



## Environment, Social & Governance Achievements

Innovation Enterprises Holdings Limited

# Highlight of 2020 ESG Achievements

## Director's message

Vision	We Desire to be the No.1 manufacturer in our industry. We Explore to create the best-reputed products for the new generation.
Mission	Produce Great Sound Audio Devices for the new generation all over the world with outstanding Quality.
Core Value	<ul style="list-style-type: none"> <li>▪ Build integrity run credibility: with all customers, colleagues, vendors and all partners (“诚信营商，远大光明”)</li> <li>▪ In search of Excellence: in all single details</li> <li>▪ Happiness: enjoy every day we work with all partners</li> <li>▪ Marketing Orientation: move quickly to embrace the market flexibly trends and kept Transforming</li> <li>▪ Simple structure lean staffs: which respects everyone</li> <li>▪ Passionate: in all the products we made</li> </ul>

The Group has longed to manufacture excellence and good quality electro-acoustic devices, leading the Group to be a well-recognized electro-acoustic devices manufacturer worldwide. Upholding this strategic principle, the Group is geared to international standards and channel all it learned and heard into the business. The Group has attained international standard certificates to align the Group to the global market.

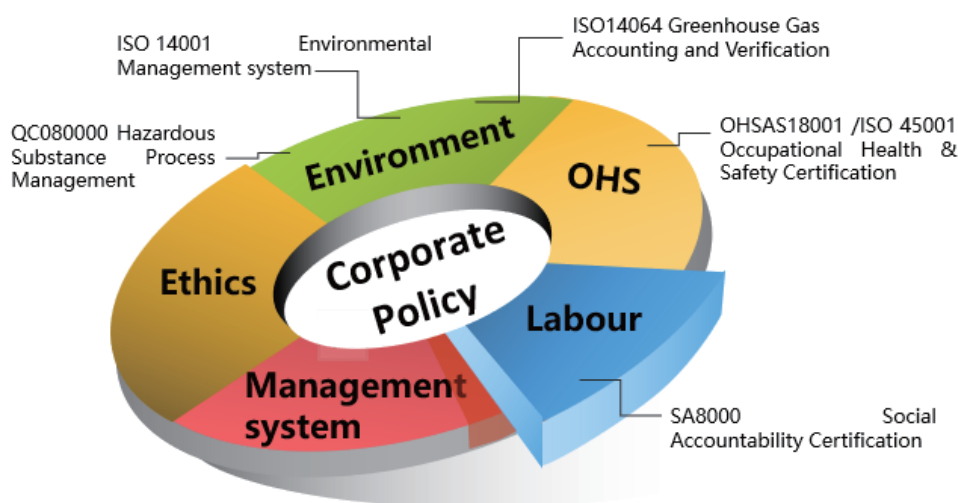


Figure - The Group's policy is being incorporated with Business Social Compliance Initiative (BSCI) and RBA code of conduct

# Highlight of 2020 ESG Achievements

## A1.Environmental Aspects

### A1.1 ENVIRONMENTAL KPI IN 2020

In 2020, the emission of each place of business in China is shown below:

Table - GHG emission of the Group by operational sites

Indicator	Unit	2019			2020		
		Total emission	Percentage of total emission	Intensity per million output value (RMB)	Total emission	Percentage of total emission	Intensity per million output value (RMB)
Shenzhen							
Scope 1 - Direct emissions	CO <sub>2</sub> e tonnes	1,100	5.33%	0.34	1,052	5.79%	0.64
Scope 2 - Energy indirect emissions	CO <sub>2</sub> e tonnes	19,522	94.67%	6.08	17,107	94.21%	10.45
Jiangxi							
Scope 1 - Direct emissions	CO <sub>2</sub> e tonnes	180	7.26%	0.89	198	7.52%	0.63
Scope 2 - Energy indirect emissions	CO <sub>2</sub> e tonnes	2,304	92.74%	11.44	2,431	92.48%	7.70
Huizhou							
Scope 1 - Direct emissions	CO <sub>2</sub> e tonnes	445	6.84%	0.48	512	11.10%	0.39
Scope 2 - Energy indirect emissions	CO <sub>2</sub> e tonnes	6,054	93.16%	6.58	6,433	88.89%	4.95
<b>Total</b>							
Scope 1 - Direct emissions	CO <sub>2</sub> e tonnes	1,725	5.82%	0.40	1,762	6.35%	0.54
Scope 2 - Energy indirect emissions	CO <sub>2</sub> e tonnes	27,880	94.18%	6.43	25,971	93.65%	7.99
<b>Total GHG emissions (scope 1 and 2)</b>	<b>CO<sub>2</sub>e tonnes</b>	<b>29,605</b>	<b>100%</b>	<b>6.83</b>	<b>27,733</b>	<b>100%</b>	<b>8.53</b>

