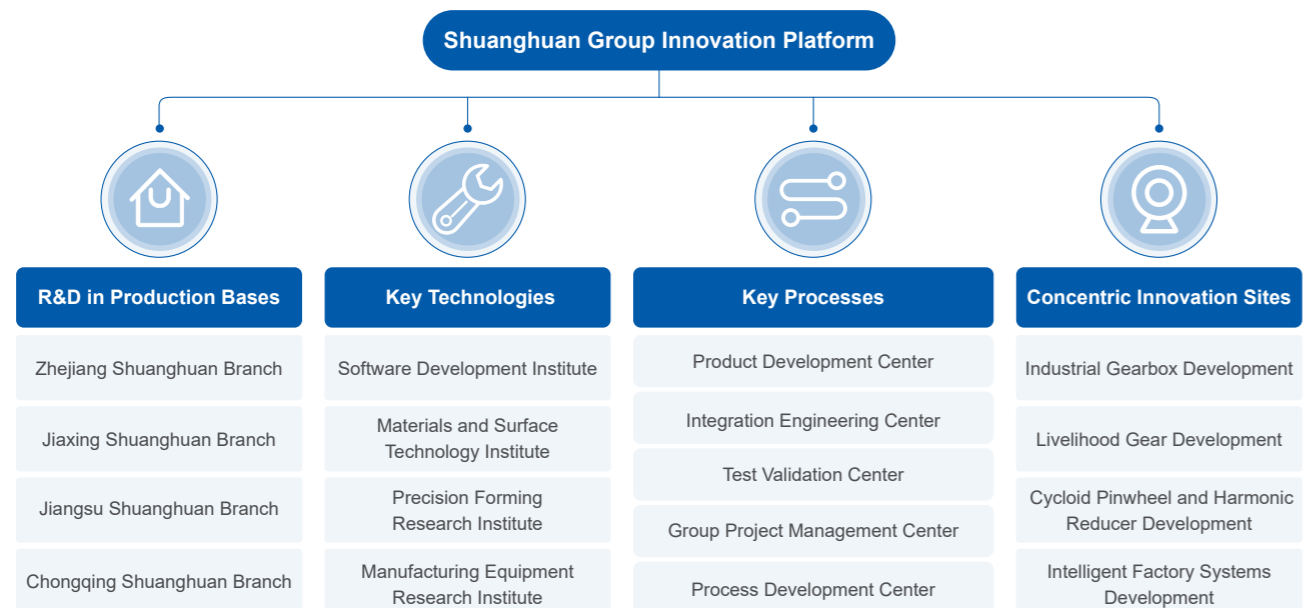
Innovation and R&D Capabilities

Shuanghuan Driveline has become a national-level high-tech enterprise and a national enterprise R&D center, providing customers with a variety of high-quality innovative products, overcoming technical challenges in the gear manufacturing industry, and helping Chinese manufacturing shine on the world stage.

National "Talent Introduction Program" Expert Team

R&D Investment of over **384** Million Yuan

Currently, we have a sizable R&D platform with capabilities for innovation in multiple directions. Shuanghuan Research, in conjunction with our four major production bases and four innovation sites, has established a distinctive innovation and R&D platform, aiming to become a globally leading research institute in gears and assemblies.



R&D Capabilities

Assembly R&D Capabilities

NVH Test Bench

Differential Test Bench

Planetary Gear Mechanism Test Bench

Component R&D Capabilities

Test Bench of Static and Dynamic Torque in the Shaft

Pendulum Impact and Tensile Test Bench of Materials

Basic R&D Capabilities

Gear Bending Fatigue Test Bench

FZG Gear Contact Fatigue Test Bench

Cooperation and Communication

Shuanghuan Driveline continues to serve as a communication bridge, deepening industry-academia-research cooperation. We actively engage in innovative collaborations with well-known domestic and international universities and research institutions for technical and industrial research, supporting innovation and development. Together with the government and partners, we promote the development and progress of the gear industry. During the reporting period, Shuanghuan Driveline has hosted and participated in industry exchange meetings and exhibitions multiple times, contributing to the Chinese gear industry to usher in a new era of soaring brilliance.

The 2023 China Gear Industry Conference

In November 2023, the "Innovation-Driven Development, Integration, and Sharing of the Future" 2023 China Gear Industry Conference, hosted by Shuanghuan Driveline, and the Annual Conference of the Gear and Electric Drive Branch of the China Machinery General Parts Industry Association, were grandly opened.

This conference delved into the issues facing the development of China's gear industry, shared industry trends, strategic directions, technological innovations, policy support, and more, aiming to seek broader development prospects and lay a solid foundation for China to become a manufacturing powerhouse.

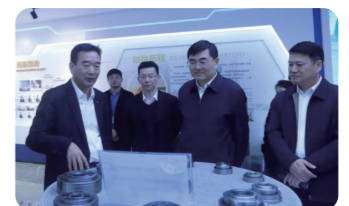
The 2022 China Gear Industry Conference and CGMA Annual Meeting

In May 2023, the 2022 China Gear Industry Conference and CGMA Annual Meeting was held in Yongchuan, Chongqing. As the Vice President of the Association, Shuanghuan Driveline's Chairman, Wu Changhong delivered the keynote report and made the concluding speech at the conference.

Shuanghuan Driveline remains committed to its mission of providing a broad platform for cooperation and exchange to promote new developments and changes in the industry.

Collaborating on Digital and Intelligent Strategic Cooperation

In March 2023, Shuanghuan Driveline and China Unicom Zhejiang Branch held a symposium on the outlook of smart manufacturing in Yuhuan City and signed a strategic cooperation agreement. This partnership aims to achieve win-win outcomes through the digital transformation and upgrade of traditional manufacturing, contributing to the promotion of industrial Internet innovation applications and dissemination in the discrete manufacturing industry.



Green Research & Development

Shuanghuan emphasizes sustainable development by integrating environmental protection and social responsibility into the research and development process. We are committed to exploring the use of new materials, optimizing production processes to reduce energy consumption and emissions, and promoting circular economy practices to achieve sustainable development. These efforts aim to enhance product competitiveness and brand image. Moving forward, we'll further explore emerging fields like electric vehicles and wind power, emphasizing the product lifecycle and implementing low-carbon R&D strategies.

Structural Design

Fully considering lightweight to reduce material and energy consumption; Standardizing tooling to increase the reuse rate of production molds.

Process Planning

Increase the space utilization of heat treatment furnaces to reduce carbon emissions.

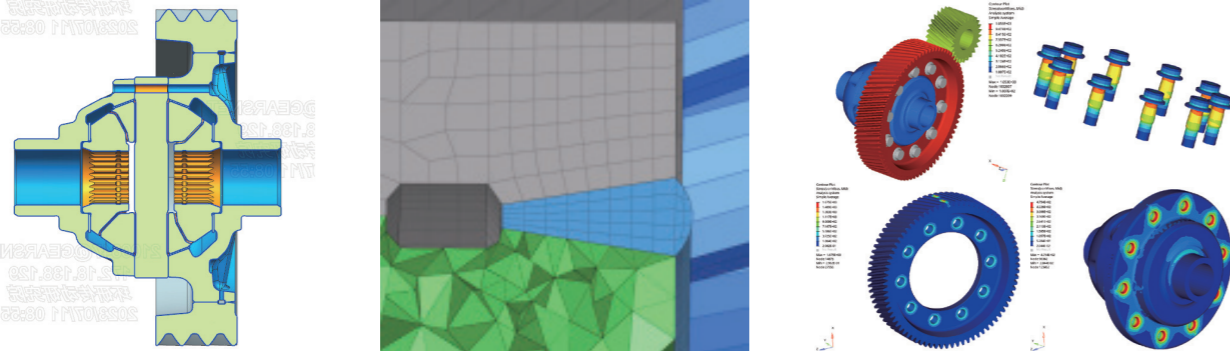
Innovation Achievements

Product Innovation

Compared to traditional fuel vehicles, electric drive systems face new challenges:

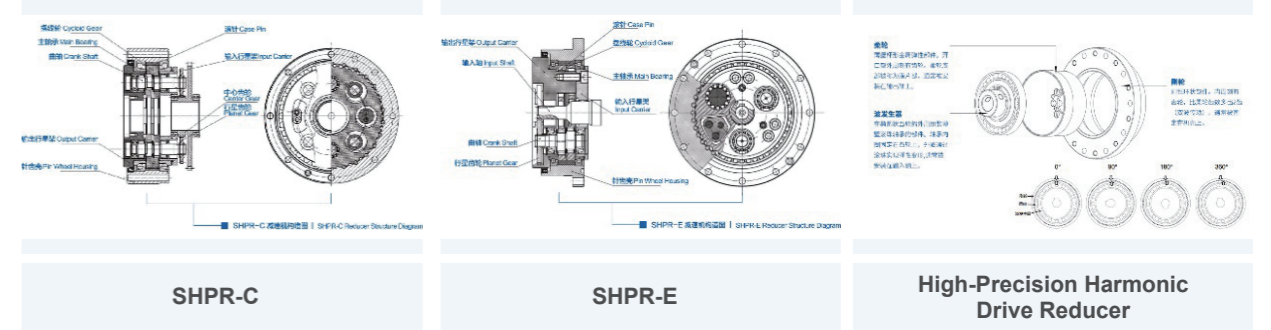
- Transmission systems to share power load with fewer components.
- Increased vehicle weight of electric cars requires higher torque for acceleration and deceleration.
- Electric motors are quieter, requiring lower vibration and noise from the electric drive.
- Electric motors reverse direction, exposing the electric drive system to bidirectional alternating loads.
- Electric motor torque impact is stronger than internal combustion engines.

In response to the above challenges, Shuanghuan is committed to developing high-strength, lightweight, and low-noise gear shaft components and sub-assemblies, such as welded differentials. Through the structural design of weld seams, material selection, CAE strength verification, and development of welding and assembly processes, we achieve optimized component topology design to reduce weight and costs.



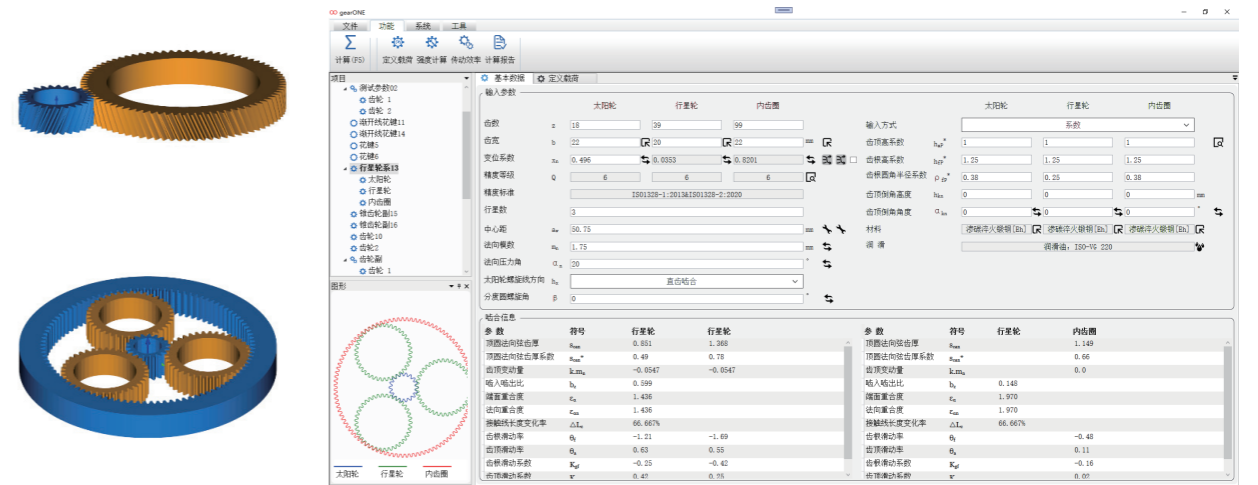
Localization of High-Precision Planetary Cycloidal Gear Reducers for Robotics

Fine Motion Technology has developed a high-precision gear reducer for industrial robots, achieving breakthroughs in over a dozen key proprietary core technologies. This advancement has successfully addressed industry technical challenges, propelled industry upgrades, and broken the foreign market monopoly. As a result, Fine Motion Technology has achieved mass production and sales domestically, making a significant contribution to the localization of key components for industrial robots in China.



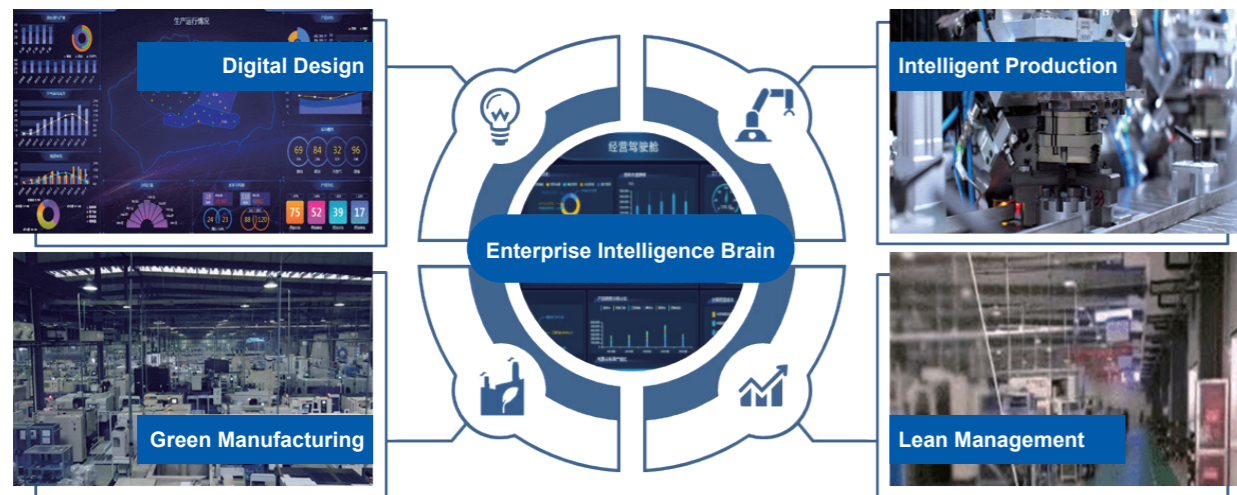
Platform Innovation

gearONE is an industrial software for gears independently developed by the Shuanghuan Research Institute. It is a new generation of virtual closed-loop manufacturing systems that encompasses various dimensions, including geometric parameter optimization, meshing performance analysis, machining simulation, and flexible tool design.



Shuanghuan "Future Factory"

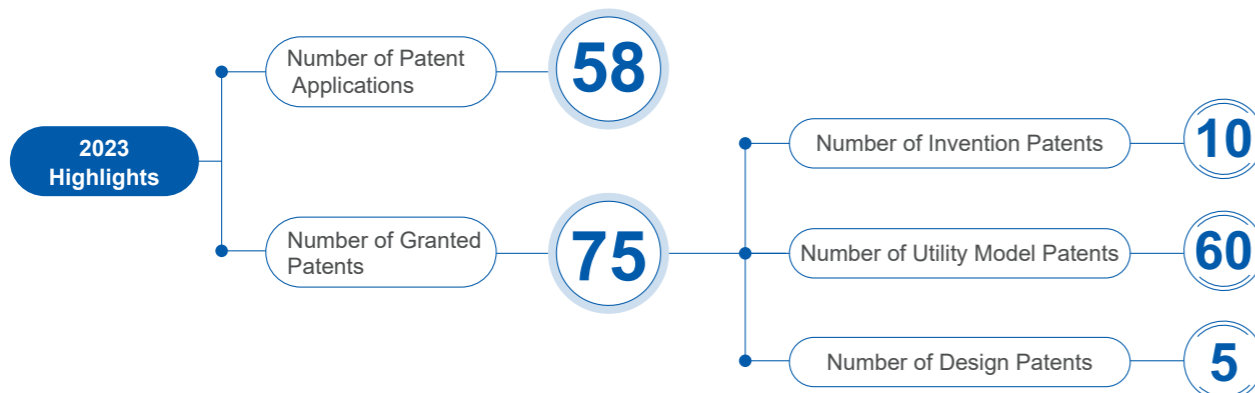
Shuanghuan's "Future Factory" adopts a new "1+4+1" model: one enterprise intelligent brain, four capabilities—digital design, intelligent production, green manufacturing, and lean management—emphasizing a model-based development approach. The Future Factory leverages next-generation information technologies such as 5G, edge computing, industrial IoT, digital twin, big data, and artificial intelligence to achieve high integration of informatization, automation, and intelligence. This integration enables standardized operations, collaboration of processes, visualization of processes, full traceability, and intelligent control. As a result, the factory enhances precision levels, equipment and energy utilization rates, and production efficiency, reduces product development cycles, and lowers defect rates.



Patents and IP Protection

Shuanghuan Driveline has established a comprehensive system for intellectual property (IP) protection and implemented a series of measures to ensure their effective execution. This system provides strong support for the company's development and makes a positive contribution to the industry. Additionally, we have developed a cloud desktop system to store all design process materials and IP achievements, including patent applications, trade secret protection, and copyright registrations. These are securely stored in the cloud and protected with encryption locks to safeguard the company's core technologies and innovative outcomes.

The company collaborates with various departments to handle infringement lawsuits properly and periodically conducts IP protection training to raise employees' awareness of IP protection.



Establishing Industry Standards

Shuanghuan Driveline is committed to driving the rapid development of the gear industry. As of December 2023, Shuanghuan has led or participated in the formulation of a total of 23 national and industrial standards, with 5 national standards drafted during the reporting period.

