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ESG

2022

Environmental, Social and Governance (ESG) Report

Shanghai Liangxin Electrical Co., Ltd.

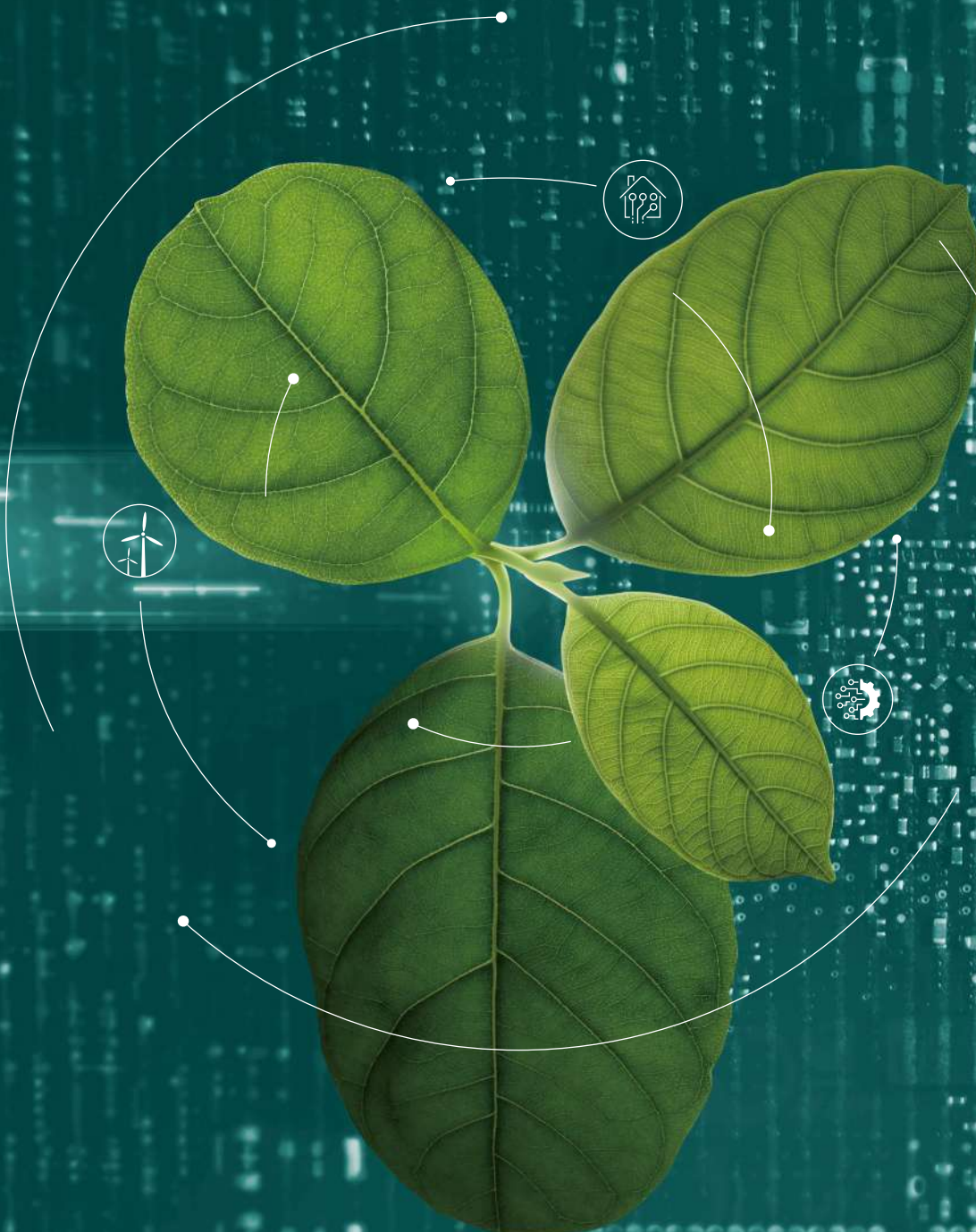


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About This Report

Overview

This Report is the first Environmental, Social and Governance (ESG) Report issued by Shanghai Liangxin Electrical Co., Ltd. (hereinafter referred to as "LAZZEN", "We" or "the Company") to stakeholders.

Scope and boundary of the Report

The information disclosed in this Report is consistent with the financial information disclosed in our 2022 Annual Report.

Source of data

The financial data in this Report comes from our audited financial statements while other data is derived from the internal documents and information summary of the Company. Unless otherwise stated, Renminbi ("RMB") is the unit of measurement in respect of the currency and amounts referred to in this Report. The Company ensures that there are no false records, misleading statements or material omissions in this Report and is severally and jointly liable for the authenticity, accuracy and completeness of the report contents.

Basis of preparation

National Standards of People's Republic of China: Guidance on Social Responsibility Reporting (GB/T 36001-2015)

Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0) by the Chinese Academy of Social Sciences (CASS)

United Nations 2030 Sustainable Development Goals (SDGs)

GRI Standards by Global Sustainability Standards Board (GSSB)

ISO 26000-2010: Guidance On Social Responsibility by ISO

Guidelines for Social Responsibility of Listed Companies by Shenzhen Stock Exchange

Process for preparation

Based on our ESG practices, this Report is prepared as per the process "Project Research — Collection of Materials — Preparation and Revision — Review by Senior Management — Review by the Board of Directors — Disclosure" and involves active communication with stakeholders on project initiation approval, preparation and revision to determine and demonstrate the framework and contents of this Report.

Form of release

You can view or download the electronic version of this Report on the official website (sh-liangxin.com) of Shanghai Liangxin Electrical Co., Ltd. The Company will keep improving and enhancing our report disclosure level and ESG governance in the future. If you have any questions or suggestions about this Report, please feel free to contact us:

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Message from Our Chairman

2022 is a wonderful and challenging year!

Over the year, we have not forgotten our original intention. We have returned to common sense, without taking shortcuts. We have worked hard to improve our internal skills. Our new brand logo, "LAZZEN", has been newly released. Our BDC team has demonstrated a new look. Our Haiyan Base has been successfully put into operation. Our procurement transformation and lean project have been continuously implemented. We have made steady progress in the end-to-end process-oriented organization transformation. Our brand influence has been continuously increased. All our achievements made over 2022 have laid a solid foundation for us to achieve higher objectives in the next year.

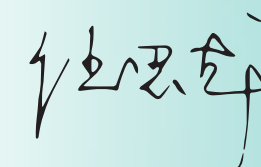
Over the year, we have been committed to innovation, serving our customers, and creating value for customers with new solutions and products. We have made every effort to ensure success of the "2022 Beijing Ice and Snow Olympic Winter Games" project. We have helped our customer to fulfill its commitment to hosting the "Zero Carbon World Cup" in Qatar. Our Smart Home Magic Panels series has won the "2022 iF Product Design Award" of Germany. Our low-voltage circuit breaker has won the National Manufacturing Single Champion Product award. We have won awards and obtained qualifications including the fourth Best Managed Companies (BMC), National Intellectual Property Demonstration Enterprise, Top 100 Shanghai Enterprises of Shanghai, and Top 20 Manufacturing Enterprises of 2022.

In the context of the national "Carbon Peaking & Carbon Neutrality" policy and through our continuous exploration and improvement, we have adhered to the green manufacturing driven by technological innovation. We have realized low-carbon, green and digital product lifecycle management. Based on lean management of infrastructure, management system, technical products, and environmental emissions, we have vigorously driven lean transformation of water, electricity and gas equipment, with third-party regular monitoring of waste gas, waste water and noise. For all the efforts we have made, we have achieved synergetic development of economic benefits and social benefits of the Company.

In 2022, we have defined the "three stages" development strategy and targeted at "intelligent power distribution, smart home and new energy electrical technologies, industrialization and informatization, and integrated supply chain" as our key work directions. In 2023, all LAZZEN people will adhere to the strategic direction, continue to build up capabilities, drive transformation and growth, practice the concept and spirit of "doing better than our best in low-voltage apparatus", create value for customers with higher reliability, consistent products and integrated solutions, and make unremitting efforts to build a new zero-carbon ecosystem of smart apparatus. At the same time, our company will continue to follow the concept of social responsibility, from the practitioner of social responsibility to the leader of ESG, give play to the spirit of innovation, and forge ahead to realize the symbiosis and common prosperity of business and society.



Chairman of LAZZEN



About LAZZEN



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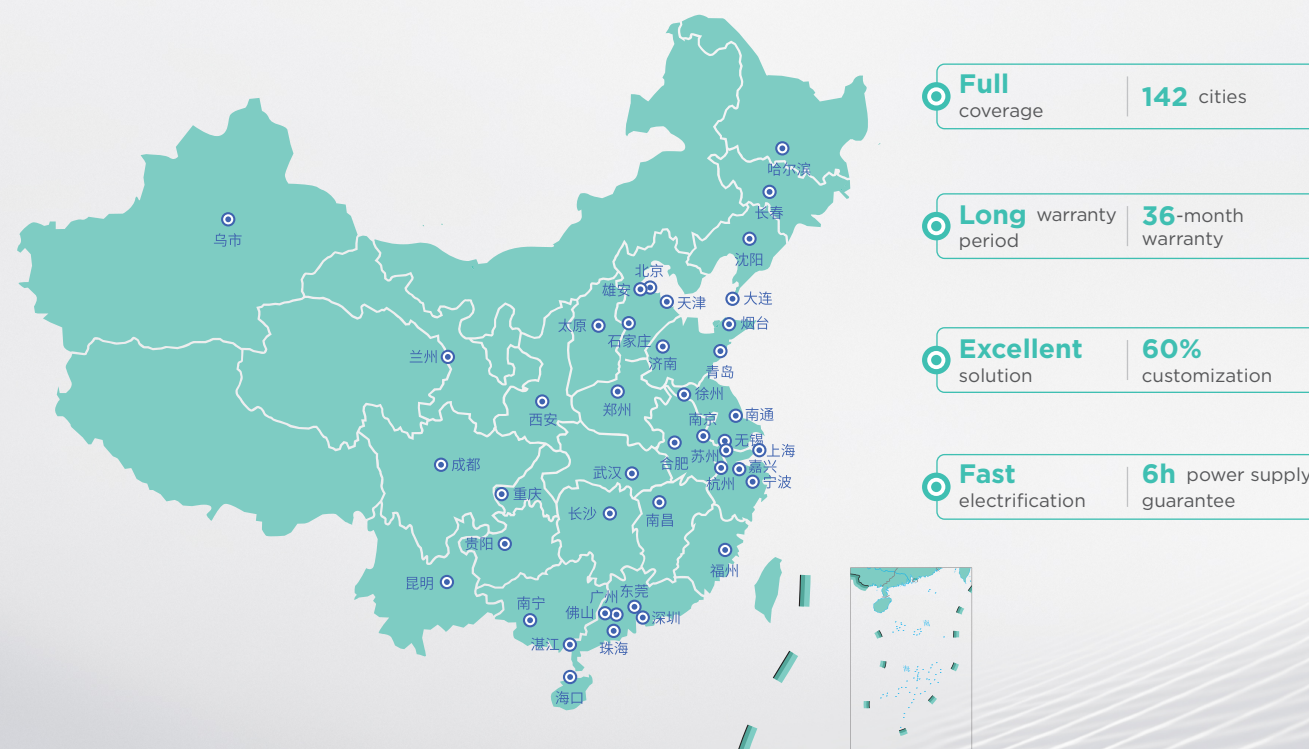
Company overview

Basic information

LAZZEN is a leading intelligent manufacturing technology company in the industry, committed to building a new zero-carbon ecosystem of smart apparatus. We focus on intelligent power distribution, smart home and new energy electrical technologies, build the global headquarters in Shanghai and a future factory in Haiyan, Zhejiang, and provide innovative system solutions for customers in industries such as new energy, information communication, construction, electric power, industry, industrial control, and home. Our brand slogan "Where there is electricity, there is LAZZEN" has gained the full trust and praise of our customers.