The intensity per total million output value (RMB) in 2020 was 8.53.

Table - Total emission of the Group by GHG types

	Indicator (CO <sub>2</sub> e tonnes; %)							
	2019	2020	2019	2020	2019	2020	2019	2020
	CO <sub>2</sub>		CH <sub>4</sub>		N <sub>2</sub> O		HFCs	
Shenzhen	19,602; 94.57%	17,166; 94.53%	776; 3.74%	601; 3.31%	0.40; 0%	0.07; 0%	350; 1.69%	391; 2.16%
Jiangxi	2,355; 94.78%	2,486; 94.58%	124; 5.00%	134; 5.11%	0.37; 0.01%	0.32; 0.01%	4.89; 0.20%	7.83; 0.30%
Huizhou	6,136; 94.42%	6,574; 94.66%	362; 5.57%	370; 5.32%	0.75; 0.01%	1; 0.01%	-	-
<b>Total</b>	28,093	26,226	1,262	1,105	1.52	1.39	355	399
<b>Percentage of total emission</b>	94.55%	94.57%	4.25%	3.98%	0.01%	0.01%	1.20%	1.44%

Air pollutants emission is also calculated based on fuel consumption and total kilometers travelled by vehicles.

Table - Total emission of air pollutants of the Group by pollutants

	NOx	SOx	PM
Release in 2019 (in kg)	23.14	2.91	1.70
Release in 2020 (in kg)	98.68	0.59	9.31

## A2. Use of Resources

### A2.1 ENERGY CONSUMPTION

Table - Total emission of energy and kilometres travelled by vehicles in 2020

	Purchased Electricity (kWh)	Diesel Oil (Stationary) (L)	Diesel Oil (Mobile) (L)	Petroleum (Mobile) (L)	Vehicles travel kilometres (km)	Natural Gas (ton)	LPG (kg)
Shenzhen							
Actual consumption	19,718,042	1,834	38,747	24,312	180,618	-	-
Intensity per production volume	3.38	0.00031	0.0066	0.0042	0.031		
Jiangxi							
Actual consumption	3,006,462	80	-	4,203	11,867	21,084	-
Intensity per production volume	0.045	Insignificant (<0.0001)	-	Insignificant (<0.0001)	0.0001	0.0003	-
Huizhou							
Actual consumption	6,441,243	-	7,156	11,460	103,066	-	30,584
Intensity per production volume	0.068	-	0.0001	0.0001	0.001	-	0.0003
<b>Total consumption</b>	<b>29,165,747</b>	<b>1,914</b>	<b>45,903</b>	<b>39,975</b>	<b>295,551</b>	<b>21,084</b>	<b>30,584</b>
Intensity per production volume	0.17	Insignificant (<0.0001)	0.0003	0.0002	0.0015	0.0001	0.0002
Intensity per total million output value (RMB)	8973.73	0.5889	14.12	12.30	90.935	6.487	9.41

In the reporting period, Shenzhen experienced decreases in production so the total amount of purchased electricity and fuels consumed by vehicles reduced. In contrary, the total amount of vehicle fuels increased in Huizhou due to the introduction of new products and frequent travels of auditors and clients. The number of employees in Huizhou were also increased, resulting the LPG consumption for cooking were increased. Moreover, the energy consumption increased in Jiangxi was because of a larger production scale, higher number of employees and greater demand for air-conditioning. In Jiangxi, the water heating system is using air compressor and natural gases. Also, a solar lighting system in factory and dormitory is under construction, hoping to further decrease electricity consumption in the future.



