

2022

Sustainability &
Environmental, Social,
and Governance
(ESG) Report



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Co-Founders' Message

2022 was still a challenging year. International conflict, climate change, and other events enabled us to understand how the times have affected and will continue to affect everyone. Turbulence in the external environment hardened Proya's resolve to pursue sustainability. We believe that a long-term and sustainable strategy can encourage us to better meet the environmental and social challenges facing humankind and seize development opportunities in uncertain times.

We face a fast-changing market environment and a new generation of consumers in the cosmetics industry. From 2006 to 2022, the retail sales of cosmetics of enterprises above the designated size in China climbed to RMB393.6bn, an increase of 10.17 times in 15 years. In 2022, our operating revenue stood at RMB6.385bn, a YOY increase of 37.82%, hitting a record high. The fast-growing figures mirror the continuous development of the national economy and changes in consumption habits of the public looking for a better life. At the same time, the consumption philosophy of new cohorts is undergoing wide-ranging and profound changes. When selecting cosmetics, consumers consider their quality and effect, environmental and social impact, and how sustainable products and brands are. We are committed to leading these changes in consumption habits and we are working with consumers and partners to build a better future.

In 2022, we released the Sustainable Development Strategic Plan "Beauty Aspirations for a Shared Future". We would like to present consumers with high-quality products and take the initiatives to share environmental and social responsibilities. Proya's sustainable contributions targets products, value chain, and society.

Products are the starting point of our sustainable contribution and the foundation of our continuous environmental and social contributions. As the report shows, we focus on the full lifecycle such as product R&D, the purchase of raw materials, production, transport logistics, and the usage of products to implement sustainable product management. To provide consumers with more sustainable consumption choices, we use safe, natural, and organic ingredients; minimize packaging waste; purchase environmentally friendly raw materials; and promote cleaner production.

Proya does not stop there. With an eye on the entire value chain, we are committed to leading more partners to conduct sustainable transformation. In 2022, we first collected data on carbon emissions from suppliers and distributors to develop a carbon data-tracking mechanism covering upstream and downstream industrial chains and gradually promote the reduction of carbon emissions across the value chain. At the same time, we offered core suppliers ESG training, spurring them to carry out ESG management.

We think that an enterprise achieving success and value not only can bring huge economic returns to investors, employees, and society through sustainable operations, but we are also dedicated to overcoming many social challenges to build an inclusive, harmonious, and beautiful society. Proya is committed to sharing its own development achievements with society, creating a growth environment with equality and diversity for employees, listening to their opinions, and protecting their rights and interests. We also focus on gender equality, love and intimacy, family responsibility, youth and growth, and mental health, as well as activities such as concept advocacy and social welfare to make more people feel and create beauty.

Proya firmly believes that enterprises can achieve lasting greatness if they integrate their own interests with the interests of current times and humanity, bear environmental and social responsibility, and practice sustainability. Although the journey ahead may be long and arduous, we will eventually reach our destination through sustained hard work and embrace a brighter future. In the past few years, we have achieved much in the area of sustainability. More importantly, we will consolidate and strengthen our sustainability achievements, root the concept into our corporate development strategy, and make unremitting progress on the sustainability journey. No step, no mile.

Co-Founders' Message v





About Proya

Company Profile

Proya Cosmetics Co., Ltd. (hereinafter referred to as "Proya", "the Company", and "we") is committed to building a new Chinese cosmetics industry platform. We specialize in the R&D, production, and sales of cosmetics. Our brands cover a wide range of beauty product areas such as popular exquisite skincare, make-up, body&hair, and high-efficacy skincare 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

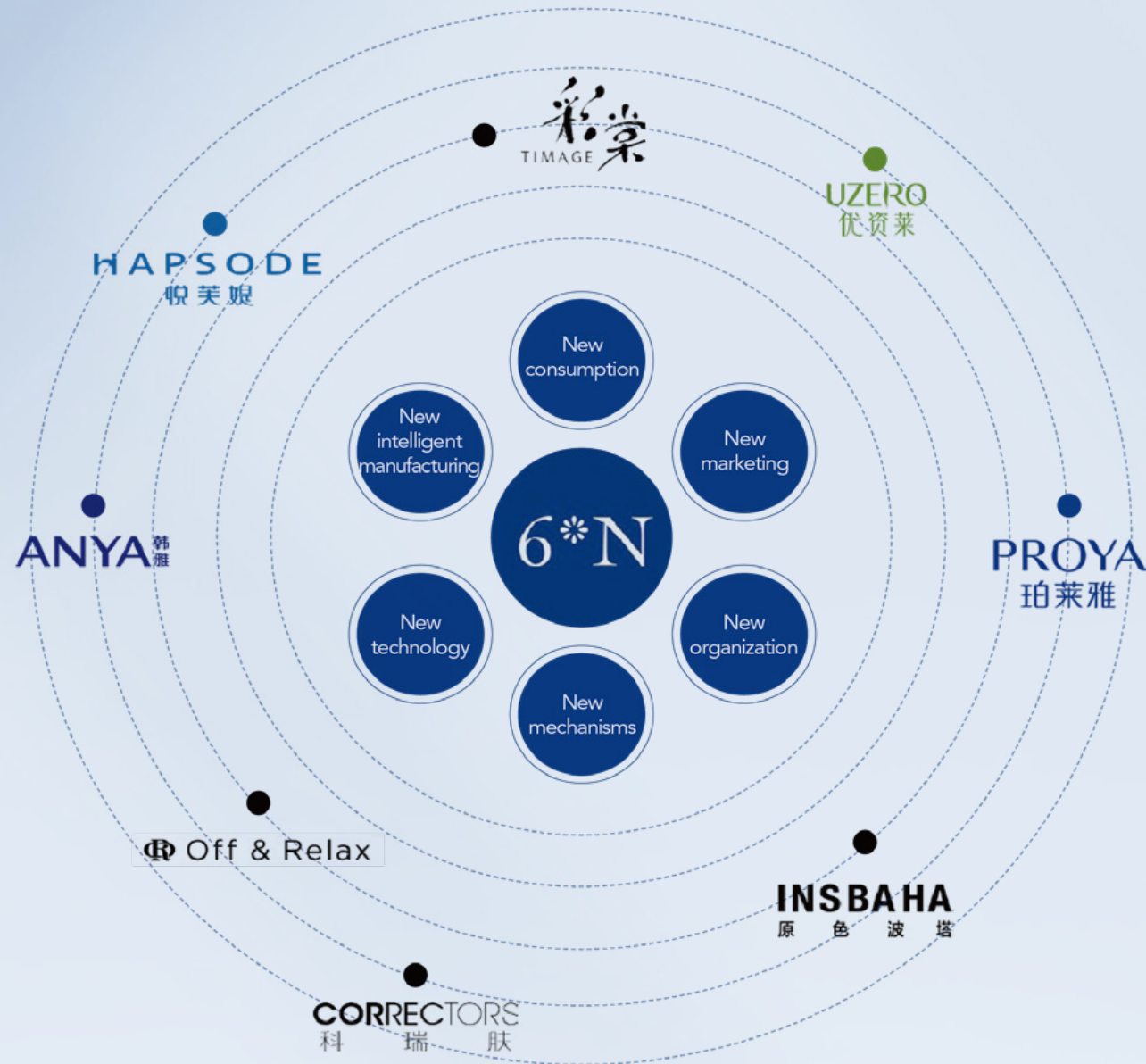
Development of the Company:

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.

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 3,177 employees as of the end of the reporting period.

"6*N" development strategy



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

Company performance highlights

ESG rating achievements>



Company honors and social recognition>

Company honors and social recognition	Awarding body
A-level Evaluation of Information Disclosure of Companies Listed on the Mainboard of the Shanghai Stock Exchange in 2021-2022	Shanghai Stock Exchange
Best Practice Award for Directors of Listed Companies in 2022	China Association for Public Companies
Top 30 Best Internal Control Award for Zhejiang Public Companies In 2022	The 6th Symposium on the High-quality Development of Public Companies
Honorary Title of Hangzhou "Kunpeng Enterprise"	Hangzhou Municipal Committee of the CPC
Top 100 Most Valuable Companies Listed on the Chinese Mainboard	The Securities Times
Golden Tangerine Awards of Time Finance: Public Companies with High-quality Development	The Times Weekly
2022 Invest Awards · Valuable Company Award	Zhejiang Daily Press Group, 10JQKA.com.cn, Invest
China New Consumption Public Companies in 2022	YICAI
TOP10 Listed Companies with the Most Institutional Attention	IRSC 6th China IR Awards
Best ESG Awards	IRSC 6th China IR Awards

Sustainability performance>

Economy			
660,096,624.31 RMB Total tax paid	7.18 RMB (tax included)	Social contribution per share	
increase by 52.56% YOY			
246,661,938.03 RMB Total cash dividends	8.7 RMB (tax included)	Cash dividends per 10 shares	
Calculation based on the total equity of 283,519,469 on Dec. 31, 2022	increase by 1% YOY		
Society			
4.31% R&D investment as a percentage of the parent company's operating revenue	0	Number of product health and safety violations	
increase by 21% YOY			
0	workdays lost due to work-related injuries		
Environment			
12.42 kgCO₂	Greenhouse gas emissions per RMB10,000 of revenue	11.28 kg	Materials used per RMB10,000 of revenue
reduction by 32% YOY		reduction by 14% YOY	
0	Number of environmental safety accidents		

2022 Sustainability Contribution Report

2022

Proya Sustainability

Environmental, Social, and Governance (ESG) Report



Proya Sustainability Governance System

Sustainability Concept

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



Sustainable business: Creating beauty

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

Beauty aspiration for a shared future

Corporate Mission

Ever-lasting beauty and sharing bliss

Corporate Vision

To become a world-class cosmetics enterprise

Corporate Spirit

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

Core Corporate Values

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



Sustainable value chain: Sharing beauty

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



Sustainable society ecosystem: Empowering through beauty





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

Sustainable Development Strategic Plan

In 2022, Proya developed its first strategic plan for sustainability under the theme "Beauty Aspirations for a Shared Future". The Plan sets out Proya's three pillars of sustainability: sustainable business, sustainable value chain, and sustainable social ecosystem. We facilitate sustainability based on holistic ESG management.

Our strategic plan for sustainability also mirrors the UN Sustainable Development Goals (SDGs). We hope to play an important role in achieving the following SDGs: Goal 1 (no poverty), Goal 3 (good health and well-being), Goal 4 (quality education), Goal 5 (gender equality), Goal 6 (clean water and sanitation), Goal 7 (affordable and clean energy), Goal 8 (decent work and economic growth), Goal 12 (responsible consumption and production), Goal 13 (climate action), Goal 14 (life below water), Goal 15 (life on land), and Goal 16 (peace, justice, and strong institutions).

Taking our first strategic plan for sustainability as a starting point, we will continue to accumulate experience and make progress to steadily enhance our sustainability actions and achieve our ultimate goals. (For detailed information on the Proya Sustainable Development Strategic Plan, please log in to: proya-group.com)

Three pillars	Overall goals	Corresponding SDGs	Proya actions in 2022
Sustainable business	<p>By 2025</p> <ul style="list-style-type: none"> Proya will complete 100% safety, effectiveness, and sustainability assessments for major new products or improved formulas. Green packaging, carbon footprint, and biodiversity conservation will be key factors in our product performance enhancements 50% of the energy Proya uses will be from clean energy, and will peak carbon dioxide emissions <p>By 2030</p> <ul style="list-style-type: none"> Proya will achieve net zero emissions from its operations 	   	<ul style="list-style-type: none"> We have adopted various measures such as saving energy and upgrading technology, using clean energy, and optimizing distribution routes to reduce the use of fossil energy in production and operations and cut carbon emissions. During the reporting period, the equivalent greenhouse gas emissions per RMB10,000 of revenue was 12.42 kgCO₂, down 31.69% year on year We implemented green packaging management to reduce packaging waste and further reduced marine pollution caused by land activities We took measures to trace the origin of palm oil derivatives and prioritize the purchase of RSPO-certified (The Roundtable on Sustainable Palm Oil) palm oil to reduce deforestation and its impact on biodiversity

Three pillars	Overall goals	Corresponding SDGs	Proya actions in 2022
Sustainable value chain	<p>By 2025</p> <ul style="list-style-type: none"> We will drive sustainability transformation for all partners in our value chain and share our sustainability actions with our industry peers. We will disclose our product sustainability information in multiple ways to share our sustainable consumption concept with consumers <p>By 2045</p> <ul style="list-style-type: none"> We will achieve carbon neutrality across our entire value chain 	 	<ul style="list-style-type: none"> We conducted ESG training on packaging materials and raw material suppliers to deliver our Sustainable Development Strategic Plan and ESG management knowledge We collected carbon emissions data from suppliers and distributors and encouraged them to implement energy conservation and emissions reduction measures
Sustainable social ecosystem	<p>By 2025</p> <ul style="list-style-type: none"> We will contribute to the growth and development of 500,000 people, including young adults, teenagers, and women 	   	<ul style="list-style-type: none"> We practiced concept advocacy and social welfare activities focusing on gender equality, love and intimacy, family responsibility, youth and growth, and mental health We supported education and areas of public interest, donating stationery, books, and RMB1million to the "One County, One Dream" public interest project

Comprehensive ESG management





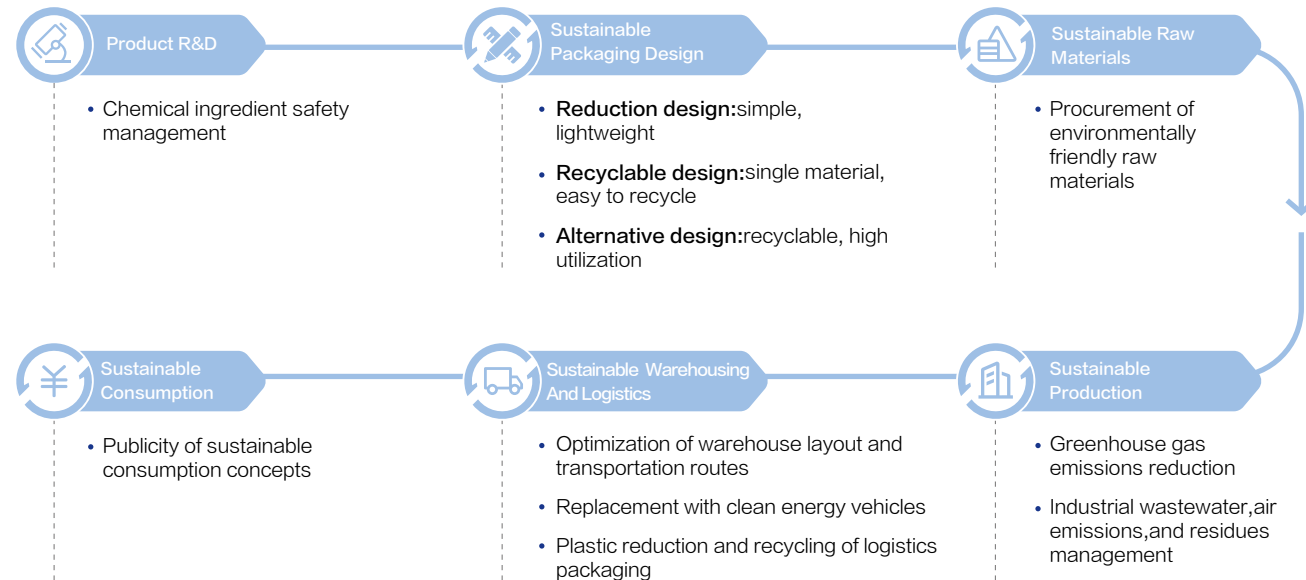


Working Together to Contribute a New Pattern of Sustainable Business

Sustainable operation is the starting point of our sustainability, and the cornerstone of continuously making environmental and social contributions. We believe that to achieve sustainable operation transformation, we should start with our own products and strengthen sustainable product management based on the full lifecycle of product R&D, the purchase of raw materials, production, transport logistics, and the usage of products.

Therefore, we continue to improve our sustainable product model, evaluate the impacts of our products on the environment and people, and promote the sustainable performance of our products in each stage.

Sustainable product model ▾



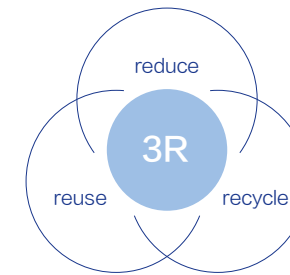
Product R&D

Proya provides consumers with safe and reliable products. This is a prerequisite and guarantee of achieving sustainability and producing sustainable products. We strictly manage the use of raw materials in the process of product R&D. According to laws, regulations, and international standards, we prohibit adding controversial ingredients to new products. We also make real-time adjustments to product ingredients in terms of clinical research results and market feedback.

[Key Action]

During the reporting period, Proya completely phased out paraben preservatives and mineral oil in hero products in the sales and R&D stages, further improving the safety of our product ingredients.

Sustainable Packaging Design



The packaging design of sustainable products should focus on the full lifecycle of packaging production, usage, and recycling. Based on meeting basic functions, designs should minimize materials and energy consumed within the packaging cycle to reduce pressure on the environment.

Proya follows the 3R (Reduce, Reuse, and Recycle) design philosophy. We are committed to reducing the use of packaging materials at the source to further achieve lightweight packaging and improve the packaging utilization rate and recovery rate.

[Key Action]

During the reporting period, we changed the outer packaging – aluminum foil bags – of various gift samples into a single material. This measure simplifies the manufacturing process of packaging and facilitates disassembly, recycling, sorting, and reuse. We upgraded the packaging material of anti-glycation and antioxidant Proya Elastic Brightening Youth Essence (30ml and 50ml) with alternative packaging, encouraging consumers to reuse the outer packaging and reduce the use of plastic.

Sustainable Raw Materials

Sustainable products require the sustainable raw materials. Proya prioritizes environmentally certified raw materials, including packaging and ingredient materials, for example, FSC-certified paper and RSPO-certified palm oil. We learn about the source and production mode of raw materials to ensure that the raw materials we purchased are produced in a sustainable manner, reducing their impacts on the environment.

[Key Action]

Among many raw materials, palm oil, and its derivatives are widely used in the cosmetics industry due to their properties of moisturizing, foaming, and adjusting the texture of products. But the palm oil industry also attracts attentions for its role in deforestation and biodiversity loss.

Rather than directly using and purchasing palm oil, Proya engages in the purchase of palm oil derivatives in a sustainable manner. We expect that, by 2025, more than 70% of the palm oil derivatives we purchase will be RSPO-certified palm oil.

During the reporting period, we promoted the establishment of our traceability system for palm oil. We also adjusted the supplier mix to prioritize cooperating with large suppliers with good ESG management practices and RSPO-certified palm oil information. These actions promoted the gradual increase in the use of RSPO-certified palm oil derivatives.

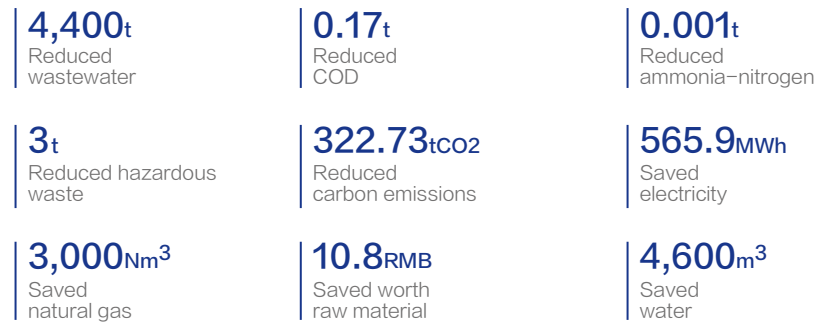
Sustainable Production

The emission of greenhouse gases and discharge of industrial wastewater, air emissions, and residues mainly occur from product production. Moreover, the consumption of energy, raw materials, and other resources principally occurs when products are made. Therefore, sustainable production can improve the usage efficiency of resources and energy in production processes, reduce pollutants and greenhouse gas emissions, and build a resource-saving, eco-friendly production system.

[Key Action]

In 2022, the Company carried out a new round of audits on cleaner production in the Huzhou skincare factory. We investigated the current situation of pollutant emissions, energy management, and environmental protection. We also developed several cleaner production implementation programs according to the investigation results.

During the reporting period, the Huzhou skincare factory planned and implemented 14 cleaner production programs and the factory achieved the following:



Sustainable Warehousing and Logistics

In the distribution and transport stages, products consume energy and resources and cause waste emissions. This includes energy consumption from warehouse operations and transportation vehicles as well as the use and disposal of outer packaging materials. Proya optimizes its warehousing and logistics system through sustainable warehousing, transport, and logistics packaging to enhance the sustainable attributes of products.



[Key Action]

To achieve sustainable warehousing, we have established five warehouses nationwide according to orders from different provinces and applied online channels to improve transport efficiency and reduce transport distance.

To achieve sustainable transport, we have established reasonable layouts and planning for transport routes. Through shortening the transportation distance and increasing the vehicle loading rate, we have conserved energy and reduced emissions.

- Adjust the transport mode from factory to central warehouse then to C warehouse to from factory to toC warehouse directly to reduce ineffective turnover
- Increase the loading rate to reduce no-load when delivering in the central warehouse

To achieve sustainable logistics packaging, we have taken multiple measures, such as recycling packaging, replacing packaging materials, and improving packaging design, to reduce plastic usage and improve the packaging utilization rate.

