2023

Sustainability & Environmental, Social and Governance (ESG) Report

PROYA COMPANIES

Proya Cosmetics Co., Ltd.

Beauty Aspirations for a Shared Future

Table of Contents

ESG Management Practice Report

Sustainability Contribution Report

Proya Cosmetics Co., Ltd.

Co-Founders' Message

Looking back on the year 2023, the global economy is undergoing a profound transformation. Sustainability has evolved from a concept to a global consensus, impacting global strategies in an urgent and profound manner like never before while acting as a bellwether that directs the future of all industries.In 2023, Proya celebrated its significant 20th anniversary in a changing market. The past two decades bear not just our marks of taking challenges, gaining experiences, and achieving growth, but witness our track record of securing a strong position in the fierce market and adapting ourselves to industry changes.

Proya shoulders missions and responsibilities. We set our existence by upholding gratitude and pursuing excellence. At the beginning of our establishment in 2003, we set a clear vision to be a China-based international enterprise, an enterprise recognized, trusted, and respected by society, and a private company that has the courage to assume social responsibilities while gaining social recognition from it.In the face of changes, we demonstrate keen insight and follow the tide of time to respond to global sustainability demands. We strengthen our ESG management system, comprehensively enhance our performance in environment, society, and social governance, and fully drive the achievement of our global sustainability development goals. Supported by three pillars, namely sustainable business, sustainable value chain, and sustainable social ecosystem, we firmly adhere to a sustainability development strategy in our efforts to drive product innovation and service upgrade.

In terms of sustainable business, in 2023, the Longwu R&D Center and the Shanghai R&D Center were put into operation, providing strong support for independent research and development. Being dedicated to product development and technological innovation, we establish close partnerships with top ingredient suppliers around the world, use the finest materials, and introduce cutting-edge technologies. All help us craft products that meet the needs of consumers.

In terms of the sustainable value chain, we work with strategic partners both upstream and downstream to jointly promote green transformation, actively drive carbon reduction across the entire chain, and bolster sustainable management throughout the product lifecycle. We take the lead in establishing a benchmark for low-carbon supply chain systems by improving environmental assessment standards across the supply chain as well as exploring low-carbon technologies and efficient energy utilization modes in collaboration with partners. In 2023, we reached a consensus with ten core suppliers on carbon emissions management and jointly released the Together for a Zero Carbon Future, Beauty in

Harmony carbon reduction manifesto at our 20th anniversary strategy release conference, during which we committed to reduce carbon emissions by 2025.

In terms of the sustainable social ecosystem, we firmly assume our social responsibilities. In August 2023, the Zhejiang Proya Public Welfare Foundation was officially established, marking a new milestone in our efforts to promote public welfare undertakings. Meanwhile, we are committed to creating a diverse, inclusive, and caring world around four major topics: gender equality, emotional relationships, youth and growth, and mental health.

Looking ahead to 2024, Proya will hold fast to our original purpose and adhere to the philosophy of emphasizing both quality and innovation. We deeply understand that the value of a company lies not only in short-term profitability and market share, but also in its contribution to society and positive impact on human life. We will practice sustainability development with a broader vision and more solid actions. Driven by innovation, we will shape a sound brand image with responsibility, accomplish our social value by sharing, and define beauty with a green attribute. We will work hand in hand with all partners to draw the picture of a harmonious and prosperous future.

∨ Co-Founders' Message

About Proya

—

Company profile

Proya Cosmetics Co., Ltd. (hereinafter referred to as "Proya," "the Company," and "we") is committed to building a new Chinese cosmetics industry platform. We specialize in the R&D, production, and sales of cosmetics. Our main brands include Proya, TIMAGE, Off & Relax, Hapsode, CORRECTORS, INSBAHA, UZERO and Anya. Our own brands cover fields such as popular exquisite skincare, makeup, body & hair, and high-efficiency skincare.

Company name:
Proya Cosmetics Co., Ltd.

Stock code:
603605 (Shanghai Stock Exchange)

Headquarters location:
Hangzhou City, Zhejiang Province

Established in:
2006

Development of the company:

We develop, manufacture, and sell cosmetic products primarily on the Chinese mainland. We have two manufacturing facilities for skincare and makeup products in Huzhou, Zhejiang Province.

Our sales network encompasses multiple channels such as e-commerce platforms, specialty stores for cosmetics and department stores channel.

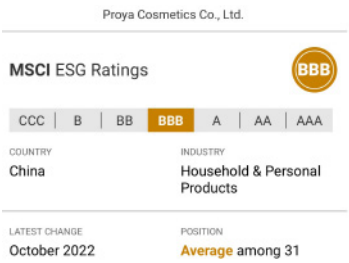As of the end of the Reporting Period, we had 2,971 employees.

"6*N" development strategy

INSBAHA 原色波塔

Off & Relax

HAPSODE 悦芙媞

UZERO 优资莱

PROYA 珀莱雅

6*N

- New consumption
- New marketing
- New intelligent manufacturing
- New organization
- New technology
- New mechanisms

彩棠 TIMAGE

ANYA 韩雅

CORRECTORS 科瑞肤

Empowering and incubating "unique" brands that meet the "unique" needs of "unique" consumers

ESG management achievements

ESG ratings>

Proya Cosmetics Co., Ltd.

MSCI ESG Ratings   BBB

CCC | B | BB | **BBB** | A | AA | AAA

COUNTRY
China

INDUSTRY
Household & Personal Products

LATEST CHANGE
October 2022

POSITION
Average among 31

The result of 2023 is not available yet Proya was rated "BBB" in MSCI ESG Rating 2022

Wind ESG 2023 评级

AA Wind ESG ESG综合得分行业排名：1 / 25 (计入人地区数)

Proya Cosmetics Co Ltd

Region   Asia

Your CDP score
B

ESG honors and social recognitions>

Title of Honor	Awarding Body
Green Supply Chain Management Company 2023	General Office of the Ministry of Industry and Information Technology of the PRC
Green and Low-Carbon Factory of Zhejiang 2023	Economy and Information Technology Department of Zhejiang
Outstanding ESG Practice of the Fragrance Flavor and Cosmetic Industry 2023	China Association of Fragrance, Flavor and Cosmetics Industries
Wind Best 100 ESG Practices for Chinese Listed Companies	Wind
Top 100 ESG Golden Bull Award	China Securities Journal
Best ESG Awards	The 7th IRSC Chinese Outstanding IR
Outstanding Practice of Women's Power in ESG Cases 2023	Organizing Committee of the ESG and Sustainable Development Forum 2023
Outstanding Case of Social Responsibility at the China Financial Capital Forum	Economic Information Daily
Value Chain Leaderboard of "Exemplary Sustainable Brands"	Huxiu's ESG Team
Selection of Outstanding Cases for 520 Social Responsibility Day - Caring for Children Topic	CCM CSR Promotion Center
A model case in the *China Sustainable Palm Oil Progress Report - A Collection of Cases of RSPO China Members*	RSPO

Proya Sustainability Governance System

Sustainability concept

Proya upholds the sustainability concept of "Beauty Aspirations for a Shared Future." With solid sustainability management at the core, we truly care about human and ecological sustainability. We create beauty with our first-class products, share it with our partners and consumers, and empower communities. We create countless beautiful moments to shape a better future.

Corporate mission:
Ever-lasting beauty and sharing bliss

Corporate vision:
To become a world-class cosmetics enterprise

Corporate spirit:
Diligence, pragmatism, passion, aggressiveness, integrity, and gratitude

Core corporate values:
Responsibility, willingness to learn, high efficiency, collaboration, innovation, and fairness

Sustainability development planning

The Proya sustainable development strategic plan "Beauty Aspirations for a Shared Future" is based on three pillars: sustainable business, sustainable value chain, and sustainable social ecosystem. We facilitate sustainability development based on holistic ESG management. The section "Contribution to sustainability development" in this Report summarizes the annual progress made in implementing our sustainable development strategic plan.

Beauty aspiration for a shared future

Sustainable business: Creating beauty

We are committed to creating beauty in a sustainable way. We continuously developing products through innovations, offering consumers with safe, effective, and sustainable products.

Sustainable value chain: Sharing beauty

We work with partners and consumers to promote sustainable development and consumption, making value chain sustainability a reality.

Sustainable society ecosystem: Empowering through beauty

We provide support to address environmental challenges and facilitate social development so that more people can enjoy a wonderful life.

Sustainability model ∧

Sustainability development management structure

We have established a company-wide sustainability development and ESG structure to ensure the efficiency of sustainability development and ESG work. The Corporate Strategy Committee leads strategic planning. Its ESG Management Committee is responsible for managing major ESG projects and evaluating performance, and reports regularly to the Strategy Committee of the Board of Directors. The ESG Implementation Team is composed of functional units to ensure overall planning and collaboration as well as smooth communication between the upper and lower levels.

ESG Decision Makers

Board of Directors

Strategy Committee

ESG Managers

ESG Management Committee

ESG implementation team

ESG Compliance

Longwu R&D Center | Shanghai R&D center | Production base | Procurement Department | Logistics Department | Strategy & Brand Center | Brand Divisions | Office of the Chairman of the Board | Strategic Management Department | Human Resources Department | Information Management Department | Internal Audit Department | Legal Department | Finance Department | Administrative Department

Board of Directors

The Board of Directors is solely responsible for supervising sustainability development and ESG topics, as well as developing corporate sustainability development and ESG management policies and strategies, such as participating in the identification and evaluation of ESG topics. It also provides recommendations and support for necessary actions to achieve ESG goals.

Strategy Committee

The Strategy Committee is responsible for directing and supervising the management of major ESG topics, including technological innovation and product quality as well as safety and green packaging. The Strategy Committee regularly audits the performance of ESG topics to promote the progress of ESG goals. It also provides recommendations on necessary actions to achieve ESG goals and reports regularly to the Board of Directors on ESG management progress.

ESG Management Committee

The ESG Management Committee is an independent department under the Strategy Committee and is composed of senior management members from the General Manager's Office, including the general manager. The department manages environmental, social, and governance (ESG) issues and prevents ESG risks. It also reports regularly to the Strategy Committee and to the Board of Directors on the progress of ESG work.

ESG Implementation Team

The board secretary leads the ESG Implementation Team, with relevant department heads as team members. The team coordinates business modules under the direction of the team leader and reports to the ESG Management Committee on ESG topics. It also provides information for decision-making and work guidance to business modules to support the execution of ESG strategies and decisions.

To further accelerate ESG management, we added several provisions to the Performance Management Measures and the Supplementary Provisions on the Performance System. These provisions link the incentive compensation of members of the Board of Directors and senior management with their sustainability development and ESG performance (hereinafter referred to as sustainable performance). We also developed short-, medium-, and long-term incentive payment plans to ensure that directors and executives are better motivated to perform ESG management in all aspects for a long term. **In the performance assessment system of directors and executives, sustainable performance indicators weigh 8-10%, with regular performance assessments carried out.**

Furthermore, we voluntarily disclose ESG (environmental, social, and governance) information through the ESG report and have engaged a professional external agency to provide ESG training to relevant departments, allowing internal employees to better understand ESG principles.

Stakeholder communication

The support and trust of our stakeholders are vital to Proya. When carrying out and promoting sustainability development and ESG management tasks, Proya focuses on the demands of stakeholders and actively communicates with them on multiple channels. We respond to stakeholder expectations and demands by conducting responsible practices. We strive to achieve win-win cooperation among all parties, including shareholders, employees, and society.

Key stakeholders and communication channels >

Stakeholder	Topic	Communication and Response
Government and regulatory agencies (The National Medical Products Administration, local governments, and others)	• Corporate Governance • Risk and compliance • Product and service quality • Chemical safety and ingredient transparency • Climate change mitigation and adaptation • Emissions and waste	• Cooperate with inspections • Establish a sound risk management system • Improve the quality management system for products • Complete product filing and disclose product formulas to the public in accordance with legal requirements • Carry out energy conservation and carbon reducti on, optimize our energy structure, and increase the proportion of clean energy utilization • Properly manage emissions and waste by practicing recycling and other methods of reusing
Investors and shareholders (investors who have equity and debt investments in Proya)	• Corporate Governance • Science and technology innovation • Investor rights protection	• Publish financial reports and performance reports, and communicate with investors and shareholders through SSE E-Interactive, email, road-shows, and other means • Increase investments in research and development, establish an R&D team, engage in R&D collaboration with external partners, and participate in industry seminars and workshops • Regularly hold shareholders' meetings
Consumers	• Product and service quality • Responsible marketing • Chemical safety and ingredient transparency • Climate change mitigation and adaptation • Green packaging	• Implement measures for product quality and safety management and conduct customer satisfaction surveys • Establish a comprehensive public information approval procedure and promote sustainable consumption initiatives to consumers • Disclose product formulas through announcements on the website • Carry out energy conservation and carbon reduction, optimize our energy structure, and increase the proportion of clean energy utilization • Enhance sustainability in packaging

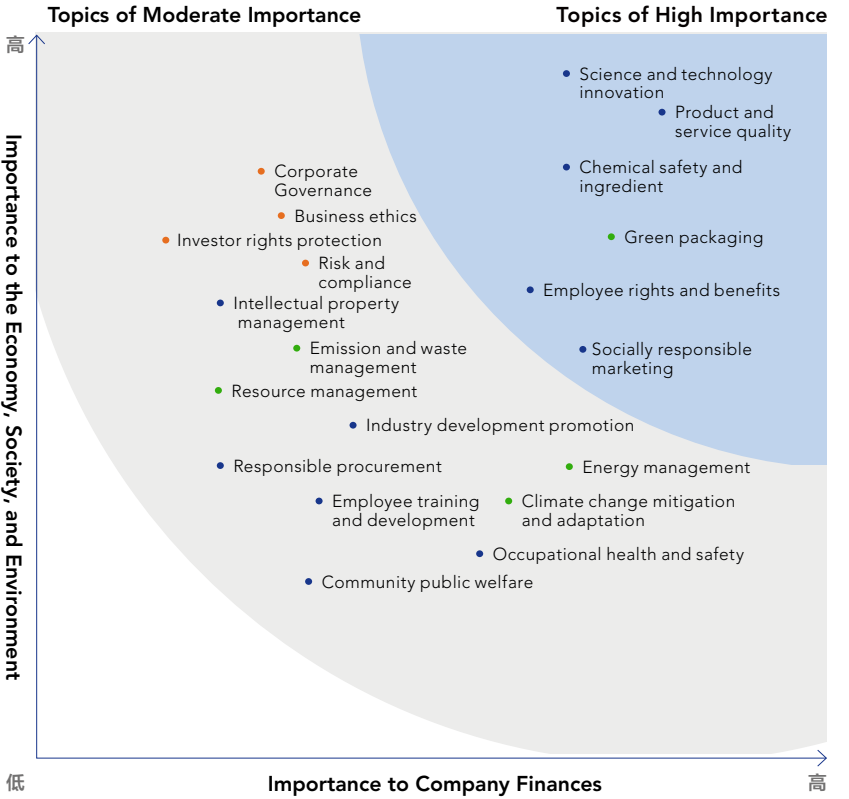| Stakeholder	Topic	Communication and Response
Employees	• Employee rights and benefits • Employee training and development • Occupational health and safety	• Develop an employee handbook and establish a labor union • Establish a platform for talent development and shared learning • Implement technical transformation projects for safety, organize safety production training, and conduct occupational health examinations
Partners (industry associations, suppliers, distributors, etc.)	• Responsible procurement • Product and service quality • Industry development promotion • Science and technology innovation	• Provide training and ESG assessment for suppliers • Conduct quality management training and quality audits for suppliers • Actively engage in industry exchanges • Increase investment in research and development, establish an R&D team, and engage in R&D collaboration with external partners
Communities and the public (communities around sites of operation, public welfare organizations, and others)	• Community public welfare	• Volunteer activities, charitable donations, and community involvement by employees

Identification of material topics

Proya identifies material topics through regular communication with internal and external stakeholders and in accordance with the GRI Standards for Sustainability Reporting (Global Reporting Initiative). When identifying material topics, we comply with Chinese and international laws, standards and industry policies, and consider the priorities and expectations of stakeholders and the capital market. We identify highly material ESG topics and prioritize them for corporate management and reporting disclosure, thereby continuously improving the value of the Report.

Materiality analysis process >

Preliminary topic identification

We identified and summarized 21 topics relevant to Proya in accordance with Chinese and international standards and policies as well as based on industry policy analysis and peer benchmarking.

Stakeholder research

We investigated stakeholders based on the 21 identified topics and assessed the importance of those topics for stakeholders.

Comprehensive result analysis

Based on the investigation results, we comprehensively analyzed and prioritized the topics based on their importance for both the Company and our stakeholders, generating a materiality analysis matrix.

In 2023, we reviewed and analyzed material topics based on Chinese and international standards and policies. As a result, the topics "protecting the rights and interests of shareholders" and "water management" were changed. The topic "socially responsible marketing and consumer education" was split to ensure the content is more pertinent and better aligned with the context of stakeholders, so that their concerns can be addressed. Through the above material topic identification process, we finalized the following materiality matrix:

Proya materiality matrix >

- environmental topics
- social topics
- governance topics

Topics of High Importance	Topics of Moderate Importance	
• Green packaging	• Climate change mitigation and adaptation	• Employee training and development
• Science and technology innovation	• Energy management	• Occupational health and safety
• Product and service quality	• Resource management	• Community public welfare
• Chemical safety and ingredient transparency	• Emission and waste management	• Consumer education
• Employee rights and benefits	• Intellectual property management	• Corporate Governance
• Responsible marketing	• Industry development promotion	• Business ethics
	• Responsible procurement	• Risk and compliance
		• Investor rights protection

2023
Sustainability Contribution
Report

—

Proya Cosmetics Co., Ltd.

Sustainable Business: Creating Beauty

Corresponding SDGs	Sustainable Planning Goals	Progress and Achievements in 2023
SDG 7 AFFORDABLE AND CLEAN ENERGY SDG 13 CLIMATE ACTION SDG 14 LIFE BELOW WATER SDG 15 LIFE ON LAND	**By 2025** • We will promote the research and the development of efficacious ingredients to create more effective products, and realize the application of safer and more effective self-developed ingredients. • We will assess the sustainability of 100% of new products and updated products under major brands. • The proportion of clean energy usage will reach 50%. The emissions of greenhouse gases per unit of products (Scope 1 and 2) will decrease by 25% over that of 2021. Our operations will reach carbon peaking (Scope 1 and 2) by 2025. • The proportion of sustainable materials used in packaging will increase by 20% and packaging intensity will decrease by 15% over that in 2021. • More than 70% of the palm oil derivatives we purchase will be from palm oil certified by the Roundtable on Sustainable Palm Oil (RSPO). In addition, we will further improve our traceability system for palm oil, one of the raw materials we purchase, during the planning period.	**During the Reporting Period** • We successfully registered a new ingredient, "3,3,5-TRIMETHYLCYCLOHEXYL SUCCINATE DIMETHYLAMIDE." • The basic framework and mechanism for sustainable product assessment have been established. • The proportion of clean energy usage reached 35.35%. The emissions of greenhouse gases per unit of products (Scope 1 and 2) were reduced by 17.30%. • The proportion of sustainable materials used in packaging had reached 25.47%, representing an increase of 25.31% compared to that of 2021. • We have basically reviewed the current usage of palm oil in our existing products.

During the Reporting Period, **Proya successfully registered our first new cosmetic ingredient "3,3,5-TRIMETHYLCYCLOHEXYL SUCCINATE DIMETHYLAMIDE,"** which effectively enhanced the core competitiveness and technological threshold of products as well as fully embodied our increased internal R&D capabilities and committed practice of our sustainable innovation strategy.

Highlighted achievement

Proya successfully registers the first new ingredient

In November 2023, Proya registered the first new cosmetic ingredient "3,3,5-TRIMETHYLCYCLOHEXYL SUCCINATE DIMETHYLAMIDE" with the National Medical Products Administration. The ingredient has officially entered the monitoring period with the patent applied for. With dual benefits of skin protection and anti-oxidation, this ingredient is suitable for a variety of skincare products except aerosols and loose powder cosmetics. It lays the foundation for further product upgrades.

∧ Filing information of "3,3,5-TRIMETHYLCYCLOHEXYL SUCCINATE DIMETHYLAMIDE"

Developing safe and outstanding products

Proya has always been committed to providing consumers with safer and better products. To do so, one of our priorities is to improve our capability in the development of ingredients and enhance the proportion of independent research and development. By independently developing new ingredients, we can better ensure their safety and quality from the source and meet the personalized needs of consumers.

Overview of management

In 2023, Proya's Longwu R&D Center and Shanghai R&D Center were put into operation to focus on the independent research and innovation of new, green, safe, and efficient cosmetic ingredients, thus enhancing our capabilities in fundamental research and independent development. Meanwhile, we established the Ingredient Research and Development Department, which integrates the functions of scientific research, analysis, and evaluation. The department is dedicated to introducing new, green, safe, and efficient cosmetic ingredients, thus enhancing our management capabilities for raw materials.

Creating sustainable products

Driven by the global trend of sustainability development, we deeply recognize the societal value and strategic significance of implementing sustainable product management. In response to the increasing environmental awareness of consumers and their demands for green, safe, and low-carbon products, we have established a sustainable product assessment system while implementing a thorough sustainability development strategy from original innovation to end products.

Overview of management

During the Reporting Period, we established the Sustainable Product Evaluation Working Group mainly for the product development process. Through inter-departmental communication and collaboration, we have further improved and refined the Proya Sustainable Product Assessment System, established a standardized workflow, and initiated a pilot project for product assessment.

Meanwhile, the top three priorities for sustainability enhancement this year lie in enhanced sustainable packaging, sustainable palm oil, and low-carbon factories.

In terms of product packaging, we invite packaging experts to jointly formulate the *Proya Sustainable Packaging Management Manual* and provide training for relevant departments to establish a basis for enhancing the sustainability of product packaging.

In terms of sustainable palm oil, during the Reporting Period, **we officially joined the Roundtable on Sustainable Palm Oil (RSPO),** continued to review the use of palm oil derivatives and relevant raw materials in existing products, and started to replace existing materials with RSPO-certified palm oil.

In terms of constructing low-carbon factories, we actively promoted the digital and intelligent transformation of factories, thereby driving the upgrade of product quality and green manufacturing through full-lifecycle digital management. **In 2023, Proya was selected on the list of "Green Supply Chain Management Companies 2023" announced by the General Office of the Ministry of Industry and Information Technology of the PRC. The Huzhou Branch was rated as the "Intelligent Factory of Zhejiang 2023" and the "Green and Low-Carbon Factory of Zhejiang 2023."** This marks the recognition of Proya's digital, intelligent, and green manufacturing by the government, third-party organizations, industry experts, and others.

Highlighted achievements

Proya builds a 5G smart factory to drive green manufacturing

The integrated application of next-generation information technologies such as 5G, Internet of Things, artificial intelligence, and big data is driving the cosmetics industry to grow efficiently and intelligently. From January 2021 to June 2023, Proya upgraded the equipment at the 5G smart factory and the intelligent logistics center in line with the *Zhejiang Construction Guidelines for Smart Factories*. Relying on an information-based platform, big data analysis, and other technologies, we integrated various production resources to achieve collaborative manufacturing. Proya has taken one step closer to green manufacturing by establishing an energy management platform, strengthening environmental monitoring, reducing emissions of wastewater, waste gas, and residues, improving energy-saving processes, promoting resource recycling, implementing green supply chains, and utilizing new energy sources.

In terms of resource recycling, the heat recovery system for air compressors can provide 502 tonnes of hot water per month.

In terms of new energy utilization, the newly built logistics center, covering 25,000 square meters, is installed with a 2-megavolt-ampere photovoltaic power generation and energy storage system on the roof. In 2023, the self-built photovoltaic system generates approximately 2,000 MWh of electricity annually, accounting for approximately 12% of the total energy consumption of the whole factory. Besides, in addition to continuous technical transformation, the factory is also equipped with a green, energy-efficient and environmentally friendly boiler room, a solar auxiliary heating system, a flue gas waste heat recovery system, and a steam condensate water recovery system, which collectively save over 9,888 cubic meters of natural gas each month.

^ Proya 5G intelligent logistics center

More sustainable packaging of Proya products

In 2023, Proya actively responded to the national policies on carbon emission reduction. We upgraded the packaging of three products, reducing the weight of each single package and the use of plastics. The products include the Advanced Firming Nourishing Moisture Cream, the Advanced Firming Nourishing Soft Cream, and the Advanced Firming Nourishing Light Cream. After the upgrade, the amount of plastic used in the packaging of a single product decreased by 22%.

Meanwhile, refillable options were released to improve the reusability of bottles. Each refillable bag uses 100 grams less plastic.

^ Upgraded packaging of Proya products

Sustainable Value Chain: Sharing Beauty

Corresponding SDGs	Sustainable Planning Goals	Progress and Achievements in 2023
12 RESPONSIBLE CONSUMPTION AND PRODUCTION **13** CLIMATE ACTION	**By 2025** • all of our key partners will conduct ESG compliance assessments. We will provide ESG management support to all of our partners. • Efforts will be made to promote all strategic partners to reduce carbon emissions through carbon reduction initiatives and incentives on the value chain. • We will drive sustainability development transformation for all partners in our value chain and share our sustainability development actions with our industry peers. • We will disclose our product sustainability information in multiple ways to share our sustainable consumption concept with consumers.	**During the Reporting Period** • Proya evaluated 264 suppliers for their ESG performance, and conducted ESG compliance assessments for all of our key partners. • Proya collaborated with the top ten strategic partners (suppliers) to jointly release the Together for a Zero Carbon Future, Beauty in Harmony carbon reduction manifesto. • Proya co-hosted the Proya Logistics Salon to share our sustainable practices with industry peers. • Proya added sustainable labels to packages and advocated for the use of refillable options, bottle recycling, and other environmental protection campaigns through multiple channels.

Joining hands with peers and partners

Proya fully recognizes our core position in the industry chain and the sustainability development responsibilities that come with it. Therefore, we are firmly committed to driving the entire value chain towards green and sustainable transformation. To fulfill this responsibility, we have adopted an array of strategies designed to promote environmental upgrades throughout the value chain.

Overview of management

In managing strategic suppliers, Proya works with them to align the common focus on reducing carbon emissions as a key task. By strengthening environmental assessment standards in the supply chain, all stakeholders work together to explore low-carbon production technologies and efficient energy utilization solutions. The purpose is to gradually establish a low-carbon supply chain system that serves as a demonstration. **During the Reporting Period, we reached a consensus with ten strategic suppliers on carbon emissions management and jointly released the** *Together for a Zero Carbon Future, Beauty in Harmony* **carbon reduction manifesto at our 20th anniversary strategy release conference, during which we committed to reduce carbon emissions by 2025.**

We strictly adhere to the ESG principles in our dealings with key partners and integrate them into the cooperation mechanism. In this way, we ensure that partners comply with environmental regulations and social responsibility standards in every aspect from raw material procurement to production and logistics, thereby enhancing the general sustainability performance of the supply chain.

In 2023, Proya evaluated 264 suppliers for their ESG performance with a pass rate of 100%, and conducted ESG compliance assessments for all of our key partners. At the 20th anniversary strategy release conference, Proya provided all suppliers with training on sustainability development and ESG knowledge, aimed at enhancing partners' ESG understanding and practice.

Meanwhile, Proya actively plays the leading role and shares our own sustainable transformation experience with the entire industry. By actively attending seminars and workshops, Proya facilitates industry peers to draw on and learn from advanced sustainability development modes so that they can jointly draw a picture of green development for the cosmetics industry. As the first company to use green recyclable cartons in the industry, we play our role in setting examples. **During the Reporting Period, 9 suppliers adopted our way and started to use green recyclable cartons.**

Highlighted achievements

Proya shares experience in sustainable supply chain management

In 2023, Proya collaborated with the Shanghai Supply Chain Development Promotion Association and Daen Logistics to co-host the Proya Logistics Salon at the Shanghai International Logistics Festival. During the salon, we shared our practical experience and deep insights on building a green supply chain. In the past few years, Proya has not only maintained a steadily growing momentum in the cosmetics market, but has also fully integrated the concept of sustainability development into our operations. Measures have been taken to fully promote green development in e-commerce logistics, production, manufacturing, and packaging design.

○ In terms of energy conservation and emission reduction in logistics, Proya pilots the replacement of some fuel-powered forklifts with new energy vehicles and optimizes the transportation process in a scientific manner, thereby effectively reducing resource consumption.

