

2021

| Environmental, Social &
| Governance (ESG) Report



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Co-Founders' Message



In 2021, Proya celebrated its 18th anniversary. In the 18 years since our establishment, we have worked hard against all odds to evolve and grow. We are committed to becoming a world-class cosmetics enterprise. In this highly-competitive 21st century, we have lived up to market expectations and achieved multiple transformational milestones. These transformations have ranged from the production of our first bottle of skincare product with the aim of breaking into the cosmetics and personal care products market to embarking on a period of "secondary entrepreneurship" for brand-based development, as well as the rapid development of e-commerce and live-streaming opportunities in order to accelerate our growth. We are making steady progress in the business of creating beauty.

Since our inception, Proya has attached great importance to technological innovation. We always maintain a high percentage of investment in R&D and focus on planning for independent R&D and production to empower our products through technology. In recent years, Proya has established strategic partnerships with many organizations around the world to implement global supply chain projects and to build technical cooperation bridges with a global perspective. In 2021, we strengthened our basic research capabilities by establishing the International Scientific Research Institute in addition to our existing R&D Innovation Center. We also launched the Longwu R&D Center construction project to further enhance our R&D capabilities.

We are well aware that the growth of Proya is intertwined with the development of society, the prosperity of the industry, and the diligence and hard work of our staff. **As a corporate citizen, Proya upholds the philosophy of dedicating ourselves to creating beauty with gratitude and giving back to society with reverence. We are committed to bringing a better life to everyone and to working with the entire value chain to create a beautiful planet through sustainable development actions.**

We care about our employees. Proya strives to create a happy and inviting workplace environment for our employees. By listening to our employees and meeting their needs, we provide them with solid protection in their work and life. In 2021, we conducted several "Star" employee activities and celebrated holidays with them. We also valued employee feedback to improve the office experience within each of our processes. This demonstrates our sincere concern for our employees in every detail.

We care about our society. By fulfilling our mission of Everlasting Beauty and sharing bliss, Proya conveys the value of beauty to society. We care about the living conditions and mental health of women and youth groups. In 2021, we conducted social advocacy and public welfare activities in various ways, such as cross-border collaborations, to continuously advocate gender equality and provide companionship, support, and assistance to young people.

We care about our planet. The sustainable development of our planet requires the joint efforts of all members of society. Proya relentlessly pursues products that are sustainable throughout their life cycle. Although the journey ahead may be long and arduous, with sustained hard work we will eventually reach our destination and embrace a brighter future. In 2021, we made progress in manufacturing processes, packaging material applications, warehousing, and logistics. We implemented several measures to reduce the carbon footprint of our products, such as the introduction of photovoltaics to reduce energy consumption and the reduction or recycling of packaging materials. In the future, we will continue to create sustainable products to help achieve carbon peaking and carbon neutrality goals. We will also continue to contribute to the preservation of our beautiful planet.

Meanwhile, we will continue to promote the construction of the ESG system and make solid ESG management the foundation of sustainable corporate development. In 2021, the Company established an ESG management structure led by the board of directors and set up an ESG Management Committee and an ESG Implementation Team to ensure the efficient execution of ESG tasks. In 2022, we will develop our first medium- and long-term ESG development plan to help the Company overcome difficulties and achieve long-term stable growth.

In 2022, the "18-year-old" Proya begins a new chapter of development. We will continue to abide by the sustainable concept and unswervingly follow the path of high-quality development driven by technological innovation. We will conduct our business and strengthen ESG construction more sustainably. In addition, we will promote green, low-carbon, and high-quality development to create an environmentally-friendly and socially-responsible Proya, thus making new and greater contributions to the healthy and sustainable development of China's cosmetics industry.

About Proya Cosmetics Co., Ltd.

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 sale of cosmetics. Our brands cover a wide range of beauty product areas such as popular exquisite skincare, make-up, and high-efficacy skincare, as well as body and hair products. We are committed to becoming a world-class cosmetics enterprise through continuous technological and marketing innovation and product optimization.

Company name: Proya Cosmetics Co., Ltd.

Stock code: 603605 (Shanghai Stock Exchange)

Headquarters location: Hangzhou City, Zhejiang Province

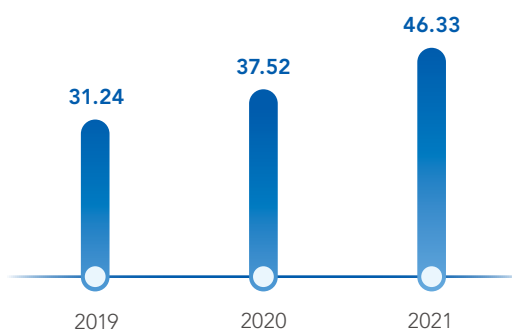
Established in: 2006

Company business and size:

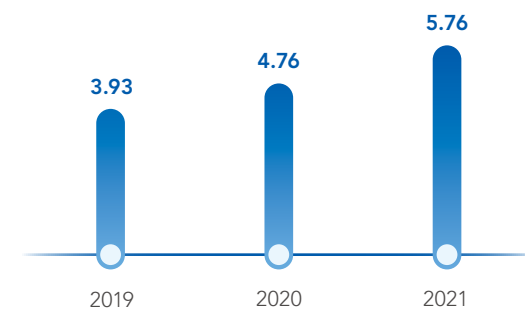
- The Company develops, manufactures, and sells cosmetic products primarily on the Chinese mainland. We have two manufacturing factories for skincare and make-up products in Huzhou, Zhejiang Province, and sales subsidiaries in Hong Kong China, Korea, Japan.
- The Company's sales network encompasses multiple channels, such as e-commerce platforms, specialty stores for cosmetics and personal care products, shopping malls, supermarkets, and single-brand stores.
- The Company had 2,844 employees as of the end of the reporting period.



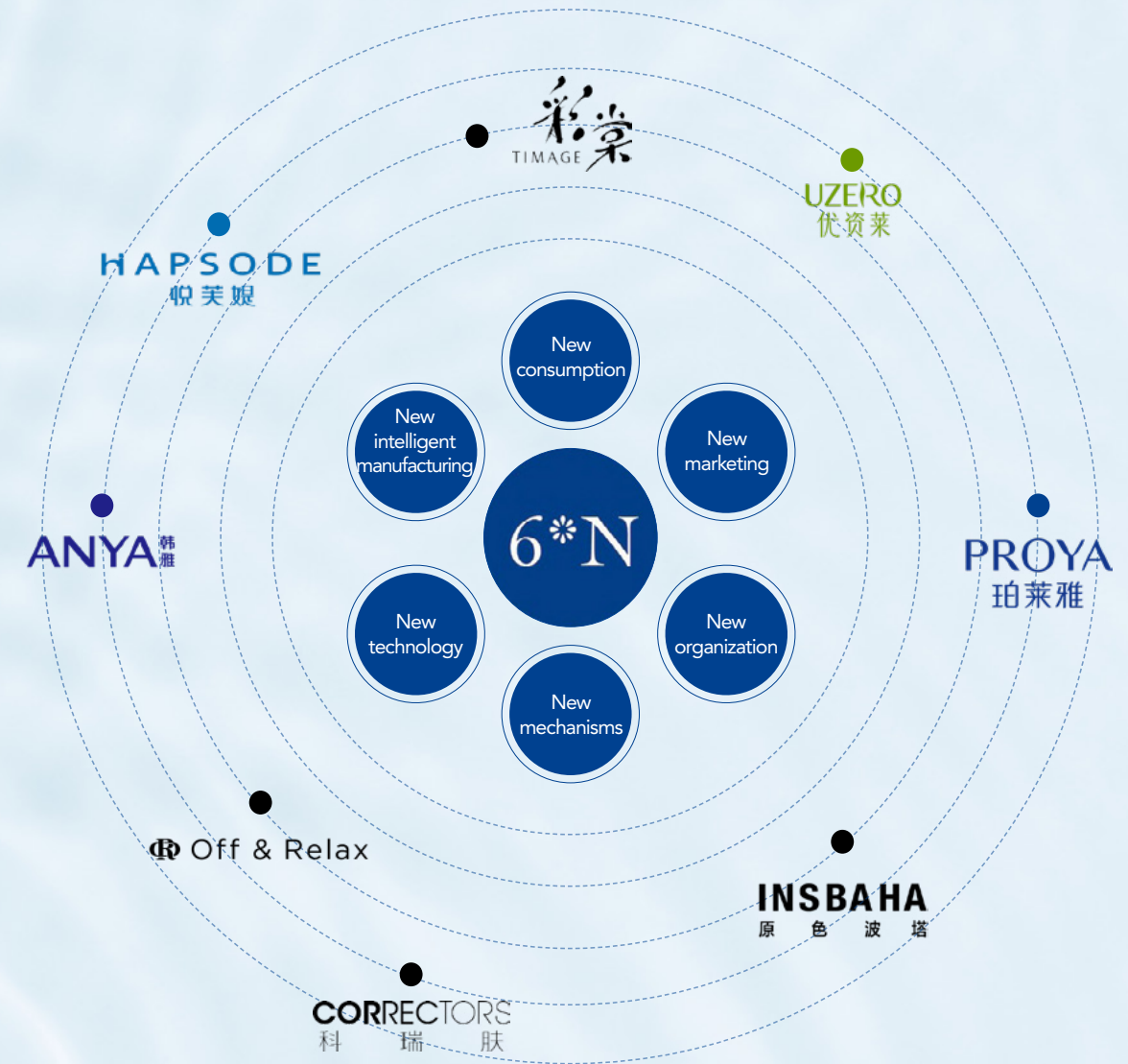
Operating revenue (Unit: RMB100 million)



Net profit attributable to shareholders of listed companies (Unit: RMB100 million)



"6*N" development strategy



The kernel of "6*N" is originated from the 6 capacities above, empowering and incubating "unique" brands that meet the "unique" needs of "unique" consumers

Company performance highlights

Company honors

Honor	Awarding body
Top 100 Most Valuable Companies Listed on China's Mainboard at the 15th Chinese Listed Companies Value Awards	The Securities Times
Top 10 Beauty Brand in Zhejiang Province in 2020	Zhejiang Health Products and Cosmetics Industry Association
2021 China Intelligent Production Outstanding Application Award	e-works.net.cn
Zhejiang Province Collaborative Supply Chain Innovation Complex Contractor	Zhejiang Province Circulation and Consumption Work Leading Group Office
Outstanding Industrial Product of Zhejiang Province in 2021 (the Proya Deep Ocean Energy Essence 2.0 for wrinkle reduction and skin tightening)	Zhejiang Federation of Industrial Economics
Innovative Consumer Product (the Proya Deep Ocean Energy Essence for energizing, rejuvenating and firming your skin and reducing wrinkles)	China Association of Fragrance, Flavoring, and Cosmetics Industries
Outstanding Group in Drug Safety Governance and Technology Empowerment 2021	Zhejiang Provincial Drug Administration
National "Dual Love and Dual Evaluation" Advanced Enterprise Union (selection of excellent employees who love their enterprises and excellent managers who support and care for their employees)	All-China Federation of Industry and Commerce
China Outstanding Paper Award	IFSCC Conference 2021 (Cancun, Mexico)

Sustainable development performance

Economy

Total tax payment	Social contribution per share	Total cash dividends (tax included)	Cash dividends per 10 shares
RMB 432,668,300	RMB 7.24	RMB 172,868,570.76	RMB 8.60 (tax included)

Society

R&D investment as a percentage of the parent company's operating revenue	Number of product health and safety violations	Percentage of workdays lost due to work-related injuries
3.55%	0	0%

Environment

Equivalent Greenhouse gas emissions per RMB 10,000 of revenue	Materials used per RMB10,000 of revenue	Number of environmental safety accidents
18.19 kg of CO ₂	13.08 kg of packaging	0

Proya's Sustainability Governance System

Sustainable development concept

Proya upholds the corporate mission of Ever-lasting Beauty and sharing bliss. We provide consumers with innovative products based on solid and holistic ESG management, thus enabling them to enjoy a beautiful life. We help our employees succeed by implementing people-oriented management. We are also enthusiastic about good causes and help to build a beautiful society with our brand power. We work with our entire value chain to protect our beautiful planet and to share a better life with our employees, consumers, and society.

Corporate mission

Ever-lasting beauty and sharing bliss

Corporate vision

To become a world-class cosmetics enterprise

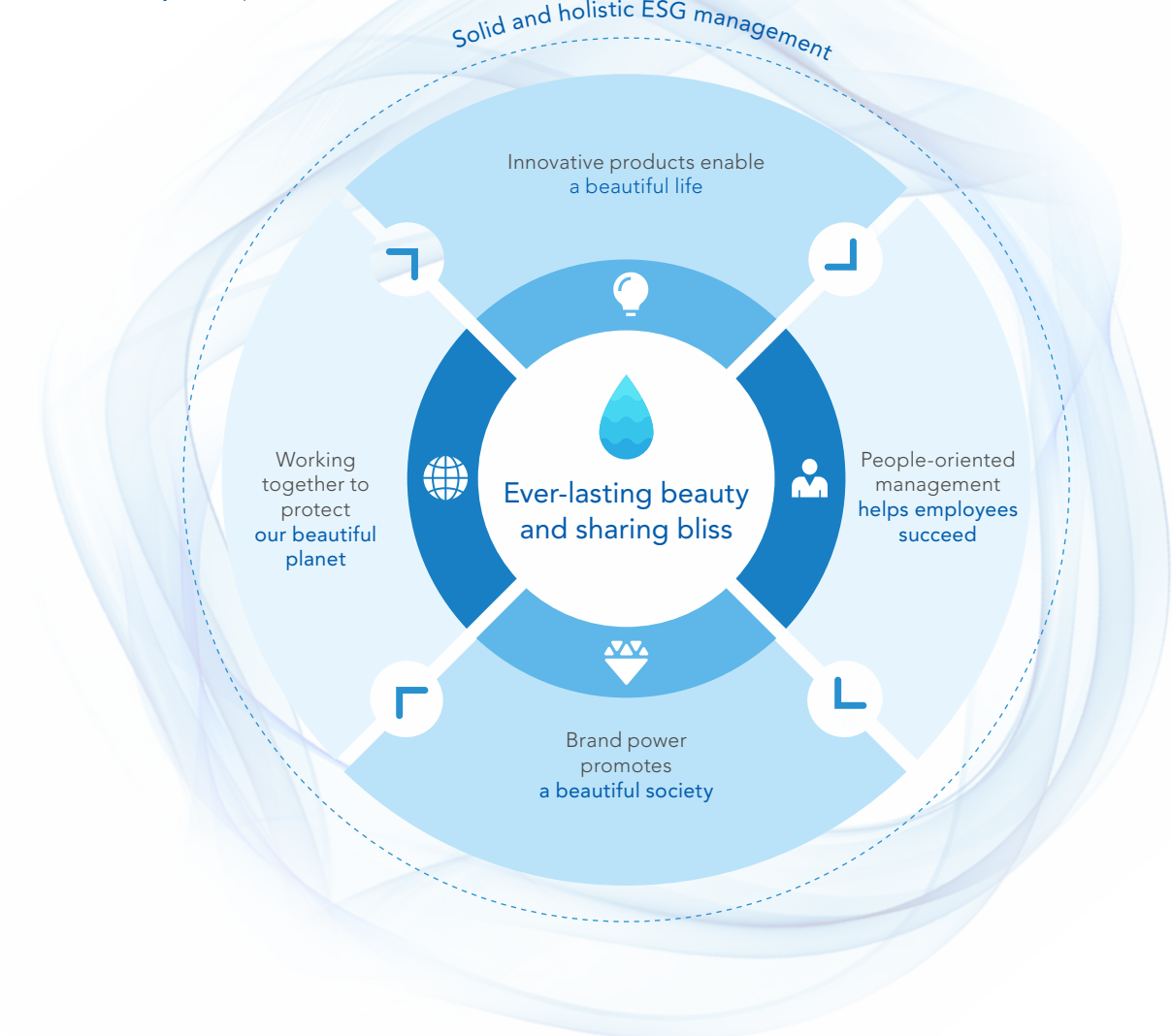
Corporate spirit

Diligence, pragmatism, passion, aggressiveness, integrity, and gratitude

Core corporate values

Responsibility, willingness to learn, high efficiency, collaboration, innovation, and fairness

Sustainability development model



Contributing to the achievement of global sustainable development goals


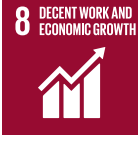
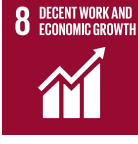
The 2030 Agenda for Sustainable Development, formally adopted by 193 UN member states in 2015, includes 17 Sustainable Development Goals (SDGs) as well as 169 targets. The SDGs were established taking into account the economic, social, and environmental dimensions of sustainable development. The SDGs are designed to end poverty, hunger, and inequality and to empower all women and girls. These goals are also a universal call to action to build a peaceful, just, and inclusive society and to protect the planet and its natural resources.

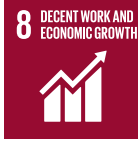





The 17 SDGs and their 169 targets have become an important framework for businesses to work in solidarity to address complex and interconnected global issues. As a responsible company, we want to play an important role in achieving these goals.

Based on our sustainable development model, we will focus on the achievement of the following SDGs: Goal 5 (gender equality), Goal 8 (decent work and economic growth), Goal 12 (responsible consumption and production), and Goal 13 (climate action).



We also support the achievement of the following SDGs: Goal 1 (no poverty), Goal 3 (good health and well-being), Goal 4 (quality education), Goal 6 (clean water and sanitation), Goal 14 (marine life), Goal 15 (terrestrial life), and Goal 16 (harmonious, fair, and strong institutions).

Key SDGs

Target	Corporate action	Report sections
 <p>Target 5.1: End all forms of discrimination against all women and girls everywhere.</p>	We promote the concept of gender equality to help eliminate discrimination against women.	Gender does not divide us, prejudice does!
 <p>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, as well as equal pay for work of equal value.</p>	We drive economic development by investing, paying taxes, and providing jobs. We help our employees obtain decent jobs, and we ensure equal pay for work of equal value.	Employee rights and benefits
 <p>Target 8.7: Take immediate and effective measures to eradicate forced labor, and 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.</p>	We protect labor rights, prohibit the use of child labor, and oppose forced labor. We also require our suppliers to adhere to this principle.	Employee rights and benefits Building a responsible supply chain

Target	Corporate action	Report sections
 <p>Target 8.8: Protect labor rights and promote a safe and secure working environment for all workers, including migrant workers, in particular women migrants and those in precarious employment.</p>	We provide our employees with stable job opportunities and income as well as a good working environment.	Employee rights and benefits
 <p>Target 12.2: By 2030, achieve sustainable management and efficient use of natural resources.</p>	We follow sustainable sourcing principles in our procurement, use certified sustainable raw materials, and strive to use resources more efficiently in our production.	Resource conservation Building a responsible supply chain
 <p>Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.</p>	We improve production processes and reduce factory waste; through packaging reduction and recycling, we reduce waste in logistics and product use.	Green packaging Emissions management
 <p>Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.</p>	We publish an annual ESG report to disclose our sustainability information.	Report Description
 <p>Target 12.8: By 2030, ensure that people everywhere have relevant information and awareness for sustainable development and lifestyles that are in harmony with nature.</p>	We promote the sustainable development concept to our employees, consumers, and suppliers.	Working with partners: Leading a sustainable lifestyle
 <p>Target 13.3: Improve education, awareness-raising, and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning.</p>	We take steps to improve energy efficiency and reduce carbon emissions to combat climate change.	Responding to climate change

Other SDGs

Target	Corporate action	Report sections
 <p>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.</p>	<p>We participate in rural revitalization and provide assistance to villages in economically backward areas by pairing up with them.</p>	<p>Rural revitalization</p>
 <p>Target 3.4: By 2030, reduce by one-to third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.</p>	<p>We care about the mental health of young people and help them suffer less from psychological problems.</p>	<p>The Echo Project: Don't be ashamed of your feelings</p>
 <p>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.</p>	<p>We provide educational support to the villages we are paired with, such as supporting local students in their schooling.</p>	<p>Rural revitalization</p>
<p>Target 4.7: By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development through, among other things, education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of harmony and non-violence, global citizenship, and appreciation of cultural diversity and of the contribution of culture to sustainable development.</p>	<p>We promote the sustainable development concept and a sustainable lifestyle to our employees and consumers, and we conduct gender equality education.</p>	<p>Gender does not divide us, prejudice does! Working with partners: Leading a sustainable lifestyle</p>

Target	Corporate action	Report sections
 <p>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 wastewater, and substantially increasing recycling and safe reuse globally.</p>	<p>We have improved our production processes to reduce the emission of wastewater and hazardous waste from our factories.</p>	<p>Emissions management</p>
<p>Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawal and supply of fresh water to address water scarcity and to substantially reduce the number of people suffering from water scarcity.</p>	<p>We strive to boost water recycling during production to improve water efficiency.</p>	<p>Raw materials and water conservation</p>
 <p>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.</p>	<p>We reduce packaging waste by implementing green packaging management measures, thereby reducing marine pollution from land-based activities.</p>	<p>Green packaging</p>
 <p>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.</p>	<p>We follow sustainable sourcing principles and use sustainable-forest certified paper.</p>	<p>Building a responsible supply chain</p>
 <p>Target 16.5: Substantially reduce corruption and bribery in all their forms.</p>	<p>We strictly manage commercial bribery to eliminate corruption in our business operations.</p>	<p>Anti-corruption and business ethics</p>

Sustainable Development Contribution Report

The Chinese believe that *The Supreme Good is Like Water ; Water Nurtures All Living Things without Competing with Them* .