Listed on the Shenzhen Stock Exchange in 2014 (SZ.002706), LAZZEN has achieved leapfrog growth continuously. We drive product R&D by consumer centricity and market demands. Our annual R&D expenditure equals more than 6% of our revenue. We have won honors and qualifications such as National High-tech Enterprise, National Intellectual Property Demonstration Enterprise, National Manufacturing Champion, National Green Factory Demonstration Unit, Pilot Zhejiang Future Factory and Deloitte's Best Managed Companies and have established a National Enterprise Technology Center, a Post-Doctoral Research Center, and a Testing Center that is accredited by CNAS & UL, laying a solid foundation for independent innovation and healthy and sustainable development.

Through the super-representation and end-to-end service system, LAZZEN has its business covering more than 140 cities in China and other countries and regions including Europe, North America and Asia to provide quality products and service solutions for global users.



Strategy and culture

Strategy

LAZZEN focuses on low-voltage apparatus and chooses the target concentration strategy by leading in intelligent power distribution, smart home, and new energy electrical technologies, to be an expert in smart apparatus solution.

Mission and vision

To do better than our best in low-voltage apparatus and work together to build a new zero-carbon ecosystem of smart apparatus.

Values

- Pursuit of customer success
- Pursuit of truth and introspection
- Responsibility and ambition
- Openness and collaboration

Social responsibility

LAZZEN provides high-quality products and services to the society, operates in accordance with applicable laws, pays taxes according to regulations, and maintains sustainable and healthy development.

LAZZEN adheres to independent innovation to drive development of electrical technologies. LAZZEN is committed to save resources, protect the environment, and proactively participate in carbon neutral and zero carbon construction.

LAZZEN is committed to protect the safety and health of its employees and continuously improve their compensation and benefits.

LAZZEN is committed to support public health and cultural construction and proactively participate in social contribution programs.

2022 milestones

2022.1

The Company was shortlisted for Excellent Intelligent Manufacturing Scenarios for lean production management.

2022.2

The Company was rated as the National Enterprise Technology Center for 3 consecutive times.

2022.3

The "Striver No. 1" Phase II employee stock ownership plan of the Company was officially launched.

2022.7

The Company won the Samsung Supplier Award granted by CRRC Corporation Limited for quality products and excellent services.

2022.8

The brand of the Company was updated and released.

2022.9

Ren Silong, Chairman of the Company, was invited to attend the Annual CEIBS Alumni Social Responsibility Meeting and 2022 ESG Forum.

2022.1

The Industrial Design Innovation Center of the Company was awarded the 2021 Enterprise Design Innovation Center in Shanghai.

2022.3

The Company won the 2021 Strategic Partner Award granted by Sungrow.

2022.4

The smart home Magic Panels series of the Company won the iF Product Design Award 2022 for advanced user experience and excellent design concept.

2022.8

The Company was won the 2022 Best Managed Companies award for sustainable development and advanced management concept.

2022.9

The Company won five awards in the List of Top 100 Enterprises in Shanghai.

2022.11

The Company was rated as the National Intellectual Property Demonstration Enterprise.

ESG Management



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On the lofty mission "to do better than our best in low-voltage apparatus and work together to build a new zero-carbon ecosystem of smart apparatus", the Company has long integrated the concept of sustainable development into daily operations and management. Starting from six directions, we actively fulfill our social responsibilities, pursue the balance between environmental, economic, and social values, continuously improve the ESG governance system, and enhance governance capabilities.

Communication with stakeholders

With great importance attached to stakeholder communication and engagement, the Company has built various communication channels and platforms and actively responds to the expectations and demands of stakeholders, so as to develop closer relations.

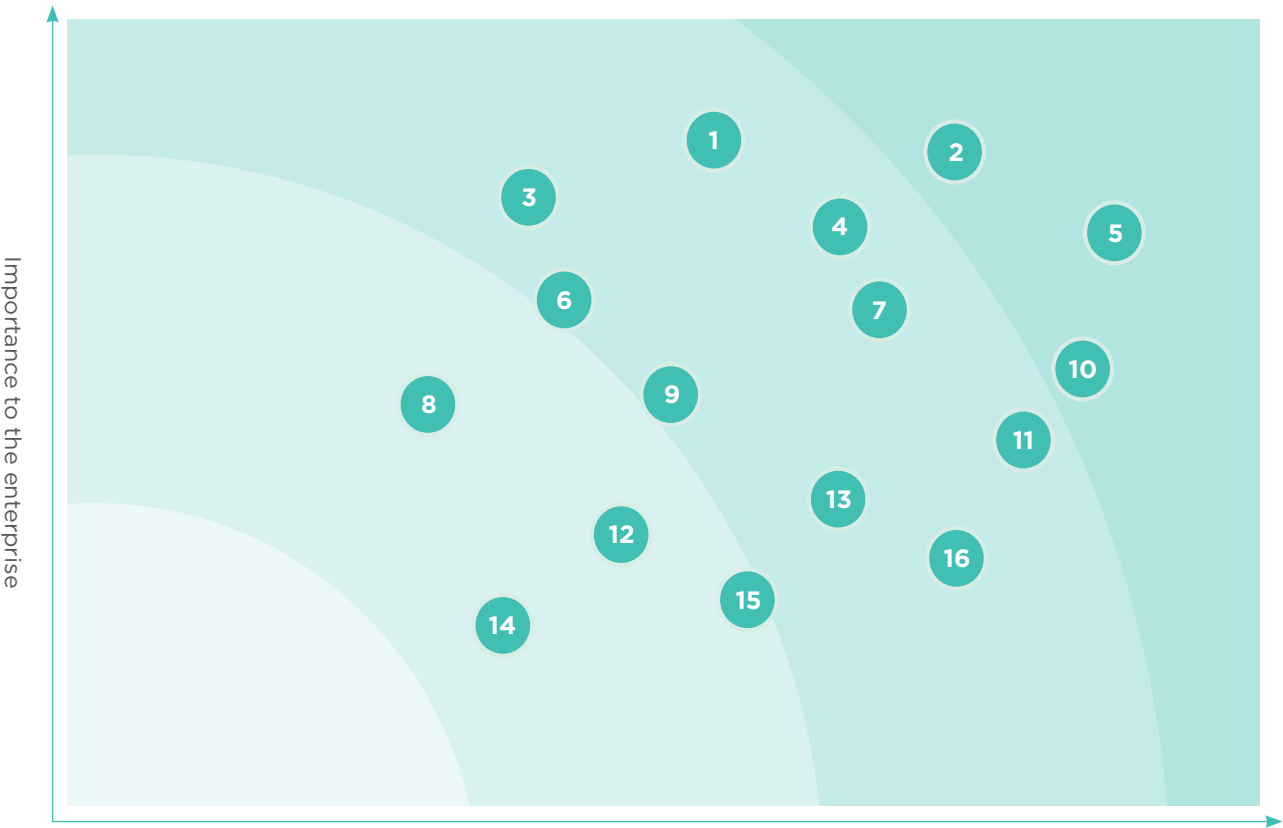
Communication with stakeholders

Stakeholders	Expectations from the Company	Communication and Response
 Shareholders and investors	Transparent financial information disclosure Enhanced risk control Creation of economic value	Information disclosure Shareholders' meeting Working meetings Communication and coordination
 Governments and regulators	Operations and tax payment in compliance with all applicable laws and regulations Fully improved quality and efficiency Support for local development	Daily reporting and communication Meetings and exchanges
 Customers	Provision of diversified products and quality services Guaranteed product and service quality Better customer experience	Information disclosure Customer feedback and response Customer satisfaction survey
 Partners	Cooperation with integrity Transparent procurement Win-win development	Project cooperation Working meetings Daily communication
 Environment	Minimized environmental impact Response to climate change	Environmental information disclosure Environmental protection activities
 Employees	Protection of basic rights Ensured safety and health Smooth growth path Care for employees' personal lives	New employee communication Regular meetings Normalized training Exchanges
 Communities	Engagement in community work Support for social contribution programs Facilitation of local development	Social contribution programs Volunteer service Information disclosure

Analysis of material topics

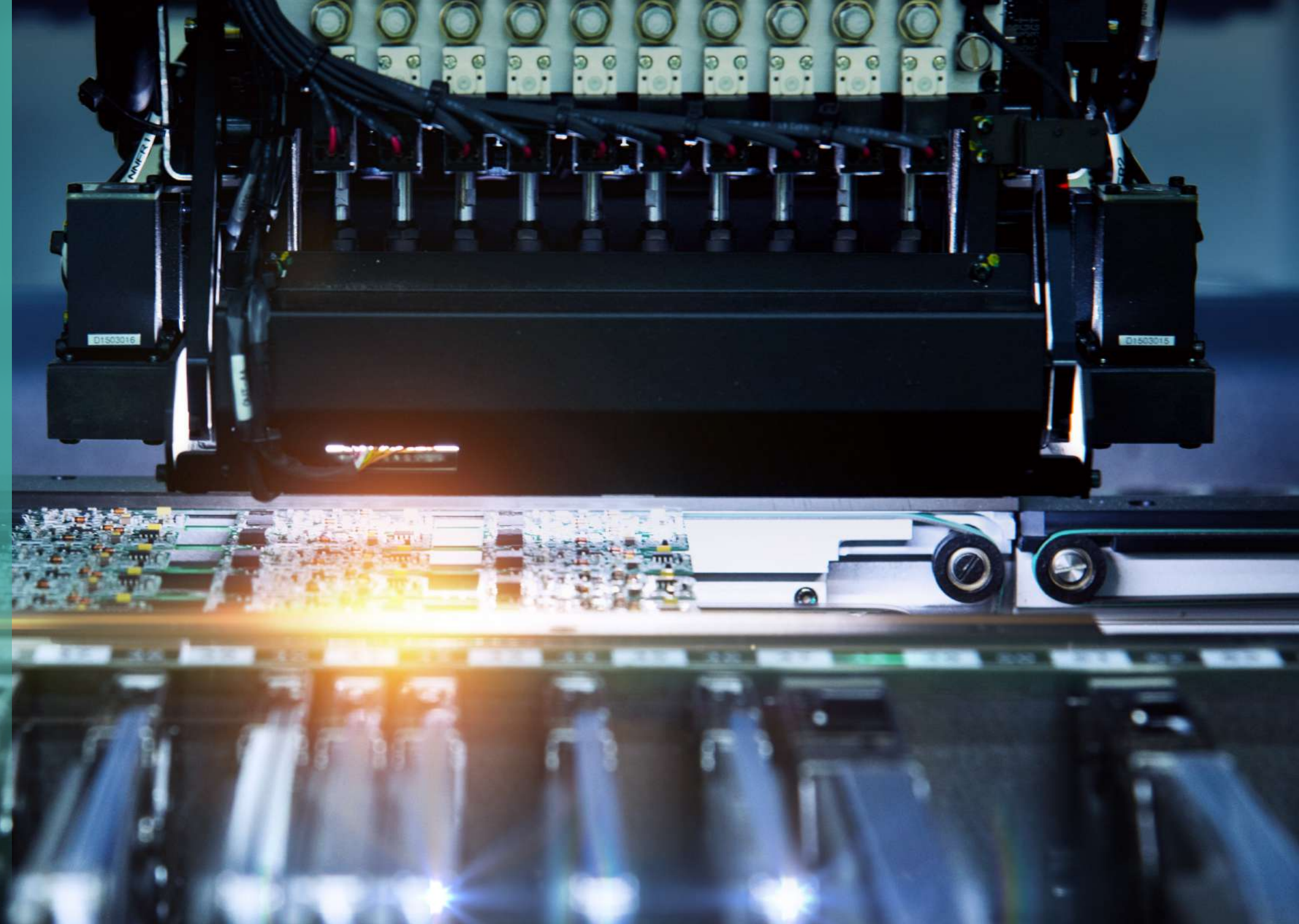
To assess stakeholders' concerns and expectations on the material topics in our environmental, social and governance areas, we strictly follow the material topic analysis process defined in the GRI Standards, conduct internal and external stakeholder surveys with questionnaires, identify and screen out key topics of great materiality, and disclose those topics in the Report, so as to better respond to the demands and expectations of stakeholders.