○ In the e-commerce channel, Proya is the first in the industry to use recyclable cartons as a replacement for disposable cartons, thereby significantly cutting the use of cardboard and adhesive tapes and reducing carbon emissions. For the delivery of products requiring special insulation, we apply environmentally friendly nano-incubators to replace traditional foam incubators to effectively eliminate a source of white pollution. Furthermore, the packaging of product sets has been upgraded by using environmentally friendly shrink film instead of non-biodegradable plastic bags, thereby achieving the goals of cost saving and reduced environmental pollution at the same time.

○ In terms of intelligent storage and logistics, Proya has built a modern automated warehouse covering a floor area of approximately 60 mu (40,000 square meters) and a building area of 120,000 square meters. The warehouse is equipped with high-speed stacker cranes, robotic sorting systems, and other efficient and low-energy equipment to ensure the high-efficiency and low-carbon operation of the warehousing and logistics system.

By sharing those experiences, we spread our leading sustainability development cases among peers and provide them with effective practices.

Proya and partners jointly release a carbon reduction manifesto

At the 20th anniversary strategy release conference, Proya released the Together for a Zero Carbon Future, Beauty in Harmony carbon reduction manifesto together with ten strategic partners, including Evonik Specialty Chemicals (Shanghai) Co., Ltd., Croda Chemicals (Shanghai) Co., Ltd., BASF (China) Co., Ltd., Symrise (China) Investment Co., Ltd., and Clariant Chemicals Technology (Shanghai) Co., Ltd.

This move demonstrates the strong dedication to environmental sustainability and in-depth collaboration by and between Proya and our partners. These ten strategic partners each possess exceptional expertise and environmental practices within their respective fields. With this initiative, we will be committed to not just energy conservation and emission reduction in operations, but also to deeper technical exchanges, resource sharing, as well as the development and application of innovative solutions. This will enable us to comprehensively improve and upgrade our green supply chain.

The establishment of this strategic partnership signifies a solid step for Proya in exploring sustainability development modes, and sets an example for the industry in promoting collaboration and building a green future together. We will join hands with all stakeholders to create a greener, more environmentally friendly, and more efficient industrial ecosystem, continuously enhance our value to society, and contribute more to the environment.

∧ Together for a Zero Carbon Future, Beauty in Harmony carbon reduction manifesto

Conveying the concept of sustainable consumption

Promoting the idea of sustainable consumption among consumers plays an indispensable role in driving the sustainable product practices of businesses and society as a whole. The shift in consumer behavior and awareness is crucial for drawing a closed-loop green consumption cycle from production to end use. It not only drives the market to demand more environmentally friendly and greener products, but also fosters a societal value of resource conservation and environmental protection. Therefore, developing an awareness of sustainable consumption among consumers has become a part of Proya daily operational strategy.

Overview of management

During the Reporting Period, Proya took a series of measures to enhance communication with consumers and encourage them to adopt more sustainable consumption practices. For example, we add sustainable labels at prominent locations of product packages, sending clear and intuitive messages to consumers about the environmental attributes and recyclable value of the product. Also, we actively advocate for the use of refillable options and the recycling of empty bottles on various online and offline communication platforms, and encourage consumers to take down-to-earth actions to reduce waste and protect the environment while enjoying premium makeup products. The combination of those measures enhances our interaction with consumers in environmental protection and fosters the sustainability concept among consumers.

Highlighted achievements

Proya co-creates a culture of sustainable consumption through guiding labels and educational outreach

The recycling of packaging waste is the final stage of full-lifecycle packaging management, essential for achieving resource recycling and environmental sustainability. By applying prominent sustainable labels on the product package Proya enhances consumers' awareness of package recycling and works with them in the recycling and management of discarded packages to ensure the proper disposal of discarded packages.
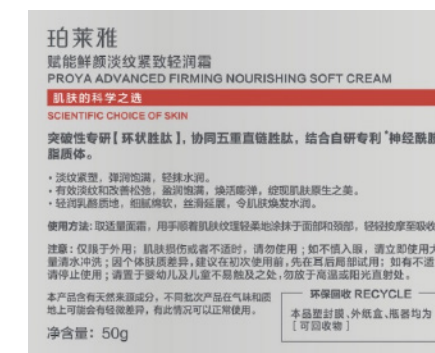
∧ Proya's sustainable packaging label

∧ Educational article on sustainable packaging labels on the official website

In addition, Proya publishes educational articles on the official website to publicize common sustainable packaging labels and their meanings. The purpose is to raise consumers' knowledge of package recycling labels, develop green consumption habits, and effectively promote the circular economy.

Proya advocates for purchasing refillable options

In 2023, Proya creatively launched refillable options for hot sellers including the Double Effect Brightening Essence 3.0, and the Advanced Firming Nourishing Light Cream 3.0. The previous small- and medium-sized gifts were replaced with refillable packs, significantly reducing the unnecessary consumption of packaging materials.

In addition, Proya further integrated and optimized the product marketing and communication strategy, actively publicized the sustainability of products, and frequently encouraged consumers to buy refillable options instead of full-sized products, aiming to reduce the generation of packaging waste.

During the Reporting Period, Proya promoted the use of refillable options on multiple mainstream social media platforms such as Weibo, Xiaohongshu, Zhihu, and TikTok, gaining more than 100 million views. This move effectively promoted public awareness and engagement in the sustainable consumption of cosmetics.

Off & Relax recycling program for used bottles

On the occasion of World Earth Day in April 2023, Off & Relax launched the #offrelax recycling program, during which the brand worked with artisans to transform empty bottles and repurpose them, aiming to give discarded packages a new life and new value through the fusion of artistic creation and routine application and reduce the generation of packaging waste.

In this event, Off & Relax collaborated with over 20 key opinion leaders (KOLs) from new media agencies to transform empty Off & Relax bottles into uniquely styled home ornaments, gardening tools, or useful containers in an artistic manner that considers both personal aesthetics and domestic needs. Off & Relax published the event on WeChat, Weibo, and Little Red Bookto communicate a recyclable lifestyle and stir up consumers' awareness and action for environmental protection. The event received 1.5 million views online.

With this program, Off & Relax furthered its exploration and practices in the field of green packaging, demonstrated its firm commitment and practical action for environmental friendliness, and set a new example for the cosmetic industry in innovative green packaging and resource recycling.

∧ Recycling program for used bottles

Sustainable Social Ecosystem: Empowering Beauty

Corresponding SDGs	Sustainable Planning Goals	Progress and Achievements in 2023
1 NO POVERTY / 3 GOOD HEALTH AND WELL-BEING / 4 QUALITY EDUCATION / 5 GENDER EQUALITY	By 2025 • we will invest RMB12 million in social welfare and building a more equal and diversified society. • we will directly influence 500,000 people and indirectly influence 500 million people by carrying out social welfare activities.	During the Reporting Period • Proya invested CNY8.6612 million in social welfare to build a more equal and diversified society. By the end of the Reporting Period • The investment totaled CNY10.0958 million. During the Reporting Period • The social welfare activities promoted by Proya benefited 233,000 people directly and 247 million indirectly. By the end of the Reporting Period • The cumulative number of direct beneficiaries reached 665,100 people and indirect beneficiaries 365 million.

Establishing the Zhejiang Proya Public Welfare Foundation

In 2023, Proya donated to establish the Zhejiang Proya Public Welfare Foundation (hereinafter referred to as "Proya Foundation" or "the Foundation"). With the vision of "uniting the power of love to make the world a better place for love," the Foundation is committed to enabling more people to live a better life. Its welfare priorities include "promoting education development," "seeking innovation in community," "responding to emergencies and disasters," and "providing benefits for employees."

Overview of management

The work and contributions of the foundation in public welfare and charity have been recognized by society. **During the Reporting Period, the foundation was honored with the first "West Lake Charity Award - Charity Role Model" and was also awarded the title of vice president at the third session of the Xihu District Charity Federation in Hangzhou.**

Progress and achievements of public welfare activities >

Public Welfare Activity	Measures and Achievements
Promoting education development	• We united with the Shanghai Adream Foundation to launch the "Go Far" educational and charitable travel program. During the program, we educated children about the knowledge involved in the whole process of product development, production, and launch. • We donated CNY400,000 to the Proya Hope Primary School to upgrade campus facilities, perform renovation projects, and build a rubber playground. • We officially launched the "One County, One Dream" charity project, with a plan to hold Dream Sports classes in 10 primary and secondary schools in Qiemo County, upgrade their sports facilities, organize sports events, enhance the professional abilities of local sports teachers, and promote the physical and mental well-being of students.
Seeking innovation in community	• We established a charitable trust fund for the "Power of Beauty" women's care campaign at Xihu District Charity Federation, in which women's entrepreneurial skill training, women's leadership training, and skincare classes were held to bring more employment and growth opportunities for women.
Responding to emergencies and disasters	• We collaborated with relevant organizations within Proya to donate emergency food, winter supplies, women's hygiene kits, and daily necessities worth CNY2 million to Jishishan County in Linxia Prefecture, Gansu Province. This donation supported local earthquake relief efforts and provided essential support for the affected population.
Providing benefits for employees	• On World Earth Day, we launched a campaign under the theme "Unleash the Power of Your Actions for a Better Planet." During the event, we advocated for environmental protection and upcycling and hosted eco-friendly film screenings to encourage employees to participate in environmental charity and low-carbon activities. • We launched the "Love in Proya for New Life" charitable publicity campaign, calling on employees to actively participate in public welfare projects. • We initiated the "Hydromel Winter Warmth" program, encouraging employees to donate supplies for strays and participate in volunteer activities.

Highlighted achievements

"Go Far" educational and charitable travel program

In August 2023, the Proya session of the "Go Far" educational and charitable travel program was successfully held at the Proya Headquarters Building in Hangzhou. With curiosity and admiration for cosmetics companies, several children from Longnan, Gansu, embarked on a half-day enterprise study tour with the Proya project team.

By gaining insight into the company's history, touring the Proya R&D Innovation Center, participating in hands-on lipstick production, observing new media and livestreaming positions, learning skincare knowledge, and feeling an artistic atmosphere, we provided those children great opportunities to feel beauty while being nurtured with a seed of "discovering, experiencing, creating, and spreading beauty." We expect this seed of beauty to take root and flourish, guiding them towards a better life.

∧ Site of the Proya session

"One County, One Dream" charity project

In September 2023, the "One County, One Dream" charity project officially commenced at the First Elementary School in Qiemo County, Bayingolin Mongol Autonomous Prefecture, Xinjiang, China.

As a result of intensive cooperation between Proya and the Adream Foundation, the "One County, One Dream" charity project aims to systematically improve the professional abilities and vocational spirit of sports teachers in remote areas of Xinjiang and help students enhance their physical and mental development by means of holding Dream Sports classes in 10 primary and secondary schools, renovating their sports facilities, and organizing sports events.

∧ Proya "One County, One Dream" charity project

Proya "Power of Beauty" women's care campaign

In 2023, Proya established the "Power of Beauty" women's care campaign at Xihu District Charity Federation. By organizing women's entrepreneurial skill training, women's leadership training, and skincare classes, we support women's family relationships, workplace interpersonal relations, mental health, and emotional management. In addition, professional psychological counseling is provided to help women expand their horizons and build a mind of growth.

Meanwhile, Proya will mobilize more people in society to join our care and support for women's growth, hoping to create more employment and growth opportunities for women, help them better identify themselves, and enhance their internal motivators and external advantages for growth.

∧ Proya "Power of Beauty" women's care campaign

Proya Public Welfare Foundation provides aid to earthquake-stricken areas in Gansu

In December 2023, a 6.2-magnitude earthquake struck Jishishan County in Linxia Prefecture, Gansu Province. The Proya Public Welfare Foundation immediately initiated the emergency response mechanism and coordinated with relevant internal departments to rapidly organize, allocate, procure, and transport supplies.

The foundation mainly procured halal emergency food, winter clothing, emergency tents, heating appliances, women's hygiene kits, and daily necessities to provide basic living support for the disaster-affected population. As of the end of the Reporting Period, the foundation had donated CNY2 million worth of emergency relief supplies to the disaster-stricken areas.


∧ Proya Public Welfare Foundation donating supplies

## Advocating for and jointly creating a better community

In the view of Proya, the beauty of a brand lies not only in the external charm created by its products, but also in its deep concern for social issues and active contributions to society. We are well aware that the existence and development of a company cannot be separated from the social environment and cultural context in which it operates. Therefore, the concern for and commitment to public welfare undertakings form our essential responsibility and intrinsic driving force as a leading cosmetics company in the industry. We firmly believe that every business has the power to do its part in driving social advancement, promoting growth, and changing the world with its actions.

For years, Proya has been deeply committed to social welfare activities, proven by a series of meticulously designed brand marketing campaigns around public welfare themes. **During the Reporting Period, we maintained our focus on four main topics: gender equality, love and caring, youth and growth, and mental health. We advocated for the values "breaking gender bias," "braving the real essence of love and intimate relations," "caring about school bullying and supporting the healthy growth of adolescents" and "recognizing emotional experiences, caring and embracing oneself."**

Those social initiatives and public welfare practices form not only an important part of Proya's brand culture, but also a strong emotional bond between consumers and us. We will uphold this commitment and imprint the spirit of charity deeply in every step of brand development. Joining hands with the communities we care about, we will create a better, more inclusive, and loving world.

```
                  ┌─────────────────┐
                  │ Four main topics │
                  └─────────────────┘
```

Gender equality	Love and caring	Youth and Growth	Mental health
Breaking gender bias	Braving the real essence of love and caring relations	Caring about school bullying and supporting the healthy growth of adolescents	Recognizing emotional experiences, caring and embracing oneself

[Gender equality]
"It's Gender, Not Border!"

^Scan to watch
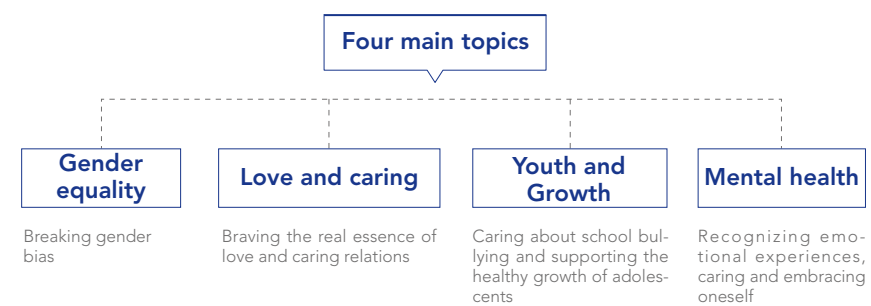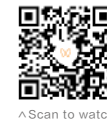
On top of the view that "It's Gender, Not Border," in 2023, Proya took further steps to translate this brand attitude into action. This includes addressing real issues, looking into real practices, and providing real support.

Short video "She is the Captain"

On International Women's Day in 2023, Proya once again drew public attention to the topics of gender equality and women's rights based on genuine "her stories."

Proya specially planned the TV commercial "She is the Captain" based on a true story and introduced the theme song "Keep Up, Girl," which tells a story of a Tibetan girl named Xiaoma who becomes the captain of her college's freshman soccer team. The story shows the courage and resilience of the young girl in the face of prejudice. It challenges the stereotype that women can't excel on the field, face physical confrontation, or lead a team to victory.

The TV commercial "She is the Captain" breaks gender biases and stereotypes, which affirms Proya's longstanding advocacy that "It's Gender, Not Border." We need to break stereotypical gender biases before truly knowing ourselves and unleashing our full potential.

^ Short video "She is the Captain"

During the Reporting Period, the TV commercial "She is the Captain" received more than 6.77 million view counts and over 680,000 discussions across all platforms.

^Scan to watch

We Can Do It gender education picture book

Proya has compiled the gender education picture book We Can Do It suitable for readers of all ages. The book prompts us to reflect on the importance of gender education while delving into gender issues. It conveys Proya's vision of "breaking gender boundaries" and implants the concept of gender equality into the minds of more people.

With the gender education picture book We Can Do It, Proya expects to raise awareness about the subtle biases that exist in our lives, inspiring us to break preconceptions and truly appreciate everyone in our midst. The objective of this book is for children and teenagers to gain an enlightenment of gender equality, and for adults to reflect on how to create a society that is inclusive, respectful, diverse, and safe for all genders. **During the Reporting Period, a total of 110,000 copies of *We Can Do It* were printed and distributed.**

^ *We Can Do It* gender education picture book

Legal consultation services

Proya hopes that the discussion of "combating gender bias and breaking stereotypes" is extended beyond March to "every day from this day." Therefore, Proya has partnered with Beijing Qianqian Law Firm to launch the Proya Public Welfare Service mini-program, which provides legal consultation services for workers experiencing gender bias. This initiative aims to help more employees affected by gender bias to utilize legal protection and receive professional legal assistance in cases of workplace discrimination. Any woman experiencing unfair treatment in the workplace can seek support from legal professionals through this platform. **During the Reporting Period, the Proya Public Welfare Service mini-program provided legal advice to 966 people, including pro bono legal consultation services to 87 people.**

^ Proya pro bono legal consultation service for workers

[Love and caring]
Dare to Love, Dare to Not Love

Proya probes into the importance of love and caring, and is committed to exploring how to listen to the inner voice and make courageous choices in those relations. We focus on how individuals achieve personal growth in intimate relationships, and encourage people to believe in the deep voice inside their mind with sincerity and courage.

On Chinese Valentine's Day in 2023, Proya invited netizens to leave messages to share their love stories and discuss the sense of self and boundary in love relations. Inspired by users' stories, Proya worked with NetEase Cloud Music and JIN Wenqi to create a love song "My Desired Happiness," which is about experiences and reflections on selves in love relations.

Meanwhile, Proya captured the moments of love perception with a 3-minute love-themed short film titled Dare to Love, Dare to Not Love. Opening with the question "Does love really still exist?," the video takes the audience through a series of love stories and unfolds romantic reflections one after another. The story culminates with the question "Does love really still exist?" and gives the Proya answer that "love is always there if you follow your heart and dare to love and to not love." Meanwhile, Proya issued test cards titled "Know Yourself in Intimate Relations" to help the audience better know themselves in love.

^Themed short film My Desired Happiness

During the Reporting Period, the public welfare short film Dare to Love, Dare to Not Love received over 21.79 million view counts with over 460,000 discussions raised across all platforms. Additionally, 19,000 copies of the "Know Yourself in Intimate Relations" test cards were distributed.

[Love and caring]
Mom is Not the Only One

On Mother's Day in 2023, Proya continued to care about mothers and their physical and mental workload assumed for their families. On this day, Proya appealed to everyone to recognize mothers' hardships and difficulties in traditional housework, and proposed the brand attitude "Moms can take care of the family, but every family member can do the same." By means of the TV commercial Mom is Not the Only One, the creative peripheral apron for the whole family, creative posters, and the adapted children's song "Mom is Not the Only One," we call on every family member to not just see the merits of mothers, but assume their responsibilities as family members.

^Themed short film *Mom is Not the Only One*

^Themed poster of Mom is Not the Only One

[Youth and growth]
Glimmering Project

In 2023, Proya continued with its anti-school-bullying initiative Glimmering Project by releasing a public welfare short short film titled *Aftermath of School Bullying*. This film puts eyes on not just bullied children, but on the long-term impact on them after being bullied. Proya shed light on the aftermath of bullying in schools through three true stories, calling for an end to school bullying.

^ Public welfare poster of Glimmering Project

Proya laid bare the truth of school bullying with exceptional sensitivity and insight, removing blind spots and raising awareness with the weighty question, "Will it get better as we grow up?" It calls for public attention to the current situation of those who have experienced school bullying and encourages providing assistance within our means. In addition, Proya specially published the printed book *It's Not Your Fault: A Healing Guide for the Aftermath of School Bullying*, urging society to recognize school bullying and understand preventive and responsive measures.

^ *It's Not Your Fault: A Healing Guide for the Aftermath of School Bullying*

Proya partnered with the Beijing New Sunshine Charity Foundation to establish The "Glimmering Project , a dedicated anti-school-bullying helpline that provides psychological counseling and legal advice for victims and their families. Meanwhile, Proya raises discussions around the topic "Bullying is Never Right" on Weibo, and continues to make voices heard on various platforms, aiming to turn advocacy into action and expand the influence of the campaign.

^ Proya's The "Glimmering Project anti-school-bullying helpline

During the Reporting Period, the public welfare short film Aftermath of School Bullying received more than 44.41 million view counts across all platforms with over 62.11 million interactive discussions. The anti-bullying helpline provided free psychological counseling for 353 victims of school bullying and their families, including pro bono legal consultation services provided to 27 victims. A total of 15,000 copies of *It's Not Your Fault: A Healing Guide for the Aftermath of School Bullying* were printed and distributed.

Mental health:
Echo Project

^Scan to watch

On World Mental Health Day on October 10, 2023, Proya carried on with the Echo Project youth mental health campaign and released a public welfare film for youth mental health titled *Say _____ to Your Emotions Right Now*. In the film, we advocate that "We are not alone in the face of emotions" and "No one should be ashamed of emotions." We encourage consumers to take a step further so they can listen to their inner voice and try to express their emotions.

^Public welfare film *Say _____ to Your Emotions Right Now*

In addition, Proya partnered with Dejavu and 9 publishing houses to design a curated list of emotional healing books and blind boxes of books, selecting 11 books on emotions, packaging them into the Echo Bookshelf with 10,000 emotional pouches, and giving them to readers as gifts. Also, Proya and Tencent Music jointly organized public campus concerts and other activities, allowing people to cope with their emotions in multiple ways.

^Let Emotions Talk public campus concert

^Echo Bookshelf event

Proya is constantly deepening our understanding and presentation of mental health issues. Our efforts include acknowledging the existence of emotional issues, encouraging emotional expression and release, and providing practical support. The three-year evolution and development of Echo Project not just embodies Proya's longstanding care about mental health issues, but underscores our enduring dedication to the public.

^Proya Echo Project psychological counseling helpline

During the Reporting Period, the public welfare film *Say _____ to Your Emotions Right Now* touching upon mental health amongst young people received 52.49 million view counts with over 210,000 discussions raised across all platforms. The Let Emotions Talk public campus concert was held at 30 universities in 6 cities with over 30,000 participants.

ESG Management
Practice Report

—

Proya Cosmetics Co., Ltd.

Environmental Responsibility

Performance highlights

The use of clean energy accounted for
35.35 %

Increased by
16.94% ↑
compared to 2022

reducing greenhouse gas emissions by
4,774.30 tonnes of CO_2 e

Greenhouse gas emissions (Scope 1 and Scope 2) was
8.33 kilograms of CO_2 e /CNY10,000

Decreased by
32.93% ↓
compared to 2022

The proportion of sustainable packaging materials used was
25.47 %

Increased by
25.31% ↑
compared to the baseline year of 2021
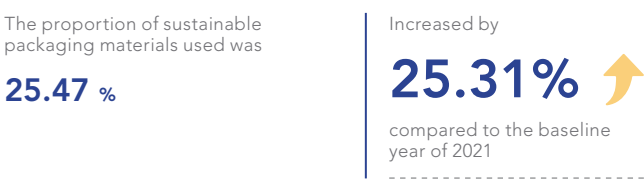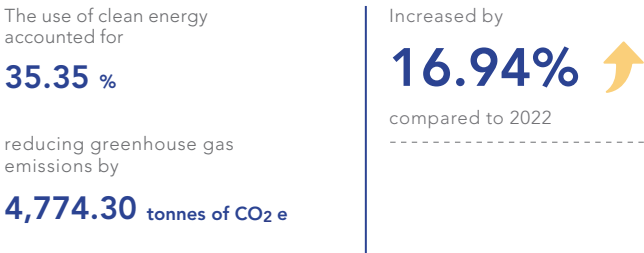
Number of environmental safety incidents
0

Environmental management system

Proya strictly complies with environmental laws and regulations, including the *Environmental Protection Law of the People's Republic of China, the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China,* and the *Regulations on the Safety Management of Hazardous Chemicals*. We follow an environmental management policy to save energy, reduce consumption and emissions, and increase efficiency. We continuously strengthen our environmental risk management to ensure that our production and operations comply with relevant laws, regulations, and standards. We have established management documentation covering all environmental impact factors. Additionally, we implement various management policies in our production and operations to ensure effective control of environment-related risks.

Overview of management

During the Reporting Period, our use of resources had no significant impact on the environment. We paid environmental protection taxes and fees in full, and no violations of environmental protection laws or regulations occurred.

Environmental management system certification >

Company/ Manufacturing Base	Certification	Valid Period of Certification
Skincare factory	ISO 14001: 2015	2025.2.14

Analysis of the environmental impact of each process[1] >

Stage		Input	Output
Purchasing		• *Raw materials, energy, and water consumed in the production and operations of various suppliers	• *Waste water, waste gases, solid waste, and greenhouse gases (Scope 3) generated in the production and operations of various suppliers
Production and R&D	Product ingredients and packaging	• Resources: Raw materials and packaging materials	• Greenhouse gases (Scope 1 and Scope 2) • Waste gases: Volatile organic compounds (VOCs), nitrogen oxides (NOx), and oil smoke • Waste water: Chemical oxygen demand (COD), ammonia nitrogen content (NH3-N) • General waste: Discarded product packaging, expired products, discarded membranes and filters, sludge from sewage stations, domestic waste, and kitchen waste from canteens • Hazardous waste: Hazardous reagents from laboratories, waste machine oil, waste ink, and others
	Steam generation, paste making, and heating	• Energy: Natural gas	
	Air conditioning and refrigeration, production power, and lighting	• Energy: Outsourced electricity, self-produced photovoltaic power	
	Product ingredient water, process media, and cleaning	• Water: Municipal water supply	

[1]Environmental impacts marked with * are not covered in this Report.

Analysis of the environmental impact of each process[1] >

Stage	Input	Output
Distribution and warehousing & logistics	• Resources: Transport packaging materials • Energy: Gasoline and diesel consumed by freight vehicles; outsourced electricity used in warehouse operations (including third parties[2]) • *Energy and resources consumed in the operations of distributors	• Greenhouse gases (Scope 1, Scope 2, and Scope 3) • General waste: Discarded product packaging and domestic waste
Product usage and disposal	• *Water and energy consumed when consumers use products (generating hot water) • *Energy and water consumed in the production and operations of waste disposal units	• *Waste generated after consumers use products • *Waste water, waste gases, solid waste, and greenhouse gases (Scope 3) generated in the production and operations of waste disposal units
Office operations	• Energy: Outsourced electricity and gasoline consumed by company-owned vehicles • Water: Municipal water supply	• Waste water: Domestic waste water • Non-hazardous waste: Domestic waste • Greenhouse gases (Scope 1 and Scope 2)

Proya Huzhou Factory was designed and built in accordance with GMP standards. All production workshops meet the environmental control standards for cosmetic clean areas. The intelligent warehousing center has fully optimized the data and the robotic automation system, maximizing the sustainability of healthy and ecological production and achieving our strategic goals of cost reduction and efficiency enhancement. **In September 2023, Proya Huzhou Factory was awarded the title "Green and Low-Carbon Factory of Zhejiang 2023."**

Climate change mitigation and adaptation

Proya closely follows the situation of global climate change and places high importance on climate change management. Proya has incorporated "climate change mitigation and adaptation" as one of our material topics for ESG management. The Board of Directors supervises and manages the Company's ESG issues, including climate change issues. Relevant functional and business departments integrate climate change management into their daily work priorities. **In 2023, we submitted the Climate Change Questionnaire to the Carbon Disclosure Project (CDP) and achieved grade "B", reflecting our effective management in sustainability and climate action.**

Our greenhouse gas emissions are generated throughout the product lifecycle, with a small percentage arising from office operations. Based on identified sources of greenhouse gas emissions, we set greenhouse gas emission reduction goals in Proya Sustainable Development Strategic Plan and collect greenhouse gas emission data every year to assess our performance in climate change management.

Identified sources of greenhouse gas emissions >

Process Emitting Greenhouse Gases	Primary Energy Consumed	Major Greenhouse Gas Sources
Procurement of raw materials	• Energy consumed in the production and transportation of raw materials	• Scope 3 emissions generated in the production and transportation of raw materials
Production	• Electricity • Natural gas	• Scope 2 emissions from the consumption of electricity • Scope 1 emissions from the consumption of natural gas, gasoline, and diesel fuel consumed by company-owned vehicles
Product distribution	• Electricity • Gasoline and diesel consumed by freight vehicles	• Scope 2 emissions from the consumption of electricity consumed by company-owned warehouses • Scope 3 emissions generated from third-party warehouses and freight vehicles
Product usage and disposal	• Energy consumed by water utilities during product usage • Energy consumed for waste recycling and disposal	• Scope 3 emissions
Office operations	• Electricity • Gasoline and diesel consumed by self-owned vehicles	• Scope 2 emissions from the consumption of electricity

[2]Third parties are not covered in this Report.