This reveals the true meaning of our sustainable development actions. We are committed to discovering, creating, and nourishing beauty to enable everyone to enjoy a beautiful life. We create the happiest workplace for our employees. Like water that silently nourishes all things, we are dedicated to creating a beautiful, fair, and kind social environment, thus contributing to the development of our beautiful planet.



Building a Happy Workplace for Employees

We believe that employees are the cornerstone of the company's development. Companies should share the achievements of business development with their employees. We aim to build a "happy workplace", that is, a caring, harmonious, and joyful working environment where employees feel satisfied, respected, and recognized.



A colorful workplace

At Proya, life is more than just work. We want our employees to maintain a work-life balance so that they can be physically and mentally healthy. Therefore, we encourage our employees to engage in various cultural and sports activities.

We have built an employee lounge with facilities such as ping-pong tables and fitness areas. We have also helped employees set up clubs, such as a basketball club, a music club, an outdoor activity club, etc. We provide an average of RMB1,200-1,500/year for each club and organize regular competitions to bring a colorful working life to our employees.

Club activities



Badminton club



Floral art club



Swimming club

A caring workplace

Every employee is a member of the Proya family. We sincerely care about their lives. When our employees encounter difficulties in their lives, we do our best to help them. We celebrate holidays and share the joy with our employees, providing them a homey atmosphere.

"Star" activities let the stars in the workplace shine

In August 2021, Proya organized the "Star Presenter" competition. We invited special guests and professional stand-up comedians to support the event. Employees created their own stand-up comedy pieces or other language pieces to compete with each other. After a comprehensive assessment of online voting and expert ratings, eight "star presenters" were finally selected.

In November 2021, Proya organized the "Star Singer" competition. After preliminary and secondary selections, a group of participants was selected to perform in the final round at a professional recording studio. The "star singers" performed enthusiastically throughout the competition and received continuous attention and "likes". They gave a wonderful live performance at the Company's 18th anniversary celebration.



Star Presenter awards

Enjoying reunion time during the heart-warming Chinese New Year - Chinese New Year activities

At the beginning of 2021, COVID-19 was still raging. The Company conducted Chinese New Year activities to help employees return home early to enjoy time with their families. Other employees who could not go home celebrated the Chinese New Year with the Company.

Activity I: COVID-19 PCR testing for a healthy return home

In accordance with pandemic prevention requirements, people were required to have a negative PCR test result within seven days before returning home during the Spring Festival. To make it easier for employees to complete their PCR tests, the company union contacted a third-party PCR testing facility to provide testing services at the office. The Company paid for the on-site service and applied for a team rate for employees. In the end, 488 employees completed their PCR tests at the Company.

Activity II: Staying in Hangzhou for New Year's Eve dinner

Many employees were unable to go back to their hometowns. Having learned of this situation, the company union organized a New Year's Eve group dinner for the employees remaining in Hangzhou and distributed New Year gifts, creating a heart-warming atmosphere for them.



Activity III: Sending Chinese New Year wishes

In February 2021, the Proya union invited more than a dozen artists from the Qingteng Art Center to write Chinese New Year couplets for employees as well as stickers featuring the Chinese character "Fu", which means happiness, blessing, and good fortune. Filled with the spirit of the New Year holiday, the event attracted enthusiastic employee participation. More than 1,200 sets of spring couplets and Fu character stickers were given away.



Various festivals were celebrated throughout the year

We prepare gifts for our employees on important holidays and carry out various holiday activities to allow our employees to experience holiday joy after work.



I am the "master" of my workplace

At Proya, we respect the opinions of our employees and maintain open lines of communication to build a satisfying working environment. On the one hand, we keep abreast of our employees' needs through regular satisfaction and touchpoint surveys to continuously improve their work experience. On the other hand, we work with our employees to make decisions that are truly well-received by them, including those regarding the welfare system and employee activities.

In addition, we focus on diminishing the concept of hierarchy among employees in order to build an equitable workplace environment. In 2021, we launched a campaign to encourage all employees to register and use nicknames instead of their job titles. The use of nicknames in daily communication weakens the hierarchical barrier and facilitates a better exchange of thoughts and ideas between employees.

Promptly responding to the employee need for improving canteen services

To provide convenient dining for employees, Proya has built a company canteen by bringing in external suppliers. In 2021, the Administrative Department noticed a decline in the number of employees dining in the canteen. It also found through regular touchpoint surveys that the canteen received several complaints from employees. Canteen service quality has a significant impact on employees' well-being. After receiving feedbacks, the Administrative Department carried out actions to improve the canteen service.

Problem	Solution
Poor complaint channels and sluggish feedback response	We split the canteen operation and maintenance functions and made the Company responsible for canteen supervision. We established feedback channels such as employee WeChat groups, suggestion boxes, and public notice boards.
Monotonous dishes	We introduced a monthly menu update policy to satisfy our employees.
Unreasonable food prices and an inadequate supply of food	We introduced a "daily specials" policy and required the canteen to increase the volume of food available.

In addition, we established a regular canteen inspection mechanism to check the canteen performance on a weekly and quarterly basis, thus motivating the canteen to continuously improve its service quality. After six months in practice, the canteen saw a 17% increase in turnover and a significant increase in dining rates and employee satisfaction.

The employee canteen may seem insignificant when compared with countless other business operations and is therefore often neglected. But for Proya, everything related to the employee experience is important and deserves to be done as well as it can be. We conduct questionnaires on the employee experience and internal service satisfaction in accordance with our biannual touchpoint survey system. This helps us to understand how the Company is doing and what our employees really think.

During the reporting period, Proya:



2

Conducted employee satisfaction and touchpoint surveys



132

Collected pieces of employee feedback

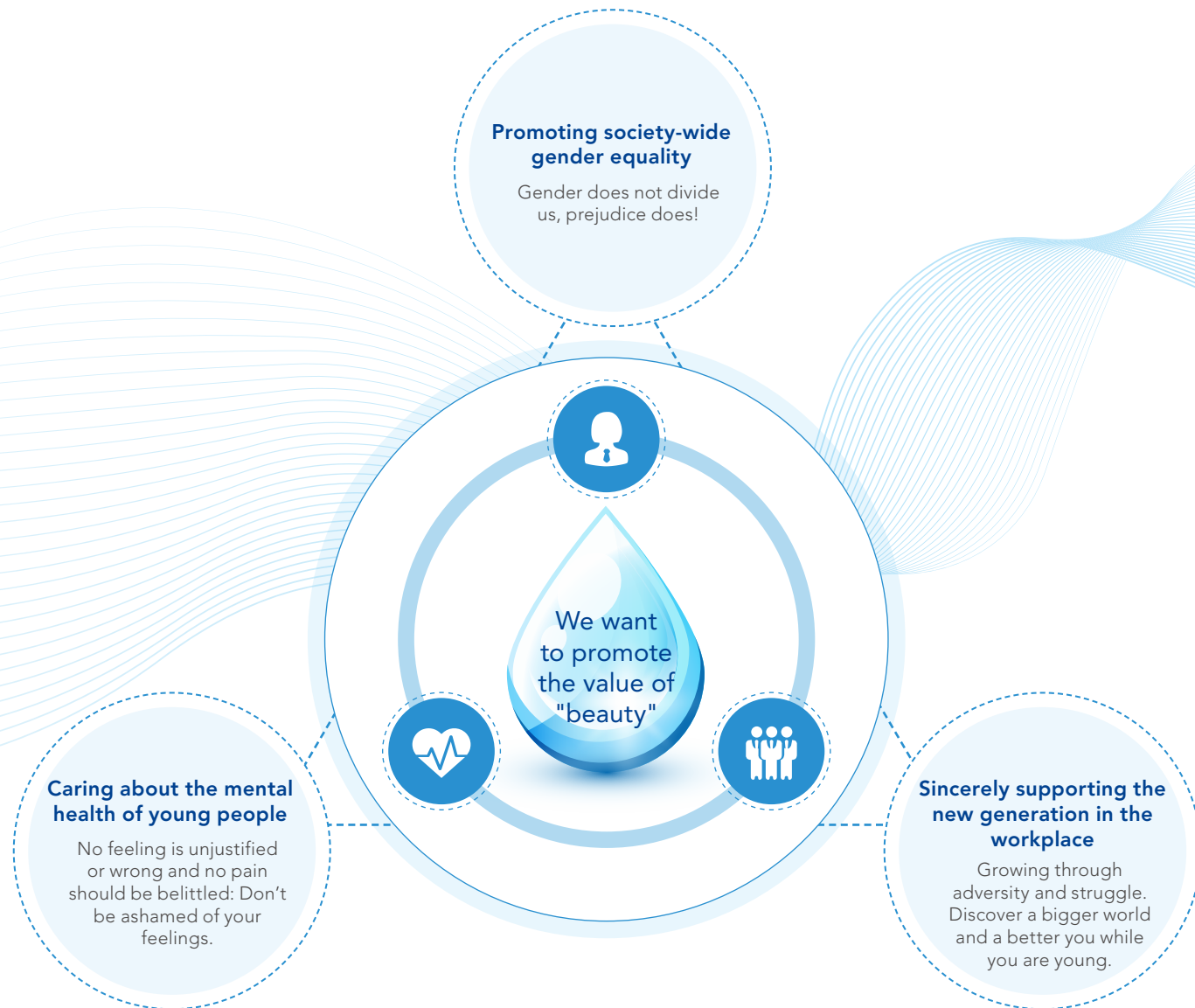


40

Conducted improvement actions

Brand Power Promotes Society

We believe that in the age of connectivity, no one is an island. We insist on expressing our views on social issues such as gender equality, mental health, and the new generation in the workplace. We share the social value of "beauty" and promote the values of mutual support, equality, and independence. We share happiness and tears with the world to help more people live a better life.



Gender does not divide us, prejudice does!

Women are Proya's most important customers. We have a long-standing commitment to women's causes and call for worldwide gender equality. We have found that many people make judgments based on gender in their daily lives. It is as if the word "feminine" has become a pejorative term, and a whole set of gender biases have developed along with it. In fact, gender bias not only limits women, but also men. Gender stereotypes have become a serious obstacle to gender equality.

To address the above issues, Proya and *China Women's Daily* launched the "Gender doesn't divide us, prejudice does!" campaign on Women's Day 2021. As of March 16, 2021, the campaign video had been played more than **25** million times. In addition, the campaign topic had been read **150** million times and discussed more than **103,000** times on the Weibo trend topic page, triggering widespread social resonance.

We published a full-page article ("Gender Doesn't Divide Us, Prejudice Does!") on the back page of an issue of *China Women's Daily* -

#性别不是边界线 偏见才是#
阅读1.1亿 讨论9万 详情>
主持人: 珀莱雅PROYA

导语: 此次三八妇女节, 珀莱雅联合《中国妇女报》发起「性别不是边界线 偏见才是」主题活动, 对抗性别偏见, 打破刻板印象, 让我们可以温柔, 也可...[更多]

We launched the #Gender doesn't divide us, prejudice does!# Weibo topic discussion, and engaged key opinion leaders from multiple fields to discuss gender issues in depth.



We released a promotional video in collaboration with singer Yu Zhen to fight gender bias, highlighting the expression of attitudes.

We invited a rising illustrator to design our gift box, and the T-shirt in the box was specially designed to look like a "blank page". We invited consumers to talk about the "gender bias" they encountered in their lives to pass on the idea of "fighting gender bias".

The Echo Project: Don't be ashamed of your feelings

Publicly-available information shows that mental health issues affect nearly one billion people worldwide each year. However, Chinese people have little knowledge about mental health. Misconceptions about mental health issues are one of the reasons why emotionally unhealthy groups are slipping further into the "tragic abyss".

Proya is concerned about the emotional difficulties faced by youth today and wants to provide them with care and strength by viewing them as equals in society. In 2021, Proya launched the Echo Project to focus on mental health. We proposed that "no feeling is unjustified or wrong and no pain should be belittled".

 Concepts	 Actions
<ul style="list-style-type: none"> We launched the Echo Project with <i>China Youth Daily</i> and xinli001.com. Specific activities included the following: <ul style="list-style-type: none"> We launched a TV commercial under the theme "Don't be ashamed of your feelings". We customized a youth mental health care handbook for the Echo Project - <i>The Incomplete Guide to Emotional Healing</i>. We collaborated with psychologists to provide professional perspectives. We invited psychologists Li Songwei and Zhang Chun to write articles on the topic #Don't be ashamed of your feelings#, calling for more attention to the mental health of youth in today's society. We released the first video focusing on youth mental health in China as well as an in-depth content documentary series. 	<ul style="list-style-type: none"> We established a mental health charity fund and a "spiritual resting place" under the Echo Project in collaboration with the China Youth Foundation. We conducted home-school spiritual growth activities to implement the Echo Project in specific campus scenarios. We collaborated with xinli001.com and invited Dr. Xu Kaiwen, a clinical psychologist, to co-host an open online class on mental health. We distributed more than 60,000 copies of the youth mental health care handbook at more than 60 universities in China. In addition, we distributed 100,000 copies with the Echo Project gift box to raise awareness of mental health among young students. We opened the application for the youth mental health care handbook to the public. More than a dozen universities, organizations, and social work groups volunteered to participate in this application process to reach out to more people and give them support.


 <p>Echo Project concept promotion materials</p>	<p>200</p> <p>申领理由 申请人作为广州市海珠区社工，是广州市团委、番禺区团委购买的社工项目，专门为6-25岁青少年提供社工服务。站点有了解到辖区内青少年因学习压力、家庭矛盾等原因出现不同的心理困扰，希望通过该心理健康关爱手册为更多的青少年拨开心理迷雾。</p> <p>申领手册数量 30</p> <p>申领理由 我是去年入职的心理老师，在此之前学校没有心理老师也没有开设心理健康课，而我上课甚至都没有教材也没有参加过市区的教研活动，特别缺乏专业系统的指导。学校将在下学期开设心理社团，初定有30名学生成员，希望能把手册经由社团成员继而传播给全体学生。</p> <p>Handbook application information</p>
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Dealing with a new world in the first year after graduation

Following the brand concept of "discovering more while you're young", Proya pays constant attention to the lifestyle and stories of Generation Z¹. In 2021, the first group of Gen Z-ers entered the workplace. In the first year after graduation, they have to learn to face society, life, and the future independently. They are easily confused and often unable to find a someone to talk with.

We understand young graduates should be given more attention and supports. Therefore, we reached out to younger generation and became a friend who always listens to them, comforts them, and stands with them. We embraced the unknown future with them.

As the year 2021 began, Proya launched the "Dealing with a New World in the First Year after Graduation" campaign in an effort to send the following message to the new generation in the workplace:



Grow through adversity and struggle. Discover a bigger world and a better you while you're young. The world might be different from what it seems to be, however, it is the assignment of life that every graduate should complete.

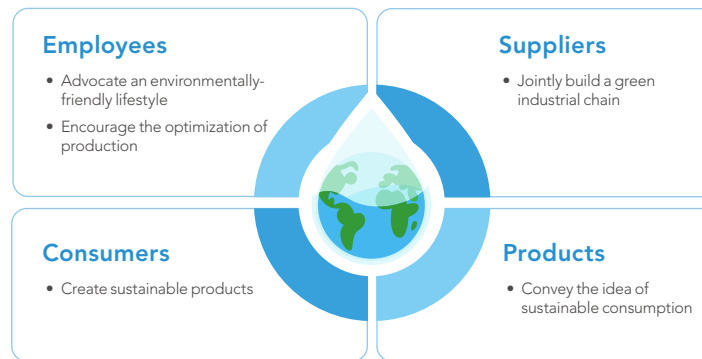
Listening and empathizing	Company and support
<ul style="list-style-type: none"> We collected 82 user stories, made each story an unique poster, and consolidated them into a "memorial album". We held a super-long illustration exhibition in Chongqing's Hongtudi Station, the deepest subway station in China. 82 illustrations were exhibited to vividly reflect the emotions of young graduates. We produced the promotional video - <i>The First Year after Graduation</i>. 	<ul style="list-style-type: none"> Young graduates face many challenges, with career difficulties being the most likely to come to their attention. After all, they can turn to their family and friends for help to solve their difficulties in life, but most of them can only resolve their career difficulties on their own. Together with Maimai, a Chinese workplace social platform, we released <i>A Guide to Thriving in the Workplace in the First Year after Graduation</i>. Authoritative survey data was used to help young people gain a broader understanding of the overall workplace situation, and thus draw career development advice from common experience. This provides real workplace solutions.



1. Generation Z refers to those who were born between 1995-2009.

Working Together to Protect Our Beautiful Planet

The sustainability of our planet is of great concern to everyone and requires the efforts of all members of society. We want to create more and better environmentally- and socially-friendly products throughout the entire process from R&D, procurement, and production to use and disposal. We aim to support global sustainability by encouraging more people to recognize, understand, and participate in a sustainable lifestyle.



Creating sustainable products: A journey of a thousand miles begins with a single step.

It is not easy to create truly sustainable products. This is not only because of the high cost of using eco-friendly materials, but also because it is often difficult to locate and procure them. At Proya, we have established a sustainable product model that covers the entire product lifecycle. We are continuously working to achieve this goal.

Our sustainable product model



- Sustainable raw materials**
 - Use natural and safe raw materials
 - Use RSPO certified palm oil
- Sustainable R&D**
 - Focus on compliance with R&D ethics
 - Focus on chemical safety
- Sustainable production**
 - Reduce energy consumption
 - Reduce emissions
- Sustainable packaging**
 - Reduce plastic consumption and use eco-friendly materials
 - Reduce packaging material consumption and ensure no over-packaging
 - Recycle and reuse packaging materials
- Sustainable warehousing and logistics**
 - Optimize routes and loads to reduce carbon emissions
- Use and disposal**
 - Reduce resource consumption in product use
 - Recycle packaging materials



Exploring sustainable packaging

Using sustainable packaging as an example, we have conducted various useful explorations into using eco-friendly materials and reducing plastic and packaging material consumption.

Upgrading packaging to reduce plastic consumption

We have been working hard to reduce plastic consumption in our product packaging. In 2021, we replaced some of the plastic used in packaging for products such as the anti-glycation and antioxidant PROYA Elastic Brightening Youth Essence (30ml) and the anti-wrinkle PROYA Deep Sea Energy Essence (30ml) with metallic aluminum. The use of plastic in the packaging of these products therefore has been reduced by more than **52%**.



产品示例

The improved packaging for these two products alone reduced plastic consumption by approximately **127.6 tons** during the reporting period.

Replacing plastic sealing bags with eco-friendly shrink films

Product sets sold on e-commerce platforms were packaged using plastic sealing bags. To reduce plastic consumption, the factory logistics department studied how to improve the packaging process. The logistics department and the equipment supplier jointly developed an automatic packaging machine, replacing the traditional plastic sealing bag with a POF eco-friendly shrink film.



A product set featuring improved packaging

The design was used in over **2 million** Proya product sets during the reporting period.

Replacing foam boxes with new eco-friendly nano-tech insulated boxes

When transporting cosmetics in cold areas in winter, they must be thermally packaged. Cosmetics used to be put into foam boxes to keep them insulated. These foam boxes, however, are not recyclable and can cause plastic pollution. Therefore, we have replaced the traditional foam boxes with new reusable and biodegradable nano-tech insulated boxes.



New nano-tech insulated box

As of the end of the reporting period, a total of **7,369** new nano-tech insulated boxes were used, replacing **14,738** traditional insulated boxes.



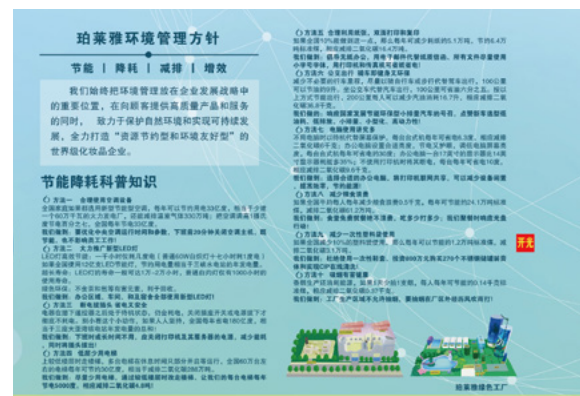
Working with partners: Leading a sustainable lifestyle

"You can walk more quickly on your own, but you can go further with others." On the road to sustainable development, we always walk side by side with our stakeholders. We promote the concept of sustainability and lead a sustainable lifestyle by using our energy voices heard. Together with our partners, we will build a strong line of defense to protect our planet.