- Upgrad delivery box stuffing from bubble wrap to raffia or honeycomb paper for 30% of orders at Proya official flagship store to reduce the use of disposable plastic
- Use FSC-certified delivery boxes
- Upgrad delivery cartons to zipper cartons for 99% of orders at Proya official flagship store to reduce the use of tape
- Recover regularly green recyclable cartons for recycling again after processing

Sustainable Consumption

Consumer use and disposal is the final stage in the product lifecycle. Proya is committed to delivering its sustainable product concepts to consumers to achieve sustainable consumption together with them.

[Key Action]

Over the long term, we have integrated our environmental protection philosophy into our product and packaging design. In many product designs, we design the outer metal packaging boxes as reusable boxes that can store jewelry and other small items or print minigames on the inside of customized Tmall gift boxes to encourage consumers to reuse them.

Brand Actions Echo the Call of the Times to Create Beauty

We believe that we are of great importance to the distant future and countless people.

Looking at common challenges faced by humankind, we focus on social inclusion and development. This is our aspiration for a better society and our long-standing direction of action. We are committed to affecting more groups directly related to us. We would like to help them live a better life through repeated appeals and selfless support. We also continue to expand our sphere of influence to inspire more resonance and create a better life for more people.

Our actions focus on gender equality, love and intimacy, family responsibility, youth and growth, and mental health. We would like to directly benefit 500,000 people and indirectly benefit 500 million people by 2025 through activities such as concept advocacy and social welfare.



[Gender Equality]

Gender does not divide us, prejudice does!

Strength, sweat, and lions are also for women
Tenderness, sensitivity, and roses are also for men

Gender equality is an important aspect of the UN Sustainable Development Goals (SDGs). Empowering women and children is regarded as a necessary foundation for world peace, prosperity, and sustainability.

Proya has long viewed breaking down gender bias as its value proposition. We believe that achieving gender equality requires breaking down gender stereotypes, encouraging women and men to break through the restrictions hardened by gender concepts, and pursuing self-fulfillment. In 2022, we have continued our theme of "Gender does not divide us, prejudice does!". We explored different stages of individual growth to advocate the concept of gender equality.



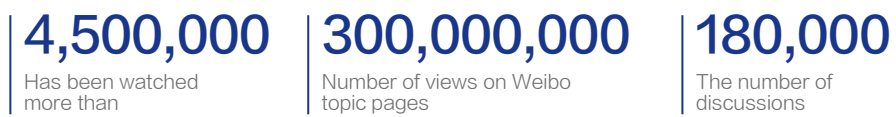
For children in the stage of value formation, we jointly launched a gender education documentary "The Same Sky: How We Conduct Gender Education" with Beijing Xingzhi School, Beijing Magnolia Community Service Center, and Teacher Liu Wenli. In the documentary, teachers, schools, parents, and social welfare organizations respectively described their gender views and the value of the social division of labor. Children gradually weakened gender differences through a variety of stories and encouragement to make efforts to realize their dreams without gender differences.



For young people full of vitality and chasing their dreams, we released a short film titled "Lion-dancing Girls". We invited Wang Shuang, a national female football player, to tell the story of the female lion-dancing team of Hexingtang, Renhe Town, Baiyun District, Guangzhou City. We showcased the power of women through the story of lion-dancing girls, encouraging women not to set limits on themselves or forgo discipline, and thus awaken the lion in everyone's heart.



During the reporting period, the short film "Lion-dancing Girls" has been watched 4.5 million times, with 300 million readers viewing the topic page on Weibo and 180,000 discussions raised, evoking widespread social resonance.



For society, we broaden the scope and depth of the topic and obtain insights into gender bias hidden in society. Starting with the most common advertisements in our social life, we are committed to revealing gender stereotypes in traditional advertising and advocating the power of women and the attitude of self-fulfillment.

We put outdoor ads in major cities, advocating that besides men, hard-working and powerful women can engage in delivering take-aways, programming, and scientific research. Flowers are not only for women. Dolls and trucks are loved by all girls and boys. We strive to convey the value concept of "breaking gender bias" to society, highlighting that "strength, sweat, and hard work are not only for men, but are for everyone who pursues self-fulfillment".



At the same time, we cooperated with Cultural Innovation IP (Intellectual Property) "Xi'an Fang Suo Commune" to jointly launch the themed book list for #Gender does not divide us, prejudice does!# and donated books to public welfare organizations. In this book list, there are abundant literary works on love, responsibility, growth, world outlook, and so on. Among these, the books themed "diverse female and male images" provide the public with greater perspectives and thoughts. While enriching the brand image, we have expanded the demographic covered by this topic and extended the topic depth.



[Love and Intimacy]

Dare to love, dare not to love

Proya focuses on love and intimacy, encourages the brave to risk in love, and advocates that loving yourself is the first step in love.

On Chinese Valentine's Day in 2022, Proya discussed love with the public once again. But this time, we chose the real story as the key to echoing love. We held a group portrait exhibition to touch the love hidden behind our life with the public. Together with Fujifilm China and photographer Luo Yang, Proya invited 11 groups of guests, including the poet Yu Xiuhua, writer Antone, Qi Pa Shuo debater Ma Jianyue, video blogger Tim (founder of MediaStorm) & Yu Linwei, etc., to explore the self-form in love.

Dare to love, dare not to love
know who you are, so dare to love
Know to be yourself, so dare not to love
You only live once, so dare to love
You only live once, so dare not to love



At Xizi Lake, which is the setting for numerous romantic stories, we customized creative buses along the photographic exhibition, together with bus stop signs, displaying Proya Qixi love stories.



During the reporting period, the video "Dare to love, dare not to love" was watched 3 million times, with 25.87 million readers viewing the topic page on Weibo and 19,000 discussions raised. Bus advertising covers 3.26 million audiences and bus stop advertising covers 1.2 million audiences.

[Family Responsibility]

Family responsibility should not be visible only to moms

According to the 2018 National Time Use Survey Report released by the National Bureau of Statistics, Chinese women spend 126 minutes a day doing housework, about three times as much as men. In the family, a mother takes on many family responsibilities that should not belong to her alone.

On the eve of Mother's Day in 2022, Proya observed the hard work and difficulties of mothers in their daily lives and launched the specially planned video "Visible Only to Moms". We advocated that family responsibilities should not be visible only to mothers and called on family members to share housework, so that mothers are no longer confined to the kitchen day and night but can "freely be themselves". Mothers can see the wider sky and world, and make the family relationship more harmonious.

Family responsibilities should not be visible only to moms, but to every single member of the family.



To better understand the hard work of mothers, Proya created a "Family's To Do List" fridge sticker sets to record housework. Through methods such as this, we hope all family members share responsibilities and understand the hard work of mothers.



During the reporting period, the short video "Visible Only to Moms" was watched 5.25 million times, with 10 million readers viewing the topic page on Weibo and 20,000 discussions occurring raised, attracting wide attention.

[Youth and Growth]

Firefly Project – The smallest thing is important

In the process of growing up, we always see the innocence in the sunlight but ignore the pain in the dark sometimes. According to the 2019 UNESCO report Behind the numbers: Ending school violence and bullying, about 32% of students globally have been bullied by their peers at school at least once in the past month, and about 1 in 3 students have been bullied by their classmates. School violence and bullying are major problems facing the global education industry.

In the 2022 school year, Proya and China Education Television jointly launched the "Firefly Project – Anti School-bullying Campaign", and specially launched the anti-school-bullying public welfare short film "Firefly Project". We called on the public to recognize that with school bullying, the smallest thing is important, the lightest action is meaningful, and everyone has the power to light up the darkness.



At the same time, Proya started a discussion of #The smallest thing is important# on Weibo, calling on the public to pay attention to every possible instance of school bullying and fight against school bullying in every case. As soon as the topic was released, more than 20 campus accounts, including those in Beijing and Chengdu, participated and supported "Anti-bullying in Schools". Nearly 100 KOLs spoke out for the "Anti-Bullying" campaign, exploring various forms of bullying and sharing their own experiences.

We also distributed public welfare outdoor advertisements at 54 bus stops in 6 cities. Together with xinli001.com, a professional psychology service platform, we jointly produced and issued 9,000 copies of the "School Bullying Prevention Guide", which elaborates on the causes of and countermeasures against school bullying and provides scientific psychological support for the victims and personnel who deal with school bullying.

Distribution of Public Welfare Outdoor Advertisements >



School Bullying Prevention Guide >



During the reporting period, the anti-bullying public welfare short film "Firefly Project" was watched 23 million times, with 140 million readers viewing the topic page on Weibo and 14,000 discussions raised.

23,000,000
Has been watched

140,000,000
Number of views on Weibo topic pages

14,000
The number of discussions

[Mental Health]

Echo Project – The world always echoes

Adolescents are facing increasing stress and competition at school, high parental expectations, and rapidly changing socio-economic conditions. The 2021 UNICEF report Adolescent Mental Health – a UNICEF Priority for 2021–2025 indicates that, according to a recent national study of mental health, almost 25% of adolescents reported feeling mild or severe depression. It is estimated that at least 30 million children and adolescents under 17 years old in China struggle with emotional or behavioral problems.

As a result, Proya keeps an eye on the emotional dilemmas facing adolescents today. In 2022, Proya has continued with the Echo Project, which encourages adolescents to face their emotions, hear their own voice, and try to release their emotions.

On the eve of World Mental Health Day on October 10, 2022, we launched a public welfare film on mental health titled "Outlet". Together with psychological consultant Li Songwei and Du Sujuan, a literature professor at the East China University of Political Science and Law, we released two public welfare short films, "We need to see each other better" and "Adolescents can cry if they're in pain". We explained the meaning of expressing emotions to young people from different perspectives.



Based on the entertainment habits of adolescents, we jointly launched a list of books, videos, and audio tracks with Douban. Together with the Xiaoyuzhoufm APP, we launched five special podcasts on emotions to help young people navigate through their emotional dilemmas and find outlets.

We are committed to providing professional psychological counseling for young people. Together with xinli001.com, we invited Liu Dan, a clinical psychologist from the School of Psychological and Cognitive Sciences, Peking University, to offer online public welfare courses, and invited psychological consultants to hold offline public welfare lectures in Qingdao, Xi'an, Chengdu, and Sanya. Together with Beijing New Sunshine Charity Foundation, we built a long-term public welfare hotline to give everyone a kind and warm response.



Together with xinli001.com and Mind, a public welfare organization for mental health, we made the public manual, "Incomplete Attempt to Find an Emotional Outlet". These notes provide everyone with 50 ways to unleash emotion and feature Q&A on expressing emotion.



During the reporting period:

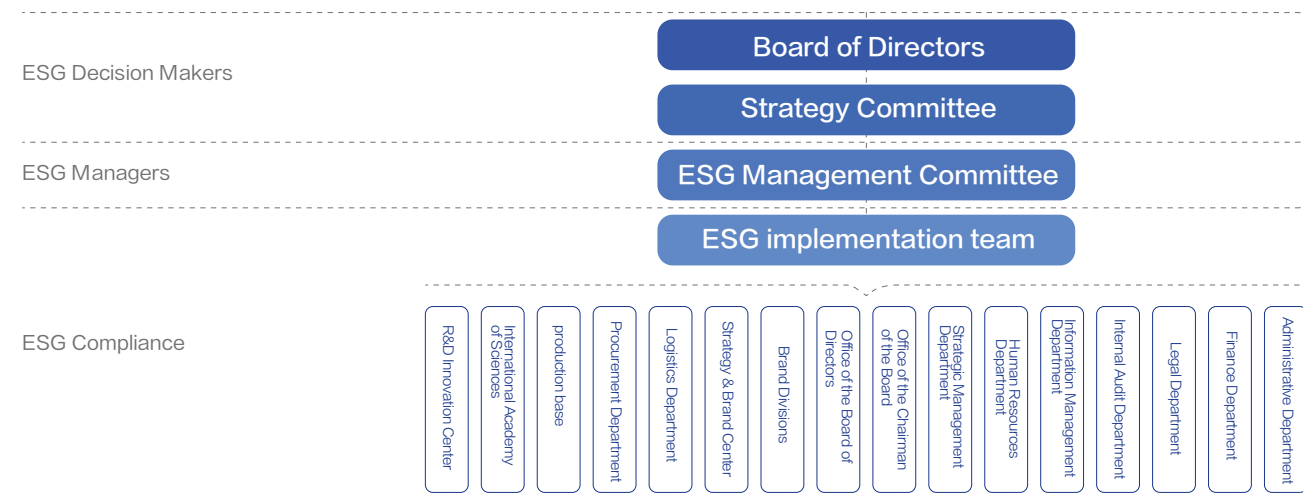
- The three public welfare short films were watched more than 10.05 million times.
- More than 1,400 Douban users spontaneously released books and audio-visual works designed to soothe emotions.
- More than 140,000 users of the Xiaoyuzhoufm APP listened to special podcasts on emotional well-being
- Online public welfare courses were watched more than 10,000 times, and 200 people participated in offline public welfare lectures.
- The public welfare hotline received more than 658 calls, spent 9,033 minutes offering public welfare services, and completed three suicide crisis interventions.
- A total of 180,000 copies of the public manual "Incomplete Attempt to Find Emotional Outlet" were distributed.

2022 ESG Management Practice Report

| ESG Governance System

Proya ESG Management

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.



Board of Directors

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

Strategy Committee

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

ESG Management Committee

The ESG Management Committee is an independent department under the Strategy Committee and is composed of senior management members from the 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 to support the execution of ESG strategies and decisions.

In 2022, the Company developed its first sustainable development strategic plan, *Proya Sustainable Development Strategic Plan (2022-2025)*. It will help achieve carbon-peaking and carbon neutrality goals and contribute to the preservation of our beautiful planet. Also, the Company organized its departments to develop the 2022-2025 sustainable action plan. These departments shared their ideas and took words into action for Proya's sustainable development goals. Furthermore, the Company holds training on the Sustainable Development Strategic Plan such as Plan Implementation Project training. The training will further intensify our internal coordination ability in sustainability and promote the implementation of the Plan.

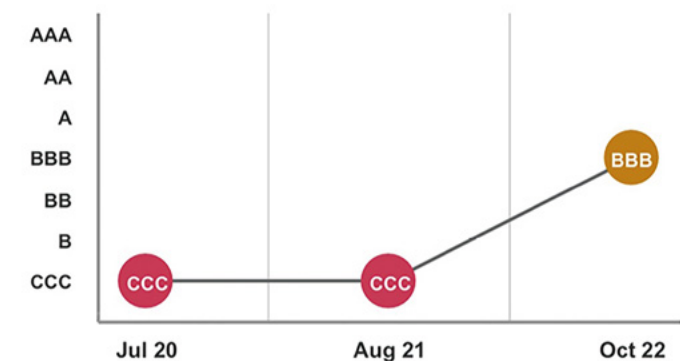
To further accelerate ESG management, the Company added several provisions to the Performance Management Measures and Supplementary Provisions on Performance System in 2022. These provisions connect the incentive remuneration of members of the Board of Directors and senior executives with the Company's sustainability performance and their ESG performance (hereinafter referred to as sustainable performance). The Company also developed its short-, medium-, and long-term incentive payment plans to ensure that this performance connection will enhance the initiative and sustainability of directors and senior executives for the ESG management in all aspects. **In the performance evaluation system for directors and senior executives, the weight of the added sustainable performance indicators accounts for 8-10%.** The Company carries out performance evaluations regularly.

The Company's ESG management is also recognized by the capital market and society. **In 2022, the Company's MSCI ESG rating was upgraded to BBB.** The Company scored above the average of its peers in the issue of "corporate behavior" and "packaging materials and waste".

ESG Rating results >

Proya Cosmetics Co., Ltd.

MSCI ESG Ratings



Stakeholder communication

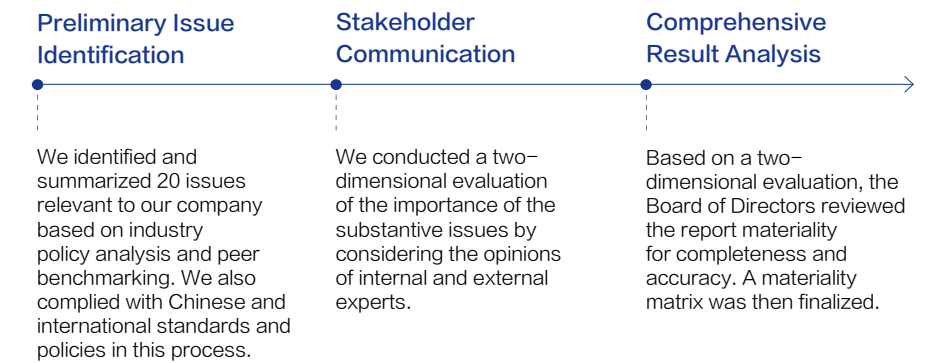
The supports and trusts of our stakeholders are vital to Proya. When carrying out and promoting ESG management tasks, Proya focuses on the demands of stakeholders and actively communicates with them on multiple channels. We respond to stakeholder expectations and demands by conducting responsible practices.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

Key Stakeholders And Communication Channels >

Stakeholder	Issues	Communication and Response
Government and regulatory agencies (The National Medical Products Administration, local governments, et al)	Corporate governance Risk and compliance Hazardous emissions and waste	Website announcements Government inspections Discussion and visits
Investors and shareholders (investors who have equity and debt investments in Proya)	Corporate governance Science and technology innovation	Shareholders meeting Financial report release Seminars, interviews, etc.
Consumers	Product and service quality Responsible marketing and consumer education Chemical safety and ingredient transparency	Field visits After-sales service
Employees	Employee rights and benefits Employee training and development Occupational health and safety	Employee union interactions Employee training Employee handbook Interviews, etc.
Partners (industry associations, suppliers, distributors, etc.)	Responsible sourcing Product and service quality Industry development promotion	Supplier training Distributor conference Technical exchanges Conferences Field inspections
Communities and the public (communities around sites of operation, public welfare organizations, etc.)	Public welfare Science and technology innovation Industry development promotion Climate change mitigation and adaptation Product carbon footprint	Employee volunteer activities Community activities Public donations

Material Issue Identification

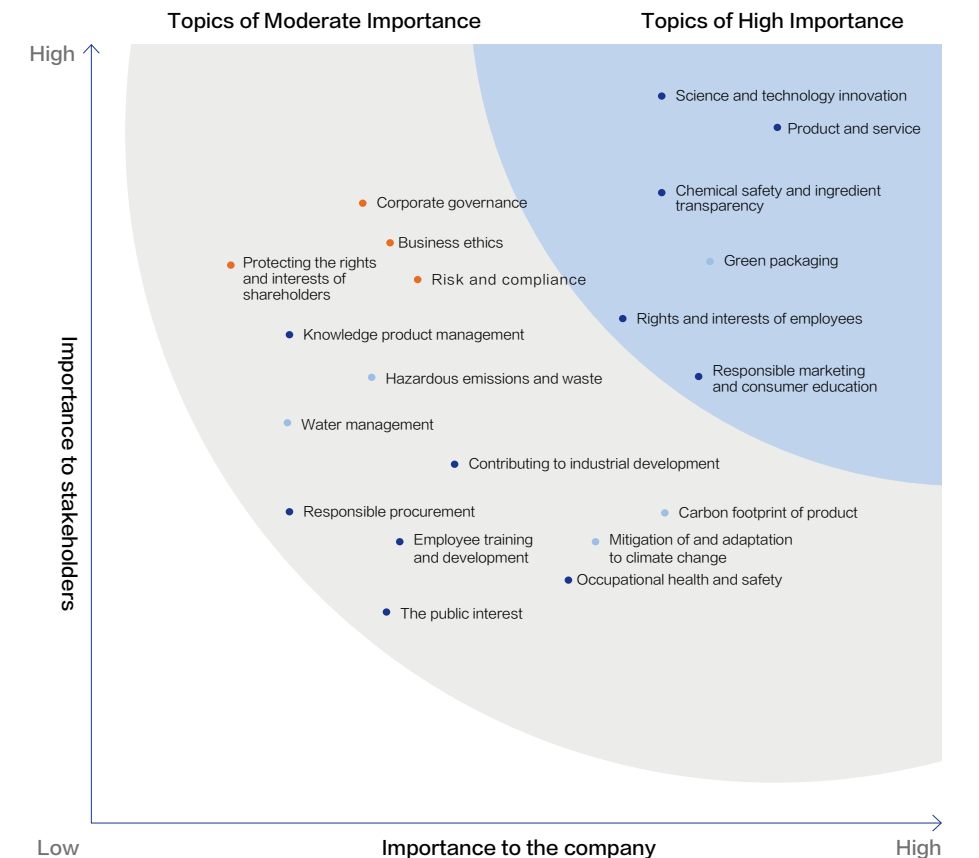
Proya identifies material issues through regular communication with internal and external stakeholders and in accordance with the GRI Standards for Sustainability Reporting (Global Reporting Initiative). When identifying material issues, we comply with Chinese and international standards and industry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



Through the above substantive issue identification process, we finalized the materiality matrix below.

Materiality matrix >

- Environmental Issues
- Social Issues
- Corporate Governance Issues



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.