Greenhouse gas emission reduction goals >

日期	具体目标
By 2025	• The proportion of clean energy will reach 50%, and carbon peak will be accomplished in business operation. • Greenhouse gas emissions (Scope 1 and Scope 2) per unit of product will decrease by 25% compared to 2021. Carbon peak (Scope 1 and Scope 2) will be accomplished in business operation. • We will drive all strategic partners to reduce carbon emissions through value chain carbon reduction initiatives and incentives.
By 2030	• We will achieve net zero emissions from our operations.
By 2045	• We will achieve carbon neutrality across our entire value chain.

Greenhouse gas emission reduction actions >

Type	Measure	Achievement
Implemented energy-saving and technology upgrades.	• Carried out clean production as well as energy-saving and technology upgrades in an orderly manner.	• Reduced greenhouse gas emissions by 177.21 tonnes of carbon dioxide equivalent
Used clean energy.	• Used 6,121.42 megawatt-hours of green electricity. • Installed a photovoltaic system on the roof of the new warehouse, with an installation area of 38,197 square meters and a capacity of 2,000 kilowatts. The annual electricity output is estimated to be approximately 2,000 MWh. During the Reporting Period, the photovoltaic system generated 2,197.53 MWh of electricity. • As of the end of the Reporting Period, all forklifts at the factory had been replaced with new energy forklifts.	• Reduced greenhouse gas emissions by 4,744.30 tonnes of carbon dioxide equivalent.
Packaging reduction and substitution	• Advanced Firming Nourishing Light Cream 3.0 has simplified packaging design compared to 2.0, reducing plastic usage by approximately 100.49 tonnes during the Reporting Period. • Double Effect Brightening Essence has adopted substitution packaging design, reducing plastic usage by approximately 107.97 tonnes during the Reporting Period.	• Reduced greenhouse gas emissions by 650.42 tonnes of carbon dioxide equivalent.

We actively communicate and collaborate with original equipment manufacturers (OEMs) and original design manufacturers (ODMs) to seek carbon reduction opportunities in production. **During the Reporting Period, an OEM factory reduced its electricity consumption by using automated products, saving approximately 28 MWh of electricity per year.**

We promote carbon reduction policies to our raw material suppliers and plan for the establishment of a system for collecting and evaluating suppliers' carbon emission

data. We prioritize suppliers with lower carbon emissions. **During the Reporting Period, the range of carbon data collection covered 156 suppliers, accounting for 90% (amount of cooperation) of raw material suppliers. Additionally, during the Reporting Period, Proya's e-commerce delivery boxes (May 1, 2023 to December 31, 2023) had achieved achieve carbon neutrality by suppliers through carbon offset, reducing the carbon footprint of products in the distribution and transportation processes.**

^ Carbon neutral certificate

In the sales process, all of our stores choose the best energy-saving solutions during renovation to reduce carbon emissions during operation. Our extensive sales are also engaged in carbon reduction initiatives. For example, a photovoltaic power generation facility has been installed at Haining Intime Department Store to partially replace traditional energy sources.

During the Reporting Period, Proya reached a consensus with the top ten strategic partners on Proya Sustainable Development Strategic Plan and released the *Together for a Zero Carbon Future, Beauty in Harmony"* carbon reduction manifesto, committing to reduce carbon emissions by 2025.

Greenhouse gas emission performance >

Greenhouse gas emissions (Scope 1 and Scope 2) in the past 3 years (tonnes of carbon dioxide equivalent/ CNY10,000)

2021	2022	2023
8,426.86	7,933.90	7,420.89

Greenhouse gas emissions per RMB10,000 of revenue (Scope 1 and Scope 2) in the past 3 years(kilograms of carbon dioxide equivalent/CNY10,000)

2021	2022	2023
18.19	12.42	8.33
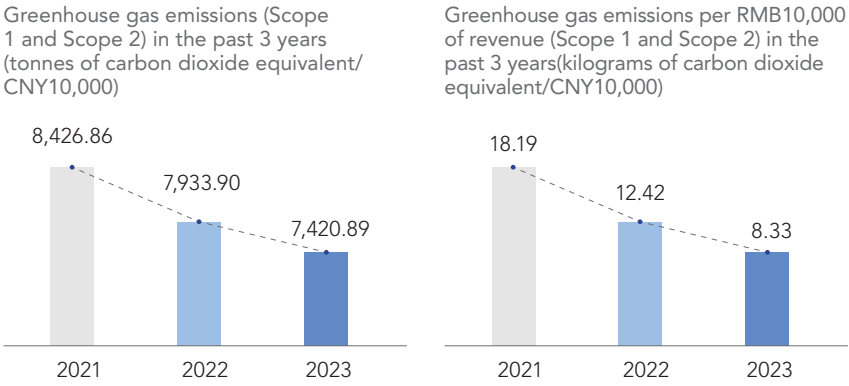
Resource conservation

Energy management

Our production, operations, and office activities directly or indirectly consume electricity, natural gas, gasoline, and diesel. We have developed energy management systems such as the Power Saving Management System and the Natural Gas Leakage Emergency Plan. We constantly improve the usage efficiency of energy and optimize the use structure of energy.

New energy-saving and emission reduction measures and their performance in production and operation processes >

Main Measure	Performance
• Installed matched cooling towers to prevent fouling on the heat exchange pipes in the condenser, resulting in a 10% increase in the operating efficiency.	• After the renovation, the average annual electricity consumption was reduced by **120 megawatt-hours.**
• Added a set of three CIP (clean-in-place) tank devices. Reduced natural gas and electricity consumption resulting from the separate overtime operation of the boiler and the air conditioner associated with tank cleaning.	• After the renovation, the average annual consumption of natural gas was reduced by **36,000 cubic meters** and the consumption of electricity was reduced by **72 megawatt-hours.**

In our office operations, we advocate for a green office. Proya strictly adheres to the Daily Power Saving Plan of Proya Building and the Orderly Power Consumption Regulation Plan of Proya Building, encouraging employees to turn off lights and air conditioners when leaving the company to avoid wasting energy. To minimize office power consumption, we take measures such as turning off certain air conditioners in the office area and reducing excess underground lighting on the premise of ensuing the basic needs of employees.

During the Reporting Period, our use of clean energy accounted for 35.35%, with a 20.39% decrease in electricity consumption per RMB10,000 of revenue and a 22.81% decrease in natural gas consumption per RMB10,000 of revenue.

Energy management performance >

Electricity consumption per CNY10,000 of revenue in the past three years (kWh/CNY10,000)

2021	2022	2023
26.25	25.01	19.91

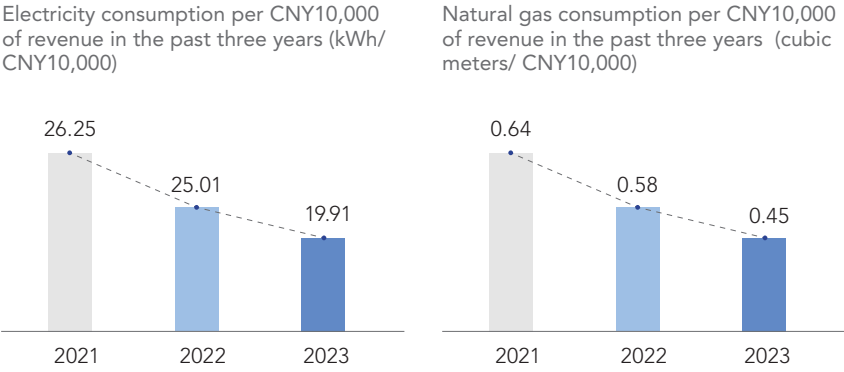Natural gas consumption per CNY10,000 of revenue in the past three years (cubic meters/ CNY10,000)

2021	2022	2023
0.64	0.58	0.45

Water resource management

The water resources we use for production and operation mainly derive from the municipal water supply, and the water source has no significant impact on the environment. In the Huzhou skincare factory, we established the Water-Saving Management Steering Group, which is solely responsible for water-saving management work. The Group builds the evaluation, reward, and punishment mechanism for water saving, and improves the water metering system, the standardization of water use behavior, and the continuous improvement of water utilization efficiency.

In 2023, the Huzhou skincare factory conducted a water balance test analysis to assess water-saving opportunities and develop improvement plans. **During the Reporting Period, Proya Huzhou Factory was honored as a water-saving enterprise for the year 2023.**

Major water-saving measure and performance >

Measures	Performances
Water balance test	• The Huzhou skincare factory conducted a water balance test to gain a full view of the current water usage. It also drew a water balance diagram to analyze improvement measures for water conservation.
Water recycling	• Recycling of cooling water: The Huzhou skincare factory built cooling water circulation pools in the workshop. The cooling water is reused and discharged regularly. • Sewage filtration and reuse: The Huzhou skincare factory built a sewage treatment system. Through filtration treatment, the system can reuse recycled water such as toilet water and landscape pool water, reducing the amount of fresh water used. • Reuse of concentrated water from the pure water preparation unit: The concentrated water produced by the pure water preparation unit is reused as toilet water and landscape pool water. • Reuse of steam condensate water: Steam condensate water is collected and reused in the cleaning process, which utilizes steam waste heat and water resources.
Equipment upgrade	• The automatic cleaning system of CIP efficient tanks saves **2,000t** of water annually.

Water resource management performance >

Water consumption per CNY10,000 of revenue in the past three years (cubic meters/ CNY10,000)

2021	2022	2023
0.45	0.4	0.31

Total recycling water volume in the past three years (cubic meters)

2021	2022	2023
15,000	13,000	19,000

Raw material management

The raw materials we use mainly include base materials for products, functional ingredients, active ingredients, additives, and packaging materials. Our key management measures for raw materials include efficient use of raw materials, sustainable procurement of raw materials, quality management of raw materials, and enhancement of packaging sustainability.

In terms of raw material use and conservation, we implement excellent performance and lean management, and encourage employees to propose improvement suggestions at any time during production. We seek to reduce the scrap rate and improve the usage efficiency of raw materials. We collect improvement suggestions from employees and regularly recognize those employees.

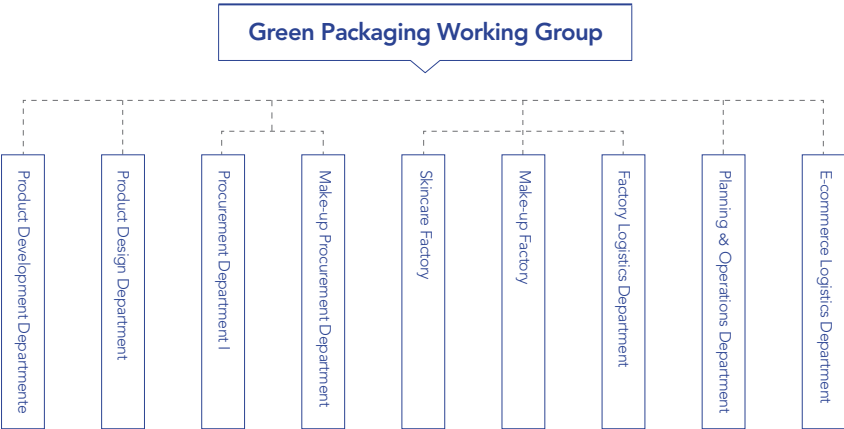In addition, for information on the management of "sustainable procurement of raw materials", please refer to the "Sustainable procurement" section of this Report. For details on raw material quality management, please refer to the "Product quality and safety" section of this Report. For information on the management of packaging sustainability enhancement please refer to the "Green packaging" section of this Report.
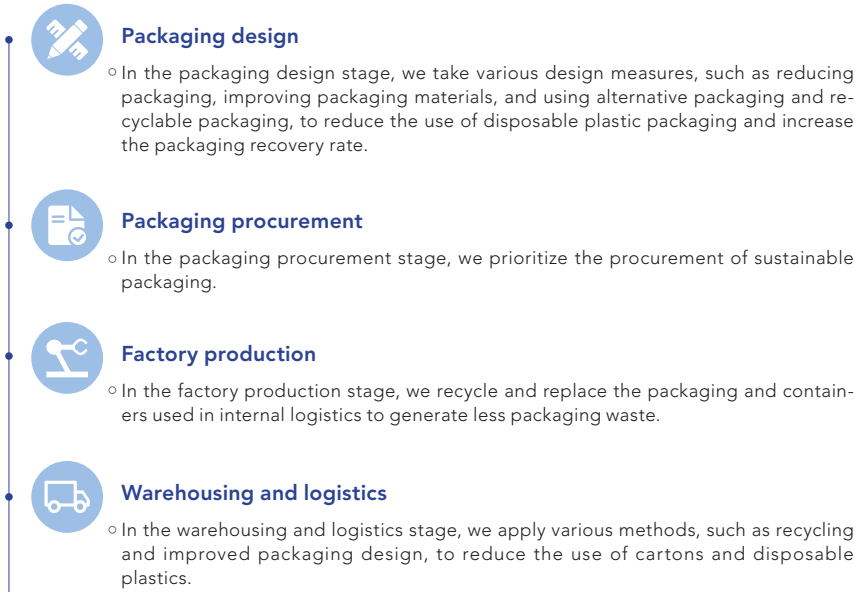
Green packaging

Our green packaging management and practices cover a variety of product packaging across the whole production process, including finished product packaging, intermediate packaging, and warehousing and logistics packaging. Proya follows the 3R (reduce, reuse, and recycle) design philosophy. We are committed to reducing the use of packaging materials at the source to further achieve lightweight packaging and improve the packaging utilization rate and recovery rate.

Structure of the Green Packaging Working Group >

Green Packaging Working Group

- Product Development Departmente
- Product Design Department
- Procurement Department I
- Make-up Procurement Department
- Skincare Factory
- Make-up Factory
- Factory Logistics Department
- Planning & Operations Department
- E-commerce Logistics Department

Green packaging management process >

Packaging design
- In the packaging design stage, we take various design measures, such as reducing packaging, improving packaging materials, and using alternative packaging and recyclable packaging, to reduce the use of disposable plastic packaging and increase the packaging recovery rate.

Packaging procurement
- In the packaging procurement stage, we prioritize the procurement of sustainable packaging.

Factory production
- In the factory production stage, we recycle and replace the packaging and containers used in internal logistics to generate less packaging waste.

Warehousing and logistics
- In the warehousing and logistics stage, we apply various methods, such as recycling and improved packaging design, to reduce the use of cartons and disposable plastics.

Key actions for green packaging >

Aspect	Action and Result
Reduce	• Streamlined the packaging design of Advanced Firming Nourishing Light Cream 3.0[3]: Compared to Advanced Firming Nourishing Light Cream 2.0, the weight of Advanced Firming Nourishing Light Cream 3.0 was reduced by **22%**. • The Advanced Firming Nourishing Light Cream 3.0 became available with refillable options. Compared with the original design, each refillable option reduces the use of plastics by **over 100 grams.**
Reuse	• Recyclable cartons were promoted to all the warehouses of flagship stores nationwide (Tianjin, Guangzhou, Chengdu, Wuhan, Hangzhou, Huzhou, Changsha). A total of **529,000 cartons** were shipped, amounting to a save of **500 tonnes** of paper for packaging. • Factories began using mobile stainless steel storage tanks instead of blue plastic buckets or PE plastic bags, reducing the use of **13, 500 plastic bags**. • Recyclable winter incubators were used for transportation in Northeast China and Northwest China in replacement of disposable foam incubators. The annual usage reached **3,500 incubators.**
Recycle	• Proya participated in the plastic recycling program of the Intime Department Store, calling consumers to recycle plastic bottles and raise awareness of recycling.

Furthermore, we integrate our environmental protection concept into product and packaging design, and promote refillable options and empty bottle recycling programs through various channels such as Weibo, Little Red Book, and overseas platforms. Our purpose is to promote the recycling value of refillable options to consumers and enhance their awareness of environmental protection.

---

[3]The Advanced Firming Nourishing_ Cream 3.0 series covers Advanced Firming Nourishing Moisture Cream. Advanced Firming Nourishing Soft Cream, and Advanced Firming Nourishing Light Cream

Measures for guiding consumers toward sustainable consumption >

Functional design

◦ Developed and launched refillable options of products, encouraged consumers to buy refillable options, and reduced unnecessary packaging waste.

◦ Used recyclable packaging materials to improve the sustainable attributes of packaging.

Use guide

◦ OR and Hapsode both launched empty bottle recycling programs, calling on consumers to better reuse and repurpose bottles.

◦ Proya participated in the plastic recycling program of the Intime Department Store, calling consumers to recycle plastic bottles and raise awareness of recycling.

Packaging management performance >

Proportion of sustainable packaging materials used (%)
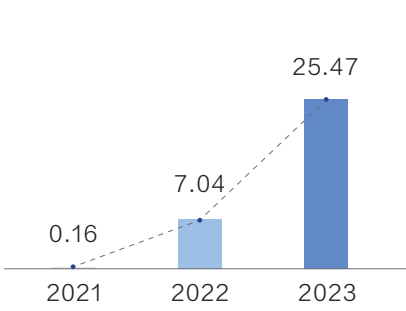
Packaging intensity (t/10,000 pieces)
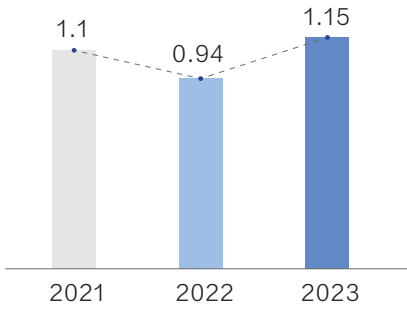
Packaging weight of 2023 (by type)

Other 2%
Plastic 24%
Glass 19%
Paper 55%
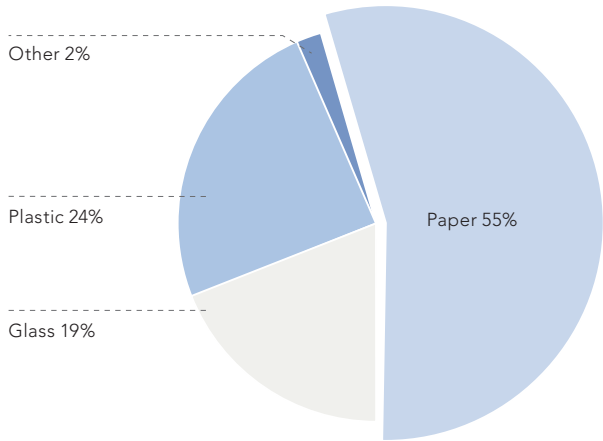
Emission and waste management

Waste water discharge and waste gases

The waste water we produce mainly comes from domestic sewage and production waste water and is discharged to landscape water pools or to the outside through a consolidated water pipe after being treated by the sewage treatment station. The waste gas produced mainly comes from boilers. We have formulated the *Sewage Treatment Management System,* the *Boiler Management System*, and other management documents to strictly control the discharge of waste water and waste gas. **During the Reporting Period, we discharged waste water and waste gas up to standards.**

Waste water discharge and waste gas standards & main control indicators >

Category	Emission Standard Observed	Main Control Indicator
Waste water	• *Integrated Waste water Discharge Standard* (GB 8978-1996)	• Five-day biochemical oxygen demand (BOD5) 300 mg/L, chemical oxygen demand (CODcr) 500 mg/L, suspended matter 400 mg/L, ammonia nitrogen 35 mg/L, animal and vegetable oil 100 mg/L, and others
Waste gas	• *Integrated Emission Standard of Air Pollutants* (GB 16297-1996) • *Emission Standard of Air Pollutants for Boilers* (GB 13271-2014)	• Nitrogen oxides 50 mg/lim3, particulate matter 20 mg/m3, sulphur dioxide 50 mg/m3

Primary measures for managing waste water discharge and waste gases >

Pollutant Category	Management Measure
Waste water	• Construct a waste water treatment system to ensure that the treated waste water is highly purified and recycled. • Install the Multi Vision COD online automatic monitoring instrument to monitor the COD content in treated water 24 hours a day. • During the Reporting Period, a new sludge pressing device was installed at the Huzhou factory, which effectively removes organic substances from the waste water and further improves the sewage treatment capability to ensure class-A sewage discharge. • During the Reporting Period, we excavated, replaced, repaired and retested some damaged rain and sewage pipes in the factory area in accordance with the results reported by the underground pipeline CCTV detection system.
Waste gas	• A waste gas treatment facility for the cream production line was added to reduce the emission of dust and organic waste gas. After being used, the facility can collect 99% dust and remove 75% organic waste gas. • A highly precise volatile organic chemical (VOC) gas collection device was installed to effectively reduce uncontrolled gas emissions.

Solid waste

We properly dispose of solid waste generated in production and operations. We manage solid waste in a macroscopical manner and our factories can track the whole process data on solid waste and prevent risks by requesting to report the amount of generated hazardous waste on the Zhejiang Information System Platform for the Supervision of Solid Wastes every year, selecting hazardous waste treatment service providers through open bidding on the platform, and requesting for the treatment of hazardous waste on the platform.

During the Reporting Period, the sludge pressing device at the Huzhou factory reduced sludge production by 75%, resulting in an annual reduction of approximately 540 tonnes of sludge.

Main measures and implementation standards for solid waste treatment >

Category	Waste	Main Treatment Measure	Reference Standard
General waste	• Domestic waste, cartons, tape, film, paper, and others • Lined bags, expired products, waste filter membranes and filters, sewage sludge, domestic waste, canteen waste	• Collected, and then recycled or resold • Regularly handed over to a qualified agency for treatment	• *Standard for Pollution Control on Municipal Solid Waste Incineration* (GB 18485-2014)
Hazardous waste	• Hazardous reagents, waste oil, waste ink in laboratories	• Regularly handed over to a qualified agency for treatment	• *Identification Standards for Hazardous Waste General Rules* (GB 5058.7-2019)

Solid waste discharge performance >

Discharge of general waste per CNY10,000 of revenue (kg/CNY10,000)

2021: 1.62
2022: 1.99
2023: 1.84
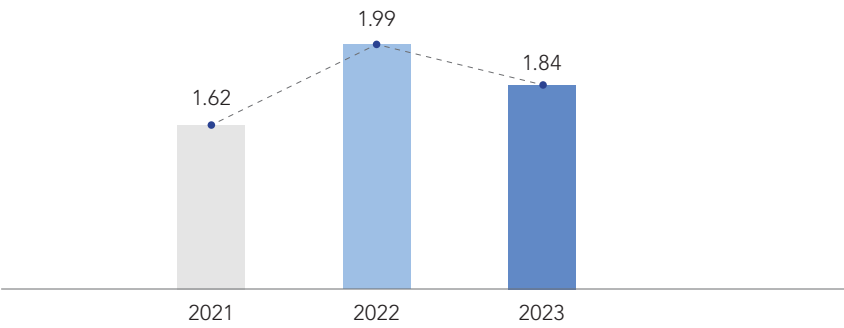
Discharge of hazardous waste per CNY10,000 of revenue (g/CNY10,000)

2021: 2.16
2022: 1.53
2023: 0.65
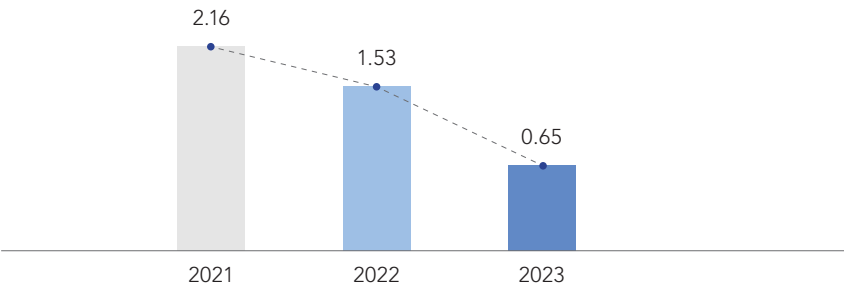
| Product and Customer Responsibility

Performance highlights

The proportion of scientific research investment in the revenue of the parent company[4] is

4.13%

Product health and safety violations

0

R&D team members

doctoral degree or above
2.48%

master's degree or above
41.6%
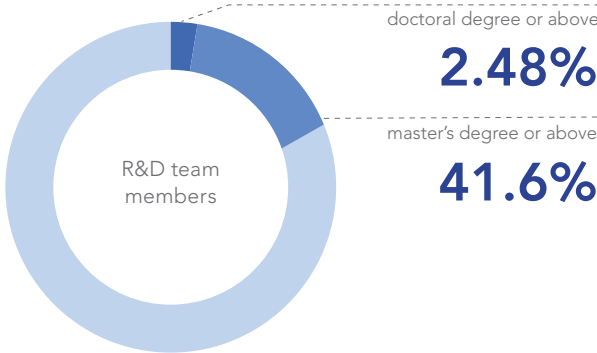
Innovations in research and development

Proya takes innovation in research and development as an area of core competitiveness and builds a comprehensive R&D innovation framework and management system. Adhering to a "consumer-centric" concept, we fully consider consumers' needs based on dermatology, and apply this concept throughout the whole process from raw materials to finished product development, including fundamental research, formula development, physical and chemical analysis, and assessment of raw materials and product efficacy.

In 2023, Proya's Longwu R&D Center and Shanghai R&D Center were put into operation. The two centers are equipped with laboratories catering to different functions and are furnished with advanced experimental instruments, thus enhancing our capabilities in independent research and development. Additionally, we have established a research and development center for makeup base to enhance the development and competitiveness of makeup base products.**We continue to increase investment in research and development. During the Reporting Period, the investment in research and development reached CNY173.5701 million, accounting for 4.13% of the revenue of the parent company.**

[4]The "revenue of the parent company" here refers to the revenue of Proya Cosmetics Co., Ltd., excluding the revenue of its subsidiaries.

Research and development layout >

Research and development layout

Longwu R&D Center

Focus on cutting-edge skin mechanism study, new material design and development, formula development and validation.

Shanghai R&D Center

Focus on scalp skin mechanism, ecology, and hair washing and maintenance, and carries out fundamental, application, and clinical efficacy research.

R&D investment >

R&D investment in the past three years (Unit: RMB100 million)

2021	2022	2023
0.77	1.28	1.73

Proportion of scientific research investment in the revenue of the parent company (%)

2021	2022	2023
3.55	4.31	4.13

In 2023, our research and development focus was on the construction of three major technology platforms in chemical synthesis, biotechnology manufacturing, and plant extraction. During this process, we continued to refine precise analytical testing methods and support the research, development, and efficacy verification of new ingredients, ultimately enhancing our R&D efficiency.

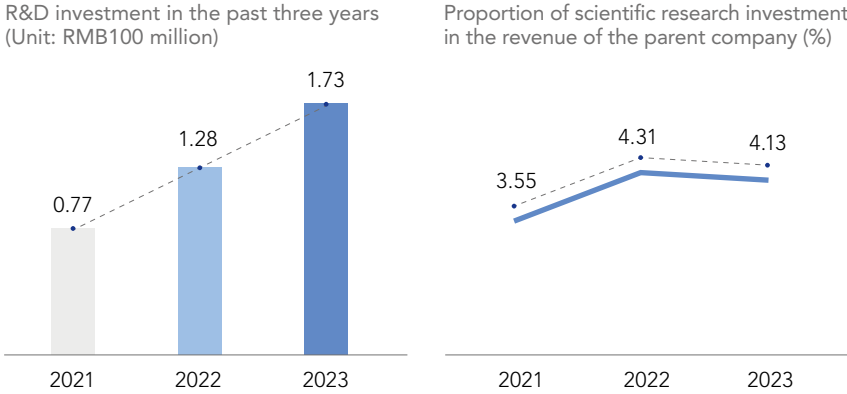Application and achievements of our technology platforms >

Technology Platform	Main Function
Chemical synthesis	• Based on known efficacy targets, the platform designs specific molecular structures and seeks synthesis possibilities.
Biotechnology manufacturing	• The platform screens specific microorganisms or strains, and achieves the biosynthesis of active ingredients through AI simulation and biological computation.
Plant extraction	• The platform extracts plant components such as flavonoids, polyphenols, and polysaccharides with technologies, and then purifies and condenses functional products.