Employees: Sustainable operations

Sustainable development is an important part of the Proya spirit. Proya's corporate culture manual, *Proya 32*, clearly puts forward the concept of valuing resource conservation and advocating environmental awareness. We promote the concept of sustainable development throughout our daily operations.

In addition, it is the consensus of all employees to pay attention to the environmental impact of each manufacturing or operational process and to spare no effort in reducing it. All of our employees are encouraged to offer suggestions regarding environmental protection. Even a minor procedure can be optimized and improved.



Promotion of environmental awareness in factories

2021年下半年度前湾湖州工厂合理化建议奖一览表			
合理化建议特等奖			
序号	所属部门	姓名	奖励
1	二车间包装组	李国栋、沈晨	现金1500元
合理化建议一等奖			
序号	所属部门	姓名	奖励
2	设备科	陈国建、陈利平	现金1000元
3	二车间办公室	李伟东	现金1000元
4	车间组	陈国建、陈利平	现金1000元
合理化建议二等奖			
序号	所属部门	姓名	奖励
5	一车间	陈国建、陈利平	现金500元
6	二车间	陈国建、陈利平	现金500元
7	一车间	陈国建、陈利平	现金500元

Recognition of employee suggestions

At Proya, many environmental initiatives begin with an employee or a departmental effort. After achieving progress, these initiatives are gradually rolled out company-wide. We believe that when individual contributions are combined, it creates an important force in reducing environmental impact and creating a beautiful planet.

Suppliers: Sustainable production

We have joined with our suppliers in focusing on sustainable production. We work together on innovative and sustainable production processes.

Reducing energy consumption in glass production

In 2021, we discussed with our suppliers the high energy consumption used in the production of glass cosmetic bottles. We then launched several energy-saving and consumption-reducing measures, including the following:

- We closed the sandblasting plant, which discharged large amounts of acidic wastewater and replaced it with a more eco-friendly coating process.
- We replaced the heavy oil and air combustion process with a natural gas and oxygen combustion process or adopted electric heating to replace traditional fossil energy sources in order to reduce harmful emissions.
- We recycled waste heat from the kiln. Waste heat can be converted into cool air for the workshop and office in summer and into daily heating and hot water use in winter.

Improving processes to reduce resource consumption

We have worked with our packaging container suppliers to evaluate and improve our production processes in order to reduce water and electricity consumption.

Consumers: Sustainable consumption

In guiding consumers towards sustainable consumption, we have incorporated our environmental philosophy into our product and packaging design to pass it on to our consumers. Several of our product packaging designs encourage our consumers to reuse packing boxes. We have designed the metal outer boxes of our product sets to be reusable boxes that can store jewelry and other small objects. We also printed small games on the inside of Proya's Tmall gift boxes.



Proya Ultimate Repairing Essence



Customized Proya Tmall gift box

ESG Management Practice Report

As important members of society, corporations have many stakeholders in their chain of operations. Fulfilling our responsibilities to our stakeholders is particularly important for solid business operations. As we aim to become *A World-class Cosmetics Enterprise*, we should continue to strengthen our ESG management in order to build a solid foundation for our long-term growth.

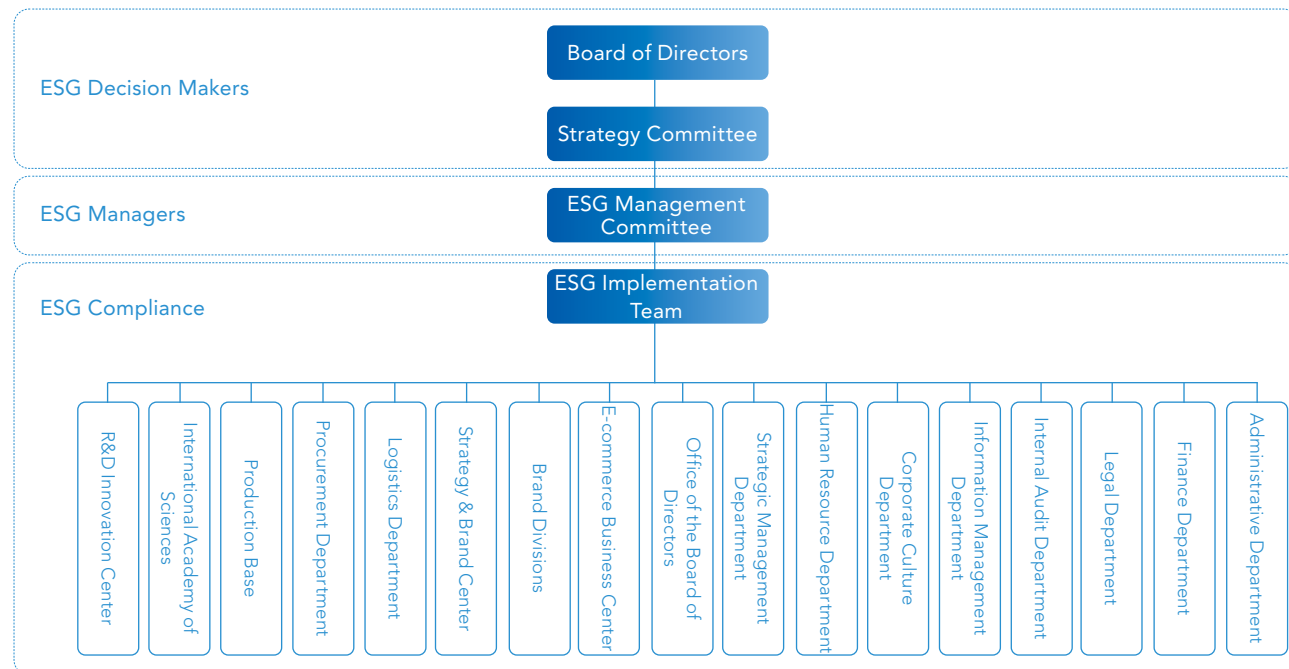


Environmental, Social, and Governance System

ESG management structure

The Company has established a company-wide ESG structure to ensure the efficient ESG tasks. The Corporate Strategy Committee takes the overall lead and formulates relevant strategic planning. Its ESG Management Committee is responsible for managing major ESG projects and for their performance evaluations and will report regularly to 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. In 2022, we will develop ESG strategic plans to further strengthen our integrated ESG management capabilities.

ESG management structure



ESG Management Committee

The ESG Management Committee is an independent department under the Strategic Committee and is composed of senior management members from the Office of the General Manager, 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 ESG work progress.

ESG Implementation Team

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

Stakeholder communication

The support and trust of our stakeholders is vital to Proya. When carrying out and promoting ESG management tasks, Proya focuses on the demands of stakeholders and actively communicates with them using 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

Stakeholders	Issues	Communication and response
Government and regulatory agencies (The National Medical Products Administration, local governments, et al)	<ul style="list-style-type: none"> Corporate governance Risk and compliance Hazardous emissions and waste 	<ul style="list-style-type: none"> Website announcements Government inspections Exchanges and visits
Investors and shareholders (investors who have equity and debt investments in Proya)	<ul style="list-style-type: none"> Corporate governance Economic performance Science and technology innovation 	<ul style="list-style-type: none"> Shareholder meeting Financial report release Seminars, interviews, etc.
Consumers	<ul style="list-style-type: none"> Product and service quality Responsible marketing and consumer education Chemical safety and ingredient transparency 	<ul style="list-style-type: none"> Field visits After-sales service
Employees	<ul style="list-style-type: none"> Employee rights and benefits Employee training and development Occupational health and safety 	<ul style="list-style-type: none"> Employee union interactions Employee training Employee handbook Interviews, etc.
Partners (industry associations, suppliers, distributors, etc.)	<ul style="list-style-type: none"> Responsible sourcing Product and service quality Industry development promotion 	<ul style="list-style-type: none"> Supplier training Distributor conference Technical exchanges Conferences Field inspections
Communities and the public (communities around sites of operation, public welfare organizations, etc.)	<ul style="list-style-type: none"> Public welfare Science and technology innovation Industry development promotion Climate change mitigation and adaptation Product carbon footprint 	<ul style="list-style-type: none"> Employee volunteer activities Community activities Public donations

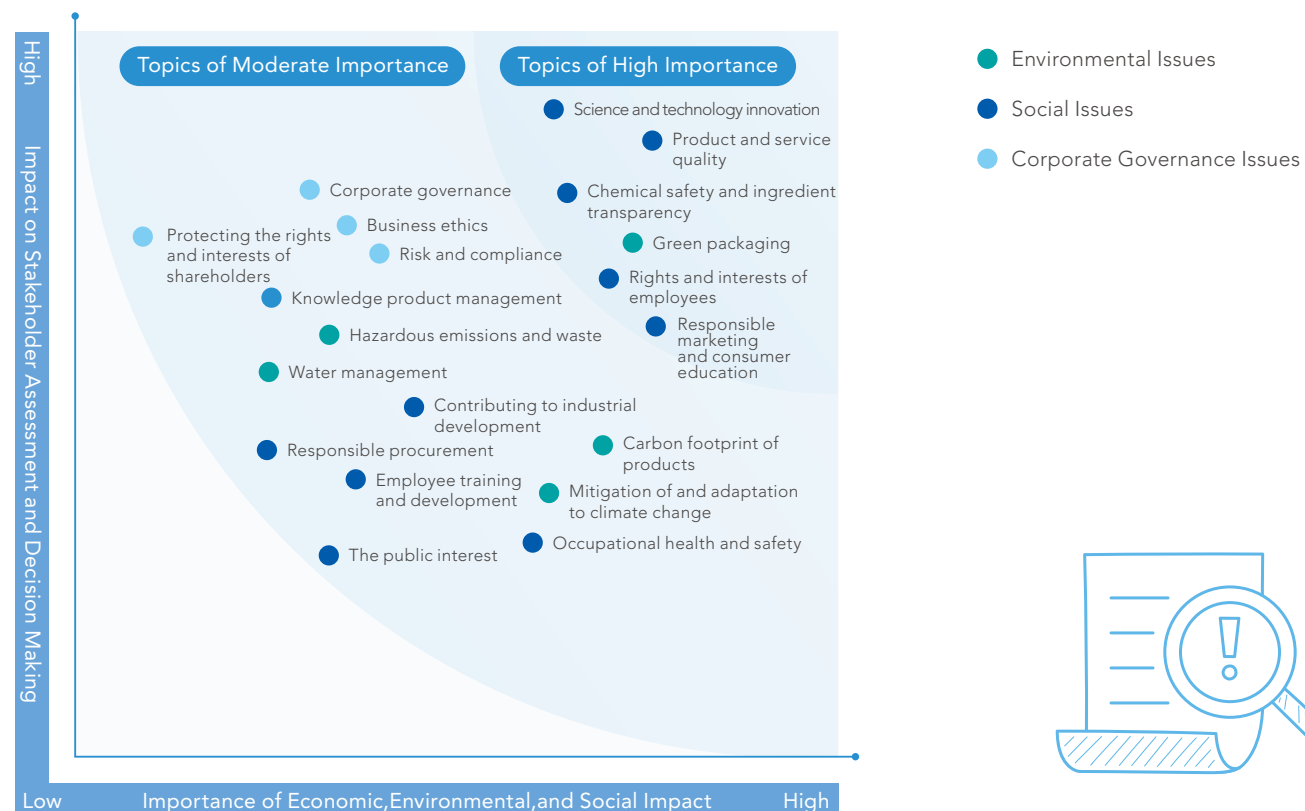
Identification of Substantive Issues

Proya identifies substantive issues through regular communication with internal and external stakeholders and in accordance with the "substantive issue" principle set forth in the GRI Standards for Sustainability Reporting (Global Reporting Initiative). When identifying substantive issues, we follow Chinese and international standards and industry policies and consider stakeholder priorities and expectations. We identify highly substantive ESG issues and prioritize them for corporate management and reporting disclosure, thereby continuously improving the value of the report.

Substantive issue identification process



Materiality matrix



Issue definition and update description

Update type	Update summary	Notes
Addition	We added the following six new issues: Responsible marketing and consumer education, chemical safety and ingredient transparency, water-use management, green packaging, product carbon footprint, and occupational health and safety.	We added the new issues based on policy analysis and peer benchmarking.
Consolidation	We consolidated the following original ten issues into five. Original issues: High-quality products, high-quality service, employee rights, democratic management, greenhouse gas emissions, efficient energy use, waste disposal, air emissions management, disclosure of information, and investor relations. Consolidated issues: Product and service quality, employee rights and benefits, climate change mitigation and adaptation, harmful emissions and waste, and protection of the rights and interests of shareholders.	We consolidated issues with similar meanings.
Presentation update	We updated the presentation of the following five issues. Employee training and development, community welfare, responsible sourcing, business ethics, and intellectual property management.	We updated the presentation of the issues to align with the reality of corporate management.

Definition of highly substantive issues

Substantive issue	Definition
Responsible marketing and consumer education	The Company provides factual and complete product information (product logos, etc.) when conducting marketing activities. The Company promotes products using credible, standardized, and transparent channels and methods. The Company encourages sustainable consumption by promoting package recycling and informing consumers about the environmental features of company products through product logos.
Chemical safety and ingredient transparency	The Company reduces chemical hazards by eliminating or reducing the use of hazardous and controversial chemicals and developing alternative products. The Company endeavors to become more transparent to consumers about our product ingredients. This allows our consumers to easily access information about our chemical use and its hazards.
Green packaging	The Company reduces the environmental impact of product packaging by simplifying and recycling product packaging and improving packaging materials.
Product and service quality	The Company guarantees product quality, provides excellent customer-oriented service, ensures efficient complaint handling, and protects consumer privacy.
Employee rights and benefits	The Company protects the civil, political, economic, social, and cultural rights of employees in the areas of hiring and termination, compensation, working hours, and employee communication. The Company also improves employee well-being through diverse employee-care activities.
Science and technology innovation	The Company ensures successful product R&D and innovation and provides healthier products.

Environmental Responsibility

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, the Regulations on the Management of Hazardous Chemicals, and the Law of the People's Republic of China on Energy Conservation. The Company follows an environmental management policy to save energy, reduce consumption and emissions, and to 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.

During the reporting period, the Company obtained ISO14001:2015 Environmental Management System certification (valid until February 14, 2025). The Company's resource use had no significant impact on the environment. During this period, the Company paid environmental protection taxes and fees in full and there were no violations of environmental protection laws or regulations.

An analysis of the impact of the Company's production and operation processes on the environment is shown in the table below.

Analysis of the environmental impact of each process

Process	Input	Output	
Production	Steam generation, paste making, and heating	<ul style="list-style-type: none"> Energy: Natural gas 	<ul style="list-style-type: none"> Greenhouse gas Air emissions: VOCs, NOx, and smoke.
	Air conditioning and refrigeration, production power, and lighting	<ul style="list-style-type: none"> Energy: Outsourced electricity 	<ul style="list-style-type: none"> Wastewater: COD and NH3-N. General waste: Discarded product packaging, expired products, discarded membranes and filters, sludge from sewage stations, domestic waste, and kitchen waste from canteens.
	Product ingredient water, process media, and cleaning	<ul style="list-style-type: none"> Water: Municipal water supply 	<ul style="list-style-type: none"> Hazardous waste: Hazardous reagents from laboratories, waste machine oil, waste ink, etc.
	Product packaging	<ul style="list-style-type: none"> Packaging materials 	
Logistics	<ul style="list-style-type: none"> Transport packaging materials Energy: Gasoline and diesel consumed by freight vehicles. 	<ul style="list-style-type: none"> Greenhouse gas Non-hazardous waste: Discarded packaging 	
Office operations	<ul style="list-style-type: none"> Energy: Outsourced electricity and gasoline consumed by company-owned vehicles Water: Municipal water supply 	<ul style="list-style-type: none"> Wastewater: Domestic wastewater Non-hazardous waste: Domestic waste 	

Responding to climate change

Proya closely follows the global climate change situation. On September 22, 2020, China announced that it would scale up its Intended Nationally-Determined Contributions by adopting more vigorous policies and measures in an effort to achieve carbon neutrality before 2060. In 2021, the Company established a climate change management system based on its governance structure, strategy development, risk management, and goal and performance setting. The Company structured this system based on the recommendations provided by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB). We can identify climate change risks and opportunities through this system and then improve our management based on the outcomes.

Climate change management system

Governance

- The Company has identified responding to climate change as an ESG issue. 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.

Strategy

- The Company identifies the risks and opportunities that climate change presents to our business operations and incorporates them into our overall operational risk management.
- The Company identifies sources of greenhouse gas emissions throughout the product lifecycle and vigorously manages the product carbon footprint.

Risk management

- The Company manages resource conservation and emission reduction.
- The Company has prepared emergency plans to deal with extreme weather conditions such as typhoons.

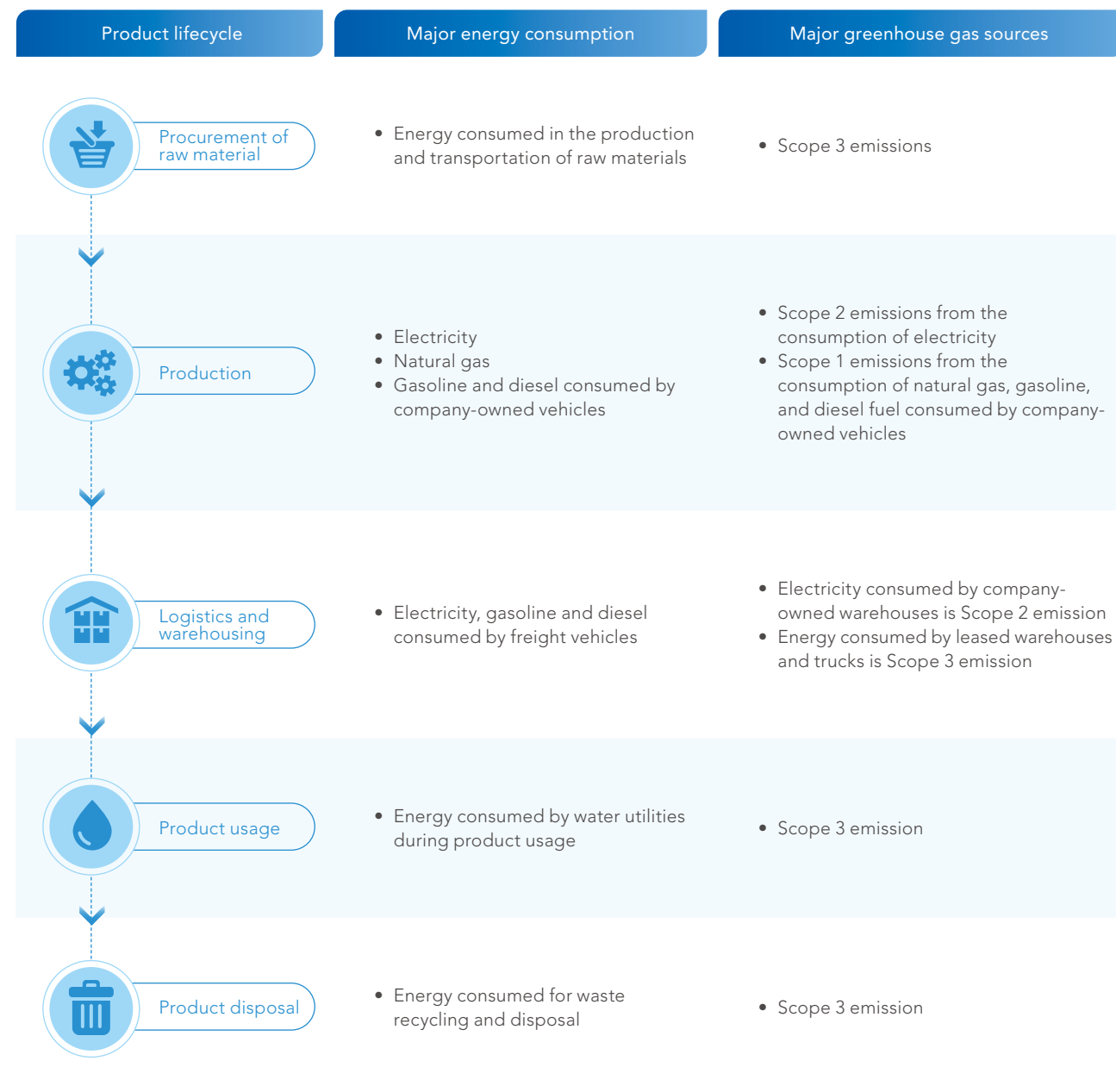
Performance

- The Company quantifies and discloses greenhouse gas emissions and emission intensity, and ensures that climate change management performance is evaluated.
- We will set quantitative climate management objectives in 2022.