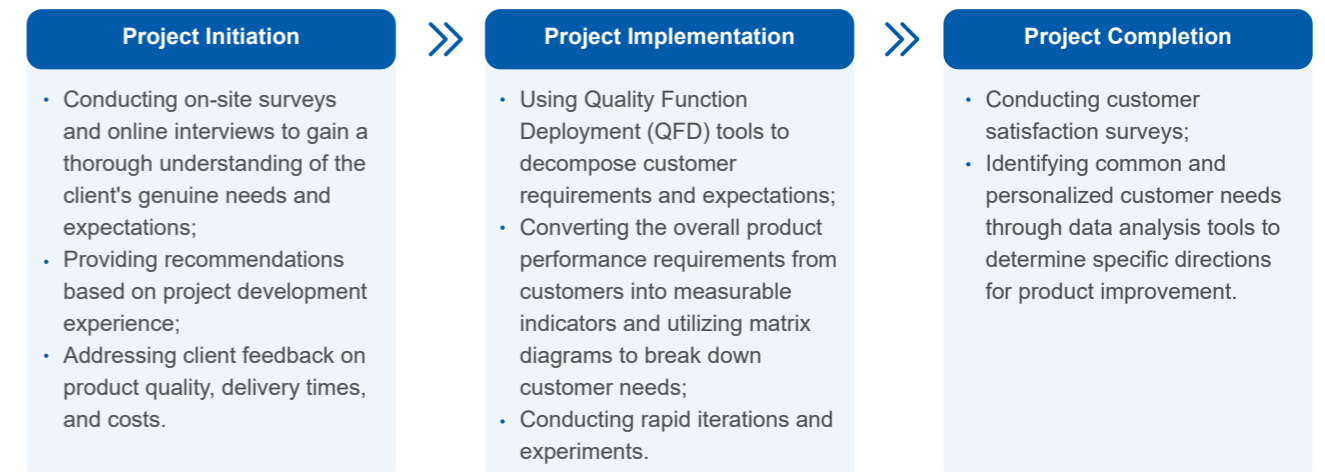
Standard Number	Standard Name
GB/T10095.2-2023	Cylindrical Gears - ISO System of Flank Tolerance Classification - Part 2: Definitions and Allowable Values of Double Flank Radial Composite Deviations
GB/T8542-2023	High-Speed Gear Units Technical Specifications
GB/T17879-2023	Gear - Surface Temp Rtch Inspection after Grinding, Chemical Method
GB/T43146-2023/ISO23509:2016	Bevel and Hypoid Gear Geometry
GB/Z43147-2023	Design Recommendations for Bevel Gears

Product Quality and Safety

To uphold the company's commitment to "meticulousness and excellence", Shuanghuan strictly adheres to relevant quality laws, regulations, and standards applicable in each operating jurisdiction, such as the Product Quality Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Consumer Rights and Interests. We have formulated internal documents for comprehensive quality management throughout the product lifecycle, establishing and improving its quality management system. During the reporting period, the company's quality management system obtained ISO 9001:2015 and IATF 16949:2016 certifications. Additionally, Shuanghuan places significant emphasis on supplier quality. Regular on-site audits are conducted, and corrective actions are discussed for any non-conformities. The company promotes supplier quality management system certification, with compliance to IATF 16949 becoming a mandatory requirement for new suppliers of direct materials to Shuanghuan.

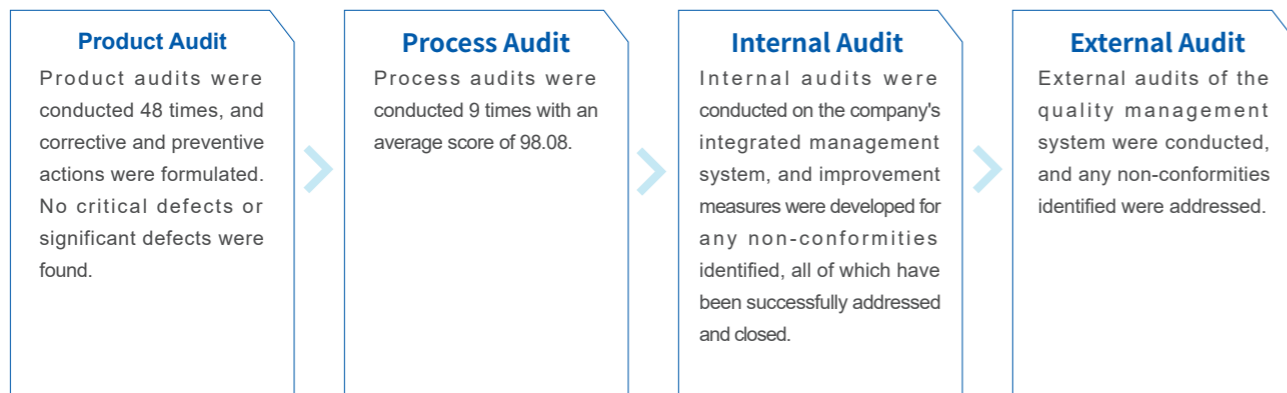
Quality Management Process

To provide high-quality service to our customers, Shuanghuan Driveline has established a comprehensive project quality management framework and standardized the process for product quality improvement.



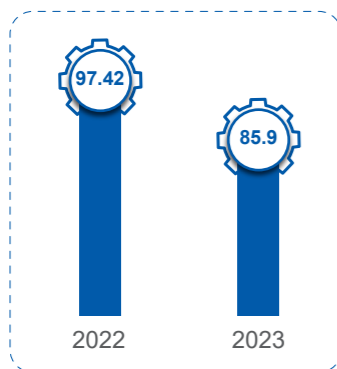


Shuanghuan also emphasizes conducting various forms of product quality audits, regularly organizing monthly and weekly quality meetings, sharing typical case studies, issuing systemic quality risk alerts and preventive measures, and conducting employee training sessions to implement targeted quality improvement initiatives.



These measures ensure that Shuanghuan consistently delivers high-quality products to its customers. In 2023, the company achieved a substantial reduction in quality losses, with no incidents of major recalls due to product quality issues and no lawsuits related to safety and health concerns.

The ratio of cumulative internal and external quality losses to output value (in RMB per 10,000 yuan of output)



- 0 instances of large-scale recall events due to product quality issues.
- 0 lawsuits or cases related to safety and health issues.

Leading Enterprise in the Manufacture of Gears for China's New Energy Vehicles



Shuanghuan Driveline has become a prominent supplier with its leading product quality and safety performance for well-known new energy vehicle (NEV) manufacturers both domestically and internationally. As a core component of the transmission systems, we focus on continuous innovation in design and manufacturing to address NVH (Noise, Vibration, and Harshness) issues of high-speed NEV gears (18000 RPM), establishing a significant quality advantage in the industry. Through its independent quality management system of "Standardized Production Line Management," the company incorporates automated inspection and MES (Manufacturing Execution System) barcode scanning systems to achieve precise batch traceability during the production process. Additionally, key critical dimensions are managed online using SPC (Statistical Process Control) and high-precision control to ensure the highest quality delivery. This approach has garnered unanimous recognition from customers for its market performance.

Digital Quality Management

Based on addressing customer pain points, Shuanghuan Driveline continuously improves product quality and advances digital quality transformation through the development and utilization of a digital platform. We consistently employ external tools such as Lean Production, Total Quality Management (TQM), Total Productive Maintenance (TPM), Six Sigma, etc., for risk identification, equipment maintenance, and enhancement. Additionally, we have developed an internal digital management platform, the D-MOM platform, which generates product quality analysis reports, product progress statistics, product process quality reports, monthly product plans, and heat treatment dashboards, thereby achieving full lifecycle quality control.

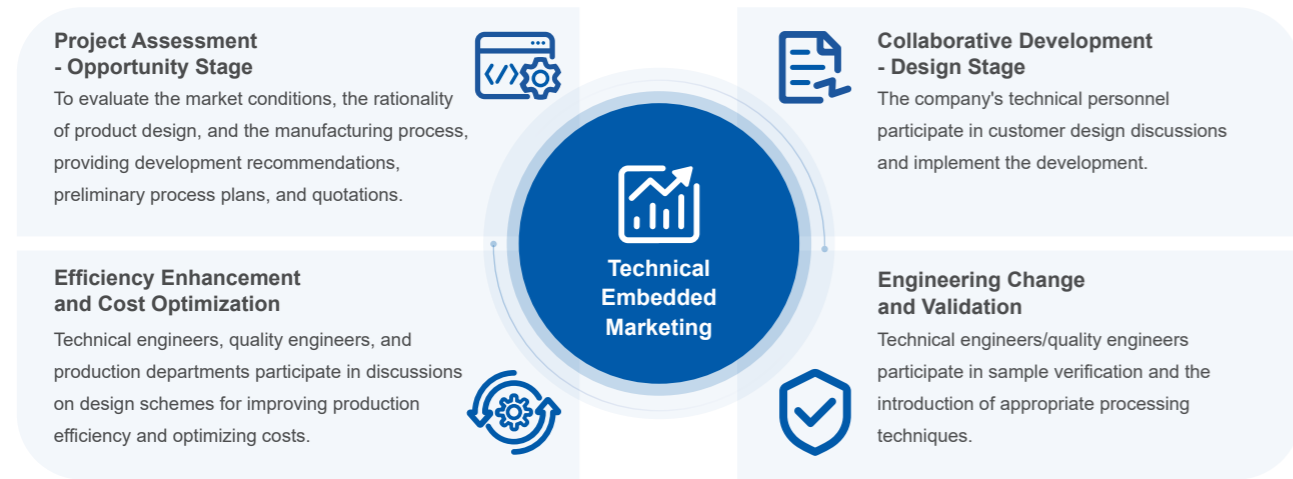
D-MOM Digital Management Platform - Full Lifecycle Quality Control



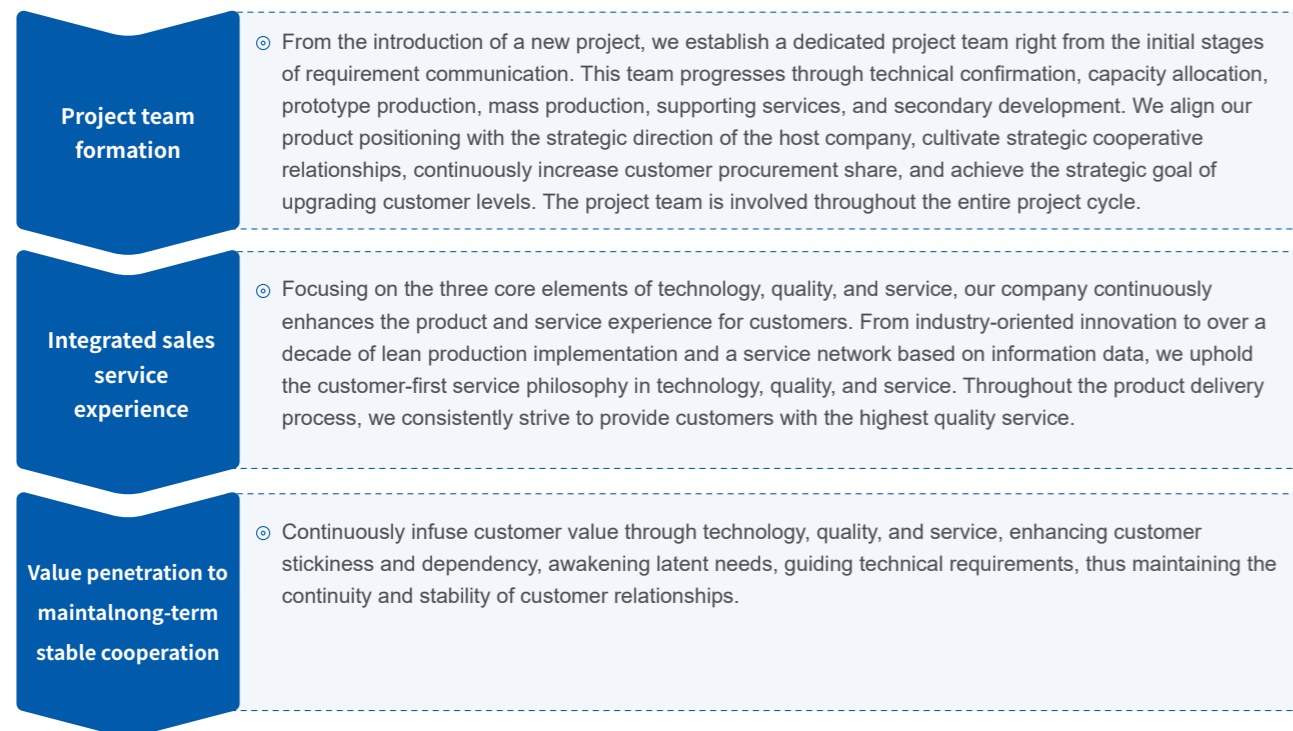
Customer Relationship Management

Shuanghuan Driveline actively participates in the design and development of customer products, striving to become the best partner for top global clients. We optimize customer satisfaction by optimizing internal workflows, establishing cross-departmental project teams, and conducting customer service personnel training to provide high-quality customized services. By continuously improving the service system, Shuanghuan is committed to taking concrete actions to enhance user satisfaction.

Pre-sales: Technical Embedded Marketing



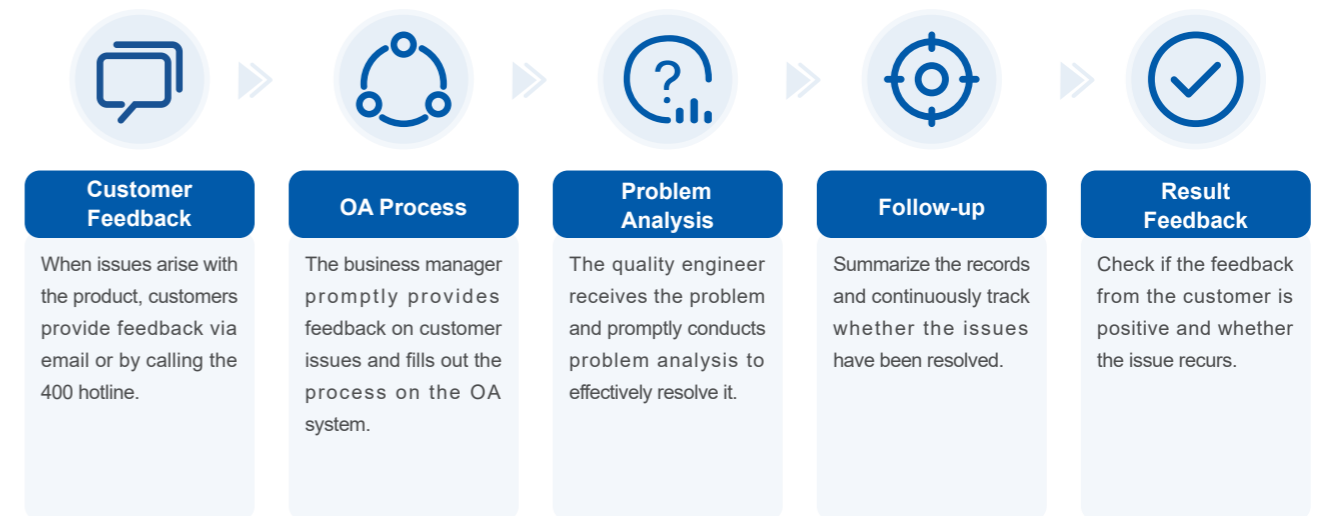
During-sales: Lifecycle Customer Relationship Management



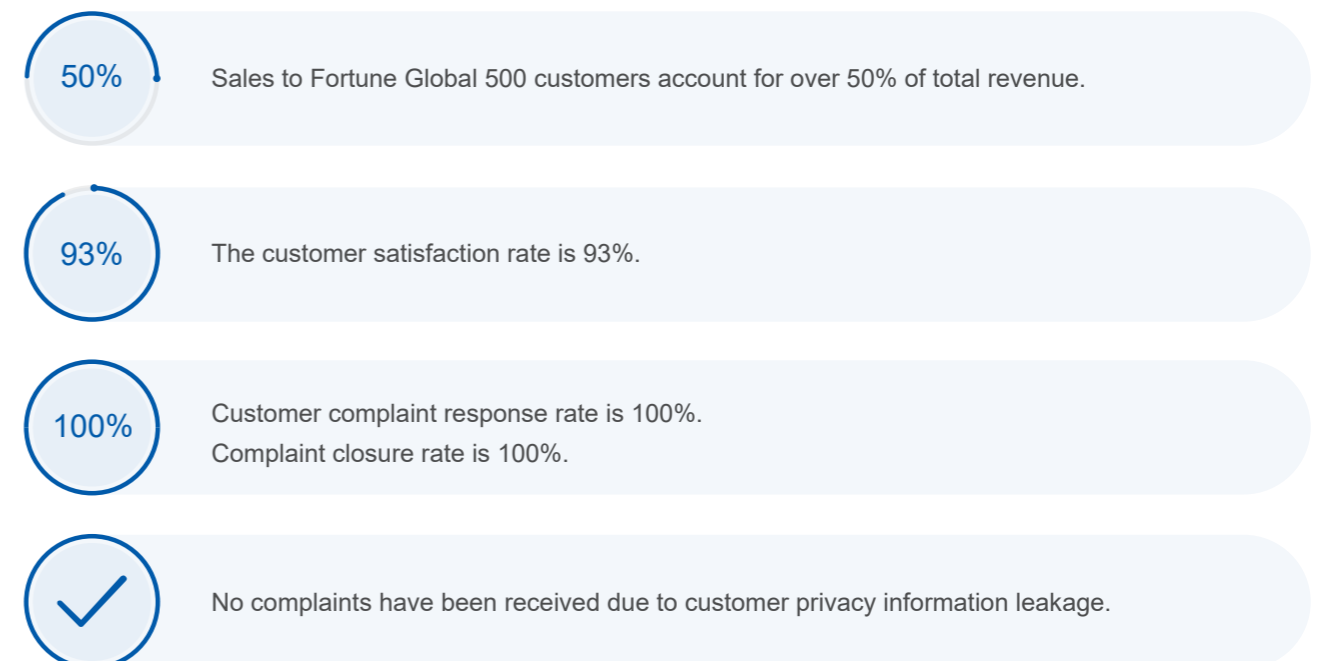
After-sales: Customer Complaints and Grievances

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The company has established documents such as the "Customer Feedback Handling Management Procedure" to standardize the process of handling customer complaints, the approach to dealing with escalated issues, and methods for managing the quality of after-sales service. After analyzing the issues, the company devises plans for product improvement, ensures timely communication, and guarantees that the problems are resolved.