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Table - Total emission of energy and kilometres travelled by vehicles in 2019

	Purchased Electricity (kWh)	Diesel Oil (Stationary) (L)	Diesel Oil (Mobile) (L)	Petroleum (Mobile) (L)	Vehicles travel kilometres (km)	Natural Gas (ton)	LPG (kg)
Shenzhen Actual consumption	22,501,498	2,565	121,788	52,886	286,084	-	-
Intensity per production volume	2.67	0.0003	0.014	0.0063	0.002	-	-
Jiangxi Actual consumption	2,861,183	90	-	5,135	23,624	18,073	-
Intensity per production volume	0.06	Insignificant (<0.0001)	-	0.0001	0.001	0.0004	-
Huizhou Actual consumption	6,062,114	3,784	-	6,803	118,896	-	15,656
Intensity per production volume	0.14	0.0001	-	0.0001	0.003	-	0.0004
<b>Total consumption</b>	<b>31,424,795</b>	<b>6,439</b>	<b>121,788</b>	<b>64,824</b>	<b>428,604</b>	<b>18,073</b>	<b>15,656</b>
<b>Intensity per production volume</b>	<b>0.32</b>	<b>0.0001</b>	<b>0.0012</b>	<b>0.0007</b>	<b>0.0021</b>	<b>0.0002</b>	<b>0.0002</b>

The Group realizes distanced travel is critical to trigger and worsen climate change. Therefore, the use of company vehicles is restricted. The vehicles are merely available to use with prior approval. Also, the Group tries to minimize unnecessary use of company vehicles and encourage car-pooling if the route is similar. The vehicles are also repaired and maintained and conduct exhaust gas testing regularly so as to timely retire outmoded vehicles and procure environmentally friendly vehicles. At the time being, Shenzhen has 3 environmentally friendly vehicles. Employees are advised to use electronic communication devices such as video conferencing, phone calls and telecommunication applications for remote communication. For necessary business trips, the Group recommends employees to select accommodation near the working sites and a high-speed train must come first in option whenever available. Furthermore, the Group encourages employees to be an environmentally responsible citizen while commuting, trying to take public transports for cross-district travel or by walk.

### A2.2 WASTE MANAGEMENT

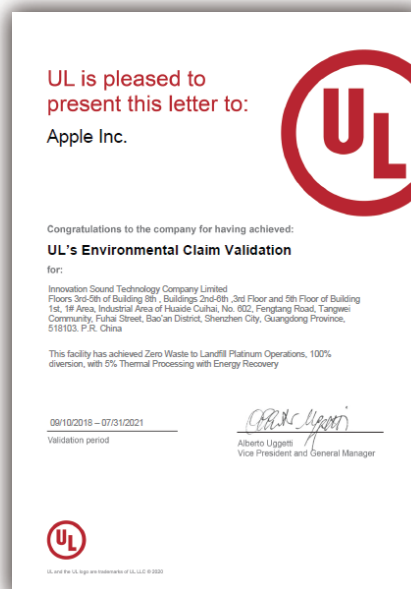
	Shenzhen		Jiangxi		Huizhou	
	2019	2020	2019	2020	2019	2020
Non-Hazardous Waste (kg)	379,000	328,400	50,000	323,680	396,000	158,787
Non-hazardous waste per production volume	0.0449	0.016	0.0011	0.0048	0.0091	0.0017
Non-hazardous waste per total million output value (RMB)	NA	200.69	NA	1031.55	NA	122.14
Hazardous Waste (kg)	1,500	1,997	1,400	1,910	1,310	1,360
Hazardous waste per production volume	0.0002	0.0003	Insignificant (<0.0001)	Insignificant (<0.0001)	Insignificant (<0.0001)	Insignificant (<0.0001)
Hazardous waste per total million output value (RMB)	NA	1.22	NA	6.09	NA	1.05

Table - Total waste generation of the Group

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A significant increase in the total amount of hazardous waste in 2020 is because of postponement of the waste collection services. The intensity per total million output value of hazardous waste and non-hazardous waste in 2020 were 0.0016 and 0.1777 respectively.