We have a professional, diversified, and innovative R&D team comprising high-caliber professional researchers in different disciplines such as skin science, biochemistry, life science, material science, medicine, industrial design, psychology, and statistics. In 2018, we licensed and established the Zhejiang Postdoctoral Workstation as a part of our efforts to deepen the training of high-level personnel. In 2023, the management trainee project of our R&D team admitted 32 outstanding members to enrich our talent pool. **Currently, 41.6% of the R&D team members hold a master's degree or above and 2.48% hold a doctoral degree or above.** For selected R&D talents, we plan for job rotation schedules, promote the exchange of knowledge, new industrial technologies and results among them, and provide specialized R&D training to enhance their research and development capabilities.

To fully stir up the innovation enthusiasm for R&D personnel, we continuously improve our talent incentive measures by revising the Intellectual Property Management Regulations and setting up rewards for papers and patents to encourage R&D personnel to enhance their research capabilities and promote technological innovation in the company. Meanwhile, we actively recommend patent research projects as well as opportunities to cooperate with universities and receive professional titles for eligible R&D personnel, so they can be better recognized by the industry.

We attach importance to external R&D cooperation and continuously deepen cooperation. In terms of international strategic cooperation, we have established partnerships with BASF in Germany, Lipo True (a Spanish family peptide company), Ashland (an American special materials expert), and other global technological laboratories. In terms of the integration of industrial, academic, and research capabilities, **during the Reporting Period, we collaborated with Beijing Technology and Business University, Zhejiang University, Jiangnan University, and other higher education institutions to actively promote the integration of industrial, academic, and research capabilities.** Also, we take an active part in industrial exchange and share our practices with industrial peers, helping the industry grow healthily.

Achievements of external collaborations >

Cooperative Universities	Research Achievements
Beijing Technology and Business University	• Research on the Mechanism and Improvement Approaches of Enlarged Skin Pores
Hangzhou Dianzi University	• Ball Milling of Titanium Dioxide and Zinc Oxide for Improved UV Protection
Jiangnan University	• Plant Cyclic Peptide and Their Potential Applications in the Cosmetics Industry

In 2023, we actively participated in industrial exchanges, such as the 2023 National Conference on Integrated Traditional Chinese and Western Medicine for Dermatology and the IFSCC Conference. During those events, we shared our practices with the industry and contributed to its high-quality development.

Highlights and recognitions of research, development, and innovation >

During the Reporting Period, Proya:

• Submitted **47** new patent applications and was granted **15** invention patents.

• Launched **76** new products[5].

  Successfully registered the new cosmetic ingredient **"3,3,5-TRIMETHYLCYCLO-HEXYL SUCCINATE DIMETHYLAMIDE."**

• Published **2** journal articles,including "Skin Health and Disease" (a core journal of the British Association of Dermatologists) and "Journal of Daily Chemical Industry" (a core journal of the Chinese daily chemical industry) and **6** English posters,including IFSCC 2023 (International Federation of Societies of Cosmetic Chemists) and the 2023 Annual Meeting of the International Federation of Cosmetic Chemists.

• Participated in the development of **3** national standards and **12** group standards, including GB/T 43197-2023 *Determination of Prohibited Acid Red 73 and Solvent Red 1 in Cosmetics - Liquid Chromatography - Tandem Mass Spectrometry and Validation Criteria for Analytical Results of Cosmetics Using Chromatographic Techniques.*

As of the end of the Reporting Period, Proya had:

• Led or participated in the development of **17** national standards, **4 light QB/T** industry standards, and **26** group standards.

• Obtained **256** valid patents, including **122** invention patents.

---

[5]The new products here refer to completely new products, products with upgraded formulas, products with upgraded packaging, and products with minor innovations.

Product quality and safety

We strictly abide by the Regulations on the Supervision and Administration of Cosmetics, the Code for Quality Management of Cosmetics Production, the Safety and Technical Standards for Cosmetics, and other laws and regulations. To ensure the quality, safety, and efficacy of products, we perform quality management throughout the entire process from product R&D and production to post-market. **During the Reporting Period, we completed the missing registration of product information in accordance with the new requirements specified in the Regulations on the Supervision and Administration of Cosmetics, ensuring the compliance of products.**

Quality management in product R&D

In product development, we focus on the safety and efficacy of raw materials and formulas. We have formulated the Product Anti-Corrosion Energy Efficiency Test Process, the Human Patch Test Process, and other systems to standardize the quality and safety control of product development. In addition, we comprehensively evaluate newly developed formulas, and upgrade original formulas and functional and active raw materials to ensure product safety and outstanding efficacy. **During the Reporting Period, we formulated the Regulations on New Product Development to standardize the new product research and development procedure, aiming to achieve procedural, standardized, and efficient R&D processes, thereby enhancing our management capabilities.**

We comply with national requirements for cosmetics registration and filing and conduct product inspections and safety testing of physical and chemical microbial indicators. We established the Analysis and Test Department and the Product Evaluation Department under the R&D Innovation Center to evaluate the quality of product development. We designed a sophisticated safety evaluation system that includes stability, anti-corrosion tests, sensory evaluation, in vitro efficacy evaluation, cytotoxicity evaluation, animal toxicology experiments, clinical test evaluation, and tests performed by dermatologists. In addition, we conduct human patch tests, eye irritation/corrosion tests using chick embryo chorioallan toic membranes, zebrafish tests, and lactic acid tingling tests to reduce the potential adverse skin reactions caused by cosmetics in humans.

We also actively establish and develop in vitro evaluation methods to replace animal experiments. We have set up a technology evaluation module within the International Academy of Sciences to evaluate the safety and efficacy of key functional raw materials and products. We have established more than 20 in vitro evaluation methods such as in vitro moisturizing; whitening and freckle removal; soothing and anti-inflammatory functions; anti-oxidative, anti-aging and other efficacy evaluations; toxicological stimulation; and other safety evaluations at the biochemical, molecular, cellular, and 3D model levels. We have the preliminary ability to conduct in vitro efficacy and safety evaluations of major cosmetics such as those for anti-aging, whitening and freckle removal, soothing and stimulation, as well as to conduct research on efficacy mechanisms.

Quality management in production

During the production stage, Proya upholds the quality control philosophy of process control, quality and safety, and customer satisfaction, and has established a well-developed quality management system. We have developed the Proya Management Manual, the Deviation Control System, the Non-Conformance Corrective Action Control Procedures, and other systems to standardize quality control and deviation management at all stages from raw materials and production to delivery. Quality objectives are set at all stages and strict quality monitoring is applied to guarantee product quality across the board. The skincare factory and the makeup factory are responsible for managing product quality and developing quality audit plans to ensure that the quality management in the production process meets industry and company standards. **During the Reporting Period, we formulated the Management System for Safety Testing of Innovative Raw Materials and the Management System for Lubricants, and revised the Raw Material Quality Management Specifications, the Quality and Safety Responsibility System, and the Quality Management System Self-Inspection Mechanism. Our purpose was to improve the quality management in the production process and ensure our quality management measures comply with legal regulations and industry standards.**

Quality management system certification >

Certification	Scope of Certification	Valid Period of Certification
ISO 22716 Cosmetics - Good Manufacturing Practices (GMP)	Proya Cosmetics Co., Ltd.	2026.5
US FDA CFSAN Cosmetics - Good Manufacturing Practices (GMP)	Proya Cosmetics Co., Ltd.	2026.5
ISO 9001:2015	Proya Cosmetics Co., Ltd.	2025.2
ISO 9001:2015	Zhejiang Beauty Cosmetics Co., Ltd.	2024.3 (under review for renewal)
US FDA CFSAN Cosmetics - Good Manufacturing Practices (GMP)	Zhejiang Beauty Cosmetics Co., Ltd.	
ISO 22716 Cosmetics - Good Manufacturing Practices (GMP)	Zhejiang Beauty Cosmetics Co., Ltd.	

Key performance objectives and performance of production factories >

KPIs in Production Quality	Target	Performance in 2023	
		Skincare Factory	Makeup Factory
First-pass yield of the production process	≥99%	99.66%	100%
Acceptability of spot checks	100%	100%	100%
Rate of quality-related complaints	≤2ppm (reject ratio per 1 million products)	≤1.22ppm	≤0.59 ppm
IQC pass rate	≥99%	Raw materials IQC pass rate 98.73% Packaging materials IQC pass rate 99.18%	Raw materials IQC pass rate 100% Packaging materials IQC pass rate 94.8%
Close rate of defects in management system review	100%	100%	100%

[a]To ensure product quality, the Company establishes inspection criteria for each raw material and carries out inspections strictly. For raw materials that do not meet Proya's standards, the Company handles them appropriately based on management systems such as "Raw Material Quality Management Specification," "Quality and Safety Responsibility System," and "Quality Management System Self-Inspection System." In 2023, the Company added new inspection criteria for raw materials and increased the requirements for raw material quality management. As a result, the qualification rate of incoming raw materials has slightly decreased.

We further improved our quality assurance and quality control standards, optimized the confirmation process of product production, and established an audit mechanism to check product quality, which was agreed upon by departments, including research, development, and factories. We perform internal quality audits regularly to identify potential quality management improvements. Then, we develop corresponding improvement measures.

Quality control at the production stage

Raw material control
○ Formulate a raw material management system, set acceptance standards, and standardize evaluation methods, and ensure each department strictly abides by the regulations of various documents.
○ Develop the Management System for Safety Testing of Innovative Raw Materials to conduct full-lifecycle monitoring of new materials used in China for the first time.
○ Adopt a raw material shelf-life control system and set quality control indicators for raw materials, including physiochemical, microbiological, and infrared spectrum fingerprint control.

Packaging material control
○ Formulate the Packaging Material Management Specifications and other systems.
○ Evaluate packaging samples and small-lot trial production of packaging.
○ Set up an inspection plan and release products only after they pass all inspections.

Manufacturing process
○ Formulate process specifications in strict accordance with the production process approved by the state, and manage the production process in a standardized manner.
○ Develop evaluation specifications for semi-finished products and set quality control indicators such as physiochemical, microbiological, and preservative additions.
○ Sample every lot of semi-finished products and regularly re-check inventory.

Packing control
○ Carry out first-piece control and in-process control, and manage the quality of the packing process.
○ The MES system launched in 2021 collects quality data during the production process to realize real-time sharing of on-site quality information and information traceability.

Finished product control
○ Perform quality control of products against quality standards, including physical and chemical, stability, and heavy metal inspections. Products can only be released after passing these inspections.

Ex-factory inspection
○ Establish the Labeling and Traceability Control Procedures in strict accordance with the requirements of laws and regulations.
○ Ensure production records on the labels of all delivered products are traceable and include lot number, specification, process, and inspection records.

We have complete in-house testing capabilities and advanced equipment and instruments. Our various safety and efficacy tests are conducted throughout the entire product R&D process, covering the whole lifecycle of raw materials, packaging materials, semi-finished products and finished products to ensure that the products reaching consumers are safe and effective. The equipment includes the Vision Swift Duo integrated video and optical measurement system from the UK, Olympus wall thickness gauge, SUNTEST light aging tester from America, Agilent high-performance liquid chromatograph from America, and inductively coupled plasma emission spectrometer (ICP-OES). During the Reporting Period, we introduced the Agilent high-performance liquid chromatography from America and the sealing and leakage intensity tester for flexible tube masks on the production line. These allow us to measure the appearance of packaging materials, wall thickness, film thickness, hardness of electroplated coating, adhesion of surface printing and electroplated coating, light aging performance, impact resistance, solvent resistance, airtightness, fatigue properties, and compatibility. We can also determine the content of preservatives, heavy metals, and sunscreen agents in cosmetics, and the content of prohibited and restricted substances stipulated in the Safety and Technical Standards for Cosmetics. In 2023, we developed a physical sunscreen content testing method, a preservative content testing method, and a physical and chemical PH water-in-oil product testing method in accordance with the Safety and Technical Standards for Cosmetics to enhance our self-testing capabilities.

We carry out internal quality management training to align employees with our quality requirements and standard management procedures. Meanwhile, we conduct quality training and quality review meetings with suppliers to update them on Proya's quality management systems and standards and share with them our quality management measures and cases, so as to help them improve their quality management capabilities.

During the Reporting Period, we passed 12 external audits from regulatory units and collaborative units. Additionally, we did not encounter any punishment related to quality and safety, nor did any lawsuit arising from the above matters occur.

Post-market quality management

To protect the rights and interests of consumers, we have formulated the Product Recall Management and Product Recall Control Procedures to immediately stop selling and recall sub-standard products already sold or in transit. We conduct an annual product recall rehearsal to ensure the recall procedure is running effectively.

During the Reporting Period, we did not encounter any product recall events. We also rehearsed the recall of products due to customer complaints attributable to suppliers. The entire process took 8 days from the filing of customer complaints to the issuance of recall letters, and finally to the return of products. Also, we require suppliers to take corrective actions based on the Eight Disciplines Problem Solving (8D) method within the specified time frame[The 8D method covers 8 steps and is used to systematically address quality issues through collaborative teamwork. It is commonly used in the automotive industry.], and their performance will be evaluated accordingly. This recall rehearsal verifies the availability of recall procedures and traceable management system processes, and ensures the suitability and conformity of our management system.

Chemical safety

During product research and development, we monitor the chemical ingredients we use to ensure their safety. Proya strictly abides by the requirements of laws and regulations such as the Safety and Technical Standards for Cosmetics and the Catalog of Already-Used Cosmetic Raw Materials (2021 Edition). We do not use prohibited ingredients, including but not limited to more than 2,000 ingredients banned by the Catalog of Prohibited Cosmetic Raw Materials and the Catalog of Prohibited Plant (Animal) Raw Materials for Cosmetics, such as hydroquinone, phenol, retinoic acid and its salts, glucocorticoids, and antibiotics.

On this basis, we adopt stricter standards than Chinese laws and regulations to regulate the selection of raw materials for cosmetics. By referring to the ingredients and dosages in the relevant standards of the European Union, South Korea, and Japan, we prohibit the use of controversial ingredients in the development process of new products.

International safety standards for important chemicals we refer to

European Commission

LIST OF SUBSTANCES PROHIBITED IN COSMETIC PRODUCTS

LIST OF SUBSTANCES WHICH COSMETIC PRODUCTS MUST NOT CONTAIN EXCEPT SUBJECT TO THE RESTRICTIONS LAID DOWN

LIST OF COLORANTS ALLOWED IN COSMETIC PRODUCTS

LIST OF PRESERVATIVES ALLOWED IN COSMETIC PRODUCTS

LIST OF UV FILTERS ALLOWED IN COSMETIC PRODUCTS

South Korea

Types and Restrictions of Cosmetic Colorants

Japan

Cosmetics Benchmark - List of Prohibited and Restricted Substances

---

[7]The 8D method covers 8 steps and is used to systematically address quality issues through collaborative teamwork. It is commonly used in the automotive industry.

Our chemical safety management runs through all stages from R&D to post-market. During the stage of product development and filing, we invite professional third-party institutions to jointly conduct product safety assessments and adjust ingredients according to the clinical research results and market feedback.

Chemical safety management procedure

Development and selection of raw materials

○ Develop the Specifications for the New Raw Material Development Process to standardize the research and development of new materials and ensure that new raw materials are developed in a compliant and safe manner.

○ Prohibit the use of controversial ingredients that are identified by laws and regulations, industry standards, academic findings, and the internal list of chemicals of concern in the development of new products.

○ Require suppliers of chemical raw materials to conduct safety assessments and provide toxicology test reports for chemical raw materials.

Tracking

○ Monitor chemicals, update the internal list of chemicals of concern, and continuously improve the management of chemical records based on laws and regulations, industry policies, and the inquiry result of academic findings; inform relevant authorities of the updated content, and gradually reduce the usage of chemicals of concern.

○ Run tests on chemical impurities, and use chemicals with fewer impurities on the premise of ensuring product safety.

○ Develop the Management System for Safety Testing of Innovative Raw Materials to conduct full-lifecycle monitoring of new materials used in China for the first time.

○ Set acceptance standards for raw materials, adopt a raw material shelf-life control system and set quality control indicators for raw materials, including physiochemical, microbiological, and infrared spectrum fingerprint control, and guarantee the safety and effectiveness of chemicals.

Information disclosure

○ Disclose the list of replaced chemical ingredients and the complete formula of hero products on the official website, protecting consumers' right to know about product ingredients.

As for chemicals of concern, we have established a complete management procedure to ensure the proper management of these chemicals and to address the concerns of stakeholders through solid action.

Management procedure for chemicals of concern

Retrieval

○ Regularly retrieve laws and regulations, industrial standards, and relevant rules related to the safety of chemical raw materials, identify new policies as well as controversial chemical components and those of concern, update the internal list of chemicals of concern and the list of banned substances, and improve the compliance of chemical management.

Review and identification

○ Review chemicals of concern, identify chemicals of concern and associated products, and improve the management of chemical raw material records.

Assessment

○ Assess the use of chemical raw materials of concern, ensure relevant departments conduct evaluations and make decisions, and develop a plan for upgrading and phasing out formulas.

Adjustment

○ Strictly prohibit the usage of ingredients prohibited by laws and regulations.

○ Gradually phase out and reduce the use of controversial ingredients in accordance with the ingredient upgrade program for controversial ingredients disputed in clinical research, industry policies, and market feedback.

○ Update the product filing information after the adjustments.

List of ingredients replaced over the years >

Number	Name of Raw Material	Progress of Replacement
1	Iodopropynyl butylcarbamate (IPBC)	Replaced
2	Mixture of CMIT/MIT and magnesium chloride/magnesium nitrate (CMIT:MIT=3:1)	Replaced
3	Kojic acid	Replaced
4	Avobenzone	Replaced
5	Triclosan	Replaced
6	Lyral	Replaced
7	Imidazolidinyl urea	Replaced
8	Diazolidinyl urea	Replaced
9	Zinc pyrithione (ZPT)	Replaced
10	Methylisothiazolinone	Replaced
11	Propylene glycol	Gradually being replaced (no longer used in key products)
12	Paraben	Gradually being replaced (no longer used in key products)
13	Mineral oil	Gradually being replaced (no longer used in key products)
14	Isopropyl myristate	Gradually being replaced (no longer used in key products)
15	Cocamide DEA	Gradually being replaced (no longer used in key products)
16	Talcum powder	Gradually being replaced (no longer used in key products)
17	Butylated hydroxytoluene (BHT)	Gradually being replaced (no longer used in key products)
18	Phenoxyethanol	Gradually being replaced
19	Emulgator containing PEG	Gradually being replaced
20	Artificial color	Gradually being replaced

Note:
We update the list of component replacement in real time. For specific and up-to-date information, please refer to the official website. Raw materials numbered 5, 6, and 9 were replaced due to regulatory requirements, while the remaining raw materials were voluntarily replaced.

Customer service and rights protection

Consumer services

Adhering to the concept of heartfelt service and sincere hospitality, Proya is committed to providing consumers with a premium customer service experience. We have built a smooth online and offline customer service channel to provide consumers with pre-sale, in-sale, and after-sale inquiries, consultation, and complaint services. We regularly organize training for marketing personnel to continuously improve their professionalism and service capabilities. We also regularly carry out customer satisfaction surveys and collect consumer opinions and suggestions to optimize the consumer service experience.

In terms of consumer communication, we build consumer feedback channels to listen to their opinions and suggestions, provide Q&As and after-sales services for consumers, and track them after the purchase. To collect improvement suggestions, we carry out consumer communication and collect feedback on products, services, and operations through return visits for evaluation, satisfaction surveys by phone, and other methods.

Consumer communication channels >

Social media | E-commerce customer service | Customer service center | Official website | Offline stores | Satisfaction surveys
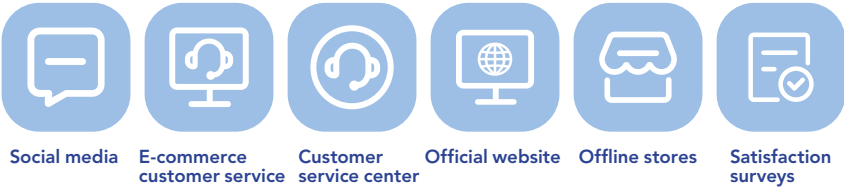
In terms of consumer complaints, we have established a comprehensive complaint-handling channel linking our sales, R&D, and customer service departments to timely handle consumers' feedback and questions on user experience, after-sale service, and product improvement suggestions.

Method and procedure for handling complaints >

Customer service channels: Offline stores, Proya VIP center on Weibo, WeChat, 24-hour service hotline, E-commerce customer service

Feedback Communication	Handling Method
User experience	Customer service personnel answer the questions of users immediately and provide professional suggestions and solutions
After-sales experience	User needs are recorded and reported to the customer service department and other relevant departments to solve the issues encountered by users as soon as possible and maximize their rights and interests
Product optimization	Products are sorted and monthly reports are generated and sent to the R&D Department for product upgrades and improvements
Product quality complaints	Factories, R&D, and quality departments work together on troubleshooting and implement targeted measures according to problem severity to reach a consensus with consumers and maximize their rights and interests

In terms of consumer feedback, we collect consumer comments on the Tmall Customer Voice module every month and hold monthly consumer service meetings. To improve internal management mechanisms, we coordinate with our sales, R&D, factory, and customer service departments to follow up on and handle consumer feedback and questions on user experience, consumer services, product optimization, and logistics service.

In terms of optimizing the consumer experience, we pay attention to consumers' purchases and usage experience, and actively track all stages of the transaction chain. We forecast issues that consumers may encounter and follow up on them, and continue to optimize the consumption experience at all stages.

Measures for consumer experience optimization >

Consumption Process Experience Improvements

○ Pursue "quick reply in 30 seconds" to respond to consumer questions

○ Use unified tickets to record after-sales issues and carry out closed-loop management to ensure that the issues are fully handled

○ Follow up the early warnings and alerts on consumer services on the e-commerce platform to promptly improve the consumer experience

○ Reduce the use of customer service bots and provide a 24-hour manual online service to improve the consumer interaction experience

Product Usage Experience Improvements

○ Update products according to consumer feedback after product launch to improve the user experience in relation to the products themselves

In terms of consumer service ability improvements, we are committed to building a professional and efficient consumer service team through talent training and business innovation. In terms of consumer satisfaction surveys, our business departments carry out annual consumer satisfaction surveys and collect consumer opinions on products, logistics, and services to learn about consumer needs. Additionally, we organize physical product salons and provide training for distributors on products and services to enhance the offline service experience. In 2023, the Proya and TIMAGE brands integrated pre-sales and after-sales customer service management to a higher degree, helping the customer service team quickly address customer issues and reduce waiting time.

Progress and achievements of consumer experience optimization >

	Work	Achievements
Consumer Communication	**Proya** • Formulated a line of customer service management documents such as the *Channel Management Mechanism, the Pre-Sales and After-Sales Handling Standards, and the Quality Inspection Management Standards* to refine the customer service process.	• The one-time resolution rate for customer issues reached **80.38%**. (Increased by 1.35% compared to 2022)
	TIMAGE • Established an active service team to provide end-to-end services from consultation and order fulfillment to after-sales support. • Provided complete and diverse solutions to help consumers and customers make quick decisions. • Offered privileges for after-sales service, including the fast-track service for the first order.	• In 2023, the one-time resolution rate for customer issues reached **73.08%**. (Increased by 10.30% compared to 2022)
	Singuladerm • Conducted a product satisfaction survey that covered skin feel, efficacy, packaging, and pricing. The survey[8] helped the brand understand consumers' use experience and provided feedback to relevant departments to enhance overall consumer satisfaction.	• Singuladerm **8.7** ,SOS Anti-aging Beauty Optimizing Complex **7.5** points, and Singuladerm Expert Contour **9.8** points.
Enhancement of Consumer Experiences	**Proya** • Provided consumers with outstanding product experiences at bricks-and-mortar stores. • Updated product information with sales staff and distributors to enhance their understanding of products and deliver better customer services.	• **2,233** consumer product salons were held. • **187** product training sessions were held.
	TIMAGE • Optimized warehouse operation to improve warehousing efficiency. • Optimized the allocation of logistics service providers to improve the accessibility of logistics services. • Continuously optimized packaging solutions and logistics operation standards.	• The 24-hour pick-up timeliness ratio increased from **86.53%** to **99.21%**. • The delivery time was reduced by **24.65** hours compared to 2022. • The error rate was reduced to as low as **0.003%**.
Improvement of Customer Service Capabilities	**Anya, UZERO** • Provided training for store managers, covering brand and product knowledge, skincare expertise, and service skills.	• Training was provided for over 300 store managers to improve service standards.
	Proya • Established the Proya PCA Academy to provide online customer service training, thereby enhancing the business competence and product expertise of customer service personnel and providing consumers with premium services and experiences. • Conducted on-site quality checks for customer service, engaged in one-on-one communication with customer service personnel based on customer feedback, and analyzed and reviewed feedback to help them improve their customer service capabilities.	• The Proya PCA Academy has over **800** trainees, offering **86** courses totaling **423** hours of study time. There are **134** exam sessions with a total of **5,547** participants.

[8]Singuladerm conducted a satisfaction survey for its own products, capped at 10 points.

All the brands under Proya have been recognized for their customer service capabilities, and have received numerous accolades.

Recognition and honors related to consumer services

Proya

○ Proya's customer service team was honored as a "Jinwangwang" team (gold team) twice and "Yinwangwang" team (silver team) eight times.

○ The customer experience score for Proya's store on TikTok remained at 97 or above.

○ Proya's JD store obtained the Excellent Consulting Service Award for the Through Train service.

TIMAGE

○ The TIMAGE store on Tmall was granted the title "6.18 Gold Customer Service Team," the "Five-Star Store Experience Award," and the "Silver Bee Award for Functional Services of Stores."

○ TIMAGE was awarded the Red Rabbit "Star Customer Service" prize (highest satisfaction and conversion rates).

Hapsode

○ The Tmall store has been honored as a "Jinwangwang" customer service team for eight consecutive months.

○ The brand maintained a 100% rating for services on the TikTok store.

Consumer privacy protection

Proya values information security and consumer privacy protection. We strictly abide by the Personal Information Protection Law of the People's Republic of China, the Data Security Law of the People's Republic of China, and other laws and regulations. We have developed the E-commerce Data Security Management System, the Network Security Management Measures, the Information System Development Management Measures, the Data Security Management Rules, the Data Classification and Grading Security Management System, the Full-Lifecycle Data Security Management System, and other management systems. In terms of data security and research and development, we require all employees to strictly implement security systems to ensure compliance with data-secure production requirements. We follow up on the latest security policies and related regulations in real time.

We strictly control the access to and transmission of consumer information, desensitize sensitive information, and restrict data duplication and the frequency of access to consumer information. We also set permissions for the export of sensitive information so that operators cannot obtain user information. We review the existing data, tighten the access rights of the data domain, and strengthen access control of the network environment. In terms of e-commerce platform management, we strictly comply with the requirements of each platform for consumer information protection, encrypting and desensitizing consumer information during transmission to ensure information security.

Meanwhile, we enhance consumers' awareness of privacy protection through internal meetings and expert-led training sessions. Additionally, we have organized three internal meetings to discuss and promote privacy protection. We also invite external experts to hold exchange sessions, aiming to spread the concept of information security and protection.

Responsible marketing

Administrative measures for socially responsible marketing >

We believe that the most basic customer service that an enterprise can perform is to provide consumers with genuine, accurate, and complete product and marketing information. In strict compliance with the Law of the People's Republic of China on Protection of Consumer Rights and Interests, we have established a sophisticated management mechanism to ensure the authenticity and accuracy of product marketing content.

Guaranteed Accuracy of Product Promotion	Training for Responsible Marketing
• We have established the Product Technology Content Department, in which our R&D professionals review product descriptions to ensure the correctness and accuracy of scientific and technical content in the process of product promotion. • We have established the Product Copywriting Review Procedures. Marketing copywriting must be reviewed by departments such as brand marketing, product development, research and development, and legal affairs. • We conduct internal clinical trials and third-party testing for the main efficacy of products during the marketing process.	• Prior to the launch of a new product, we organize training in product information accuracy for brand marketing, operations, and customer service personnel, including product texture science, product usage suggestions, and more. • Customer service personnel receive at least three sessions of training in product knowledge and take post-training examinations to ensure that consumers are provided with consistent product information in line with our standard product introduction. • During the Reporting Period, we conducted three training sessions on brand values to standardize marketing behavior. The coverage rate of responsible marketing training for product marketers and customer service personnel reached 100%.