Performance Highlight



03

Partnering with Employees for a Prosperous Future

Compliance Employment

Development and Training

Employee Rights and Welfare

Diversity and Equal Opportunity

Occupational Health and Safety



BETTER EVERY TIME, ALWAYS

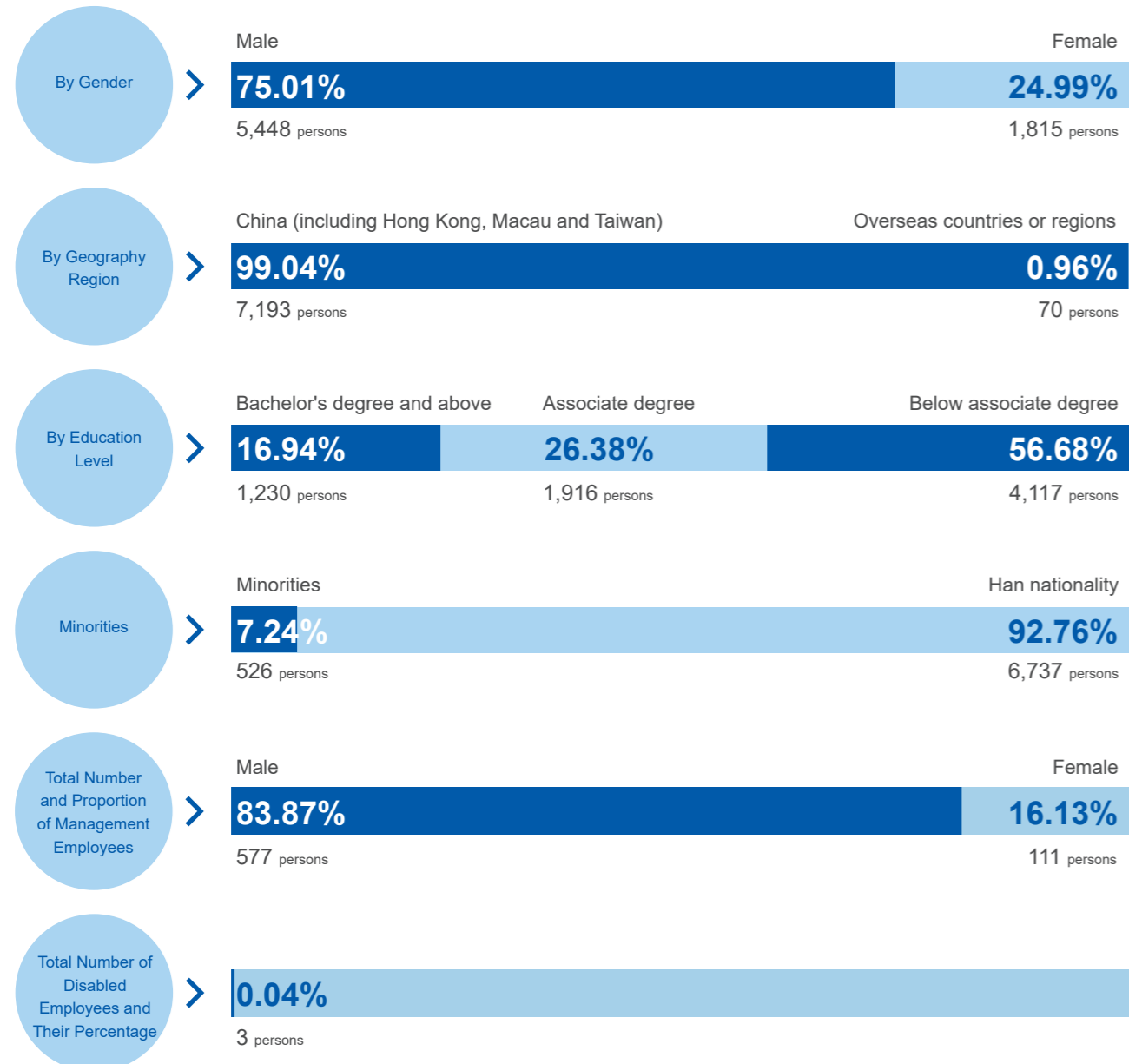


Partnering with Employees for a Prosperous Future

Shuanghuan Driveline regards talents as the cornerstone, the core of competition, and the source of development for the enterprise. We continuously expand channels to identify and recruit talent, adhere to legal and compliant employment practices, and cultivate an atmosphere of equality and diversity in the workplace. The company has established four career development paths, supported by a comprehensive promotion system to facilitate career advancement. We continuously improve our training system and provide a variety of benefits and health protection measures, enabling both the company and its employees to grow together and build a shared future.

Total Employees

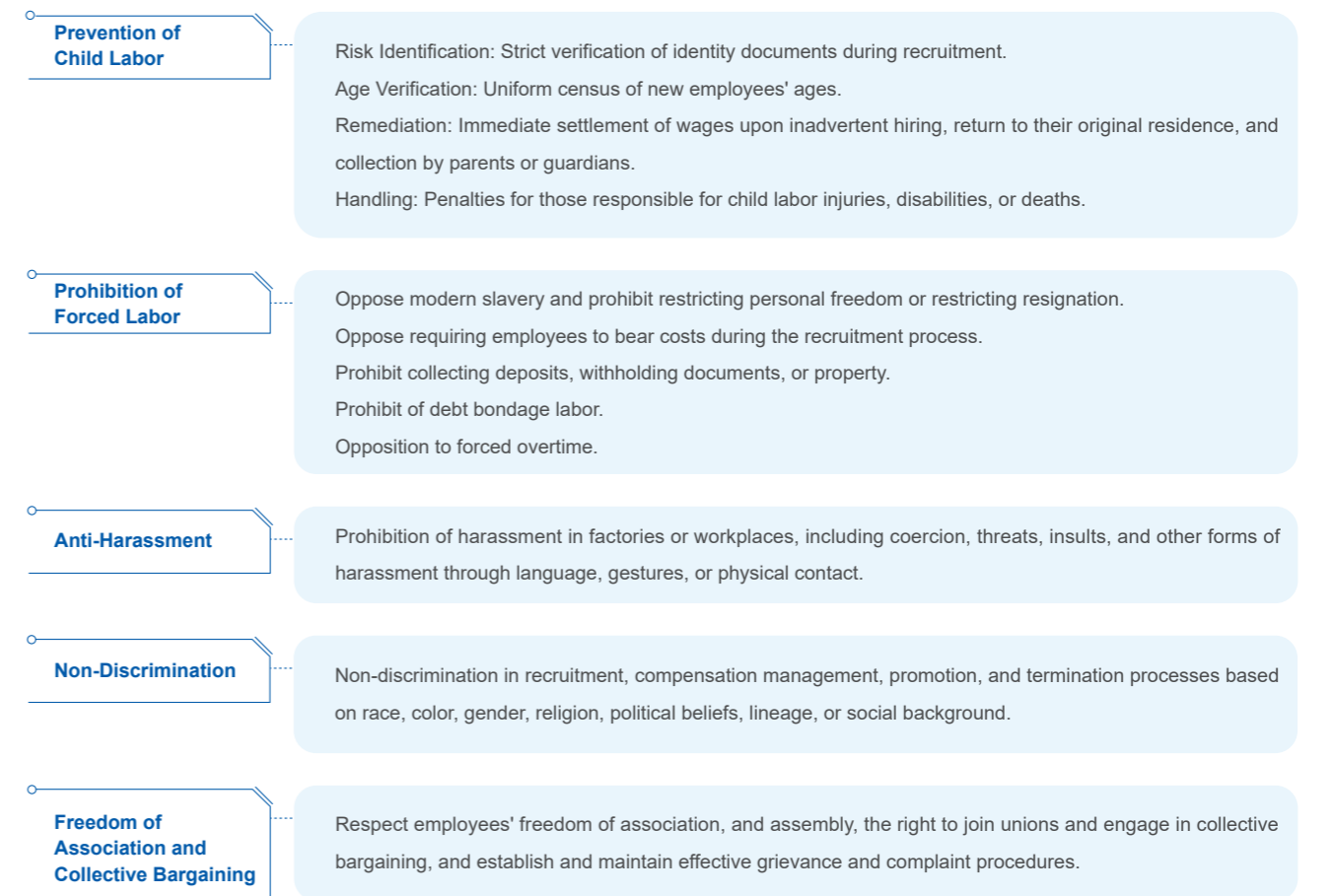
7,263 persons



Compliance Employment

Shuangliang Driveline adheres to relevant laws and regulations in each operating region, such as the *Labor Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China*. It has established internal regulations including the *Social Responsibility Manual*, *Company Labor Rights Protection Management Measures*, *Employee Handbook*, *Recruitment Management System*, *Employee Compensation Management Measures*, and *Performance Management System*.

To ensure compliant and lawful employment practices, Shuanghuan has established a comprehensive employment system, incorporating a social responsibility framework covering aspects such as anti-child labor, anti-forced labor, and anti-discrimination measures. Regular human resources compliance audits are conducted periodically. As of the end of the reporting period, 42% of workplaces have undergone human rights audits.



During the reporting period, Shuanghuan Driveline did not engage in child labor, forced labor, workplace harassment, or discrimination incidents.

Furthermore, Shuangliang Driveline places significant emphasis on human rights management for its employees, and its *Social Responsibility Manual* applies equally to the employees of supply chain partners such as suppliers, service providers, and distributors.

Talent Attraction and Retention

Shuanghuan adopts an "internal first, external later" approach through both internal and external recruitment channels. We have established the *Internal Referral Reward System* and instituted the "Talent Scout Award" to encourage employees to recommend talents internally. Utilizing the DaYi referral system to synchronize internal and external referrals and incentives. In 2023, the company brought in 244 key talents.

The company is committed to the long-term stability and development of its employee workforce. It conducts exit interviews with departing employees to record reasons for their departure and analyzes turnover rates. In 2023, through continuous improvement of employees' career paths and implementation of various employee care initiatives, the company effectively reduced its employee turnover rate.

Additionally, during the reporting period, we strengthened cooperation with educational institutions through school-enterprise partnerships and campus recruitment, establishing multi-level collaborations with external organizations.

Talent Acquisition

Recruitment and Development of High-Level Technology R&D Talent

- Shuanghuan Driveline established a provincial-level postdoctoral research station in December 2012 and was approved to establish a national-level postdoctoral research station in September 2015. Since its establishment, the station has successfully trained more than 10 postdoctoral fellows in collaboration with Zhejiang University and Zhejiang University of Technology postdoctoral mobility stations. During the reporting period, 3 joint doctoral fellows were trained at the station.
- Collaborated with Chongqing University, Hefei University of Technology, Chongqing Jiaotong University, and Chongqing Technology and Business University on the "Key Technologies and Integrated Assembly of Green Precision Machining for New Energy Vehicle Gears" project.
- Participated jointly with Hunan University, Beijing University of Technology, Northwestern Polytechnical University, Zhongyuan University of Technology, and the Xiamen University of Technology in the National Key Research and Development Program's Key Special Project on "High-Performance Manufacturing Technology and Major Equipment" and the project on "Key Technologies of High-Speed Precision Electric Drive Reducers".



Introduction and Cultivation of High-Level Scientific and Technological Research Talent

Recruitment and Training of Applied Technology Talents

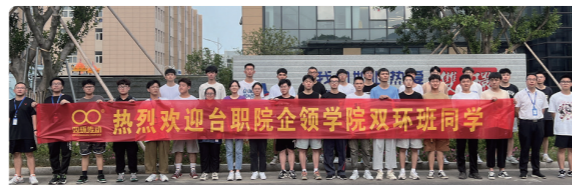
- Collaborated with Henan University of Science and Technology to jointly establish a teaching site, build a master's workstation, and recruit applied technical talents.
- Partnered with Hunan University of Science and Technology to launch the Outstanding Engineer Joint Training Program.



Strategic Talent Cooperation with Henan University of Science and Technology

Recruitment and Training of Skilled Talents

- Shuanghuan Driveline annually collaborates with vocational schools to offer customized classes and new apprenticeship programs, thereby attracting skilled talents.
- Currently, we have established partnerships with over 30 universities and nearly a hundred vocational schools, resulting in the annual recruitment of over a thousand talents from various fields.



The Shuanghuan Class at Taizhou Vocational and Technical College

The various initiatives taken by Shuanghuan Driveline not only enhance the company's research and development innovation capabilities but also continuously supply the gear industry with high-quality innovative research and development talents and practical talents, contributing to the globalization of Chinese manufacturing.

Excellent Engineer Training Program

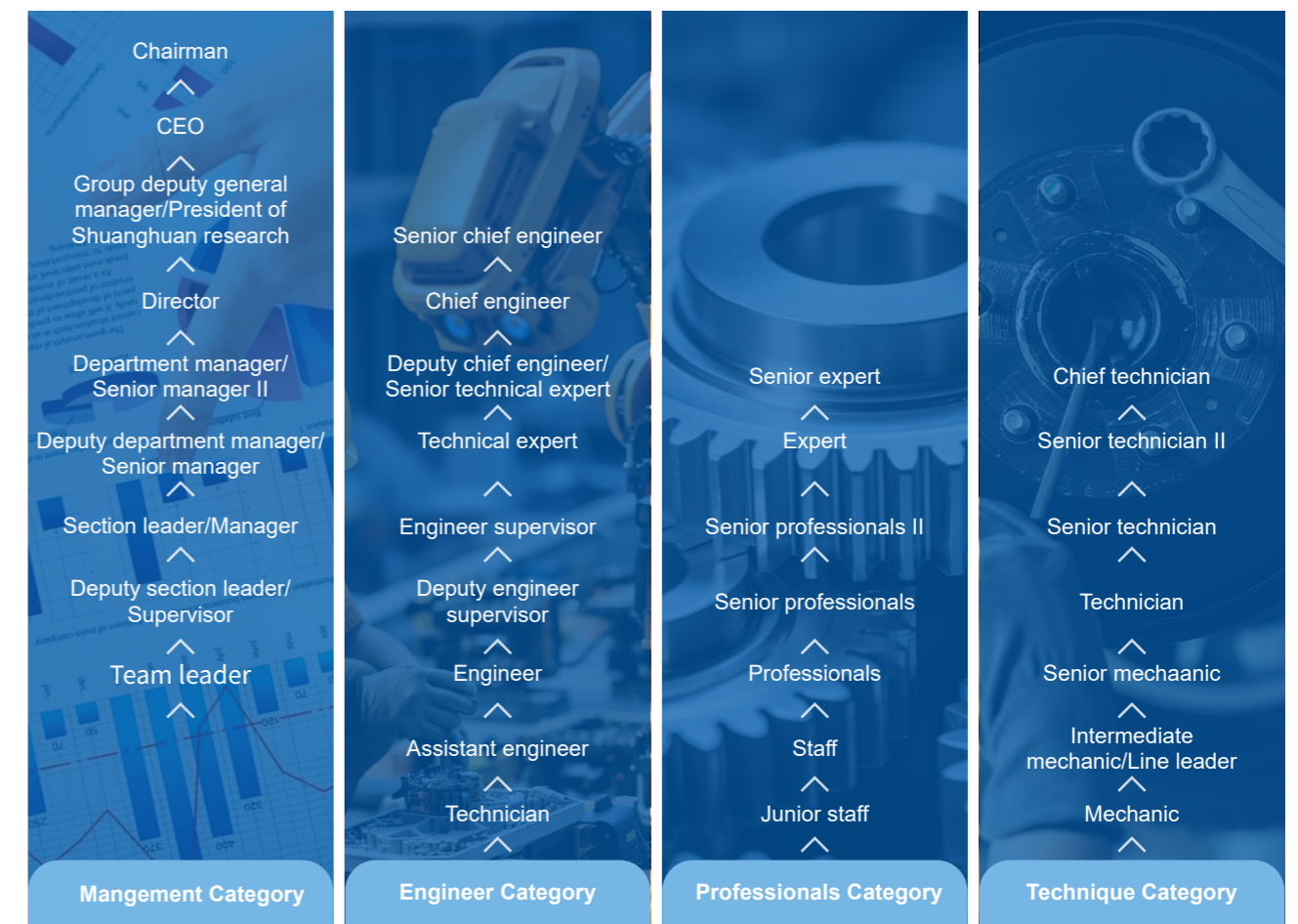
In 2021, Shuanghuan implemented the "Excellent Engineer Training Program" in a 3+1 mode with Jiamusi University and Hunan University of Science and Technology. This mode broke through the constraints of departments and majors, successfully explored the course substitution evaluation system, and proved to be an effective attempt in practical talent development for the enterprise, showcasing collaborative innovation from education to employment. In 2022 and 2023, the company utilized this model to train and retain 25 students, out of which 20 were employed.



Development and Training

Career Development

Adhering to the talent philosophy of "both virtue and ability, morality first; know a man well and give full play to his talents," Shuanghuan Driveline focuses on refining employees' career development plans. We have established performance management systems such as *Performance Management System*, *Ethics Assessment Implementation Rules*, *Employee Promotion Review Implementation Rules*, *Position Classification*, and *Grade Management Measures*. These systems aim to create fair and reasonable mechanisms for assessment, evaluation, promotion, and incentives providing multiple development paths for employees across different job sequences and conducting diverse employee training programs.