Material topic matrix of LAZZEN



- 2 Product quality
- 7 Green production
- 11 Employee training
- 8 Democratic management
- 5 Technological innovation
- 10 Responsible marketing
- 9 Employee rights
- 12 Anti corruption and business ethics
- 4 Occupational health and safety
- 3 Waste management
- 13 Intellectual property
- 15 Green operation
- 1 Customer service
- 6 Supply chain management
- 16 Compensation and benefits
- 14 Industry cooperation

Special Topic on Responsibilities



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Quality services

The "14th Five-Year Plan" clearly stresses the need for systematic layout of new infrastructure construction. The current complicated international situation also means an opportunity of the times to China's national brands of low-voltage apparatus. Based on the business philosophy of "improving quality, creating quality products and serving customers", the value of customer centricity and the concept of market orientation, the Company focuses on low-voltage apparatus by proposing the strategy of developing intelligent power distribution, smart home and new energy electrical technologies, providing customers with best solutions as well as quality products and services through scientific analysis of the market and professional technical services.

Series 1

NDQ5W:



Multiple conversion methods;
Excellent dual power supply performance;
Mechanical and electrical interlocking;
Dual power supply CCC certification;
CB-grade protection.

NDW3A:



Listed to UL1066 standard, with comprehensive improvement of safety protection performance and reliability, in comparison to circuit breakers listed to other standards;
Applicable to PV and energy storage in special environments such as high altitude, low temperature, and high temperature;
Applicable to inverters' mainstream AC and DC power supply requirements;
Anti-vibration and shock, steady-state sinusoidal vibration, random vibration, shock & vibration;
High voltage, rated insulation voltage up to 1250V.

NDM3E

Series:



Full protection;
High precision measurement;
Safe, reliable, convenient operation and maintenance;
Interconnection.

NDG3V:



Leading platform, innovative structure;
Small size, effectively saving cabinet space for customers;
A variety of accessories available to easily help customers expand product functions;
Meet domestic and foreign PV, energy storage and other high voltage, high short-time withstand requirements;
A full range of specifications, providing customers with different choices and effectively saving costs.

Series 2

NDZ3AT-25010H-60010H:



Sealed by ceramic brazing, no arc spatter, safe and reliable;
Industry-leading short-time withstand product parameters, with auxiliary contacts;
Non-polar products, DC1500V voltage large energy storage main circuit;
A complete set of product certifications including CCC, CE, TUV, and UL.

NDZ3AT-150R-350R:



Sealed by ceramic brazing, no arc spatter, safe and reliable;
Round ceramic products, optional auxiliary contacts;
Non-polar, a life of 1000 cycles if charged on DC1000V State Grid charging piles;
A complete set of product certifications including CCC, CE, TUV, and UL.

NDZ3AT-250C/300C:



Sealed by ceramic brazing, no arc spatter, safe and reliable;
Additional magnetization block design to contacts, industry-leading 15kA and 10ms short-time withstand;
Non-polar products, magnetic blow-out;
Small size, horizontally or vertically installed, applicable to scenarios of new energy vehicles.

Series 3

Magic Link Power Smart Management Platform:



Based on years' experience in the development of intelligent switchgear, the Company has launched an electrical and digital solution, the so called Magic Link Power Smart Management Platform, by integrating fully intelligent components, modules, and software. With the monitoring and management of the "electric power" system as the core, the platform integrates the applications of medium and low-voltage systems to achieve integrated platform management and provide easy-to-use and efficient electrical and digital system functions including collection, monitoring, analysis, prediction, guiding, and carbon saving.

Series 4

Magic Panels series

The Company adheres to the infinite insight and exploration of living space, unrelentingly seeks to make breakthrough in ultimate smart lifestyles, provides multi-functional and unified whole-house smart solutions through the coverage of nine smart systems, and develops boundless and integrated Magic Panels series to realize intelligent power distribution and interconnection and interaction of smart home.

Attractive appearance, with Rubik's Cube combinations opening up unlimited possibilities for home furnishings

Adopt the family vision, minimalist design concept, applicable to various home furnishing styles.

Magic full screen, multi-functional blending

The series integrate a thermostat with ultra-thin integrated black large screen design and are provided with a three-in-one multi-functional integrated thermostat and are linked with functions including VRV AC, fresh air, and water heating. The distributed control wiring ensures the independence of different functions and significantly unifies multi-functional operations.

1+1>2 leapfrog function combination

Break through the single-product thinking framework and achieve 1+1 > 2 function combination based on function combination among different products.



Case

The smart electrical system solution of the Company helped Qatar build a Zero Carbon World Cup.

The 800-megawatt Al Kharsaah PV power station, undertaken by PowerChina Guizhou Engineering Co., Ltd., had to overcome harsh conditions such as long-term high temperatures up to 50°C and frequent sandstorms. The Company provided the customer with a customized smart electrical system solution through technological innovation, which not only solved the problem of developing a desert PV power station at high temperature, but also helped Qatar fulfill its commitment to hosting a Zero Carbon World Cup. This case provides effective evidence of the Company's products and solutions going global.



800-megawatt Al Kharsaah PV power station

Case

Smart home makes for a better life.

To meet various needs of customers for whole-house energy efficiency monitoring, water and gas safety, various scenarios, network coverage without dead spots, and air quality monitoring, the Company relied on its industry-leading and complete smart home systems to provide customized solutions for 780 residential houses in a garden mansion community in the new Chinese, Zen and royal style. The intelligent micro-end was used to monitor the energy consumption of the entire house in real time. The gas and water intrusion sensors were used to provide timely warning. The central control screen and voice panel were used to achieve free switching of various scene modes. The air box linking the fresh air system helped monitor and improve air quality in real time. Wi-Fi coverage throughout the home allowed users to navigate the Internet anytime, anywhere.



Panorama of smart home

Case

Customized new energy electrical technology solution ensured safe power distribution in an industrial park.

In line with customer centricity and driven by customer requirements, the Company focused on the layout of new energy electrical technologies. To meet BYD's requirement for large-current MCCBs, the R&D team and product team of the Company provided an efficient and smart low-voltage power distribution solution to meet the customer's requirements. The solution not only helped ensure the continuity of power supply in BYD's factory but also effectively improved the safety of the power distribution system in the factory and solve the customer's system pain points.



BYD office building

Strict quality management

The Company attaches great importance to quality management. In line with quality concept of "customer centrality and quality as our dignity", the Company implements whole value chain quality management which is supported by the quality information system. Since the establishment of a quality management system in accordance to the ISO 9001 standard in 2001, the Company has implemented integrated quality management, whereby each business department shall be responsible for its own business quality and set up its own quality and operation department. Meanwhile, the Company has actively introduced third-party certification institutions to carry out quality assessment. Every year, the Company is certified to the ISO 9001 standard and other quality system standards.

Quality and Operations Department

Manage the quality strategy, quality culture, quality measurement, and quality system of the Company.

Procurement

With the supplier relationship management (SRM) system, the Supplier Technology and Quality Department is responsible for device certification and supplier quality management.

Customer service

Implement the Issue to Resolution (ITR) process, import information from the customer side on the distribution management system (DMS), and carry out 8D analysis and make improvement through the intelligent manufacturing system (IMS).

R&D

The PQA of the Quality and Operation Department of each product line is responsible for implementing R&D quality management according to the Integrated Product Development (IPD) process, as well as managing and controlling R&D projects, drawings and technical documents through the PLM system.

Manufacturing

Manage the quality of incoming materials and on-site production processes through the Quality Management System (QMS) system and manage manufacturing data through the MES system.

Intelligent factory

Since its establishment, the Company has adhered to the brand positioning of "an expert in high-end low-voltage electrical system solutions" based on the vision of "to do better than our best in low-voltage apparatus and work together to build a new zero-carbon ecosystem of smart apparatus". To meet the need for operation upgrading and expansion, and respond to China's "14th Five-Year Plan for Intelligent Manufacturing Development" and "Made in China 2025", the Company has actively deployed the special "762 Digital Strategy" project to build a digital, networked, and intelligent demonstration factory and promote transformation and upgrading of traditional industries.

Automated manufacturing

The Company has introduced an advanced automatic MCB production line, an automatic production line for universal circuit breakers, shell splitter, contactor life test equipment to optimize production processes and upgrade manufacturing technologies. Relying on the industrial interconnection platform, the Company can efficiently connect equipment to the manufacturing system to enable automation, informatization, and intelligence of the production process and high integration of industrialization and informatization.



Data performance

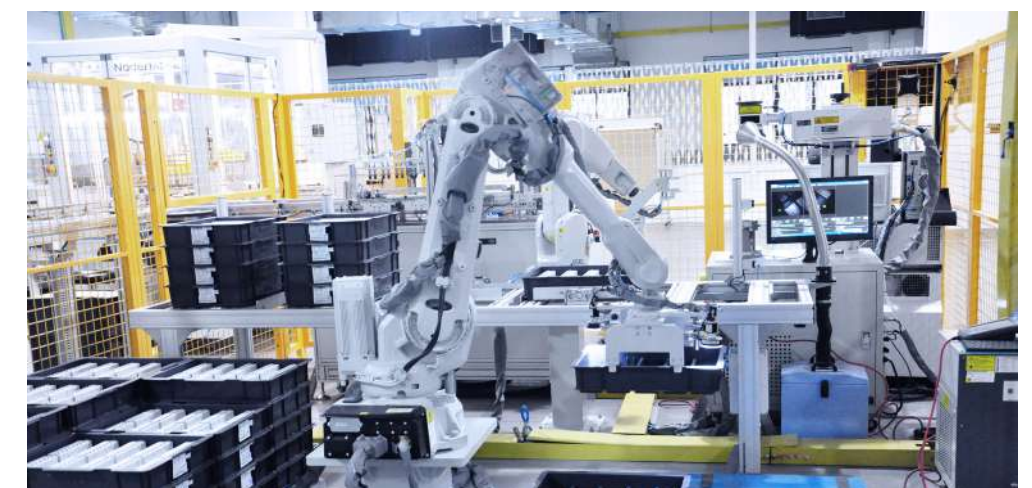
By the end of the reporting period, the Company has **102** quality management personnel and **110** quality inspection personnel.