Identifying sources of greenhouse gas emissions

Our greenhouse gas emissions are generated throughout the product lifecycle with a small percentage arising from office operations. We identify greenhouse gas sources throughout the product lifecycle and then progressively conduct product carbon footprint management tasks.

Identification of sources of greenhouse gas emissions throughout the product lifecycle (product carbon footprint)



Reducing greenhouse gas emissions

Proya is committed to reducing greenhouse gas emissions throughout the product lifecycle. We are already taking effective measures to reduce the carbon footprint of our products for the production and logistics processes in which we are directly involved. We will strive to extend our carbon footprint reduction to the entire product lifecycle.

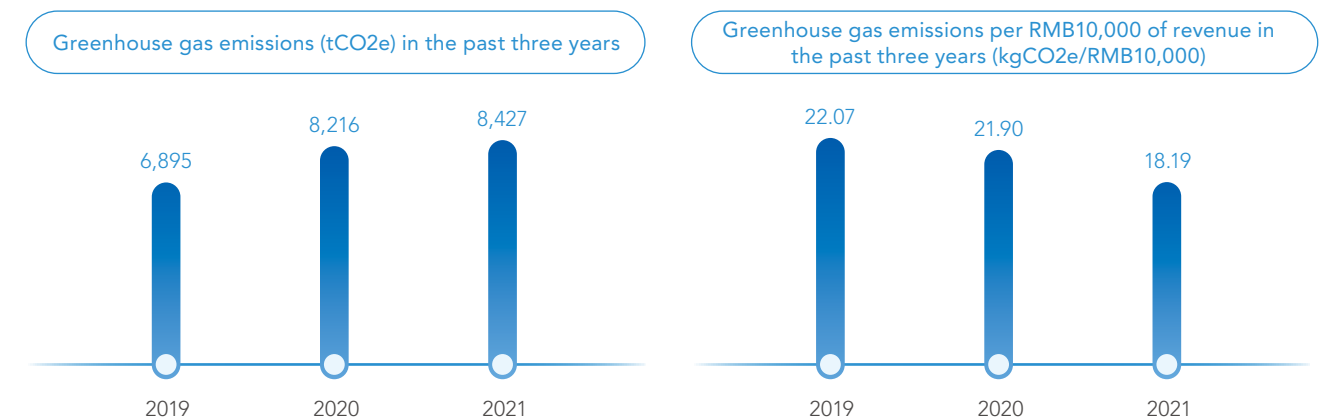
The Company continues to promote low-carbon, environmental and green efforts in product manufacturing. Through technological innovation and the acquisition of high-efficiency and energy-efficient emulsifying equipment, the Company can apply improved methods, such as jacketed hot water recycling, to improve energy efficiency.

Key energy saving measures in 2021 and their outcomes

Type	Measure	Outcome
Clean energy replacement	Installation of a solar photovoltaic system We installed a 2 MVA photovoltaic power storage system on the roof of our 25,000 m ² factory warehouse. The generated power is prioritized for our own use, and the surplus can be supplied to the national grid.	During the reporting period, this photovoltaic power generation system generated 1,796,000 kWh of electricity.
	Wind-powered fans in the warehouse We replaced electric fans with 1,500 wind-powered fans in our warehouse air conditioning system. The wind-powered fans use wind energy and therefore do not produce carbon emissions.	During the reporting period, we reduced our electricity consumption by approximately 360,000 kWh.
Energy use efficiency improvement	Intelligent electronic factory scheduling system We manage our factory operations digitally using a fully-automated stereoscopic warehouse model. We use an intelligent electronic scheduling system to optimize equipment operation, vehicle dispatch, cargo loading, etc. in order to reduce energy consumption.	---
	Reactive power compensation devices We invested approximately RMB100,000 in power distribution facilities to upgrade the reactive power compensation devices. This will improve the power supply environment and efficiency.	---

In our logistics and warehousing, Proya has established five sub-warehouses across China according to the proportion of orders received from online channel in each province. This warehousing strategy improves transportation efficiency and reduces carbon emissions generated during transportation.

Greenhouse gas emission performance



Resource conservation

Conservation of raw materials and water

The resources we use during production and operations are mainly raw materials and water resources. Water resources derive mainly from the municipal water supply, and the water source has no significant impact on the environment.

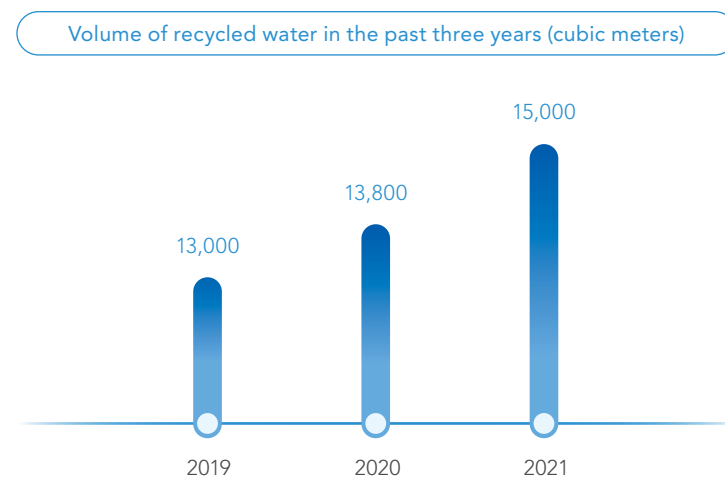
We implement excellent performance and lean management, and encourage employees to put forward improvement suggestions at any time during production, so as to reduce the scrap rate and improve the use efficiency of raw materials. We collect suggestions for improvement from employees and regularly recognize them.

Some suggestions for improvement from employees adopted in 2021

Suggestion	Effect
Improvement locating the marking cam in the tail-folding machine	Reduction of the occurrence of defective products caused by skewed hoses
Addition of a rejection induction device on the cartoning machine of a product	Reduction of the occurrence of defective products
Improvement of the template in the finished product inspection report system	Reduction of A4 paper usage
Improvement of the height limit rod of the plastic-envelop machine	Reduction of maintenance frequency and saving of materials

In terms of the use of water resources, we continue to improve the recycling rate of water resources and have established a "reclaimed water recycling system", which recycles the water outflow from the production process and uses it for toilet flushing, plant watering, and other peripheral rinsing. During the reporting period, Proya witnessed a volume of recycled water of 15,000m³, with an increase of 8.7% year on year.

Performance of water resource conservation

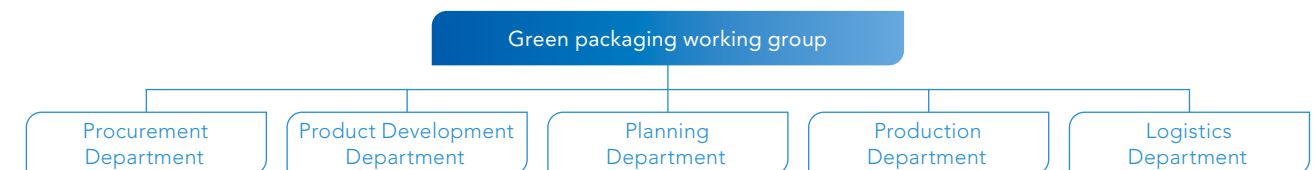


Green packaging

We consume a remarkable amount of packaging materials, which is an indispensable part of daily chemical products. However, disposable cartons used in conventional packaging mean a lot of wood consumption, and the hard-to-degrade plastic places a huge burden on the ecological environment. In order to reduce the environmental impact of packaging, we actively facilitate green packaging projects.

In 2021, we established a green packaging working group consisting of the Planning Department, the Product Development Department, the Production Department, the Procurement Department, and the Logistics Department. Relying on the outstanding practices of diverse departments, the working group will further expand the application scope of green packaging in the company, seek more green packaging solutions based on existing practices, and build a comprehensive and complete green packaging management system.

Structure of the green packaging working group

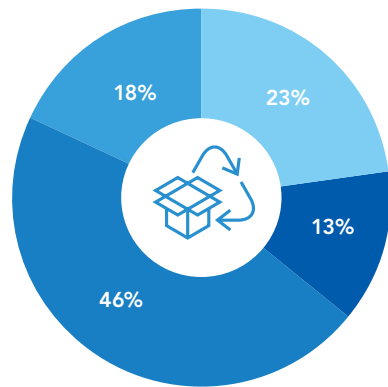


Key actions for green packaging in 2021

Category	Action	Result
Used environmentally-friendly materials	<ul style="list-style-type: none"> Upgraded ordinary cartons to zipper cartons to reduce the use of plastic tape Designed a snap-on device on recyclable carton boxes to reduce the use of plastic tape 	<ul style="list-style-type: none"> During the reporting period, the use of tape was reduced by nearly 180,000 rolls
	<ul style="list-style-type: none"> Replaced traditional plastic ziplock bags with environmentally-friendly shrink film 	<ul style="list-style-type: none"> During the reporting period, shrink film was used in more than 2 million sets of Proya products
Reduced packaging usage	<ul style="list-style-type: none"> Replaced a portion of plastics in the product packaging of Elastic Brightening Youth Essence 30ml and Ruby Serum Essence 30ml with metal aluminum 	<ul style="list-style-type: none"> A maximum of 52% of plastics in product packaging were replaced During the reporting period, the use of plastics was reduced by about 127.6 tons
	<ul style="list-style-type: none"> Reduced the number of medium packaging boxes and used large-capacity outer cartons The Huzhou Production Base (skincare factory) purchased a total of 307 stainless steel storage tanks to store paste after going through CIP disinfection in lieu of plastic barrels and plastic bags, thus reducing packaging waste 	<ul style="list-style-type: none"> During the reporting period, the total number of medium boxes used was reduced by about 3,948,400 throughout the year, with an estimated saving of 237 tons of base paper. A total of 115,000 plastic bags with a size of 1,400cm*900cm were saved in a year, and solid waste generation was reduced by 61,329 kilograms.
Recycling	<ul style="list-style-type: none"> Replaced disposable cartons with biodegradable recyclable boxes in e-commerce channels and intralogistics 	<ul style="list-style-type: none"> As of the end of the reporting period, a total of 46,000 biodegradable recyclable boxes had been put into use, and the usage of cartons had been reduced by about 46,000 pieces
	<ul style="list-style-type: none"> Replaced traditional incubators with a new kind of environmentally friendly nano-incubator, of which the materials can be degraded Recycled glass bottles discarded by the factory during production to boost recycling 	<ul style="list-style-type: none"> As of the end of the reporting period, this nano-incubator had been used 7,369 times to replace traditional incubators that would have been used 14,738 times ---

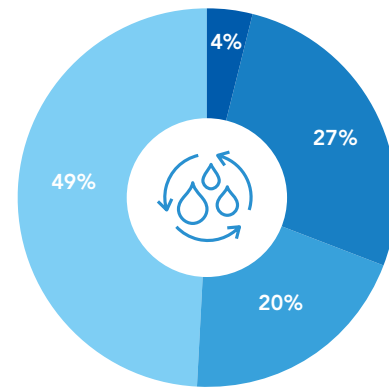
◎ Performance of packaging management

Proportion of the purchase price of various packaging materials in 2021



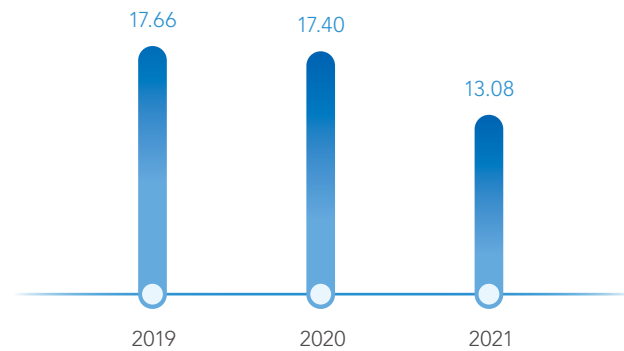
● Glass ● Plastics ● Paper ● Others

Proportion of the purchase quantity of various packaging materials in 2021



● Glass ● Plastics ● Paper ● Others

Usage of packaging materials used per RMB10,000 of revenue in the past three years (kg/RMB10,000)



Green Office

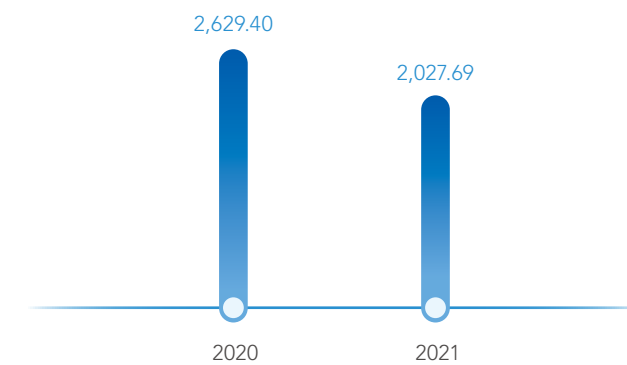
We support employees to practice the concept of environmental protection in the little things around us, and to implement a green office. In 2021, we proposed a goal of reducing per capita water and electricity consumption by 5%, and took various measures to promote energy conservation and consumption reduction.

◎ Green office actions

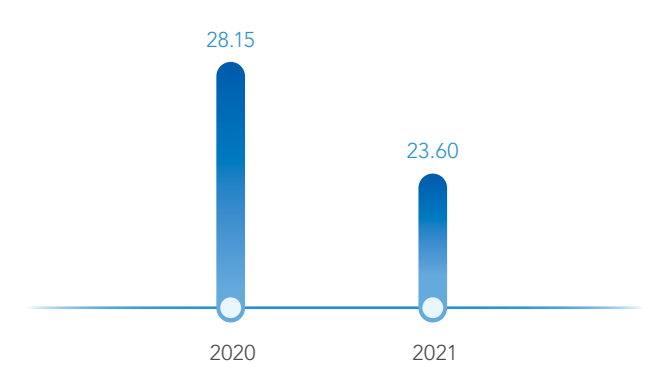


◎ Performance of green office

Electricity consumption per capita in the office (kWh/person)



Water consumption per capita in the office (m³/person)



Note: The office power consumption data includes power consumption for office operations and shared office building areas.

Emissions Management

Waste-water discharge and air emissions

The waste-water we produce comes mainly 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 our sewage treatment station. We have established administrative documentation such as the Sewage Treatment Management System, installed a Multi Vision COD online automatic monitoring instrument, and monitored COD in treated water 24-hours a day to ensure class-A sewage discharge; we constructed a sewage treatment system to make sure the treated sewage is highly evolved and recycled. During the reporting period, the Huzhou Production Base (skincare factory) added an MBR membrane treatment system and invests RMB200,000 every year to replace the membrane device. The treated waste water reached the level-1 discharge standard¹.

The waste gas we produce comes mainly from boilers. We have established administrative documentation such as the Boiler Management System. The Huzhou Production Base (skincare factory) has invested more than RMB600,000 to install a layered VOC treatment device, mainly for collecting and treating waste gas from the front-end reactors, including the front-end collection pipe network, the back-end treatment equipment, the PLC electronic control system, and the entire project, so that the treated waste gas reaches the discharge standard.

Waste-water discharge and air emission standards & main control indicators

Category	Compliance with emission standards	Main control indicators
Waste water	Integrated Waste Water Discharge Standard (GB8978-1996)	Five-day biochemical oxygen demand (BOD 5) 300mg/L Chemical oxygen demand (CODcr) 500mg/L Suspended matter 400mg/L Ammonia nitrogen 35MG/l Animal and vegetable oil, etc. 100mg/L,
Waste gas	Integrated Emission Standard of Air Pollutants (GB16297-1996) Emission Standard of Air Pollutants for Boilers (GB13271-2014)	Nitrogen oxides 50mg/lm ³ Particulate matter 20mg/m ³ Sulphur dioxide 50mg/m ³

Solid waste

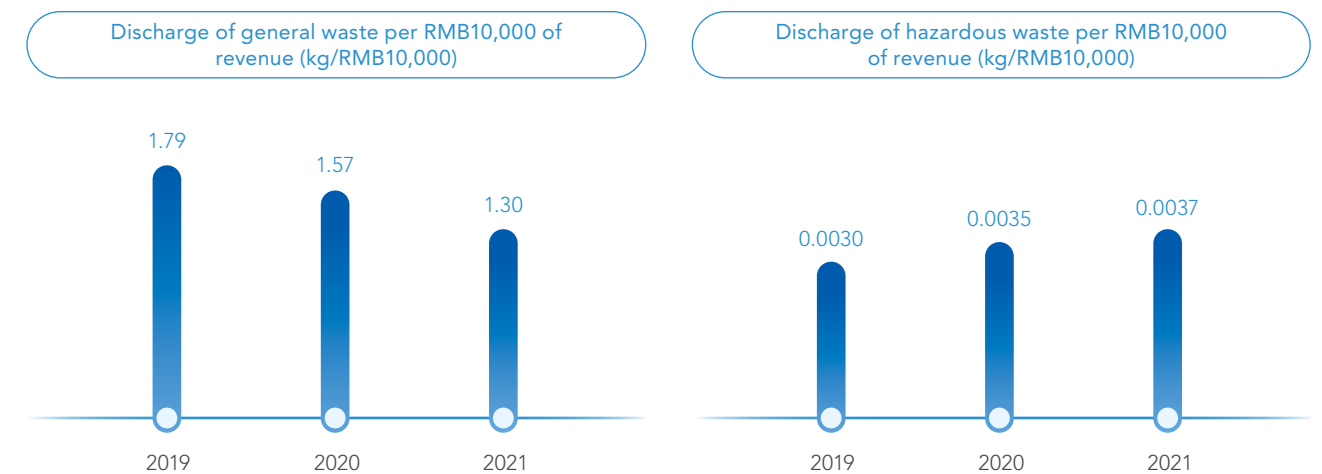
We properly dispose of solid waste generated in production and operations. We apply macro-management of solid waste. Factories are registered in the National Solid Waste and Chemicals Management Information System Platform, we make pre-declaration for the generation of hazardous waste each year, and hold public bidding on the production and hazardous waste treatment unit on the platform. The platform also handles hazardous waste applications to enable data tracking and risk prevention throughout the process of solid waste treatment.

1. The national requirement for sewage discharge is level 3.

Main measures and implementation standards for solid waste treatment

Category	Pollutant	Main treatment measure	Implementation standard
General waste	Domestic waste, cartons, tape, film, paper, etc.	Collected and sold	Standard for Pollution Control on Municipal Solid Waste Incineration GB18485-2014
	Lined bags, expired products, waste filter membranes and filters, sewage sludge, domestic waste, canteen swill	Handed over to a qualified agency for regular treatment	
Hazardous waste	Hazardous reagents, waste oil, waste ink in laboratories	Handed over to a qualified agency for regular treatment	General Standards for Identification of Hazardous Waste GB5058.7-2019

Performance of solid waste discharge¹

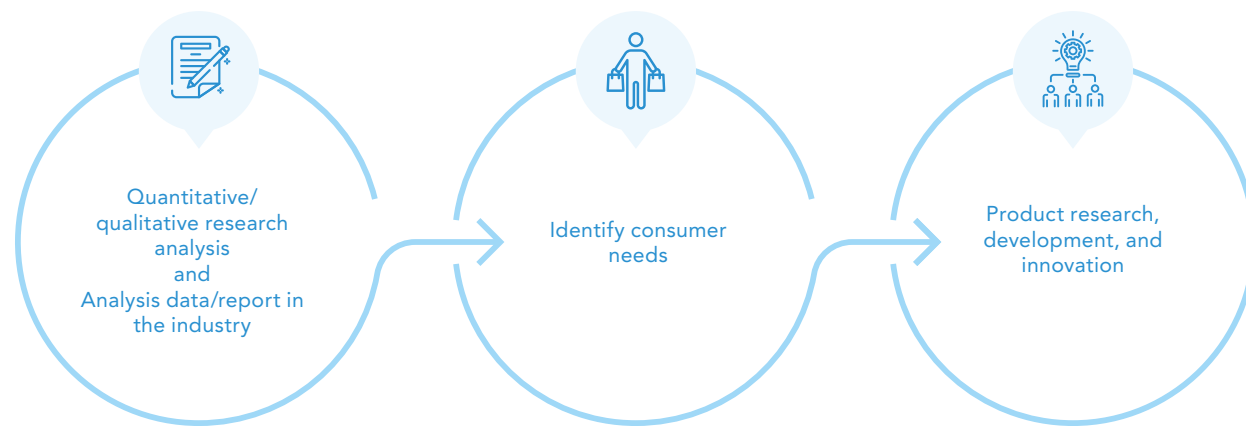


1. The data were from the Huzhou Production Base (skin care factory); the data of makeup factory were not included.

Product and Customer Responsibility

Innovations in Research and Development

By adhering to a consumer-centric philosophy, Proya's product research and development is rooted in skin science and deeply integrates the needs of consumers. We have set up a consumer investigative team within the company and are cooperating with well-known external data analysis companies. We hold quantitative or qualitative research analysis for target populations and combine that with analysis data and industry reports to comprehensively identify consumer demand and to incorporate it deeply into the research, development, and innovation of the company, thus providing consumers with safe, functional, and outstanding products that truly fit their needs.