Apart from the aforementioned waste reduction measures, the Group has also developed a “LEAN Service” to minimize waste, and pursuing zero inventories, zero waste and no negative impacts on the operation as ultimate goals. In consideration of the fact that the products produced in Shenzhen are diverse and always in small amount in the purchasing order, the product line of it is modified with 2R1C approach (remove, reduce and combine) on the premise that product quality remains the same, increasing the productivity and resources utilization. Shenzhen operational site of the Group is successfully achieved “Zero Waste to Landfill Platinum Operations, 100% diversion, with 5% Thermal Processing with Energy Recovery”, awarding a UL Certification mark. The mark is valid for 2 years.



### A2.3 WATERCONSUMPTION

The following energy-saving measures have been taken place within the Group:

- Reminding employees to turn off the water taps promptly when not in use;
- Installing water-saving appliances with Water Efficiency Label; and
- Regularly checking the water pipes to prevent water leakage.

Table - Total water discharge

	Water consumption (m <sup>3</sup> )		Intensity per production volume		Intensity per total million output value (RMB)	
	2019	2020	2019	2020	2019	2020
Shenzhen	308,414	229,852	0.037	0.039	NA	0.140
Jiangxi	65,790	54,240	0.002	0.001	NA	0.077
Huizhou	97,428	100,080	0.001	0.001	NA	0.173

## A3. The Environment and Natural Resources

### A3.1 EXHAUST GAS EMISSION

Due to the business nature, the Group inevitably emits a certain amount of exhaust gas into the atmosphere during the production process. For example, benzene, dimethylbenzene and toluene emitted from adhesive or from the cutting leather process; airborne grease, combustion products, fumes, smoke, heat, and steam released in the kitchen; volatile organic compounds (VOCs) generated from the gluing process; Particulate Matters (PMs) generated from the injection and grinding process, tin and its compounds produced from the soldering process. In view of that, the Group installed activated carbon adsorption treatment devices to centrally collected and absorbed the exhaust gas. The activated carbon filters are replaced each year. Regular repair and maintenance are scheduled to ensure the maximum efficiency and availability. Moreover, labels the exhaust gas emission source and standard in all factory, to ensure employees has the knowledge and fully familiar with the preventive measures.

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The Group is also commissioned quality assurance company to test exhaust gas emission. Pursuant to 2020 testing report, the exhaust gas emission of the Group was far below the local standard of Guangdong Province “Air Pollution Emission Limit DB44/27-2001”, “Volatile Organic Compounds pollution emission Limit in the Printing Industry DB44/815-2010” as well as “Comprehensive Air Pollution Emission Limit GB16297-1996”, “VOC Emission Limit for Industrial Company DB12 524-2018” and “Emission standard of pollutants for synthetic resin industry GB 31572-2015”. The administrative department is response to communicated with quality assurance company to identify the emission source and monitor the emission. Once the abnormal emission of the exhaust gas is observed, the Group will take immediate corrective actions. Our technical services team are required to attend relevant technical training to get to know how to operate generators and monitor the emission.

### A3.2 RESPONSIBLE PROCUREMENT

The Group is a participant of the Responsible Business Alliance (RBA) and follows RBA’s Code of Conduct to ensure the workers are treated with respect and dignity, and the business operations are environmentally responsible and conducted ethically. One of the policies is to adopt responsible sourcing of minerals. The minerals such as tantalum, tin, tungsten and gold used in the product that the Group manufactured do not benefit armed groups who are violating human rights in the Democratic Republic of the Congo or an adjoining country. To getting there, the Group implements a series of policies and measures to regulate the procurement of minerals.