	Stage	Input	Output
	Purchase	*Raw materials, energy, and water consumed in the production and operations of various suppliers	*Wastewater, air emissions, solid waste, and greenhouse gases (Scope 3) generated in the production and operations of various suppliers
Production and R&D	Product ingredients and packaging	• Resource: Raw materials and packaging materials	• Greenhouse gas (Scope 1 and Scope 2) • Air emissions: VOCs, NOx, and smoke • Wastewater: COD and NH3-N
	Steam generation, paste making, and heating	• Energy: Natural gas	• Non-hazardous waste: Discarded product packaging, expired products, discarded Membranes and filters, sludge from sewage stations, domestic waste, and kitchen waste from canteens
	Air conditioning and refrigeration, production power, and lighting	• Energy: Outsourced electricity	• Hazardous waste: Hazardous reagents from laboratories, waste machine oil, waste ink, etc.
	Product ingredient water, process media, and cleaning	• Water: Municipal water supply	

Analysis of the Environmental Impact of Each Process^{1>}

¹Environmental impacts marked with * are not covered in this report

Analysis of the Environmental Impact of Each Process^{1>}

Stage	Input	Output
Distribution and Warehousing & Logistics	<ul style="list-style-type: none"> • Resource: Transport packaging materials • Energy: Gasoline and diesel consumed by freight vehicles; Outsourced electricity used in warehouse operations (including third parties²) • *Energy and resources consumed in the operations of distributors 	<ul style="list-style-type: none"> • Greenhouse gases (Scope 1, Scope 2, and Scope 3) • Non-hazardous waste: Discarded product packaging and domestic waste
Product Usage and Disposal	<ul style="list-style-type: none"> • *Water and energy consumed when consumers use products (generating hot water) • *Energy and water consumed in the production and operations of waste disposal units 	<ul style="list-style-type: none"> • *Non-hazardous waste generated after consumers use products • *Wastewater, air emissions, solid waste, and greenhouse gases (Scope 3) generated in the production and operations of waste disposal units
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 • Greenhouse gases (Scope 2)

In 2022, the Huzhou skincare factory established the ESG project management team to further improve the division of responsibilities. The factory also identified the annual performance objectives of its emissions. At the same time, the Company carried out a new round of audits on cleaner production in the Huzhou skincare factory. The Cleaner Production Steering Group was responsible for the planning and implementation. The Group investigated and analyzed the current situation of pollutant emission, energy management, and environmental protection. It also identified the objectives and implementation programs of its cleaner production. **During the reporting period, the Huzhou skincare factory planned and implemented 14 cleaner production programs. These programs covered resource conservation, pollutant reduction, energy conservation, and emission reduction.** (See the following chapters for specific measures and performance.)

²Third parties are not covered in this report

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.

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

In terms of the use of water resources, we established the Water-saving Management Steering Group in the Huzhou skincare factory in 2022, solely responsible for water-saving management work. The Group builds the evaluation, reward, and punishment mechanism for water-saving, and improves the water metering system, the standardization of water use behavior, and the continuous improvement of water utilization efficiency.

Major Water-Saving Measures in 2022 >

Main measures	
Cooling Water Recycling	Huzhou skincare factory has built cooling water circulation pools in the workshop. The cooling water is reused and discharged regularly. The daily supply for cooling water is 41.6m ³ , the circulation volume is 2,800m ³ , and the circulation rate is about 98.5% ³
Sewage Filtration for Reuse	We have built a sewage treatment system. Through filtration treatment, the system can reuse recycled water such as toilet water and landscape pool water, greatly reducing the amount of fresh water used
Pure Water for Preparation and Concentrated Water for Reuse	The concentrated water produced by the pure water preparation unit is reused as toilet water and landscape pool water
Steam Condensate Water Reuse	Steam condensate water is collected and reused in the cleaning process, which utilizes steam waste heat and water resources
Introduction Of Efficient Cleaning System	The automatic cleaning system of CIP efficient tanks saves 2,000 tons of water and RMB158,000 in various costs annually

³Circulation rate = circulation volume/(circulation volume + supplementary volume)

Energy management

The production, operations, and office of a company directly or indirectly consume electricity, natural gas, gasoline, and diesel. Proya has developed energy management systems such as the Power Saving Management System and the Natural Gas Leakage Emergency Plan. We constantly improve the usage efficiency of energy and optimize the use structure of energy. During the reporting period, our energy consumption per RMB10,000 of revenue was 32.65 kWh, down 18.20% compared with 2021.

In 2022, we carried out a cleaner production audit, identified energy-saving items to be improved, and formulated implementation plans. In terms of energy conservation and consumption reduction, we have adopted several energy-saving and technology upgrade projects such as purchasing permanent magnet frequency conversion oil-free screw air compressors and automating production lines. We also take measures, such as replacing clean energy and optimizing distribution routes, to reduce the use of fossil energy in the production process.

Major Measures and Performance of Energy-Saving and Emissions Reduction in 2022>

Category	Main measures	Performance
Clean Energy Replacement	Using PV Power <ul style="list-style-type: none"> The factory used its own PV power to meet its own electricity demands and reduced carbon emissions 	<ul style="list-style-type: none"> During the reporting period: Generated 2,038.994mWh of PV power Saved 27,300 liters of fuels Purchased 1,800 MWh of green power The use proportion of clean power⁴ reached 24.04%
	Purchasing New Energy Equipment <ul style="list-style-type: none"> We used electric forklifts to reduce fossil energy consumption and carbon emissions. At present, three outdoor operation forklifts and four high forklifts in the Company warehouse all use electric forklifts 	
	Purchasing Green Power <ul style="list-style-type: none"> We purchased green power and increased the use proportion of clean energy 	
Energy Usage Efficiency Improvement	Updating Air Compressors <ul style="list-style-type: none"> We purchased two permanent magnet frequency conversion oil-free screw air compressors to increase waste heat recovery from air compressors 	After the update, we saved more than 565.9MWh of electricity on average annually ⁵
	Updating Water Chillers <ul style="list-style-type: none"> We phased out inefficient water chillers and adopted air compressors with first-level energy efficiency 	
	Others <ul style="list-style-type: none"> In daily production and operations, we strengthened cleaner production publicity, equipment maintenance and servicing, transformer adjustment, steam pipeline repair, and local compensation to reduce energy consumption We automated the operation of the HVAC system, air compressors, and heat recovery system We automated production lines to increase work efficiency and energy utilization efficiency We phased out or renovated old equipment, used frequency conversion motors or auxiliary frequency conversion devices, and introduced energy-saving homogeneous emulsifying units with large capacity and high performance to achieve energy-saving and carbon reduction We replaced existing lighting fixtures with LED lights and adopted steam traps 	

⁴Clean power includes PV power and purchased green power

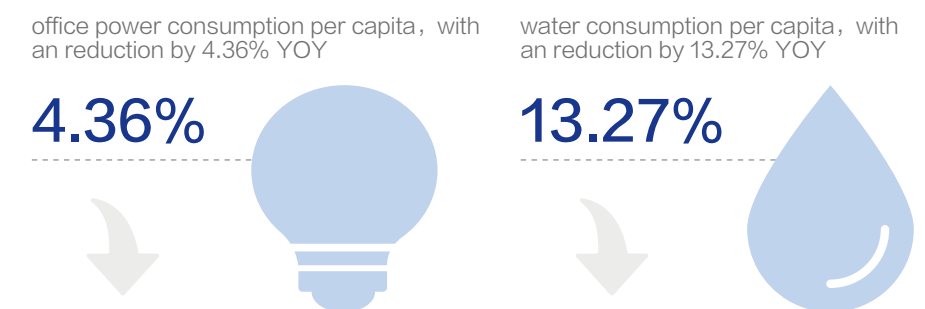
⁵The data came from the evaluation results of the Company's cleaner production audit. Certain data were not included because their corresponding improvement measures were not included in the scope of the cleaner production audit. Therefore, the actual electricity-saving data should be greater than this data.

Major Measures and Performance of Energy-Saving and Emissions Reduction in 2022>

Category	Main measures	Performance
Distribution Route Optimization	Increasing the Loading Rate of Distribution <ul style="list-style-type: none"> We increased the loading rate to reduce no-load for deliveries in the central warehouse, increasing the distribution loading rate by more than 30% over the previous year 	During the reporting period, we reduced the short distance turnover of more than 50 car loadings and reduced logistics transport by an average of 100 km per time, with a total reduction of 5,000 km
	Reducing Ineffective Turnover <ul style="list-style-type: none"> For some products in e-commerce channels, we improved the supply chain and adopted the mode of the factory to toC warehouses directly to optimize the factory to central warehouse to toC warehouses 	

In terms of daily office work, we advocate and practice the concept of green offices. In 2022, we developed the Daily Power Saving Plan of Proya Building and Orderly Power Consumption Regulation Plan of Proya Building, advocating that employees turn off lights and air conditioners when leaving the Company. Property management personnel made regular inspections to turn off lights in unused areas to avoid wasting electricity. While ensuring employees' demands for minimum electricity, we took measures such as turning off certain air conditioners in the office area and reducing excess underground lighting to minimize office power consumption.

During the reporting period, we decreased office power consumption per capita and water consumption per capita by 4.36% and 13.27% YOY⁶ respectively.



⁶The calculation of office power/water consumption per capita involves alone the data of power/water consumption and the number of employees in the Company's office building and the data of production, logistics, and other operation stages are not included.

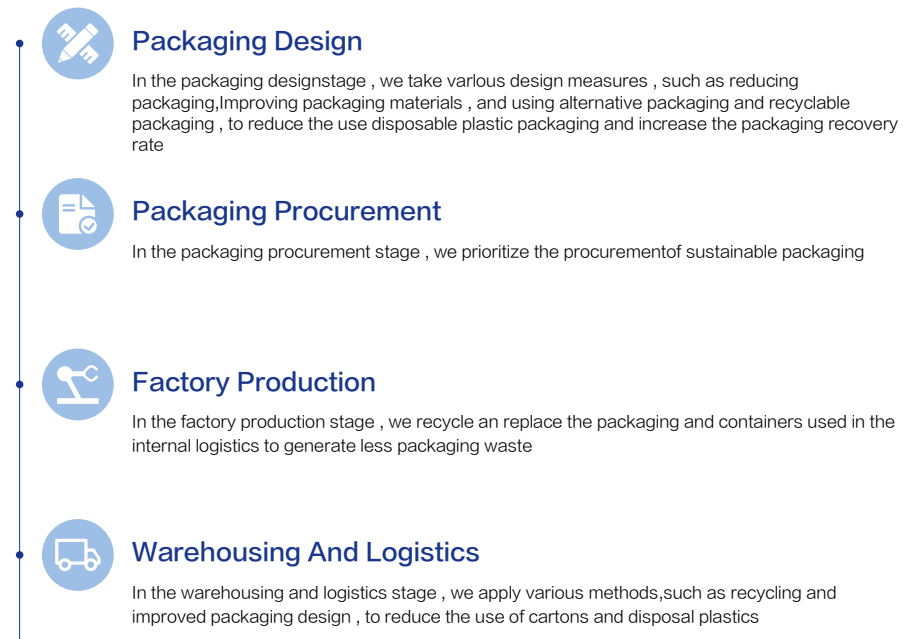
Green Packaging

We continuously focus on green packaging issues and actively promote progress in green packaging projects. Our green packaging management and practices cover a variety of product packaging across the whole production process, including finished product packaging, intermediate packaging, and warehousing and logistics packaging. In 2022, the Green Packaging Working Group expanded the application scope and scale of green packaging in the Company, explored more green packaging solutions based on existing practices, and built a comprehensive and complete green packaging management system.

Structure of the Green Packaging Working Group>



Process of green packaging management>



Key Actions for Green Packaging in 2022 >

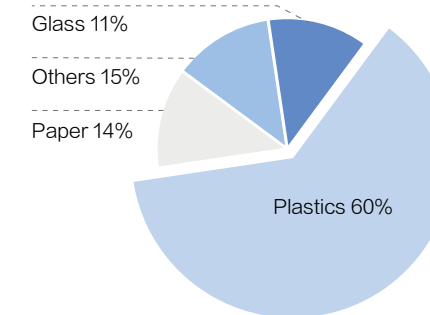
Stage	Category	Actions	Result
Packaging Design	Packaging Design Upgrade	Used a single material in aluminum foil bags to facilitate the recycling of packaging	During the reporting period, the packaging of many gifts used this single material.
		Upgraded the packaging material of Elastic Brightening Youth Essence 3.0 to alternative packaging to improve the utilization rate of packaging	During the reporting period, this development has been completed and it is expected to be launched in April 2023.
Packaging Procurement	Packaging Materials Upgrade	Purchased FSC-certified delivery box	During the reporting period, 9.9 million certified delivery boxes were purchased, accounting for more than 50% of the annual procurement amount.

Key Actions for Green Packaging in 2022 >

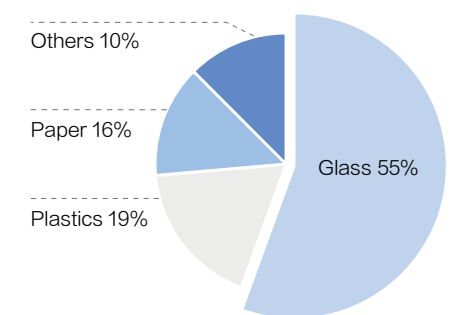
Stage	Category	Actions	Result
Factory Production	Packaging Recycling	In the process of transportation from the production workshop to the internal logistics warehouse, the packaging of product cartons was recycled for reuse in the workshop.	During the reporting period, a total of 419,200 cartons were recycled and reused, reducing the use of 419,200 cartons.
	Packaging Materials Upgrade	Continued to use stainless steel storage tanks in lieu of plastic bags and plastic barrels to store paste and purchased 20 new stainless steel storage tanks.	During the reporting period, the use of white plastic bags was reduced by 12,000.
Warehousing and Logistics	Packaging Design Upgrade	Upgraded delivery cartons to zipper cartons for 99% of orders in 2022 at Proya official flagship store to reduce the use of tape.	During the reporting period, the use of tape was reduced by about 285,000 rolls.
	Packaging Recycling	Regularly recovered green recyclable cartons used in the stage from the internal logistics warehouse to logistics warehouses nationwide, for recycling again after processing.	During the reporting period, a total of 261,000 cartons were recycled and reused, reducing the use of 261,000 cartons.
	Packaging Materials Upgrade	Upgraded delivery box stuffing from bubble wrap to raffia or honeycomb paper for 30% of orders at Proya official flagship store.	During the reporting period, 30,000 fewer rolls of bubble wrap were used.

Performance of packaging management >

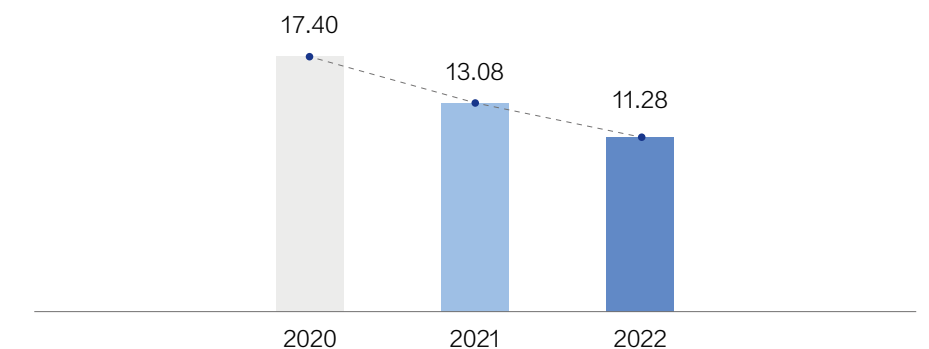
Proportion of the Purchase Price of Various Packaging Materials in 2022



Proportion of the Purchase Quantity of various Packaging Materials in 2022¹⁾



Usage of Packaging Materials Used per RMB10,000 of Revenue in the Past Three Years (kg/RMB10,000)



¹⁾This year, the Company adjusted the statistical method of all kinds of packaging materials purchased to calculate by weight, which more directly showcased the use of different types of packaging materials.

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 to achieve carbon neutrality before 2060. At the same time, in 2022, Zhejiang Province, where the Company operates, also issued *the Implementation Opinions of the Zhejiang Provincial Party Committee and Provincial Government on the Complete, Accurate, and Comprehensive Implementation of the New Development Concept to Achieve Carbon Peak and Carbon Neutrality*. It states that the proportion of non-fossil energy consumption would reach over 80% by 2060 and to smoothly achieve carbon neutrality. The Company actively responded to national strategies and the policies of the governments where it operates. We continue to establish a climate change management system. We can identify climate change risks and opportunities through this system and then improve our management based on outcomes.

Climate Change Management System

Proya has been prioritizing climate change management and has identified responding to climate change as an ESG materiality. 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. Every year, the Company collects and discloses greenhouse gas emission data and ensures that climate change management performance is evaluated.

In 2022, the Company published Proya Sustainable Development Strategic Plan (2022–2025). This plan contains greenhouse gas emission targets for 2025, 2030, and 2045, covering the Company's emission performance of greenhouse gases from Scope 1 to Scope 3.

Proya Greenhouse Gas Emission Reduction Goals>

Date	Specific Goals
By 2025	<ul style="list-style-type: none"> 50% of the energy Proya uses will be from clean energy, and will peak carbon dioxide emissions Greenhouse gas (Scope 1 and Scope 2) emissions per unit of product will decrease 25%. Our operations will achieve carbon peak (Scope 1 and Scope 2) Proya will drive all strategic partners to reduce carbon emissions through value chain carbon reduction initiatives and incentives
By 2030	<ul style="list-style-type: none"> Proya will achieve net zero emissions from its operations
By 2045	<ul style="list-style-type: none"> We will achieve carbon neutrality across our entire value chain

Identifying Sources of Greenhouse Gas Emissions

Identification of Sources of greenhouse gas emissions throughout the product lifecycle >

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

Product Lifecycle	Major Energy Consumption	Major Greenhouse Gas Sources	Greenhouse Gas Emission Data in 2022 (estimated) ^{[1][2]}
Procurement Of Raw Materials	<ul style="list-style-type: none"> Energy consumed in the production and transportation of raw materials 	<ul style="list-style-type: none"> Scope 3 emissions generated in the production and transportation of raw materials 	<ul style="list-style-type: none"> Scope 3: 268,521.55 tons of CO₂
Production	<ul style="list-style-type: none"> Electricity Natural gas Gasoline and diesel consumed by company-owned vehicles 	<ul style="list-style-type: none"> Scope 2 emissions from the consumption of electricity Scope 1 emissions from the consumption of natural gas, gasoline, and diesel fuel consumed by company-owned vehicles 	<ul style="list-style-type: none"> For Scope 1 and Scope 2 greenhouse gas emission data, see the "ESG Key Quantified Performance" table
Product Distribution	<ul style="list-style-type: none"> Electricity Gasoline and diesel consumed by freight vehicles 	<ul style="list-style-type: none"> Scope 2 emissions from the consumption of electricity consumed by company-owned warehouses Scope 3 emissions generated from the third-party warehouses and freight vehicles 	<ul style="list-style-type: none"> Scope 2 greenhouse gas emissions data, see the "ESG Key Quantified Performance" table Scope 3: 20,237.93 tons of CO₂^[3]
Product Usage And Disposal	<ul style="list-style-type: none"> Energy consumed by water utilities during product usage Energy consumed for waste recycling and disposal 	<ul style="list-style-type: none"> Scope 3 emissions 	<ul style="list-style-type: none"> Scope 3: 288.00 tons of CO₂^[4]

[1] The Scope 3 greenhouse gas emissions data above are estimated by the GREENHOUSE GAS PROTOCOL system.

[2] In addition to the above sources of greenhouse gas emissions, the services purchased, capital products, and business travel during the Company's operations will also produce Scope 3 greenhouse gas emissions. The Company will calculate and disclose this later.

[3] Scope 3 greenhouse gas emissions data generated in product distribution includes greenhouse gas emissions generated by self-operated e-commerce delivery but does not include greenhouse gas emission data generated from distributors' delivery to consumers.

[4] The stage of product usage and disposal does not include carbon emissions generated in the process of consumer usage and mainly includes carbon emissions generated from the disposal of waste packaging. Therefore, this part mainly calculates greenhouse gas emissions generated in the process of outer packaging waste treatment.

Reducing Greenhouse Gas Emissions



Based on identifying the sources of greenhouse gas emissions in the entire value chain, we strive to extend the action of reducing our carbon footprint to the full product lifecycle, including the procurement of raw materials, product production, packaging, and warehousing and logistics. We take effective measures to reduce the carbon footprint of products.