We spare no effort in developing new products and introducing technological talents. Supported by the comprehensive R&D and innovation layout, those efforts help us lead the industry in many aspects such as fundamental research, formula development, efficacy, and safety evaluation. The R&D Innovation Center is our engine for innovation, which has witnessed efficacy and technology breakthroughs of many Proya products. After 18 years of preparation, the R&D Innovation Center has accumulated powerful technological capabilities and achievements.

On the basis of the R&D Innovation Center, we founded the International Academy of Sciences in 2021, combining independent research and development with external cooperation, focusing on application-oriented fundamental research centered on innovation, independent patents, and application value, specializing in the study of skin science and the development of active raw materials, and constantly seeking more efficient and better ingredients and raw materials.

We value the establishment of an R&D team. By means of setting up a post-doctoral workstation and initiating a state-level talent introduction program, we have built a professional R&D team. In addition, we bring together global scientific research capabilities to pursue innovative breakthroughs in ingredients and formulas by entering into strategic partnerships with research institutes at home and abroad while integrating industrial, academic, and research organizations. During the reporting period, our investment in research and development accounted for 3.55% of the parent company's operating revenue.

In addition, Proya participated in the development of national and industrial standards to promote the healthy and high-quality development of China's cosmetics industry. During the reporting period, we participated in the development of one national standard and two group standards.

R&D innovation system



R&D innovation layout

- **Two innovation centers:** The R&D Innovation Center and the International Academy of Sciences
- **Comprehensive research capabilities:** Covering all key stages from raw materials to finished products, including: Fundamental research, formula development, physical and chemical analysis, raw material and product efficacy evaluation, etc.



Talent team building

- **Professional R&D teams:** We have high-caliber professional researchers in different disciplines such as skin science, biochemistry, life science, material science, medicine, industrial design, psychology, and statistics.
- **Provincial postdoctoral workstation:** The "Zhejiang Postdoctoral Workstation" was established and officially licensed in 2018 to give full play to our advantages and to deepen cooperation.
- **Introduction of state-level talents:** We recruited one state-level talent who is now serving as a senior researcher of core technologies to help us effectively combine promising active ingredients with different formulas and auxiliary technologies in order to greatly improve the absorption of skincare products and to promote skin health.
- **Talent incentives:** We have established administrative systems such as the *Patent Management Measures* to strengthen incentives and rewards for R&D personnel, and to encourage them to engage in research and development.



Cooperative network building

Integration of industrial, academic, and research capabilities:

- We actively carry out cooperative projects among industrial, academic, and research organizations, and have established the Deep-ocean Microbial Resource Utilization and Active Substance Development Technology Research Center with the Institute of Microbiology of the Chinese Academy of Sciences. In addition, we have initiated research on "deep-ocean microbial resource utilization and active substance development";
- We carried out themed research on the "design of functional nutrient ingredient carriers for cosmetics" with Zhejiang University of Technology;
- We cooperated with the School of International Cosmetics at the Shanghai University of Technology in terms of talent training, scientific research, technological innovation, and technical consultation, et al.

International strategic cooperation:

- We have established partnerships with BASF in Germany, LipoTrue (a Spanish family peptide company), Ashland (an American special materials expert), CODIF (a French marine biotechnologies expert), CEVA (the French national algae research institute), and other global technological laboratories.

Highlights and recognition of research, development, and innovation in 2021

During the reporting period, Proya:

- Had a total of **159** scientific researchers, of which more than **32%** had a master's degree or above, and **1.89%** had a doctoral degree.
- Applied for **11** invention patents and was granted **19** invention patents;
- Had **3** new products whose core ingredients are exclusive to Proya;
- Published **14** papers in authoritative journals such as the *Journal of Cosmetic Dermatology* at home and abroad;
- The paper *Micro innovation of efficacy test - Research on human efficacy test method of pore/ blackhead improving cosmetics* won the "Excellent Paper Award (China)" at the IFSCC 2021;
- The project "Key Technology and Industrialized Application of Seaweed Polysaccharide Value-added Processing" won second prize at the Zhejiang Science and Technology Progress Awards;
- The Research, Development, and Innovation Center won the title "Group for Outstanding Achievement in Drug Safety Governance and Technology Empowerment 2021";
- Proya Empowering Brightening and Wrinkle Firming Essence was rated an innovative consumer product by the China Association of Fragrance, Flavoring, and Cosmetic Industries.

As of the end of the reporting period, Proya had:

- Led or participated in the development of **10** national standards, **3** industry standards, and **13** group standards.
- Had been granted **225** patents, including **92** patents of invention.

Improving the natural and organic properties of products

To better meet our consumers' pursuit of natural and organic products, we provide diversified options and continue to improve their green attributes by using green, natural, and organic raw materials as well as formulas that are upgraded and improved for all product families, such as: The Bowling Blue Bottle, a new product introduced in 2021 that uses natural oil as the main active ingredient. Meanwhile, it contains no irritating ingredients, fragrance-free alcohol, or traditional preservative.

Selection of raw materials

Incorporate green sustainability into raw material screening criteria

In addition, raw material screening indicators for safety and efficacy such as active ingredient concentration, irritant dimension, etc. We also include production sustainability in screening and we value the environmental friendliness of raw materials.

Use more natural and organic raw materials in new product development

According to ISO16128 Technical Definitions and Criteria for Natural and Organic Cosmetic Ingredients and Products, new products contain more natural ingredients to enhance their environmental friendliness.

Use of organic raw materials

Use certified organic ingredients

Our products contain third-party-certified raw materials, such as raw materials approved and recognized by COSMOS and ECOCERT.

Improvements and upgrades

Continuously improve the organic and natural attributes and environmental friendliness of formulas

Continuously upgrade product formulas to provide consumers with more organic and natural products.

As of the end of the reporting period, we had had 86 products containing 47 raw materials certified by COSMOS and ECOCERT, such as: Proya *Sunshine Feather Care Essence Sunscreen* that uses the ECOCERT-certified whitening ingredient AA2G; Proya *Elastic Translucent Youth Eye Cream* that uses the COSMOS-certified organic anti-aging ingredient HYALUFIX GL; TIMAGE *Glaze Porcelain Flawless Liquid Foundation (101 Pear White)* that uses the COSMOS-certified organic emulsifier, etc.

Chemical safety

During product research and development, we keep a constant eye on the chemical ingredients we use in order to make them safer. Proya strictly abides by the requirements of laws and regulations such as the *Safety and Technical Standards for Cosmetics* and the *Catalogue of Already-Used Cosmetic Raw Materials (2021 Edition)*, and never uses any prohibited ingredients including, but not limited to, more than 2,000 ingredients banned by the *Catalogue of Prohibited Cosmetic Raw Materials* and the *Catalogue of Prohibited Plant (Animal) Raw Materials for Cosmetics*, such as hydroquinone, phenol, retinoic acid and its salts, glucocorticoids, antibiotics, etc.

At the same time, the company employs standards that are stricter than Chinese laws and regulations to regulate the selection of chemical ingredients. 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. We put forward ingredient upgrade programs for original formulas and gradually reduce and phase out controversial ingredients.



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*

Product Quality and Safety

We strictly abide by the *Regulation on the Supervision and Administration of Cosmetics*, the *Measures for the Administration of the Registration and Recordation of Cosmetics*, the *Measures for the Supervision and Administration of Production and Distribution of Cosmetics*, and other laws and regulations, and we perform quality management throughout the entire process from product R&D production, to post-market in a bid to ensure the quality, safety, and efficacy of products. During the reporting period, we did not encounter any incident related to quality and safety, nor did any lawsuit arising from the above matters occur.

Quality Management System Certification

Certification	Scope of certification	Valid period of certification
ISO22716 Cosmetics - Good Manufacturing Practice (GMP)	Proya Cosmetics Co., Ltd.	2024.3
US FDA CFSAN Cosmetics - Good Manufacturing Practice (GMP)	Proya Cosmetics Co., Ltd.	2024.1
ISO9001:2015	Proya Cosmetics Co., Ltd.	2025.2
ISO9001:2015	Zhejiang Beute Cosmetics Co., Ltd.	2024.3
US FDA CFSAN Cosmetics - Good Manufacturing Practice (GMP)	Zhejiang Beute Cosmetics Co., Ltd.	2024.3

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 have comprehensively evaluated newly-developed formulas, upgraded original formulas and functional and active raw materials to ensure product safety and outstanding efficacy.

We comply with national requirements for cosmetics registration and recordation, and conduct product inspection and safety testing of physical and chemical microbial indicators. We have established a physical and chemical analysis department and a product evaluation department under the R&D Innovation Center to evaluate the quality of product development and we have designed a sophisticated safety evaluation system, as follows: Stability, sensory evaluation, in-vitro efficacy evaluation, cytotoxicity evaluation, animal toxicology experiments, clinical test evaluation, etc., as well as tests performed by dermatologists. In addition, we actively conduct human patch tests to reduce the potential of adverse reactions of human skin caused by cosmetics.

We have also actively established and developed in-vitro evaluation methods to replace animal experiments. We have set up a skin science research department 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, anti-oxidative, anti-aging and other efficacy evaluations, as well as toxicological stimulation and other safety evaluations at the biochemical, molecular, cellular, and 3D model level. We have the preliminary ability to conduct in-vitro efficacy and safety evaluations of major cosmetics such as anti-aging, whitening and freckle removal, soothing and stimulation, as well as research on efficacy mechanisms.

Quality management in production

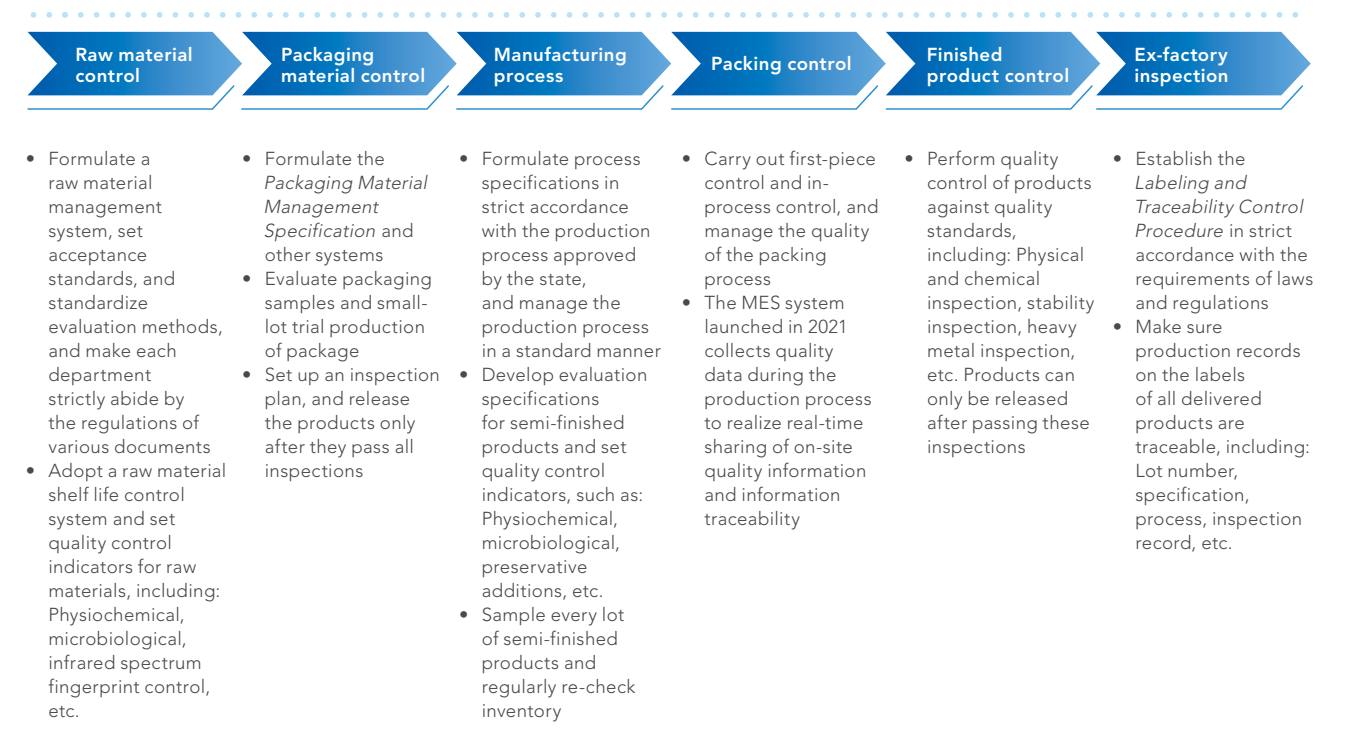
During the production stage, Proya upholds the quality control philosophy of "process control, quality and safety, customer satisfaction" and has established a well-developed quality management system. We have formulated the *Proya Management Manual*, the *Deviation Control System*, the *Non-conformance Corrective Action Control Procedure*, 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.

Key performance objectives and performance of production factories

KPIs in production quality	Target	Performance
First-pass yield of the production process	≥99%	≥99.5%
Acceptability of spot check	100%	100%
Rate of quality-related complaints	≤2ppm (reject ratio per 1 million products)	≤2ppm
IQC pass rate	≥99%	≥99.5%
Close rate of defects in management system review	100%	100%

We have complete in-house testing capabilities and advanced equipment and instruments, including the VISION SWIFT DUO integrated video and optical measurement system from the UK, the OLYMPUS wall thickness gauge, the SUN TEST light aging tester from America, the Agilent high performance liquid chromatography from America, and the inductively-coupled plasma emission spectrometer (ICP-OES), etc., which 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, compatibility, and to determine the content of preservatives, heavy metals, and sun-screening agent in cosmetics, as well as the content of prohibited and restricted substances stipulated in the *Safety and Technical Standards for Cosmetics*. Safety and efficacy tests cover the entire product life cycle ranging from R&D, raw materials, packaging materials, semi-finished products, to finished products. In this way, we ensure that products delivered to consumers are safe and effective.

Quality control at the production stage



Post-market quality management

We have formulated *Product Recall Management* to immediately stop selling and recall sub-standard products already sold or in transit, so as to protect the rights and interests of consumers. We conduct an annual product recall rehearsal to ensure the recall procedure is running effectively. During the reporting period, we carried out two recall rehearsals in which we coordinated with the Customer Service Department, the Quality Management Department, the Logistics Department, the warehouse, distributors, and many other departments to successfully recall 14,586 products of ANYA Eye Rejuvenating Essence and Proya Deep Sea Rejuvenating Anti-Wrinkle Renewing Essence.

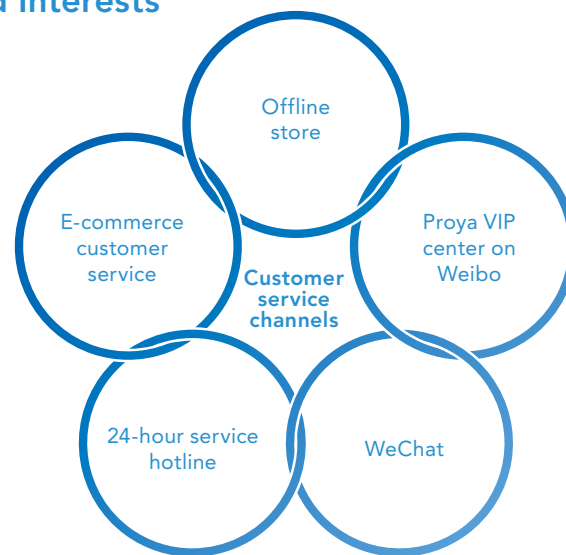
In December 2021, we received a document from the Comprehensive Planning and Finance Department of the National Medical Products Administration, which put forward new requirements for the use of phenethyl resorcinol in ordinary cosmetics. To better meet the legal requirements, we immediately started the recall procedure according to the procedure, established a recall team, and actively carried out the backtracking of finished products. We collectively discarded and disposed of 400,000 products involved (at a cost of nearly RMB 3 million). At the same time, the company is re-registering products involving this raw material with special certificates in accordance with regulatory requirements to ensure product safety and compliance.

Protection of Consumer Service Rights and Interests

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 inquiry, consultation, and complaint services. We regularly organize training for marketing personnel in order to continuously improve their professionalism and service capabilities.

Attaching great importance to communicating with and receiving feedback from consumers, we have established a comprehensive complaint-handling channel linking our sales, R&D, and customer service departments to timely handle consumers' feedback and questions regarding the user experience, after-sale service, and product improvement suggestions.



Method and procedure for handling complaints

Feedback communication	Handling method
User experience	Customer service personnel will take the questions of users and quickly provide professional suggestions and solutions
After-sales experience	User needs are recorded and reported to solve the problems encountered by users as soon as possible and to maximize their rights and interests
Product improvement	Products are sorted and monthly reports are generated and sent to the R&D Department for product upgrade and improvement
Product quality complaints	Factories, R&D, and quality departments work together for troubleshooting and take targeted measures according to the severity of the problem in order to reach consensus with consumers to maximize their rights and interests

In addition, each business unit of the company performs consumer satisfaction surveys each year covering, among other things, products, logistics, and services, for collecting and respecting their opinions while better understanding their needs. During the reporting period, the company's TIMAGE brand conducted a satisfaction survey which shows that 93.7% of respondents are very satisfied with our products, logistics, and services, far exceeding the industry average. In addition, the satisfaction survey made us aware of the consumer's need for cosmetic skills, leading us to organize a makeup class on WeChat to teach consumers makeup skills. With "consumer satisfaction" as our core value, we offer better products and services.

Key measures to improve consumer satisfaction in 2021

- We have optimized the service process system, formulated the *Service Standard Formulation Rules - Considering Consumer Needs*, analyzed processes to determine the service elements that affect consumer perception, and have continued to iterate and optimize service standards to enhance the consumer service experience
- In terms of after-sale services, we have established a multi-departmental rapid response collaboration mechanism, strengthened the coordination among customer service, operations, supply chain, and other departments, enhanced the capability of problem solving in logistics, providing daily promotion during operation, and improving the experience in large-scale marketing campaigns. Consequently, the percentage of very satisfied consumers was dramatically raised to more than 80%
- We provide regular training of customer service personnel to improve their service and communication skills and to provide consumers with a better service experience

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*, and the *Data Security Law of the People's Republic of China*, as well as other laws and regulations. In addition, in terms of data security and research and development, we require all employees to strictly implement relevant security systems to ensure compliance with data-secure production requirements. We follow up on the latest security policies and related regulations in real time. During the reporting period, we did not encounter any incident related to customer privacy, nor did any lawsuit arising from the above matters occur.

We strictly control the access to and transmission of consumer information, declassify 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 have no right to obtain user information. In 2021, aiming at consumer privacy of personal data, we launched a consumer-sensitive information protection scheme for order processing links and took technical security measures such as encryption and de-identification of consumers; sensitive personal information. In addition to taking these measures, we continue to improve the security of the platform and of product data.

We also regularly conduct security drills and security training and perform regular self-inspection and self-correction on information security. During the reporting period, we organized three data security drills, checked the product operation environment, and reinforced security measures for the platform, data, and products on an all-round basis.



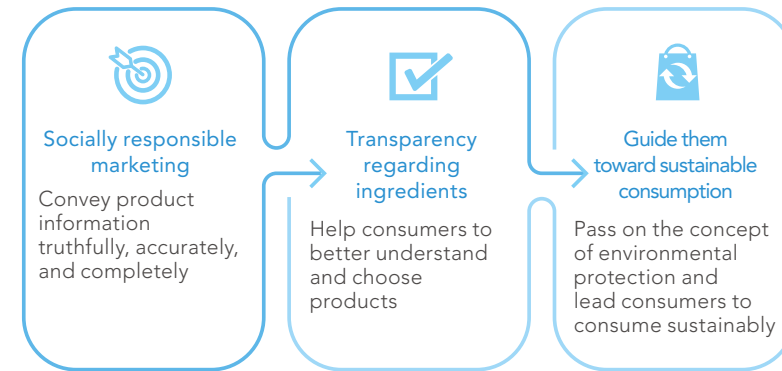
Socially-responsible marketing and consumer education

Business marketing is the process of interacting with consumers. In this process, providing consumers with true, accurate, and complete product and marketing information is the foundation for companies to carry out customer service. Also, the information consumers obtain from brands and products will affect their purchasing decisions, further affecting the development of the industry.

Valuing interaction and communication with consumers, we carry out marketing campaigns in a responsible manner and we focus on conveying scientific and environmentally-friendly concepts in the process of communication with consumers, thus helping them make rational decisions and realize sustainable consumption.