Understanding the safety and functionality of cosmetics is an important line of defense for consumers to ensure their own safety. Through transparent ingredient disclosure and education on chemical ingredients in various forms, we help consumers better understand the efficacy of ingredients so they can make purchasing decisions more wisely.

Administrative measures for chemical safety and ingredient transparency >

Ingredient disclosure
• We fully indicate product ingredients on labeling in accordance with the requirements of laws and regulations.

• We upload a complete ingredient list of products on apps commonly used by consumers, such as "Transparent Label" and "Practical Beauty," on which we openly and transparently disclose product ingredients.

• We publish a list of replaced chemical ingredients of concern on our official website and regularly update the replacement list and progress. We also announce the method to access product ingredient records.

• We clearly explain the ingredients used, the mechanism of action, and the source in the promotion of all products.

Supply Chain Responsibility

Performance highlights

Pass rate of ESG compliance assessment for suppliers	Proportion of RSPO-certified palm oil derivatives procured (by type)	Proportion of RSPO-certified palm oil derivatives procured (by weight)
100%	**40.4**%*	**15.93**%*

Supplier management

Most of our suppliers are material suppliers, OEMs, or ODMs. Stable relationships with suppliers are crucial to the quality of our products and services, as well as our stable operations. Proya complies with the Civil Code of the People's Republic of China, the Bidding Law of the People's Republic of China, and other laws and regulations. We also conduct effective end-to-end management of suppliers to prevent and control supply chain risks.

We have established multiple management documents such as the Supplier Management System and the New Supplier Development Management System for Production Materials, which place normative regulations on the entire process from supplier admission to evaluation, assessment, and review. In 2023, we formulated the Cosmetics Procurement Management System to further standardize the procurement process, supplier admission, review procedure, and standards for cosmetic products, ensuring that cosmetic products are procured in compliance with company standards.

Supplier management process >

Supplier admission

○ Based on new requirements arising from business operations, the ProcurementDepartment makes a request for developing new suppliers as existing resources are unable to meet the demand.

○ The business profiles of new suppliers are reviewed to select the most appropriate potential supplier, and then on-site audits are arranged. Suppliers are scored and then admitted according to the evaluation standards for new suppliers.

Supplier evaluation

○ We evaluate the performance of suppliers semi-annually, which is initiated by the Procurement Department and carried out in collaboration with the Quality Management Department and the Price Review Department. During the process,suppliers are scored and graded into A, B,C, and D both on the SRM platform and through offline evaluation. The evaluation criteria mainly include product quality,delivery, price, value-added services, and ESG management.

Unqualified suppliers

○ Based on the results of supplier performance evaluation, D-level suppliers are considered unqualified and will have their cooperation terminated after the Procurement Department fills out the Supplier Removal and Change Form,which must undergo multiple levels of approval by superior organizations.

*Calculation formula for the proportion: RSPO-certified palm oil derivatives/all palm oil derivatives

In terms of supplier quality management, we conduct regular on-site audits of suppliers and provide specialized quality training for key suppliers. In 2023, we completed annual audits for 77 suppliers. Meanwhile, various departments of the company worked together to organize targeted quality training and review meetings for 11 suppliers, aiming to enhance their quality management and ensure the effectiveness and safety of raw materials.

In addition, we have established the Outsourcing Management System for OEM/ODM suppliers. This document strengthens quality control in the outsourcing process through standard formulation, on-site guidance, quality testing, and random inspections.

Quality control measures for outsourcing >

Standard formulation

○ We develop complete quality control standards covering chemical ingredients, appearance, and consumers' use experiences to ensure that suppliers adhere to the standards during production.

On-site guidance

○ Before the first batch of products are produced, we conduct on-site guidance to clarify standards for production management personnel and address issues related to the application of quality standards in actual production.

Quality testing

○ When products are released by OEM/ODM suppliers, we require them to conduct quality inspections and provide the test results.

○ We conduct quality inspections to ensure that outsourced products meet our standards.

Random inspection

○ We conduct random inspections based on quality standards and perform on-site reviews in response to market feedback.

In terms of supplier ESG management, we consider environmental, labor, and ethical factors in supplier admission and review. The assessment indicators involved in this process include compliant employment, employee training, trustworthy operation, and environmental management. In 2023, Proya evaluated 264 suppliers for their ESG performance with a pass rate of 100%, and conducted ESG compliance assessments for all of our key partners.

To keep the supply chain stable, during the Reporting Period, we continued to facilitate upgrades in automation, digitization, and intelligentization, enabling smooth data and information flows between the production and demand sides and improving the accuracy and agility of our response to market needs. Additionally, we have built a well-covered and stable supply chain guarantee system that covers value assessment, strategic planning, technology application, and business operations. Measures are also taken to effectively improve supply chain resilience, including scientific forecasting, early warning, and strict supplier management.
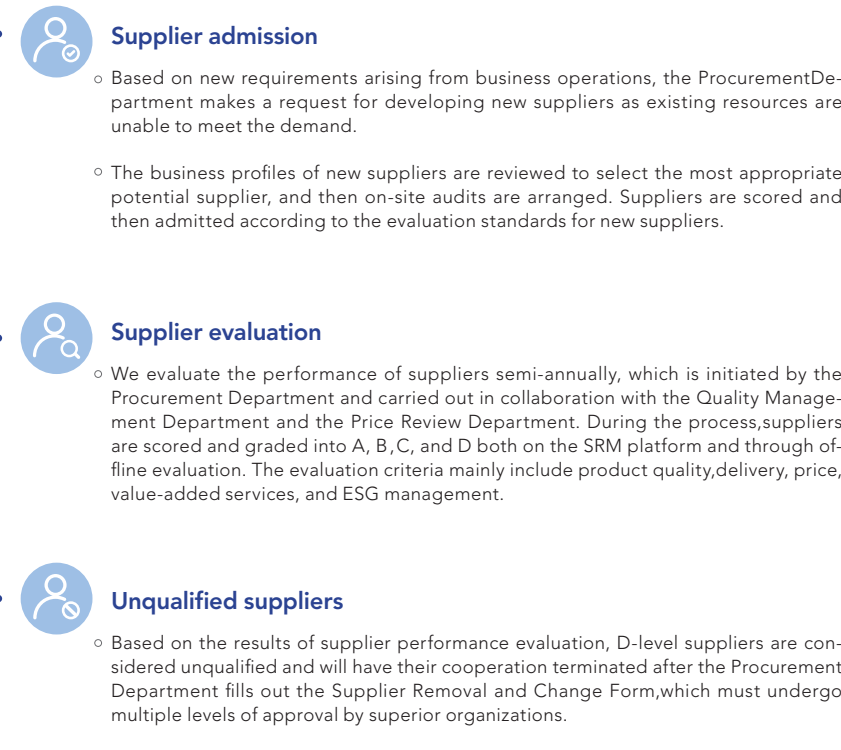
Sustainable procurement

Our sustainable procurement measures >

Proya is fully aware that our procurement activities have a significant impact on the environment and society. We need to take a holistic approach to examining our responsibilities across the entire value chain system. We consider the environmental and social impact of the raw materials we use, and are committed to their responsible procurement. Also, we actively guide and support our partners in implementing ESG management, helping them to reduce their own environmental and social footprint.

Environment

Prioritize the use of green and certified raw materials

○ We preferentially purchase eco-friendly raw materials, including sustainable forest certified paper, palm oil, eco-friendly inks, coatings and glues.

○ For raw materials originating from Africa, we give preference to producers who have signed fair trade agreements.

○ Natural products are the core ingredients of Proya's products. For punarnava root extract, tara gum, and cupuacu butter, we give preference to suppliers who comply with the Nagoya Protocol.

Work with producers and suppliers to reduce environmental impact

○ We work with suppliers to improve the production process and reduce the environmental impact of the manufacturing process.

Requiring suppliers to establish an environmental management system

○ All suppliers are required to sign the Business Code Compliance Commitment and commit to establishing a complete environmental management system to improve resource efficiency, reduce industrial waste water, waste gases, and residues, as well as lower greenhouse gas emissions.

Society

○ In the Business Code Compliance Commitment, we require suppliers to commit to adhering to compliant employment practices, not employing child labor, not engaging in forced labor, and following fair and non-discriminatory employment principles.

Governance

○ Suppliers must abide by the principles of integrity and transparency, and reject any form of commercial bribery.

Palm oil is an important raw material in the cosmetics industry. We do not directly use palm oil in the manufacturing of our products, but palm oil derivatives are included in the raw materials we use. We are actively engaged in the management of palm oil derivatives by prioritizing the procurement of palm oil derivatives certified by the Roundtable on Sustainable Palm Oil (RSPO). This effort enhances the sustainability of our products and reduces their environmental impact. **In 2023, we officially joined RSPO and are now working to gradually replace palm oil in raw materials with RSPO-certified products.**

Measures and achievements of sustainable palm oil procurement >

	Work	Achievement
Identification and review	• Identified products involving palm oil or palm oil derivatives • Reviewed our use of RSPO-certified palm oil	Proportion of RSPO-certified palm oil derivatives procured (by type): 40.40%
Tracking	• Tracked the source of palm oil, required suppliers to provide information on the origin of palm oil as well as RSPO certification credentials, and added relevant information in the internal system to enhance palm oil record management	Proportion of RSPO-certified palm oil derivatives procured (by weight): 15.93% （*Calculation formula for the proportion: RSPO-certified palm oil derivatives/all palm oil derivatives）
Adjustment	• Gradually replaced palm oil with RSPO-certified products	

In terms of forest products, the cartons of our hero products and new products all adopt FSC-certified paper. The retail warehouse of skincare products adopts FSC-certified zipper cartons. Proya Advanced Firming Nourishing Concentrating Mask 2.0 and Proya Original Repair Concentrating Mask 2.0 adopt FSC-certified lyocell fiber fabric to support sustainable forest development.

We also actively introduce natural and organic raw materials to provide consumers with more diverse product choices and meet the growing demand for sustainable consumption. **During the Reporting Period, Proya Inaugurating Intensive Firming Cream, Proya Inaugurating Anti-Wrinkle Essence, and Proya Inaugurating Anti-Wrinkle Eye Cream adopted rambutan peel extracts that are certified by COSMOS and ISO 16128. Proya Advanced Firming Nourishing Concentrating Mask 2.0 adopted vegan-certified cotton fabric.**

Moreover, we support suppliers in their ESG management to drive sustainable transformation across the entire value chain. In 2023, we provided ESG training for packaging and raw material suppliers as well as OEMs and ODMs at the supplier seminar to enhance their awareness of ESG management. **Drawing on the experience of Proya, 9 suppliers started to use recyclable cartons during the Reporting Period to reduce the use of disposable cardboard cartons.**

Employee Responsibilities

Performance highlights

Proportion of women in senior management
23.53%

Coverage of training for employees
90.51%

Employee rights and benefits

Compliant employment

In accordance with the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, we have established and implemented the Employee Recruitment and Hiring Management System, the Compensation Management System and other regulatory documents to protect employees from any form of discrimination during the recruitment and management processes. **During the Reporting Period, we did not encounter any incident or lawsuit related to recruitment and dismissal, working hours and vacations, promotion and equal opportunities, anti-discrimination and diversity, or labor standards.**

Policies of employment and fundamental rights of employees >

	Right Protection Measure	Relevant Document
Recruitment	• Principles: fairness, equity, transparency • Elimination of child labor: We ensure that job applicants meet the legally required minimum age for employment during the recruitment process. • Prohibition of forced labor: We promote flexible working hours, timely attendance recording, regular monitoring of work intensity, and work-life balance.	*Employee Recruitment and Hiring Management System*
Dismissal	• We carry out dismissal procedures in strict accordance with labor regulations.	*Employee Departure Management Measures*
Working hours and vacations	• We implement a standard working hours system, with 40 hours per week. Overtime hours can be compensated with time off upon request. • We provide paid annual leave, marriage leave, bereavement leave, and other statutory holidays. • We provide parental leave, nursing leave, and other types of leave according to local regulations.	*Administrative Measures for Requesting Leave*
Compensation and benefits	• We have established a fair and competitive compensation system based on performance-driven principles. • We provide subsidies or allowances for transportation, travel, and other expenses that may vary depending on the job or position requirements.	*Compensation Management System*

Employee communication

An equal relationship in dialogs is beneficial for establishing an efficient work mechanism and can encourage more employees to participate in the development and operation of the company, thus enhancing their sense of belonging. We continuously improve our communication approach with employees, listen to their opinions and suggestions, and perfect corporate management to create an equal and open workplace. Furthermore, we have established a labor union by signing a collective agreement, and actively communicate with employees.

Employee communication channels >

| Employee representative assembly | DingTalk, Feishu, and office automation platforms | Face-to-face communication between management and employees | Employee satisfaction surveys and touchpoint surveys | Smooth employee complaint channels |

Employee benefits

Attaching great importance to the benefits of employees, we have formulated and implemented the Benefit Management Measures to provide employees with a rich and complete benefit package. On the basis of statutory benefits, we also provide supplementary and special benefits for employees. According to the document, we provide special benefits for employees working in factories, such as employee dormitories or housing subsidies, free meals, as well as rewards for full attendance and long service. In 2023, we provided free temporary accommodation for employees who had to work overtime and live far from the office, aiming to reduce their commuting time and ensure they have enough time to rest.

List of company benefits >

Statutory benefits

| Social insurance | Housing provident fund | Statutory holidays, annual leave, and other statutory benefits |

Additional benefits

| Lunch allowance | High temperature fee | Physical exams and commercial insurance | Annual travel, team building benefits, additional leave for employees |

| Cash gifts for weddings and funerals, holiday, condolence payments, birthday gifts, etc. |

Special benefits

| Elderly care benefits | Special health benefits | Temporary accommodation | Special benefits for factory employees |

Employee care

As we continue to grow and employees have increasing needs, we are constantly upgrading our benefit system to reward our employees for their hard work. To enhance the care for employees' families, in 2023, we organized the "Paintings of Kids" art exhibition for employees' children, and held an open day when employees' children were allowed to visit our facilities and experience hands-on production of makeup products. Furthermore, the labor union regularly organizes holiday events and other activities to enhance the sense of happiness and belonging among the employees working at Proya.

Employee care initiatives >

Actions	Measures
Care for Women	• We set up a private, clean, and comfortable "mommy hut" for working moms, which is equipped with sofas, chairs, a refrigerator, wet wipes, breastfeeding promotion guides, and posters, to provide a "home away from home" in the workplace. • On International Women's Day, we presented our female employees with "3•8" pink gift bags and launched the initiative "Gender Equality in the Workplace."
Employee Hub	• The Logistics Departments of factories built "employee hubs" for employees, complete with furniture and facilities, which serve as comfortable rest areas in the workplace.
Psychological Care	• We invited a professional instructor to conduct a meditation and psychological stress relief lecture titled "Farewell to Workplace Anxiety, Start with Loving Yourself" to help employees accept their emotions, relieve negative emotions, and bid farewell to workplace anxiety.
Holiday Events	• We curate holiday celebrations to share happiness with employees, delivering home-like warmth to them. The events we organize include presenting couplets on Spring Festival and roses on Valentine's Day.
Internal Purchase Benefits	• We organized four company-wide multi-brand internal purchase sessions to provide employees with cost-effective products. The sales amount exceeded CNY2.4 million.

We advocate for a balance between work and life. To keep this advocation, we implement a flexible working hours system to give employees more freedom at work. The company is also equipped with leisure facilities such as a relaxation lounge and a fitness area. We encourage employees to form clubs and provide a fund of CNY150,000 per year on average for clubs. In addition, we hold cultural and sports activities regularly to enrich the vocational life of employees, enhance their happiness, and achieve a better work-life balance.

Cultural and sports activities for employees (partial) >

Events	Description
Youth for Vitality, Sports for the Future	• We organized a fun sports event including mixed tug-of-war, 3-minute jump rope, mixed 100-meter relay, charades, and men's/women's 4×400 meter relays. The event relieved work tension and improved employees' physical fitness.
Sound of Proya	• We organized the 20th Anniversary Concert and streamed it live on the internet to share our accomplishments with employees and pay tribute to those who have helped us grow better.
Charity for Beauty	• We organized an outdoor night hiking event for employees. • We invited a professional band to perform live at the Starlight Music Festival titled "Singing the Beauty at Sunset."
Photography Competition	• We organized a travel season photography contest, encouraging employees to capture beautiful moments in life with cameras.
"Power of Youth" Badminton Competition	• We organized a badminton competition, including single matches, two-player fun matches, and six-player group matches, aiming to enrich employee life and intensify team cohesion.

Occupational health and safety

Work safety

Regarding work safety, we are committed to creating a safe and healthy working environment and ensuring the physical and mental health of employees to facilitate safe production. We strictly comply with the Labor Law of the People's Republic of China and the Work Safety Law of the People's Republic of China, and establish work safety goals. **During the Reporting Period, we had no incidents of work-related casualties and no fire incidents.**

Avoid major casualties, fire or explosion incidents, and ensure that the number of incidents causing minor injuries stays **below three per year.**

We have established a sophisticated work safety management system that comprises a line of regulatory documents, including the Production Safety Inspection and Potential Accident Identification and Elimination System, the Production Safety Education and Training System, the Regular Safety Meeting System, and the Occupational Health Management System. In addition, regular safety training and fire drills are carried out to ensure the safety of employees.

Improve the management system

- Prevention is the key. We regularly study the dynamics of work safety, and promptly address any issues arising in production, as well as make wise and effective use of work safety funds to improve working conditions and operating environments.

- We establish a robust safety organization network, improve the accountability system for work safety positions, sign work safety responsibility agreements at each level, fully play our part in work safety management, and eliminate unauthorized commands and operations.

Tighten process management

- We strictly review and approve hazardous work to ensure that all necessary procedures are in place for it. We ensure that a detailed construction plan, written instructions, and safety protection facilities are in place before hazardous work, and regular inspections are carried out to identify and promptly correct any potential hazards.

- We manage work safety records in a unified manner, conduct regularsupervision and inspections, and identify potential safety hazards in production.

- We have established the Emergency Response Plan for Production Safety Accidents, which specifies a complete safety incident emergency response system that covers organization, response, post-incident disposal, specialized emergency response, and on-site handling.

Enhance safety education

- We improve safety education profiles for employees. All new workers must receive three-tier safety education and training, pass the exam, and sign the Safety Liability Statement before taking their posts.

- We organize the "National Work Safety Month" campaign every year. By organizing safety activities, we enhance employees' safety awareness, improve their safety skills, and promote a culture of work safety.

Safety design diagnosis

- We entrusted a professional team to diagnose the safety design of the factory and develop an improvement plan, with the aim of continuously enhancing the safety of workplace for our employees.

Technological upgrade projects in workshops

- The Huzhou skincare factory added a fire monitor and a sprinkler system, and replaced fire extinguishers in the warehouse to ensure the safety of buildings and employees.

Massive safety training for employees

- All employees of the Huzhou factory attended the Zhejiang Provincial Work Safety Mass Training for Employees, and were required to complete both online and offline exams.

Fire safety emergency drill

- We organized a fire emergency drill to identify unfamiliarity with emergency response plans and the use of protective equipment. Based on the results, we provided additional training to enhance employees' safety awareness and emergency response capabilities. This training covered self-rescue and disaster relief skills for various types of accidents and disasters.

Occupational health

We highly value the occupational health of our employees and comply with the *Labor Law of the People's Republic of China and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases*. We have established occupational health management objectives, as well as formulated and strictly implemented the Occupational Health Management System. Those documents allow us to identify occupational health risks in the production environment, and take targeted measures to ensure the physical health of employees. **During the Reporting Period, our skincare factory passed the audit of ISO 45001:2018** *Occupational Health and Safety Management Systems*, **with zero occupational health cases occurring in the company.**

Zero occupational diseases; conduct regular occupational hazard testing and occupational health examinations

Certified Entity	Certification	Expiration Date
Skincare factory	ISO 45001:2018 Occupational *Health and Safety Management Systems*	November 2021 - February 2025

Our occupational hazards mainly include dust and VOC gases. We provide comprehensive protection for employees against occupational hazards in terms of environmental and equipment safety protection, as well as personal safety protection.

Measures for the prevention of occupational hazards >

Environmental and equipment safety protection	Personal safety protection
• We prioritize the use of new technologies, processes, and materials beneficial in preventing occupational diseases and protecting workers' health. • We use a dust and VOC collection system to remove dust and VOC gases from our workshops. • We set up on-site warning signs and bulletin boards and distribute protective gear to our employees. • We regularly repair and maintain occupational health protective equipment, emergency rescue facilities, and other occupational health protective items for personal use.	• We provide workers with protective equipment against occupational diseases for their personal use, and regularly conduct training on the proper use of personal protective equipment to ensure that employees can use them correctly. • We carry out occupational health checks for workers who may be exposed to occupational hazards before, during, and after their employment. • Every year, we provide free health check-ups for all employees. Additionally, we organize targeted health seminars to address prevalent suboptimal health issues among employees.

In addition, our labor union provides medical assistance insurance and organizes frequent health training activities to ensure the health of employees.

Work progress of Proya's labor union >

Projects	Results
Medical assistance insurance	• During the Reporting Period, the labor union provided 2,061 employees with on-the-job medical assistance benefits.
Occupational health training	• During the Reporting Period, we held 4 health seminars, with 196 employees participating in total. The content covered first aid training, CPR treatment, shoulder and neck therapy, and other related topics.
Medical service in the company	• We invited doctors to provide on-site consultations in the company, facilitating employees to seek medical attention.

We not only cared about the physical health of employees, but also their mental health. We created a relaxing and enjoyable work environment for employees, and provided them with frequent psychological support. **During the Reporting Period, we engaged a professional psychology instructor to conduct mindfulness meditation training, helping employees relieve workplace anxiety and learn to embrace their emotions.** Meanwhile, we encourage employees to call the Echo Project helpline to receive telephone counseling that can help them relieve their psychological stress.

Development of human capital

Employee training

Training system >

We are fully aware that Proya's high-quality development depends on the growth of talent. Seeing the capability enhancement of employees as a critical driver of our business development, we continuously empower employees to grow. Proya places great importance on nurturing talent in schools. Therefore, we have formulated the Management Trainee Development Program. Each year, we visit universities to conduct campus recruitment activities, bringing fresh blood into the company. We also invite industry experts specializing in raw material development and research, product design, and many other aspects to join us. The purpose is to create a pool of talent for enhancing our competitiveness.

In terms of employee training, we integrate internal and external training resources and provide personalized vocational training sessions for employees at different stages of development and with different skill enhancement requirements. In this way, we can create a fully covered training and development system for employees. Furthermore, we strictly comply with the Regulations on the Management of Professional Skills and have established the Management Procedures for the Grading and Certification of Professional Skills. This allows us to assess employees' professional skills in a standardized manner while continuously optimizing our training system.

Internal training

Onboarding Training

Trainee: New employees
Training content: Proya's history and culture, rules and regulations, and essential knowledge for employees

Professional Training

Trainee: Key personnel in the business department and management trainees
Training content: Brand marketing planning, research and development techniques

Promotion Training

Trainee: Mid-level managers
Training content: Business mindset, management skills, leadership development training

Routine Training

Trainee: All employees
Training content: Business and management skill enhancement training

Executive Study Tour

Trainee: Executive managers
Training content: Horizon expansion and strategic thinking improvement

External training

Trainee: All employees who have passed the exam
Training content: Alibaba's business training course to provide employees with comprehensive business knowledge education

Furthermore, to ensure the implementation of our 6*N strategy, we have established the Proya Brand Academy, dedicated to nurturing more marketing talents for Proya. **During the Reporting Period, we developed the Proya Brand Academy Operation and Management Method and continuously enhanced training in leadership, expertise, and general skills. Also, the focus was put on improving employees' cross-departmental communication and team management capabilities.** We carried out a satisfaction survey for the training of the Proya Brand Academy, and optimized the practicality, format, and course design of the training based on the results. **In 2023, the satisfaction rate for the training held at the Proya Brand Academy increased to 95% (compared to 88% in 2022).**

Courses available at the Proya Brand Academy >

Training	Description	Course
General skill training	• Regularly conduct professional training courses to enhance the professional awareness and skills of employees.	• *Structured Interview Techniques* • *Cross-Departmental Communication* • *Expressions in Work Reports* • *Department-Specific Communication and Exchange* • *Professional Quality and Practical Workplace Tools*
Product development empowerment training camp	• Refine best practices from work experiences to enhance the professional skills of marketing talents.	• *Core Management Theory for New Product Launches* • *Core Concepts and Principles of Marketing* • *Consumer Behavior and Product Analysis* • *Principles and Tools of Concept Development*
Manager 2.0 micro-consulting practical training camp	• Enhance the managerial awareness and skills of emerging managers, broaden their horizons, and introduce new work philosophies and practical experiences.	• *Management Mindset Transformation and Capability Model* • *Situational Leadership* • *Team Motivation* • *Collaborative Influence*

In addition, we also encourage employees to further their education. In 2023, we sponsored six employees to participate in the education improvement subsidy program organized by the Hangzhou Municipal Federation of Trade Unions, aiming to promote their educational level.

During the Reporting Period, we conducted 53,607.75 hours of training in total, covering 90.51% of employees. The average training duration per person was 18.04 hours.
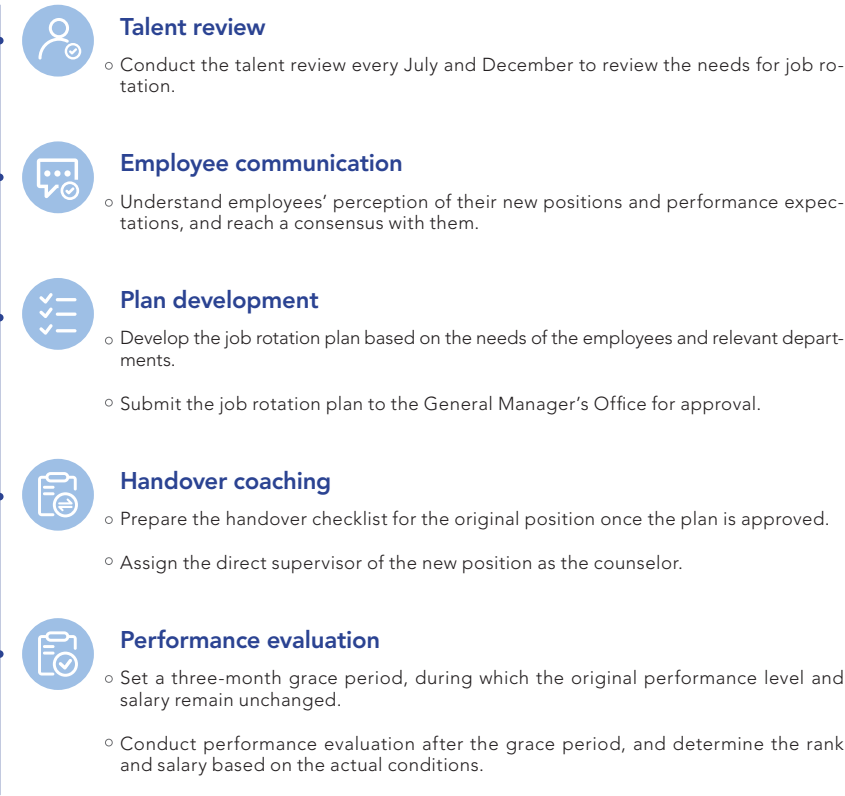
Employee performance evaluation and promotion

In terms of employee promotion, we have formulated the Performance Management Measures, the Personnel Management Measures, and the Internal Competition Policies. These regulations adopt unified criteria for performance management and assessment to ensure accessible performance evaluation standards, fair procedures, as well as transparent appointment and promotion of managers at all levels. We have promotion channels for management-oriented and expertise-oriented employees according to the characteristics of the position, and provide employees with clear career development paths.

We select talented individuals based on their virtue, ability, and performance, rather than purely on qualifications and ranks. According to the requirements of the company's organizational structure, business opportunities, and the selection and examination results of the talent pool, employees with outstanding abilities and contributions are promoted exceptionally. We also have a mechanism for individual and team recognition to honor outstanding employees and teams.