### A3.3 HAZARDOUS SUBSTANCES MANAGEMENT

Alongside the hazardous waste management, the Group attains QC 080000 certificate to be committed to eliminating the production of hazardous substances in Electrical and Electronic Equipment (WEEE). Many international standard and regulations are adopted in the Group, for example, REACH regulation, batteries directive, EU POPs regulations, packaging directive, etc. to regulate the usage of the hazardous substance. The Group also deploys testing equipment such as XRF and HPLC, and the Group has acquired a RoHS certification.



The Group’s hazardous substances management policy and regulations are stated clearly in the Supplier Management Agreement. Supplier are required to provide hazardous substances testing report by ICP/EDX or/and even with third-party ISO 17025 certificates to ensure the product and materials do not contain hazardous substances or do no exceed the exposure limits. A Green Product label and recycling label are placed on the verified products and materials, and stored separately. To assure the hazardous substances content of product and materials, they are also required to declare the content of Substances of Very High Concern (SVHC) of their products before deliver. Review the supplier’s green product label yearly.

Also, all the coatings, paints, adhesives, inks and cleaning agents must fulfill the VOCs content requirements such as “GB30981-2020 VOC limits of Industrial protective coatings”, “GB33372-2020 VOC limits of adhesives”, “GB38507-2020 VOC limits of inks”, and “GB38508-2020 VOC limits of cleaning agents”.

### A4. Climate Change

The Group realizes global climate varies among seasons but the climate in recent decades unfold rapidly and the average global temperature is getting hotter. The high temperature induces a series of environmental impacts such as sea level rises, habitat destruction, severe weather events and etc. Those impacts pose threats to the Group's business and operation.

Supply chain stability is correlated with global climate change. As a result, for supply chain management, the Group forecasts orders and secures the number of raw materials needed, especially for those raw material supply has a long procurement lead time and in shortage. Also, the Group makes aware of weather conditions will affect on-time delivery so keep check the weather forecasts to predict and react beforehand. Meanwhile, the procurement department assesses procurement risks from time to time in consideration of macroeconomics condition, technology availability, regulatory and compliance, supply chain stability, and suppliers' performance in order to safeguard the supply of raw material.

The Group identified more than 60 possible risks among department covering environmental and social aspects such as hazardous waste disposal and management, materials sourcing and procurement, storage management, business ethics, health and safety, risks of accident etc. In 2020, the Group encountered low risks in operation, and continued to implement energy-saving measures such as eliminating energy inefficient air-conditioning, arranging awareness training, and monitoring energy consumptions.

### B. Social Responsibility

The Group strives to fulfil its social responsibilities as corporate communities and endeavors to establish a harmonious interaction with employees, customers, and the communities. The Group not only keeps improving the remuneration package and nurturing the talented, but also taking the leads to incorporate RBA's and BSCI management system into the industry and hoping the Group demonstrates a good example on being a human-oriented enterprise.



Figure - Common area available for all employees

## Highlight of 2020 ESG Achievements

### B1.1 RECRUITMENT AND PROMOTION

Fair and equal employment and recruitment procedure are adopted in the Group. All job vacancy must go through the standard recruitment process including job applications, candidates' selection, interviews, approval and job offer assignment. The Group is based on candidates' working experiences, education background, abilities for recruitment, regardless of candidates' race, age, gender, sexual orientation, nationality, disability, political stands, religion, union membership, marital status. Any forms of discrimination are prohibited in the Group. Recruitment methods as head-hunters, career fairs in university and college, job advertisement, and referrals. Potential candidates shall pass the written test / aptitude test / computational test and get through an interview or onsite assessment before receiving a job offer. The testing method depends on the job nature. All candidates shall not disclose the content of the test to the third-party, or will be blacklisted. and they should to complete a background check and medical check, the remuneration package include salary and paid leave are mention in the employment contract. The employees will receive a staff card and gain access right to the working place. The minimum wages are above the statutory requirements and will be review from time to time according to government policy. In the reporting period, the minimum wages of employees varied among regions.