Valuing truthfulness and accuracy in product marketing, we strictly abide by the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, have formulated the Product Copywriting Review Procedure, and established the Product Technology Content Department under the R&D Innovation Center to control the science-related content of products. In addition, we have reinforced the training of all customer service personnel to improve their awareness regarding responsible marketing. During the reporting period, we did not encounter any incident related to market promotion and label use, nor did any lawsuit arising from the above matters occur.

Proya's principles of consumer communication



Administrative measures for socially-responsible marketing

Guaranteed accuracy of product promotion	Training for responsible marketing
<ul style="list-style-type: none"> We have established the Product Technology Content Department in which professional R&D personnel review product introductions to ensure the correctness and accuracy of science-related content in the process of product promotion. We have established the <i>Product Copywriting Review Procedure</i>. Marketing copywriting must be reviewed by departments such as brand marketing, product development, research and development, and legal affairs. Internal clinical trials and third-party tests for the primary efficacy of products are carried out during the promotion process, for example: We engaged a third party to issue a test certificate in order to prove the highlighted promotional aspects of TIMAGE Glaze Rejuvenating Multi-Effect Makeup Primer, specifically that "the product improves card powder, dullness, and instant skin fineness" 	<ul style="list-style-type: none"> Prior to the launch of a new product, we organize training of product information accuracy for brand marketing, operations, and customer service personnel, including Product texture science, product usage suggestions, etc. 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, the coverage rate for responsible product marketing training, customer service, and sales personnel was 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 the education of chemical ingredients in their various forms, we help consumers to better understand the efficacy of ingredients and to make purchasing decisions more wisely.

Administrative measures for chemical safety and ingredient transparency

Ingredient disclosure	<ul style="list-style-type: none"> 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 clearly explain the ingredients used, the mechanism of action, and the source in the promotion of all products.
Ingredient disclosure	<ul style="list-style-type: none"> In conjunction with CCTV and dermatology experts, a popular science presentation titled "In Focus: The Smart Way to Avoid Wrinkles" was launched on the Weibo and Tik Tok accounts of CCTV. In the presentation, leading experts visit our laboratories and intuitively experience the whole chain of the anti-wrinkle process and its efficacy via professional experiments. In doing so, they teach the public how to scientifically avoid wrinkles and build awareness of scientific and effective skin care. We created the "This is Skin Care" feature, invited several authoritative dermatologists from public hospitals to livestream discussion of skincare issues, popularize professional skincare knowledge, and share diagnosis experiences, thus helping users build up a professional skincare system. We were invited to the "2021 National Cosmetics Safety Science Week (Zhejiang) and the Provincial Cosmetics Safety Science Week", during which our engineer representative from the R&D Innovation Center answered questions from the public at the event site to promote knowledge of cosmetics safety and to enhance consumer understanding and perception of cosmetic safety, thus allowing them to better identify cosmetics they purchase and to better protect themselves.

To guide consumers toward sustainable consumption, we integrate our environmental protection philosophy into our product and packaging design and pass it on to consumers.

Measures for guiding consumers toward sustainable consumption



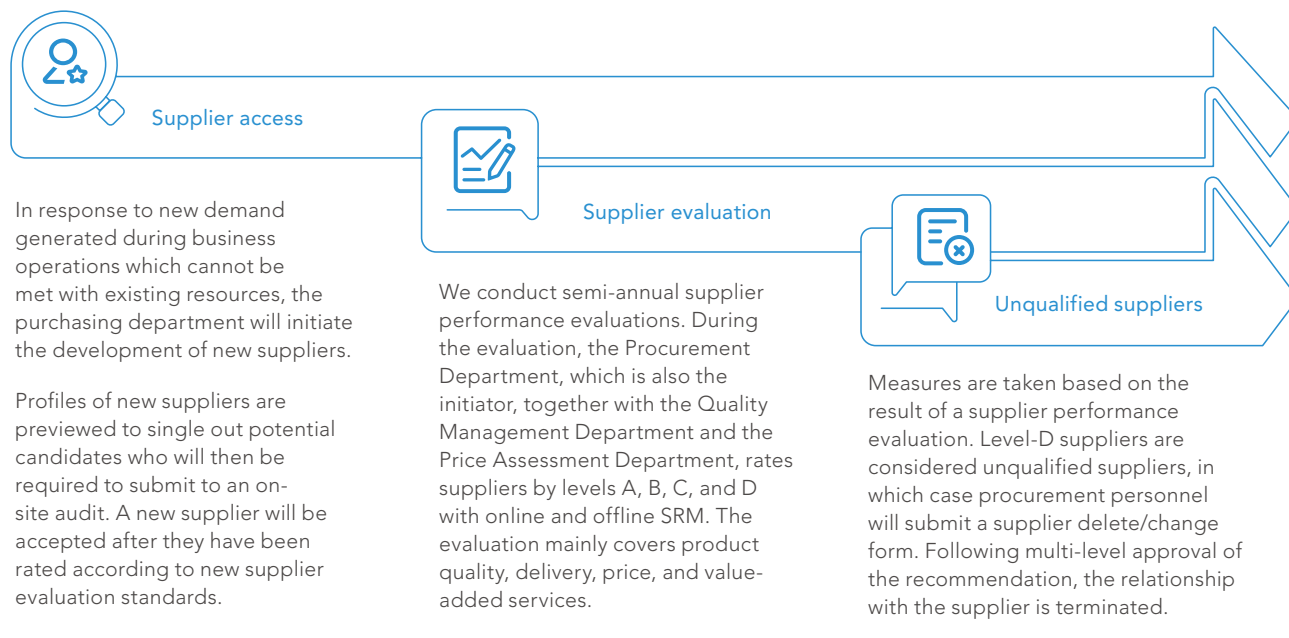
Supply Chain Responsibility

Safeguarding Supply Chain Stability

The main types of our suppliers are material suppliers and OEM and ODM suppliers. The longevity of our relationships with suppliers is based on the quality of their products and services and the stability of their business operations. Proya complies with the *Contract Law of the People's Republic of China*, the *Bidding Law of the People's Republic of China*, the *Civil Code of the People's Republic of China* and other laws and regulations, and carries out effective and thorough management of suppliers to prevent and control supply chain risk.

We have established administrative documentation such as the Supplier Management System and the Development Management System for New Suppliers of Production Materials for maintaining thorough and normative management of supplier access, evaluation, assessment, and review. During the reporting period, we were awarded special incentives for supply chain innovation and application by the Huzhou government.

Supplier management procedure



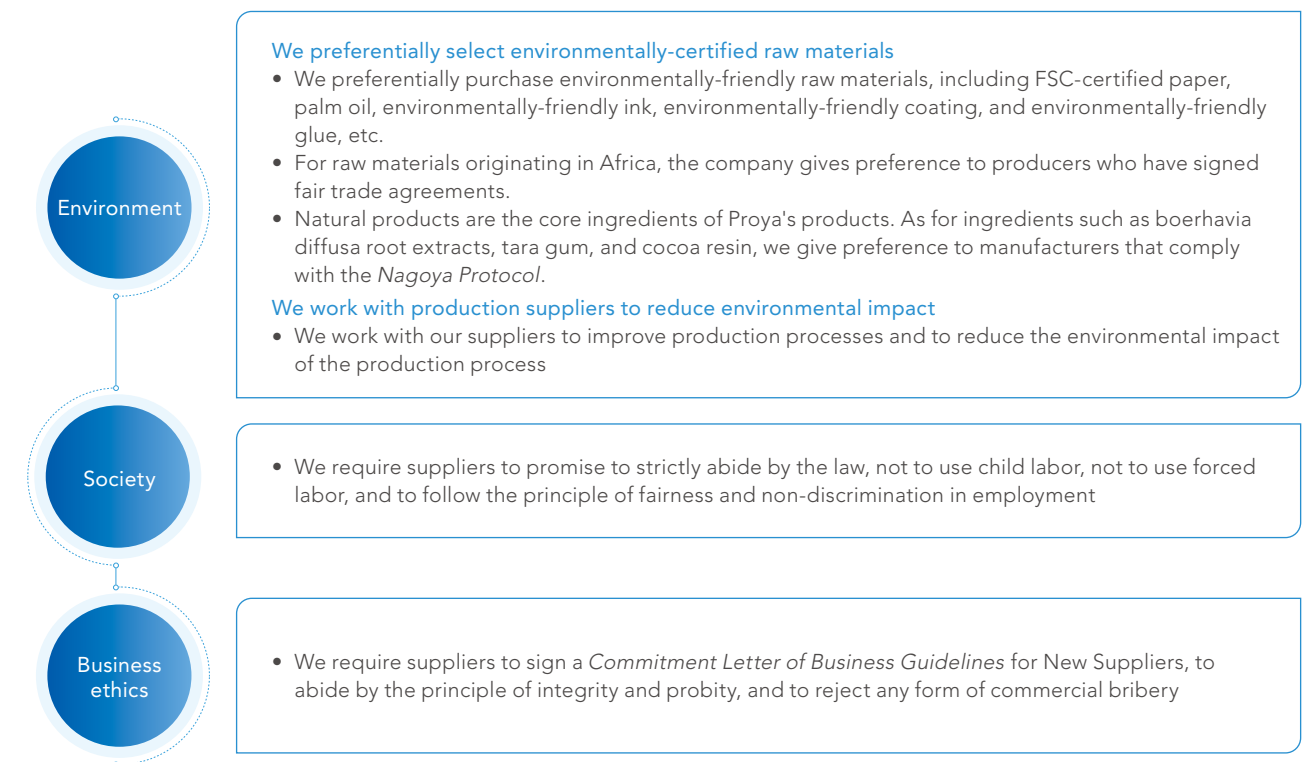
In terms of supplier quality management, we arrange regular on-site audits of suppliers and provide special quality training for key suppliers. During the reporting period, we launched the "Quality Month" campaign for suppliers, aiming to conduct on-site factory audits for key suppliers. We put forward corrective suggestions and urged suppliers to improve the level of their quality management. Meanwhile, we organized training in key quality control points for suppliers of hygienically high-risk packaging materials.

In terms of supply chain stability management, we have opened up the data information chain from the production end to the brand demand end through continuous upgrading of supply chain automation, digitization, and intelligence in order to create a more accurate and agile market response capability. We have established a supply chain stability guarantee mechanism in terms of value, strategy, technology, and business to ensure resilience and stability of the supply chain through scientific forecasting, early warning, and supplier control. We have built an information-based supply chain platform based on big data, 5G networks, Internet of Things, and other related technologies. In April 2021, we were contracted to build the Zhejiang Supply Chain Collaborative Innovation Complex.

Building a responsible supply chain

Proya understands that, as a company at the core of the entire value chain, our procurement practices have a significant impact on the environment and society, and we need to look at our responsibilities from the perspective of the value chain system as a whole. On the one hand, the raw materials we use affect the soil and biodiversity of the place of production and may also cause labor issues; on the other hand, our active guidance and support can encourage suppliers to reduce their own environmental and social impact. Therefore, we strive to practice the principles of sustainable procurement and are committed to improving the sustainability of the entire value chain.

Our measures for sustainable procurement



In terms of palm oil procurement, we don't use palm oil in the production of our products; when we purchase raw materials made from palm oil, we learn from suppliers about the origin and source of the palm oil, understand its sustainable attributes, and preferentially purchase RSPO-certified palm oil.

In terms of production, during the reporting period, we discussed with our suppliers and launched several improvement measures to save energy and reduce consumption, including the following:

- Shut down frosting workshops that employ non-environmentally-friendly processes, and stop using non-environmentally-friendly processes;
- Use pure oxygen combustion and electric heating to replace traditional combustion kilns in order to reduce waste gas and greenhouse gas emissions;
- Recycle preheating of the kiln and use it for daily heating;
- Evaluate the production process of products.

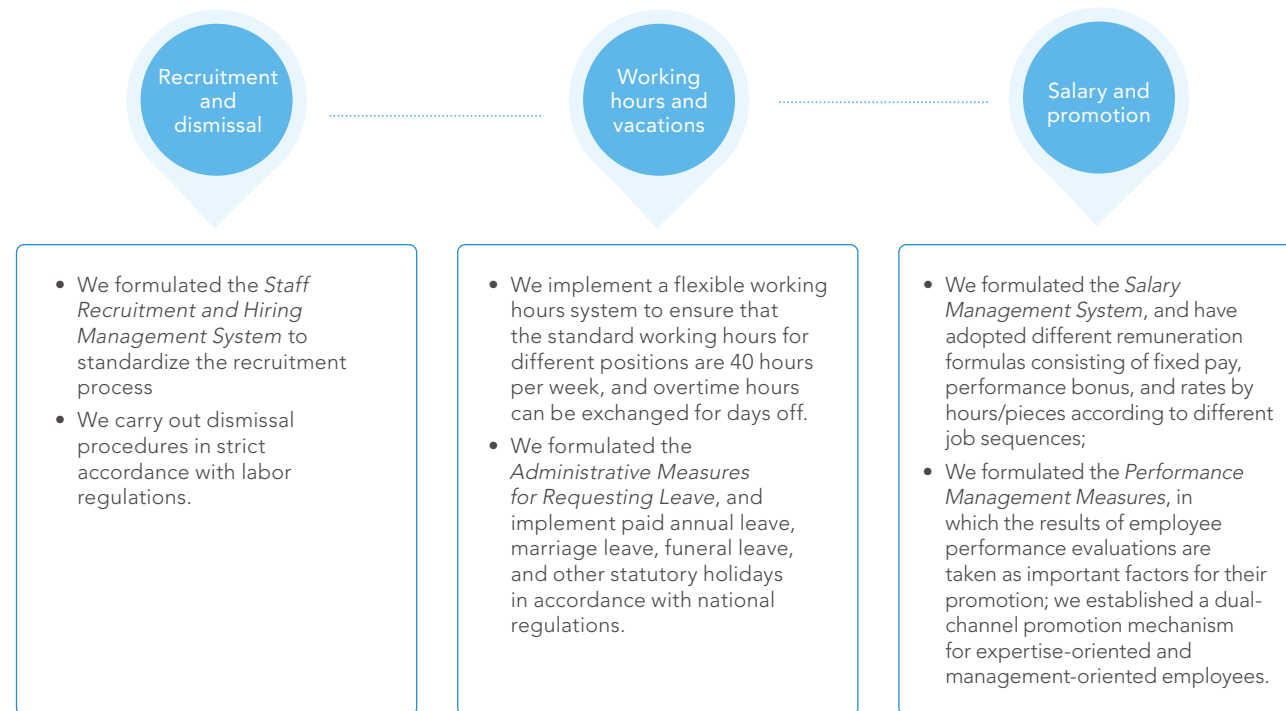
In addition, we take an active part in industrial research and development, while sharing and exchanging our experiences in building a responsible supply chain. During the reporting period, we participated in the "Sustainable Packaging Seminar 2021" held by Shanghai Tongji University and Aptar, and the Global Trend Seminar on Sustainable Packaging jointly held by Packaging Family and SK. We joined hands with the community, academic institutions, and enterprises to explore a new green- and people-oriented packaging ecosystem for the future.

Employee Responsibilities

Employee rights and benefits

We strictly abide by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and other legal provisions, and have formulated and released administrative documents such as the *Staff Recruitment and Hiring Management System*, the *Salary Management System*, and the *Staff Change Management Measures* are not subject to any form of discrimination in the recruitment and management process, and that they are treated fairly in terms of salary, job transfer, and performance assessment. During the reporting period, we did not encounter any incident related to recruitment and dismissal, working hours and vacations, promotion and equal opportunity, anti-discrimination and diversity, or labor standards, nor did any lawsuit arising from the above matters occur.

© Policies of employment and fundamental rights of employees



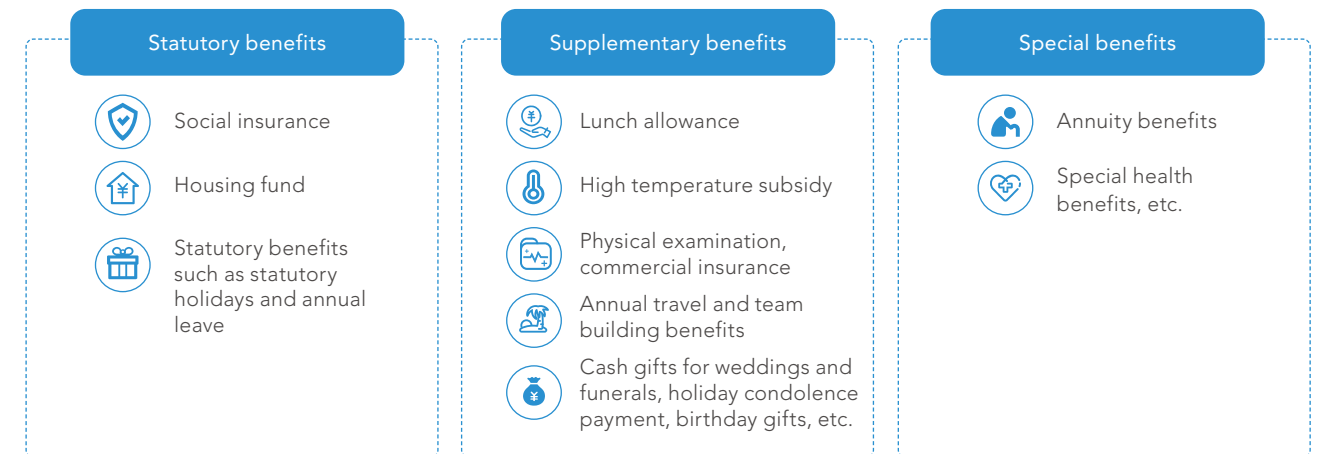
An equal dialogue relationship is conducive to the establishment of an efficient workplace, and also allows more employees to be engaged in the development and operation of the company, thus enhancing their sense of belonging. We continuously improve the communication mechanism with employees, listen to the opinions and suggestions of employees, improve corporate management, and create an equal and open working environment for employees.

© Employee communication channels



Valuing employee benefits, we have formulated and issued the *Benefit Management Measures* to provide employees with a rich and complete benefit system. On the basis of statutory benefits, we also provide supplementary and special benefits for employees.

© List of company benefits



We also provide factory employees with additional benefits, including free dormitory or housing subsidies, free working meals, and other rewards such as full attendance and seniority awards.

Human Capital Development

The high-quality development of a company can never be achieved without the growth of talents. We see improvement of employee competency as an important driver of our development and continuously empower them to grow.

In terms of employee promotions, we provide smooth promotion channels for management-oriented and expertise-oriented employees according to the characteristics of the position. We employ a consistent performance management system and have formulated the *Performance Management Measures*, the *Personnel Management Measures*, and the *Internal Competition System* to ensure that the performance evaluation standards are open to employees at all levels, that the procedures are fair, and that the appointment and promotion of managers at all levels is open and transparent.

In terms of employee training, we integrate internal and external training resources, provide personalized vocational training sessions for employees at different stages of development, satisfy the demands of different employees for capability improvement, and offer them a well-designed training and improvement system.

© Training system

	Orientation	Promotion training	Daily training	Executive study tour
Internal training	Trainees: New recruits Content of training: Our history and culture, rules and regulations, and other contents that employees should know	Trainees: Middle managers Content of training: Business thinking, management ability, leadership improvement	Trainees: All employees Content of training: Service capability, management capability improvement	Trainees: Company executives Content of training: Vision expansion and strategic thinking improvement
External training	Trainees: Trainees selected from among all employees Content of training: We purchased Alibaba business training courses to provide employees with a full range of general business education			

During the reporting period, we held a "leadership training camp", in which employees were organized to receive intensive on-the-job training and learning. Lasting for one month and 10 days, the training covered management, finance, and marketing. It provided leadership and service capability training for 40 employees. The pass rate was 100%, and 43% of trainees received a "Good" or higher result in the graduation exam.

In the meantime, we set up "mini-classes" within the company to encourage employees to share their working and service experiences of their positions with colleagues. During the reporting period, we set up six service courses, each accommodating around 50 trainees. After class, the course content was uploaded to a public platform that could be viewed by all employees.

In addition, we invited instructors to provide vocational skill training and to grade exams for employees, including junior Internet marketers, senior health managers, and senior tea art specialists, etc. A total of 108 employees participated in the training.

During the reporting period, we carried out a total of 54,904 hours of training, with an employee coverage rate of 49.75% and a per capita training time up to 19.31 hours.

54,904

Total training duration of the company

49.75%

Employee training coverage

19.31

Per capita training time

Occupational Health and Safety

Safe production

Adhering to the safe production principle of "insisting on safe production, creating a safe environment, ensuring physical and mental health", we abide by the *Labor Law of the People's Republic of China*, the *Law of the People's Republic of China on Safe Production*, and other legal provisions and have set a safe production goal of "zero major accidents causing casualties, zero fires, explosions and other fire-fighting accidents, and fewer than three minor accidents causing slight injuries per year". During the reporting period, we had 0 accidents causing casualties and had no fire accidents.