Performance Management

Conduct performance evaluations. Allocate salaries, make job adjustments, establish training plans, and develop career paths based on performance evaluation results. Employees have the right to appeal any unfair treatment during performance evaluation and are guaranteed protection against retaliation.

Character Assessment

Guided by the five major corporate cultures of integrity, dedication, teamwork, striving for progress, and continuous learning and growth, as well as integrity and public service, employees undergo character assessment evaluations integrated into performance appraisals. These evaluations are essential criteria for promotions and annual awards.

Supporting Employee Skill Enhancement

We have obtained the self-evaluation qualifications for mechanical and electrical engineering in Yuhuan City and the independent review qualifications for enterprise engineering titles in Taizhou City facilitate more convenient channels for evaluating employee skills and technical levels. Additionally, we offer title subsidies to professional and technical personnel at different levels.

Employee Training

Shuanghuan has established the *Training Management System* to conduct internal and external training on management and leadership, general knowledge, and technical skills. Additionally, we encourage employees to engage in self-development and self-education through video learning, reading, and other forms.

Shuanghuan Eagle Training System

To help newly hired high-potential employees integrate quickly and become part of the company, Shuanghuan has developed the "Eaglet- Flying Eagle- Male Eagle - Elite Eagle" training system, assisting new employees in understanding the company culture and transitioning from campus life to becoming key contributors of Shuanghuan.

Eaglet

By conducting concentrated training and rotational job assignments, we facilitate the transition of fresh graduates from campus to the workplace. In 2023, over 150 individuals completed this training program.

Flying Eagle

Conducted team leader training camps to develop frontline managers, strengthen team building, enhance overall on-site management capabilities, and create a platform for team growth.

Male Eagle

Launched the Key Position Succession Program, integrating training with practical exercises to develop a pipeline of middle management leaders for the company.

Knowledge and Skill Training

We conduct various professional skills training sessions, technical exchange meetings, and specialized training seminars. Young technical talents are regularly arranged to participate in frontline production to strengthen their practical skills, helping employees continuously improve their skills and fostering a new era of abundant talent.

Employee Skills Training at Shuanghuan Driveline

Craftsman Skills Training

Conduct combined training sessions for production employees to master processes, technology, operational procedures, and lean production methods. Classify the skills of production employees using a matrix approach and conduct combined training sessions. Use a mentorship model, where experienced workers (mentors) teach operational skills and share working experiences with less experienced workers (apprentices).

Essential Knowledge and Skills Training

Provide training for non-production employees on job-related skills, processes, and working methods.

Skills Talent Order Class

Collaborate with Taizhou Vocational and Technical College, Sichuan Vocational College of Information Technology, and other institutions to provide star-rated technician training. This includes star-level skilled trades mentoring, on-the-job training, and targeted recruitment for specialized training.

English Training

Conduct specialized English training to enhance the English proficiency of the technical team, advancing the company's internationalization process.

Management Talent Training

Management Personnel Training System

Key Personnel Program

Provide management knowledge training for line supervisors.

Key Talent Development Program

Provide professional and managerial enhancement training for managerial cadres.

Succession Planning Program

Provide training on work planning and coordination for middle and senior management cadres.

Leadership Development Program

Foster advanced business management talent by nurturing their thinking and perspectives. Conduct executive management workshops and facilitate external exchanges to enhance operational leadership capabilities.



Key Position Competency Training Program at Jiaying Shuanghuan

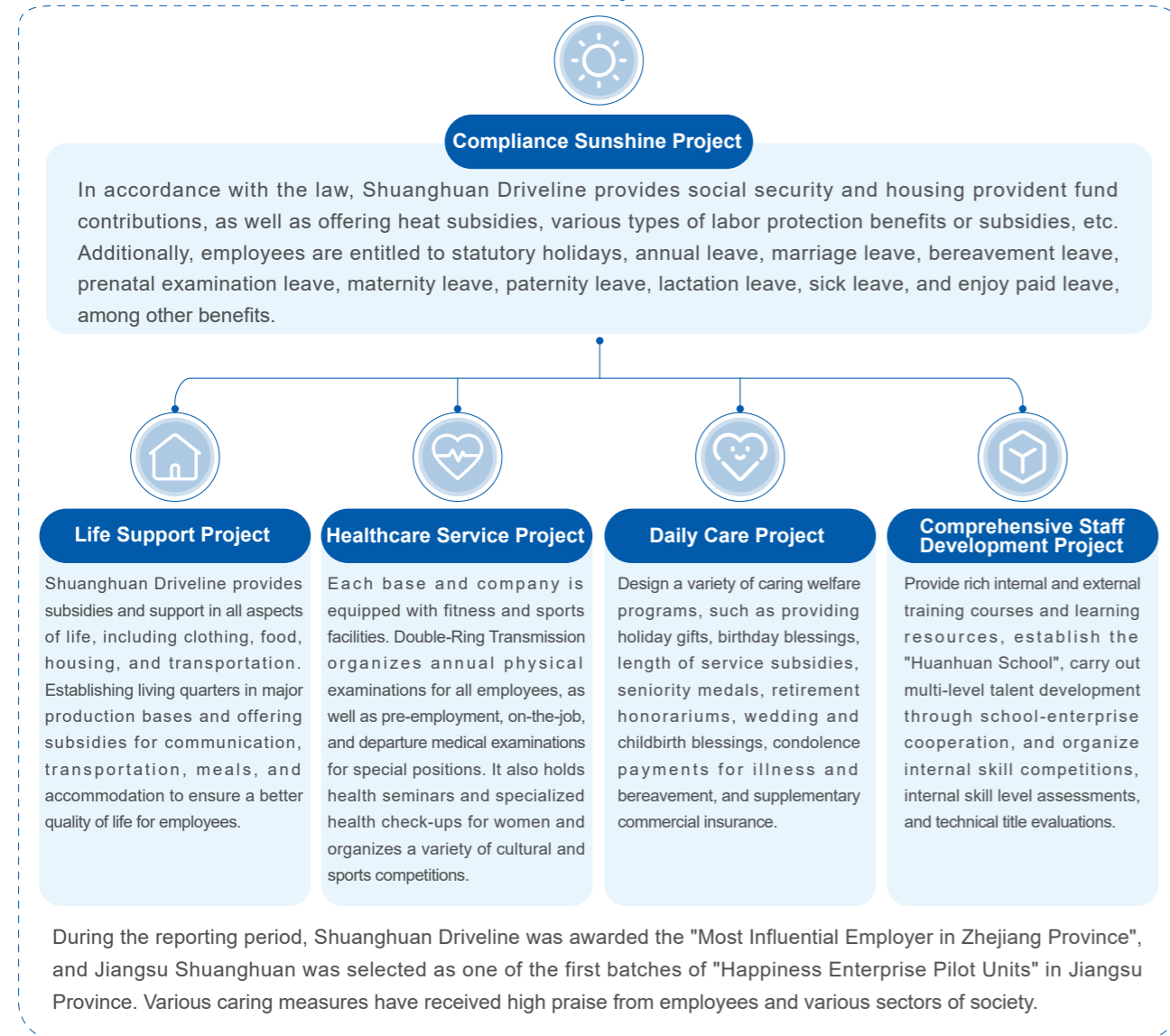
Jiaying Shuanghuan conducts training covering general skills, management abilities, corporate culture, and on-site management. Under the guidance of team leaders, employees achieve comprehensive skill enhancement, thus contributing to the core competitiveness of the company. 20 participants have completed 8 sessions of training courses and are now proceeding to the graduation defense segment.

Employee Rights and Welfare

Welfare System

Shuanghuan Driveline, starting from the actual needs of its employees, has established a comprehensive system for employee welfare and benefits. It continuously enhances employee welfare benefits, focusing on creating the "1+4" five major projects.

"1+4" Projects



Compensation Management

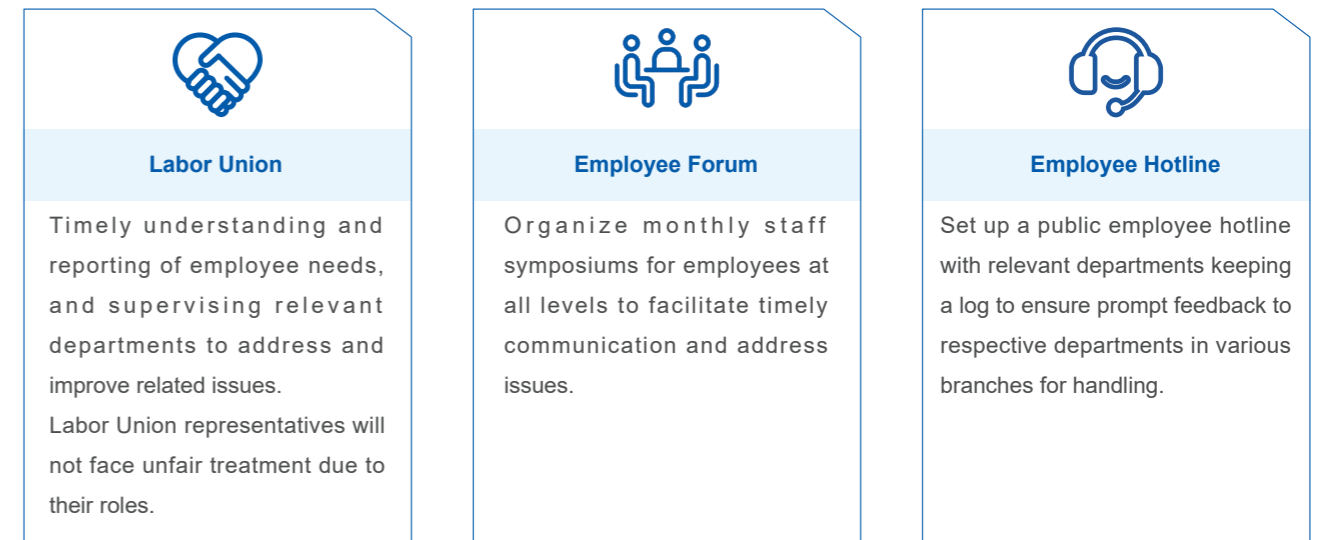
Shuanghuan Driveline actively cultivates a "contributor-centric" culture of value distribution, aiming to establish fair, equitable, and competitive compensation and benefits. Internally, we established career development paths and a comprehensive compensation management system based on job value, performance achievements, and individual potential. Externally, the company continuously monitors and analyzes industry salary levels, engages in salary expectation discussions, and, in accordance with the *Employee Compensation Management Measures*, supplements fixed salaries with variable components such as business commissions, project bonuses, and year-end bonuses tied to performance. Shuanghuan also introduces incentive bonuses linked to overachievement, such as the "Double Ten" incentive bonus, allowing employees to share in the company's development and ensuring that all employees can meet their basic living needs with compensation levels maintained at a relatively high level within the industry.

Additionally, the company implements equity incentives for employees through employee stock ownership plans.

Employees Communication

To enhance internal communication and management within the company, the company has formulated *Employee Internal Communication Management Measures*, establishing various channels for feedback and communication to facilitate efficient and orderly communication between employees and the company.

Employee Communication Channels



Performance Highlight

In addition, employee feedback channels include work meetings, employee recognition ceremonies, the general manager's mailbox, WeChat public platform, suggestion schemes, performance interviews, and more. Among these, employee satisfaction surveys are a crucial channel for listening to employee feedback. The company conducts employee satisfaction surveys quarterly, analyzes the results, and develops corresponding action plans for continuous improvement in areas such as corporate culture, compensation and benefits, system policies, office environment, and talent development.



Covering more than

6,000 Employees

Comprehensive score exceeds

80 Points

Employee Care

Supporting Employees in Need

To further foster a "family culture" and advance the development of a positive employment environment within the company, Shuanghuan actively offers condolences and assistance to internal employees facing difficulties.

In January 2023, the Shuanghuan Driveline Labor Union presented consolation funds to outstanding workers, craftsmen, employees facing family difficulties, and cleaning staff, thanking them for their hard work over the past year.



The Shuanghuan Driveline Labor Union Brings Warmth to Employees, Acting as a Supportive Family

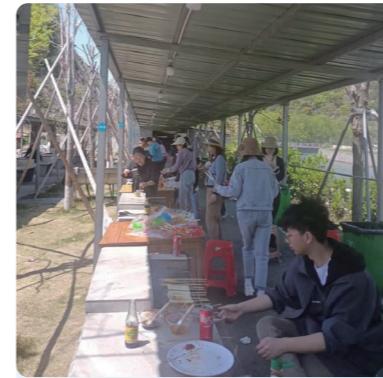
In January 2023, representatives from the Huai'an District Federation of Trade Unions delivered Spring Festival gift packages with distinctive Huai'an characteristics to employees from other regions who stayed in Huai'an for the Chinese New Year, extending sincere Spring Festival greetings.



The Huai'an District Federation of Trade Unions Visited Jiangsu Shuanghuan for Spring Festival Consolation Activities

Shuanghuan Youth, Very "YOUNG" Spring Team Building Activity

In April 2023, we embraced the spring season and organized a series of spring team-building activities.



Zhejiang Shuanghuan Farmhouse Activity



Spring Employee Tug-of-War Activity at Jiangsu Shuanghuan



Jiaxing Shuanghuan One-Day Tour to Shaoxing Event

Care for Employees' Families

During the summer vacation of 2023, Zhejiang Shuanghuan organized the "Love Nursery" activity, providing a safe and enjoyable summer for many employees' children. This initiative allowed employees to work with peace of mind, free from concerns about their children's care.



Zhejiang Shuanghuan "Love Nursery" Activity

In July 2023, Jiaxing Shuanghuan held the fourth "Huanhuan Class," addressing the issue of employee children lacking supervision during the holidays.



The Fourth "Huanhuan Class" of Jiaxing Shuanghuan

Team Building Activities

Shuanghuan Driveline prioritizes creating a relaxed team atmosphere for employees and actively organizes diverse team-building activities to balance work and life for employees.

In September 2023, Zhejiang Shuanghuan organized a themed event "Celebrating the Asian Games with Heartfelt Unity, Green and Low-Carbon Walk". During the walk, participants actively engaged in public welfare by carefully cleaning up litter along the way, contributing to a beautiful environment.



Zhejiang Shuanghuan Conducted a Themed Event Celebrating the Asian Games



Diversity and Equal Opportunity

Shuanghuan Driveline has always adhered to the principle of respecting human rights and promoting diversity in employment. Currently, the company employs 526 minority employees, 70 foreign employees, and 3 disabled employees. Additionally, special protection provisions are established for female workers and underage employees, striving to create an inclusive and diverse workplace atmosphere.

Minority Employees	Foreign Employees	Disabled Employees
526	70	3

526

70

3

Pay Equity

Shuanghuan Driveline uploads the concept of gender equality by formulating and implementing the relevant provisions of equal pay for male and female employees as outlined in the *Compensation and Benefits Manual*.

Male	Female
147,639	118,831

Average Employee Salary (Yuan/Year)

Care for Female Employees

Shuanghuan Driveline has established lactation rooms for female employees and has standardized the protection of female employees in the *Company Labor Rights Protection Management Measures and Safety Production Responsibility System*, ensuring that female employees enjoy statutory benefits such as maternity leave. It also reasonably arranges the workload and working hours for female employees during pregnancy, childbirth, lactation, and menstruation periods.

Special Collective Contract

Shuanghuan issues the Special Collective Contract on the Protection of Female Employees' Rights within the Enterprise Collective Contract, safeguarding various rights and interests of female employees.



Regularly arrange special health examinations for female employees and provide mental health services.

Purchase special disease insurance.

Do not reduce the salary or dismiss female employees due to marriage, pregnancy, childbirth, or breastfeeding.

Implement flexible work schedules, including flexible working hours and remote work, to help female employees manage childcare challenges.

Provide targeted vocational skills training.

Establish relevant rules and regulations to prevent workplace sexual harassment incidents involving female employees.

Set up hotlines, mailboxes, and other complaint channels to protect the privacy of female employees while ensuring that issues are properly resolved.

Additionally, the company has established a Female Employee Committee and a Labor Dispute Mediation Committee to mediate labor disputes.

Team-Building Activities

To further unite the strength of women, Shuanghuan Driveline has organized a variety of enriching team-building activities for female employees.



Most Beautiful Women's Day, A "Fragrant" Date with You

Host a DIY aromatherapy candle-making activity to enhance her appreciation of life.



Healthcare and Enterprise: Collaborating for Wellness

Organize special lectures on women's health knowledge to provide explanations and guidance on women's health issues.



March Spring Blossoms

Hosted a fun sports day, strengthening unity and cohesion among female employees.



Warmth for Half the Sky, Love in Action

Organize fun park activities.



Warmth on Women's Day, Unleashing Charm

Organized health knowledge seminar for women, further enhancing employees' self-care awareness.

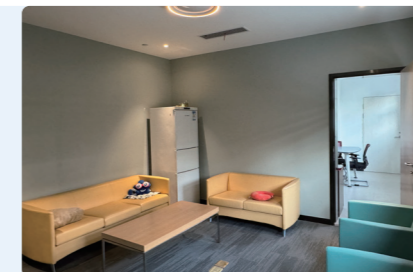


Gifts for Women, Embarking on a New Journey Together

Regularly prepare exquisite gifts for female employees and extend blessings.

Give Maternal Love a Warm Space

Equip the "Mommy Care Room" to ensure the normal use of the nursing room and improve maternal and child facilities.



Rights of Disabled Employees

Shuanghuan Driveline places a high priority on safeguarding the rights and interests of employees who are disabled or ill. The company provides equal employment opportunities to qualified disabled individuals who pass medical examinations and tests. For employees who are ill, the company maintains their employment status during their medical treatment period, unless they choose to resign voluntarily.