Region	Minimum Monthly Salary from government	Amount of above requirement from government
Shenzhen	RMB 2,200	RMB 350 higher than required
Jiangxi	RMB 1,470	RMB 380 higher than required
Huizhou	RMB 1,550	RMB 650 higher than required

Meanwhile, all employees shall participate in yearly appraisal to review their performance. The Group is based on the appraisal results to promote talented employees so as to meet business needs and personal career development. Moreover, the Group endlessly strives to retain talents and stabilize the turnover rate, therefore, offers a long service reward scheme to appreciate the outstanding performance of the employees and their loyalty to the Group.



Figure - Outstanding performers in 2020

### B1.2 BENEFITS AND WELFARES

The Group pays “Five social insurance and one housing fund”, namely endowment insurance, Medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund for employees. The basic remuneration package fully complies with the national employment laws and regulations. And all employees are entitled to a various statutory holidays and paid leave. The Group also adopts a five-day workweek. Special leaves such as parental leave, marriage leave, and compassionate leave are included. Even more, the Group cares and realizes the hard work in high temperature working environment higher than 35 degrees Celsius) and overnight works, additional compensation paid is offered in return.

### **B3. Occupational Health and Safety (OHS)**

#### **B3.1 CARING TO EMPLOYEES**

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The Group remains highly attentive to occupational health and safety whereby the Group is pledged to build a safe working environment and form a trustworthy bonding among employees. The Group follows or even acquires certificates of ISO 45001 occupational health and safety management system and the OC080000 hazardous substances management system. Thereby, the Group has established an OHS procedure and policies, in which an OHS checking program is specified. It is expected to assess the danger of high-risk positions and figure out monitoring measures. For instance, employees in the gluing process can be susceptible of excess exposure of Benzene and noise, resulting in chronic poisoning or occupational deafness; employees work under the X-Ray exposure and in the grinding, process may be affected by radioactivity, PM and dust, therefore, proper PPEs shall be offered.

#### **B3.2 WORKING ENVIRONMENT**

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Furthermore, the Group ensures the workplace has adequate lightings, ventilation systems with filters and always keep the working environment clean and tidy. Emergency equipment such as medical first-aid kits, a sprinkler is in place. Safety is the priority of the Group, as such, the administrative and human resources department is commissioned with registered third-party to conduct occupational hazard inspection to identify dangers and risks, offering PPEs and stipulating a maintenance schedule to all the mechanical equipment. PPEs includes a safety helmet, masks, earmuff, safety goggles, safety shoes, contamination survey meters (if applicable). However, the radioactivity in the Group belongs to type III radioactive apparatus, therefore, no additional PPEs are required. Mechanical equipment is also under stringent supervision. The equipment must present with detection and alarm devices, interlocks mechanical guards and, etc. to shut down automatically the equipment when safety issue occurs.

The Group keeps a certain amount of hazardous chemicals and hazardous substances in the operational sites. Every single chemical is with corresponding material safety data sheet (MSDS) to instruct safety usage and list out potential hazards. Only well-trained specialists can access the chemical storeroom where the temperature and humidity are being tightly controlled. Stringent entry limitation is adopted as well. Safety incidents (if any) will be reported to the top management immediately, perform corrective action and evacuate if necessary.

### **B4. Training and Development**

The Group is devoted to providing adequate training to employees, allowing them to be equipped with job-related knowledge and skills by virtue of corresponding job duties. This enables the Group nurture talents and makes good use of human resources. More importantly, employees can acquire the latest information to cope with the rapidly changing market and accommodate the market's needs.



## B5. Operating Practices

### B5.1 SUPPLY CHAIN MANAGEMENT

Upholding the principle of RBA, the Group has established a set of guidelines and policies to maintain an effective supply chain management. The Group bases on supplier / contractor services quality, price and RBA compliances to screen out suppliers / contractors. They are fully assessed by the Group afterwards according to the following different aspects during an onsite assessment. The assessment criteria are adjusted by the types of suppliers / contractors. Only suppliers / contractors who get more than 60 marks (out of 100) are eligible to be registered suppliers / contractors of the Group.