Actions for Reducing Greenhouse Gas Emissions>

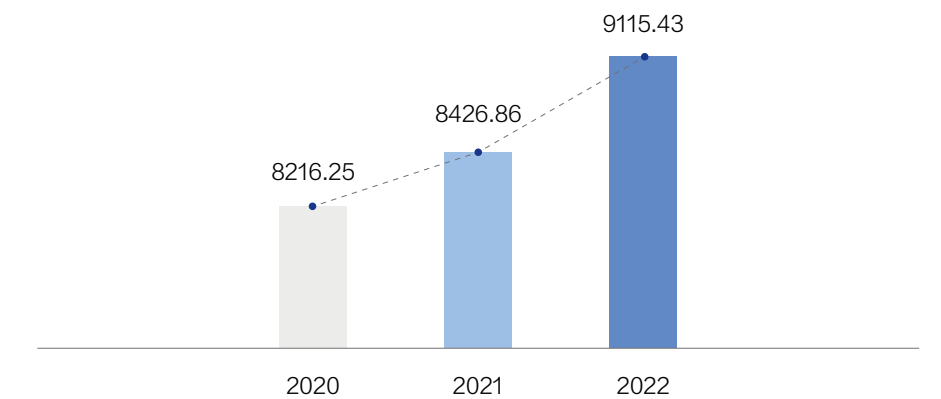
Main stages	Actions	Performance
Procurement of Raw Materials	<ul style="list-style-type: none"> Publicize carbon reduction policies to suppliers, cooperate with them to reduce carbon emissions in the stage of procurement, and prioritize suppliers with low carbon emissions 	<ul style="list-style-type: none"> During the reporting period, we organized multiple ESG training for suppliers. More than 50 suppliers participated in the training
Product Production	<ul style="list-style-type: none"> Regularly collect carbon emissions data, invite professional third parties to conduct data audits, and make improvements to correct deviations inside the Company Carry out energy-saving and technology upgrade projects to improve energy efficiency Carry out clean energy replacement and increase the proportion of clean energy use through PV power and the purchase of green power and new energy equipment 	<ul style="list-style-type: none"> During the reporting period, we reduced carbon dioxide emissions by 2,261.23 tons through clean energy replacement We reduced a total of 322.73 tons of carbon dioxide emissions through the implementation of cleaner production programs
Product Packaging	<ul style="list-style-type: none"> Carry out green packaging projects to reduce carbon emissions after packaging disposal through packaging usage reduction, packaging recycling, and other methods 	<ul style="list-style-type: none"> During the reporting period, we reduced carbon dioxide emissions by 1,670 tons through packaging recycling
Logistics Transport	<ul style="list-style-type: none"> Optimize the warehousing and logistics system to reduce energy consumption in the process of warehousing and logistics by rationally arranging warehouses and planning transportation routes 	<ul style="list-style-type: none"> During the reporting period, we reduced carbon dioxide emissions by about 1.5 tons by optimizing transport routes
Product Usage and Disposal	<ul style="list-style-type: none"> Publicize the concept of sustainable consumption to consumers to provide them with more sustainable choices 	<ul style="list-style-type: none"> During the reporting period, we published the sustainable development strategic plan on the official website and account to publicize Proya's sustainable concepts to the public

Greenhouse gas emission performance >

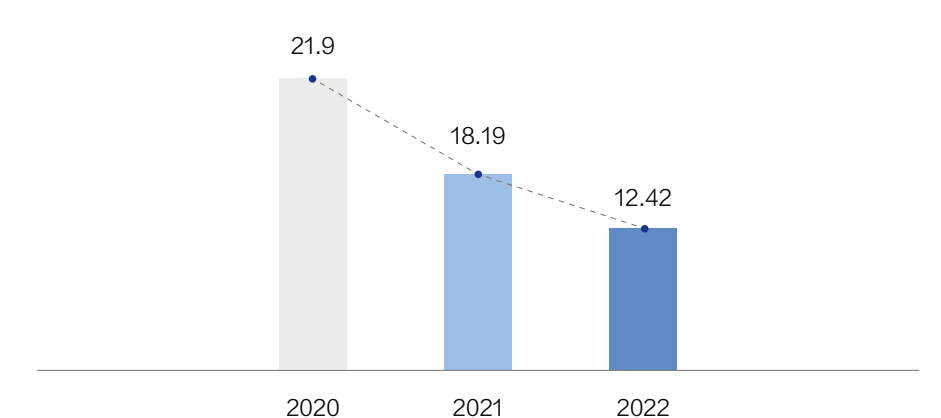
Proya pays close attention to the greenhouse gas emissions intensity of the upstream and downstream industrial chain, and actively promotes the sustainability transformation of the entire value chain. In 2022, we released the Proya ESG Code. This Code stipulates that the Company will carry out carbon data-tracking across the value chain and gradually establish a carbon data-tracking mechanism covering the upstream and downstream industrial chain.

During the reporting period, we collected carbon emission data from suppliers and distributors. Carbon emissions data from 13 suppliers in total were collected, accounting for 6% of our total suppliers; the procurement amount of covered suppliers accounts for more than 50% of the total procurement amount of the Company. Carbon emissions data from 168 distributors were collected, accounting for 49.27% of our total distributors. We also separately explained policies to core suppliers that provide raw materials and packaging materials and encouraged them to carry out energy-saving and emissions reduction actions. In the future, we will continue to improve the carbon data-tracking mechanism covering the upstream and downstream industrial chains and provide policy support and incentives to partners with excellent carbon management performance, so as to gradually reduce carbon emissions across the value chain.

Greenhouse Gas Emissions in the Past Three Years (tCO₂e)



Equivalent Greenhouse Gas Emissions per RMB10,000 of Revenue in the Past Three Years (kgCO₂e/RMB10,000)



Emissions and Waste Management

Wastewater Discharge and Air Emissions

The wastewater we produce comes mainly from domestic sewage and production wastewater and is discharged to landscape water pools or to the outside through a consolidated water pipe after being treated by our sewage treatment station; the waste gas we produce comes mainly from boilers. We have established administrative documentation such as the Sewage Treatment Management System and the Boiler Management System to strictly manage wastewater discharge and air emissions. During the reporting period, the wastewater and waste gas from the Company both reached the emission standard.

Wastewater Discharge and Air Emission Standards & Main Control Indicators >

Category	Compliance with Emission Standards	Main Control Indicators
Wastewater	Integrated Waste Water Discharge Standard (GB8978-1996)	Five-day biochemical oxygen demand (BOD5) 300mg/L, Chemical oxygen demand (CODcr) 500mg/L, Suspended matter 400mg/L, Ammonia nitrogen 35MG/l, Animal and vegetable oil 100mg/L, etc.
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

Main management measures for wastewater discharge and air emissions >

Category of Pollutants	Management Measures
Wastewater	<ul style="list-style-type: none"> 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 Constructed a sewage treatment system to make sure the treated sewage is highly evolved and recycled During the reporting period, we renovated the production park through environmentally friendly technologies, including: <ol style="list-style-type: none"> 1) Applied the closed-circuit television system (CCTV inspection) to underground pipelines: the pipeline CCTV inspection robot is used to clean, maintain, and repair pipelines to avoid the risk of wastewater leakage caused by outdated pipelines 2) Carried out technology upgrades on the anaerobic tower of sewage treatment station to improve the anaerobic effect of organisms 3) Expanded the capacity (10 tons) of the floatation tank of the sewage treatment station for efficiency improvement to increase the aeration treatment capacity of floatation tanks and clean water volume on the original basis
Air emissions	<p>Huzhou skincare factory</p> <ul style="list-style-type: none"> During the reporting period, we invested RMB950,000 to install a paste-making emission treatment device, mainly for reducing dust and organic waste gas emission. After its inception, the dust collection rate and organic waste gas removal rate can reach 99% and 75% respectively During the reporting period, we used high-precision VOCs gas collection devices, effectively reducing unorganized waste gas emissions <p>Huzhou makeup factory</p> <ul style="list-style-type: none"> During the reporting period, we invested more than RMB800,000 to install a Swiss VOCs waste gas and dust treatment device

Solid Waste

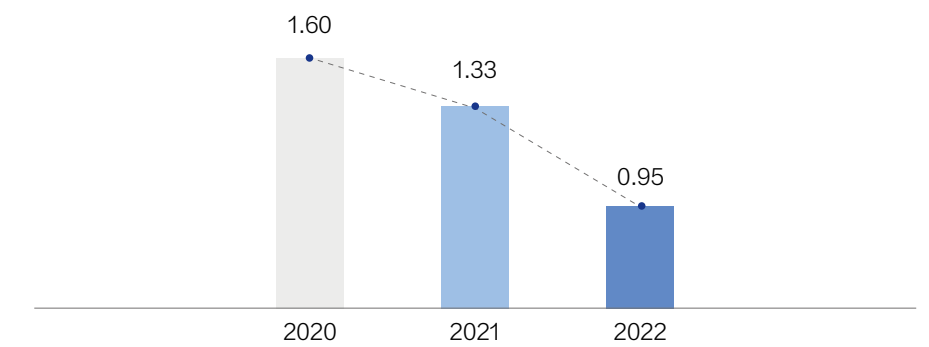
We properly dispose of solid waste generated in production and operations. We apply macro-management of solid waste. Factories are registered in the National Solid Waste and Chemicals Management Information System Platform. We pre-declare the generation of hazardous waste each year and hold public bidding 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.

Main Measures and Implementation Standards for Solid Waste Treatment >

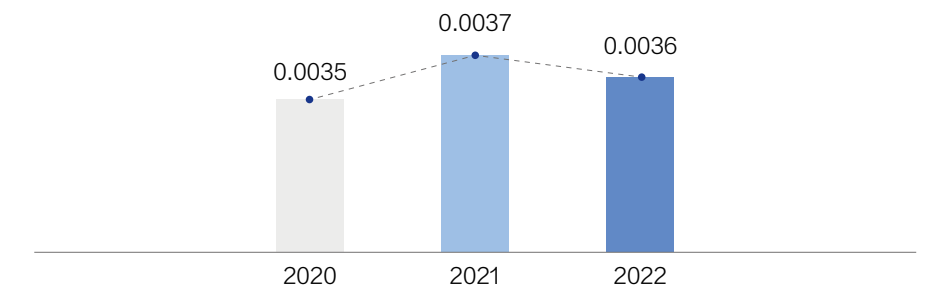
Category	Waste	Main Treatment Measure	Implementation Standard
Non-hazardous Waste	Domestic waste, cartons, tape, film, paper, etc.	Collected and sold	Standard for Pollution Control on Municipal Solid Waste Incineration GB 18485-2014
	Lined bags, expired products, waste filter membranes and filters, sewage sludge, domestic waste, canteen waste	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 GB 5058.7-2019

Performance of solid waste discharge >

Discharge of Non-hazardous Waste per RMB10,000 of Revenue (Tons/RMB10,000)



Discharge of Hazardous Waste per RMB10,000 of Revenue (Tons/RMB10,000)



| Product and Customer Responsibility

Innovations In Research and Development

We take innovation in research and development as an area of core competitiveness, build a comprehensive R&D innovation framework, and help the Company maintain industry leadership in basic research, formula development, efficacy and safety evaluation, and other fields.

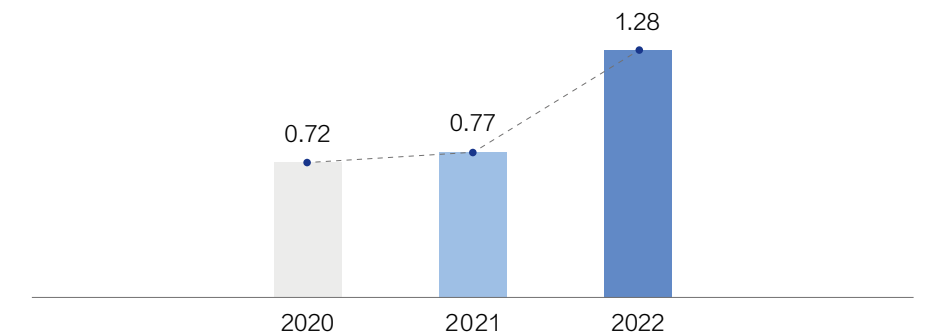
In terms of product research and development, we adhere to a consumer-centric philosophy and integrate the needs of consumers into the product based on skin science. We have set up a consumer investigative team and are cooperating with well-known external data analysis companies to conduct consumer surveys for target populations. We hold quantitative or qualitative research analysis and combine that with analytical data and industry reports to comprehensively identify consumer demand and incorporate it deeply into innovations in research and development of the Company, thus providing consumers with safe, functional, and outstanding products that truly fit their needs.



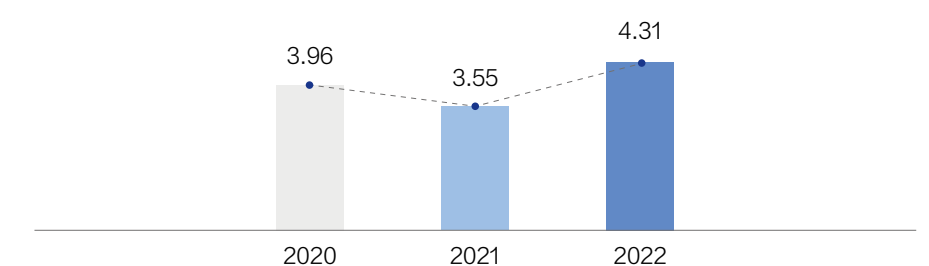
The R&D Innovation Center and the International Academy of Sciences are our engines for innovation. We improve the R&D layout of all key stages from raw material to finished products, including fundamental research, formula development, physical and chemical analysis, raw material and product efficacy evaluation, etc. In 2022, we continued to promote the construction of the International Academy of Sciences, dividing the research direction and building the platform according to bioengineering, plant extraction, and organic synthesis. By the end of the reporting period, the International Academy of Science were able to conduct preliminary small-scale exploration and sample preparation for fundamental research. The Company's research and development centers in Shanghai and Japan are under preparation.

To enhance our research and development capabilities, we continue to increase investment in research and development through personnel training, the introduction of advanced equipment, and other methods. **During the reporting period, the Company invested RMB128.01mn in R&D. The parent company's R&D investment accounted for 4.31% of revenue.**

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



R&D investment as a percentage of the parent company's operating revenue (%)



The Company has a professional innovative R&D team comprising high-caliber professional researchers in different disciplines such as skin science, biochemistry, life science, material science, medicine, industrial design, psychology, and statistics. The "Zhejiang Postdoctoral Workstation" was established and officially licensed in 2018 to deepen the training of high-level personnel. During the reporting period, we initiated a management trainee project in the R&D team. To enrich interdisciplinary talent reserves, we carried out company introduction, job rotation planning, batch interview, research content sharing, and new technology absorption for selected talents. We explained new cosmetics laws and regulations for formulators and internal practitioners. With more than 200 participants, the training covered product development, procurement, quality management, and production departments to enhance compliance awareness of relevant practitioners. According to a series of new laws and regulations in the cosmetics industry, we also carried out corresponding implementation activities in the Company, including updating processes, and upgrading R&D system support.

To foster the innovation enthusiasm of R&D personnel, we continue to improve talent incentive measures. We have developed the Patent Management Measures and set up various awards such as innovation project awards, papers awards, and patents awards. To strengthen the material and spiritual incentives of R&D personnel, we give equity incentives to managers and above and establish outstanding individual awards according to their contribution to new marketing products.

We also strengthen the introduction of advanced R&D equipment to improve efficiency. During the reporting period, we purchased the customized fermenter system, automated preparation and analysis equipment, and software and database applications.

Increased Investment in R&D Equipment in 2022 >

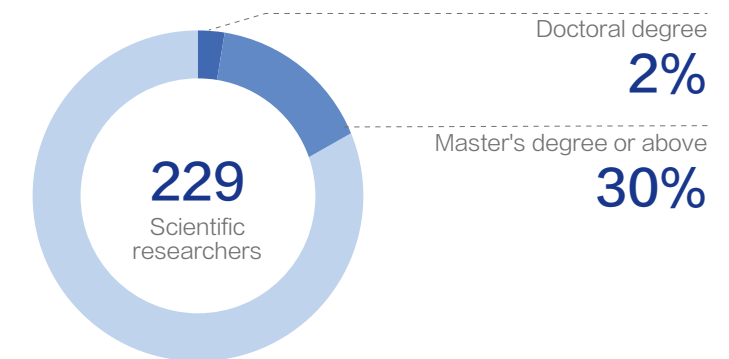
Equipment Name	Main Functions
Customized fermenter system	Simulate the process model of fermentation engineering production scale-up to expand the fermentation system and detect multiple data types online.
Automated preparation and analysis equipment	Provide efficient hardware support for new raw material development and pilot scale tests to automate processing and collection, reduce requirements on human resources, and improve R&D efficiency.

We attach importance to external R&D cooperation and continuously deepen cooperation. We actively carry out international strategic cooperation. We have established partnerships with BASF in Germany, Lipo True (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. In 2020, we invested in Siyomicro to carry out cooperation in ergothioneine, sod, ectoin, and other cosmetics efficacy raw materials. We also actively promote the integration of industrial, academic, and research capabilities, and facilitate the conversion from research to development.

Highlights and Recognition of Innovations in Research and Development in 2022 >

During the reporting period, Proya:

- Employed a total of **229** scientific researchers, more than **30%** of whom had a master's degree or above and **2%** had a doctoral degree
- Was granted **15** invention patents
- Put **75** new products⁷ on the market
- Successfully researched and developed **Supramolecular A alcohol, Multi-Ceramide, Wrapped Isoquercitrin, Encorelane, Anti-cernes Liposomes, Microbe Defender**, and other exclusive raw materials
- Participated in the formulation of the group standards of TZhCA 017-2022 Hair Growth and Rest Period Quantity Ratio Test Method and T/ZHCA 019-2022 Cosmetics Anti-dandruff Efficacy Test Method



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

- Led or participated in the development of **14** national standards, **3** industry standards, and **14** group standards
- Accumulatively obtained **225** valid patents, including **107** patents of invention



⁷New products refer to brand-new products, formula-upgraded products, packaging-upgraded products, micro-innovative products, etc.

Product Quality and Safety

We strictly abide by *the Regulation on the Supervision and Administration of Cosmetics, the Code for Quality Management of Cosmetics Production, the Safety and Technical Standards for Cosmetics*, and other laws and regulations. To ensure the quality, safety, and efficacy of products, we perform quality management throughout the entire process from product R&D production to post-market.

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, and 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. We have designed a sophisticated safety evaluation system that includes stability, sensory evaluation, in-vitro efficacy evaluation, cytotoxicity evaluation, clinical test evaluation, and 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 technology evaluation module within the International Academy of Sciences to evaluate the safety and efficacy of key functional raw materials and products. We have established more than 20 in-vitro evaluation methods such as in-vitro moisturizing; whitening and freckle removal; soothing and anti-inflammatory; anti-oxidative, anti-aging and other efficacy evaluations; 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, and 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 have 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.

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
ISO22716 Cosmetics – Good Manufacturing Practice (GMP)	Zhejiang Beute Cosmetics Co., Ltd.	2024.3

Key Performance Objectives and Performance of Production Factories >

KPIs in Production Quality	Targets	Performance in 2022
First-Pass Yield of The Production Process	≥ 99%	99.677%
Acceptability of Spot Checks	100%	100%
Rate of Quality-Related Complaints	≤ 1.2ppm (reject ratio per 1 million products)	≤ 1.169ppm
IQC Pass Rate	≥ 99%	Raw materials IQC pass rate 99.267% Packaging materials IQC pass rate 99.591%
Close Rate of Defects In Management System Review	100%	100%

In 2022, the Company improved its Quality Assurance and Quality Control standards, optimized the confirmation process of product production, and established an audit mechanism agreed upon by departments, such as research, development, and factory, to check product quality.

Quality Control at the Production Stage >

- 


Raw Material Control

 - Formulate a raw material management system, set acceptance standards, and standardize evaluation methods, and make each department strictly abide by the regulations of various documents
 - Adopt a raw material shelf-life control system and set quality control indicators for raw materials, including physiochemical, microbiological, and infrared spectrum fingerprint control, etc.
- 

Packaging Material Control

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

Manufacturing Process

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

Packing Control

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

Finished Product Control

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

Ex-factory Inspection

 - Establish the *Labeling and Traceability Control Procedure* in strict accordance with the requirements of laws and regulations.
 - Make sure production records on the labels of all delivered products are traceable, including lot number, specification, process, and inspection records, etc.

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, 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). These allow us to measure the appearance of packaging materials, wall thickness, film thickness, hardness of electroplated coating, adhesion of surface printing and electroplated coating, light aging performance, impact resistance, solvent resistance, airtightness, fatigue properties, and compatibility. We can also determine the content of preservatives, heavy metals, and sunscreen agents in cosmetics, and the content of prohibited and restricted substances stipulated in the Safety and Technical Standards for Cosmetics. Safety and efficacy tests cover the entire product lifecycle, ranging from R&D, raw materials, and packaging materials to semi-finished products and finished products. In this way, we ensure that products delivered to consumers are safe and effective.



In 2022, we carried out an internal quality audit and passed eight external audits from regulatory units and cooperative units. The Company's quality system was confirmed by external audit units. **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.**

Post-Market Quality Management

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

During the reporting period, we carried out a recall rehearsal of Proya Youth Activating Lotion 160 ml. In the recall rehearsals, we coordinated with the Customer Service Department, the Quality Management Department, the Logistics Department, the Production Department, the R&D Department, and many other departments. It took one week, from the filing of customer complaints to issuing of recall letters, to return the products. This recall rehearsal verifies the availability of recall procedures and traceable management system processes, and ensures the suitability and conformity of our management system.

Chemical Safety

During product research and development, we 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)*. We do not use 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.

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



International safety standards for important chemicals we refer to

European Commission

- LIST OF SUBSTANCES PROHIBITED IN COSMETIC PRODUCTS
- LIST OF SUBSTANCES WHICH COSMETIC PRODUCTS MUST NOT CONTAIN EXCEPT SUBJECT TO THE RESTRICTIONS LAID DOWN
- LIST OF COLORANTS ALLOWED IN COSMETIC PRODUCTS
- LIST OF PRESERVATIVES ALLOWED IN COSMETIC PRODUCTS
- LIST OF UV FILTERS ALLOWED IN COSMETIC PRODUCTS

South Korea

Types and Restrictions of Cosmetic Colorants

Japan

Cosmetics Benchmark – List of Prohibited and Restricted Substances

We strictly prohibit using ingredients clearly prohibited by laws and regulations and thoroughly remove the prohibited ingredients in the warehouse in real time. In 2022, we screened the impure ingredients of the raw materials in the warehouse many times and disassembled the ingredients to ensure the safety of the chemical ingredients. For controversial ingredients in clinical research and market feedback, we put forward ingredient upgrade programs for original formulas and gradually reduce and phase out controversial ingredients.

Our chemical safety management runs through all stages from R&D to post-market. During the stage of product development and filing, we invite professional third-party institutions to jointly conduct product safety assessments and adjust ingredients according to the clinical research results and market feedback. For formulas already on the market, we follow changes in global regulations and standards in real time, identify the controversial risk ingredients, conduct evaluations and make decisions by relevant departments, and develop plans for upgrading or phasing out these formulas.