Mechanism for selecting outstanding individuals and teams >

Frequency of selection	Year
Award	• 3 special prizes, 6 team prizes, and 11 individual prizes
Selection mechanism	• Based on contribution, business development scenarios, and capability
Selection process	• Nomination by department > Review by the project team > Approval by the General Manager's Office > Holding of the award ceremony

Additionally, we have established a sophisticated talent review and job rotation mechanism to expand employees' knowledge areas and help them find their direction of career development. Furthermore, we have implemented a manager feedback program to assess the leadership of key leaders in business departments with the aim of enhancing their leadership and cohesion.

Talent review
○ Conduct the talent review every July and December to review the needs for job rotation.

Employee communication
○ Understand employees' perception of their new positions and performance expectations, and reach a consensus with them.

Plan development
○ Develop the job rotation plan based on the needs of the employees and relevant departments.
○ Submit the job rotation plan to the General Manager's Office for approval.

Handover coaching
○ Prepare the handover checklist for the original position once the plan is approved.
○ Assign the direct supervisor of the new position as the counselor.

Performance evaluation
○ Set a three-month grace period, during which the original performance level and salary remain unchanged.
○ Conduct performance evaluation after the grace period, and determine the rank and salary based on the actual conditions.

Community Responsibility

Performance highlights

Number of people directly benefited[9]
233,000

Number of people indirectly benefited[10]
247 (million)

Social welfare

We uphold the corporate mission of "enabling a beautiful and better life" and advocate for the societal value of "beauty." We focus on four key social topics: gender equality, mental health, youth and growth, and love and caring. Leveraging our brand influence and expertise, we issue initiatives, take action, and join hands with partners to build a better life. In 2023, the social welfare activities promoted by Proya directly benefited 233,000 people and indirectly benefited 247 million people.

Social welfare activities in 2023 ∨

Key socail topics	Project Name	Project Description	Project Data
Gender equality	"It's Gender, Not Border" special campaign for International Women's Day	**Start date:** March 2023 **Project description:** Proya distributed the gender education picture book *We Can Do It*, aimed at expressing the idea that we can all break free from gender biases and stereotypes, and become the people we want to be. **Start date:** March 2023 **Project description:** Proya partnered with Beijing Qianqian Law Firm to launch the Proya Public Welfare Service mini-program, which provides practical legal assistance to workers facing gender bias in the workplace. **Start date:** March 2023 **Project description:** Following the principle of telling genuine "her stories," Proya found a story about a Tibetan girl name PUBU Zhima who became the captain of a freshman soccer team at Nankai University. Then, Proya produced the short video "She is the Captain" to show the courage and resilience of the young girl in the face of prejudice.	• A total of 110,000 copies of the picture book *We Can Do It* were printed and distributed. • The Proya Public Welfare Service mini-program provided legal advice to 966 people, including pro bono legal consultation services to 87 people. • The short video "She is the Captain" received more than 6.77 million view counts and over 680,000 discussions across all platforms.

[9]The number of people directly benefited is the number of people directly benefiting from the projects in which they are involved.

[10]The number of people indirectly benefited is the number of people influenced by Proya's projects, such as the number of people influenced by online campaigns and related offline activities.

Social welfare activities in 2023 ∨

Key socail topics	Project Name	Project Description	Project Data
Mental health	Echo Project youth mental health campaign	**Start date:** October 2023 **Project description:** Proya produced the public welfare film *Say ____ to Your Emotions Right Now*, calling on everyone to embrace emotions and pay attention to mental health. **Start date:** October 2023 **Project description:** Proya partnered with Dejavu and 9 publishing houses to design a curated list of 11 selected books, as well as produce and distribute Echo Bookshelf blind boxes, hoping readers can learn to embrace emotions through reading. **Start date:** October 2023 **Project description:** Proya collaborated with Tencent Music to launch the "Let Emotions Talk" public campus concert. This spiritually curative event included 1 public welfare song, 1 public campus concert, 30 campus pop-ups, and 4 free lectures. **Start date:** October 2022 **Project description:** Proya maintains the operation of the public welfare initiatives jointly launched with the China Youth Development Foundation, which included 1 teacher training, 1 parent-child game, and 1 campus lecture. **Start date:** October 2022 **Project description:** Proya maintains the long-term public welfare hotline built in collaboration with the Beijing New Sunshine Charity Foundation, providing a safe place for those who seek an inclusive and secure channel to speak.	• The public welfare film *Say ____ to Your Emotions Right Now* received 52.49 million view counts with over 210,000 discussions raised across all platforms. • A total of 10,000 Echo Bookshelf pouches were produced and distributed, with 30,000 people attending the charitable campus music project. • A total of 100 teachers participated in the teacher training workshop, and 400 students and teachers attended the campus lecture. • The public welfare hotline received 1,482 calls.
Youth and growth	Firefly Project Anti-School-Bullying Campaign	**Start date:** September 2023 **Project description:** Proya collaborated with the Beijing New Sunshine Charity Foundation to set up the Glimmering Projectanti-school-bullying helpline. Coupled with distributing the *It's Not Your Fault: A Healing Guide for the Aftermath of School Bullying* and producing the *Aftermath of School Bullying* short film, this initiative aims to promote everyone's awareness of how school bullying would affect our children, appeal for action against school bullying, and educate the public on preventive and responsive measures, so as to guarantee a healthy environment for children to grow.	• The anti-bullying helpline provided free psychological counseling for 353 victims of school bullying and their families, including pro bono legal consultation services provided to 27 victims. • The public welfare short film received more than 44.14 million view counts across all platforms with over 62.11 million interactive discussions. • A total of 15,000 copies of *It's Not Your Fault: A Healing Guide for the Aftermath of School Bullying* were printed and distributed.

Social welfare activities in 2023 ∨

Key socail topics	Project Name	Project Description	Project Data
Youth and growth	Stupid Genius special campaign for Proya's 20th anniversary	**Start date:** November 2023 **Project description:** By producing a micro film titled Stupid Genius, the project pays tribute to those hard-working and dedicated research-ers, volunteers, inheritors of intangible cultural heritage, and all individuals who hold unwaver-ing faith and make unsung contributions at their posts.	• The micro film received more than 87 million view counts and over 650,000 discussions across all platforms.
Love and caring	Dare to Love, Dare To Not Love special campaign for Chinese Val-entine's Day	**Start date:** May 2023 **Project description:** Proya collaborated with Ne-tEase Cloud Music to launch a special campaign short film for Chinese Valentine's Day titled *Dare to Love, Dare To Not Love.* As a trial of love following the lead of music, this event was held together with NetEase Cloud Music and JIN Wenqi to present the love song "My Desired Happiness." We also invited ZHANG Ruonan to shoot the music video for the themed short film. When it comes to the mysteries of love, we say "love is always there if you follow your heart and dare to love and to not love."	• The short video received more than 21.79 million view counts and over 460,000 discussions on all platforms. • A total of 19,000 "Know Yourself in Intimate Relations" test cards were distributed.
	Mom is Not the Only One Special Cam-paign for Moth-er's Day	**Start date:** May 2023 **Project description:** On Mother's Day, Proya continued to care about mothers and their physical and mental workload assumed for their families, appealed to everyone to recognize mothers' hardships and difficulties in traditional housework, and proposed the brand attitude "Moms can take care of the family, but every family member can do the same." By means of the TV commercial *Mom is Not the Only One,* the creative peripheral apron for the whole fam-ily, creative posters, and the adapted children's song "Mom is Not the Only One," we call on every family member to not just see the merits of mothers, but assume their responsibilities as family members.	• The short video received more than 22.208 million view counts and over 250,000 discussions on all platforms.

In addition, in 2023, Proya worked with Ta Foundation and Naloong (a cartoon IP) to launch the "Stray Animals Winter Survival Program." Together, we distributed 10,000 copies of *Popular Science Handbook for Stray Animal Rescue* and donated 5% of the sales revenue from the Co-Branded Stray Cat Nest Gift Boxes to local rescue centers in order to help more animals in need.

Charitable events

In 2023, we established the Proya Foundation with the mission of "enabling more people to live a better life." The foundation is dedicated to promoting educational development, facilitating social innovation, providing emergency relief assistance, and supporting employee volunteerism. **During the Reporting Period, Proya donated CNY6,402,300 to the foundation.** At the same time, we leveraged the platform to car-ry out a series of employee volunteer activities.

• On World Earth Day, we launched a campaign under the theme "Unleash the Power of Your Actions for a Better Planet." During the event, we advocated for environmental protection and upcycling and hosted eco-friendly film screenings to encourage employees to participate in environmental charity and low-carbon activities.

• We initiated the "Hydromel Winter Warmth" program, in which 10 employees donated supplies for strays and participated in volunteer activities.

Furthermore, we are actively engaged in rural revitalization work by implementing the *Opinions of the CPC Central Committee and the State Council on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization* issued by the CPC Central Committee and the State Council. By purchasing agricultur-al products, we support the rural revitalization efforts and economic development of Yunhe County. **During the Reporting Period, we purchased agricultural products worth CNY192,000 from Yunhe County.**

Corporate Governance

Performance highlights

Total tax paid
CNY1,017.756 mn

Increased by
54.18% ↑
compared to 2022

Social contribution per share
CNY7.38 (tax included)

Cash dividends per 10 shares
CNY9.10 (tax included)

Corporate governance system

We comply with the **Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Listing Rules of the Shanghai Stock Exchange, the Code of Corporate Governance of Listed Companies** and other laws and regulations. We have established our Articles of Association and other regulatory documents to continuously improve our corporate governance structure and compliant operation.

We strictly follow the provisions of our Articles of Association in convening and holding shareholders' meetings, treating all shareholders equally, and providing as much convenience as possible for shareholders to attend the meetings, allowing them to fully exercise their shareholder rights.

To further enhance the compliance of our corporate governance, in 2023, we revised the External Investment and Operation Decision-Making System, the Working Policies for Independent Directors, the Related Transaction Decision-Making Policies, the External Guarantee Decision-Making Management System, and the Raised Funds Management System. We also newly issued the Rules of Procedures for the Meetings of the Board of Directors of Proya Cosmetics Co., Ltd., the Entrusted Wealth Management System, the Accounting Firm Selection System, and other regulatory documents.

All shareholders, directors, supervisors, and senior management personnel were diligent in carrying out their duties, exercised their rights and fulfilled their obligations in accordance with the regulations, relevant rules, and procedures. The actual performance of our corporate governance complied with the regulatory requirements for listed companies issued by the China Securities Regulatory Commission and the Shanghai Stock Exchange. We did not receive any documents from the regulatory authorities imposing any administrative or regulatory measures on us.
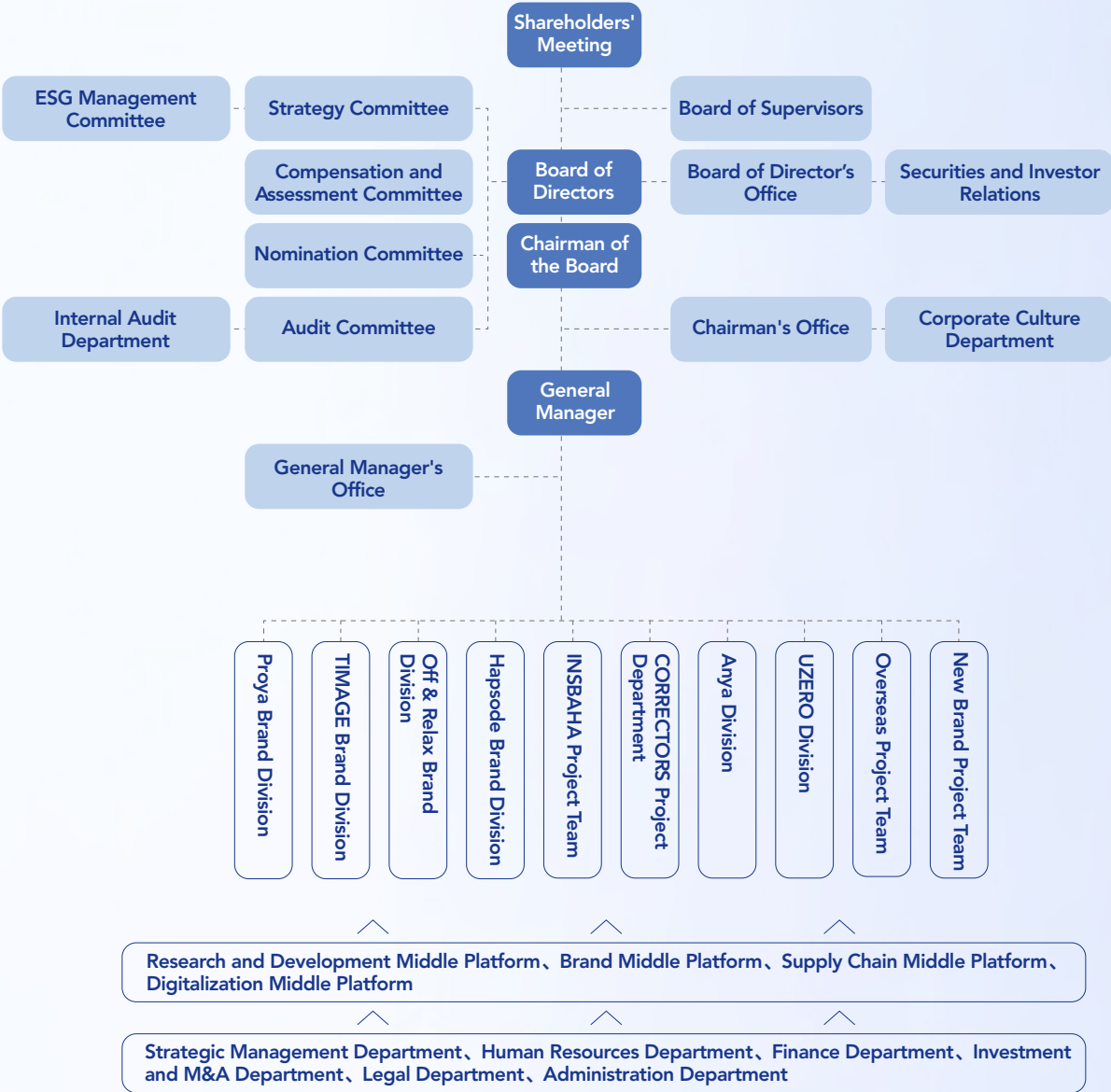
Composition of the Board of Directors and convening of the three meetings >

Composition of the Board of Directors and the Board of Supervisors

5 directors on the Board of Directors

2 independent non-executive directors

3 executive directors

3 supervisors (including 1 employee representative supervisor)

Composition of the Board of Directors and convening of the three meetings >

Convening of the Three Meetings

4 shareholders' meetings

6 meetings of the Board of Supervisors

8 meetings of the Board of Directors

9 meetings of special committees of the Board of Directors

A total of approximately **139** proposals and reports have been deliberated, read, reviewed or heard in the three meetings

Corporate governance structure diagram ∨

Corporate governance structure diagram

Composition of the remuneration of directors and senior executives in 2023 (unit: CNY) ∨

Name	Position	Fixed Salary			Variable Compensation		Total Annual Compensation	Equity Compensation
		Base Pay	Position Pay	Allowances and Other Compensation	Sustainability Performance Bonus	Annual Bonus		
HOU Juncheng	Chairman of the Board of Directors	240,000	240,000	672,000	300,000	1,863,873.33	3,315,873.33	0
FANG Yuyou	Director, General Manager	240,000	240,000	672,000	300,000	1,842,485.00	3,294,485.00	0
HOU Yameng	Director, Deputy General Manager	86,000	86,000	128,000	70,000	456,261.80	826,261.80	0
JIN Yanhua	Deputy General Manager	120,000	120,000	264,000	220,000	1,832,090.00	2,556,090.00	0
WANG Li	Deputy General Manger, Board Secretary, and Chief Financial Officer	120,000	120,000	480,000	250,000	1,555,658.73	2,525,658.73	0

We have established a well-developed compensation and incentive system for our directors and senior executives. The remuneration for our directors and senior executives consists of fixed salary and variable compensation. The amount of variable compensation is determined by their annual performance. Particularly, **we include corporate sustainability performance as an indicator of variable compensation, and link the remuneration of directors and executives with the progress of sustainability performance. This approach truly propels the achievement of our sustainable development goals.**

Investor relations

Information disclosure and investor communication

We fulfill the obligation of information disclosure in strict compliance with the *Company Law of the People's Republic of China*, the Securities Law of the People's Republic of China, and other laws and regulations to ensure that our information is disclosed truthfully, accurately, completely, and timely, and that all investors have fair access to our information. **During the Reporting Period, we did not violate any regulations on information disclosure or investor rights, or face any penalties arising therefrom.**

We review the changes in relevant laws and regulations regularly and update our management documents such as the *Information Disclosure Management Policies of Proya Cosmetics Co.*, Ltd. in strict accordance with regulatory requirements. Also, we actively fulfill our information disclosure obligations to ensure information is disclosed accurately. In addition, we organize directors, supervisors, and senior executives to study relevant laws and regulations, including the *Company Law of the People's Republic of China,* the *Securities Law of the People's Republic of China,* and the *Listing Rules of the Shanghai Stock Exchange*, ensuring that their behavior complies with the legal requirements for information disclosure. Meanwhile, we have established a well-covered information disclosure approval process. Information to be disclosed outward must be reviewed and approved by the Board of Director's Office to ensure the disclosure is compliant.

We are committed to giving equal opportunity to investors. To further protect the rights and interests of small- and medium-sized investors, we have formulated the *Investor Relations Management Policies of Proya Cosmetics Co.*, Ltd. In addition, we actively communicate and interact with investors through various channels such as telephone, email, the SSE E-Interactive platform, performance briefings, investor surveys, and online forums, aiming to enhance investors' understanding and trust in the company.

Investment communication channels >
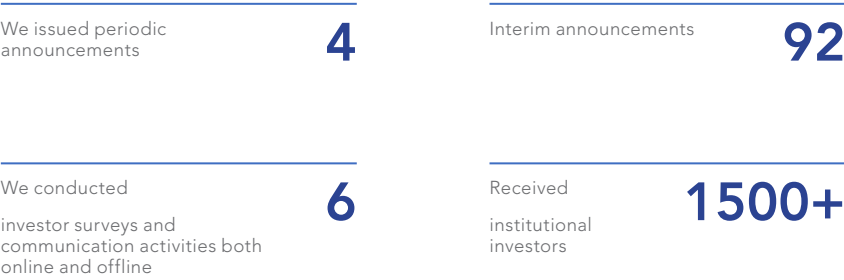
| Telephone | Email | SSE E-Interactive | Performance briefing | Investor survey |

In 2023, we actively communicated and interacted with investors through diverse performance briefings and investor exchange events. In addition, we kept expanding our communication channels with investors by operating investor relations accounts on professional financial platforms such as Eastmoney, HiThink, and Snowball Finance.

Investor communication performance >

We issued periodic announcements **4**

Interim announcements **92**

We conducted **6**

investor surveys and communication activities both online and offline

Received **1500+**

institutional investors

Social recognition for our information disclosure and investor communication performances >

Award	Awarding Body
Best Practice Award for Directors of Listed Companies in 2023	China Association for Public Companies
China Tianma Award of Investor Relations for Listed Companies	The Securities Times
Top 100 Companies Listed on the Main Board by Market Value	The Securities Times
China Sunshine Board Secretary Award for Chinese Listed Companies	The Securities Times
Annual Entrepreneurship Vanguard for Chinese Listed Companies	The Securities Times
IR Team with the Best Institutional Coverage 2023	Comein
Best Information Disclosure Award	The 7th IRSC Chinese Outstanding IR

Investor rights

Cash dividends over the past three years >

While striving for rapid and steady growth in both scale and financial benefits, we never forget to provide reasonable returns to investors based on our profitability and the needs for production, operation, and development. Therefore, we implement a prudent dividend distribution policy that guarantees stable and continuous dividends, and rewards shareholders frequently.

Year	Dividends per 10 shares (CNY) (tax included)
2021	8.6
2022	8.7
2023	9.1[11]

We value our reputation, comply with commercial credit rules, and safeguard the legitimate rights and interests of creditors as bestowed by laws, regulations, and our Articles of Association. Based on the comprehensive analysis and evaluation of the company's and the industry's operating conditions, on June 16, 2023, China Lianhe Credit Rating Co., Ltd. issued the 2023 Tracking Rating Report on the Public Issuance of Convertible Corporate Bonds by Proya Cosmetics Co., Ltd. The main long-term credit rating of the Company was "AA," the credit rating of Proya convertible bonds was "AA," and the rating outlook was "stable."

The "social contribution per share" reflects the comprehensive value created by the company for society and stakeholders. Our social contribution per share over the past three years is as follows:

Year	2021	2022	2023
Social contribution per share (CNY)[12] (tax included）	7.24	7.18	7.38

[11] The cash dividends for the year 2023 include a proposed dividend of CNY9.10 (including taxes) per 10 shares for the annual distribution in 2023, a cash dividend of CNY3.80 (including taxes) per 10 shares for the interim distribution in the first half of 2023, and the amount for share repurchases through centralized bidding in 2023. The total amount accounts for 45.98% of the net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year 2023.

[12] Social contribution per share = (Net profit + Tax revenue generated for the country in the year + Wages paid to employees + Interest on loans paid to creditors such as banks + External donations and value created for other stakeholders − Other social costs resulting from environmental pollution)/Total number of shares.

Internal control

In order to establish a risk management mechanism that facilitates the implementation of strategies and promotes integrity, and to ensure the effective operation of this system, we have formulated the Internal Audit Management Policies, the *Internal Control Application Guidelines*, and other regulatory documents. We also set up a mechanism in each subsidiary and business unit to optimize the internal control system and effectively manage and respond to internal and external risks. Those measures ensure that we can operate with low risks and develop rapidly and healthily. **During the Reporting Period, we revised the Internal Audit Management Policies to specify the audit coverage and refine the audit procedure, thereby continuously raising the standards of audit.**

Under the guidance of the *Internal Control Application Guidelines* and the *Internal Audit Management Policies*, we have established project-specific systems and procedures for each business unit and functional department, so as to respond to market demands rapidly. We pay specific attention to the timely identification and assessment of five major risk categories, including risks related to operational decision-making, violation of laws and regulations, financial report misrepresentation, threats to asset security, and fraudulent activities. We require the description of specific risk control objectives and measures for addressing these risks and enhancing our internal risk management efficiency.

Our Internal Audit Department regularly conducts special audits and off-office audits to strengthen the legality, compliance, and authenticity of our business activities. Rigid inspections are in place for key areas such as contract performance and related transactions. We also take measures to promptly address any violations or breaches, thereby promoting continuous improvement in our business processes and operational systems. In 2023, the Internal Audit Department carried out 14 special audits and 10 other audits. They timely communicated and confirmed with audited units about identified non-conforming items to ensure rectifications were made. In addition, we were awarded the **Top 30 Best Internal Control Award for Zhejiang Public Companies In 2023** granted by the School of Management, the Institute of Finance and Accounting, and the Academy of Global Zhejiang Entrepreneurship of Zhejiang University.

14
special audits

10
other audits

TOP30
Best Internal Control Award for Zhejiang Public Companies In 2023

Compliance Operation

Performance highlights

Coverage of anti-corruption training participated by directors
100%

Number of corruption lawsuits filed against the issuer or its employees and already concluded
0

Investigate
○ The investigation team leader starts the investigation work.

○ The investigation should be completed within 30 days from the date of receiving the report. It can be appropriately delayed for no more than 90 days if scheduling an audit is difficult or major obstacles exist.

Report
○ The investigation team issues a report and submits it to the General Manger's Office so the case can be handled according to company regulations.

○ Significant cases need to be reported to the Audit Committee and the Board of Directors.

○ Cases violating national laws are handed over to judicial organs.

Compliance management system

Proya considers compliance operation as the cornerstone of our stable development. Therefore, we have established and are constantly improving a robust compliance management system. We actively identify compliance risks in production and operation processes, with a focus on anti-corruption, anti-bribery, environmental issues, and labor rights.

We have a multi-level supervision and reporting mechanism. For internal reports, we have established the Employee Monitoring and Reporting Management Policies. For expert reports, we maintain diversified reporting channels such as the hotline and email. We adopt a serious approach toward all reports, which are investigated under the leadership of the Internal Audit Department.

Whistleblower protection measures >

• Report-handling personnel keep the relevant information of the whistleblower and the specific content of the reported case strictly confidential. The investigation proceeds without revealing the identity of the whistleblower. Unless otherwise agreed by the whistleblower, the name, department, and contact information of the whistleblower are not disclosed under any circumstances.

• Report-handling personnel who violate confidentiality regulations or improperly perform their duties will be punished severely based on the severity of the situation and its consequences. Where it constitutes a crime, they will be handed over to judicial organs.

• No individual or organization is allowed to obstruct or suppress the whistleblower for any reason, or take any form of retaliation against them. Those who retaliate against the whistleblower or their family members, once verified, will be punished severely in accordance with the relevant regulations of the Company. Where it constitutes a crime, they will be handed over to judicial organs in accordance with the law.

• Where a reported case is proven to be true, those who caused the violator to be duly punished and losses of the company to be recovered or reduced will be commended or rewarded according to company regulations as suggested by the Internal Audit Department. In order to protect the whistleblower, the reward approved by the CEO should be issued in a confidential manner unless the whistleblower agrees otherwise.

Employee reporting and handling process >

Register
○ The Internal Audit Department has a reporting officer to record all reported cases.

Accept
○ The Internal Audit Department holds an internal discussion to verify the investigation conditions and severity of the case.

○ Severe cases are reported to the deputy general manger, the general manager, the chairman, or the Audit Committee.

Form an investigation team
○ The head of the Internal Audit Department forms the investigation team and appoints the leader for investigation.

○ All functional departments, business units, and subsidiaries assign personnel and participate in the investigation if so required.

In order to enhance the efficiency of our compliance management system, during the Reporting Period, we transitioned from a "preventive" to a "strategic" legal approach that is more professional, focused, and refined while standardizing legal affair management across all brands. We also continuously improve the awareness of compliance operation among employees by publishing legal journals, organizing themed promotional activities, conducting legal seminars, and facilitating peer-to-peer legal exchanges and training.

Legal compliance training and promotion work >

Work	Achievements
Publishing the legal journal *Proya Law*	• We produced and released 5 issues of the periodical, covering three main sections, which are "New Regulations," "Hot Topic Analysis," and "Case Studies from the Legal Perspective." The purpose is to comprehensively enhance employees' awareness of risk prevention.
Themed promotional activities	• We organized 2 offline interactive compliance publicity sessions for all employees as a part of the "4.26 Intellectual Property Day Publicity Event." • We organized the "Proya Transparency Promotion Week," during which we developed and released the *Code of Conduct for Integrity and the Proya Integrity Initiative*. • We produced and played the Transparency promotion video and held a quiz with prizes for employees.
Legal seminars	• We organized 2 special training seminars on compliant employment, which covered prevention and handling of legal risks in employment as well as employment management and risk prevention. • We organized 8 intellectual property training sessions to enhance our ability to protect our intellectual property and reduce the risk of infringing on others' intellectual property. • We conducted 3 e-commerce legal compliance training sessions to enhance the compliance of e-commerce operations and management.
Peer-to-peer legal exchanges and training	• We organized the legal team to attend multiple professional legal training sessions provided by third-party experts. The training covered various topics such as advertising compliance training and judicial interpretation of Civil Code contracts. • We organized and held the LCOUNCIL famous enterprise visit and exchange event titled "Proya's Legal Empowerment and Value Creation under the Optimization of Enterprise Functional Structure" for the legal affairs teams of more than 30 companies in the FMCG industry. During the event, we shared with industry guests our practical experiences in legal function management, e-commerce compliance, and intellectual property compliance.

Anti-corruption and business ethics

We place great emphasis on ethical standards in business operations and strictly comply with relevant laws and regulations such as the *Anti-Unfair Competition Law of the People's Republic of China*, the *Zhejiang Province Anti-Unfair Competition Regulations, the Bidding Law of the People's Republic of China*, and the *Criminal Law of the People's Republic of China. Also, we have formulated the Management Measures for Anti-Commercial Bribery and Anti-Corruption, the Code of Conduct for Integrity, Proya's 32 Articles*, and other regulations to stem corruption from inside the company. We have a well-developed corporate governance and internal control management framework. An Audit Committee is established under the Board of Directors to coordinate and plan anti-corruption and business ethics management. The Internal Audit Department is responsible for implementing anti-corruption and business ethics initiatives. **During the Reporting Period, we did not encounter any incidents of corruption, bribery, extortion, fraud, or money laundering, nor did we face any lawsuits arising therefrom.**

We implement *Proya's 32 Articles* and sign the *Integrity and Self-Discipline Commitment* with employees to enhance their awareness of "honesty, integrity, and trustworthiness." Additionally, we *sign the Integrity and Self-Discipline Agreement* with directors and senior executives, requiring them to abide by our business ethics standards.