Business Scale	Quality Control	Technical Profession	Social responsibility
<ul style="list-style-type: none"> <li>Processing Time</li> <li>Time Period of Payment</li> <li>Distance</li> <li>Personnel</li> <li>Laws and Compliances</li> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Quality Control Standard</li> <li>Resources Allocation</li> <li>Customers Services</li> <li>Working Environment</li> </ul>	<ul style="list-style-type: none"> <li>Qualification of technicians</li> <li>Intellectual Property Right Protection</li> </ul>	<ul style="list-style-type: none"> <li>Employment Practices</li> <li>Environmental Control</li> <li>Safety and Working Environment</li> <li>Business Ethics</li> </ul>

Table - the assessment criteria to screen out suppliers / contractors

## B6. Product Responsibility

### B6.1 QUALITY ASSURANCE

#### A) CERTIFICATION OF PRODUCT SAFETY AND QUALITY

The products are certified by varied certificate marks such as the CCC certificate mark, TÜV certificate mark and UL certificate mark in order to ensure the product quality. It is the Group's responsibility to ensure the products are fully complied with the requirement and standard of those certificate marks, as a result, a standard guideline is made. The guideline covers the use of the marks, and re-application requirement if the components of the product change.



An CCC certificate mark of one of the products, USB speaker.

### **B) QUALITY ASSURANCE MECHANISM**

Apart from a supply chain management to assure the quality of the suppliers / contractors, the Group also formulated a quality assurance procedure and together with procurement policy to safeguard products quality. There are four procedures in total, they are:



### **C) ELECTROSTATIC DISCHARGE (ESD) CONTROL**

Because of the fact that the electro-acoustic product is tiny and with great precision, the component of the product is sensitive to electrostatic discharge. Consequently, the Group has control of ESD to protect the product will not be damaged during the whole production process. First of all, the ESD protected area (EPA) is designated. Merely well-trained employees and wear anti-electrostatic discharge personal protective equipment are allowed to enter the area. Anti-electrostatic discharge personal protective equipment includes clothing, shoes, gloves, wristband. Secondly, inside the EPA, the construction materials and the furniture are anti-ESD. All those materials and furniture are closely monitored by the productional and technical department to guarantee they are up to the anti-ESD standard. Thirdly, the mechanical and physical equipment are connected with ground wire. Static Eliminators, ionizers are adopted or even isolated the product 30 meters away from the equipment to completely remove ESD. Employees have to confirm they are dressed properly, and the wristband is in function before entering EPA. They are also required to attend training and even acquire certificates. Lastly, the temperature and humidity of EPA are well under control. Any abnormal will be reported directly and promptly to the supervisors.

### **D) BATTERIES QUALITY**

The battery is a critical component of the electro-acoustic product and almost all of the Group product needs batteries. The Group indeed stores batteries inside the operational sites, but the Group does realize the batteries cause environmental pollution. In the design stage, the Group regulates the basic grounding on battery design. For suppliers, they shall provide certificates of international safety standard for verification. The batteries shall also pass the test of hazardous substances and follow the same rules specified in the supplier management agreement. Furthermore, the suppliers shall transfer the batteries in a well-packed packaging, preventing unnecessary shaking, moving and even with wet. Compliances with the corresponding ordinance of import and export goods is a must even though it varies country by country.

The Group conducts a lot of testing to assess the stability of the batteries. For example, to test the charging and discharging ability, voltage, RSC requirements, size, and more importantly the risk of explosion. All tested batteries are stored in a warehouse where is an isolated area built by concrete walls and with fire doors. Inside the warehouse, there is not only equipped with explosion-proof air-conditioners to maintain the indoor air temperature and humidity are at a suitable level; and with explosion-proof cabinets to store exhausted batteries; but also, with sufficient fire safety equipment. No electricity, heat, and erosive chemicals right near the batteries are allowed.