Care for Minority and Foreign Employees

The company respects and cares for employees of all races and beliefs, actively assisting foreign employees and their families with visa-related matters. During holidays, the company provides holiday gifts to minority and foreign employees. Additionally, for dual-career couples among Hui Minority (nationality) employees and Sarta employees, the company arranges "halal dormitory" areas to provide a harmonious living environment.

Occupational Health and Safety

Occupational Health and Safety Management System

Shuanghuan Driline upholds the safety management philosophy of "prevention first, combining prevention and control, comprehensive management." The company continuously optimizes the work environment to ensure a safe and healthy workplace for employees. At the same time, we constantly strengthen safety risk management, promote the construction of a safety culture, and continuously enhance of the EHS management system. Our focus is on safety production management, digital security platform development, and the establishment of a voluntary firefighting team to enhance risk control capabilities. We implement a comprehensive safety responsibility system across all levels, raise the safety awareness of employees, and emphasize safety hazard identification and emergency preparedness. By advancing safety standardization management systems, we elevate overall company management. During the reporting period, the company has obtained ISO 45001:2018 Occupational Health and Safety Management System certification, covering all employees.

Risk Identification and Response

The company has established a Safety Production Management Committee and a Safety Production Office, responsible for formulating relevant policies and objectives, and promoting safety production management work. Additionally, we establish a dual prevention mechanism, identify risks and hazards throughout the entire process, and formulate control measures. We create safety responsibility lists for each position, ensuring that safety responsibilities are allocated across all roles. During the reporting period, Zhejiang Shuanghuan organized 12 company-level safety inspections, 48 subsidiary-level safety inspections, 10 special safety inspections, and 580 workshop-level safety inspections. The timely rectification rate for safety hazards was 96.5%. Other subsidiaries also regularly conduct corresponding safety inspections, with an average timely rectification rate of 90%. Additionally, the company is vigorously promoting technological upgrades to reduce safety risks. This includes installing central air conditioning in production workshops, overall ventilation and air exchange facilities, and localized dust removal and ventilation systems, providing a comfortable working environment for employees. Furthermore, the company is upgrading existing production equipment to be more intelligent and automated, enhancing the inherent safety performance of the equipment. For employees exposed to occupational hazards, the company ensures 100% occupational health examinations, establishes occupational health records, and regularly monitors employees' health conditions.

Occupational Health and Safety Management Policy



Risk Identification

- Identify Company Hazards
- Identify Occupational Prohibitive Factors



Continuous Education

- Establish a Three-Level Safety and Health Education System
- Conduct Annual Safety Drills



Qualification

- Special Equipment Operators to Work with Qualification

Ensure Proper Protection

- Regular Safety Inspections and Hazard Elimination
- Regular Medical Examinations to Prevent Occupational Diseases
- Provide Personal Protective Equipment
- Ensure Fire and Electrical Safety in Warehouses



Safety Culture Construction

Shuanghuan Driline has established a three-level emergency management system, formulating and publishing one comprehensive emergency plan, seven specialized emergency plans, and 14 on-site disposal plans. The company has developed a comprehensive safety training system, covering topics such as occupational disease prevention, injury prevention, hazard identification, chemical management, and emergency response. Employees are permitted to begin work only after receiving thorough training and obtaining the necessary qualifications for their respective positions. Additionally, the company actively conducts activities like Work Safety Month, Fire Safety Month, and Occupational Health Awareness Week to promote safety awareness among employees and enhance their safety consciousness.

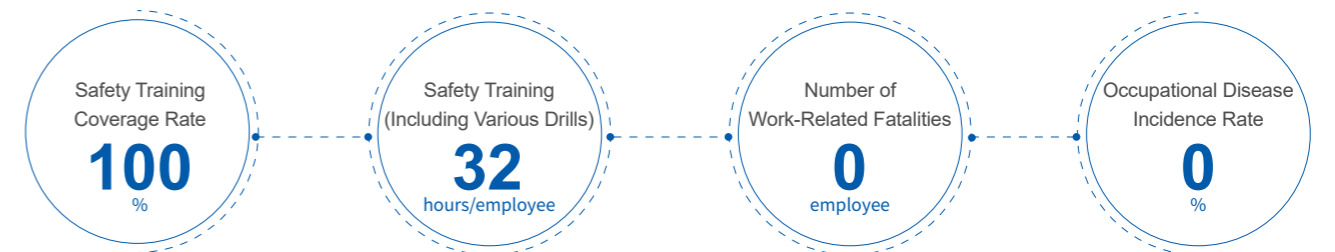
Fire Drills



Emergency Drills



Safety Knowledge Competition



04

Fortifying Environmental Resilience for Planet

Environmental Management

Cleaner Production

Responding to Climate Change



BETTER EVERY TIME, ALWAYS



Contributing to Society with Love and Strength

- GHG Emissions (Scope 1): **20,864.45** tCO₂e
- GHG Emissions (Scope 2) **274,595.79** tCO₂e
- Total Water Withdrawal **1,202,399** m³
- Total Energy Consumption **126,867** tons of standard coal equivalent (tce)
- GHG Emissions Intensity per 10,000 CNY of industrial value added **1.01** tCO₂e, a decrease of **4.72%** compared to the previous period
- Greenhouse Gas Emissions Intensity per 10,000 CNY of output value **0.39** tCO₂e, a decrease of **4.88%** compared to the previous period

Environmental Management

Shuanghuan Driveline strictly abides by the *Environmental Protection Law of the People's Republic of China* and the *Cleaner Production Promotion Law of the People's Republic of China*, among other national laws and regulations. In accordance with these, we have formulated internal management regulations such as the *Environmental Protection Management System* to define environmental management policies and tasks. As of the end of the reporting period, Shuanghuan Driveline and its subsidiaries have achieved full coverage of ISO 14001:2015 Environmental Management System certification.

Environmental Management Policies

- Strictly comply with legal and regulatory requirements.
- Improve the pollution prevention and control system.
- Establish a continuous improvement mechanism.
- Minimize environmental impact.

Environmental Management Main Tasks

- Promote and enforce environmental laws, regulations, and related provisions.
- Utilize resources and energy reasonably and effectively.
- Control and eliminate pollution to promote the company's production development.
- Create good working and living environment, minimizing the impact of the company's economic activities on the surrounding ecological system and environment.

As of the end of the reporting period, Zhejiang Shuanghuan has received several honorary titles, including National Green Factory, Provincial Green Factory, Water-Saving Enterprise, and Waste-Free Factory. Chongqing Shuanghuan has obtained the Provincial Green Factory certification, while Jiangsu Shuanghuan has been recognized as Municipal Green Benchmark Enterprise, Advanced Water-Saving Unit, and Annual Water-Saving Enterprise. During the reporting period, the Company did not experience any sudden environmental risk incidents, did not engage in any environmental violations or illegal activities, and did not receive any administrative penalties from the relevant authorities.

Environmental Emergency Management

To enhance the ability to respond to sudden environmental incidents, Shuanghuan Driveline has formulated the *Emergency Preparedness and Response Management Procedure*, *Special Emergency Plan for Chemicals*, *Hazardous Waste Accident Emergency Plan*, and other preventive measures or emergency plans. Regular emergency drills are conducted annually to prevent and reduce the environmental impact associated with emergencies and incidents.

Cleaner Production

Building a "Smart Digital Factory"

By constructing intelligent manufacturing workshops, implementing one-to-three robot systems, and deploying online automatic inspection and automatic matching systems, Shuanghuan Driveline has achieved transparent control throughout the entire process from design to processing and from customer demand to finished product delivery. Integration with systems such as CAPP, ERP, OA, and equipment cloud inspection has enabled nearly full digital control of the entire process, significantly reducing paper usage.

- Key equipment CNC (Computer Numerical Control) rate has reached **100%**
- Annual reduction in raw and auxiliary material consumption by approximately **1,800** tons
- Annual reduction in defective products by **1,200** tons



Material

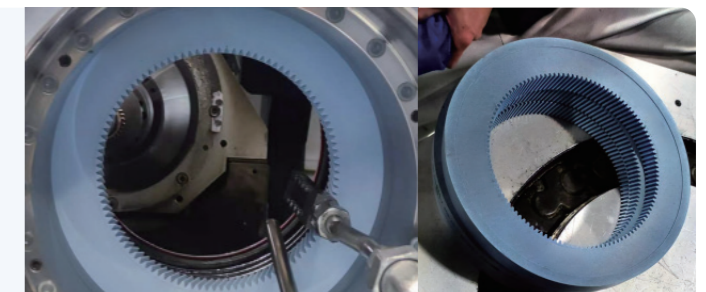
Effective utilization of raw materials, auxiliary materials, and packaging materials is one of the key approaches to achieving a circular economy. Shuanghuan Driveline has undertaken a series of process optimization innovations, continuously seeking possible ways to improve material utilization through saving and reuse.

Process Optimization – Material Recycling

Shuanghuan Driveline has conducted experiments and in-depth exploration in secondary grooving of honing wheels, blade regrinding, and left-right hand usage, achieving significant results and effectively reducing material consumption.

Secondary Grooving of Honing Wheels

After comprehensive consideration of process specifications, material matching, processing effects, ensuring balance and stability, recording and traceability, and personnel training, we achieved the reuse of a honing wheel, reducing of consumption of honing wheels.



Blade Regrinding and Reuse

CBN blades that have reached the end-of-life phase are reground and reused, extending their service life to over 80% of the original blades. We have improved operational processes and established blade usage management methods.



Blade Left-right Hand Change and Reuse

By using both sides of the blades interchangeably, we addressed the issue of uneven wear on both sides, effectively extending the blades' service life. We plan to standardize and promote applicable models in future documentation.



Shuanghuan Driveline is committed to building a low-carbon logistics chain, actively exploring various measures to optimize and improve all aspects of company logistics. While enhancing efficiency, we aim to minimize the environmental impact during the logistics process.

In 2023, the company reduced packaging materials through optimized consumable utilization and focused on promoting logistics emission reduction. By continuously optimizing transportation efficiency, we achieved dual savings in resources and costs while reducing greenhouse gas emissions.

Optimization and Improvement of Consumable Utilization

- No disposable plastic packaging is used within the factory
- 100% use of reusable turnover boxes
- Replacement of wooden crates in all new energy projects
- Recycling and continued use of reusable packaging boxes and pallets



Analyzing different customer shipping characteristics to differentiate shipments. We switched from bulk shipments to full truckload shipments for customers with large shipping volumes and high shipping frequencies.

The new logistics center project at Zhejiang Shuanghuan achieved unified logistics management and scheduling, improved efficiency of finished goods storage and shipping, and, combined with the intelligent automated warehouse design, enhanced land use efficiency.

Energy Management

Shuanghuan Driveline actively engages in the construction of an energy management system. As of the end of the reporting period, two of the company's subsidiaries have obtained ISO 50001:2018 Energy Management System certification.

The company comprehensively carries out energy-saving and consumption-reduction projects and realizes the reduction of energy consumption from the source through energy-saving renovation. We continuously push forward the intelligent and digital transformation of energy management and promote the green transformation at the same time.

Key Performance Indicators

Total Energy Consumption	Energy Energy Consumption	
126,867 tce	0.17 tce/ 10,000 yuan output value	0.43 tce/10,000 yuan industrial added value
1,554,893.95 GJ	2.06 GJ/ 10,000 yuan output value	5.33 GJ/10,000 yuan industrial added value
Gasoline	Diesel	Natural Gas
2,682.88 GJ	4,901.26 GJ	103,191.48 GJ
Liquefied Petroleum Gas (LPG)	Purchased Electricity	Renewable Electricity
1,761.23 GJ	1,422,235.28 GJ	34,521.83 GJ

The average low calorific value is referenced according to GB/T 2589-2020 *General rules for the calculation of the comprehensive energy consumption*, coal equivalent value is used for the conversion coefficient of electricity to ce.

Energy-saving Improvements for Air Compressors

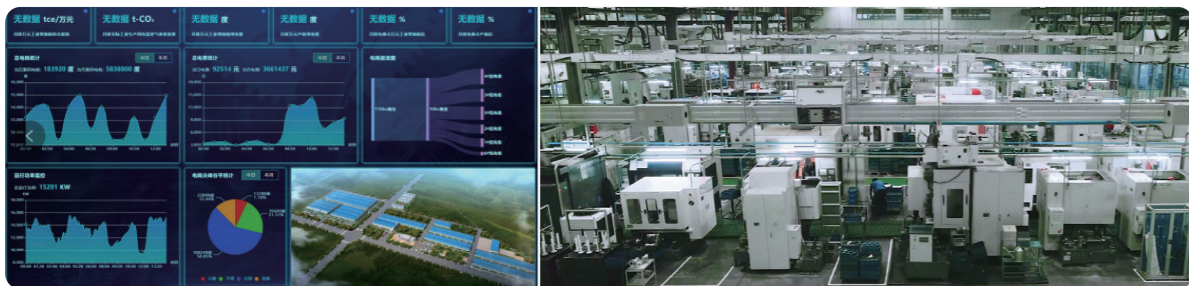
Zhejiang Shuanghuan, in collaboration with the State Grid, has developed an intelligent centralized gas supply system. The actual operating power of the air compressor has decreased from the original 1300 kW to 890 kW. According to estimates, this improvement is expected to save over 4.6 million kWh of electricity annually.



Building Energy Management System

In June 2023, Jiangsu Shuanghuan completed the construction and upgrade of its smart energy management system. Based on the energy management platform, the system encompasses factory-level, workshop-level, office-level, and key energy-consuming equipment levels, providing real-time energy consumption data for cost-saving and energy-saving analysis.

As of the end of the reporting period, the company has completed the installation, upgrade, and commissioning of 8 power distribution rooms, 15 main box transformers, 150 communication meters, and 160 meters in 40 workshop power cabinets, successfully achieving real-time data collection on the platform.



Shuanghuan Driveline continues to develop renewable energy applications tailored to the characteristics of different sites. By implementing photovoltaic installations and building energy storage systems, the company promotes clean and intelligent energy utilization. Additionally, the company effectively reduces greenhouse gas emissions through the procurement of green electricity and investment in green energy.

Photovoltaic Construction Projects in Jiangsu and Chongqing

In December 2023, Jiangsu Shuanghuan completed and connected a 16.7 MW capacity photovoltaic project to the grid, with an expected annual power generation of 17 million kWh. The company plans to complete the second phase of transformer capacity expansion from 25 MW to 31.5 MW by the first half of 2024, including the construction of a 1 MW energy storage station to enhance energy utilization efficiency.



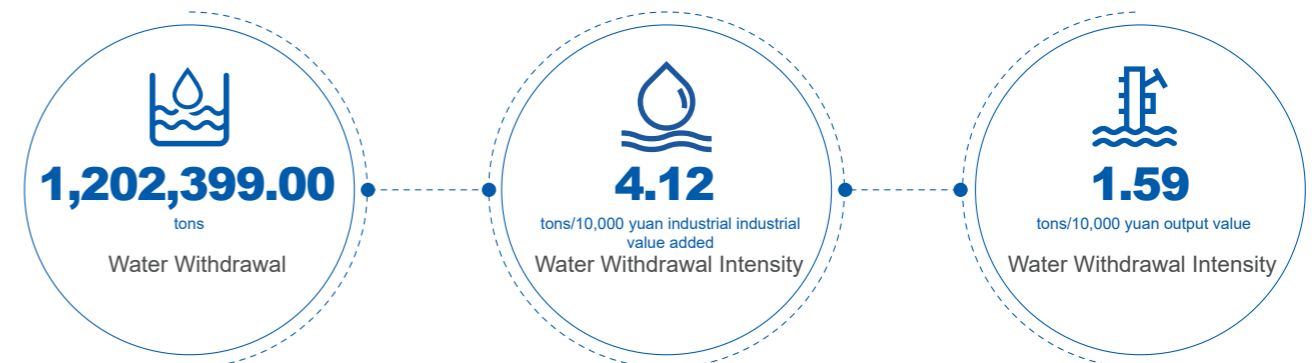
In 2023, Chongqing Shuanghuan completed a 1.99 MW photovoltaic project, providing approximately 1.7 million kWh of clean energy annually. Additionally, a 1.5 MW/3 MWh energy storage project was built, achieving peak-shaving and valley-filling of about 1.8 million kWh annually.

The construction of photovoltaic and energy storage facilities has significantly enhanced Shuanghuan Driveline's energy self-sufficiency, ensuring a stable energy supply during production processes, and optimizing resource allocation. This marks an important step towards the company's comprehensive transition to green energy and sustainable clean production.



Water Management

Shuanghuan Driveline sources its water from municipal supplies, primarily for cleaning in production, cooling water replenishment, auxiliary production uses, and domestic use. Using the World Resources Institute's "Aqueduct" water risk tool, we assessed the overall water risk for all production locations and found all sites to be in areas with potentially high water risk. In response, we have increased investment in water conservation, actively conducted water-saving technological transformations, and promoted the use of water-saving devices. By conducting water balance calculations, we manage water resources reasonably. To ensure the effective implementation of water-saving measures and achieving saving targets, we have formulated a Water Conservation Management System, set monthly water usage plans, regularly monitored daily domestic and production water usage, and conducted various forms of water conservation publicity to raise employees' water-saving awareness.



The company's efficient and scientific water-saving measures have received high recognition. During the reporting period, Jiangsu Double Ring was awarded the titles of "2023 Advanced Water-Saving Unit" and "2023 Water-Saving Enterprise" in Huai'an District, Huai'an City.

Jiangsu Shuanghuan Water-saving Initiatives

Jiangsu Shuanghuan leveraged its technical advantages by deeply upgrading cooling tower equipment to technically reduce production water usage. Additionally, it promoted water-saving concepts extensively within the plant, encouraging employees to reduce the waste of water consumption.

The successful experiences of Jiangsu Shuanghuan will gradually be extended to other production bases, taking firm steps towards creating "water-saving" enterprises.