During the reporting period, we have completely phased out the ingredients of paraben preservatives and mineral oil in hero products in the sales and R&D stages. Due to the irritation of phenoxyethanol preservatives on Asian skin, we have gradually replaced the active substances containing phenoxyethanol in the product formula and optimized the mildness of the preservative formula.



List of Ingredients Replaced Over the Years >

SN	Name of raw materials	Progress of replacement
1	Iodopropynyl Butylcarbamate (IPBC)	Has been phased out
2	Mixture of CMIT/MIT and magnesium chloride/magnesium nitrate (CMIT:MIT=3:1)	Has been phased out
3	Kojic acid	Has been phased out
4	Avobenzone	Has been phased out
5	Triclosan	Has been phased out
6	Lyral	Has been phased out
7	Propylene glycol	Gradually being phased out (no longer used in hero products)
8	Imidazolidinyl urea	Gradually being phased out (no longer used in hero products)
9	Diazolidinyl urea	Gradually being phased out (no longer used in hero products)
10	Paraben	Gradually being phased out (no longer used in hero products)
11	Mineral oi	Gradually being phased out (no longer used in hero products)
12	Methylisothiazolinone	Gradually being phased out (no longer used in hero products)
13	Isopropyl myristate	Gradually being phased out (no longer used in hero products)
14	Cocamide DEA	Gradually being phased out (no longer used in hero products)
15	Zinc pyrithione (ZPT)	Gradually being phased out (no longer used in hero products)
16	Talcum powder	Gradually being phased out (no longer used in hero products)
17	Butylated hydroxytoluene (BHT)	Gradually being phased out (no longer used in hero products)
18	Plastic particles (polyethylene wax)	Gradually being phased out
19	Phenoxyethanol	Gradually being phased out
20	Emulgator containing PEG	Gradually being phased out
21	Artificial color	Gradually being phased out

We are also committed to improving the natural and organic properties of products to reduce the environmental impact caused by the production and use of cosmetics. We provide consumers with more diversified products to meet the growing demand for sustainable consumption. We start from the lifecycle of products and constantly improve their green properties through the selection of raw materials, use of natural and organic raw materials, and improvements to formulas.



Selection of Raw Materials

Incorporate green sustainability into raw material screening criteria

In addition to setting screening criteria from the safety and efficacy of raw materials, such as the concentration of active ingredients, stimulation, etc., we incorporate the sustainability of production into the screening criteria and focus on the environmental friendliness of raw materials

Use more natural and organic raw materials in the R&D of new products

According to the ISO16128 Technical Definitions and Standards for Natural and Organic Cosmetics Ingredients and Products, we select more natural ingredients for new products to enhance the green properties of products



Use of Natural and Organic Raw Materials

Use certified organic ingredients

We select raw materials with third-party organic certification, such as raw materials in accordance with COSMOS, the internationally recognized standard for organic and natural cosmetics that is certified by ECOCERT, the French International Ecological Certification Center



Improvements and Upgrades

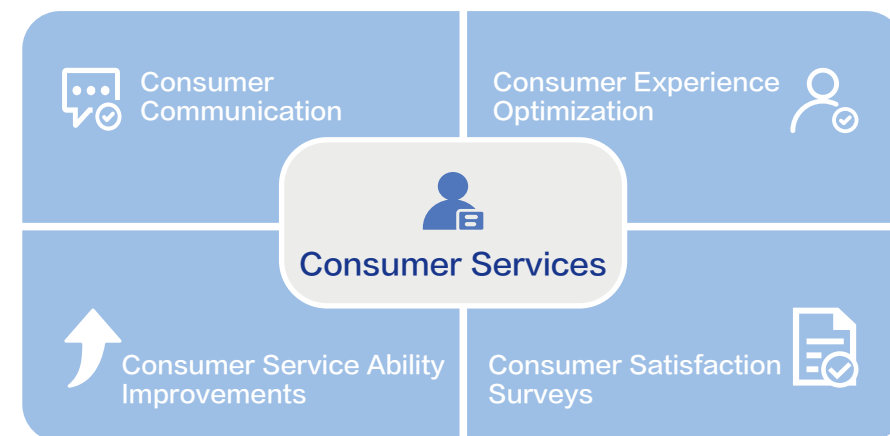
Continuously improve the organic, natural, and eco-friendly properties of formulas

We constantly improve product formulas to provide consumers with more organic and natural products

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 to continuously improve their professionalism and service capabilities. We also regularly carry out customer satisfaction surveys and collect consumer opinions and suggestions to optimize the consumer service experience.



In terms of consumer communication, we build consumer feedback channels to listen to their opinions and suggestions. In 2022, Proya and TIMAGE brands opened accounts on Weibo, Xiaohongshu, and other platforms to provide Q&As and after-sales services for consumers. We also conducted after-sales tracking through these accounts. During the reporting period, over 20,000+ related problems had been tracked and handled.

To collect improvement suggestions, we carry out consumer communication and collect feedback on products, services, and operations through return visits for evaluation, satisfaction surveys by phone, and other methods.

In terms of consumer complaints, we have established a comprehensive complaint-handling channel linking our sales, R&D, and customer service departments to timely handle consumers' feedback and questions on user experience, after-sale service, and product improvement suggestions.

Method and Procedure for Handling Complaints >



Feedback Communication

User Experience >

After-sales Experience >

Product Improvement >

Product Quality Complaints >

Handling Method

Customer service personnel will take the questions of users and quickly provide professional suggestions and solutions

User needs are recorded and reported to solve the problems encountered by users as soon as possible and to maximize their rights and interests

Products are sorted and monthly reports are generated and sent to the R&D Department for product upgrades and improvements

Factories, R&D, and quality departments work together on troubleshooting and implement targeted measures according to problem severity to reach a consensus with consumers and maximize their rights and interests





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

In 2022, we received feedback on the use of Proya UV Protective Sunscreen Serum. We immediately went to the factory to investigate, promptly released an explanation, and opened an after-sales channel for consumers to solve the problem smoothly. Moreover, we will launch our long-planned transparency factory in 2023. Through online and offline channels, consumers can learn about the entire production process of products more transparently and openly to enhance consumer trust and satisfaction.



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

Measures for Consumer Experience Optimization >

Consumption Process Experience Improvements

-  Pursue "quick reply in 30 seconds" to respond to consumer questions
-  Use unified tickets to record after-sales problems and carry out closed-loop management to ensure that problems are fully handled
-  Follow up the early warning and alerts on consumer services on the e-commerce platform to promptly improve the consumer experience
-  Reduce the use of customer service bots and provide a 24-hour manual online service to improve the consumer interaction experience

Product Usage Experience Improvements

-  Proya will conduct consumer blind testings before the launch of hero products and makeup products, and modify products according to consumer opinions.
-  Update products according to consumer feedback after product launch to improve the user experience of the products themselves

During the reporting period, in terms of the Proya brand, the service satisfaction rate reached over 95% on Tmall in February and September 2022, winning the title of "Jinwangwang" Customer Service Team. The service experience score was always above 4.95 in the TikTok store. The JD Customer Service Team ranked second for the Through Train service. In terms of the TIMAGE brand, the overall satisfaction rate exceeded 95%. The Tmall Customer Service Team won the title of "Jinwangwang" for five consecutive months. Our alimebot comprehensive experience won first prize on Tmall. In terms of the Hapsode brand, the satisfaction rate reached more than 95% on TikTok and Tmall, winning the title of the "JinWangwang" Customer Service Team.

In terms of consumer service ability improvements, we are committed to building a professional and efficient consumer service team through talent training and business innovation. In 2022, we established the online customer service training system – Proya Magic College – to provide online courses for all employees. During the reporting period, over 500 trainees⁸ completed the online training, 155 courses were developed, and 75 examinations were conducted. These measures improved training efficiency and enhanced the customer service staff's business ability and professional knowledge, providing consumers with a quality service experience. We also carried out business innovation in the RPA e-commerce automation, automating repetitive customer service processes. During the reporting period, we developed 50+RPA scenarios to help the customer service team quickly cope with customers' problems, reducing customer waiting time.

In terms of consumer satisfaction surveys, our business departments carry out annual consumer satisfaction surveys and collect consumer opinions on products, logistics, and services to learn about consumer needs. **During the reporting period, TIMAGE brand conducted a questionnaire survey on the whole line of products and services. A total of 16 surveys were conducted with 2,000 participants. The satisfaction rate of products, services, and logistics reached 94%, 96%, and 96%, respectively.**



⁸Online trainees refer to in-service employees (customer service personnel) and customer service personnel for external cooperation.

Consumer Privacy Protection

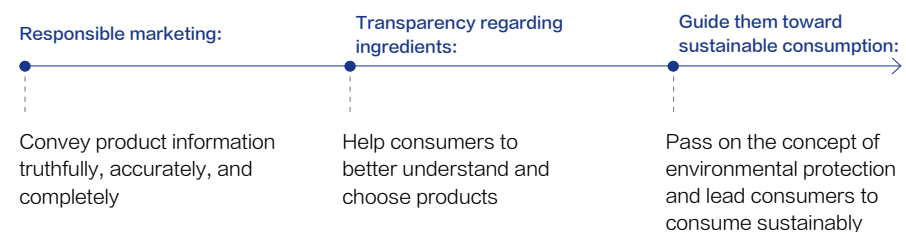
Proya values information security and consumer privacy protection. We strictly abide by the *Personal Information Protection Law of the People's Republic of China*, and the *Data Security Law of the People's Republic of China*, and other laws and regulations. We have developed the E-commerce Data Security Management System, Network Security Management Measures, Information System Development Management Measures, and other management systems. In terms of data security and research and development, we require all employees to strictly implement security systems to ensure compliance with data-secure production requirements. We follow up on the latest security policies and related regulations in real time. We follow up on the latest information security and privacy protection policies in real time. In 2022, we updated our E-commerce Data Security Management System and improved regulations on data security management, authority approval, data approval, and other aspects to strengthen consumer privacy protection. **During the reporting period, we did not encounter any incidents 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 2022, we reviewed the existing data, tightened the access rights of the data domain, and strengthened access control of the network environment.

At the same time, we held internal meetings to promote our awareness of protecting consumer privacy. In terms of data use, we required data masking and decryption for important content related to consumer privacy. In 2022, we held six internal meetings for discussion and publicity and communicated twice with external departments often calling the data to explain the rules of data use restraints.

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. The information consumers obtain from brands and products will affect their purchasing decisions and further affecting the development of the industry. Valuing interaction and communication with consumers, we carry out marketing campaigns in a responsible manner. We focus on conveying scientific and environmentally friendly concepts in the process of communicating 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 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 training for all customer service personnel to improve their awareness of 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	Responsible Marketing Training
<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 of responsible marketing training for product marketers and customer service 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 various forms, we help consumers better understand the efficacy of ingredients so they can make purchasing decisions more wisely.

Administrative Measures for Chemical Safety and Ingredient Transparency>

Ingredient Disclosure	<ul style="list-style-type: none"> We fully indicate product ingredients on labeling in accordance with the requirements of laws and regulations Moreover, 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
Knowledge of Ingredients	<ul style="list-style-type: none"> 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

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>

Functional Design	<ul style="list-style-type: none"> The packing box includes a reusable box that can store jewelry and other small items, making it more reusable
Use Guide	<ul style="list-style-type: none"> Print instructions and minigames on the inside of flower boxes and gift boxes to lead consumers to keep and reuse them

| Supply Chain Responsibility

Supplier Management

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 Civil Code of the People's Republic of China, the Bidding Law of the People's Republic of China* and other laws and regulations. We carry out effective and thorough management of suppliers to prevent and control supply chain risks.

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.

Supplier Management Procedures >



Supplier Access

- In response to new demand generated during business operations that cannot be met with existing resources, the Procurement Department will identify new suppliers
- Profiles of new suppliers are previewed to single out potential candidates which will then be required to submit to an on-site audit. New suppliers will be accepted after they have been rated according to new supplier evaluation standards



Supplier Evaluation

- We conduct semi-annual supplier performance evaluations. The Procurement Department, which is the initiating department and the Quality Management Department and the Price Assessment Department rate suppliers A, B, C, or D through online and offline SRM. The evaluation mainly covers product quality, delivery, price, and value-added services



Unqualified Suppliers

- Measures are taken based on the result of a supplier performance evaluation. Level-D suppliers are considered unqualified suppliers, in which case procurement personnel will submit a supplier delete / change form. Following multi-level approval of the recommendation, the relationship with the supplier is terminated

Quality Control Measures for Outsourced Processing >

In terms of supplier quality management, we arrange regular on-site audits of suppliers and provide special quality training for key suppliers. **In 2022, we completed annual audits for 17 suppliers. In addition, we provided peer-to-peer quality training based on results of the annual audits and organized intensive quality training for 18 suppliers on large single-item supporting packaging.**

For OEM/ODM suppliers and other suppliers, we established *Management System of Outsourced Processing* to strengthen quality control on outsourced processing through quality standards, on-site instruction, and unscheduled spot checks.

Quality Standard Formulation

Formulate a complete set of quality control indicators, including chemical ingredients, appearance, consumer experience, and other items, to ensure that suppliers follow the standards during production

On-site Instruction

Before the production of the first batch of products, provide production management personnel with on-site instruction and interpretation of the standards, with a focus on the application of quality standards in actual production

Unscheduled Spot Checks

Carry out unscheduled spot checks according to quality standards and on-site troubleshooting according to market feedback

In terms of supply chain stability management, we have opened up our data information chain from the production end to the brand demand end by continuously upgrading supply chain automation, digitization, and intelligence. This has enabled us 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 forecasts, early warnings, and supplier control.

In addition, we have prioritized how our suppliers manage their upstream suppliers. To ensure the healthy and stable development of the supply chain, we identified suitable suppliers for projects after assessing their financial stability and operations, management capabilities, technology development capabilities, production capacity, quality management capabilities, and supply delivery flexibility.

Building a Responsible Supply Chain

Proya understands that its procurement practices significantly impact the environment and society, and that we need to look at our responsibilities from the perspective of the value chain system as a whole. With an emphasis on the environmental and social impact of the raw materials we use, we insist on the responsible procurement of raw materials. We actively guide and support our partners in their ESG management to encourage them to reduce their own environmental and social impact.

Therefore, we have set the goals of sustainability transformation across the entire value chain for 2025, and are committed to improving the sustainability of the entire value chain.

Proya's Goals of Sustainability Transformation Across the Entire Value Chain >

Date	Specific Goals
2025	<ul style="list-style-type: none"> We will drive sustainability transformation for all partners in our value chain and share our sustainability actions with our industry peers. We will disclose our product sustainability information in multiple ways to share our sustainable consumption concepts with consumers. All of our key partners will conduct ESG compliance assessments and we will provide ESG management support to all of our partners. We will encourage our strategic partners to reduce carbon emissions through initiatives and incentives across the value chain. More than 70% of the palm oil derivatives we purchase will be RSPO-certified palm oil. We will improve our traceability system for palm oil purchased during the planning period.
2045	<ul style="list-style-type: none"> We will achieve carbon neutrality across our entire value chain.

Environment

We preferentially select environmentally certified raw materials

- We preferentially purchase environmentally friendly raw materials, including FSC-certified paper, palm oil, environmentally-friendly ink, environmentally-friendly coating, and environmentally-friendly glue, etc.
- For raw materials originating in Africa, the Company gives preference to producers who have signed fair trade agreements
- Natural products are the core ingredients of Proya's products. For ingredients such as boerhavia diffusa root extracts, tara gum, and cocoa resin, we give preference to manufacturers that comply with *the Nagoya Protocol*

We work with production suppliers to reduce environmental impact

- We work with our suppliers to improve production processes and reduce the environmental impact of the production process

We require suppliers to establish an environmental management system

- We require all suppliers to sign the Commitment Letter of Business Guidelines and establish a sound environmental management system to improve resource efficiency and reduce industrial waste (i.e., wastewater, waste gas, and solid waste) and greenhouse gas emissions

Our Measures for Sustainable Procurement >

Society

The Commitment Letter of Business Guidelines states that suppliers must strictly comply with employment regulations. They must not use child labor or forced labor and they must follow the principle of fairness and non-discrimination in employment. They must also abide by the principle of integrity and probity, and to reject any form of commercial bribery

In terms of palm oil procurement, we do not use palm oil in the production of our products. When we purchase raw materials made from palm oil, we prioritize large suppliers with strong ESG management practices and information on RSPO-certified palm oil. We learn from suppliers about the origin and source of the palm oil, understand its sustainability, and preferentially purchase RSPO-certified palm oil derivatives.

We incorporate considerations such as environmental, labor, and ethics in our supplier access audits. These include a variety of evaluation indicators, including compliant employment, employee training, honest operations, and environmental management. **During the reporting period, a total of 222 suppliers received an ESG compliance assessment, with a pass rate of 95.05%.**

We are committed to supporting suppliers in ESG management to drive sustainability transformation across the entire value chain. In 2022, we provided three ESG training sessions for more than 50 suppliers of packaging materials and raw materials, accounting for more than 70% of our total purchases in these areas. Through the training, we have shared our sustainable development strategic plan and ESG management knowledge with suppliers to promote their understanding and support of our sustainable development strategic plan, and to enhance their awareness of ESG management.

3
Provided ESG training sessions

50
Suppliers more than

70%
The proportion of supplier's purchase amount in the total purchase amount

Our Measures for Sustainable Procurement >

Employee Responsibilities

Employee Rights and Benefits

Employment Compliance

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. To protect employees from any form of discrimination in the recruitment and management process, we have formulated and implemented administrative documents such as the *Staff Recruitment and Hiring Management System*, the *Salary Management System*, and the *Staff Change Management Measures*. In addition, we have established a labor union and signed a collective contract with the labor union to protect the rights and benefits of employees. During the reporting period, we encountered no incidents related to recruitment and dismissal, working hours and vacations, promotions, equal opportunities, anti-discrimination and diversity, or labor standards. We faced no lawsuits in relation to these matters.

Policies of Employment and Fundamental Rights of Employees >

	Safeguarding Rights and benefits	Related Policies
Recruitment	<ul style="list-style-type: none"> Principle: be just, fair and open No child labor: ensure that job candidates are of the legal labor age No forced labor: encourage flexible work hours, accurate attendance records, regular checks on work intensity, and work-life balance 	<i>Staff Recruitment and Hiring Management System</i>
Dismissal	<ul style="list-style-type: none"> We carry out dismissal procedures in strict accordance with labor regulations 	<i>Management Measures for Staff Dismissal</i>
Working hours and vacations	<ul style="list-style-type: none"> We implement a standard working hours system to ensure that the standard working hours are 40 hours per week, and overtime hours can be exchanged for days off We implement paid annual leave, marriage leave, funeral leave, and other statutory holidays in accordance with national regulations We implement parental leave, nursing leave, and other types of leave in accordance with local regulations 	<i>Administrative Measures for Requesting Leave</i>
Salary and subsidies	<ul style="list-style-type: none"> We establish a fair and competitive salary system based on performance We provide subsidies or allowances for transport, travel, and other allowances based on the various demands of a job or position 	<i>Salary Management System</i>
Evaluation and promotion	<ul style="list-style-type: none"> We prioritize competency over seniority and rank, and promote employees that show outstanding talent and an outstanding contribution The results of employee performance evaluations are taken as important factors for their promotion. We established a dual-channel promotion mechanism for expertise-oriented and management-oriented employees 	<i>Performance Management Measure</i>

Employee Communication

An equal dialogue relationship is conducive to the establishment of an efficient working mechanism. It 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 their opinions and suggestions, improve corporate management, and create an equal and open working environment.

Employee Communication Channels >

Establishment of an employee representative assembly	Opened online communication channels on DingTalk and OA	Established a face-to-face communication mechanism between management and employees	Conduct employee satisfaction surveys and touchpoint surveys	Smooth employee complaint channels
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During the reporting period, we conducted employee questionnaires on green office design, directions signs, and the provision of refreshments facilities, and actively adopted the opinions of employees to create a warm workplace environment.

Employee Benefits

Valuing employee benefits, we have formulated and strictly implemented the *Benefit Management Measures* to provide employees with a rich and complete benefit system. Based on statutory benefits, we also provide supplementary and special benefits for employees. We also provide factory employees with special benefits, including free dormitory or housing subsidies, free working meals, and other rewards such as full attendance and seniority awards.

Company Benefits >

Statutory Benefits

Social insurance	Housing fund	Statutory benefits such as statutory holidays and annual leave
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Supplementary Benefits

Lunch allowance	High temperature subsidy	Physical examinations commercial insurance
Annual travel and team-building benefits		Cash gifts for weddings and funerals, holiday condolence payments, birthday gifts, etc.

Special Benefits

Annuity benefits	Special health benefits	Special benefits for factory employees
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Employee Care

As the Company grows and employees' needs evolve, our benefit system has been upgraded to reward employees for their dedication, such as the Care for Presenters. We have provided humidifiers and flowers for presenters who work intensely for long periods of time in studios with dry air to make their work environment more comfortable.

The labor union regularly organizes holiday condolences and other activities to enhance our employees' well-being and sense of belonging.