### **E) CUSTOMERS SATISFACTION**

Even though the Group pays extra attention to products quality, the Group encounters enquiries concerning about the quality. Marketing and Quality Control department are delegated to handle customer complaints (if any). The Quality Control department further investigates the root cause of low quality and comes up with effective corrective and preventive action plans. The marketing department will then address the complaints and comfort the unpleasant experience of customers. The recall and compensation procedure (if necessary) will be activated. As of 31 December 2020, there were 167,309,721 pieces of products being sold in 2020 and there were 14 complaints regarding physical and structural defects. The Group investigated the causes and strengthened the inspections frequency. Re-design and modifications are required if applicable. Also, there were no recall of the product and no customers disputes and claims due to the safety and health reasons.

Meanwhile, the Group realizes the number of complaints not the only way to quantify the satisfaction of customers. In view of that, the marketing department conducts a customer satisfaction survey every half of a year and analyse the result. The ten customers' satisfaction factors are attitude of sale person, communication, R&D, sample quality, technical supports, packaging, Hazardous Substances compliances, product quality, on-time delivery, and complaints handling. In 2020, The results were positive and far beyond the passing rate (60%). It implies that the customers were satisfied with the professionalism and the quality of services provided by the Group.

In the meantime, the Group is also being assessed by customers regularly. There is a supplier responsibility standard, that the Group has to meet in order to aligning with the globe's code of conduct, in which also covers labor and human rights, health and safety, environmental protection, ethics and management system. RBA and BSCI audit are conducted annually. These can be seen as a must item to fulfill customers' requirement. The Group is pleased that all the audit and assessment are passed, and the Group continues business with our customers in 2021.

### **B6.2 TRADE SECRETS CONTROL**

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#### **A) COMPLIANCE OF BUSINESS PARTNERS WITH THE AUTHORIZED ECONOMIC OPERATOR (AEO)/C-TPAT SECURITY POLICY**

#### **B) PRIVACY AND CONFIDENTIALITY**

For the business nature like the Group, information security is pivotal to the Group and customers as the Group always possesses a lot of confidential data such as the product specification, the design, physical assets, data, document, software, services and intangible assets. Thereby, the Group identifies five levels of data significance based on the level of confidentiality, comprehensiveness and usefulness; and also classifies the information based on the level of data significance and further by the level of security in order to formulate control measures accordingly. Every senior who is eligible to access the security level 3 or above information must undertake background check and sign a non-disclosure agreement. Specifically, the access right to the information is highly restricted by the IT department and monitored by the administrative and human resources department. Sort of extremely confidential document is stored in a designated area with passwords or even with sensors and security protection. Only delegated personnel have the right to read and access to the document. Records are required for traceability.

### **B6.3 PROMOTION AND ADVERTISEMENT**

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As a pioneer manufacturer, leading the industry moving forward, it is the Group responsibility to facilitate an equal and positive competition. As a result, the Group follows the laws and regulations while broadcasting and advertising. The Group carefully reviews the advertising materials to make sure it is completely correct and precise, providing them with independent and reliable information. More importantly, this action aims to avoid counterfeiting, misleading, misrepresenting, false and deceptive claims in advertisements and would in turn help consumers make smart choices. The website and promotional materials follow the same suit.

### B7. Anti-Corruption

The Group is aware any misconduct can tarnish the Group's reputation and trust. Integrity is high on the list of things that we are diligent to maintain. Thereby, the Group is not only bound by rigidly national laws and compliances but also follows the Foreign Corrupt Practices Act. The Group, moreover, has established anti-corruption policy and code of conduct to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, or the third parties, while they are performing employee duties. Every staff in the purchasing department of our company must be transferred every two years to prevent corruption. Employees are required to declare interests on their first day of employment and an ethics committee launches inspection every half a year as well.

### B8. Community Investment



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In 2020, the Group was actively participated in COVID-19 prevention measures. There were some volunteers to be responsible for enforcing measures in Shenzhen.

The Group always bears in mind to sustain the great responsibilities of its corporate social responsibility. To this end, it strives to make use of its advantages to help the underprivileged children and elderly in the community. The top management also proactively participates in identifying beneficiary organisations or targets, aiming to utilize the resources to the fullest to the needy.