To establish a sound safety production management system, we have formulated institutional documentation such as the *Safe Production Inspection and Hidden Hazard Investigation and Management System*, the *Safe Production Education and Training System*, the *Regular Meeting System for Safety*, and the *Fire Safety Management System*.

Administrative measures for safe production

- We improve safety awareness and adhere to a policy of "prevention first". We regularly study the dynamics of safe production and solve problems occurring in production in a timely manner; we make full use of the safety protection fund to improve working conditions and operating environments.
- We have established and improved the safety organization network, perfected the accountability system for safe production positions, created the Safe Production Responsibility Letter signed at all levels, and fully acted as a safety administrator to prevent illegal commands or operations.
- We strengthen safety education, improve the safety competence of employees, and perfect their safety education records. Newly-hired workers must undergo three levels of safety education and training, pass an examination, and sign the *Safe Production Responsibility Letter* before they take up their positions.
- We carry out annual "National Safe Production Month" activities. By conducting safety activities, we enhance employee safety awareness, improve safety competence, and promote safe production.
- We strictly implement the approval procedure for dangerous operations. All dangerous operations must receive approval beforehand. Dangerous operations must be accompanied by a detailed operation plan, written disclosure, and safety protection measures, and must be available to be checked at any time to identify and correct hidden dangers.
- We perform regular supervision and inspection to eliminate hidden dangers from the very beginning.
- We established the *Emergency Response Plan for Production Safety Accidents* as well as a complete safety accident emergency response system from the aspects of organization, response, post-processing, special emergency response, and on-site disposal plans.

During the reporting period, we purchased specialized safety facilities and emergency rescue equipment as a physical guarantee for emergency rescue and handling; we added an online site monitoring system based on the site situations and connected the system to a governmental video surveillance platform as a part of intelligent management; we proceeded with the "Massive Safety Training For A Million Employees" program, so that all employees could master the laws and regulations on safe production, accident prevention, and emergency response measures (the program required 100% participation, 100% training, and 100% pass rate); we implemented a new dual-control system consisting of safety risk-graded control and hidden danger identification and elimination; we taught all employees how to identify sources of danger and produced a list of safety risks and corresponding safety protection measures to ensure zero safety management risks.

Occupational health

Attaching great importance to the occupational health of employees, we abide by the *Labor Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases*; we formulated and released the *Occupational Health Management System* to identify occupational disease risks in the production environment and take targeted measures to protect the health of employees. We proposed the occupational health management goal of "no occupational disease; regular occupational hazard factor detection and occupational health examination". During the reporting period, the Huzhou Production Base received the ISO45001:2018 OHSAS certification (valid until 2/14/2025), and no occupational disease case occurred in the company.

Our occupational disease risks mainly include dust, VOC gas, and so on. Therefore, we provide employees with comprehensive occupational disease protection from two aspects: environmental and equipment safety protection and personal safety protection.



Protective measures against occupational disease risks



Environmental and equipment safety protection

- We preferentially adopt new technologies, processes, and materials beneficial to preventing occupational diseases and protecting workers.
- We introduced a dust and VOC collection system to remove dust and VOC gas in workshops.
- We have posted on-site warning signs and bulletin boards and distributed protective gear to employees.
- We regularly maintain and overhaul occupational disease protection equipment, emergency rescue facilities, and occupational disease protection articles for personal use.



Personal safety protection

- We provide workers with occupational disease protection articles for personal use.
- We carry out occupational health examinations for workers who are exposed to occupational disease hazards before, during, and after their employment.
- We provide all employees with annual free physical examinations and give targeted health lectures on noticeable sub-health problems of employees.

Social Responsibility

For a long time, Proya has upheld the idea of "achieving beauty with a grateful heart; repaying society with a sincere heart". We have continued to increase social investment and actively perform our social responsibilities. During the reporting period, we invested a total of RMB 3.706 million for community philanthropy undertakings.

more than
3.7 million
for community philanthropy undertakings

Social Advocacy

We have long advocated the social value of "aesthetics" and focused on key issues in social life. Relying on our brand influence and expertise, we have issued initiatives and taken action to commit ourselves to delivering a beautiful life to everyone.

Areas of interest	Project name	Project description	Project data
Women and gender	Gender does not divide us, prejudice does!	<p>Start time: March 2021</p> <p>Project description: Through a series of integrated communication activities such as media voices, Weibo discussions, and promotional videos, we break the stereotype of gender and discuss the true meaning of gender equality.</p>	<ul style="list-style-type: none"> The promotional video has been watched 25 million times, with 150 million readers viewing the topic page on Weibo and 103,000 discussions raised, evoking widespread social resonance.
Women and gender	"To the Brave in Love"	<p>Start time: May 2021</p> <p>Project description: Through classic literature, combined with key social media platforms, the brand spreads the concept of "dare to love, dare not to love"; a short film was produced with famous beauty KOL Luo Wang Yu to create social media buzz and to convey the brand's concept and spirit of "discover while you're young".</p>	<ul style="list-style-type: none"> As of May 24, the Weibo topic #dare to love, dare not to# had generated a total of 44.935 million page views and attracted 30,000 Weibo users to discuss it; As of September 7, the brand film had been viewed 2.91 million times on Weibo.

Areas of interest	Project name	Project description	Project data
Young people	Echo Project	<p>Start time: October 2021</p> <p>Project description: Combining our insights into the current mental health of young people, we proposed "Don't be ashamed of your feelings" and we have paid close attention to the emotional difficulties faced by young people by releasing topics, customizing the "Echo Project" Mental Health Care Manual for Youth, founding a charitable fund, and producing themed short films on the mental health of youth.</p>	<p>As of October 29:</p> <ul style="list-style-type: none"> The #Don't be ashamed of your feelings# topic had received 76.29 million views and 38,000 discussions; The #Proya Echo Project# topic had received 13.39 million views and 30,000 discussions. The "Don't be ashamed of your feelings" TVC had been played more than 4.9 million times on the Internet; The thematic documentary has been played more than 3.5 million times; More than 60,000 copies of the "Echo Project" Mental Health Care Manual for Youth were distributed in more than 60 colleges and universities across the country, including Beijing Normal University and South China Normal University.
	Dabble in the new world upon graduation	<p>Start time: January 2021</p> <p>Project description: Through illustrations, Weibo topics, promotional videos, and other forms, we encourage young people to brave the new world and deliver the brand concept "discover while you're young".</p>	<ul style="list-style-type: none"> The total PV of the brand TVC on Weibo has exceeded 15.08 million and the total interaction has exceeded 10,000 times. The #First year of graduation# topic received 100 million views and 44,000 discussions on Weibo. The #Touched by the deepest subway in Chongqing# topic received more than 80 million views and more than 35,000 discussions.

Rural Revitalization

The rural revitalization strategy is a long-term and forward-looking national strategy of global importance, and is also the core and key issue of national development. We actively implement such policies as the *Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting Rural Revitalization and Accelerating the Modernization of Agriculture and Rural Areas*, and the *Opinions on Effective Connection of Consolidation and Expansion of the Results of Poverty Alleviation with Rural Revitalization*. We help with rural revitalization by means of paired assistance, charitable donations, and other forms.

© Description of our participation in paired assistance for rural revitalization

Villages of paired assistance	Starting time	Supporting measures and results
Yandai Village, Yandai Town, Jiulong County, Ganzi Prefecture, Sichuan Province	2021	During the reporting period, we invested RMB50,000 of assistance funds to commend outstanding students and support poverty-stricken students.
Mulin Village, Yandai Town, Jiulong County, Ganzi Prefecture, Sichuan Province	2021	During the reporting period, we invested RMB50,000 of assistance funds to commend outstanding students and support poverty-stricken students.

Corporate Governance

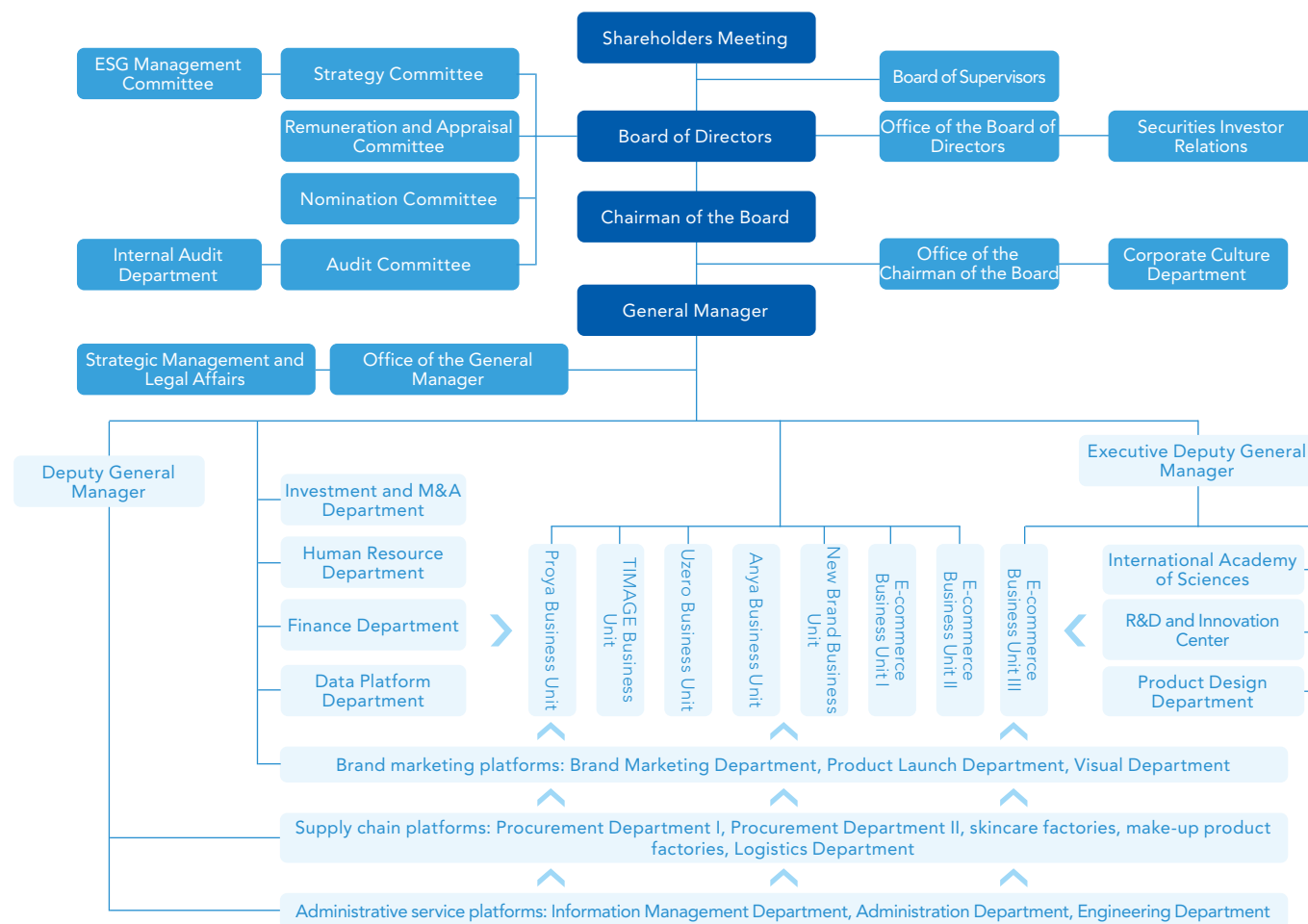
Corporate Governance System

We have improved our corporate governance structure and continue to enhance our standard operating capability in accordance with the requirements of relevant laws and regulations such as the *Company Law*, the *Securities Law*, the *Rules of the Shanghai Stock Exchange for Stock Listing*, the *Code of Governance for Listed Companies*, and the *Articles of Association*.

We have convened and held general meetings of shareholders in strict accordance with the *Articles of Association*, treating all shareholders equally, and providing as much convenience as possible for shareholders to participate in general meetings so that they can fully exercise their rights as shareholders.

All shareholders, directors, supervisors, and senior management personnel are diligent and responsible and effectively exercise their rights and perform their obligations in accordance with the relevant rules and regulations of procedure. The actual situation of our corporate governance complies with the requirements of the normative documents on the governance of listed companies issued by the China Securities Regulatory Commission and the Shanghai Stock Exchange. No document has been received that required a competent authority to enforce an administrative supervision measure.

Chart of corporate governance structure



Composition of our board of directors and the convening of three meetings in 2021

Composition of the Board of Directors and the Board of Supervisors	Convening of three meetings
5 Directors	2 Shareholders
3 Executive Directors	6 Board Meetings
2 Independent Non-executive Directors	11 Meetings of special committees of the board of directors
3 Supervisors, including one employee representative	6 Meetings of the board of supervisors
	A total of about 124 proposals and reports have been deliberated, read, reviewed, or heard

Investor Relations

Information disclosure and investor communication

We strictly abide by the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and other relevant laws and regulations to fulfill our information disclosure obligations, to ensure the truthfulness, accuracy, completeness and timeliness of our information disclosure, and to guarantee that all investors have fair access to company information. During the reporting period, we did not have any violations or penalties.

On the basis of proper mandatory disclosure, we actively add more information in voluntary disclosure. We disclose ESG information through environmental, social, and governance (ESG) reports, and we hire professional external agencies to provide ESG training to relevant departments of the company and promote internal understanding of ESG.

We adhere to the principle of equal opportunity for investors. In order to further protect the rights and interests of small and medium investors, we take active measures to communicate with investors and to make investors better understand and trust the company by means of telephone calls, emails, the "E Interaction" platform of the Shanghai Stock Exchange, performance presentations, visit and survey, online exchange, and many other ways.

Performance of investor communication in 2021

- Rated **A** in information disclosure by the Shanghai Stock Exchange
- Issued a total of four periodic announcements and **87** temporary announcements
- Carried out seven investor surveys and communication activities in an online and on-site manner, and received more than **800+** institutional investors

Investors' rights and interests

While striving to achieve rapid growth in scale and steady growth in economic benefits, we also pay attention to giving reasonable returns to investors based on our profitability and the need for production and operations. We employ a prudent dividend distribution policy, pay a stable dividend, and actively reward shareholders.

☉ Cash dividend distribution in the past three years

Year	Dividends per 10 shares (RMB) (tax included)
2019	5.90
2020	7.20
2021	8.60

The social contribution per share reflects the value created by the company for society and stakeholders. The social contribution value per share of the company in the past three years is:

Year	2019	2020	2021
Social contribution per share ¹	5.59	6.19	7.24

1. Social contribution value per share = (net profit of the company + tax revenue created for the country in the year + wages paid to employees + loan interest paid to creditors such as banks + external donations and other value created for other stakeholders - other social costs caused by environmental pollution or other reasons)/total number of shares of the company.

Risk Management

In order to build a risk management mechanism that supports strategy implementation and integrity building and ensures the effective operation of our risk management system, we have formulated the *Internal Audit Management System*, the *Application Guidelines*, and other institutional documents. Furthermore, we have established institutional documentation for each subsidiary and business unit, optimized internal control systems, realized the management of and response to internal and external risks, and ensured the low-risk operation and high-quality rapid development of the company.

Under the guidance of the *Internal Control Application Guidelines and Process System Management*, we have established independent processes and supporting regulations for each business unit, each functional department, and each specific project to rapidly respond to market needs. Specifically, we are able to promptly identify and classify five major risk categories, including business decision-making risks, legal violation risks, distorted property reports, endangered asset safety, and malpractice. In addition, we require the description of specific risk control objectives and measures to improve the efficiency of internal risk management.

During the reporting period, the audit work carried out by our Internal Audit Department included 1 routine audit, 12 routine departure audits, 3 special departure audits, and 7 special audits. We strictly audited contract performance, related transactions, and other key aspects, timely handled violations or missed appointments, and boosted the continuous improvement of our business process and operations system.

- 1 Routine audit
- 12 Routine departure audits
- 3 Special departure audits
- 7 Special audits

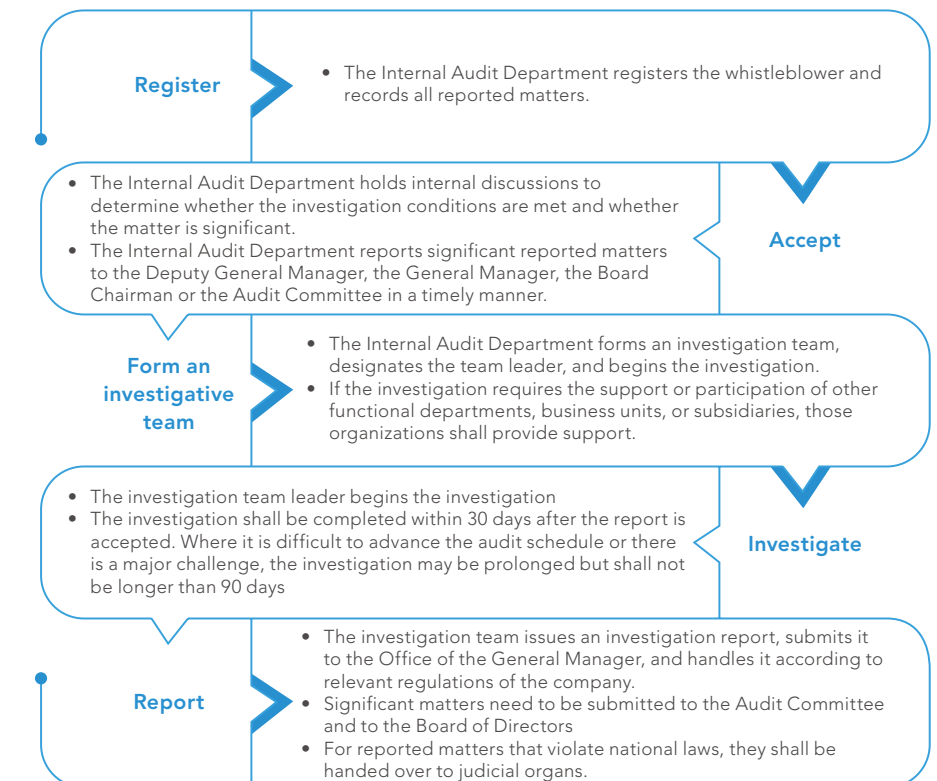
Compliance Operation

Compliance Management System

We regard compliant operation of our business as the cornerstone of steady development. To this end, we have established a comprehensive compliance management system and we continue to improve it. We actively identify compliance risks in the production and operation process with a focus on the risk points involved in anti-corruption, anti-bribery, environment, and labor rights.

We have established a multi-level monitoring and auditing mechanism, and set up a variety of compliance reporting channels including the both internal document *Employee Monitoring and Reporting Management System* and an external reporting hotline and a reporting mailbox. We take every report seriously and responsibly, and our Internal Audit Department will investigate and handle related issues.

☉ Employee reporting process



Whistleblower protection

- The report-handling personnel keep the relevant information of the whistleblower and the specific content of the reported matter strictly confidential. Investigations are carried out without revealing the whistleblower's identity. Unless it is agreed by the whistleblower, the whistleblower's name, department, contact information and other information will not be disclosed under any circumstances.
- Report-handling personnel who violate confidentiality regulations or improperly perform their duties will be punished severely based on the circumstance and consequence. Where it constitutes a crime, they shall be handed over to judicial organs.
- No unit or individual shall intercept or detain the whistleblower's report under any pretext, nor shall they take any means to retaliate against the whistleblower. 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 matter is verified to be true, and those who violated the laws and disciplines are punished properly thereby recovering or reducing losses for the company, the Internal Audit Department may suggest commending or rewarding the whistleblower in accordance with relevant regulations of the company. In order to protect the whistleblower, the reward, after being approved by the Office of the General Manager, shall be distributed in a non-public manner unless it is agreed on by the whistleblower.

During the reporting period, we organized training activities on relevant laws, regulations, and compliance practices for key employees, including two training sessions for the Marketing Department regarding the practical operation standards of the *Advertising Law* and one training session for the Human Resource Department regarding the key compliance points in the *Employment Management Practice*. Those training sessions emphasized the combination of compliance risk control and routine operation, and improved employees' awareness of compliant management.

Anti-Corruption and Business Ethics

We attach great importance to the code of ethics in business operations and seek to eradicate corruption within the company. During the reporting period, we did not encounter any incident related to corruption, bribery, extortion, fraud, or money laundering, nor did any lawsuit arising from the above matters occur.

As for employees, the Thirty-Two Rules of Proya clearly stipulate that employees shall be "honest, upright, creditworthy, and trustworthy". In addition, we require personnel within the Purchasing Department to sign the Commitment to the Code of Ethics and Code of Conduct for Purchasing Personnel, and strictly control the risk of occupational bribery during procurement management.