Actions for Employee Care in 2022>

Actions	Measures
Care for women	<ul style="list-style-type: none"> For working mothers, we have created a private, clean, and cozy "house of mom's love", with sofas, chairs, refrigerators, wet wipes, and breastfeeding guides and posters. During the reporting period, we provided 30 working mothers (including breastfeeding mothers and mothers-to-be) with a "warm home" in the workplace We give our female employees a "3 · 8" pink gift bag and a half-day holiday on every International Women's Day (March 8)
Care for youth	<ul style="list-style-type: none"> We have teamed up with enterprises in the park to establish the secure dating platform "Take Your Sweet Time" to broaden the social networks of young employees and improve their quality of life
Outstanding Employee Award	<ul style="list-style-type: none"> We held the medal award ceremony to honor outstanding teams and individuals at the online 2022 Annual Conference "Keep Going Further" We held the Veteran Employee Appreciation Ceremony under the slogan "10 years later, we are more confident and capable than ever". Designed to honor Proya's outstanding employees who have been a part of the Proya family for over a decade, we invited them to share their experiences at the ceremony To honor outstanding employees and teams during Double Eleven, we held Proya's 2022 Double Eleven Commendation Ceremony themed "All-rounders March into the Future"
Care for presenters	<ul style="list-style-type: none"> We provided presenters with humidifiers and flowers to make their work environment more comfortable We provided psychological guidance for presenters to relieve work stress
Holiday condolences	<ul style="list-style-type: none"> We have actively organized holiday celebrations with our employees to make them feel at home. These included the "2022 Be Dynamic As A Tiger - Embracing the Year of the Tiger and Sending Spring Festival Couplets" and making lanterns for the Lantern Festival
Interest-based training and certification	<ul style="list-style-type: none"> Our labor union and the labor union of Xihu District provided employees with interest-based training programs and certifications such as beautician, pastry chef, and tea master
Exclusive benefits for employees	<ul style="list-style-type: none"> We held two company-wide multi-brand purchase events for employees in the second half of the year, offering affordable product promotions, which achieved average sales of over RMB400,000 per event
Communication	<ul style="list-style-type: none"> By maintaining good communication with the CPC Youth League Xihu District Committee, we organized the 2022 Xihu District "Wave Riders" Summer Social Practice and Exchange Activity for students from Zhejiang University and other universities
Proya's charity fund	<ul style="list-style-type: none"> We have carried out one case of aid with charity fund to provide charity fund for employees suffering from breast cancer

Cultural and Sports Activities for Employees In 2022 (excerpted) >

We advocate a work-life balance and a flexible work system to provide employees with more freedom in their working hours. We have built an employee lounge with facilities such as fitness areas, and helped employees set up clubs, providing an average of RMB150,000/year in subsidies for the clubs. We regularly organize various cultural and sports activities to bring a colorful working life to employees and to build a happy workplace where they feel satisfied and can maintain a healthy work-life balance.

Activity	Description
Proya's "Star" Singing Contest	<ul style="list-style-type: none"> We organized a singing contest for our employees, including Solo and Group Singing, providing them with a stage to showcase their talent
Proya's Tennis Camp 2022	<ul style="list-style-type: none"> We have established a Tennis Club, which is responsible for funding training camps and organizing daily training for members to improve their skills
Badminton Challenge "Youth on Fire, The Best Badminton Player"	<ul style="list-style-type: none"> We organized badminton singles tournaments to promote the hard-working culture of "execution"
Proya's Basketball Showdown "Outstanding Performance Comes from Fearlessness"	<ul style="list-style-type: none"> We have invited collaborative teams to friendly basketball matches to promote teamwork
Learning Club Activities	<ul style="list-style-type: none"> To encourage employees to pursue a better life, we established cross-border cooperation with COSTA to learn about the history of coffee and tasting techniques. We set up photography courses to provide training on photography equipment and light & shade effects. We also organized Excel function learning exchange meetings to teach professional skills, offered the "Beauty of Technology" mini-classes to share knowledge on cosmetic medicine, and worked with Qingteng Art Center to provide courses in tea art



Occupational health and safety

Safe production

Adhering to the safe production principle of safe production, creating a safe environment, and 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. We have also set a safe production goal. **During the reporting period, we had zero accidents that resulted in casualties and had zero fires.**

Goal >



“Zero major accidents resulting in casualties, zero fires, explosions, or other fire-related incidents, and fewer than 3 minor accidents that caused slight injuries per year”

To establish a sound safety production management system, we formulated institutional documentation such as the *Safe Production Inspection and Hidden Hazard Investigation and Management System, Safe Production Education and Training System, Regular Meeting System for Safety, and Fire Safety Management System*. We also regularly conduct security training and fire drills to safeguard employee safety.

Administrative Measures for Safe Production>

Improving the management system

- We improve safety awareness and adhere to a policy of “prevention first”. We regularly study the dynamics of safe production and solve related 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

Strictly managing processes

- We strictly implement approval procedures for dangerous operations. All hazardous operations must receive prior approval. Hazardous operations must be accompanied by a detailed operation plan, written disclosure, and safety protection measures. These must be available to be checked at any time to identify and correct any hidden dangers
- To supervise the quality of safe production management, we centrally manage safe production records, and perform regular supervision and inspections to identify hidden dangers and eliminate them at the beginning
- We established the *Emergency Response Plan* for Production Safety Accidents and a complete safety accident emergency response system covering organization, response, post-processing, special emergency response, and on-site disposal plans

Enhancing safety education

- We strengthen safety education, improve the safety competence of employees, and perfect their safety education records. Newly hires 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

During the reporting period, we carried out the technological upgrade projects in workshops to provide a physical guarantee for fire safety and handling. We implemented the "Massive Safety Training for A Million Employees" program to strengthen employees' awareness of safe production and familiarity with the use of protective equipment, and provided knowledge support for safe production.



Occupational Safety Work in 2022>

Technological upgrade projects in workshops

- We installed and renovated the monitoring system in our Huzhou Production Base (skincare factory), covering elevators in production workshops and batching workshops. These ensure fire prevention capabilities and responsiveness if a production accident occurs
- We added fire-fighting equipment on the first floor of the workshop and upgraded the smoke detection system to provide a physical guarantee of fire safety

Massive Safety Training for A Million Employees

- We assigned 20 employees to Zhejiang Safe Production Network Academy to attend training and pass certification for key positions in small and micro enterprises engaged in production and processing. The training covered laws and regulations on safe production, accident prevention, and emergency response measures


Fire Drills

- We organized fire drills, which showed that employees from some departments are unfamiliar with the emergency plan and use of protective equipment. We provided follow-up training to enhance employee safety awareness and emergency response capabilities, covering self-help and rescue skills in the case of various disasters and accidents

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 proposed the occupational health management goal and formulated and strictly implemented the Occupational Health Management System to identify occupational disease risks in the production environment and take targeted measures to protect the health of employees. During the reporting period, the skincare factory received ISO45001:2018 OHSAS certification, and no occupational disease case occurred in the Company.

Goals of health management >

 "No occupational disease, regular detection of occupational hazards, and health examinations"

OHSAS Certification >

Subject	Description	Valid Period
Skincare factory	ISO45001:2018 OHSAS	From February 2022 to February 2025

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

Protective Measures against Occupational Disease Risks >

Environmental and Equipment Safety Protection	Personal Safety Protection
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> We provide workers with occupational disease protection articles for personal use, and regularly organize training on the use of personal protection articles to ensure the correct use of protection articles by employees 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 observable health problems

Our labor union provides medical mutual insurance and actively organizes health training activities to protect the health of employees.

The Achievements of Proya's Labor Union In 2022 >

Item	Result
Medical Mutual Insurance	During the reporting period, we provided a total of 1,345 in-service employees with medical mutual insurance benefits
Occupational Health Training	During the reporting period, we gave a total of four health lectures, which were attended by a total of 200 employees and covered daily health care, CPR rescue, and the prevention of gastrointestinal diseases

We are not only concerned about the physical health of our employees, but also about their mental health. We create a relaxed and pleasant working atmosphere for our employees and actively provide them with psychological support. **During the reporting period, we partnered with One Foundation to open a hotline for psychological guidance, through which our employees receive support for mental health.**

Talents Development

Proya's high-quality development can never be achieved without the growth of talent. We see improvement of employee competency as an important driver of our development and continuously empower them to grow.

Employee Training

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 improvements, and offer them a well-designed training and improvement system. In addition, we strictly abide by the *Management Regulations on Occupational Skills* and have formulated the *Management Procedures of Occupational Skill Level Certification* to standardize the certification of employees' occupational skill levels. We continuously optimize our training system.

Training System >

Internal training

Orientation

Trainees: new recruits
Training content: our history and culture, rules and regulations, and other content that employees need to know

Professional training

Trainees: key employees from the business department, management trainees
Training content: brand marketing planning, R&D processes

Promotion training

Trainees: middle managers
Training content: business thinking, management ability, leadership improvement

Daily training

Trainees: all employees
Training content: service capabilities, management capability improvement

Executive study tour

Trainees: company executives
Training content: vision expansion and strategic thinking improvement

External training

Trainees: trainees are selected through the examination among all employees
Training content: we purchased Alibaba business training courses to provide employees with a full range of general business education

During the reporting period, we held the third session of our "leadership training camp", in which employees were organized to receive intensive on-the-job training and learning. Lasting for 16.5 hours, the training covered management, finance, and marketing. It provided leadership and service capability training for 40 employees. The pass rate was 100%, and 27.5% of trainees received a "Good" or higher result in the graduation exam. To encourage employees to improve their skills in cosmetic manufacturing, and with the support of the Human Resources and Social Security Bureau of Wuxing District, we carried out the occupational skill certification for cosmetic manufacturers levels 3 to 5, with a total of 68 participants.

To ensure the application of our "6*N" development strategy, we established the Proya Brand Academy to cultivate more brand marketing professionals. Based on business use cases, current talent development, and the findings of demand investigation, the Proya Brand Academy integrates theoretical learning, case studies, on-the-job practice, evaluation, and sharing. Courses cover leadership, professionalism, and capacity. During the reporting period, we set up six service courses, covering nearly 400 employees.

Proya Brand Academy Courses in 2022 >

Training	Description	Courses
Manager training camp	We enhance the management knowledge and skills of new managers, expand their horizons, and introduce new working concepts and practical experience	Role Perception for Managers MTP Middle Leadership MBP Project Management Strategy and Goal Breakdown Budgeting, Financial Management and Analysis Practice sharing sessions for managers
Product marketing training camp	We extract the best methodologies from our work practices to enhance the skills of product marketing professionals	What is Product Marketing AITPL Principles The Practical Guide to Product Marketing Product marketing workshops
Comprehensive capacity	We regularly provide professional development courses to enhance the professional awareness and skills of new recruits	Professional Thinking and Awareness Professional Communication Excel Skills Improvement PPT Skills Improvement

To encourage our employees to improve their educational level, we organized for 17 employees to participate in the education subsidy program hosted by the Hangzhou Federation of Trade Unions in 2022.

During the reporting period, we carried out a total of 55,286 hours of training, with an employee coverage rate of 46.27 and a per capita training time of up to 17.40 hours.

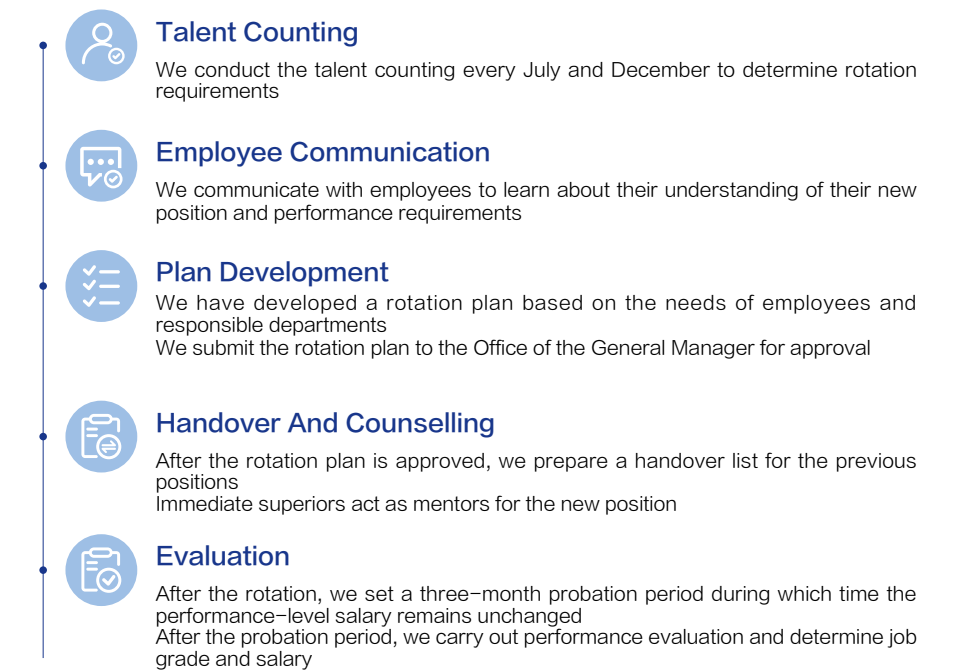
Employee Performance Evaluation and Promotion

In terms of employee promotions, we have formulated the *Performance Management Measures*, the *Personnel Management Measures*, the *Internal Competition System*, and other management systems. We employ a consistent performance management system and evaluation approach 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. We provide smooth promotion channels for management-oriented and expertise-oriented employees according to the characteristics of the position.

We prioritize competency and performance over seniority and rank and promote employees with outstanding talent that deliver an outstanding contribution. Promotions are based on the results of the talent pool selection test and requirements of our organizational structure and business opportunities.

We have established an employee rotation mechanism to expand their knowledge and help them on the career development plan. We conducted manager evaluation feedback program based on the key leadership of business departments, with the aim of improving the leadership and cohesiveness of key cadres.

Employee Rotation Process >



During the reporting period, we conducted a questionnaire on the key leadership of business departments, with the focus on evaluating synergy, teamwork, and effective communication among the key departmental managers. The questionnaire had a response rate of 93.6% and indicated that the key cadres perform well in leadership and teamwork, but they could do better in talent selection and development. Based on the questionnaire, we will adjust promotion training content to help key departmental managers improve their managerial skills.

Community Responsibility

Social Advocacy

Proya upholds the corporate mission of Ever-lasting Beauty and Sharing Bliss. We advocate the social value of "aesthetics" and focus on key issues in society. Relying on our brand influence and expertise, we have issued initiatives and acted to deliver a beautiful life to everyone. In 2022, we directly benefited about **430,000 people**⁹ and indirectly benefited **119 million people**¹⁰ through social advocacy activities.

Social Advocacy Campaigns in 2022

Areas of Interest	Project	Project Description	Project Data
Gender equality	"Gender does not divide us, prejudice does!" Campaign on Women's Day	Start time: March 2022 Project description: We worked with the female football player Wang Shuang and the Nanxing Hexingtang Lion-dancing Team to launch the TVC "Lion-dancing Girls". We also partnered with seven brands on advertisements, with the aim of breaking the stereotype of gender and speaking out for gender equality	<ul style="list-style-type: none"> The Weibo topic #Gender does not divide us, prejudice does!# received a total of 300 million views and generated 180,000 discussions The TVC "Lion-dancing Girls" had 19,000 retweets and nearly 50,000 likes. It was watched almost 300,000 times on Bilibili We donated books to 10 rural elementary schools
		Start time: March 2022 Project description: We worked with the cultural IP "Xi'an Fang Suo Commune" to launch a themed book list and donate books to 10 rural elementary schools	<ul style="list-style-type: none"> The gender education documentary "The Same Sky: How We Conduct Gender Education" was watched almost 180,000 times
		Start time: May 2022 Project description: We teamed up with Teacher Liu Wenli, Beijing Xingzhi School and Beijing Magnolia Community Services Center to launch the gender education documentary "The Same Sky: How We Conduct Gender Education"	
Mental health	"Echo Project" Youth Mental Health Campaign	Start time: May 2022 Project description: <ul style="list-style-type: none"> Proya partnered with China Youth Development Foundation to launch the campaign. As of May 2022, we had set up 10 "spiritual resting places" in 10 middle schools in Chongqing and created a fixed place and professional environment for teachers to conduct mental health education by providing psychological sandboxes, therapeutic equipment, and mental health books We organized "Teacher-Student Communication Workshop" training sessions in the 10 resting places to help teachers understand common problems about teacher-student communication, master communication skills, and improve professional literacy through case sharing, example simulation, and practical exercises In the 10 middle schools mentioned above, we recruited 40 students through teacher recommendations or self-enrollment by parents and students at the "spiritual growth" summer camp for Proya's Echo Project 	<p>During the reporting period:</p> <ul style="list-style-type: none"> We built spiritual resting places in 10 middle schools in Chongqing We worked with a team of psychology teachers from 10 middle schools in Chongqing to organize three parent training sessions and two teacher training sessions We recruited 40 students from 10 middle schools in Chongqing to attend the Echo Project's "spiritual growth" summer camp

Areas of Interest	Project	Project Description	Project Data
Mental health	"Echo Project"	Start time: October 2022 Project description: We upgraded Proya's Echo Project in 2022:	During the reporting period: <ul style="list-style-type: none"> Our public short films were played over 10.05 million times
	Youth Mental Health Campaign	<ul style="list-style-type: none"> We released "Outlet", a video touching upon mental health and worked with the psychological consultant Li Songwei and Du Sujuan, a literature professor at East China University of Political Science and Law, to release two charity videos: "We need to see each other better" and " Adolescents can cry if they're in pain" We presented a list of audio-visual works of soothing books We worked with the Xiaoyuzhoufm APP to launch five special podcasts about emotions We teamed up with Dr. Liu Dan, a clinical psychologist from the School of Psychological and Cognitive Sciences, Peking University, to offer open online classes, and invited psychologists to co-host offline public lectures in Qingdao, Xi'an, Chengdu, and Sanya We cooperated with Beijing New Sunshine Charity Foundation to open a long-term hotline for psychological guidance 	<ul style="list-style-type: none"> More than 1,400 Douban users spontaneously released books and audio-visual works designed to soothe emotions Over 140,000 Xiaoyuzhou podcast APP users listened to special podcasts about emotional well-being Online public welfare courses were watched more than 10,000 times, and 200 people participated in offline public welfare lectures Within 9,033 minutes of the total service time, the hotline for psychological guidance had received over 658 calls and three cases of suicide crisis intervention occurred A total of 180,000 copies of the public manual on emotional healing were distributed
Youth and growth	Firefly Project – "Anti School-bullying" Campaign	Start time: October 2022 Project description: Proya and China Education Television jointly launched the "Firefly Project – Anti School-bullying Campaign". The project included a charity video, public advertisements, and the launch of the School Bullying Prevention Guide. The goal was to convey the message that no aspect of school bullying is trivial, and that even the smallest beam of light can break through the deepest darkness	<ul style="list-style-type: none"> The charity video was watched more than 23 million times and played 95 million times by China Education Television As of October 16, 2022, the Weibo topic #Anti school-bullying# had received more than 140 million views and generated over 14,000 discussions The outdoor public advertisement was placed on 54 bus stops in six cities A total of 9,000 copies of the School Bullying Prevention Guide were issued
Family responsibility	"Visible Only to Moms" Mother's Day Special Campaign	Start time: May 2022 Project description: Proya launched the Mother's Day Special Campaign "Visible Only to Moms", calling on everyone to break the stereotype of mothers and make more family members aware that "tasks should not be assigned based on family roles". The campaign called on every family member to shoulder familial responsibilities equally	<ul style="list-style-type: none"> As of December 2022, the Weibo topic #Family responsibilities should not be visible only to moms# was viewed over 11,755,000 times and had generated more than 21,000 discussions

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

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

Public Charity

Youth education is critical to the future of the country and the hope of the nation. It is a core area of interest for Proya's public charity work. We actively implement policies such 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*, the *Medium- and Long-term Youth Development Plan (2016-2025)*, and the *China National Program for Child Development (2021-2030)* issued by the State Council. We support youth development through paired assistance, charitable donations, and other methods.

Public Charity Projects >

Project	Partner	Progress and Results During the Reporting Period
"Every County Has One Dream" Charity Project	Shanghai Adream Foundation	We donated RMB1mn to the "Every County Has One Dream" Charity Project, which will be implemented in 2023
Paired assistance	Liwu Village, Jiulong County, Garzê Tibetan Autonomous Prefecture, Sichuan Province	During the reporting period, we donated stationery and books to the village to strengthen its educational infrastructure

In addition, we actively organize employees to participate in volunteer services. **During the reporting period, we established a volunteer team and arranged for more than 60 employees to help the park perform 20 volunteer services to aid in community work. We supported the Adream Foundation's "Dream Classroom" project to raise funds and launched a fundraising initiative during the 95 Philanthropy Week to mobilize social support.**

Corporate Governance

Corporate Governance

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

We convened and held general meetings of shareholders in strict accordance with the Articles of Association, treating all shareholders equally. We made it as convenient as possible for shareholders to participate in general meetings so that they can fully exercise their rights as shareholders. In 2022 and, based on our own business development, we implemented the *Plan for Proya's Profit Distribution and Capitalization of Capital Reserves for 2021 and Proposal on the Granting of Restricted Shares to Incentive Recipients*, and amended some articles of the *Articles of Association*, including the registered capital and the total number of shares of the Company.

In 2022, we amended the *Rules of Procedure of the General Meetings of Shareholders of Proya Cosmetics Co., Ltd.*, *Rules of Procedure of the Board of Directors of Proya Cosmetics Co., Ltd.* and *Rules of Procedure of the Board of Supervisors of Proya Cosmetics Co., Ltd.* in accordance with the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Rules for the General Meetings of Shareholders of Listed Companies* and *Articles of Association*. 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. We received no document that required a competent authority to enforce an administrative supervision measure.