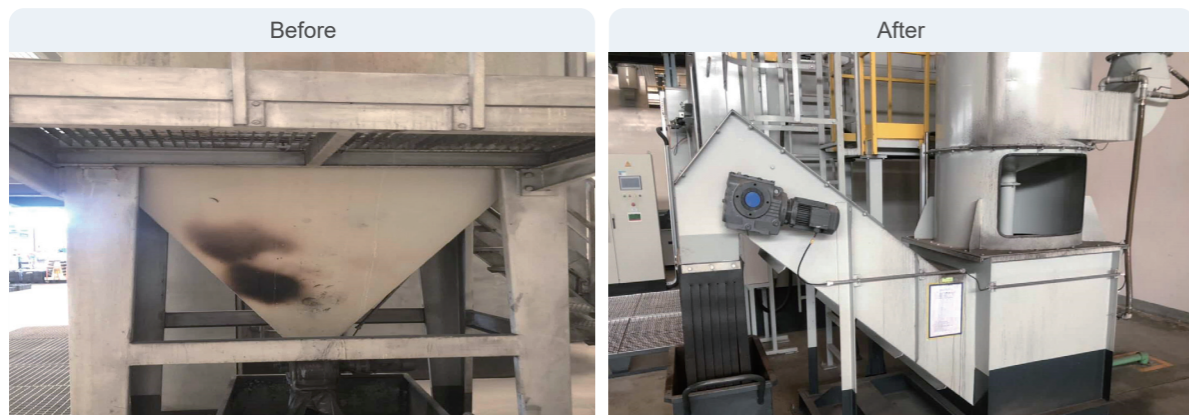
Waste Management

Waste Gas Management

The primary air pollutants produced by Shuanghuan Driveline are dust/particulates from metal surface treatments and flue gas from heat treatments. The company collects all air pollutants generated during production operations and is equipped with waste gas treatment facilities to ensure emissions meet the *Integrated Emission Standard of Air Pollutants* (GB 16297-1996) Class II standards for new pollution sources. Additionally, the company routinely inspects waste gas treatment facilities and conducts random checks to ensure the equipment operates properly.

Upgrade of Waste Gas Treatment Equipment and Processes

In 2023, Zhejiang Shuanghuan upgraded its waste gas treatment process.



The waste gas treatment stage generated a lot of dust from shot blasting, with pellets scattered everywhere.

Dust was significantly reduced, and the on-site environment greatly improved.

Waste Gas Collection Devices

Certain equipment was fitted with oil-removal and purification facilities for real-time waste gas treatment, and regular maintenance ensures treatment efficiency.

Additional equipment was installed with waste gas collection pipes for unified treatment. Various measures were taken to handle workshop waste gases, heat treatment exhaust, and particulates from shot blasting.



Wastewater Management

The types of wastewater produced during Shuanghuan Driveline's operations include industrial wastewater, domestic wastewater, and canteen wastewater. The company has established a *Water Pollution Prevention and Control Management Procedure* to standardize wastewater management. Different treatment devices are installed for various wastewater types, and an online monitoring system for wastewater discharge ensures that the concentration of discharged wastewater complies with the *Integrated Wastewater Discharge Standard* (GB 8978-1996) Class III standards and the total volume meets the requirements of the discharge permit. Regularly disclosed monitoring data ensures transparency.

Treated wastewater will then be via disinfection and precipitation and used for domestic, landscaping, and firefighting, which saves water resources and reduces discharge pressure.

Waste Management

Shuanghuan Driveline adheres to the principles of green production, source control, resource utilization, and harmless treatment for managing solid waste. The waste generated during production operations is classified into general industrial solid waste, hazardous waste, and domestic waste.

To create a zero-waste factory, the company has developed digital intelligent manufacturing, improved advanced CNC processing equipment, reduced the use of raw materials, packaging materials, hazardous chemicals, and office supplies, and controlled the generation of general and hazardous solid waste from the source. Recyclable solid waste is first recycled and reused internally. The company collaborates with suppliers, customers, and peers to achieve zero waste to landfill, promoting a circular economy and reducing resource consumption.

For general and hazardous industrial solid waste, the company has built specialized storage warehouses for classified storage management according to the *Standard for Pollution on the Storage and Disposal Site for General Industrial Solid Wastes* (GB 18599-2020) and the *Standard for Pollution Control on Hazardous Waste Storage* (GB 18597-2023). These warehouses are equipped with anti-corrosion and anti-seepage measures, and qualified units are commissioned for recycling and comprehensive disposal. Additionally, a solid waste management ledger records and manages information on all stages of waste handling.

Grinding Sludge Briquetting



For grinding sludge containing metal particles, metal dust, abrasive residues, and harmful components such as oil and lubricants, the company has purchased briquetting equipment. This equipment compresses grinding sludge into briquettes for effective collection, separation, and recycling.

Currently, the company processes 4-5 tons of grinding sludge daily, recovering about 0.8 tons of oil. Briquetting reduces the weight of grinding sludge by approximately 30-40%, potentially reducing hazardous waste by about 300 tons and recovering about 200 tons of oil annually.



Grinding sludge briquetting equipment

Before briquetting

After briquetting

Noise Management

Shuanghuan Driveline has developed a *Noise Pollution Prevention and Control Management Procedure* based on relevant laws and regulations. The company actively identifies potential noise sources during production operations and effectively reduces factory noise by purchasing low-noise equipment, isolating high-noise equipment, and installing vibration-damping pads. During the reporting period, the company's noise emissions were managed according to the *Emission Standard for Industrial Enterprises Noise at Boundary* (GB 12348-2008) Class III standards. Third-party monitoring was conducted, and results showed compliance with the standards.

Responding to Climate Change

As global warming and extreme weather trigger a series of environmental crises and socio-economic problems, climate change has become one of the 21st century's major challenges for humanity. As a responsible corporate citizen, Shuanghuan Driveline actively responds to the national "carbon peaking and carbon neutrality" goals, making effective management and response to climate change risks a key focus of daily operations. The company develops strategies and management methods for significant climate-related risks and opportunities, referring to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It proactively identifies major climate risks, assesses the impact of climate change on long-term goals and strategies, and timely adjusts strategies to adapt while seizing opportunities brought by the low-carbon green economy.

Governance and Strategy

Since the establishment of the Carbon Neutrality and Energy Consumption Control Leadership Group in 2021, Shuanghuan Driveline has integrated carbon neutrality into production and operation management, controlling all aspects from technology, quality, cost, delivery, and low carbon. The company's Board of Directors and ESG Committee explicitly oversee responsibilities, jointly coordinating responses to climate change, identifying and assessing climate-related risks and opportunities, and formulating response strategies. They actively promote the implementation of climate change-related policies and measures to ensure the company's sustainable and steady development.

Carbon Neutrality and Energy Consumption Control Leadership Group

- Deployment & Planning**
 - ◎ **Shuanghuan Driveline Carbon Emissions Office**

We have established a Carbon Emissions Office, which is mainly in charge of senior management of the company. The office is responsible for making deployment for carbon management at the company level in line with internal and external regulations and specifying medium & long-term plans of carbon neutrality and the deployment of the year.
- Implementation & Promotion**
 - ◎ **Leading Groups for Carbon Neutrality and Energy Consumption & Intensity Control**

The group is established at each subsidiary, led by general managers and heads of operations and technical departments, responsible for organizing, coordinating, and directing carbon neutrality efforts. At Shuanghuan's subsidiaries, we have established leading groups for carbon neutrality and energy consumption & intensity control. Led by the Company's general manager and head of operation and technology departments, the leading groups are responsible for the organization, coordination, and leadership of the carbon neutrality.
- Efficient Execution**
 - ◎ **Functional Departments Conducting Carbon Management**

According to the annual work plan for carbon neutrality, Shuanghuan has assigned relevant functional departments to jointly promote the implementation of carbon neutrality work with the collaborative support of the heads of the departments.



Risks and Opportunities

Shuanghuan Driveline focuses on the existing enterprise risk management framework to remain vigilant in identifying, assessing, and addressing climate-related risks and opportunities across various operations, incorporating climate change into the company's strategic plans. Based on actual operational conditions, a series of climate change-related risks and opportunities are identified, and corresponding measures are formulated.

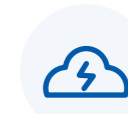


Physical Risks

Risk Identification

Extreme weather events such as heavy rain, typhoons, and high temperatures could:

- Disrupt daily production, transportation, and supply chain, affecting business continuity.
- Increase energy demand, raising operational costs.
- Affect employee health and equipment durability, leading to decreased productivity.



Acute Risks

Chronic Risks

- Zhejiang Shuanghuan is located in the southeast coastal region, at low altitudes, making it susceptible to sea level rise, potentially requiring the relocation of production bases.

Physical Risks	Acute Risks	Chronic Risks
Risk Response	<ul style="list-style-type: none"> Regular emergency plan training and drills. Close monitoring of climate changes and continuous optimization of emergency plans for extreme weather. Use of more durable and robust facilities and materials. Implementation of energy-saving and environmentally friendly equipment. Establishing strong relationships with supplies to ensure delivery. 	<ul style="list-style-type: none"> Gradually implement actions to mitigate climate change.

Transition Risks	Policy and legal Risks	Technological Transition Risks	Market Risks	Reputational Risks
Risk Identification	<ul style="list-style-type: none"> Increasingly stringent domestic and international policies and regulations on carbon reduction, carbon taxes, and environmental protection could raise operational costs. 	<ul style="list-style-type: none"> Climate change drives demand for new technologies and environmentally friendly, and low-carbon products. Failure to respond timely could result in a loss of market competitiveness for existing products. 	<ul style="list-style-type: none"> With the upgrading and transformation of the automotive industry and major customers' demand for carbon reduction in their supply chains, the management of GHG emission in the company's products and operations will be included in the scope of customers' purchasing considerations, and the market's preference for low-carbon products is becoming increasingly obvious. Fluctuations in raw material prices and energy transition could increase costs. 	<ul style="list-style-type: none"> Establishing a green brand enhances corporate image. Failure to meet stakeholders' expectations regarding climate change management and performance could negatively impact the company.

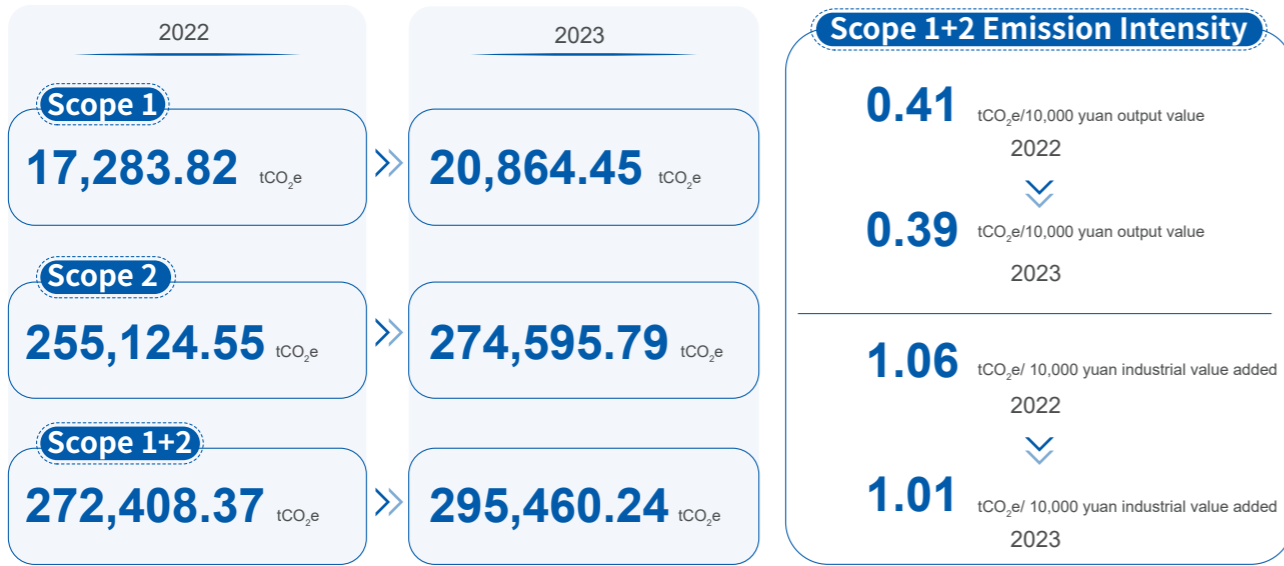
Transition Risks	Policy and Legal Risks	Technological Transition Risks	Market Risks	Reputational Risks
Risk Response	<ul style="list-style-type: none"> Closely monitor market trends and policy directions. Actively participate in industry standard setting. Accelerate innovation investments in green, low-carbon projects. Regularly upgrade and improve assets. 	<ul style="list-style-type: none"> Continuously conduct technical research from multiple dimensions, such as lightweight design, new material applications, vibration and noise reduction, efficiency improvement, and extended lifespan, to provide more efficient, environmentally friendly, and economical solutions for customers. Integrate green concepts into the product design stage and develop <i>Green Design Product Evaluation Technical Specifications</i> based on the products of each site. 	<ul style="list-style-type: none"> Monitor and analyze market trends to adjust product layout timely. 	<ul style="list-style-type: none"> Integrate sustainability into the product lifecycle. Strengthen stakeholder communication and closely monitor customer satisfaction. Actively participate in and apply for green projects, building green factories.

In addition to identifying and responding to climate risks, Shuanghuan Driveline continuously explores and practices seizing the opportunities presented by climate change. We fulfill climate responsibilities through research and innovation, promoting low-carbon technologies, and conducting green manufacturing. Through these actions, we create more economic value while enhancing our brand image, helping achieve a net-zero emission target in the whole value chain and a global low-carbon transition.

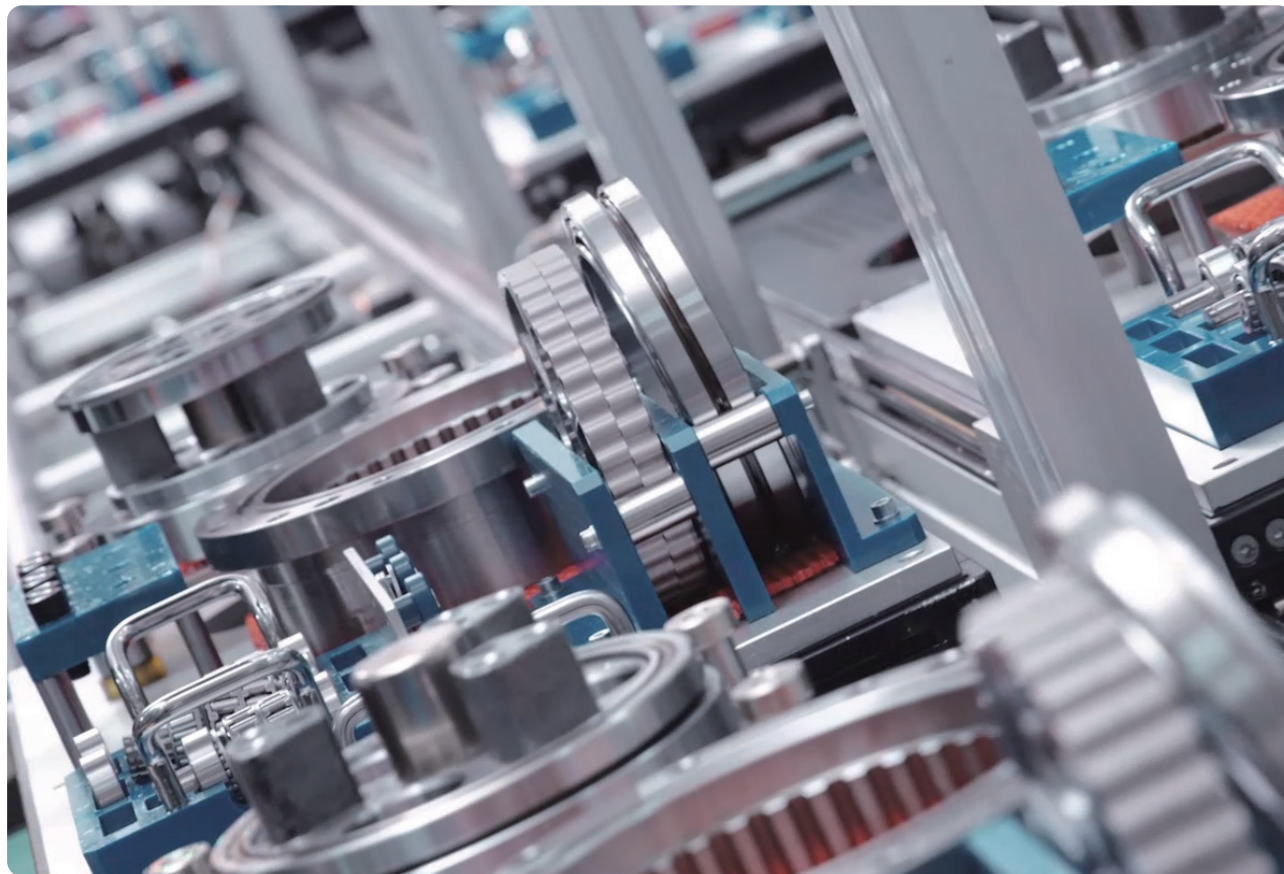
Targets and Actions

In 2023, Shuanghuan Driveline conducted a greenhouse gas inventory for 2022 based on ISO 14064-1:2018 and the IPCC Sixth Assessment Report, setting 2022 as the baseline year for climate change actions and establishing emission reduction targets. Additionally, training on carbon neutrality and greenhouse gas inventory was provided to the related working group, collaboratively exploring and mapping out the path to net-zero emissions.

Shuanghuan Driveline Greenhouse Gas Emissions for 2022 and 2023



Due to the expanded scope of statistics and the identification of additional emission sources, the greenhouse gas emissions reported in the 2022 ESG report have been revised.