Adhering to R&D and innovation

The Company attaches great importance to R&D and innovation by constantly improving the innovation management system, establishing relevant sound systems, and taking multiple measures to stimulate employees' R&D and innovation vitality. In order to speed up the process of product innovation and replacement, the Company holds a technology innovation award selection event every year to collect candidate projects from technology R&D teams across the Company. A technical expert team is formed up to evaluate and select projects with the best technological innovation value. Rewards are given to the winning teams to encourage innovation and breakthroughs.



Evaluation of the annual professional technology innovation award of the Company



OTS automated production line

Digital product design and simulation

The Company has set up a professional simulation team, introduced professional simulation software, and built a simulation platform for electromagnetics, structure, motion, thermal fluid, tolerance analysis and optimization analysis, to simultaneously perform numerical simulations in replacement of traditional tests, and screen and optimize designs. The Company is capable of innovatively coupling multiple physical fields into multiple independent physical fields for analysis, in a way to greatly improve the efficiency and quality of project development.

Collaborative operation of upstream and downstream supply chains

The Company insists on driving value innovation with digital technologies. By using technologies including big data, AI, cloud computing, 5G, IoT, industrial interconnection and digital twin and connecting systems including PLM, SAP, OMS, SRM, APS, MES, WMS, QMS and TMS, the Company has streamlined the digital management system and the concerned business sections and has formed a collaborative system operation mode among suppliers, LAZZEN, and customers.

Case | Future factory.

Relying on the global R&D management system at the HQ and technology accumulation in intelligent manufacturing and industrial Internet, based on industrial interconnection, the Company has established the whole-process intelligent production system covering Haiyan intelligent factory, intelligent logistics, intelligent production and intelligent supply chain and is active building a 4.0 benchmark intelligent factory with large scale, complete process, advanced equipment automation, high information integration, efficient logistics and agile delivery in the low-voltage apparatus industry. Currently, Phase I of the project has been put into operation successively while Phase II has been completed and accepted.



Haiyan Future Factory of the Company

Process management

In the age of information management, process management aims to find an optimal path and method for strategy realization with the help of a set of scientific tools and methods. Through end-to-end process construction, the Company has completed the transformation from a traditional functional organization to a process-oriented organization. With the processes as the carrier, the Company has included management requirements on quality system, standards, internal risk control and systems in the business processes and carries out operational management based on each business process to drive digital transformation of the Company and ensure efficient achievement of strategic objectives. At present, the Company mainly performs operational management based on four main processes including DSTE, IPD, LPM, and ITR.

► DSTE

The Develop Strategy to Execute (DSTE) process transmits strategic objectives to the three main execution processes (including IPD, LPM, and ITR) which feed back the operation results to the DSTE, effectively ensuring the entire process from planning to implementation of the Company's strategies.

► IPD

The Integrated Product Development (IPD) process is a set of R&D management system processes for short-term product development and medium & long-term product planning and investment management. It covers the import of the Company's strategic planning, management of external market demands, planning for product roadmaps and technology roadmaps, development of project briefs, product development, marketing, and life cycle management.

► LPM

The LPM process is a set of self-developed system processes for digital marketing process management, which combines the end-to-end marketing process ideas of our benchmarking processes (Huawei's MTL and LTC processes) and aligns with the sales management model of the Company. It combines the marketing management processes and systems. Its end-to-end processes include three main processes: market insight and management, lead to cash (LTC), and customer relationship management.

► ITR

The Issue to Resolution (ITR) process is a set of standard service management system processes, from customer demands to meeting customer delivery, from issues to resolution. With this process, LAZZEN is able to provide rapid service response and solve customer issues and improve product quality so as to improve customer satisfaction and even achieve productization of services in the future.

Governance Responsibility · Pursuit of Excellence



Opportunities and challenges

- The state is more concerned about protecting the legitimate rights and interests of small and medium-sized investors in the capital market.
- Progress has been made in the development of intellectual property with Chinese characteristics.
- The industry is facing uncertainties due to the complex and ever-changing international situation.

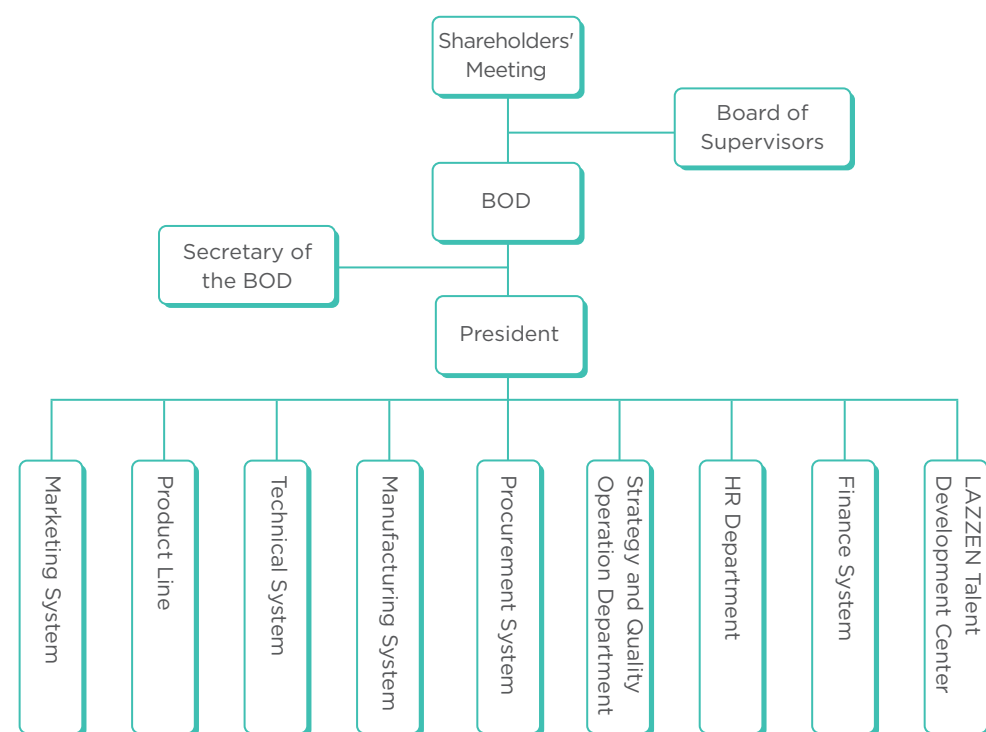
Our actions

- Keep improving the Company's governance and establish a governance structure with effective checks and balances.
- Emphasize the quality of information disclosure and enhance the fairness and transparency of information disclosure.
- Strengthen investor relationship management and ensure multiple communication channels.
- Optimize the internal control system and strictly control risks.
- Raise the Company's overall incorruptibility consciousness and create a clean environment.
- Strengthen the protection of intellectual property and stimulate the vitality of R&D and innovation.

Continuously improving governance

Organizational structure of the Company

In accordance with laws and regulations including the Company Law and the Securities Law, the Company has established a governance system centered on the Company's Articles of Association and formed a decision-making structure mainly represented by shareholders' meeting, board of directors, board of supervisors and management. It is necessary to keep improving the Company's governance structure, standardize the Company's operations, and enhance the operation quality of the Company's governance, so as to provide a good management decision-making environment and guarantee for the Company's standardized development.



About shareholders and shareholders' meeting

As per and as required under the Articles of Association and the Rules of Procedures for Shareholders' Meetings, the Company standardizes the convening, holding and voting procedures of shareholders' meetings, to ensure that all shareholders, especially minor shareholders, have equal status and that shareholders can fully exercise their shareholder rights and to fully respect the legitimate rights and interests of all shareholders.

About directors and the board of directors

The Company's board of directors consists of 9 directors, including 3 independent directors. Members of the board of directors include industry experts, professionals in finance, law and business management, who are equipped with knowledge, skills and qualities necessary to fulfill their duties. All the Company's directors can discharge their duties faithfully, honestly and diligently. The convening, holding and voting procedures of the board of directors shall be governed by the Rules of Procedure for Board Meetings.

About supervisors and the board of supervisors

The Company's board of supervisors consists of 3 supervisors, including 2 female supervisors and 1 employee representative supervisor. The convening and holding procedures of the board of supervisors shall be governed by the Rules of Procedure for the Board of Supervisors. All supervisors can conscientiously discharge their duties as required, including supervising and inspecting the Company's financial position and the performance of directors and senior officers and protecting the legitimate rights and interests of the Company and shareholders.

Data performance

During the reporting period, the Company has held **6** BOD meetings, **6** board of supervisors meetings, and **4** shareholder meetings.

Investor relations management

The Company attaches great importance to investor relations and has developed the Investor Relations Management System to ensure that all shareholders have equal access to information about the Company. In 2022, the Company organized a performance briefing and answered 100% of investors' questions; meanwhile, the Company carried out investor relationship management through multiple channels, platforms, and methods. The major means of communication included performance briefings and online and offline surveys.

Information disclosure management

As required under applicable laws and regulations, the Articles of Association and the Information Disclosure Management System, the Company shall disclose its information in a true, accurate, complete, timely and fair manner, seek to enhance the quality and transparency of information disclosure, and ensure that all of the Company's shareholders have equal access to information and keep abreast of the Company's operating conditions and significant events.

Data performance

During the reporting period, the Company has issues a total of **94** announcements.

Strengthening risk compliance management

Risk management

In order to strengthen risk compliance management and build a risk management organization in line with the governance structure of a modern high-tech enterprise, the Company has set up a risk management committee and an independent risk control department. The Risk Management Committee is mainly responsible for establishing a risk management system, cultivating a risk management culture, and building three lines in risk management, so as to keep risks under control and ensure the Company's operational compliance. The committee consists of the Executive President, who leads risk management, and other officers, who work together to deal with risk management matters authorized by the board of directors. The Risk Control Department is mainly responsible for planning for risk management and internal control implementation and supervision activities.

Line 1

Various business departments of the Company are mainly involved in managing risks during business operations. This is the most important line. Correspondingly, each business department is also the first responsible department for risk management.

Line 2

Departments and organizations that provide support for risk management and control, provide business departments with risk management and control methodology and tools, and carry out risk monitoring and management to control risks and help achieve business objectives.

Line 3

Internal audits aim to independently evaluate the Company's risk management, implement risk management supervision, and enhance the quality of risk management through supervision.

Case | Contract risk training.

As the Company is developing fast, contract risk and accounts receivable risk during sales may have a negative impact on the business objectives of the Company. In order to enhance the quality of contracts signed by business personnel and their risk prevention and control awareness, the Company organizes around 200 project managers to take part in Contract Risk Training. The course contains detailed training from front-end, middle-end, and back-end of contracts and ends with a completion test. This move can significantly enhance the risk awareness and control measures of all each project managers in the business process.

Compliance management

The Company places great emphasis on compliance operations. By establishing an effective compliance management system and operating procedures, the Company can improve management capabilities and efficiency, save management costs, and create a good reputation and image.

Case

Interpretation of the Measures for the Compliance Management of Central Enterprises.

In 2022, the State Council released the Measures for the Compliance Management of Central Enterprises. Although the Measures cover central enterprises only, they provide a reference guide to local state-owned enterprises, private enterprises and other businesses with different forms of ownership in corporate governance by law. In order to deepen the implementation of good faith and compliance, the Company released the interpretation of the Measures for the Compliance Management of Central Enterprises through the OA system, aiming to promote employees' understanding and learning of compliance measures and enhance the Company's overall compliance awareness.