Composition of Our Board of Directors and The Convening Of Three Meetings in 2022 >

Composition of the Board of Directors and the Board of Supervisors

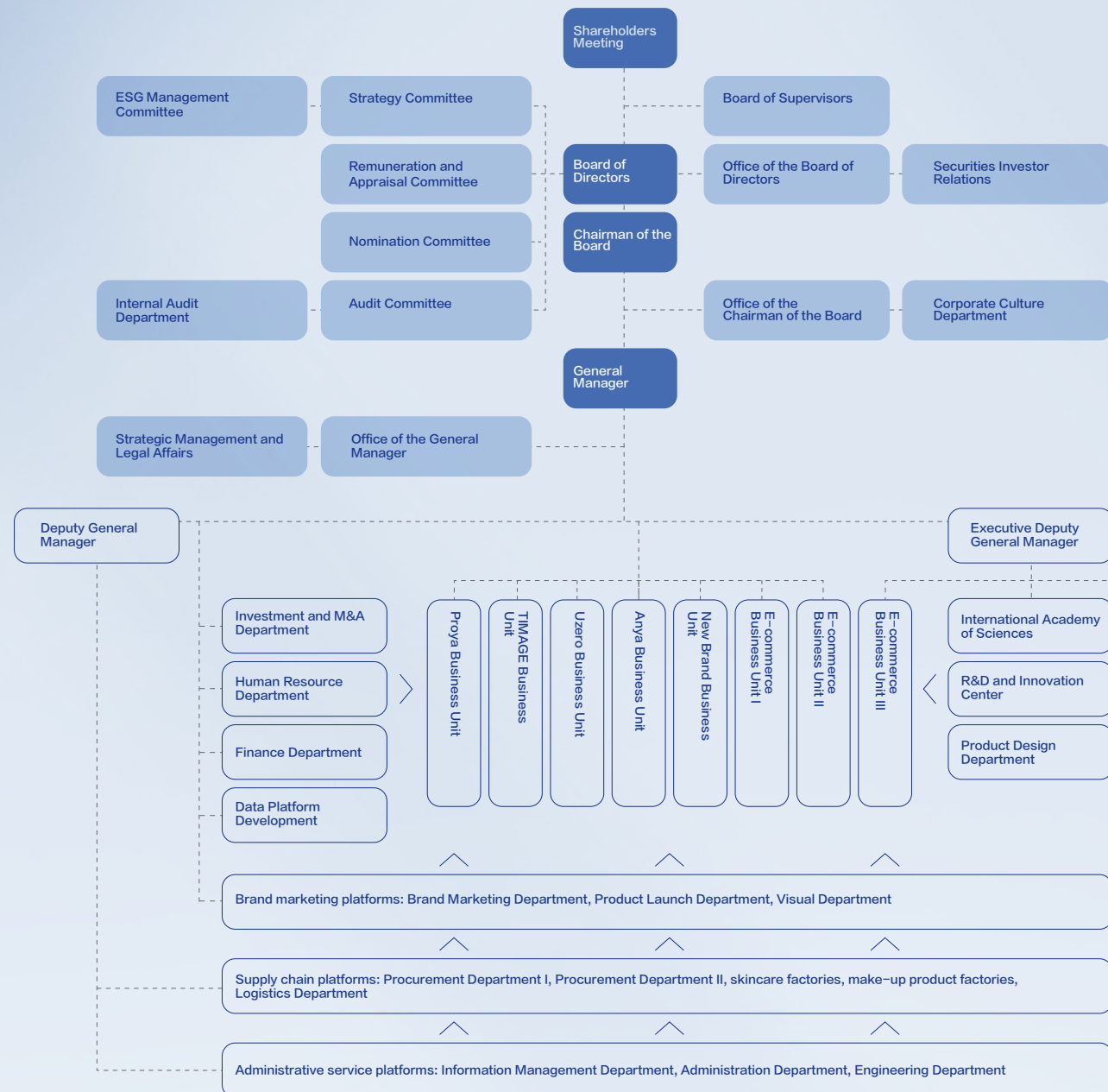
Directors 5	Independent Non-executive Directors 2
Executive Directors 3	Supervisors, including one employee representative 3

Convening of three meetings

Shareholders Meetings 2	Board Meetings 6
Meetings of the board of supervisors 6	Meetings of special committees of the board of directors 8

proposals and reports have been deliberated, read, reviewed, or heard **126**

Chart of corporate governance structure v



Composition of corporate directors and senior executives remuneration in 2022 (Unit: RMB) v

Name	Position	Fixed salary			Variable compensation		Total remuneration for the year	Equity payments
		Regular pay	Post wage	Allowances and other compensation	Sustainable performanc	Annual bonuses		
HOU Juncheng	Chairman of the Board	240,000.00	240,000.00	480,000.00	160,000.00	509,445.00	1,629,445.00	—
FANG Yuyou	Director, General Manager	240,000.00	240,000.00	480,000.00	160,000.00	509,445.00	1,629,445.00	—
HOU Yameng	Director, Deputy General Manager	86,000.00	86,000.00	128,000.00	50,000.00	130,586.00	480,586.00	—
JIN Yanhua	Deputy General Manager	120,000.00	120,000.00	180,000.00	70,000.00	217,916.20	707,916.20	3,157,141.42
WANG Li	Deputy General Manager, Board Secretary and CFO	120,000.00	120,000.00	360,000.00	100,000.00	501,723.77	1,201,723.77	4,059,181.82

For directors and senior executives, we have established a well-developed remuneration and incentive system. The remuneration of our directors and senior executives consists of two components: fixed salary and variable compensation. The amount of variable compensation is determined by their annual performance. Sustainable performance is also included in the variable compensation. We correlate our sustainability performance with the remuneration of directors and senior executives to encourage the achievement of our sustainable development goals.

Investor Relations

Information Disclosure and Investor Communication

We strictly abide by the *Company Law of the People's Republic of China, 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 information disclosure, and to guarantee that all investors have fair access to company information. During the reporting period, we had no violations of information disclosure and investors' rights or penalties.

We accurately fulfill our information disclosure obligations in strict accordance with regulatory requirements. We disclose ESG information through environmental, social, and governance (ESG) reports. We hire professional external agencies to provide ESG training to relevant departments of the Company and enhance internal understanding of ESG.

We adhere to the principle of equal opportunity for investors. In order to protect the rights and interests of small and medium investors, we take active measures to communicate with them so they better understand and trust the Company. We contact them through telephone calls, emails, the "E Interaction" platform of the Shanghai Stock Exchange, performance presentations, visits and surveys, online exchange, and other methods.

Investor communication channels >



Social Recognition of Our Information Disclosure and Investor Communication in 2022 >

Award	Awarding body
A-level Evaluation of Information Disclosure of Companies Listed on the Mainboard of the Shanghai Stock Exchange	Shanghai Stock Exchange
Best Practice Award for Directors of Listed Companies in 2022	China Association for Public Companies
Best Information Disclosure Award	IRSC 6th China IR Awards
Outstanding IR Enterprise Award	Quanjing
Performance Presentation Innovation Award	Quanjing
Outstanding IR Team Award	Quanjing
Small and Medium Investor Relations Interaction Award	Quanjing

Performance of Investor Communication in 2022 >

Issued a total of **4** periodic announcements

Issued a total of **61** temporary announcements

Carried out **9** investor surveys and communication activities online and on site

Host investor onsite visits for over **1,000** institutional investors

Investors' Rights and Interests

While striving to achieve rapid growth in scale and steady growth in economic benefits, we 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. In 2022, the Board of Directors, the Board of Supervisors, and the General Meeting of Shareholders deliberated and approved the *Plan for Proya's Profit Distribution and Capitalization of Capital Reserves for 2021*. We completed the distribution and capitalization on May 30, 2022.

Cash dividend distribution in the past three years >

Year	Dividends per 10 shares (RMB) (tax included)
2020	7.2
2021	8.6
2022	8.7

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	2020	2021	2022
Social contribution per share ¹¹ (RMB)(tax included)	6.22	7.24	7.18

¹¹Social 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.

Internal Control

To build a risk management mechanism that supports strategy implementation, builds integrity, and ensures the effective operation of our risk management system, we have formulated the *Internal Audit Management System, Application Guidelines*, and other institutional documents. 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.

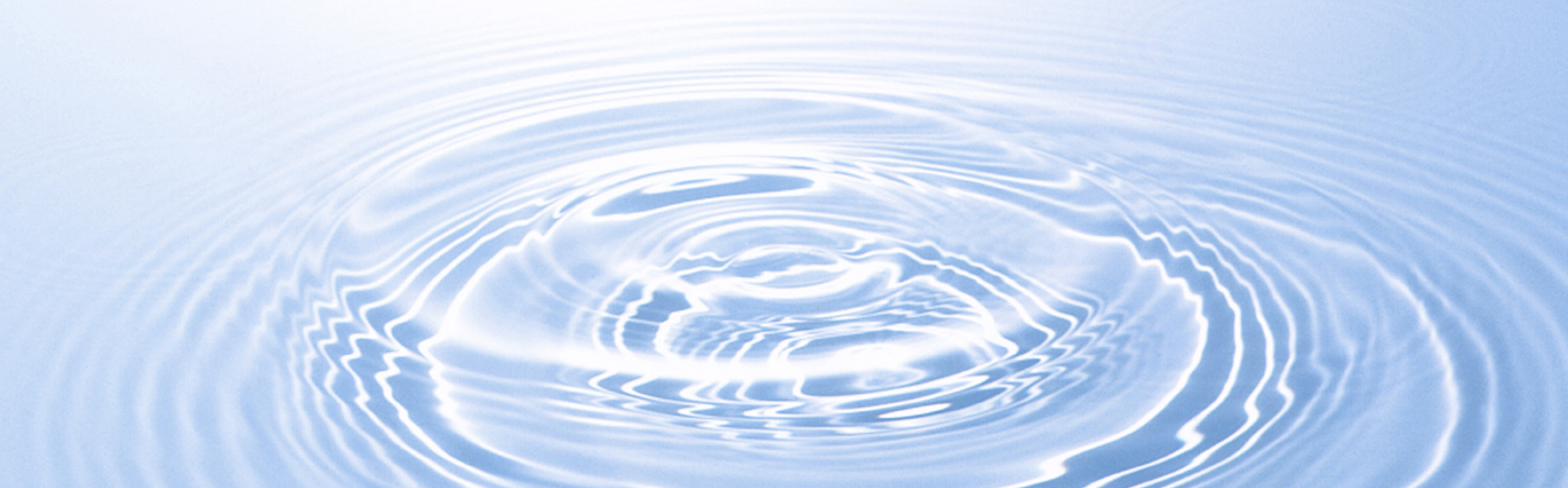
Under the guidance of the *Internal Control Application Guidelines and Process System Management*, we have established independent processes and supporting regulations for each business unit, each functional department, and each specific project to rapidly respond to market needs. Specifically, we can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

Our Internal Audit Department regularly conducts special audits and departure audits to ensure that our business activities are legitimate, compliant, and authentic. We have strictly audited contract performance, related transactions, and other key areas; promptly handled violations or missed appointments; and boosted the continuous improvement of our business process and operations system. In 2022, our Internal Audit Department carried out **five special audits** and **four departure audits**, regularly followed up on the audited projects that had problems, and communicated with auditees in real time to ensure the implementation of audit-based corrections. We made the list of the "**Top 30 Best Internal Control Award for Zhejiang Public Companies**" at the 6th Symposium on the High-quality Development of Public Companies.

5
special
audits

4
departure
audits

TOP30
Best Internal Control Award for Zhejiang
Public Companies



| Compliance Operation

Compliance Management System

We regard the compliance of our business operations as the cornerstone of steady development. As such, we have established a comprehensive compliance management system that we continue to improve. We actively identify compliance risks in the production and operation process with a focus on the risks 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 internal document Employee Monitoring and Reporting Management System, an external reporting hotline, and a reporting mailbox. We take every report seriously and responsibly. Our Internal Audit Department will investigate and handle all related issues.

Employee Reporting Process >



Whistleblower Protection Measures >

- The report-handling personnel keep the personal 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. Perpetrators of crime will be handed over to judicial organs
- No unit or individual is permitted to intercept or delay the whistleblower's report under any pretext, nor 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 nonpublic manner unless it is agreed on by the whistleblower

In 2022, our Legal Department reconstructed its organizational structure in accordance with our business development requirements. It implemented professional and refined management with a clear division of labor and set up various modules, including "civil and commercial integration", "e-commerce compliance", "intellectual property compliance", and "investment and financing". These actions significantly improved our compliance governance capabilities.

During the reporting period, we carried out a series of rule of law promotion and education activities. Our Legal Department has prepared and released the Proya's Legal Advocacy, an internal publication on legal publicity, which covers three major sections: New Regulation Express, Hotspot Analysis, and Case-based Law Interpretation. These are designed to enhance employees' awareness of risk prevention. The Company and our Legal Department organized regulatory compliance training activities for employees. A total of **272** people attended a total of **555.5** hours of training during **3** external expert training sessions and **4** internal legal training sessions. These training activities further integrate the concept of rule of law into corporate management and promote the corporate compliance management concept of encouraging management by law and fostering efficiency through management.

3
External expert training sessions

4
Internal legal training sessions

555.5
Total training hours

272
People attended

Anti-Corruption and Business Ethics

To prioritize codes of ethics in our business operations, we strictly abide by the Anti-unfair Competition Law of the People's Republic of China, Anti-unfair Competition Ordinance of Zhejiang Province, Bidding Law of the People's Republic of China, Criminal Law of the People's Republic of China, and other laws and regulations, as well as the Anti-bribery and Anti-corruption Management System. Our goal is 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.**

For employees, we implement the Thirty-Two Rules of Proya and sign the Commitment to Integrity and Self-discipline with them to strengthen their awareness of being honest, upright, creditworthy, and trustworthy. All directors and senior executives of the Company have signed the Convention on Integrity and Self-discipline and abide by Proya's code of business ethics.

For procurement from suppliers and brand cooperation, we require all raw material and packaging material suppliers to sign the Commitment to Business Principles. 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. We blacklist suppliers that violate our anti-corruption principles. If a supplier's behavior constitutes a crime, we refer the case to state agencies to investigate criminal responsibility. 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.

The Company carried out anti-corruption audits as planned. During the audit process, our Internal Audit Department focused on key management links prone to corruption such as price and expense settlement ways. The audit plan covers the Company's crucial operation process every two years.

In 2022, we organized two training sessions on anti-corruption and business ethics: "Compliance with Business Ethics and Reinforcement of Integrity and Self-discipline" for directors and key management, and "Business Ethics Standards and Integrity and Anti-Corruption" for all employees (including employees under service dispatch and part-time employees). These sessions aimed to bolster anti-bribery and anti-corruption education and foster a culture of integrity among employees.

Protection of Intellectual Property

We strictly abide by the Patent Law of the People's Republic of China, Copyright Law of the People's Republic of China, Trademark Law of the People's Republic of China, and other laws and regulations. We have developed intellectual property management rules, including the Intellectual Property Management System, the Trademark Management Measures, and the Patent Management Measures. These ensure that we do not infringe on the intellectual property of others and protect our own.

In 2022, we established an Intellectual Property (IP) management system to strengthen IP protection in terms of IP layout and management, risk warning and control, process and system development, professional talent training, and tool informatization. We added management rules such as the Compliance Guidelines for the Use of Proya's Software, Compliance Guidelines for the Use of Proya's Fonts and Compliance Guidelines for the Use of Proya's Pictures to strictly control the use of software, fonts and pictures by business units and eliminate the possibility of intellectual property infringement.

Intellectual Property Management Measures >

Protecting Our Intellectual Property

- In the course of an R&D project, we promptly protect the intellectual property generated during the R&D process.
- We actively carry out intellectual property registration, filing, application, registration and other rights confirmation work.

No Infringement on the intellectual Property of Others

- Before we initiate a new R&D project, proceed with new product development, or introduce or export new technologies and products, we conduct intellectual property searches to ensure that we do not infringe on the intellectual property of others.
- We strictly control the use of software, fonts and pictures by business units and eliminate the possibility of intellectual property infringement.

Intellectual Property Advocacy

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

Our Intellectual Property Department has launched special crackdowns and filed lawsuits against violating and infringing acts. During the reporting period, our Intellectual Property Department launched special crackdowns and filed lawsuits against violating and infringing acts. For example, on WeChat, the department cracked down on fake hydrating masks that infringed on Proya's registered trademark. On Pinduoduo, the department sued the store and manufacturer of the INSBABA Scepter Mascara that infringed on the appearance patent. We were awarded more than RMB250,000 in the first instance. Hapsode had more than 320 infringing links removed from various e-commerce platforms and filed 19 trademark infringement lawsuits. TIMAGE had more than 360 infringing links removed from e-commerce platforms, shut down five infringing websites, and filed 60-plus trademark infringement lawsuits. These crackdowns and lawsuits effectively slow down the growth of counterfeit sales on various e-commerce platforms and defend the legitimate rights and interests of the Company and consumers.

During the reporting period, we faced two cases of intellectual property infringement lawsuits arising from appearance design by suppliers. Both were withdrawn after the suppliers and the plaintiffs reached a settlement. To prevent the recurrence of similar incidents, we formulated and implemented appropriate management rules and organized training sessions on the legitimate use of software, fonts, and pictures by relevant business units.

ESG Key Quantitative Performance

Environmental Data¹

Indicators	Unit	2020	2021	2022
Number of punishments for violating environmental protection laws and regulations	Case(s)	0	0	0
Power consumption ²	MWh	11,230.16	12,161.96	15,970.07
Total clean power consumption ³	MWh	—	—	3,838.99
Power consumption per RMB10,000 of revenue	kWh/RMB10,000	29.93	26.25	25.01
Total natural gas consumption	m ³	306,164.00	295,436.00	368,936.00
Natural gas consumption per RMB10,000 of revenue	m ³ /RMB10,000	0.82	0.64	0.58
Gasoline consumption ⁴	L	269,292.04	291,954.00	52,620.00
Diesel consumption	L	52,932.00	42,614.00	39,903.00
Total water consumption	m ³	183,856.00	208,614.90	253,488.70
Water consumption per RMB10,000 of revenue	m ³ /RMB10,000	0.49	0.45	0.40
Total consumption of recycled water	m ³	13,800.00	15,000.00	13,000.00
Proportion of water recycled and reused in total water consumption	%	7.51	7.19	5.13
Total use of packaging materials used on finished products	t	6,528.00	6,060.00	7,200.00
Materials used per RMB10,000 of revenue	kg/RMB10,000	17.4	13.08	11.28
Total waste gas emissions	m ³	10,238,400.00	16,368,000.00	16,080,000.26
Total waste gas emissions per RMB10,000 of revenue	m ³ /RMB10,000	27.29	35.33	25.18
Industrial wastewater discharge ⁵	m ³	12,800.00	13,500.00	20,219.00
Discharge of industrial wastewater per RMB10,000 of revenue	m ³ /RMB10,000	0.03	0.03	0.03
Chemical oxygen demand (COD) emissions in wastewater	kg	640.00	675.00	1,016.00
Biochemical oxygen demand (BOD) emissions in wastewater	kg	128.00	135.00	172.00
Ammonia nitrogen (NH ₃ -N) emissions in wastewater	kg	64.00	67.50	104.40
Total amount of Non-hazardous waste generated	t	587.68	602.65	603.68
Discharge of Non-hazardous waste per RMB10,000 of revenue	kg/RMB10,000	1.57	1.30	0.95
Total amount of hazardous waste generated ⁶	t	1.30	1.70	2.32

Indicators	Unit	2020	2021	2022
Discharge of hazardous waste per RMB10,000 of revenue	kg/RMB10,000	0.0035	0.0037	0.0036
Total greenhouse gas emissions ⁷	tCO ₂ e	8,216.25	8,426.86	7,933.90
Scope 1 greenhouse gas emissions	tCO ₂ e	1,364.73	1,360.77	1,015.54
Scope 2 greenhouse gas emissions	tCO ₂ e	6,851.52	7,066.10	6,918.35
Greenhouse gas emissions per RMB10,000 of revenue	tCO ₂ e/ RMB10,000	21.9	18.19	12.42

Note:

[1] The environmental data in the Proya Sustainability Report 2020 were from the Huzhou Production Base (skincare factory). The 2021 and 2022 reports cover the offices and the R&D centers at Proya Headquarters, the Huzhou Production Base (skincare factory), and the makeup factory.

[2] The power consumption covers the consumption of the Company's purchased power and the clean power consumption. In 2022, power consumption increased as the Company grew.

[3] The total clean power consumption covers PV power consumption and purchased green power consumption.

[4] In 2022, due to the impact of the external environment, the Company conducted daily work partially online, reduced its outbound trips, and therefore consumed less gasoline for self-owned vehicles.

[5] In 2022, the following saw increases due to the business growth of the Company: industrial wastewater discharge, chemical oxygen demand (COD) emissions in wastewater, biochemical oxygen demand (BOD) emissions in wastewater, and ammonia nitrogen (NH₃-N) emissions in wastewater.

[6] In 2022, the discharge of hazardous waste generated increased due to the business growth of the Company.

[7] Total greenhouse gas emissions cover Scope 1 and Scope 2 carbon emissions. Scope 1 refers to carbon emissions of gasoline, diesel, and natural gas. Scope 2 refers to carbon emissions from the use of grid power. Carbon emissions from the use of PV power and green power purchased are not included. 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, Scope 2 greenhouse gas emissions are calculated according to the following formula: national grid power supply*national grid average emission factor. This was 0.610tCO₂/MWh in 2020 and 0.5810tCO₂/MWh in 2021. In 2022, the national grid average emissions factor of 0.5703tCO₂/MWh from the Notice on the Reporting and Management of Greenhouse Gas Emissions by Enterprises in the Power Generation Industry for 2023–2025 was used for calculations.