In terms of procurement from suppliers and brand partnerships, we require all suppliers of raw materials and packaging materials to sign the *Business Code Compliance Commitment*, and brand promotion partners to sign the *Cooperation Agreement in Integrity*, while asking them to strictly adhere to anti-corruption and anti-bribery principles. We also clarify the definitions of commercial bribery and penalties for violations in procurement contracts. Suppliers who violate our anti-corruption principles will be blacklisted. If a supplier's actions constitute a crime, the supplier will be handed over to the competent state organ to investigate their criminal liabilities. We also require procurement personnel to sign the *Commitment to the Code of Ethical Conduct for Procurement Personnel*, so as to avoid the risk of bribery in the procurement management process.

We have developed an audit plan for front-, middle-, and back-office operations, which covers the procurement of raw materials and packaging, media procurement, and inventory management. We also conduct anti-corruption and business ethics audits in an orderly manner according to the plan. We aims to conduct a business ethics and anti-corruption audit throughout our entire business processes and all operational points every three years. The focus is on areas of high business ethics risks, such as compliance audits for contract signing, financial audits, and verification of sales rebates and discounts. The purpose is to ensure the effectiveness of our anti-corruption and business ethics management. We assess the risk level based on the audit results, and then develop further corrective and re-audit plans as necessary to minimize risks of corruption and unethical business practices.

In 2023, we held multiple training sessions on anti-corruption and business ethics to better educate directors, senior executives, employees, and suppliers on knowledge related to anti-commercial bribery and anti-corruption, as well as to promote a culture of integrity. Examples of training sessions include the "Compliance with Business Ethics and Strengthening Integrity and Self-discipline" education event for directors and key management; training related to business ethics standards and anti-corruption for all employees (including outsourced personnel and part-time employees), such as the Integrity Campaign Week; monthly compliance training for new employees and business ethics training for suppliers.

In 2023, we held three training sessions on anti-corruption and business ethics, namely the "Compliance with Business Ethics and Strengthening Integrity and Self-Discipline" education event for directors and key management, the "Business Ethics Standards and Anti-Corruption" training for all employees (including outsourced personnel and part-time employees), and business ethics training for suppliers. Our purpose was to better educate directors, senior executives, employees, and suppliers on knowledge about anti-commercial bribery and anti-corruption, as well as to promote a culture of integrity.

Anti-corruption and business ethics performance highlights and social recognition >

- 100% of existing suppliers signed the *Commitment to Business Principles*.

- The makeup factory obtained the Sedex Members Ethical Trade Audits (SMETA) certification, which covers labor standards, health, safety and working environment, environmental management, and business ethics.

Protection of intellectual property rights

We strictly comply with the *Patent Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China,* and the *Trademark Law of the People's Republic of China*, and have developed a line of intellectual property management regulations including the Intellectual Property Management Regulations. While protecting our intellectual property, we also ensure that we do not infringe on the intellectual property rights of others.

We have established an intellectual property management system to strengthen our intellectual property protection efforts by means of intellectual property planning and management, risk monitoring and control, process and system development, professional talent development, and informatization tool availability. Meanwhile, we have newly formulated the *Proya Compliance Guidelines for Audio and Video Production and Release and the Proya Compliance Guidelines for Music Playback in Livestreaming Rooms*. Those documents are designed to regulate the compliant behavior in audio and video production and release conducted by business units, and eliminate potential risks of intellectual property infringement.

Intellectual property management measures >

Protection of our intellectual property rights

- When initiating a research and development project, we search for and review related intellectual property. Any project that may infringe on the intellectual property of others will be subjected to a one-vote veto.

- In the process of an R&D project, we protect the intellectual property rights generated in the R&D process in a timely manner.

- We actively carry out intellectual property registration, filing, application, registration and other rights confirmation work.

No infringement on the intellectual property rights of others

- Before we initiate a new research and development project, proceed with new product development activities, and import or export new technologies and products, we must conduct intellectual property checks and searches to ensure we do not infringe on the intellectual property rights of others.

- We set uniform criteria regarding the use of software, fonts, and images across different business units to eliminate potential risks of intellectual property infringement.

Intellectual property publicity

- We have established an Intellectual Property Training and Publicity Fund to carry out intellectual property training and publicity annually.

- We have formulated the *Proya Compliance Guidelines for Audio and Video Production and Release*, the *Proya Compliance Guidelines for Music Playback in Livestreaming Rooms*, and the *Proya Intellectual Property Compliance Guidelines in Exhibitions* to enhance our awareness of intellectual property protection.

During the Reporting Period, we organized 8 intellectual property training sessions, including 5 sessions provided by external experts and 3 internal sessions on legal affairs. The topics involved covered patent mining and layout, patent intelligence to support R&D innovation, and guidelines for the compliant use of images. The training enabled us to better manage our intellectual property and heightened our awareness of respecting others' intellectual property rights. Meanwhile, we applied for 47 new patents and 95 registered trademarks, and were granted 41 patents of various kinds, 62 newly registered trademarks, 5 copyright registrations, and 21 copyright deposits. Those efforts help us protect our innovative achievements and various intellectual property rights.

We also combat illegal infringements through legal procedures. During the Reporting Period, our Proya brand took measures to combat online counterfeiting and unauthorized use of trademarks in offline stores. This effort led to the filing of 48 cases, with 4 cases already resolved through settlement. OR filed 28 civil cases and Hapsode filed 236 cases. As a result, the legitimate rights and interests of the company and consumers were properly protected.

ESG Performance Data Sheet

Environmental data[1]

Disclosure Item	Unit	2021	2022	2023
Number of incidents involving penalties for violating environmental protection laws and regulations	Incident	0	0	0
Power consumption[2]	Megawatt-hours	12,161.96	15,970.07	17,728.44
Total consumption of green electricity[3]	Megawatt-hours	————	3,838.99	8,318.95
Electricity consumption per CNY10,000 of revenue	Kilowatt-hours/ CNY10,000	26.25	25.01	19.91
Total consumption of natural gas	Cubic meters	295,436.00	368,936.00	397,113.82
Natural gas consumption per CNY10,000 of revenue	Cubic meters/ CNY10,000	0.64	0.58	0.45
Consumption of gasoline[4]	Liters	291,954.00	52,620.00	86,678.73
Consumption of diesel[5]	Liters	42,614.00	39,903.00	69,948.07
Total consumption of water	Cubic meters	208,614.90	253,488.70	272,865.52
Water consumption per CNY10,000 of revenue	Cubic meters/ CNY10,000	0.45	0.40	0.31
Total consumption of recycled water	Cubic meters	15,000.00	13,000.00	19,000.00
Proportion of recycled water in total water consumption	%	7.19	5.13	6.96
Total consumption of packaging materials[6]	Tonnes	21,424.34	27,524.98	418,867.60
Consumption of packaging materials per CNY10,000 of revenue	Kilograms/ CNY10,000	46.24	43.11	47.02
Total waste gas emissions[7]	Cubic meters	16,368,000.00	16,080,000.26	38,376,000.26
Total waste gas emissions per CNY10,000 of revenue	Cubic meters/ CNY10,000	35.33	25.18	43.10
Industrial waste water discharge	Cubic meters	13,500.00	20,219.00	24,329.00
Industrial waste water discharge per CNY10,000 of revenue	Cubic meters/ CNY10,000	0.03	0.03	0.03
Chemical oxygen demand (COD) discharge in waste water	Kilograms	675.00	1016.00	1160.00
COD emissions per CNY10,000 of revenue in waste water	Grams/CNY10,000	1.46	1.59	1.30
Biochemical oxygen demand (BOD) (COD) discharge in waste water	Kilograms	135.00	172.00	242.00
BOD emissions per CNY10,000 of revenue in waste water	Grams/CNY10,000	0.29	0.27	0.27
Ammonia nitrogen (NH3-N) discharge in waste water	Kilograms	67.50	104.40	60.00
Ammonia nitrogen (NH3-N) emissions (kg) in waste water	Grams/CNY10,000	0.15	0.16	0.07

Disclosure Item	Unit	2021	2022	2023
Total amount of general waste generated[8]	Tonnes	751.84	1267.63	1638.79
Discharge of general waste per CNY10,000 of revenue	Kilograms/CNY10,000	1.62	1.99	1.84
Total amount of hazardous waste generated[9]	Tonnes	1.00	0.98	0.58
Discharge of hazardous waste per CNY10,000 of revenue	Grams/CNY10,000	2.16	1.53	0.65
Total greenhouse gas emissions (Scope 1, Scope 2)	Tonnes of CO_2e	8,426.86	7,933.90	7,420.89
Scope 1 greenhouse gas emissions[10, 11]	Tonnes of CO_2e	1,360.77	1,015.54	2,054.66
Scope 2 greenhouse gas emissions[10, 12]	Tonnes of CO_2e	7,066.10	6,918.35	5,366.23
Greenhouse gas emissions (Scope 1, Scope 2) per CNY10,000 of revenue	Kilograms CO_2e/ CNY10,000	18.19	12.42	8.33
Scope 3 greenhouse gas emissions[10]	Tonnes of CO_2e	/	/	88,194.52

Note:

[1] The data for 2021 and 2022 covers the office building and R&D facilities at the Proya Headquarters, as well as the skincare and makeup factories at the Huzhou production base. The data for 2023 covers office buildings at the Proya Headquarters, the skincare (including the newly constructed logistics center during the Reporting Period) and makeup factories at the Huzhou production base. The current data covers all the main operations of Proya's cosmetics business, excluding sales offices in different locations.

[2] The electricity consumption includes the usage of outsourced electricity as well as clean energy. The growth of increase in electricity consumption in 2023 was caused by business growth.

[3]The total consumption of green electricity includes solar power and outsourced green electricity. The increase in green electricity consumption in 2023 was caused by our new installations of photovoltaic power generation equipment and purchased green electricity.

[4] In 2023, our visit activities returned to normal due to the removal of external factors. In addition, we purchased new gasoline cars, which caused an increase in gasoline consumption.

[5] In 2023, due to business growth, diesel consumption increased.

[6]The total consumption of packaging materials includes primary packaging, secondary packaging, and packaging accessories. In 2023, due to business growth, the usage of packaging materials increased.

[7] In 2023, the waste gas treatment facility for the cream production line in the skincare factory was officially launched, resulting in an increase in waste gas generation. This facility can effectively collect waste gas and dust generated in the production process, thereby reducing the emission of dust and organic waste gas.

[8] In 2023, the Company improved the scope of general waste statistics, which now includes household waste, general production waste, as well as recyclable waste such as cardboard, plastic film, and plastic barrels. Data traceability was also implemented. After verification, the data for the past three years regarding general waste performance indicators are based on the disclosed data in this year's report.

[9In 2023, the Company improved the scope of hazardous waste statistics and implemented data traceability. After verification, the data for the past three years regarding hazardous waste performance indicators are based on the disclosed data in this year's report.

[10] In 2023, the Company conducted an inventory check based on ISO 14064 and passed the verification. The verification certificate is available in the "Carbon Verification Results" section.

[11] For the 2021-2022 period, carbon emissions were calculated for gasoline, diesel, and natural gas. The calculation method refers to the Ministry of Ecology and Environment's "Calculation Method and Reporting Guide for Corporate Greenhouse Gas Emissions - Power Generation Facilities" (2022 revised edition). In 2023, the Company improved the scope of carbon emissions calculation for Scope 1, which now includes gasoline, diesel, natural gas, fire extinguishers, and air conditioning refrigerants. Additionally, gasoline and diesel consumption increased, leading to an increase in Scope 1 carbon emissions. The calculation factors for Scope 1 in 2023 are based on the relevant factors in the "IPCC National Greenhouse Gas Inventory Guidelines."

[12] Scope 2 calculates the carbon emissions of electricity supplied by power grids. The electricity generated by photovoltaics and the green electricity purchased by the Company are not included in the calculation of carbon emissions. The method for calculating greenhouse gas emissions is subject to the Guidelines for Enterprise-Generated Greenhouse Gas Emission Calculation and Reporting by Power Generation Facilities (2022 revised edition) published by the Ministry of Ecology and Environment. Calculation formula for greenhouse gas emissions: Electricity supplied by nation-wide power grid × Average emission factor on the nation-wide power grid. The electricity emission factor of MWh2021 is 0.5810tCO_2/ MWh; that of 2022 and 2023 is 0.5703tCO_2/MWh, which is the average emission factor on the nation-wide power grid specified in the Notice on the Reporting and Management of Greenhouse Gas Emissions by Enterprises in the Power Generation Industry for 2023-2025.

Product and Customer Reasponsibility

Disclosure Item	Unit	2021	2022	2023
Number of complaints received regarding products and services	Incidents	310	2,120	3,925
Complaint resolution rate	%	100%	100%	100%
Number of incidents involving violations of laws and regulations related to health and security in products and services	Incident	0	0	0
Total number of incidents involving violations of laws and regulations in marketing activities (including advertising, promotion, and sponsorship)[1]	Incidents	0	0	3
Total number of incidents involving violations of regulations on product and service information and labeling as well as voluntary principles	Incident	0	0	0
Number of incidents involving violations of regulations related to customer privacy protection	Time	0	0	0

Note:

[1] During the International Women's Day promotion in 2023, Meiligu and Ningbo Tangyu were imposed with administrative penalties by the local market supervision and administration authority for mistakenly targeting the wrong audience when sending promotional text messages using a third-party tool, resulting in the accusation of "sending advertisements without the consent of others." We have organized relevant departments to comprehensively review and optimize the SMS marketing verification process to prevent similar incidents from happening again.

In 2023, Meiligu was imposed with an administrative penalty by the local market supervision and administration authority for omitting some label text on the product promotion page on certain e-commerce platforms, resulting in the accusation of "advertising with misleading content to deceive consumers." We have organized relevant departments to comprehensively review and improve the process, and strengthen the supervision of marketing and promotion campaigns to prevent similar incidents from happening again.

Supply chain management

Disclosure Item	Unit	2021	2022	2023
Total number of suppliers[1]	Companies	604	730	791
Number of suppliers from the Chinese Mainland	Companies	599	724	782
Number of suppliers from Hong Kong, Macau, Taiwan, and other countries or regions	Companies	5	6	9
Proportion of suppliers receiving environmental, labor, and ethics assessments[2]	%	17.88	30.41	33.38
Proportion of suppliers having passed environmental, labor, and ethics assessments[3]	%	96.30	95.05	100.00

Note:

[1] The data of suppliers in 2022 covers suppliers of materials and services in the production stage as well as suppliers involved in offline sales, but excludes suppliers related to brand marketing. In 2023, we further refined our statistical caliber. The statistical data of suppliers covers suppliers of materials and services in the production stage as well as suppliers involved in offline sales and brand marketing, but excludes brand ambassadors and KOLs.

[2] Proportion of suppliers receiving environmental, labor, and ethics assessments = Number of suppliers receiving environmental, labor, and ethics assessments / Total number of suppliers (end of the Reporting Period).

[3] Proportion of suppliers having passed environmental, labor, and ethics assessments = Number of suppliers having passed environmental, labor, and ethics assessments / Number of suppliers receiving environmental, labor, and ethics assessments.

Employee data

Disclosure Item	Unit	2021	2022	2023
Employment				
Number of employees[1]	People	2,844	3,177	2,971
Number of male employees	People	642	751	877
Number of female employees	People	2,202	2,426	2,094
Number of employees aged 30 and below	People	1,192	1,408	1,584
Number of employees aged 30 to 50	People	1,612	1,723	1,338
Number of employees aged 50 and above	People	40	46	49
Number of employees working in the Chinese Mainland	People	2,844	3,177	2,971
Number of employees working in Hong Kong, Macau, Taiwan, and other countries or regions	People	0	0	0
Number of grassroots employees	People	2,598	2,875	2,596
Number of mid-level managers	People	231	285	358
Number of senior managers	People	15	17	17
Proportion of female employees in mid-level management[2]	%	60.17	62.46	59.50
Proportion of female employees in senior management[3]	%	20.00	17.65	23.53
Number of R&D personnel[4]	People	159	229	322
Number of penalties for violating labor and employment laws and regulations	Incident	0	0	0
Occupational health and safety				
Number of workdays lost due to occupational injury	Day	0	0	0
Number of employees who have died as a result of work-related injuries	People	0	0	0
Proportion of employees who have died as a result of work-related injuries	%	0	0	0
Employee training and development				
Coverage of training for employees[4]	%	49.75	46.27	90.51
Proportion of male employees covered by training	%	28.50	27.96	74.12
Proportion of female employees covered by training	%	55.95	51.94	97.37
Proportion of grassroots employees covered by training	%	52.23	44.31	89.14

Disclosure Item	Unit	2021	2022	2023
Employee training and development				
Proportion of mid-level managers covered by training	%	25.11	64.91	100.00
Proportion of senior managers covered by training	%	0	64.71	100.00
Average duration of training received by employees[5]	Hours	19.31	17.40	18.04
Average duration of training received by male employees	Hours	4.00	8.53	14.30
Average duration of training received by female employees	Hours	23.77	20.15	19.61
Average duration of training received by grassroots employees	Hours	20.60	18.05	17.76
Average duration of training received by mid-level managers	Hours	6.03	11.51	20.47
Average duration of training received by senior managers	Hours	0	5.76	10.09
Employee turnover rate[6]	%	26.79	28.83	43.86
Male employee turnover rate	%	18.22	29.16	22.01
Female employee turnover rate	%	29.29	28.73	53.01
Turnover rate of employees aged 30 and below	%	27.35	34.16	36.49
Turnover rate of employees aged 30 to 50	%	26.61	25.01	53.44
Turnover rate of employees aged 50 and above	%	17.50	8.70	20.41

Note:

[1] The data of employees only covers full-time employees bound by labor contracts at the end of the Reporting Period, and does not include outsourced personnel or part-time employees.

[2] Proportion of female employees in mid-level management = Number of female middle-level managers / Number of mid-level managers (end of the Reporting Period).

[3] Proportion of female employees in senior management = Number of female senior managers / Number of senior managers (end of the Reporting Period).

[4] Coverage of training for employees = Number of employees in this category trained during the Reporting Period (end of the Reporting Period) / Total number of employees in this category (end of the Reporting Period).

[5] Average duration of training received by employees = Total duration of training for employees in this category (end of the Reporting Period) / Total number of employees in this category (end of the Reporting Period) In 2022, the training duration does not include anti-corruption training. In 2023, we adjusted the statistic scope of employee training to include the data of anti-corruption training.

[6] Employee turnover rate = Number of employees in this category who left during the Reporting Period / Total number of employees in this category (end of the Reporting Period) In 2023, Proya downsized our offline business team and reduced the number of physical stores, resulting in an increase in the employee turnover rate.

Anti-corruption[1]

Disclosure Item	Unit	2021	2022	2023
Number of corruption lawsuits filed against the issuer or its employees and already concluded during the Reporting Period	Incident	0	0	0
Coverage of anti-corruption training for all directors	%	———	100	100
Average duration of anti-corruption training received by each director	Hours	———	1.50	3
Coverage of anti-corruption training for all employees	%	———	100	100
Average duration of anti-corruption training received by each employee	Hours	———	2.50	3.02

Note:

[1] The data of anti-corruption training in 2021 is not calculated.

Community and public welfare

Disclosure Item	Unit	2021	2022	2023
Amount of investment in public welfare[1]	CNY10,000	370.60	143.46	866.12
Amount of charitable donation	CNY10,000	370.00	143.46	850.14
Total duration of volunteer services[2]	CNY10,000	0	285.00	765.00

Note:

[1] Investments in public welfare include funds and materials donated by Proya to various community philanthropic and charitable activities. The decrease in the actual investment amount in public welfare in 2022 was caused by our changing the strategies for public welfare and charity investments, and also by the suspension of some charitable activities due to external factors. Our involvement in community undertakings returned to normal in 2023, leading to an increase in the investment amount.

[2] In 2021, we did not carry out any offline volunteer services due to external factors. In 2022, the total duration of volunteer services increased because we organized employees to provide volunteer services in the community. In 2023, we carried out volunteer services as usual, so the total duration of volunteer services continued to grow. Particularly, the Foundation and the Company encouraged employees to actively partake in volunteer services.

Company honors and social recognition

Title of Honor	Awarding Body
National Intellectual Property Advantageous Enterprise	China National Intellectual Property Administration
Green Supply Chain Management Company 2023	General Office of the Ministry of Industry and Information Technology of the PRC
No. 1 of Top 10 Enterprises in the Cosmetics Sector of China Light Industry (Universal Leaderboard)	China National Light Industry Council
High-Tech Enterprise	Department of Science and Technology of Zhejiang Province
Outstanding Practical Case of the Board Office of Listed Companies	China Association for Public Companies
Identified Future Factory and Intelligent Factory (Digital Workshop) of Zhejiang Province 2023	Division of Technological Innovation, Economy and Information Technology Department of Zhejiang
Intelligent Factory of Zhejiang 2023	Economy and Information Technology Department of Zhejiang
Provincial Industrial Design Center 2023	Economy and Information Technology Department of Zhejiang
Third Prize in the Zhejiang First Intellectual Property Trademark Award	The People's Government of Zhejiang Province
Advanced Unit in Cosmetic Standardization of 2023	Secretariat of Zhejiang Provincial Cosmetics Standardization Technology Committee
Four-Star Headquarters Enterprise in Hangzhou	Hangzhou Municipal Committee of the Communist Party of China and Hangzhou Municipal People's Government
Honorary Title of Hangzhou "Kunpeng Enterprise"	Hangzhou Municipal Committee of the Communist Party of China and Hangzhou Municipal People's Government
Civilized Unit of Huzhou	Huzhou Municipal Committee of the Communist Party of China Huzhou Municipal People's Government
Organizational Donations Prize in the Fourth Wenzhou Charity Award	Wenzhou Municipal People's Government
17th Top 100 Companies Listed on the Main Board by Market Value	The Securities Times
China Tianma Award of Investor Relations for Listed Companies	The Securities Times
China Sunshine Board Secretary Award for Chinese Listed Companies	The Securities Times
Annual Entrepreneurship Vanguard for Chinese Listed Companies	The Securities Times
Capital Market Value Ranking: Annual Return Award	YICAI
Listed Company with High Quality Development	The Times Weekly
IR Team with the Best Institutional Coverage 2023	Comein
Star Listed Company of 2023	Cosmetic Newspaper

Title of Honor	Awarding Body
Second China Top 100 Benchmark Smart Factories 2023	e-works.net.cn
Outstanding Case of Innovation in Anti-Infringement and Anti-Counterfeiting	Anti-Infringement and Anti-Counterfeit Alliance (CAASA)
MOKA Most Popular Employer Brand Among College Students	Moka+, HKU Institute for China Business, HRflag
The 20th People's Ingenuity Brand Award	People.cn
Brand of China Cosmetics Industry (Facial Skincare) 2022 - Proya	China Association of Fragrance, Flavor and Cosmetics Industries
Selected Upgraded and Innovative Cosmetic Product - Proya Double Effect Brightening Essence	China Association of Fragrance, Flavor and Cosmetics Industries
Brand of China Cosmetics Industry (Facial Skincare) 2022 - Hapsode	China Association of Fragrance, Flavor and Cosmetics Industries
Shopee 2023 Cross-Border Elite Brand Award - Proya	Shopee
2023 Super Growth Brand - Proya	Cosmetic Newspaper
Outstanding Chinese Cosmetics Brand 2023 (Face Cream, Emulsion) - Proya	Cosmetic Newspaper
Outstanding Chinese Cosmetics Brand 2023 (Essence) - Proya	Cosmetic Newspaper
Upgraded and Innovative Cosmetic Product - Proya Double Effect Brightening Essence	Cosmetic Newspaper
2023 Super Growth Brand - TIMAGE	Cosmetic Newspaper
Dark Horse Brand of the Year 2023 - Off & Relax	Yi Beauty Lifestyle

| Indicator Index

Index for Guidelines No. 1 for the Self-Regulatory Rules of Companies Listed on the Shanghai Stock Exchange - Regulation of Operations (2023)

Term and Disclosed Information		Report Section
8.1 Overview		Environmental, Social, and Corporate Governance System
8.2 Principles of operation		Compliance Operation
8.3 Social responsibility planning and working mechanism		Proya Sustainability Governance System ESG Governance System
8.4 Social contribution per share		ESG Performance Data Sheet
8.5 Disclosure of corporate social responsibility report		Report Description
8.6: (1)	Establishment of a social responsibility system	Environmental Responsibility Product and Customer Responsibility Employee Responsibilities Community Responsibility
8.6: (2)	Shortcomings and issues in fulfilling social responsibilities	Marketing activities (including advertising, promotion, and sponsorship) as well as products and service information and labeling
8.6: (3)	Improvement measures and specific time schedule	We have developed corresponding management regulations, and arranged training for relevant business departments.
8.7 Employee benefits		Employee rights and benefits
8.8: (1)	Comply with environmental protection laws, regulations, and industry standards	Environmental management system
8.8: (2)	Environmental protection plan	Environmental Responsibility
8.8: (3)	Use of natural resources	Resource conservation
8.8: (4)	Disposal of pollutants	Emissions and waste
8.8: (5)	Pollution control facilities	Emissions and waste
8.8: (6)	Payment of taxes and fees related to environmental protection	Environmental management system
8.8: (7)	Environmental safety of the supply chain	Building a Responsible Supply Chain
8.8: (8)	Other environmental protection responsibilities	Environmental Responsibility
8.9: (1)	Environmental protection policies, objectives, and achievements	Environmental Responsibility
8.9: (2)	Total resource consumption throughout the year	ESG Performance Data Sheet
8.9: (3)	Investment in environmental protection and development of environmental technology	Climate change mitigation and adaptation

Term and Disclosed Information		Report Section
8.9: (4)	Types, quantities, concentrations, and destinations of pollutant emissions	Emissions and waste
8.9: (5)	Construction and operation of environmental protection facilities	Environmental Responsibility
8.9: (6)	Waste management, disposal, and recycling of discarded products	Emissions and waste
8.9: (7)	Voluntary agreements signed with environmental protection departments	N/A
8.9: (8)	Recognition from environmental protection departments	Company Performance Highlights Water Management
8.9: (9)	Other voluntary information disclosures	N/A
8.10: (1)	New, renovated, and expanded constructions or major investments	N/A
8.10: (2)	Violation of environmental laws and regulations and corresponding penalties	N/A
8.10: (3)	Major environmental lawsuits or seizure, freezing, detention, pledge, or mortgage of assets	N/A
8.10: (4)	Key pollutant discharging units	N/A
8.10: (5)	Impact of newly enacted laws and regulations on the company	N/A
8.10: (6)	Major environmental protection events	N/A
8.11 Environmental inspections		Environmental Responsibility
8.12 Key pollutant discharging units		Proya is not a key pollutant discharging unit
8.13: (1)	Laws, regulations, and industry standards on product safety	Product and Customer Responsibility
8.13: (2)	Production environment and process	Product and Customer Responsibility
8.13: (3)	Quality assurance mechanism and emergency response plan for product safety	Product and Customer Responsibility
8.13: (4)	Other production and product safety responsibilities	Product and Customer Responsibility
8.14: (1)	Employee management system and measures against violations	Employee rights and benefits
8.14: (2)	Prevention of occupational hazards and complementary safety measures	Employee Health and Safety
8.14: (3)	Employee training	Employee training and development
8.14: (4)	Protection of other employee rights and interests	Employee rights and benefits
8.15 Scientific ethics		Innovations in research and development

Index for Global Reporting Initiative (GRI) Standards (2021)

Terms of Use

Proya Cosmetics Co., Ltd. reports information in this GRI Index according to GRI standards for the period from January 1, 2023, to December 31, 2023.