News released in the Company's OA system - Interpretation of the Measures for the Compliance Management of Central Enterprises

To standardize and strengthen internal control, the Company has established a centralized, unified and comprehensive internal control standard system based on the Basic Standards for Internal Control to realize an authoritative and efficient internal control network. The Company has provided daily and special supervision over internal control to significantly improve the Company's operational management and risk prevention capabilities.

Deepen learning to build an authoritative and efficient internal control team.

Under the centralized leadership of the Company's board of directors, develop the internal control team towards institutionalization, process orientation, standardization and professionalism.

Connect horizontally to form a point-to-line internal control and supervision chain.

Collaborate with the Company's professional departments including auditing, risk control, finance, and quality operations to share information, complement each other's expertise, and improve internal control efficiency and quality.

Expand vertically to build a comprehensive internal control network.

Go deep into the business, extend the quality operation department of each organization, expand the depth of internal control, reduce the blind spots of internal control, and form a comprehensive internal control network.

Adhering to business ethics

The Company seeks to become a clean enterprise, build a clean and positive ecological environment, and provide a strong discipline guarantee for the Company's high-quality development in strict accordance with applicable laws and regulations including the Criminal Law and the Anti-Unfair Competition Law.

Strengthen honesty and integrity management

The Company has released the Honesty and Integrity Management Measures through OA and organized all employees to sign the Honesty and Integrity Commitment, a move to further deter, investigate and combat acts that violate the Company's rules and regulations and damage the Company's interests, keep the Company's employees upright, honest, and dedicated to work, prevent and reduce corruption, protect the interests of the Company and individuals from infringement, and support the Company's healthy development.

Create a cooperation ecosystem with honesty and integrity

Committed to building a ecosystem with honesty and integrity with partners and suppliers, the Company requires the execution of the Honest Cooperation Agreement as a necessary condition for signing contracts and conducting business. With the Supplier Code of Conduct, this covers integrity supervision, code of integrity, liaison officer management, integrity and self-discipline. As to distribution channels, the sales side enters into the Distributor Integrity and Self-discipline Commitment with distributors every year to prevent disordered low-price competition between distributors from damaging LAZZEN's brand positioning, shape a fair and just market order, and jointly create a self-disciplined business atmosphere with honesty and integrity.

Protect reporting rights

The Company supervises all violations of law and discipline as well as violations of management rules, and coordinates with and assists judicial authorities to investigate and deal with violations of internal and external personnel as the case may be. In addition, the Company guides and assesses the honesty and integrity of each segment.

 Report email: audit@sh-liangxin.com

Building a strong firewall for information protection

The Company attaches great importance to information security construction by adopting a defense-in-depth strategy, continuously investing resources in people, management and technologies, and following the PDCA process to defend information security, to protect its information security and legitimate rights and interests.



Case | ISO 27001 annual audit.

In order to advance the healthy, orderly and sustainable development of the Company's information construction and effectively protect information resources, the Company invites an external professional auditing firm to audit the Company every year as per ISO 27001, collect evidence of IT operation and maintenance sites and activities through discussion, document review and field investigation, review the issues found in previous audits and inspect the closed issues. This can help find the current deficiencies in information security, improve information management, and enhance employees' information security awareness.



ISO 27001 audit of the Company

Strengthening intellectual property protection

The Company attaches great importance to intellectual property management. By taking the opportunities of the times, the Company has developed the strategy of intelligent power distribution, smart home, and new energy electrical technologies, so as to promote the intellectual property work from a strategic height. In strict accordance with applicable national laws and regulations including the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and the Copyright Law of the People's Republic of China, the Company has establishes an intellectual property management system (which passed certification for the first time in 2017) by reference to GB/T29490-2013 Enterprise intellectual property management, and developed systems including the Intellectual Property Management Procedures and the Intellectual Property Risk Management Procedures, to standardize intellectual property protection.



Patent wall of the Company

Case

Awards

The Company places a high value on the overall development of intellectual property creation, utilization, protection, and management capabilities, by promoting intellectual property work from a strategic height, enhancing the intelligence of products and solutions with high R&D investment, meeting the requirements of customers with more efficient, smarter low-voltage power distribution solutions and building a new zero-carbon ecosystem of smart apparatus with partners. The Company was rated as the National Intellectual Property Demonstration Enterprise for its comprehensive competitive advantages in intellectual property.



LAZZEN rated as the National Intellectual Property Demonstration Enterprise

Data performance

During the reporting period, the Company has applied for **286** patents (including **76** invention patents) and has obtained **388** granted patents.

Environmental Responsibility · Green and Low Carbon



SDGs benchmarking



Opportunities and challenges

- Climate change poses a significant risk to the sustainable development of the global economy and enterprises and has also become a driving force for industry restructuring and green transformation.
- China has been actively responding to climate change with a responsible attitude, and regards climate change as a great opportunity to change its development mode.
- Applicable environmental regulations and supervision over energy resources, greenhouse gases and solid wastes are becoming more stringent.

Our actions

- Adhere to innovation, and introduce technologies to save energy, reduce consumption and increase efficiency.
- Adopt clean energy and adhere to clean production.
- Strengthen the recycling of wastes to boost the circular economy.
- Implement green procurement and give priority to purchasing raw materials with sustainability certification.
- Advocate green office and low-carbon life.

Green management: qualification certification

With standardized management as an important basis for production process management, the Company has passed ISO 14001 certification and ISO 50001 certification, and strictly implements the BSI system to conduct quality, environmental management and hazardous substance process control. The Company innovatively studies green manufacturing integration for the purpose of intensive workshops, harmless raw materials, clean production, recycling of wastes, and low-carbon energy and become an energy-intensive and environment-friendly enterprise. The Company was selected as a "National Green Factory" by the MIIT. During the reporting period, the Company had no environmental incidents.



LAZZEN rated as Green Factory Demonstration Unit

Green innovation: energy saving and consumption reduction

As an active response to the government's call, the Company makes full use of renewable energy to optimize the energy structure; improves or replaces high-energy-consuming process equipment by continuously adopting new processes, new technologies, and new equipment, to achieve energy saving and comprehensive utilization of resources.

Case | Intelligent power distribution platform system.

In order to effectively alleviate the pressure on energy consumption arising from the production size and production load, the Company has introduced an intelligent power distribution platform system, which features site monitoring, energy consumption analysis and power distribution management, and can be used to collect the power consumption of each unit in the factory in real time, give warning about system failure, and statistically analyze data & information. Through scientific management, the Company not only significantly lowers energy consumption, but also reduces carbon emissions.



The Company's intelligent cloud power distribution management system

Data performance

During the reporting period, the Company has applied **1,688.60** megawatt hours of renewable energy.

Green manufacturing: cleaner production

Green procurement

The Company adheres to the concept of green procurement by giving priority to purchasing and using raw materials with less impact on the environment so as to practice sustainable development from the source. The Company has built a physical and chemical laboratory to strictly monitor and manage incoming materials from suppliers; meanwhile, the Company authorizes professional testing agencies to regularly test hazardous substance in parts and components, to ensure that raw materials are harmless.



Based on environmental protection requirements and sustainable development, the Company places RoHS requirements on material selection and process through product design, signs the Supplier Quality Agreement and the Environmental Protection Agreement with qualified suppliers, and prepares a RoHS audit checklist, supply report control and risk classification, with RoHS control seen as the Company's quality boundaries.



Testing Center of LAZZEN

Green production

As per the environmental protection development plan, the Company includes the concept of environmental protection into the life cycle of products, and creates industry-leading green brands through products characterized by high energy saving, environmental protection and high performance. So far, the Company has 2 models of MCCBs and 8 models of household and similar ACBs that have passed review by the MIIT and rated as Green Design Products.

Made of low-toxic or non-toxic raw materials

- Starting from raw materials, prefer non-toxic or low-toxic raw materials, and use water-based paints instead of oil-based paints for anti-corrosion spraying on PCBs, in a way to greatly reduce the resulting emissions of VOCs, xylene, and acetone.

Clean production process

- Clean core parts with ultrasonic before assembly to ensure that the parts are clean on the surface, dry the cleaned parts in a vacuum oven, and convey the dried parts into the assembly workshop through the transfer window.
- The assembly workshop is a static 10,000-degree clean room. Before entering the workshop, pass through two air shower doors, and change into one-piece clean clothes and high-top clean shoes and wear one-piece caps to ensure that no one will pollute the environment of the workshop.
- The Clean Workshop Use Specifications is formulated for personnel who enter the workshop and workshop management personnel. All personnel who enter the workshop and workshop management personnel shall follow the Specifications to carry out activities in the workshop so as to ensure normal clean production in the assembly workshop with acceptable cleanliness.

Emissions

- Follow advanced design concepts, select advanced supporting products for product development and design, introduce automatic spot welders in closed operations, to avoid unorganized emissions of smoke and dust in welding.
- The pad printing process gradually replaces the original oil-based ink printer with a laser printer, a move to greatly reduce VOCs emissions generated in the printing process.



In managing wastewater, waste gases and solid wastes, the Company sorts them out to reduce pollution as required. Daily monitoring and regular third-party monitoring are implemented to ensure that emissions are always acceptable. With a balance of economic and environmental benefits, the Company actively advances the recycling of wastes, and promotes the development of a circular economy. 8 models produced by the Company can be 100% recycling.

Prevention of pollution related to solid wastes

According to the disposal principle of "recycling, reducing, and harmlessness", sort, collect, stack and dispose of hazardous wastes and general wastes to fully utilize resources as much as possible.

Waste water

Separate rainwater and sewage in the factory, sort and collect project wastewater, dispose it by quality, and recycle it by quality.

Waste gases

Strictly implement various waste gas collection and treatment measures to reduce environmental pollution and health hazards.

Data performance

No incidents of excessive discharge of waste water, air, and noise pollutants are found since operation. The overall utilization rate of industrial solid waste is **100%**.

Green office: low-carbon life

In active response to the national energy conservation and emission reduction policy, the Company implements green office in production and office space and practices low-carbon life. Meanwhile, employees are encouraged to participate in and carry out environmental protection actions within their ability to help protect green home.

Use energy-saving equipment, energy-saving LEDs, and solar street lights in the park.

Align green operations to the KPIs of the Administration Department.

Adopt 5S mode in the workshop.

Minimize the purchase and use of disposable paper cups.

Advance paperless office in the OA system and improve the level of informatization.

Strengthen environmental protection publicity to enhance employees' awareness of environmental protection.

Social Responsibility · Win-win Cooperation

SDGs benchmarking



Opportunities and challenges

- According to "14th Five-Year Plan", one of the Long-Range Objectives Through the Year 2035 is that "people will lead a better life, and more notable and substantial progress will be achieved in promoting well-rounded human development and achieving common prosperity for everyone".
- China has intensively introduced national development strategies and industrial policies such as the 14th Five-Year Plan, "Carbon Peaking & Carbon Neutrality", "New Energy" and "New Infrastructure".
- No significant changes have occurred in the industry of low-voltage apparatus.

Our actions

- Protect the health and rights of employees, and help employees grow and mature.
- Stick to quality and service in line with the Integrity-based, customer first thinking.
- Develop cooperative relations and win-win cooperation with relevant parties.
- Participate in industry activities to help industry standardization and development.
- Help cultural, educational and social construction.