Product and Customer Responsibility

Indicators	Unit	2020	2021	2022
Number of complaints received concerning products and services ¹	Case(s)	348	310	2,120
Complaint handling rate	%	100%	100%	100%
Number of incidents of products and services in violation of laws and regulations related to health and security	Case(s)	0	0	0
Number of violations of laws and regulations in marketing (including advertising, promotion, and sponsorship)	Case(s)	0	0	0
Number of incidents of violations of regulations and voluntary guidelines regarding product and service information and labeling	Case(s)	0	0	0
Number of incidents of violations of regulations regarding customer privacy protection	Case(s)	0	0	0

Note:

[1] In 2022, the Company received more complaints from consumers due to problems with the user experience of "Proya UV Protective Sunscreen Serum", and delivery delays caused by the external environment during the Double 11 shopping festival.

Supply Chain Management

Indicators	Unit	2020	2021	2022
Total number of suppliers ¹	Supplier(s)	538	604	730
Number of suppliers in the Chinese Mainland	Supplier(s)	532	599	724
Number of suppliers in Hong Kong, Macau, Taiwan, and oversea regions	Supplier(s)	6	5	6
Percentage of suppliers evaluated for environmental, labor, ethics, etc. ²	%	20.82	17.88	30.41
Percentage of suppliers having passed environmental, labor, and ethics assessments ³	%	99.11	96.30	95.05

Note:

[1] The statistics of supplier data cover production materials, service suppliers and offline sales, and exclude suppliers of brand marketing.

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

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

Employee Data

Indicators	Unit	2020	2021	2022
Employment				
Number of employees ¹	People	2,898	2,844	3,177
Number of male employees	People	625	642	751
Number of female employees	People	2,273	2,202	2,426
Number of employees aged below 30 (including 30 years old)	People	1,070	1,192	1,408
Number of employees aged 30 to 50	People	1,792	1,612	1,723
Number of employees aged above 50 (including 50 years old)	People	36	40	46
Number of employees working in the Chinese mainland	People	2,898	2,844	3,177
Number of employees working in Hong Kong, Macau, Taiwan, and oversea regions	People	0	0	0
Number of primary employees	People	2,647	2,598	2,875
Number of middle-management employees	People	238	231	285
Number of senior management employees	People	13	15	17
Proportion of female employees in middle management ²	%	57.56	60.17	62.46
Proportion of female employees in senior management ³	%	15.38	20.00	17.65
Number of R&D employees ⁴	People	196	159	229
Number of penalties for violations of employment and labor laws and regulations	Case(s)	0	0	0
Occupational Health and Safety				
Working days lost due to work-related injuries	Day(s)	0	0	0
Number of employees who died due to work-related injuries	People	0	0	0
Proportion of employees who died due to work-related injuries	%	0	0	0
Employee Training and Development				
Employee training coverage ⁵	%	13.29	49.75	46.27
Proportion of male employees covered by training	%	29.76	28.50	27.96
Proportion of female employees covered by training	%	8.75	55.95	51.94
Proportion of primary employees covered by training	%	11.18	52.23	44.31

Indicators	Unit	2020	2021	2022
Employee Training and Development				
Proportion of middle-management employees covered by training	%	37.39	25.11	64.91
Proportion of senior management employees covered by training	%	0	0	64.71
Average hours of training for employees ⁵	Hour(s)	1.86	19.31	17.40
Average hours of training for male employees	Hour(s)	4.17	4.00	8.53
Average hours of training for female employees	Hour(s)	1.23	23.77	20.15
Average hours of training for primary employees	Hour(s)	1.23	20.60	18.05
Average hours of training for middle management	Hour(s)	8.97	6.03	11.51
Average hours of training for senior management	Hour(s)	0	0	5.76
Employee turnover rate ⁷	%	26.09	26.79	28.83
Turnover rate of male employees	%	20.32	18.22	29.16
Turnover rate of female employees	%	27.67	29.29	28.73
Turnover rate of employees aged below 30	%	11.78	27.35	34.16
Turnover rate of employees aged between 30 to 50	%	34.15	26.61	25.01
Turnover rate of employees aged above 50	%	50.00	17.50	8.70

Note:

[1] Employee data includes only full-time contracted employees and excludes employees under service dispatch and part-time employees.

[2] Proportion of female employees in middle management = number of female employees in middle management/number of employees in middle management (end of period).

[3] Proportion of female employees in senior management = number of female employees in senior management/number of employees in senior management (end of period).

[4] In 2022, the Company increased the recruitment of R&D personnel, including the recruitment of fresh graduates, and the number of R&D personnel increased.

[5] Employee training coverage = number of employees in this category trained during the reporting period/total number of employees in this category (end of period).

[6] 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). Training time data do not include anti-corruption training time, which is listed separately in anti-corruption performance.

[7] Employee turnover rate = number of employees in this category departing during the reporting period/total number of employees in this category (end of period).

Anti-Corruption¹

Indicators	Unit	2020	2021	2022
Number of corruption cases proposed and concluded against the issuer or its employees during the reporting period	Case(s)	0	0	0
Coverage rate of anti-corruption training for all directors	%	—	—	100
Per capita hours of anti-corruption training for all directors	Hour(s)	—	—	1.50
Coverage rate of anti-corruption training for employees	%	—	—	100
Per capita hours of anti-corruption training for employees	Hour(s)	—	—	2.50

Note:

[1] Data on anti-corruption training in 2020 and 2021 have not been collected.

Community Philanthropy

Indicators	Unit	2020	2021	2022
Amount invested in community philanthropy ¹	RMB10,000	1,501.12	370.60	143.46
Amount of donations	RMB10,000	1,500.00	370.00	143.46
Total hours of volunteer service of employees ²	Hour(s)	57.00	0	285.00

Note:

[1] The investment in community philanthropy includes funds and materials donated by Proya to various community philanthropy and charitable activities. In 2022, due to the impact of the external environment, some offline public charitable activities were suspended. As we were redirecting our investment in philanthropy, the actual amount invested was slightly reduced.

[2] In 2021, offline volunteer services were suspended due to the external environment. In 2022, we worked with the community to organize employees to provide volunteer services, so the total hours of volunteer service of employees increased.

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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	ESG Key quantitative performance
8.9: (3)	Environmental investment and environmental technology development	Responding to climate change

Terms and disclosures		Report sections
8.9: (4)	Type, quantity, concentration, and destination of pollutants discharged	Emissions and waste management
8.9: (5)	Construction and operation of environmental protection facilities	Environmental responsibility
8.9: (6)	Waste treatment, disposal, recycling, and comprehensive utilization of discarded products	Emissions and waste 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, or 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 and customer responsibility
8.13: (2)	Production environment and process	Product and customer responsibility
8.13: (3)	Product quality safety guarantee mechanism and accident emergency response plan	Product and customer responsibility
8.13: (4)	Other responsibilities related to production and product safety	Product and customer responsibility
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	Employee 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		Innovations in research and development

GRI Index Table of Sustainability Reporting Standards (2021)

Statement

Proya Cosmetics Co., Ltd. reported the information referenced in this GRI Index Table in accordance with GRI standards from January 1, 2022 to December 31, 2022.

GRI 1 used

GRI 1: Foundation 2021








GRI standard	Disclosure item	Location
GRI 2: General Disclosures (2021)	2-1 Organizational details	About Proya
	2-2 Entities included in the organization's sustainability reporting	Report description
	2-3 Reporting period, frequency and contact point	Report description
	2-4 Restatements of information	Report description
	2-6 Activities, value chain and other business relationships	Main business and sub-brands Working together to contribute a new pattern of sustainable business Product quality and safety Supply chain responsibility Key quantitative performance
	2-7 Employees	Employee responsibilities Key quantitative performance
	2-9 Governance structure and composition	Proya's ESG management architecture Corporate governance
	2-12 Role of the highest governance body in overseeing impact management	Proya's ESG management architecture Corporate governance
	2-13 Delegation of responsibility for impact management	Proya's ESG management architecture Corporate governance
	2-14 Role of the highest governance body in sustainability reporting	Proya's ESG management architecture
	2-16 Communication of critical concerns	Stakeholder communication
	2-17 Collective knowledge of the highest governance body	ESG concept and management system
	2-19 Remuneration policies	ESG governance system Corporate governance
	2-22 Statement on sustainability strategy	Proya's sustainability governance system Proya's ESG management architecture


GRI standard	Disclosure item	Location
GRI 2: General Disclosures (2021)	2-23 Policy commitments	Co-Founders' Message
	2-24 Embedding policy commitments	Co-Founders' Message
	2-25 Processes to remediate negative impacts	Compliance management system
	2-26 Mechanisms for seeking advice and raising concerns	Compliance management system
	2-27 Compliance with laws and regulations	Environmental responsibility Product and customer responsibility Supply chain responsibility Employee responsibilities Community responsibility Corporate governance Compliance operation
GRI 3: Material Topics (2021)	2-29 Approach to stakeholder engagement	Stakeholder communication
	3-1 Process to determine material topics	Identification of substantive issues
	3-2 List of material topics	Identification of substantive issues
GRI 201: Economic Performance (2016)	3-3 Management of material topics	Identification of substantive issues
	201-1 Direct economic value generated and distributed	Company performance highlights
	201-2 Financial implications and other risks and opportunities due to climate change	Working together to contribute a new pattern of sustainable business Responding to climate change
GRI 203: Indirect Economic Impacts (2016)	201-3 Defined benefit plan obligations and other retirement plans	Employee rights and benefits
	203-1 Infrastructure investments and services supported	Community responsibility
GRI 205: Anti-corruption (2016)	203-2 Significant indirect economic impacts	Social advocacy
	205-2 Communication and training about anti-corruption policies and procedures	Anti-corruption and business ethics
GRI 301: Materials (2016)	205-3 Confirmed incidents of corruption and action taken	Anti-corruption and business ethics
	301-1 Materials used by weight or volume	Key quantitative performance
	301-2 Recycled input materials used	Key quantitative performance
GRI 302: Energy (2016)	301-3 Reclaimed products and their packaging materials	Key quantitative performance
	302-1 Energy consumption within the organization	Key quantitative performance
	302-2 Energy consumption outside of the organization	Key quantitative performance
	302-3 Energy intensity	Key quantitative performance

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

GRI standard	Disclosure item	Location
GRI 403: Occupational Health and Safety (2018)	403-6 Promotion of worker health	Occupational health and safety
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety
	403-8 Workers covered by an occupational health and safety management system	Occupational health and safety
	403-9 Work-related injuries	Key quantitative performance
	403-10 Work-related ill health	Occupational health and safety
GRI 404: Training and Education (2016)	404-1 Average hours of training per year per employee	Key quantitative performance
	404-2 Programs for upgrading employee skills and transition assistance programs	Human capital development
GRI 405: Diversity and Equal Opportunity (2016)	405-1 Diversity of governance bodies and employees	Key quantitative performance
GRI 406: Non-discrimination (2016)	406-1 Incidents of discrimination and corrective action taken	Employee rights and benefits
GRI 408: Child Labor (2016)	408-1 Operations and suppliers at significant risk of incidents of child labor	Employee rights and benefits
GRI 409: Forced or Compulsory Labor (2016)	409-1 Operations and suppliers at significant risk of incidents of forced or compulsory labor	Employee rights and benefits
GRI 413: Local Communities (2016)	413-1 Operations with local community engagement, impact assessments, and development programs	Social advocacy Public charity
GRI 414: Supplier Social Assessment (2016)	414-1 New suppliers screened using social criteria	Supply chain management
	414-2 Negative social impacts in the supply chain and action taken	Responsible supply chain
GRI 416: Customer Health and Safety (2016)	416-1 Assessment of the health and safety impacts of product and service categories	Product quality and safety
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Key quantitative performance
GRI 417: Marketing and Labeling (2016)	417-1 Requirements for product and service information and labeling	Product quality and safety Protection of customer service rights and interests
	417-2 Incidents of non-compliance concerning product and service information and labeling	Key quantitative performance
	417-3 Incidents of non-compliance concerning marketing communications	Key quantitative performance
GRI 418: Customer Privacy (2016)	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Key quantitative performance

Index Table of UN Sustainable Development Goals (SDGs)

SDGs	Secondary targets of SDGs	Report sections
	Target 1.4: By 2030, ensure that all men and women, especially low-income and vulnerable groups, have equal rights to economic resources, 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	Public charity
	Target 3.4: By 2030, reduce premature mortality from non-communicable diseases by one-third through prevention and treatment and promote mental health and well-being	Brand actions echo the call of the times to create beauty Social advocacy
	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	Public charity
	Target 4.7: By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainability through, among other things, education for sustainability 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 sustainability	Brand actions echo the call of the times to create beauty Social advocacy
	Target 5.1: End all forms of discrimination against all women and girls everywhere	Brand actions echo the call of the times to create beauty Social advocacy
	Target 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing the release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally	Emissions and waste management
	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 substantially reduce the number of people suffering from water scarcity	Water resource conservation
	Target 7.2: By 2030, significantly increase the proportion of renewable energy in the global energy mix	Energy management
	Target 7.3: By 2030, double the improvement rate of global energy efficiency	
	Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and people with disabilities, as well as equal pay for work of equal value	Employee rights and benefits
	Target 8.7: Take immediate and effective measures to eradicate forced labor; end modern slavery and human trafficking; secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers; and by 2025, end child labor in all its forms	Employee rights and benefits Building a responsible supply chain
	Target 8.8: Protect labor rights and promote a safe and secure working environment for all workers, including migrant workers, in particular women migrants and those in unstable employment	Employee rights and benefits Occupational health and safety

SDGs	Secondary targets of SDGs	Report sections
	Target 9.4: By 2030, based on their actual capabilities, all countries should take action to upgrade infrastructure and industries to improve their sustainability, improve the utilization efficiency of resources, and increase the use of clean and environmentally friendly technologies as well as industrial processes	Resource conservation
	Target 9.5: Strengthen scientific research and upgrade technological capacity in the industrial sector in all countries, particularly in developing countries, including by 2030, encouraging innovation, substantially increasing the number of R&D personnel per 1 million people, and investing more in public and private R&D sectors	Innovations in research and development
	Target 10.2: By 2030, empower all people to help them integrate social, economic, and political life, regardless of age, gender, disability, race, ethnicity, origin, religion, economic status, or any other distinction	Brand actions echo the call of the times to create beauty Social advocacy
	Target 11.6: By 2030, reduce negative environmental impacts per capita in cities, including paying special attention to air quality and urban waste management	Emissions and waste management
	Target 12.2: By 2030, achieve sustainable management and the efficient use of natural resources	Resource conservation
	Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse	Green packaging Emissions and waste management
	Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	Report description
	Target 12.8: By 2030, ensure that people everywhere have relevant information and awareness for sustainability and lifestyles that are in harmony with nature	Working together to contribute a new pattern of sustainable business
	Target 13.3: Improve education, awareness-raising, and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning	Responding to climate change
	Target 14.1: By 2025, prevent and significantly reduce marine pollution of all kinds, especially from land-based activities, including marine debris and nutrient pollution	Green packaging
	Target 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests, and substantially increase afforestation and reforestation globally	Building a responsible supply chain
	Target 16.5: Substantially reduce corruption and bribery in all their forms	Anti-corruption and business ethics

Report Description

Proya Sustainability & Environmental, Social, and Governance (ESG) Report 2022 (hereinafter referred to as "the Report") is the third Sustainability & Environmental, Social, and Governance (ESG) Report issued by Proya Cosmetics Co., Ltd. This Report expands on the principles and performance of sustainability and ESG governance of Proya Cosmetics Co., Ltd. in 2022, 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 GRI Sustainability Reporting Standards (2021) and Sustainable Development Goals (SDG) issued by the United Nations.

Reporting principles

This Report refers to the reporting principles of GRI Sustainability Reporting Standards (2021) to ensure the quality of the information reported and its appropriate presentation:

Materiality

We identify material topics related to our operations that are of concern to stakeholders, including investors, as the focus of this Report. The reporting of material topics in this Report focuses on the characteristics of the industries in which we operate as well as the characteristics of the regions in which we are located. The analysis process and results of the material topics are detailed in the "Material Topics and Stakeholder Communication" section of this Report. Moreover, this Report focuses on reporting on ESG matters that may have a significant impact on investors and other stakeholders.

Accuracy

The reported information is as accurate as possible. The measurements of quantitative information have provided the data caliber, the bases for calculations and the assumptions to ensure that the margin of error will not mislead information users. Quantitative and explanatory information is provided in the "Sustainability Management Performance" section of this Report. The board of directors guarantees that this Report contains no false records, misleading statements, or major omissions.

Balance

This Report reflects objective facts and discloses indicators involving both positive and negative information in an unbiased manner. Any subject in this Report has been searched in Shanghai Qingyue Credit Database, and no negative event that should be disclosed but has not yet been disclosed was found during the reporting period.

Clarity

This Report is published in Simplified Chinese and English. This Report contains information such as tables, diagrams and a glossary of professional terms to supplement the textual content of this report and to enable stakeholders to better understand such textual content. To facilitate quicker access to information by stakeholders, this Report provides a table of contents and a benchmarking index table of ESG standards.

Quantification and Consistency

This Report discloses key quantitative performance indicators and, to the maximum extent possible, historical data. This Report maintains consistent statistics and disclosures for the same indicator in different reporting periods. Any changes in the statistics and disclosures are clearly explained in this Report's notes to aid stakeholders in making effective analysis and assessing the trend of the Company's ESG performance levels.

Completeness

The scope of disclosures in this Report is consistent with that of the Company's consolidated financial statements.

Timeliness

This Report is an annual report and covers the period from January 1, 2022 to December 31, 2022. We make every effort to release the Report as soon as possible following the end of the reporting year to provide stakeholders with information for making decisions in a reasonable timeframe.

Verifiability

The examples and data in this Report come from original records or financial reports reflecting the actual operations of the Company. Both the source and the calculation process of the disclosed data are traceable and can be inspected during external attestation.

Reporting scope

Reporting period: This Report is an annual report and covers the period from January 1, 2022 to December 31, 2022. Some information is beyond the scope of the Report 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 abbreviations in the Report are explained as follows:

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

Data description

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 is 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., which is the subject of this Report, has been searched in Shanghai Qingyue Credit Database, and no negative environmental information was found.

Contact us

If you have any questions relating to this Report or Proya's ESG governance, please contact us at:

Address: No. 588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province

E-mail: proya-group@proya.com

Tel.: 0571-8735 2850

Website: www.proya-group.com

Appendix: Subsidiary Reporting Scope

SN	Name of subsidiary	Whether to be included in this Report
1	Hangzhou Proya Trading Co., Ltd.	Yes
2	Hannah Cosmetics Co., Ltd.	Yes
3	Anya (Huzhou) Cosmetics Co., Ltd.	Yes
4	Proya (Hainan) Cosmetics Co., Ltd.	Yes
5	Singuladerm (Hangzhou) Cosmetics Co., Ltd.	Yes
6	Proya (Zhejiang) Cosmetics Co., Ltd.	Yes
7	Huzhou YNM Cosmetics Co., Ltd.	Yes
8	Korea YNM Cosmetics Co., Ltd.	Yes
9	Ningbo Timage Cosmetics Co., Ltd.	Yes
10	Hangzhou Timage Cosmetics Co., Ltd.	Yes
11	Zhejiang Beute Cosmetics Co., Ltd.	Yes
12	O&R Co., Ltd.	Yes
13	Hangzhou Weiluke Cosmetics Co., Ltd.	Yes
14	Mijing Siyu (Hangzhou) Cosmetics Co., Ltd.	Yes
15	Hapsode (Hangzhou) Cosmetics Co., Ltd.	Yes
16	Hapsode Co., Ltd.	Yes
17	Danyang Hapsode Cosmetics Trading Co., Ltd.	Yes
18	Huzhou Hapsode Trading Co., Ltd.	Yes
19	Yueqing Laiya Trading Co., Ltd.	Yes
20	Huzhou Youzilai Trading Co., Ltd.	Yes
21	Ningbo Keshi Trading Co., Ltd.	Yes
22	Ningbo Tangyu Trading Co., Ltd.	Yes
23	Hangzhou OOMS Trading Co., Ltd.	Yes
24	Hangzhou Poxin Trading Co., Ltd.	Yes

SN	Name of subsidiary	Whether to be included in this Report
25	Hong Kong Sunrise Trading Co., Ltd.	Yes
26	Hong Kong Keshi Trading Co., Ltd.	Yes
27	Hong Kong Xinghuo Industry Co., Ltd.	Yes
28	Hong Kong Zhongwen Electronic Commerce Co., Ltd.	Yes
29	Hong Kong Wanyan Electronic Commerce Co., Ltd.	Yes
30	Zhejiang Beautiful Valley E-Commerce Co., Ltd.	Yes
31	Huzhou Chuangdai Electronic Commerce Co., Ltd.	Yes
32	Hangzhou Proya Commercial Management Co., Ltd.	No
33	Hangzhou Tiedingxian Catering Management Co., Ltd.	No
34	Hangzhou Tielexinaini Catering Management Co., Ltd.	No
35	Hangzhou Xiakeba Catering Management Co., Ltd.	No
36	Hangzhou Luxiaotie Fitness Co., Ltd.	No
37	Hangzhou Donghaiwangchao Catering Management Co., Ltd.	No
38	Proya Europe SARL	No
39	Shanghai Zhongwen Electronic Commerce Co., Ltd.	No
40	Huzhou Niuke Technology Co., Ltd.	No
41	Hangzhou Wanyan Culture Media Co., Ltd.	No
42	Ningbo Proya Enterprise Consulting Management Co., Ltd.	No
43	Zhejiang Qingya Culture and Art Communication Co., Ltd.	No
44	Boya (Hong Kong) Investment Management Co., Ltd.	No
45	Hangzhou Yizhuo Culture Media Co., Ltd.	No
46	Guangzhou Qianxi Network Technology Co., Ltd.	No
47	Xuzhou Laipo Information Technology Co., Ltd.	No