Shuanghuan Driveline Net-zero Emission Plan



05

Walking the Sustainable Path Together with Partners

Sustainable Procurement

Procurement Employees Training

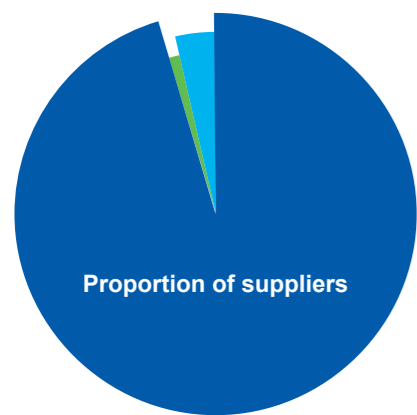
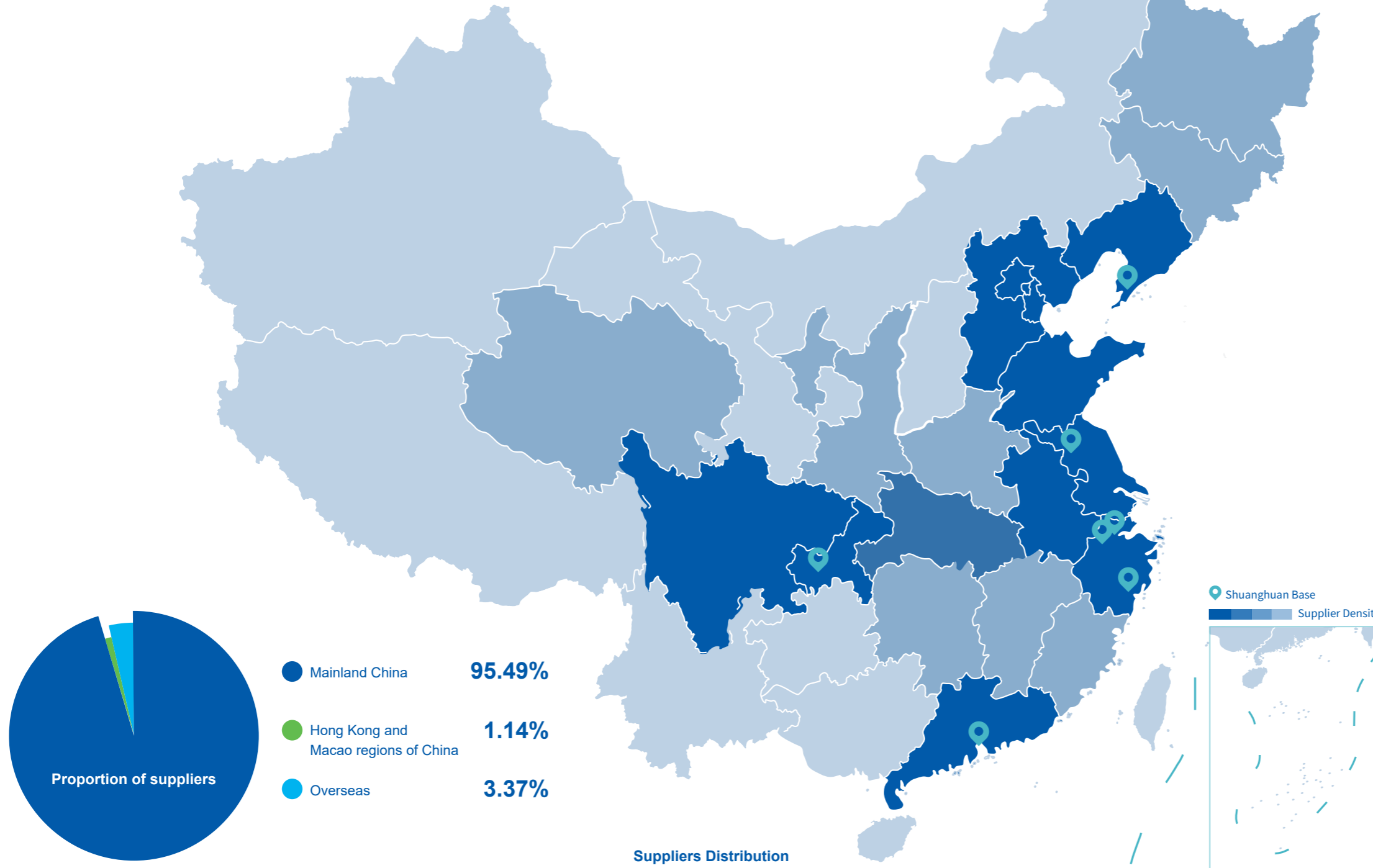


BETTER EVERY TIME, ALWAYS



Walking the Sustainable Path Together with Partners

Shuanghuan Driveline practices its corporate mission of "sharing development opportunities and achieving mutual success in the future." We continuously enhance our supply chain management system, collaborating with industry partners to jointly support the rapid development of China's gear industry and its global expansion.



100%

Environmental, Social Assessment for New Suppliers



100%

Core Suppliers Signing the *Social Responsibility Code of Conduct, Integrity Cooperation Agreement, and/or Statement of Non-use for Hazardous Substances*



72.8%

Localized Procurement Rate

- Localized Procurement Rate Data Excludes Equipment Suppliers.
- "Local" specifically refers to the region where most factories are located — the East China region.

Sustainable Procurement

To build a sustainable supply chain, Shuanghuan integrates and centrally manages procurement resources.

Implement **localized supplier** support to create an agile and secure supply chain.

Consolidate procurement needs and streamline high-quality suppliers to further **optimize collective procurement costs**.



Focus on **building the procurement team** and optimizing talent development.

Further **promote the use of information technology** in supply chain management, evaluation, and settlement.

Shuanghuan Driveline strives to actively fulfill its social responsibilities while implementing management of environmental, social, and business ethics performance among its supply chain partners. We have issued the *Supplier Review and Selection Management Procedure*, which standardizes the supplier selection and evaluation process. ESG factors are incorporated into the assessment process, and the company's sustainability policies and requirements are communicated to our suppliers, subcontractors, and other stakeholders.

We have established the mechanisms for supplier admission, assessment and evaluation, and elimination, allowing for classifying and grading suppliers for the orderly management of suppliers. Concurrently, the company continuously optimizes management processes and progressively upgrades to digital management to create a safe, efficient, high-quality, and resilient supply chain.



We encourage suppliers to adhere to national "dual carbon" policies, focusing on energy saving, emissions reduction, lowering product carbon footprint, and minimizing environmental and health impacts. Additionally, we require suppliers to respect human rights, uphold business ethics, and work together to achieve a sustainable value chain.



Supplier Energy Saving and Emission Reduction Measures

- Air Compressor Heat Recovery:**
Saves **10,179** cubic meters of gas annually, reducing CO₂ emissions by approximately **915** tons.
- Recycling Treated Wastewater:**
Saves **432** tons of water annually.
- Installation of Solar Photovoltaic Panels:**
Generates **2.4** million kWh of electricity annually, reducing CO₂ emissions by approximately **1,688** tons per year.

- Control of Prohibited/Restricted Substances**
Suppliers involved in REACH, RoHS, and the control of banned/restricted substances are required to provide MSDS (Material Safety Data Sheets), and relevant testing certifications, and sign a compliance commitment statement.
- Conflict Minerals Due Diligence**
Suppliers with potential risks must commit to not using conflict minerals.

Procurement Employees Training

To regulate bidding and procurement activities and enhance procurement personnel's awareness of integrity and self-discipline, Shuanghuan Driveline updated and released the "Integrity Commitment for Supply Chain Personnel" in 2023. We conducted business training and integrity self-discipline training for procurement personnel and held a signing ceremony for the integrity commitment, emphasizing the necessity and importance of maintaining integrity in their work. Additionally, the company actively carried out self-inspection within the supply chain sequence, encouraging procurement personnel to self-reflect and self-examine their behavior to prevent procurement fraud.



To further improve the professional skills of procurement personnel and help them understand the importance of procurement compliance and digital transformation of procurement operations, the company planned and organized internal training themed "Procurement Compliance as a Prerequisite, Exploring the Path to Digital Transformation of Procurement Business." This initiative aims to promote the upgrade and development of the company's procurement business.

Through a series of training sessions, procurement personnel enhanced their business literacy, better equipping them to respond to market changes and provide data support for future procurement management.

06

Contributing to Society with Love and Strength

Shuanghuan Love Fund
Community Construction



BETTER EVERY TIME, ALWAYS

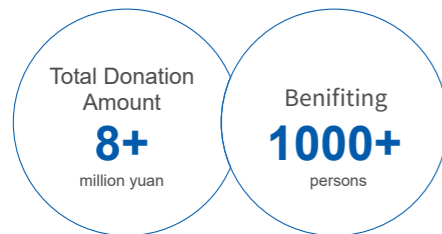


Contributing to Society with Love and Strength

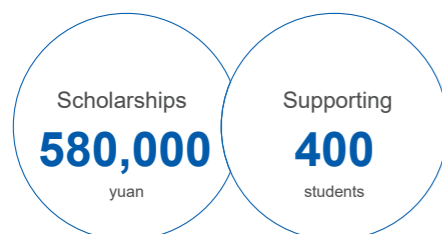
As a company deeply committed to social responsibility, Shuanghuan Driveline incorporates "practicing public welfare responsibilities, actively giving back to society" into its corporate culture. While continuously creating value for the national gear industry, the company actively shoulders its social responsibilities and obligations. From its inception, where employees made spontaneous charitable donations, to its growth into a large enterprise that supports various causes, Shuanghuan Driveline's philanthropy has always been a core value, with the scope of its charitable efforts gradually expanding.

The company has been honored with numerous awards such as "Taizhou Employment Poverty Alleviation Demonstration Base," "Advanced Enterprise in Charitable Donations," and the "Charity Model (Organization) Award" at the inaugural Yuhuan Charity Conference. Shuanghuan Driveline is committed to becoming a leader in social responsibility within industry, both domestic and international.

Shuanghuan Love Fund



We established the "Shuanghuan Love Fund" in 2016, dedicated to supporting various groups including impoverished high school and college students in Jishan Village and Haishan Village of Yuhuan City, students at Jiaoling Middle School in Huai'an, Jiangsu, students from Zhongxin Rong Elementary School in Batang County, Sichuan, as well as the children of company employees and individuals with severe illnesses. Through hardship relief and educational funding activities, the foundation helps to improve educational and living conditions for disadvantaged groups at all levels of society. By the end of the reporting period, Shuanhuan had donated over 8 million yuan, benefiting more than 1,000 individuals.



Additionally, we have established the "Country Sages and Chamber of Commerce Prosperity Fund." In 2023, it donated 700,000 yuan towards cultural auditorium construction in rural areas, promoting integrity within the chamber of commerce, assistance to rural households in need, commendations for outstanding students, teachers, and medical workers, and other targeted charitable activities compliant with charity regulations. These funds are designated for specific purposes to support rural revitalization and common prosperity.

Supporting education is a crucial part of Shuanghuan Driveline's charitable efforts. We collaborate actively with schools to promote educational advancement, particularly through the "Shuanghuan Love Fund," contributing to Yuhuan City's efforts in modernizing education and promoting common prosperity.

"Micro Wishes" Charity Event

In April, representatives from Shuanghuan Driveline visited Haishan School in Yuhuan City to conduct the "Micro Wishes" Charity Event. Shuanghuan donated 8 drones to benefit left-behind children in Haishan Township, supporting the school in enhancing the quality of education and promoting quality-oriented education.



Supporting Education and Fulfilling Dreams for Underprivileged Students—Shuanghuan Love Fund aids students from Jishan Village

Supporting impoverished students is one of the ways Shuanghuan Driveline gives back to society. For many years, we have been conducting charitable educational support activities for Jishan students. In 2023, seven impoverished students from Jishan arrived at Zhejiang Shuanghuan to receive educational grants prepared for them.



Caring for Education with Boundless Love - Shuanghuan Driveline Love Fund Donates to Schools

In December 2023, Shuanghuan Driveline Love Fund distributed scholarships to support 15 outstanding but financially challenged students from Huai'an Red Army Middle School of Jiangsu Province, contributing to the development of education in Huai'an City.



Community Construction

The survival and development of enterprises rely on the support of a harmonious society, and building a harmonious society depends on the active role played by enterprises.

Shuanghuan Driveline Launched the New Year Warmth Campaign

Shuanghuan Driveline deeply understands that respecting and caring for the elderly is a traditional virtue of the Chinese nation. For several years, we have consistently extended Chinese New Year greetings to the elderly in surrounding villages, bringing blessings to their hearts. In January 2023, the Party Committee of Shuanghuan Driveline solemnly delivered relief supplies and monetary gifts to the Enhui Elderly Home in Yuhuan City. We have been visiting the Enhui Elderly Home for over a decade and will continue to bring care and warmth to the elderly in the future.



After visiting the Enhui Elderly Home, we drove to Dongqing Village to visit the elderly in need, inquiring about their well-being, delivering monetary gifts, and wishing them good health.



As a vulnerable group in society, the elderly especially need attention and care. Shuanghuan Driveline hopes that every elderly person can blossom a happy smile during their sunset years.

The Labor Union of Shuanghuan Organized Voluntary Blood Donation Activity

In December 2023, Shuanghuan Driveline Union, in collaboration with Yuhuan Blood Donation Office and Taizhou Central Blood Station, organized a public blood donation drive. The event attracted over a hundred employees, who conveyed positive energy and extended the gift of life through their actions.

The attention was also drawn to Qingzhen Dang, a Purchasing Engineer from the Operations Center who received the National Volunteer Blood Donation Bronze Award in June this year. Although he eagerly signed up for the event, he was unable to donate blood this time as it had not been six months since his last donation. Nevertheless, his spirit inspired all Shuanghuan employees.



In addition to conducting public welfare activities and volunteer services, our company continues to promote local employment. In 2023, we recruited 2 workers from Mao County, a poverty-stricken area, and provided them with appropriate job positions and accommodation. We have employed approximately 260 registered impoverished individuals, earning the title of "Taizhou Employment and Poverty Alleviation Demonstration Base" from the Taizhou Municipal Human Resources and Social Security Bureau. As a demonstration base for internship programs for college graduates in Taizhou, we annually recruit around 600 graduates. In 2023, we were recognized as an Outstanding Enterprise for college graduate Recruitment in Taizhou.

Additionally, we actively participate in community activities to contribute to community prosperity.

Shuanghuan Driveline Co-Hosts Friendly Pairing Sports Fellowship Competition

To earnestly study the spirit of the 20th National Congress and uphold the philosophy that "Sports Make Life Better," in December 2023, the Yucheng Chamber of Commerce, Yuhuan Neijiang Chamber of Commerce, and Yuhuan Jiangxi Chamber of Commerce jointly hosted the "Run for Health, Run for Happiness" friendly pairing sports fellowship competition. This event aimed to facilitate information exchange, mutual support, and collective progress among chambers of commerce and enterprises, striving for mutual prosperity and brilliance.



Using Competitions as A Medium to Boost the Sports Tourism Industry

The "Yuhuan Automotive and Motorcycle Association Cup" 2023 China Offroad Championship (COC) Finals and Hanwei Off-road Race took place from Nov. 24 to 26 in Taizhou. This event was deeply integrated with the local automotive industry, creating a new ecosystem for the sports industry and leading the diversified development of Yuhuan's culture, sports, and tourism industries. As one of the leading enterprises in Yuhuan, our company sponsored this event.



Appendix

Key Performance Indicators

Environmental Performance

Key Performance Indicators	Unit	2023
Total Energy Consumption	tce	126,867.00
	GJ	1,554,893.95
Energy Intensity	tce/10,000 yuan of output	0.17
	tce/10,000 yuan of industrial value added	0.43
	GJ/10,000 yuan of output value	2.06
	GJ/10,000 yuan of industrial value added	5.33
Gasoline	GJ	2,682.88
Diesel	GJ	4,901.26
Natural Gas	GJ	103,191.48
Liquefied Petroleum	GJ	1,761.23
Purchased Electricity	GJ	1,422,235.28
Renewable Electricity	GJ	34,521.83

Key Performance Indicators	Unit	2023	
Water Resources	Water Withdrawal	cubic meter	1,202,399.00
	Circulating Water	cubic meter	343,931.00
	Water Withdrawal Intensity	tons/10,000 yuan of industrial value added	4.12
		tons/10,000 yuan of output value	1.59
*Air Emission	Nitrogen Oxides (NOx)	ton	1.29
	Volatile Organic Compounds (VOCs)	ton	17.21
*Wastewater	Ammonia Nitrogen (NH3-N)	ton	0.26
	Chemical Oxygen Demand (COD)	ton	4.58

Key Performance Indicators	Unit	2023	
Greenhouse Gas Emission	Greenhouse Gas Emissions (Scope 1)	tCO ₂ e	20,864.45
	Greenhouse Gas Emissions (Scope 2)	tCO ₂ e	274,595.79
	Total Operational Greenhouse Gas Emissions	tCO ₂ e	295,460.24
	Greenhouse Gas Emission Intensity	tCO ₂ e/10,000 yuan of industrial value added	1.01
		tCO ₂ e/10,000 yuan of output value	0.39
Hazardous Waste	Total Amount of Hazardous Waste Generated	ton	2,739.45
General Waste	Total Amount of General Waste Generated	ton	25,102.15
	thereof Diverted from Disposal	ton	12,518.92

Environmental Data and Coefficient Explanation:

The average low calorific value refers to GB/T 2589-2020 *General Rules for the Calculation of Comprehensive Energy Consumption*, and the standard coal coefficient for electricity conversion uses an equivalent value.

Due to the expansion of statistical coverage and the identification of additional emission sources, we have revised the greenhouse gas emissions reported in the 2022 ESG report.

*Only the total emissions of characteristic pollutants in wastewater and exhaust gas from key polluting enterprises are counted.