People-oriented to realize employee value

Employee rights

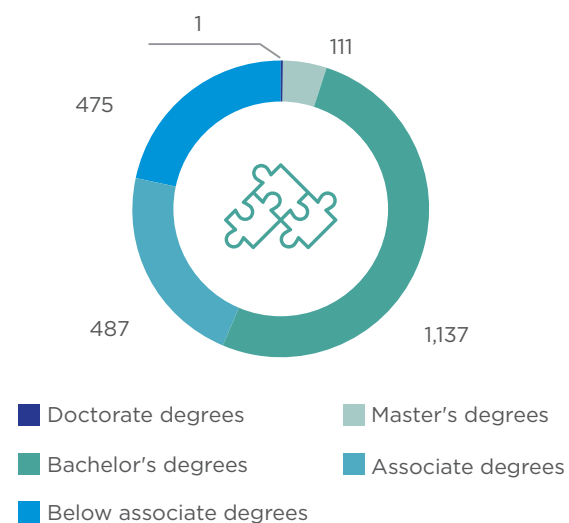
Equal employment

Since its establishment, the Company has been advocating and implementing the values of "integrity, care, responsibility, and aggressiveness", and placed much emphasis on the protection of employees' legal rights. In strict accordance with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other laws, regulations and local government requirements, the Company has developed the Human Resource Management System and other systems, keep improving employee management, and protect the legitimate rights of all employees. By adopting anti-discrimination rules to eliminate unfair treatment, the Company sticks to equal pay for equal work, prohibits discrimination, resists the use of child labor and forced labor, and strives to create a fair, respectful and diverse working environment.

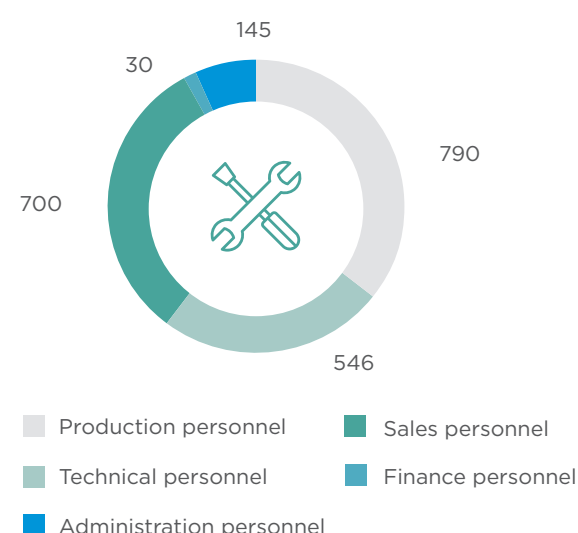
Data performance

During the reporting period, the Company has **2,211** employees.

By educational level:



By position:



Democratic management

As required under the Trade Union Law and the Chinese Trade Union Constitution, the Company has set up a trade union and workers' congresses, continuously improves the Trade Union Management System and the Company's Trade Union Constitution, and ensures the implementation of democratic management by establishing an equal negotiation and collective contract system and smoothening Xinsheng community democratic dialogue mechanism. In addition, the Company actively improves the factory affairs disclosure mechanism to promote democratic supervision, and conducts labor dispute mediation by law to ensure harmonious and stable labor relations.

Case

Employee satisfaction survey.

To effectively identify the issues in the Company's personnel management and learn the impact of the Company's decisions on employees, the Company surveyed employee satisfaction and collected 400+ opinions and suggestions. In addition, the Company coordinates the Trade Union, HR, Administration, Corporate Culture and other departments to set up a special teams to help employees solve issues and improve the Company's democratic management system.

Compensation and benefits

In line with fair, just, and transparent compensation performance, the Company has developed the Performance Management System and continuously reviews the competitiveness of employees' compensation. Under the principle of distribution according to work, scientific compensation management is carried out in combination with employee performance appraisal, to encourage employees to continuously improve their personal capabilities and grow together with the Company. Meanwhile, the Company respects the personality and dignity of employees, and supports employees to display their talents and embody their personal values. According to the market-oriented and customer-centric approach, the Company has developed a competitive talent incentive and assessment system in the industry.



Long-term incentives

A total of three long-term incentive projects have been carried out, including equity incentives, restricted stocks, and employee stock ownership plans, with a large volume and wide coverage, enabling employees to truly contribute to the long-term development of the enterprise and share the achievements of the development.



Bonus

In terms of performance and bonus, the mechanism has been changed from the administration granting mechanism to the acquisition and sharing mechanism. PBC and position fulfillment have been adopted to manage personal performance as well as short-term and long-term objectives, ensuring sustainability with incentives.



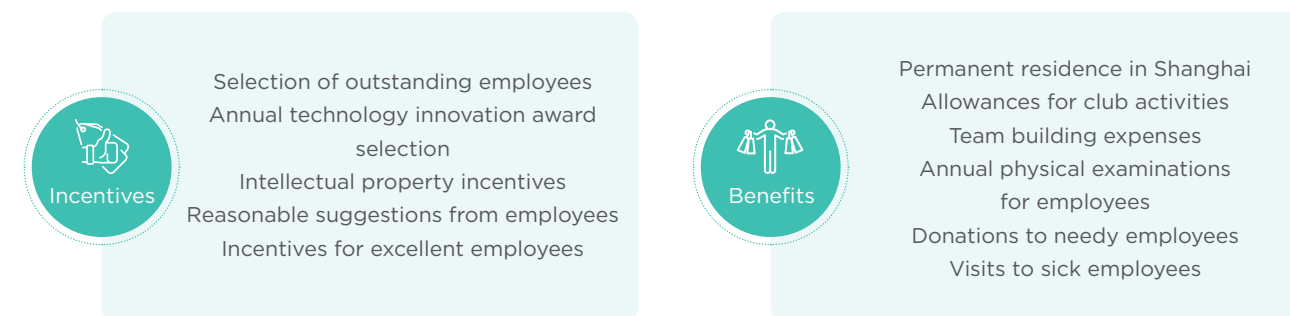
Salary

Employ salary is based on the position system and reference to the market level, with increased flexibility and improved security.



Pursuant to the Social Insurance Law of the People's Republic of China, the Company has developed the C&B Management System, strictly implements the social security system, and pays pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund for employees by law, and regularly organizes medical examinations to all employees every year.

Compensation and benefits of the Company



Employee care

The Company is deeply convinced that employee well-being is inextricably linked to building a positive, efficient and creative team. The Company attaches great importance to humanistic care, by offering various activities to employees and relieving employees of difficulties with sincere and warm care, so that every employees can fully feel the warmth of home and effectively enhance their sense of belonging.

Case | CEIBS AMP 24-Hour Elite Challenge.

As a strategic partner and teaching & research base of China Europe International Business School (CEIBS), the Company joined hands with the CEIBS to organize the CEIBS AMP 24-Hour Elite Challenge. Aiming at CEIBS alumni entrepreneurs, senior management teams, and various elites from the society, the Challenge had defined various types of competition in terms of AMP class group, elite group, alumni enterprise group, business school group, and family & friend experience group. The players of LAZZEN fought bravely and gained good results in the Challenge. The spirit of working together to archive excellent results did not only reflect in one competition game, but also was merged into the daily work and every minute of customer service by LAZZEN people who made LAZZEN a leader in the low-voltage apparatus industry with the same dedication and perseverance.



Case | Care for retired employee.

In order to further carry forward the Chinese nation's traditional virtue of respecting, loving and helping the elderly and create a harmonious and stable environment, the Company held a retirement ceremony for employees who have reached the mandatory age for retirement, in a move to fully affirm the contributions made by the retired employees to the Company and provide models for young employees to learn and continue more brilliance.



Retirement ceremony for retired employees

Case | LAZZEN Cup Badminton Competition.

To promote the spirit of cooperation in the Company's employees and improve their personal fitness, the Company held the fifth LAZZEN Cup badminton competition. A total of 40 employees from more than 10 departments participated the competition. In the competition, all teams fought bravely and strived to be No 1, showing the spirit of LAZZEN's employees.



LAZZEN Badminton Club



Liangxi football club



Liangxin basketball club



Liangxin table tennis club

Employee safety and health

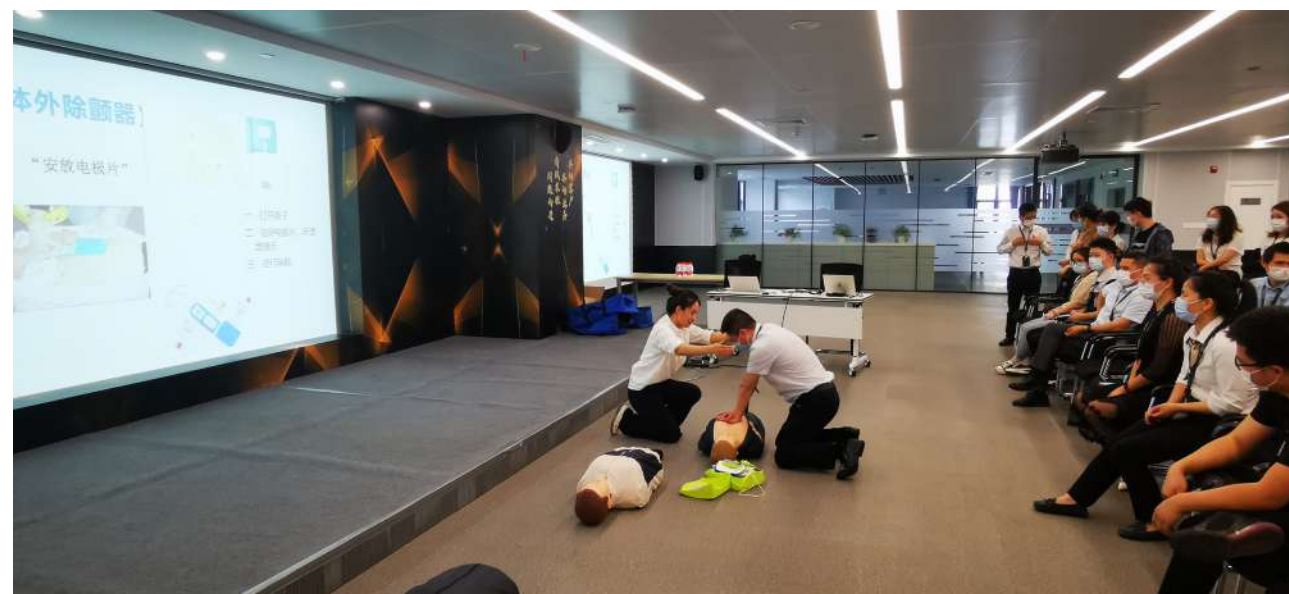
In strict conformity with all applicable laws and regulations including the Work Safety Law of the People's Republic of China, the Company has established a safety committee, with the General Manager of the Manufacturing System of the Primary Department as the Director and Director of the Administrative Department as the Executive Secretary. Five modules are defined by function, including fire safety, personnel safety, equipment safety, power safety, food safety. Two committee members are assigned to be the owners of each module. In addition, the Company keeps strengthening occupational health and safety work infrastructure construction, by strictly monitoring and managing health hazards in the workplace, and standardizing and restricting employees' work behaviors through publicity, training, supervision and other means, so as to fully protect employees' health and safety.

Occupational health management

As per applicable laws and regulations including the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Company has prepared system documents in combination with the realities including the SOP for the Prevention of Occupational Diseases and the Integrated Management Manual and established a sound occupational health management system to tighten occupational health supervision, create a safe and comfortable working environment and conditions for employees, and effectively protect the health of all employees. The Company has passed ISO 45001 "Occupational health and safety management systems" certification.