Reference to GRI 1

GRI 1: Foundation 2021

GRI Standards	Disclosure Item	Section
GRI 2: General Disclosures (2021)	2-1 Organizational details	About Proya
	2-2 Entities included in the organization's sustainability reporting	Report Description
	2-3 Reporting period, frequency, and contact point	Report Description
	2-4 Restatements of information	Report Description
	2-6 Activities, value chains, and other business relationships	Main Business and Sub-Brands Sustainable Value Chain: Sharing Beauty Product quality and safety Supply Chain Responsibility ESG Performance Data Sheet
	2-7 Employees	Employee Responsibilities ESG Performance Data Sheet
	2-9 Governance structure and composition	Proya ESG Management Structure Corporate governance system
	2-12 Role of the highest governance body in overseeing the management of impacts	Proya ESG Management Structure Corporate governance system
	2-13 Delegation of responsibility for managing impacts	Proya ESG Management Structure Corporate governance system
	2-14 Role of the highest governance body in sustainability reporting	Proya ESG Management Structure
	2-16 Communication of critical concerns	Stakeholder communication
	2-17 Collective knowledge of the highest governance body	ESG Governance System
	2-19 Remuneration policies	ESG Governance System Corporate Governance
	2-22 Statement on sustainable development strategy	Proya Sustainability Governance System Proya ESG Management Structure

GRI Standards	Disclosure Item	Section
GRI 2: General Disclosures (2021)	2-23 Policy commitments	Co-Founders' Message
	2-24 Embedding policy commitments	Co-Founders' Message
	2-25 Processes to remediate negative impacts	Compliance management system
	2-26 Mechanisms for seeking advice and raising concerns	Compliance management system
	2-27 Compliance with laws and regulations	Environmental Responsibility Product and Customer Responsibility Supply Chain Responsibility Employee Responsibilities Community Responsibility Corporate Governance Compliance Operation
	2-29 Approach to stakeholder engagement	Stakeholder communication
GRI 3: Material Topics (2021)	3-1 Process to determine material topics	Identification of material topics
	3-2 List of material topics	Identification of material topics
	3-3 Management of material topics	Identification of material topics
GRI 201: Economic Performance (2016)	201-1 Direct economic value generated and distributed	Company Performance Highlights
	201-2 Financial implications and other risks and opportunities due to climate change	Sustainable Business: Creating Beauty Climate change mitigation and adaptation
	201-3 Defined benefit plan obligations and other retirement plans	Employee rights and benefits
GRI 203: Indirect Economic Impacts (2016)	203-1 Infrastructure investments and services supported	Community Responsibility
	203-2 Significant indirect economic impacts	Social welfare
GRI 205: Anti-Corruption (2016)	205-2 Communication and training about anti-corruption policies and procedures	Anti-corruption and business ethics
	205-3 Confirmed incidents of corruption and actions taken	Anti-corruption and business ethics
GRI 301: Materials (2016)	301-1 Materials used by weight or volume	ESG Performance Data Sheet
	301-2 Recycled input materials used	ESG Performance Data Sheet
	301-3 Reclaimed products and their packaging materials	ESG Performance Data Sheet
GRI 302: Energy (2016)	302-1 Energy consumption within the organization	ESG Performance Data Sheet
	302-2 Energy consumption outside the organization	ESG Performance Data Sheet
	302-3 Energy intensity	ESG Performance Data Sheet

GRI Standards	Disclosure Item	Section
GRI 302: Energy (2016)	302-4 Reduction of energy consumption	Resource conservation
	302-5 Reductions in energy requirements of products and services	Resource conservation
GRI 303: Water and Effluents (2018)	303-1 Interactions with water as a shared resource	Resource conservation
	303-2 Management of water discharge-related impacts	Resource conservation
	303-3 Water withdrawal	ESG Performance Data Sheet
	303-4 Water discharge	ESG Performance Data Sheet
	303-5 Water consumption	ESG Performance Data Sheet
GRI 305: Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	ESG Performance Data Sheet
	305-2 Energy indirect (Scope 2) GHG emissions	ESG Performance Data Sheet
	305-3 Other indirect (Scope 3) GHG emissions	ESG Performance Data Sheet
	305-4 GHG emissions intensity	ESG Performance Data Sheet
	305-5 Reduction of GHG emissions	ESG Performance Data Sheet
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant waste gases	ESG Performance Data Sheet
GRI 306: Waste (2020)	306-1 Waste generation and significant waste-related impacts	Emissions and waste
	306-2 Management of significant waste-related impacts	Emissions and waste
	306-3 Waste generated	ESG Performance Data Sheet
	306-4 Waste diverted from disposal	ESG Performance Data Sheet
	306-5 Waste directed to disposal	ESG Performance Data Sheet
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Building a Responsible Supply Chain
	308-2 Negative environmental impacts in the supply chain and actions taken	Building a Responsible Supply Chain
GRI 401: Employment (2016)	401-1 New employee hires and employee turnover	ESG Performance Data Sheet
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	ESG Performance Data Sheet
	401-3 Parental leave	ESG Performance Data Sheet
GRI 403: Occupational Health and Safety (2018)	403-1 Occupational health and safety management system	Occupational health and safety
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational health and safety
	403-3 Occupational health services	Occupational health and safety

GRI Standards	Disclosure Item	Section
GRI 403: Occupational Health and Safety (2018)	403-4 Worker participation, consultation, and communication on occupational health and safety	Employee rights and benefits
	403-5 Worker training on occupational health and safety	Occupational health and safety
	403-6 Promotion of worker health	Occupational health and safety
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety
	403-8 Workers covered by an occupational health and safety management system	Occupational health and safety
	403-9 Work-related injuries	ESG Performance Data Sheet
	403-10 Work-related ill health	Occupational health and safety
GRI 404: Training and Education (2016)	404-1 Average hours of training per year per employee	ESG Performance Data Sheet
	404-2 Programs for upgrading employee skills and transition assistance programs	Development of human capital
GRI 405: Diversity and Equal Opportunity (2016)	405-1 Diversity of governance bodies and employees	ESG Performance Data Sheet
GRI 406: Non-discrimination (2016)	406-1 Incidents of discrimination and corrective actions taken	Employee rights and benefits
GRI 408: Child Labor (2016)	408-1 Operations and suppliers at significant risk for incidents of child labor	Employee rights and benefits
GRI 409: Forced or Compulsory Labor (2016)	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Employee rights and benefits
GRI 413: Local Communities (2016)	413-1 Operations with local community engagement, impact assessments, and development programs	Social welfare Charitable events
GRI 414: Supplier Social Assessment (2016)	414-1 New suppliers that were screened using social criteria	Supply chain management
	414-2 Negative social impacts in the supply chain and actions taken	Building a Responsible Supply Chain
GRI 416: Customer Health and Safety (2016)	416-1 Assessment of the health and safety impacts of product and service categories	Product quality and safety
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	ESG Performance Data Sheet
GRI 417: Marketing and Labeling (2016)	417-1 Requirements for product and service information and labeling	Product quality and safety Customer service and rights protection
	417-2 Incidents of non-compliance concerning product and service information and labeling	ESG Performance Data Sheet
	417-3 Incidents of non-compliance concerning marketing communications	ESG Performance Data Sheet
GRI 418: Customer Privacy (2016)	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	ESG Performance Data Sheet

Index for the United Nations Sustainable Development Goals (SDGs)

SDG	SDG Target	Report Section
1 NO POVERTY	Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.	Charitable events
3 GOOD HEALTH AND WELL-BEING	Target 3.4: By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.	Sustainable Social Ecosystem: Empowering Beauty Social welfare
4 QUALITY EDUCATION	Target 4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.	Charitable events
	Target 4.7: By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.	Sustainable Social Ecosystem: Empowering Beauty Social welfare
5 GENDER EQUALITY	Target 5.1: End all forms of discrimination against all women and girls everywhere.	Sustainable Social Ecosystem: Empowering Beauty Social welfare
6 CLEAN WATER AND SANITATION	Target 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated waste water and substantially increasing recycling and safe reuse globally.	Emissions and waste
	Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	Water Management
7 AFFORDABLE AND CLEAN ENERGY	Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.	Energy management
	Target 7.3: By 2030, double the global rate of improvement in energy efficiency.	
8 DECENT WORK AND ECONOMIC GROWTH	Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	Employee rights and benefits
	Target 8.7: Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms.	Employee rights and benefits Building a responsible supply chain
	Target 8.8: Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	Employee rights and benefits Building a responsible supply chain Employee rights and benefits Occupational health and safety

SDG	SDG Target	Report Section
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	Resource conservation
	Target 9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.	Innovations in research and development
10 REDUCED INEQUALITIES	Target 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	Sustainable Social Ecosystem: Empowering Beauty Social welfare
11 SUSTAINABLE CITIES AND COMMUNITIES	Target 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.	Emissions and waste
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources.	Resource conservation
	Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	Green packaging Emissions and waste
	Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	Report Description
	Target 12.8: By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.	Sustainable Value Chain: Sharing Beauty
13 CLIMATE ACTION	Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	Climate change mitigation and adaptation
14 LIFE BELOW WATER	Target 14.1: By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.	Green packaging
15 LIFE ON LAND	Target 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.	Building a responsible supply chain
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Target 16.5: Substantially reduce corruption and bribery in all their forms.	Anti-corruption and business ethics

| Report Description

The Proya Sustainability & Environmental, Social, and Governance (ESG) Report 2023 (hereinafter referred to as "this Report") is the fourth sustainability and ESG report released by Proya Cosmetics Co., Ltd. It outlines the principles and performance of Proya Cosmetics Co., Ltd. in sustainable development and ESG governance in 2023, including environmental, social, and corporate governance issues of concern to key stakeholders.

Basis of preparation

This Report is formulated based on Guidelines No. 1 for the Self-Regulatory Rules of Companies Listed on the Shanghai Stock Exchange - Regulation of Operations (2023) released by the Shanghai Stock Exchange. It also references the Global Reporting Initiative (GRI) Standards (2021) and the United Nations Sustainable Development Goals (SDGs).

Principles of reporting

This Report applies the principles of the GRI Standards 2021 to ensure the quality and appropriate presentation of reported information.

Materiality

We identify material topics that are important to stakeholders and the company, and present them as a focus of this Report. While reporting material topics in this Report, we also consider the features of the industry in which we operate the company and the region we are located. For a detailed analysis of material topics and the results, please refer to the "Identification of material topics" and "Stakeholder communication" sections in this Report. Meanwhile, this Report prioritizes material topics related to the environment, society, and corporate governance.

Accuracy

We do our best to ensure the accuracy of the information in this Report. Particularly, the data caliber, calculation basis, and assumed conditions are provided for the measurement of quantitative information to ensure that calculation errors will not mislead the users of the information in this Report. For information about quantitative measurements and additional notes, please refer to the "ESG Performance Data Sheet" section of this Report. The Board of Directors warrants that this Report does not contain any false information, misleading statements, or significant omissions.

Balance

This Report reflects objective facts and provides unbiased disclosure of both positive and negative information about the company. We have searched on the Shanghai Qingyue Credit Database for the subject in this Report and did not find any undisclosed negative events that should have been disclosed during the Reporting Period.

Clarity

This Report is released in both Simplified Chinese and English. This Report contains tables, diagrams, and a glossary of professional terms, which are used to help readers better understand the textual content of this Report. To facilitate stakeholders to access information more quickly, this Report contains a table of contents and an index for ESG standards.

Quantification and consistency

This Report discloses key quantitative performance indicators and aims to provide as much historical data as possible. In this Report, indicators are subject to consistent statistical and analytical methods in different reporting periods. Where any statistical and analytical methods are changed, they will be fully explained as a note in the Report, so that stakeholders can perform meaningful analysis and evaluate our ESG performance and trends.

Integrity

This Report covers the cosmetics business of Proya Cosmetics Co., Ltd. and its subsidiaries. For more details, please refer to the section "Appendix: Scope of the report."

Timeliness

This Report is an annual report that covers the period from January 1, 2023, to December 31, 2023. We do our best to release the annual report as soon as possible after the end of the reporting year, so that stakeholders will have information they need to make informed decisions.

Verifiability

The cases and data in this Report are based on the actual records or financial reports generated during our operation. The sources of disclosed data and calculation processes are all traceable and can be used for third-party verification and inspection.

Scope of the report

Scope of organization: This Report covers the cosmetics business of Proya Cosmetics Co., Ltd. and its subsidiaries. The statistical scope of some data may vary. Explanations have been provided in the data section. For more details, please refer to the section "Appendix: Scope of the report."

The abbreviations in this Report are defined as follows:

Abbreviation	Definition
Proya, the company, we	Proya Cosmetics Co., Ltd.
Skincare factory	Proya Cosmetics Co., Ltd. Huzhou Branch
Makeup factory, Zhejiang Beauty	Zhejiang Beauty Cosmetics Co., Ltd.

Data description

The data and cases in this Report are based on the actual records or financial reports generated during our operation.

The financial data in this Report is presented in CNY. If there is any discrepancy between the financial data and our annual financial report, the annual financial report shall prevail.

Reliability assurance

Proya promises that this Report does not contain any false information, misleading statements, or significant omissions. The board of directors of Proya assumes general responsibility for ESG management and reporting.

We have searched on the Shanghai Qingyue Credit Database for the information of Proya Cosmetics Co., Ltd. involved in this Report, and did not find any negative environmental information.

Contact us

If you have any questions about this Report or Proya's ESG governance, please don't hesitate to contact us using the following methods.
Contact address: No. 588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province, China
Email: proya-group@proya.com
Tel.: +86-571-8735-2850
Website: www.proya-group.com

Appendix: Scope of the report

Number	Company Name	Included in This Report
1	Proya Cosmetics Co., Ltd.	Yes
2	Proya Cosmetics Co., Ltd. Huzhou Branch	Yes
3	Proya Cosmetics Co., Ltd. Shanghai Branch	Yes
4	Hangzhou Proya Trade Co., Ltd.	Yes
5	Hanna Cosmetics Co., Ltd.	Yes
6	Anya (Huzhou) Cosmetics Co., Ltd.	Yes
7	Yueqing Laiya Trading Co., Ltd.	Yes
8	Huzhou UZERO Trading Co., Ltd.	Yes
9	Mijing Siyu (Hangzhou) Cosmetics Co., Ltd.	Yes
10	Zhejiang Meiligu Electronic Commerce Co., Ltd.	Yes
11	Huzhou Chuangdai E-commerce Co., Ltd.	Yes
12	Hangzhou CORRECTORS Trade Co., Ltd.	Yes
13	Huzhou Keyan E-commerce Co., Ltd.	Yes
14	Hapsode (Hangzhou) Cosmetics Co., Ltd.	Yes
15	Hapsode Co., Ltd.	Yes
16	Huzhou Hapsode Trading Co., Ltd.	Yes
17	Hong Kong Keshi Trading Co., Ltd.	Yes
18	Hong Kong Xinghuo Industry Limited	Yes
19	Hong Kong Zhongwen Electronic Commerce Co., Limited	Yes
20	Hong Kong Xuchen Trading Limited	Yes
21	Huzhou Younimi Cosmetics Co., Ltd.	Yes
22	Ningbo TIMAGE Cosmetics Co., Ltd.	Yes
23	Hangzhou TIMAGE Cosmetics Co., Ltd.	Yes
24	Ningbo Keshi Trading Limited	Yes
25	Zhejiang Beauty Cosmetics Co., Ltd.	Yes

Number	Company Name	Included in This Report
26	Japan OR	Yes
27	Ningbo Tangyu Trading Co., Ltd.	Yes
28	Hangzhou Weiluoke Cosmetics Co., Ltd.	Yes
29	Hangzhou Oumisi Trading Co., Ltd.	Yes
30	Proya (Hainan) Cosmetics Co., Ltd.	Yes
31	Singuladerm (Hangzhou) Cosmetics Co., Ltd.	Yes
32	Proya (Zhejiang) Cosmetics Co., Ltd.	Yes
33	PROYA PTE. LTD.	Yes
34	PROYA BEAUTY MALAYSIA SDN. BHD.	Yes
35	PROYA PTE. LTD.	No
36	PROYA BEAUTY MALAYSIA SDN. BHD.	No
37	Hangzhou Luxiaotie Fitness Co., Ltd.	No
38	Proya Europe SARL	No
39	Shanghai Zhongwen Electronic Commerce Co., Ltd.	No
40	Huzhou Niuke Technology Co., Ltd.	No
41	Hangzhou Wanyan Culture Media Co., Ltd.	No
42	Hong Kong Wanyan Electronic Commerce Co., Limited	No
43	Ningbo Proya Enterprise Consulting Management Co., Ltd.	No
44	Zhejiang Qingya Culture Art Communication Co., Ltd.	No
45	BOYA (Hong Kong) Investment Management Co., Limited	No
46	Hangzhou Yizhuo Culture Media Co., Ltd.	No
47	Guangzhou Qianxi Network Technology Co., Ltd	No
48	Xuzhou Laibo Information Technology Co., Ltd.	No
49	Hubei Proya Technology Co., Ltd.	No

Greenhouse Gases Verification Statement

is awarded to

PROYA COSMETICS CO., LTD.

Bureau Veritas Certification (Beijing) Co., Ltd. (hereinafter referred to as BVC) was engaged to conduct an independent verification of the greenhouse gases (GHG) emissions reported by Proya Cosmetics Co., Ltd. for the period stated below. This verification statement applies to the related information included within the scope of work described below. The determination of the GHG emissions is the sole responsibility of Proya Cosmetics Co., Ltd. BVC's sole responsibility was to provide independent verification on the accuracy of the GHG emissions reported, and on the underlying systems and processes used to collect, analyze, and review the information.

Boundaries covered by the verification:

- Site name: Proya Cosmetics Co., Ltd.
- Site address: PROYA Building, No. 588, Xixi Road, Xihu District, Hangzhou City, Zhejiang Province, P.R.China
- Reporting period covered: 01/01/2023 to 31/12/2023

Organizational boundaries: Activities and facilities of Proya Cosmetics Co., Ltd. and its production factory under operational control approach (Refer to annex)

Reporting boundaries: Direct GHG emissions generated in R&D and sales of cosmetics, production of general liquid unit (hair care & clean type, skin care water type, gel type), cream emulsion unit (hair care type, skin care & clean type), powder unit (loose powder, pressed powder) cosmetics, wax-based unit products and related management activities within Proya Cosmetics Co., Ltd. and its production factory's organizational boundaries, as well as significant indirect greenhouse gases emissions

Emissions data verified under reporting boundaries:

- Category 1: Direct GHG emissions: 2054.66 tonnes of CO_2e
- Category 2: Indirect GHG emissions from imported energy (Location-based): 8857.27 tonnes of CO_2e
  Indirect GHG emissions from imported energy (Marke-based): 5366.23 tonnes of CO_2e
- Category 3: Indirect GHG emissions from transportation: 9817.46 tonnes of CO_2e
- Category 4: Indirect GHG emissions from products used by organization: 74188.51 tonnes of CO_2e
- Category 5: Indirect GHG emissions associated with the use of products from the organization: 4188.55 tonnes of CO_2e
- Category 6: Indirect GHG emissions from other sources: Non-significant indirect emissions and not quantified

Total quantified emissions (Location-based): 99106.45 tonnes of CO_2e

Total quantified emissions (Market-based): 95615.41 tonnes of CO_2e

Limitations and exclusions: Excluding other non-significant indirect GHG emissions

GHG reporting protocol against which verification was conducted:

- ISO 14064-1:2018 Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals

GHG verification protocol used to conduct the verification:

- ISO 14064-3:2019 Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statements

Level of assurance and qualifications:

- Reasonable

Certification body address: Room 02, 9 / F, West Office Building 1, Oriental Economic and Trade City, Oriental Plaza, No.1 East Chang'an Street, Dongcheng District, Beijing, China. 100738
Further clarifications regarding the verification scope of this statement may be obtained by consulting the organization.
To check this statement validity please call: +86 10 59683888 or +86 20 83073800
Page 1 of 3

GHG verification methodology:

- Interviews with relevant personnel;
- Review of documentary evidence;
- Review of data and information systems and methodology for GHG emissions data collection, aggregation, analysis, and review of information used to determine GHG emissions;
- Sample verification of data to determine GHG emissions.

Assurance opinion:

Based on the verification process and findings, the GHG emission data in the GHG inventory report from Proya Cosmetics Co., Ltd. is in conformance with ISO 14064-1:2018.

Statement of independence, impartiality, and competence

Bureau Veritas Group is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 190 years' history in providing independent assurance services.

No member of the verification team has a business relationship with Proya Cosmetics Co., Ltd. and its directors or managers beyond that required by this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest.

Bureau Veritas Group has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

Lead verifier: *Guoqiao FENG*

Statment No.: EMI21763430GZ

Version No.: No.1

Verification date: 25~27/03/2024

Issue date: 02/04/2024

Signed on behalf of
Bureau Veritas Certification (Beijing) Co., Ltd.

Certification body address: Room 02, 9 / F, West Office Building 1, Oriental Economic and Trade City, Oriental Plaza, No.1 East Chang'an Street, Dongcheng District, Beijing, China. 100738
Further clarifications regarding the verification scope of this statement may be obtained by consulting the organization.
To check this statement validity please call: +86 10 59683888 or +86 20 83073800
Page 2 of 3

Bureau Veritas Certification

VERIFICATION STATEMENT
GREENHOUSE GASES EMISSIONS
Annex

Code	Company name	Address	Reporting boundaries	Emissions data verified under reporting boundaries:	
1	Proya Cosmetics Co., Ltd.	PROYA Building, No. 588, Xixi Road, Xihu District, Hangzhou City, Zhejiang Province, P.R.China	Direct GHG emissions generated in R&D and sales of cosmetics and related management activities within the organizational boundaries, as well as significant indirect greenhouse gases emissions	Category 1:	807.99
				Category 2:	2121.19
				Category 3:	9804.55
				Category 4:	47474.12
				Category 5:	4188.55
				Category 6:	/
2	Proya Cosmetics Co., Ltd. Huzhou Branch	No.16, North Guodao Road, Shangqiang Industrial Park, Huzhou City, Zhejiang Province, P.R. China	Direct GHG emissions generated in production of general liquid unit (hair care & clean type, skin care water type, gel type), cream emulsion unit (hair care type, skin care & clean type), powder unit (loose powder type) cosmetics and related management activities within Proya Cosmetics Co., Ltd. Huzhou Branch's organizational boundaries, as well as significant indirect greenhouse gases emissions	Category 1:	1246.67
				Category 2:	Location-based: 6278.59 Market-based: 2787.55
				Category 3:	1.38
				Category 4:	24595.35
				Category 5:	/
				Category 6:	/
3	Zhejiang Beauty Cosmetics Co., Ltd.	Building 2, No.55, Guanze Road, Daixi town, Wuxing District, Huzhou City, Zhejiang Province, P.R.China	Direct GHG emissions generated in manufacture of cosmetics, including general liquid unit (skincare lotion, gel, hair cleaning and care), cream and emulsion unit (skin cleaning and care, hair conditioner), powder unit (loose powder, pressed powder) and wax-based unit products and related management activities within Zhejiang Beauty Cosmetics Co., Ltd.'s organizational boundaries, as well as significant indirect greenhouse gases emissions.	Category 1:	0
				Category 2:	457.49
				Category 3:	11.53
				Category 4:	2119.04
				Category 5:	/
				Category 6:	/

Statement Number: EMI21763430GZ
Comment:
Category 1: Direct GHG emissions
Category 2: Indirect GHG emissions from imported energy
Category 3: Indirect GHG emissions from transportation
Category 4: Indirect GHG emissions from products used by organization
Category 5: Indirect GHG emissions associated with the use of products from the organization
Category 6: Indirect GHG emissions from other sources

Certification body address: Room 02, 9 / F, West Office Building 1, Oriental Economic and Trade City, Oriental Plaza, No.1 East Chang'an Street, Dongcheng District, Beijing, China. 100738
Further clarifications regarding the verification scope of this statement may be obtained by consulting the organization.
To check this statement validity please call: +86 10 59683888 or +86 20 83073800
Page 3 of 3

Bureau Veritas Certification

INDEPENDENT ASSURANCE STATEMENT

Introduction and Objectives of Work

BUREAU VERITAS has been engaged by Proya Cosmetics Co., Ltd. (hereafter referred to as "Proya") to conduct an independent assurance to Proya 2023 Sustainability & Environmental, Social, and Governance (ESG) Report (hereafter referred to as "the Report"). This Assurance Statement applies to the related information included within the scope of work described below. This information and its presentation in the report are the sole responsibility of the management of Proya. Bureau Veritas was not involved in the drafting of the Report. Our sole responsibility was to provide independent assurance on its content.

Scope of Work

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard V3, type 2 Accountability principles and performance information engaged. The scope of work included:

- Verifying the accuracy and objectivity of key data, information and their management support systems during the disclosure period 1st January, 2023 to 31st December, 2023;
- Evaluating the management process of collecting, summarizing, analyzing and inspecting the data and information in the Report;
- Evaluation of the Report against the main principles of the AA1000 Accountability Principles (2018)
  - Inclusivity
  - Materiality
  - Responsiveness
  - Impact
- The assessment team visited Proya headquarter (located in PROYA Building, No. 588, Xixi Road, Xihu District, Hangzhou City, Zhejiang Province, P.R. China) and relative functional departments, Bureau Veritas did not visit its other stakeholders.

Excluded from the scope of our work is any assurance of information relating to:
- Activities outside the defined assurance period;
- Positional statements (statements of beliefs, goals, future intention and future commitment);
- Much of the operating financial data in this Report is taken from Proya Annual Reporting and accounts, which is separately audited by an external auditor and therefore excluded from the scope of the Bureau Veritas assurance.

The level of assurance have been applied as moderate level assurance.

Methodology

As part of its independent assurance, Bureau Veritas undertook the following activities:
- Interviewing with relevant personnel of Proya;
- Reviewing of documentary evidence produced by Proya;
- Auditing of sampled ESG performance data;
- Assessment of data and information systems for collection, aggregation, analysis and review.

Our work was conducting verification against Bureau Veritas' standard procedures and guidelines for external Assurance of Sustainability Reports, based on current best practice in independent assurance. For this assignment, we have used the verification rules and instructions such as ISAE3000, AA1000 and GRI standards. The work was planned and carried out to provide reasonable and limited, rather than absolute assurance and we believe it provides a reasonable basis for our conclusions.

Our Findings

On the basis of our methodology and the activities described above, it is our opinion that:

- The information and data included in Proya 2023 Sustainability & Environmental, Social, and Governance (ESG) Report are accurate, reliable and free from material mistake or misstatement;
- The Report provides a fair representation of Proya's activities over the reporting period;
- The information is presented in a clear, understandable and accessible manner, and allows readers to form a balanced opinion over Proya's performance and status during the 1 st January, 2023 to 31st December, 2023;
- The Report properly reflects the organisation's alignment to and implementation of the AA1000 Assurance Standard V3 principles of Inclusivity, Materiality, Responsiveness and Impact in its operations. Further detail is provided below;
- Proya has established appropriate systems for the collection, aggregation and analysis of relevant information;

Verification Conclusion

On the basis of our methodology and the activities described above, it is our opinion that none of the information included in the report are not objective, reliable and free from material mistake or misstatement.

Inclusivity

Proya has processes in place for engaging with key stakeholders including socially responsible investors, clients, employees, supply chain and local community; and has undertaken a number of formal stakeholder engagement activities in 2023 covering a range of material topics such as Economic, Social and Environment.

Objectivity

The information and data presented in the report are objective and reliable. Proya uses information system to collect and aggregate sustainability data. Through the on-site verification, the evidences provided by Proya are reliable and the content of the report is objective.

Completeness

The scope of the report covers Proya and all entities with financial and operational control, focusing on "Environmental responsibility", "Product and customer responsibility", "Supply Chain responsibility", "Employees responsibility" and "Community responsibility", and disclosing issues of stakeholder concerns such as the company's Corporate governance and Compliance operation, and the Report is prepared with reference to the GRI Sustainability Reporting Standards (hereafter referred to as "GRI Standards").

Materiality

According to GRI standards requirements, Proya identifies relative key sustainability issues in a rational manner, and discloses the company's strategy, management actions and performance data. The content of the report conforms to the principal of materiality.

Responsiveness

Focused on issues stakeholders concerned, the report discloses and responds particularly to key sustainability issues such as Products and services quality, Chemicals safety and contents transparency, responsible marketing, Green Packaging and Employee rights & benefits and so on. So the report is responsive.

Impact

Proya's management system can monitor, measure and be accountable for how their actions affect their broader ecosystems.

Statement of Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Society responsibility and Environmental management with more than 196 years history in providing independent assurance services. None of the member of the assurance team has a business relationship with Proya. We have conducted this verification independently, and there has been no conflict of interest.

AA1000
Licensed Report
000-76/V3-EBPLO

Fanny Zou
Director of Greater China Region
Bureau Veritas Certification
2024/04/09

Guoqiang Lu
Assurance Team Leader
Bureau Veritas Certification
2024/04/08