Social Performance

Key Performance Indicators	2023
Total Number and Percentage of Operational Sites That Have Undergone Corruption Risk Assessment	
Number of Company Operational Sites	12
Number of Operational Sites That Have Undergone Corruption Risk Assessment	12
Proportion of Operational Sites That Have Undergone Corruption Risk Assessment	100.00%
Number and Percentage of Employees covered by the Dissemination/Training of the Anti-corruption Policy and Procedures	
Number of Employees Covered	7,263
Percentage of Employees Covered	100.00%

Key Performance Indicators		2023	
Number and Percentage of Employees Covered by Anti-corruption Training, Categorized by Job Level			
		Number of Employees	Training Coverage rate
By Job Level	Senior Management	17	100.00%
	Middle Management	117	100.00%
	General Employee	7,129	100.00%
Violations Involving Product and Service Information and Labeling			
		Products	Services
Number of Incidents Resulting in Fines or Penalties Due to Violations of Regulations (Cases)		0	0
Number of Incidents Resulting in Warnings Due to Violations of Regulations (Cases)		0	0
Number of Incidents Violating Voluntary Codes (Cases)		0	0
Violations Involving Marketing (Including Advertising, Promotions, and Sponsorships)			
		Products	Services
Number of Incidents Resulting in Fines or Penalties for Violations (Cases)		0	0
Number of Incidents Resulting in Warnings for Violations (Cases)		0	0
Number of Incidents of Violations of Voluntary Codes (Cases)		0	0
Number and Percentage of Employees by Gender, Job Level, Age Group, Region, Ethnicity, Educational Level, and Profession			
		Number of Employees	Percentage
By Gender	Male	5,448	75.01%
	Female	1,815	24.99%
By Job Level	Senior Management	17	0.23%
	Middle Management	117	1.61%
	General Employees	7,129	98.16%
By Age Group	30 years old and below	3,027	41.54%
	31-40 years old	2,416	33.26%
	41-50 years old	1,281	17.64%
	Above 50 years old	549	7.56%

Key Performance Indicators		2023	
		Number of Employees	Percentage
By Region	Mainland China	7,193	99.04%
	Overseas and Hong Kong, Macau, and Taiwan regions	70	0.96%
By Educational Level	Bachelor's Degree and Above	1,230	16.94%
	Associate Degree	1,916	26.38%
	Below Associate Degree	4,117	56.68%
By Profession	Production Personnel	5,279	72.68%
	Sales Personnel	147	2.02%
	R&D Personnel	1,007	13.86%
	Finance Personnel	102	1.40%
	Administrative Personnel	728	10.02%
Ethnic Minorities		526	7.24%
Total number of Employees		7,263	
Total Number and Percentage of R&D Personnel by Age Group and Function			
By Age Group	30 years old and below	416	41.31%
	31-40 years old	379	37.64%
	41-50 years old	149	14.80%
	Above 50 years old	63	6.26%
By Function	Process design	312	30.98%
	Product R&D	304	30.19%
	Software design	68	6.75%
	Other	323	32.08%
Total number of R&D personnel		1,007	
Total Number and Percentage of Disabled Employees			
Total number of employees		3	
Percentage of employees		0.04%	

Key Performance Indicators		2023	
Total Number and Percentage of Management Employees by Gender and Age Group			
		Number of employees	Percentage
By Gender	Male	577	83.87%
	Female	111	16.13%
By Age Group	30 years old and below	106	15.41%
	31-40 years old	367	53.34%
	41-50 years old	151	21.95%
	Above 50 years old	64	9.30%
Total Number of Management Employees		688	
Total Training Hours and Average Training Hours of Employees by Gender and Job Level			
		Training hours (hours)	Average training hours (hours)
By Gender	Male	58,580	16.44
	Female	18,282	13.98
By Job Level	Senior Management	711	41.82
	Middle Management	3,402	47.26
	General Employees	72,749	13.75
Total Training Hours (hours)		76,862	
Average Training Hours Per Employee Covered (hours)		15.45	
Total Number and Percentage of Employees Covered by Training			
Total Number of Employees Covered by Training		4,975	
Percentage of Employees Covered by Training		68.50%	
Total Number and Percentage of Employees Receiving Regular Performance and Career Development Reviews by Gender and Job Level			
Percentage of Employees Receiving Performance and Career Development Reviews		7,263	
Total Number of Employees Receiving Performance and Career Development Reviews		100%	

Key Performance Indicators		2023	
Average Employee Salary by Gender			
		Average Employee Salary (CNY/year)	
By Gender	Male	147,639	
	Female	118,831	
Employee Social Insurance Coverage Rate			
Employee Social Insurance Coverage Rate		100.00%	
Number and Rate of Employee Turnover by Gender and Job Level		Employee Turnover ratio	Employee Turnover rate *
By Gender	Male	66.84%	1.12%
	Female	33.16%	1.50%
By Age Group	30 years old and below	45.90%	1.44%
	31-40 years old	30.64%	1.07%
	41-50 years old	20.83%	1.33%
	Above 50 years old	2.63%	0.44%
By Region	China (Including Hong Kong, Macau, and Taiwan)	99.80%	1.17%
	Overseas Countries or Regions	0.20%	0.35%
Discrimination Incidents and Corrective Actions Taken			
Total Number of Discrimination Incidents During the Reporting Period		0	
Health and Safety			
Number of Fatalities as a Result of Work-related Injuries		0	
Number of Recordable Work-related Injuries		26	
Lost-workday due to Work-related Injuries and Ill Health		1,770	
**Recordable Injury Rate (per 200,000 working hours)		0.27	
Lost Time Injury Rate (per 200,000 working hours)		18.49	
Number of Working Hours		19,149,312	

Key Performance Indicators	2023
Occupational Health and Safety Drills and Inspections	
Safety Emergency Drills (occurrences)	30
Safety Training (hours)	16,200
Average Duration of Safety Training (hours)	32
Safety Promotion (occurrences)	12
Safety Promotion Activities (occurrences)	12
Scheduled Safety Inspections (occurrences)	120
Unscheduled Safety Inspections (occurrences)	300
Basic Information on Suppliers	
Proportion of Suppliers Certified in Quality, Environmental, and Occupational Health and Safety Management Systems	81%
Total Number of Suppliers Assessed	100
Number of Suppliers Selected as Excellent	12
Number of Contractors who have Signed EHS Agreements	78
Customer Services Data	
Number of Complaints Received about Products and Services	105
Customer Complaint Response Rate	100%
Customer Complaint Resolution Rate	100%
Number of Complaints Received about Products and Services and the Response Approach	
Number of Incidents Fined or Penalized for Violations of Health and Safety Regulations	0
Number of Incidents Warned for Violations of Health and Safety Regulations	0
Number of Incidents Violating the Voluntary Health and Safety Codes for Products and Services	0

*Employee turnover rate = (Number of permanent contract employees who left / Average number of permanent contract employees over the year) * 100%

**Recordable injury rate = (Number of recordable injuries / Number of hours worked) * 200,000

Index

GRI Content Index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational Details	About Shuanghuan
	2-2 Entities included in the organization's sustainability reporting	About this Report
	2-3 Reporting period, frequency and contact point	About this Report
	2-4 Restatements of information	/
	2-5 External assurance	/
	2-6 Activities, value chain and other business relationships	About Shuanghuan
	2-7 Employees	Partnering with Employees for a Prosperous Future
	2-8 Workers who are not employees	/
	2-9 Governance structure and composition	Establishing Robust and Compliant Governance
	2-10 Nomination and selection of the highest governance body	/
	2-11 Chair of the highest governance body	Message from the Chairman
	2-12 Role of the highest governance body in overseeing the management of impacts	Establishing Robust and Compliant Governance
	2-13 Delegation of responsibility for managing impacts	Establishing Robust and Compliant Governance
	2-14 Role of the highest governance body in sustainability reporting	Establishing Robust and Compliant Governance
	2-15 Conflicts of interest	Establishing Robust and Compliant Governance
	2-16 Communication of critical concerns	Establishing Robust and Compliant Governance
	2-17 Collective knowledge of the highest governance body	Establishing Robust and Compliant Governance
	2-18 Evaluation of the performance of the highest governance body	/
	2-19 Remuneration policies	Partnering with Employees for a Prosperous Future
	2-20 Process to determine remuneration	Partnering with Employees for a Prosperous Future
	2-21 Annual total compensation ratio	/

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-22 Statement on sustainable development strategy	Message from the Chairman
	2-23 Policy commitments	Partnering with Employees for a Prosperous Future Walking the Sustainable Path Together with Partners
	2-24 Embedding policy commitments	Walking the Sustainable Path Together with Partners
	2-25 Processes to remediate negative impacts	Partnering with Employees for a Prosperous Future
	2-26 Mechanisms for seeking advice and raising concerns	Establishing Robust and Compliant Governance
	2-27 Compliance with laws and regulations	Establishing Robust and Compliant Governance
	2-28 Membership associations	Partnering with Employees for a Prosperous Future
	2-29 Approach to stakeholder engagement	Establishing Robust and Compliant Governance
	2-30 Collective bargaining agreements	Partnering with Employees for a Prosperous Future
	GRI 3: Material Topics 2021	3-1 Process to determine material topics
3-2 List of material topics		Establishing Robust and Compliant Governance
3-3 Management of material topics		Establishing Robust and Compliant Governance
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	About Shuanghuan
	201-2 Financial implications and other risks and opportunities due to climate change	Fortifying Environmental Resilience for Planet
	201-3 Defined benefit plan obligations and other retirement plans	/
	201-4 Financial assistance received from government	/
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	/
	202-2 Proportion of senior management hired from the local community	/
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Contributing to Society with Love and Strength
	203-2 Significant indirect economic impacts	/
GRI 204: Procurement	204-1 Proportion of spending on local suppliers	/
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Key Performance Indicators
	205-2 Communication and training about anti-corruption policies and procedures	Establishing Robust and Compliant Governance
	205-3 Confirmed incidents of corruption and actions taken	/
GRI 206: Anti-competitive	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	/

	DISCLOSURE	LOCATION
GRI 207: Tax 2019	207-1 Approach to tax	/
	207-2 Tax governance, control, and risk management	/
	207-3 Stakeholder engagement and management of concerns related to tax	/
	207-4 Country-by-country reporting	/
GRI 301: Materials 2016	301-1 Materials used by weight or volume	/
	301-2 Recycled input materials used	Fortifying Environmental Resilience for Planet
	301-3 Reclaimed products and their packaging materials	Fortifying Environmental Resilience for Planet
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Fortifying Environmental Resilience for Planet
	302-2 Energy consumption outside of the organization	/
	302-3 Energy intensity	Fortifying Environmental Resilience for Planet
	302-4 Reduction of energy consumption	Fortifying Environmental Resilience for Planet
	302-5 Reductions in energy requirements of products and services	/
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Fortifying Environmental Resilience for Planet
	303-2 Management of water discharge-related impacts	Fortifying Environmental Resilience for Planet
	303-3 Water withdrawal	Fortifying Environmental Resilience for Planet
	303-4 Water discharge	Fortifying Environmental Resilience for Planet
	303-5 Water consumption	Fortifying Environmental Resilience for Planet
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	/
	304-2 Significant impacts of activities, products and services on biodiversity	/
	304-3 Habitats protected or restored	/
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	/
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Fortifying Environmental Resilience for Planet
	305-2 Energy indirect (Scope 2) GHG emissions	Fortifying Environmental Resilience for Planet
	305-3 Other indirect (Scope 3) GHG emissions	/
	305-4 GHG emissions intensity	Fortifying Environmental Resilience for Planet

GRI STANDARD	DISCLOSURE	LOCATION
GRI 305: Emissions 2016	305-5 Reduction of GHG emissions	Fortifying Environmental Resilience for Planet
	305-6 Emissions of ozone-depleting substances (ODS)	/
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Key Performance Indicators
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Fortifying Environmental Resilience for Planet
	306-2 Management of significant waste-related impacts	Fortifying Environmental Resilience for Planet
	306-3 Waste generated	Fortifying Environmental Resilience for Planet
	306-4 Waste diverted from disposal	Fortifying Environmental Resilience for Planet
GRI 308: Supplier Environmental Assessment 2016	306-5 Waste directed to disposal	Fortifying Environmental Resilience for Planet
	308-1 New suppliers that were screened using environmental criteria	Walking the Sustainable Path Together with Partners
	308-2 Negative environmental impacts in the supply chain and actions taken	Walking the Sustainable Path Together with Partners
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	/
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Partnering with Employees for a Prosperous Future
	401-3 Parental leave	Partnering with Employees for a Prosperous Future
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	/
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Partnering with Employees for a Prosperous Future
	403-2 Hazard identification, risk assessment, and incident investigation	Partnering with Employees for a Prosperous Future
	403-3 Occupational health services	Partnering with Employees for a Prosperous Future
	403-4 Worker participation, consultation, and communication on occupational health and safety	Partnering with Employees for a Prosperous Future
	403-5 Worker training on occupational health and safety	Partnering with Employees for a Prosperous Future
	403-6 Promotion of worker health	Partnering with Employees for a Prosperous Future
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Partnering with Employees for a Prosperous Future
	403-8 Workers covered by an occupational health and safety management system	Partnering with Employees for a Prosperous Future
	403-9 Work-related injuries	Partnering with Employees for a Prosperous Future
	403-10 Work-related ill health	Key Performance Indicators
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Key Performance Indicators

GRI STANDARD	DISCLOSURE	LOCATION
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	Partnering with Employees for a Prosperous Future
	404-3 Percentage of employees receiving regular performance and career development reviews	Key Performance Indicators
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Partnering with Employees for a Prosperous Future
	405-2 Ratio of basic salary and remuneration of women to men	Partnering with Employees for a Prosperous Future
GRI 406: Non-discrimination 201	406-1 Incidents of discrimination and corrective actions taken	Partnering with Employees for a Prosperous Future
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Partnering with Employees for a Prosperous Future
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Partnering with Employees for a Prosperous Future Walking the Sustainable Path Together with Partners
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Partnering with Employees for a Prosperous Future Walking the Sustainable Path Together with Partners
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Partnering with Employees for a Prosperous Future
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	/
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Key Performance Indicators
	413-2 Operations with significant actual and potential negative impacts on local communities	/
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Walking the Sustainable Path Together with Partners
	414-2 Negative social impacts in the supply chain and actions taken	Walking the Sustainable Path Together with Partners
GRI 415: Public Policy 2016	415-1 Political contributions	/
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Serving High-Quality and Innovative Services
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Serving High-Quality and Innovative Services
GRI 417: Marketing and Labeling 2016	417-1 Requirements for Product and Service Information and Labeling	/
	417-2 Incidents of Non-compliance Concerning Product and Service Information and Labeling	Establishing Robust and Compliant Governance
	417-3 Incidents of Non-compliance Concerning Marketing Communications	Establishing Robust and Compliant Governance
GRI 418: Customer Privacy 2016	418-1 Substantiated Complaints Concerning Breaches of Customer Privacy and Losses of Customer Data	Serving High-Quality and Innovative Services

UN SDGs Index

SDGs	Content	Location
	Goal 3 Good Health and Well-being	Partnering with Employees for a Prosperous Future Key Performance Indicators
	Goal 4 Quality Education	Partnering with Employees for a Prosperous Future
	Goal 5 Gender Equality	Partnering with Employees for a Prosperous Future Walking the Sustainable Path Together with Partners Contributing to Society with Love and Strength Key Performance Indicators
	Goal 6 Clean Water and Sanitation	Fortifying Environmental Resilience for Planet
	Goal 7 Affordable and Clean Energy	Fortifying Environmental Resilience for Planet Key Performance Indicators
	Goal 8 Decent Work and Economic Growth	Partnering with Employees for a Prosperous Future Walking the Sustainable Path Together with Partners Key Performance Indicators
	Goal 12 Responsible Consumption and Production	Serving High-Quality and Innovative Services Walking the Sustainable Path Together with Partners Key Performance Indicators
	Goal 13 Climate Action	Fortifying Environmental Resilience for Planet Key Performance Indicators
	Goal 16 Peace, Justice and Strong Institutions	Establishing Robust and Compliant Governance Serving High-Quality and Innovative Services Partnering with Employees for a Prosperous Future Walking the Sustainable Path Together with Partners Key Performance Indicators

Feedback Form

Dear Stakeholders,

Hello! Thank you for reading the "2023 ESG Report of Shuanghuan Driveline." This is our second ESG report. To better understand your needs and expectations regarding Shuanghuan Driveline's ESG efforts and to enhance the company's sustainable development capabilities, we sincerely look forward to your valuable opinions and suggestions.

1.For Shuanghuan Driveline, your role is

- Government and regulatory bodies
 Investors
 Customers
 Employees
 Suppliers
 Peer companies
 Social organizations
 Community
 Media
 Others (please specify)_____

2.How accurately does the report address the information you are concerned with?

- Very good
 Good
 Average
 Poor

3.How well do you think this report reflects Shuanghuan Driveline's ESG efforts?

- Very good
 Good
 Average
 Poor

4.Can you easily find the information you are concerned about in this report?

- Very good
 Good
 Average
 Poor

5.How well do you think Shuanghuan Driveline performs in customer service?

- Very good
 Good
 Average
 Poor

6.How well do you think Shuanghuan Driveline performs in safety management?

- Very good
 Good
 Average
 Poor

7.How well do you think Shuanghuan Driveline performs in green development?

- Very good
 Good
 Average
 Poor

8.How well do you think Shuanghuan Driveline performs in employee responsibility?

- Very good
 Good
 Average
 Poor

9.How well do you think Shuanghuan Driveline performs in community responsibility?

- Very good
 Good
 Average
 Poor

10.Your opinions and suggestions for Shuanghuan Driveline's ESG report?

11.Your opinions and suggestions for Shuanghuan Driveline's ESG work?