Case | Emergency drill.

In order to improve the safety awareness, self-rescue, first-aid and mutual-rescue skills of all employees, the Company provided 6 AEDs in office and production buildings, and organized the head, employee representatives and key employees of each department to conduct first aid knowledge and practical training. All participants were active in the training, conducted simulation exercises interactive Q&A on the stage, and finally passed theoretical and practical tests.



LAZZEN launched a first aid knowledge drill

Data performance

During the reporting period, the number of occupational disease patients in the Company was **0** and the occupational health examination rate was **100**%.

Strengthening work safety

The Company strictly implements the requirements of work safety laws and regulations, fully practices the work safety policy of "safety first, prevention first, and comprehensive management", constructs the safety risk control system and the hidden danger investigation system to improve safety standardization and information construction. Through regular risk assessment, the Company can correctly determine the main dangers and harmful factors in equipment and facilities, and propose control measures and protective measures in time. Meanwhile, the Company has made a work safety emergency plan, to standardize emergency management and emergency response procedures and improve emergency response capabilities.

Case | Work safety training.

In order to prevent and resolve major safety risks from the source and improve employees' safety awareness and safety literacy, the Company organized members of the safety committee to study the new Work Safety Law. After the training, all members were clear about the work safety responsibility system that industry management, business management and production and operation management must allow for safety.



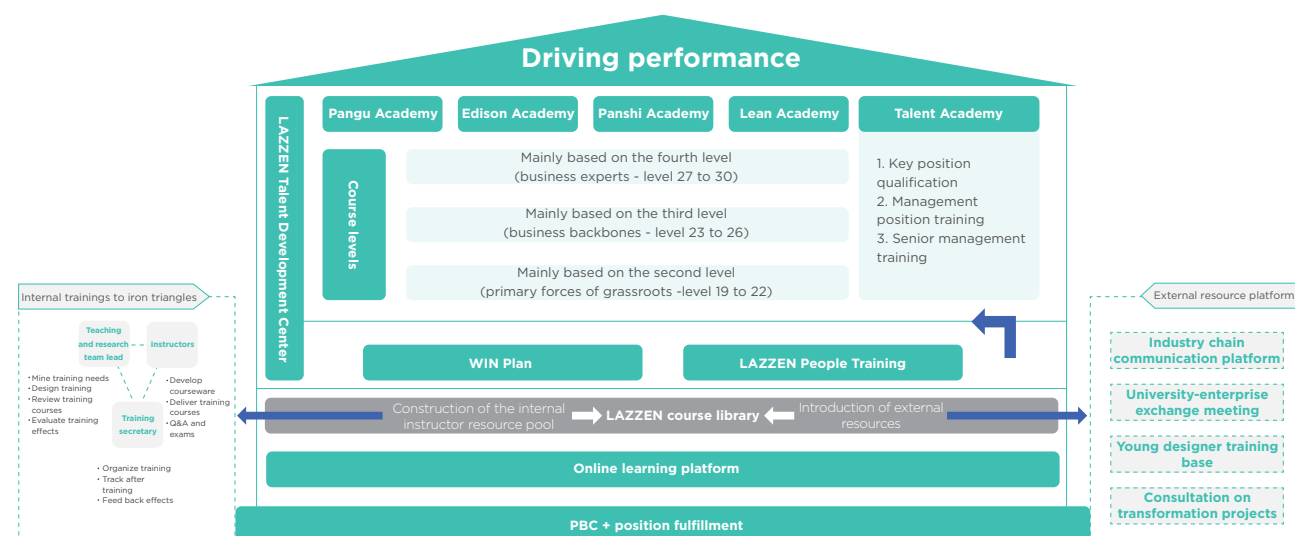
LAZZEN organized training on the Work Safety Law

Data performance

During the reporting period, the Company has organized **2** work safety trainings and **1** safety drill.

Staff training and development

The Company has set up a talent development center, aiming at enabling the best to cultivate the even better, with the purpose of driving performance, so that the training is closely linked to job requirements and performance targets. In addition, the Company focuses on the needs of core talents and professional team, continues to improve the talent training system, constantly establishes and improves the classified training mechanism covering all employees, and carries out characteristic training programs for employees of all levels and categories.



Case | Orientation training for new employees.

In order to help new employees quickly integrate into the Company, get familiar with the corporate culture, integrate into the team, know the business activities and processes and reach the expected performance in the shortest time, the Company organized new employee induction training, which included 13 sessions and covered 34 participants.



Data performance

During the reporting period, the Company has organized **176** training courses, with a total of **279.5** hours.

To cope with the Company's strategic development requirements and further expand the career promotion space of the employees, the Company has developed relevant systems based on the competency & qualification mechanism to build a complete and fair career growth path and promotion channels, which help evaluate, select, and cultivate excellent middle and senior managers and tiered talents for the Company as well as providing targeted guidance and assistance for employees in terms of career development.

Working together to create a sustainable ecosystem

Lean supply chain management

The Company actively constructs an active procurement organization, pursues value procurement and strategic procurement, and builds a safe, efficient, and open supply chain ecosystem. By preparing system documents including the SOP for Supplier Access Certification, the Hierarchical Supplier Management Measures and the Supplier Performance Management Measures, the Company further optimizes the supply chain management system, and deeply improves the centralized procurement mechanism, to ensure that the products purchased meet the required quality standards, that the procurement process complies with relevant laws and regulations, and that safe and effective products are produced stably. Meanwhile, the Company works with suppliers to fulfill social responsibility.

In accordance with laws and regulations including the Bidding Law of the People's Republic of China, the Company has established a sound procurement management system and implementation rules, advocated open procurement, and signed the Honest Cooperation Agreement, to protect the basic interests of suppliers. In terms of sustainable supply chain management, the Company sets up ESG audit projects when introducing suppliers, requires suppliers to gradually transform their production lines, and guides those who do have difficulty in transforming production lines to take good protection measures.

All cooperative suppliers should sign the Supplier Social Responsibility Commitment, which covers environmental protection, work safety, labor management and other items that must comply with all national and local environmental laws and regulations, including:

- Freedom of association and collective bargaining
- Anti-discrimination
- Compensation and benefits
- Working hours, workplace health and safety
- No child labor
- No forced labor or disciplinary measures
- Environment safety

Supplier qualification management

In order to standardize supplier entry qualification, a CEG consists of supplier development engineers, R&D engineers/technical engineers, and SQE/CE, which fully reviews and evaluates new suppliers through qualification certification, system certification and product certification, to ensure material availability, procurability, cost and support capacity.

Supplier performance management

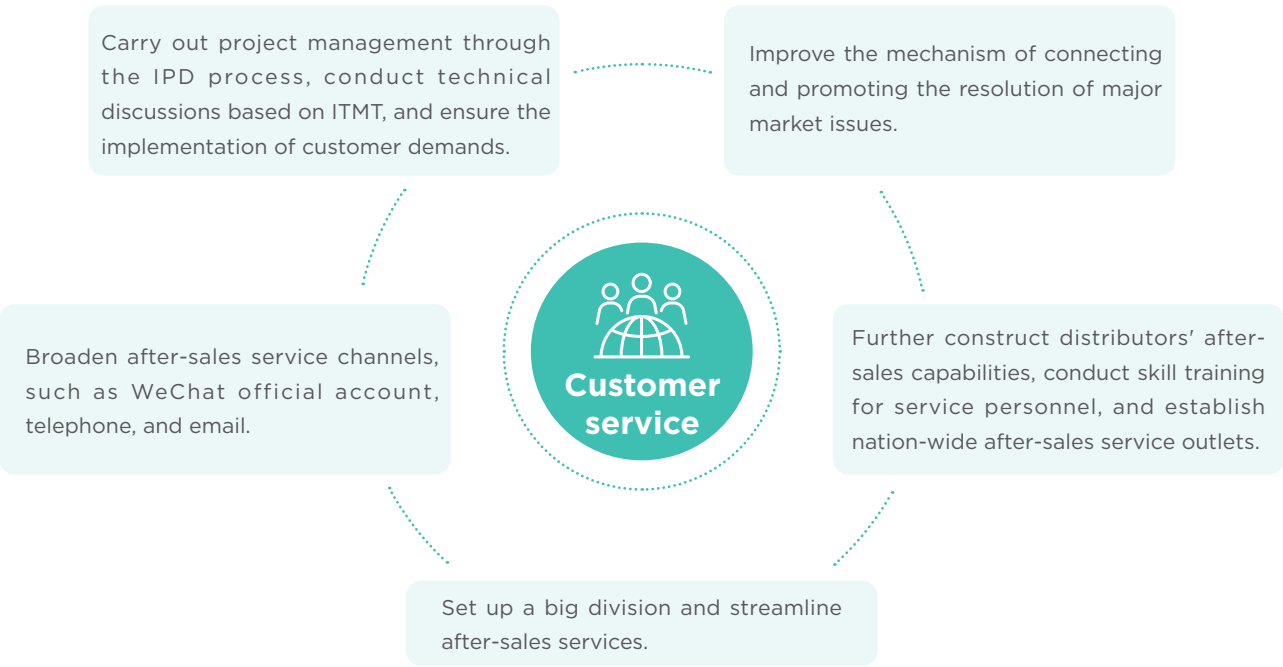
In order to dynamically manage suppliers, ensure that suppliers can complete orders on time and with high quality and meanwhile select quality suppliers, the Company has developed and implemented the Supplier Performance Management Measures, monitors and evaluates the daily performance of existing suppliers in quality, delivery, technology and business, can maintain good cooperative relations with suppliers, improve the predictability of operations of the entire supply chain, and avoid adverse effects arising from emergencies.

Hierarchical supplier management

To promote healthy competition and build a long-distance running partner group, the Company has developed and implemented the Hierarchical Supplier Management Measures, divides suppliers into strategic suppliers, preferred suppliers, qualified suppliers, restricted suppliers and eliminated suppliers according to the availability of the supplier's products, the Company's share in the supplier's customers, the supplier's emphasis on the Company and the supplier's asset investment, and improves management efficiency through differentiated management measures.

Standardizing customer service

In line with the customer demands-oriented service concept, the Company attaches great importance to improving customer satisfaction, continuously improves the customer service system and service standards, constantly improves service quality, protects the basic interests of customers, actively provides customers with convenient, considerate and special services, and strives to create a better service experience for customers.



Case | Technical transformation and upgrading of circuit breakers for customer's wind power project.

To meet the customer's need for technical upgrading of circuit breakers in a wind power project, the Company docked with the user end on site at the first time, fully communicated and implemented four measures and two plans, ensuring the steady implementation of the technical transformation plan so as to eliminate potential operation risks for the customer and improve the safety and reliability of the operating circuit of the wind turbine. Through the accumulated service experience of major new energy customers, the Company upgraded the service to new energy primary customers to service by dedicated personnel, and allocated on-site after-sales docking personnel according to customer business volume so as to maximize the orderly and timely after-sales of market products.



Wind power project site with power cut and technical transformation and upgrading

Case | LAZZEN solved customer issues with professionalism and received customer satisfaction with sincerity.