As for procurement from key suppliers and brand cooperation, we require key raw material and packaging material suppliers to sign the *Commitment to Business Principles* and we require brand promotion partners to sign the *Cooperation Agreement in Integrity*. We strictly abide by anti-corruption and anti-bribery principles, and clearly specify the definition of commercial bribery and penalties in our procurement contracts. For suppliers who violate our anti-corruption principles, we will blacklist them; if the supplier's behavior constitutes a crime, we will hand them over to state agencies to investigate their criminal responsibility.

Protection of Intellectual Property Rights

We strictly abide by the *Patent Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, and other laws and regulations and have developed a line of intellectual property management rules including the *Intellectual Property Management System*, the *Trademark Management Measures*, and the *Patent Management Measures* to make sure we don't infringe on the intellectual property rights of others while protecting our own.

© Intellectual property management measures



Intellectual property rights advocacy

- We have set up an intellectual property training and publicity fund, and carry out annual training and publicity campaigns for intellectual property protection.



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 introduce or export new technologies and products, we must conduct intellectual property searches to make sure we don't infringe on the intellectual property rights of others.



Protecting our intellectual property rights

- In the course 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, and other appropriate confirmation work.

During the reporting period, our Intellectual Property Department launched special crackdowns and filed lawsuits against violating and infringement acts, covering 20 stores infringing on our "Elastic Brightening" essence design patent with an amount up to more than RMB 40 million. The Public Security Bureau investigated and confiscated more than 5,000 products with a counterfeit registered trademark of Proya. TIMAGE complained and removed 980 titles and obtained 159 notarized pieces of evidence.

Key quantitative performance

Environmental data

Disclosure item	Unit	2019	2020	2021
Number of punishments for violating environmental protection laws and regulations	Piece(s)	0	0	0
<i>Use of resources¹</i>				
Power consumption	MWh	9,228.90	11,230.16	12,161.96
Power consumption per RMB10,000 of revenue	KWh/RMB10,000	29.55	29.93	26.25
Total natural gas consumption	Cubic meter	293,551.00	306,164.00	295,436.00
Natural gas consumption per RMB10,000 of revenue	Cubic meter/RMB10,000	0.94	0.82	0.64
Gasoline consumption for self-owned vehicles	Liter	241,083.61	269,292.04	291,954.00
Diesel consumption for self-owned vehicles	Liter	47,425.00	52,932.00	42,614.00
Total water consumption	Cubic meter	167,132.30	183,856.00	208,614.90
Water consumption per RMB10,000 of revenue	Cubic meter/RMB10,000	0.54	0.49	0.45
Total consumption of recycled water	Cubic meter	13,000.00	13,800.00	15,000.00
Proportion of water recycled and reused in total water consumption	%	7.78	7.51	7.19
Total usage of packaging materials used on finished products	Ton	5,516.00	6,528.00	6,060.00
Usage of packaging materials used per RMB10,000 of revenue	kg/RMB10,000	17.66	17.40	13.08
<i>Emissions²</i>				
Total waste gas emissions ³	Cubic meter	9,288,000.00	10,238,400.00	16,368,000.00
Industrial wastewater discharge	Cubic meter	13,000.00	12,800.00	13,500.00
Chemical oxygen demand (COD) emissions in wastewater	Kilogram	650.00	640.00	675.00
Biochemical oxygen demand (BOD) emissions in wastewater	Kilogram	130.00	128.00	135.00
Ammonia nitrogen (NH ₃ -N) emissions in wastewater	Kilogram	65.00	64.00	67.50
Total amount of general waste generated	Ton	560.00	587.68	602.65
Discharge of general waste per RMB10,000 of revenue	kg/RMB10,000	1.79	1.57	1.30
Total amount of hazardous waste generated ³	Ton	0.95	1.30	1.70

Disclosure item	Unit	2019	2020	2021
Discharge of hazardous waste per RMB10,000 of revenue	kg/RMB10,000	0.0030	0.0035	0.0037
Total greenhouse gas emissions ⁴	Tons of carbon dioxide equivalent	6,894.55	8,216.25	8426.86
Scope 1 greenhouse gas emissions	Tons of carbon dioxide equivalent	1,264.00	1,364.73	1,360.77
Scope 2 greenhouse gas emissions	Tons of carbon dioxide equivalent	5,630.55	6,851.52	7,066.10
Greenhouse gas emissions per RMB10,000 of revenue	Kg of carbon dioxide equivalent/ RMB10,000	22.07	21.90	18.19

Note:

[1] The resource data in Proya Sustainability Report 2020 were from the Huzhou Production Base (skin care factory); in this year, we improved the caliber of data, covering the office and the R&D centers of the Proya headquarters building and the Huzhou production base (skin care factory), as well as the make-up product factory at Proya Headquarters. As a result, the consumption of electricity and water was increased.

[2] The emissions data were from the skin care factory; data from the make-up product factory were not included.

[3] The total amount of hazardous waste and waste gas emissions increased slightly in 2021 because of new product development, increased laboratory testing, and expanded scale of production.

[4] The greenhouse gas emissions are calculated based on the Guidelines on Enterprise Greenhouse Gas Emissions Accounting and Reporting – Power Generation Facilities (Revised in 2022) issued by the Ministry of Ecological Environment for the calculation method of greenhouse gas emissions. In the Guidelines, the electricity emission factor for 2019-2020 is 0.6101 kilograms of carbon dioxide equivalent/kWh, and the electricity emission factor for 2021 is 0.5810 kilograms of carbon dioxide equivalent/kWh.

Compared with Proya Sustainability Report 2020, this year, we improved the statistical scope of energy consumption (see Note), and statistics for gasoline and diesel consumption by self-owned vehicles was added as well. Based on the updated data on energy and electricity emission factors, we made a retrospective adjustments of data from 2019 to 2020.

Product and customer responsibility

Disclosure item	Unit	2019	2020	2021
Number of complaints received concerning products and services	Piece(s)	349	348	310
Complaint handling rate	%	100%	100%	100%
Number of incidents of products and services in violation of laws and regulations related to health and security	Piece(s)	0	0	0
Number of violations of laws and regulations in marketing (including advertising, promotion, and sponsorship)	Piece(s)	0	0	0
Number of incidents of violations of regulations and voluntary guidelines regarding product and service information and labeling	Piece(s)	0	0	0
Number of incidents of violations of regulations regarding customer privacy protection	Times	0	0	0

Supply chain management

Disclosure item	Unit	2019	2020	2021
Total number of suppliers ¹	Supplier(s)	598	538	604
Number of suppliers in the Chinese Mainland	Supplier(s)	592	532	599
Number of suppliers in Hong Kong, Macau, Taiwan, and overseas regions	Supplier(s)	6	6	5
Percentage of suppliers evaluated for environmental, labor, ethics, etc. ²	%	19.50	20.82	17.88
Percentage of suppliers having passed environmental, labor, ethics assessments ³	%	94.87	99.11	96.30

Note:

[1] The statistics of supplier data are for production materials, service suppliers, and offline sales, excluding suppliers of brand marketing.

[2] Proportion of suppliers who have been evaluated for environment, labor, and ethics = number of suppliers who have been evaluated for environment, labor, and ethics/total number of suppliers (end of period)

[3] Proportion of suppliers who have passed environmental, labor, and ethical assessments = number of suppliers who have passed environmental, labor, and ethical assessments/number of suppliers who have been assessed for environmental, labor, and ethics

Employee data¹

Disclosure item	Unit	2019	2020	2021
Employment				
Number of employees	People	2,844	2,898	2,844
Number of male employees ²	People	561	625	642
Number of female employees ²	People	2,283	2,273	2,202
Number of employees aged below 30	People	890	1,070	1,192
Number of employees aged 30 to 50	People	1,903	1,792	1,612
Number of employees aged above 50	People	51	36	40
Number of employees working in the Chinese Mainland	People	2,844	2,898	2,844
Number of employees working in Hong Kong, Macau, Taiwan, and overseas regions	People	0	0	0
Number of primary employees	People	2,596	2,647	2,598
Number of middle-management employees	People	235	238	231
Number of senior management employees	People	13	13	15

Disclosure item	Unit	2019	2020	2021
Proportion of female employees in middle management ³	%	51.49	57.56	60.17
Proportion of female employees in senior management ⁴	%	15.38	15.38	20.00
Number of R&D employees	People	172	196	159
Number of penalties for violations of employment and labor laws and regulations	Piece(s)	0	0	0
Occupational health and safety				
Working days lost due to work-related injuries	Day(s)	0	0	0
Number of employees died due to work-related injuries	People	0	0	0
Proportion of employees died due to work-related injuries	%	0	0	0
Employee training and development				
Employee training coverage ^{5,6}	%	12.80	13.29	49.75
Proportion of male employees covered by the training	%	35.12	29.76	28.50
Proportion of female employees covered by the training	%	7.31	8.75	55.95
Proportion of primary employees covered by the training	%	8.51	11.18	52.23
Proportion of middle-management employees covered by the training	%	60.85	37.39	25.11
Proportion of senior management employees covered by the training	%	0	0	0
Average hours of training for employees ^{5,7}	Hour(s)	1.73	1.86	19.31
Average hours of training for male employees	Hour(s)	4.76	4.17	4.00
Average hours of training for female employees	Hour(s)	0.99	1.23	23.77
Average hours of training for primary employees	Hour(s)	0.58	1.23	20.60
Average hours of training for middle management	Hour(s)	14.60	8.97	6.03
Employee turnover rate ⁸	%	26.55	26.09	26.79
Turnover rate of male employees	%	24.06	20.32	18.22

Disclosure item	Unit	2019	2020	2021
Turnover rate of female employees	%	27.16	27.67	29.29
Turnover rate of employees aged below 30	%	13.93	11.78	27.35
Turnover rate of employees aged between 30 to 50	%	30.85	34.15	26.61
Turnover rate of employees aged above 50	%	86.27	50.00	17.50

Note:

- [1] Employee data includes only full-time contracted employees, excluding employees under service dispatch and part-time employees
- [2] Following data retrospection, the data of male employees and female employees in 2020 have been revised
- [3] Proportion of female employees in middle management = number of female employees in middle management/number of employees in middle management (end of period)
- [4] Proportion of female employees in senior management = number of female employees in senior management/number of employees in senior management (end of period)
- [5] Since the statistical caliber of data on training newly included the data of offline BA (Beauty Advisor) in 2021, the employee training coverage and average hours of training for employees had increased dramatically
- [6] Employee training coverage = number of employees in this category trained during the reporting period/total number of employees in this category (end of period)
- [7] The average hours of training for employees = the total hours of training for employees in this category/total number of employees in this category (end of period)
- [8] Employee turnover rate = number of employees in this category departing during the reporting period/total number of employees in this category (end of period)

Community philanthropy

Disclosure item	Unit	2019	2020	2021
Amount invested in community philanthropy ¹	Million	4.95	15.01	3.71
Amount of donations ²	Million	4.95	15.00	3.70
Total hours of volunteer service of employees ³	Hour(s)	0	57	0

Note:

- [1] The investment in community philanthropy includes funds and materials donated by Proya to charitable activities in the community.
- [2] The amount of donations was relatively large in 2020 because we set up a "15 million charitable fund" in 2020 specially to be used for epidemic prevention and control.
- [3] In 2021, volunteer services were suspended due to the ongoing epidemic.

Benchmarking index table

Index Table of the Guidelines for the Self-Regulatory Supervision of Listed Companies on the Shanghai Stock Exchange No.1 - Standardized Operation (2022)

Terms and disclosures		Report chapters
8.1 Overview		Environmental, social, and governance system
8.2 Operating principles		Compliance operations
8.3 Social responsibility planning and working mechanism		Sustainable development concept Environmental, social, and governance system
8.4 Social contribution per share		Key quantitative performance
8.5 Disclosure of social responsibility report		Report description
8.6: (1)	Construction of a social responsibility system	Environmental responsibility Product and customer responsibility Employee responsibilities Community responsibility
8.6: (2)	Deficiencies and problems existing in the fulfillment of social responsibilities	We will formulate the sustainable development plan of 2022 and develop medium and long-term development plans and management goals
8.6: (3)	Improvement measures and specific schedule	We will formulate a sustainable development plan for 2022, and develop medium and long-term development plans and management goals
8.7 Rights and interests of employees		Employee rights and benefits
8.8: (1)	Compliance with environmental protection laws and industrial 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 management
8.8: (5)	Pollution prevention and control facilities	Emissions management
8.8: (6)	Payment of taxes and fees related to environmental protection	Environmental management system
8.8: (7)	Supply chain environmental security	Responsible supply chain
8.8: (8)	Other environmental protection responsibilities	Environmental responsibility
8.9: (1)	Policies, objectives, and results of environmental protection	Environmental responsibility
8.9: (2)	Total annual resource consumption	Key quantitative performance
8.9: (3)	Environmental investment and environmental technology development	Not involved

Terms and disclosures		Report chapters
8.9: (4)	Type, quantity, concentration, and destination of pollutants discharged	Emissions management Key quantitative performance
8.9: (5)	Construction and operation of environmental protection facilities	Not involved
8.9: (6)	Waste treatment, disposal, recycling, and comprehensive utilization of discarded products	Emissions management
8.9: (7)	Voluntary agreements signed with environmental protection authorities	Not involved
8.9: (8)	Rewards granted by environmental protection authorities	Not involved
8.9: (9)	Other voluntarily disclosed information	Not involved
8.10: (1)	New construction, renovation, expansion, or major investments	Not involved
8.10: (2)	Violation of environmental laws and regulations and penalties	Not involved
8.10: (3)	Major lawsuits on environmental issues or assets seized, frozen, detained, pledged, mortgaged	Not involved
8.10: (4)	Key pollutant discharge units	Not involved
8.10: (5)	Impact of newly-promulgated laws and regulations on the company	Not involved
8.10: (6)	Major environmental protection events	Not involved
8.11 Environmental inspection		Environmental responsibility
8.12 Key pollutant discharge units		We are not included as a key pollutant discharge unit
8.13: (1)	Law, regulations, and industrial standards of product safety	Product quality and safety
8.13: (2)	Production environment and process	Product quality and safety
8.13: (3)	Product quality safety guarantee mechanism and accident emergency response plan	Product quality and safety
8.13: (4)	Other responsibilities related to production and product safety	Product quality and safety
8.14: (1)	Employee management system and punishment for violations	Employee rights and benefits
8.14: (2)	Prevention of occupational hazards and supporting safety measures	Occupational health and safety
8.14: (3)	Employee training	Employee training and development
8.14: (4)	Other responsibilities for protecting employee rights and interests	Employee rights and benefits
8.15 Scientific ethics		Research, development, and innovation

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403: Occupational health and safety 2018	
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404: Training and education 2016	
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Report description

The Proya Environmental, Social and Governance (ESG) Report 2021 (hereinafter referred to as "the Report") is the second ESG report issued by Proya Cosmetics Co., Ltd. following the Proya Sustainability Report 2020 released in 2020. This Report expands on the principles and performance of ESG governance of Proya Cosmetics Co., Ltd. in 2021 and covers the environmental, social, and governance issues of concern for important stakeholders.

Basis of preparation

This report was prepared in accordance with the Guidelines for the Self-Regulatory Supervision of Companies Listed on the Shanghai Stock Exchange No.1 - Standardized Operation (2022) and with reference to the Content and Format of Information Disclosure by Companies Offering Securities to the Public No.2 - Content and Format of Annual Reports (Revised in 2021), and the GRI Sustainability Reporting Standards.

Reporting principles

This report defines the content to be reported according to the principles of stakeholder inclusion, sustainable development background, materiality, and integrity specified in GRI Sustainability Reporting Standards, with reference to the following principles that define and improve the quality of the report.:

<p>Principle of accuracy This report describes the basis of the calculations and assumptions for the caliber of information and data provided, and indicates the basic assumptions that the estimated data are based on.</p>	<p>Principle of balance Based on this principle, this report reflects objective facts and discloses indicators involving both positive and negative information.</p>
<p>Principle of clarity This report is published in Simplified Chinese and English, and contains a benchmarking index table and a terminology index table for stakeholders to better understand the information.</p>	<p>Principle of comparability This report discloses key quantitative performance indicators, explains the meaning of the indicators, and indicates the basis for its calculations and assumptions. Meanwhile, the indicators used in different reporting periods are as consistent as possible to reflect the trend of performance levels.</p>
<p>Reliability The data and examples in this report come from original records or financial reports reflecting the actual operation of the company. The board of directors guarantees that this report contains no false records, misleading statements, or major omissions.</p>	<p>Timeliness This report is an annual report. We make every effort to publish it as soon as possible after the end of the reporting year, and we indicate the scope covered by the report under "Scope of Report".</p>

Report

Reporting period: This Report is an annual report and covers the period from January 1, 2021 to December 31, 2021. Some information is beyond this scope and has been explained accordingly.

Organizational scope: This Report covers Proya Cosmetics Co., Ltd. and its affiliates and includes only our cosmetic business. The statistical scope of some data differs from this and has been explained in the data section.

The scope of entities in the consolidated statement of the company is as follows:

Company name	Whether to be included in this report	Company name	Whether to be included in this report
Hangzhou Proya Trading Co., Ltd.	Yes	Hangzhou Weiluoke Cosmetics Co., Ltd.	Yes
Hannah Cosmetics Co., Ltd.	Yes	Hangzhou OOMS Trading Co., Ltd.	Yes
Anya (Huzhou) Cosmetics Co., Ltd.	Yes	Huzhou Poyun Electronic Commerce Co., Ltd.	Yes
Yueqing Laiya Trading Co., Ltd.	Yes	Proya (Hainan) Cosmetics Co., Ltd.	Yes
Huzhou Youzilai Trading Co., Ltd.	Yes	Singuladerm (Hangzhou) Cosmetics Co., Ltd.	Yes
Mijing Siyu (Hangzhou) Cosmetics Co., Ltd.	Yes	Hangzhou Proya Commercial Management Co., Ltd.	No
Zhejiang Beautiful Valley E-Commerce Co., Ltd.	Yes	Hangzhou Tiedingxian Catering Management Co., Ltd.	No
Huzhou Chuangdai Electronic Commerce Co., Ltd.	Yes	Hangzhou Tielexinaini Catering Management Co., Ltd.	No
Hapsode (Hangzhou) Cosmetics Co., Ltd.	Yes	Hangzhou Xiakeba Catering Management Co., Ltd.	No
Hapsode Co., Ltd.	Yes	Hangzhou Luxiaotie Fitness Co., Ltd.	No
Huzhou Hapsode Trading Co., Ltd.	Yes	Huzhou Niuke Technology Co., Ltd.	No
Danyang Hapsode Cosmetics Trading Co., Ltd.	Yes	Hangzhou Wanyan Culture Media Co., Ltd.	No
Hong Kong Keshi Trading Co., Ltd.	Yes	Ningbo Proya Enterprise Consulting Management Co., Ltd.	No
Hong Kong Xinghuo Industry Co., Ltd.	Yes	Zhejiang Qingya Culture and Art Communication Co., Ltd.	No
Hong Kong Zhongwen Electronic Commerce Co., Ltd.	Yes	Xuzhou Proya Information Technology Co., Ltd.	No
Hong Kong Sunrise Trading Co., Ltd.	Yes	Proya Europe SARL	No
Hong Kong Wanyan Electronic Commerce Co., Ltd.	Yes	Shanghai Zhongwen Electronic Commerce Co., Ltd.	No
Huzhou YNM Cosmetics Co., Ltd.	Yes	Boya (Hong Kong) Investment Management Co., Ltd.	No
Korea YNM Cosmetics Co., Ltd.	Yes	Hangzhou Yizhuo Culture Media Co., Ltd.	No
Ningbo Timage Cosmetics Co., Ltd.	Yes	Guangzhou Qianxi Network Technology Co., Ltd.	No
Ningbo Keshi Trading Co., Ltd.	Yes		
Zhejiang Beute Cosmetics Co., Ltd.	Yes		
O&R Co., Ltd.	Yes		
Ningbo Tangyu Trading Co., Ltd.	Yes		

The abbreviations in the Report are explained as follows:

Abbreviation	Definition
Proya, the company, we (us)	Proya Cosmetics Co., Ltd.
Skin care factory	Huzhou Branch of Proya Cosmetics Co., Ltd.
Makeup factory	Zhejiang Beute Cosmetics Co., Ltd.

Data

The data and examples in this report come from original records or financial reports reflecting the actual operation of the company. The financial data stated in the report are in RMB. If financial data is inconsistent with the financial statement in our annual report, the annual report shall prevail.

Reliability guarantee

Proya promises that the content of this report does not contain any false records, misleading statements, or major omissions. Proya's Board of Directors bears overall responsibility for ESG management and reporting.

Proya Cosmetics Co., Ltd. involved in this Report has been searched in Shanghai Qingyue Credit Database, and no negative environmental information was found.

Contact us

If you have any question related to this Report or Proya's ESG governance, please contact us by the sending e-mails to proya-group@proya.com.



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