To cooperate with Sungrow to complete wind power and PV technological transformation, establish a complete service chain with the customer, and enhance customer satisfaction, the Company actively responded to the customer's requirements. Through video guidance, telephone communication, on-site processing, the Company reached the customer immediately, identified the failure, and distributed materials in time to solve on-site quality issues, reduce the loss of power generation due to customer downtime, maximumly ensure the orderliness and timeliness of after-sales, which was praised by Sungrow's Wind Energy Division in writing.



On-site failure identification for the wind power project

Case | Guaranteed production and delivery.

In 2022, the Company's isolating switch delivery team responded quickly against difficulties based on the customer-centric principle by providing closed management in the factory, costly logistics arrangements, helping lower-level suppliers resume work and offering off-site warehouse storage to support the delivery of products to Huawei. In this regard, Huawei specially sent a letter of appreciation to the isolating switch delivery team.



Letter of appreciation from Huawei's Digital Energy Procurement Team

Creating an efficient marketing system

Under the backdrop of a complex external environment, the Company focuses on target market segments and benchmark customers with industry influence through resource allocation and effective internal coordination, meets the differentiated requirements of customers using the IPD model, and continuously enhances the core competitiveness of marketing. In addition, the Company has achieved a comprehensive digital upgrade of its internal workflow, whereby to enable customers using digital and to enable customers with solutions.

Core marketing competitiveness



Quick response. Seize market opportunities and invest a lot of resources in improving new product R&D and solutions.



Relatively complete sales network and structure. From regions to industries, from channels to design institutes, from operations to internal business platform departments.



Excellent sales model. Target head customers and carry out long-term cooperation with leading companies in the industry.

Enhancing marketing capabilities

To consolidate its market position, the Company continuously drives marketing management transformation, strengthens the marketing network, and enhances channel competitiveness. In addition, based on the qualifications of sales and marketing employees and differences in their performance, the Company's Pangu Academy designs a training course system that matches job requirements and is committed to cultivating project manager-type and solution-oriented marketing teams, creating disciplined, coherent and marketing specialists with strong execution.

Case | Marketing training.

In order to implement the Company's policy of "marketing-oriented, leading products, synergy, and performance-driven", better enhance the stability and sense of belonging of the 2022 management trainees, and build up a good corporate image, the Company specially launched the 2022 WIN program training camp, which included 67 sessions and covered 39 participants.



Marketing staff training organized by the Company

Responsible marketing

In strict accordance with the Anti-Unfair Competition Law of the People's Republic of China, the Advertising Law and the Contract Law of the People's Republic of China and other laws and regulations and regulatory requirements, the Company has developed the Sales Policy, whereby to standardize product release, sales and other aspects, forbid the spread of misleading and ambiguous product information. The Company actively popularizes knowledge to protect customers' right to know.

Case | Advertising law training.

Given that the Advertising Law became effective on September 1, 2022, in order to standardize the compliance part in promoting external products, the Company organized the Notes for the 2022 New Advertising Law for drills, a move to significantly enhance all employees' awareness of compliance with the Advertising Law.



Training and drill on the Notes for the 2022 New Advertising Law organized by the Company

Working together to drive industry development

Deepening mutually beneficial cooperation

General Secretary Xi Jinping emphasized in the Report of the 20th National Congress of the Communist Party of China that "We will promote closer enterprise-led collaboration between industries, universities, and research institutes, stay goal-oriented, and promote the industrial application of scientific and technological advances". The Company constantly strengthens the collaboration between industries, universities, and research institutes, deepens cooperation with well-known universities and research institutes, forms an overall environment for mutual promotion, and injects new momentum into industrial transformation and upgrading.

Case | Further combination of industries, universities, and research institutes with the help of external intellectual resources.

For the purpose of further combination of industries, universities, and research institutes with the help of external intellectual resources, the Company has set up the Post-Doctoral Research Center and developed the Management Measures of the Post-Doctoral Research Center to standardize postdoctoral management. As of the end of the reporting period, the Company had cooperated with the center for post-doctoral studies of Hebei University of Technology and Xi'an University of Technology. Two post-doctoral students came to the Post-Doctoral Research Center and worked on the following two topics respectively: A Study on the Current Arc Mathematical Model for Inflatable DC Contactors for Electric Vehicles and Charging Piles; A Study on the Development and Key Technologies of Hybrid Solid-state Switch. This will also play a strong role in helping the Company with the cooperation between industries, universities, and research institutes, further enhancing technological innovation capabilities, and promoting the application of scientific research results.



Post-Doctoral Research Center sign of the Company

Advancing industry exchanges

As a leading company in low-voltage apparatus, the Company, when developing rapidly, remembers to drive industry development. It has taken multiple measures to actively promote industry innovation, and is committed to becoming a leader in the development of the industry to achieve mutual benefit and common development.

Developing industry standards

The Company has proactively participated in formulation and revision of national standards and industry standards to improve the technical level of the low-voltage apparatus industry.

Standard formulation and revision participated by the Company in 2022

No.	Standard No.	Standard Name	Standard Type
1	GB/T 41911-2022	Power Frequency Overvoltage Protective Devices (POPs) for Household and Similar Applications	National standard
2	GB/Z 41909-2022	Low-voltage Switchgear and Controlgear—Electromagnetic Compatibility Assessment for Switchgear and Controlgear and Their Assemblies	National standard
3	GB/T 14048.23-2022	Low-voltage Switchgear and Controlgear—Part 9-1: Active Arc-fault Mitigation Systems—Arc Quenching Devices	National standard
4	GB/T 14048.22-2022	Low-voltage Switchgear and Controlgear—Part 7-4: Ancillary Equipment—PCB Terminal Blocks for Copper Conductors	National standard
5	GB/T 16895.22-2022	Low-voltage Electrical Installations—Part 5-53: Selection and Erection of Electrical Equipment—Devices for Protection for Safety, Isolation, Switching, Control and Monitoring	National standard
6	GB/T 41589-2022	In-cable Control and Protection Device for Mode 2 Charging of Electric Road Vehicles (IC-CPD)	Industry standard
7	T/CES 146-2022	Health Management for Low Voltage Circuit-Breakers	Group standard

Data performance

During the reporting period, the Company has participated in the formulation and revision of **7** standards which have been issued afterwards, including **5** national standards, **1** industry standard, and **1** group standard.

Industry activities

The Company has an interest in taking part in industry activities, including publishing professional papers and holding industry forums, aiming to improve professionalism and help the industry develop in a green, low-carbon, and intelligent direction with high quality.

Case

Focus on smart power distribution and green energy, plan for the Carbon Peaking & Carbon Neutrality blueprint.

In order to learn about innovations in latest products in digitalization, smart power distribution and new energy, fully discuss and exchange with peers, and work together to help China achieve Carbon Peaking & Carbon Neutrality goals and establish the new power system dominated by new energy, the Company attended the 2022 8th China Summit Forum on Electrical Appliance and Energy Efficiency Management Technologies, actively contributing to helping China's new energy and electrical manufacturing develop sustainably and rapidly.



Summit Forum on Electrical Appliance and Energy Efficiency Management Technologies

Case

Linkage to the two associations for the future together.

In order to deeply explore the technical issues identified in academic research and practical work and drive the upstream and downstream industrial chain to upgrade technologies, the Company attended the 2022 21st Academic Year of the CES Special Committee on Low-Voltage Electrical Apparatus and the 17th China Intelligent Electrical Technology Forum and International Symposium on the Development and Application of New Solid-State Circuit Breaker Technology to upgrade expertise and learn about the latest development of new solid-state circuit breaker technology after on-site exchanges. The Company contributed 5 papers, including 1 paper grant the Excellent Paper Award and 2 papers brought to on-site exchanges.



Paper exchanges



17th China Intelligent Electrical Technology Forum and International Symposium on the Development and Application of New Solid-State Circuit Breaker Technology

Future expectations

We shall not forget our original intention.

We shall live up to our youths.

In 2023, let's seize new opportunities and increase innovation advantages.

We shall keep passionate and unite in a concerted effort to win the future and move towards to the future.



List of KPIs



Economic Performance		
KPIs	Unit	Data
Total assets	Yuan	5,704,549,372.33
Net assets	Yuan	3,743,438,761.43
Operating revenue	Yuan	4,157,068,010.2
Net profit attributable to shareholders of listed company	Yuan	421,767,410.71
Basic earnings per share	Yuan per share	0.4
Net cash flow from operating activities	Yuan	461,148,142.85



Environmental Performance			
KPIs		Unit	Data
Environmental protection investment		10,000 yuan	60
Energy consumption	Natural gas	Cubic meter	46,217
	Steam	Cubic meter	1,163.03
	Renewable energy	Kilowatt hour	1,688,602
Emission of gaseous pollutants	Particulate matter	mg/cubic meter	0.39
	Non methane total hydrocarbon	mg/cubic meter	0.54
	VOC emissions	mg/cubic meter	0.54
Discharge of water pollutants	Chemical oxygen demand (COD)	mg/L	338
	Five-day biochemical oxygen demand (BOD5)	mg/L	103
	Suspended solids	mg/L	88
	Ammonia nitrogen	mg/L	36.9
Waste discharge	Total amount of general solid waste	ton	380
	Total recyclable waste	ton	380



Corporate Governance Performance			
KPIs		Unit	Data
Operation of the three meetings	BOD meeting	Session	6
	Board of supervisors meeting	Session	6
	Shareholders' meeting	Session	4
Intellectual property	Newly applied patents in the year	Item	286
	Newly granted patents in the year	Item	388
Research and development	Number of R&D personnel	Person	546
	Amount of R&D investment	Yuan	269,966,102.06



Social Performance			
KPIs		Unit	Data
Total number of employees		Person	2211
(By education level)	Doctorate degrees	Person	1
	Master's degrees	Person	111
	Bachelor's degrees	Person	1,137
	Associate degrees	Person	487
	Below associate degrees	Person	475
	Production personnel	Person	790
(By position)	Sales personnel	Person	700
	Technical personnel	Person	546
	Finance personnel	Person	30
	Administration personnel	Person	145
Supply chain management	Percentage of suppliers signing the code of conduct	%	100
	Percentage of newly selected suppliers meeting the environmental standards	%	100
	Percentage of selected suppliers meeting the social standards	%	100
Industry standards (issued)	National standards	Item	5
	Industry standards	Item	1
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Feedback

Thank you very much for spending your time to view the 2022 Environmental, Social, and Corporate Governance Report of Shanghai Liangxin Electrical Co., Ltd. To continuously improve our CESG management, reporting quality, ESG capabilities and levels, we sincerely invite you to provide invaluable comments and suggestions on this Report. We will fully consider your comments and suggestions and promise to properly protect your information from any third party.

1. What type of stakeholder do you belong to?

☐ Employee ☐ Customer ☐ Investor ☐ Distributor ☐ Supplier

☐ Government and regulatory agency ☐ Media ☐ Industry association ☐ Cooperative agency ☐ Others (please specify)

2. Do you think this Report can comprehensively and accurately reflect the significant impact of our company in terms of the economy, society, and environment?

☐ Very good ☐ Good ☐ Average ☐ Poor

3. How do you think the response and disclosure quality of this Report to the concerns of stakeholders?

☐ Very good ☐ Good ☐ Average ☐ Poor

4. How do you think the clarity, accuracy, and completeness of the information, indicators, and data disclosed in this Report?

☐ Very good ☐ Good ☐ Average ☐ Poor

5. How do you think the readability of this Report, including the logical main line, content design, language and layout design of the report?

☐ Very good ☐ Good ☐ Average ☐ Poor

6. Do you have any suggestions for our future ESG reports?

