

About this Report

Reporting Period

This Report is the first sustainability report issued by Proya Cosmetics Co., Ltd. to stakeholders. The information and performance contained in the report are mainly for the period from 1 January, 2020 to 31 December, 2020. Part of the information and performance may relate to previous years or reflect the policies and practices in 2021.

Scope of Reporting

This Report covers the environmental, social and corporate governance responsibilities of Proya Cosmetics Co., Ltd. hereinafter (referred to as “Proya” or the “Company” or “We”).

Information Reported

All information and data disclosed in this Report are derived from the official documents, statistical reports and annual reports of Proya Cosmetics Co., Ltd. The Board of Directors and all directors of the Company warrant that there are no false records, misleading statements or major omissions in this Report and will be individually and jointly liable for its authenticity, accuracy and completeness. The financial data in this Report is in RMB. In case of any discrepancy with any financial report, the financial report shall prevail.

Basis for Report Preparation

- GB/T 36001-2015 *Guidance on Social Responsibility Reporting*
- ISO 26000:2010 *Guidance on Social Responsibility*
- The United Nations 2030 Sustainable Development Goals (SDGs)
- *Sustainability Reporting Standards* by Global Sustainability Standard Board (GRI Standards)
- CASS-CSR 4.0
- *SSE Guidelines for the Preparation of Reports on the Performance of Social Responsibility by Companies*
- *SSE Guidelines for Environmental Information Disclosure by Listed Companies*

Form of Reporting

This Report is released in electronic format. You can access it on our official website (www.proya-group.com)

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Messages from Co-founders



The year 2020 was an eventful year. In the face of the sudden outbreak of the COVID-19 Pandemic, the Company united all efforts throughout the Company to overcome the difficulty, in a way to interpret responsibility as perseverance and dedication and continue optimizing the corporate governance and promoting the Company to develop towards overall high quality.

Supporting Heroes Who Put Themselves in the Frontline

After the sudden outbreak of the COVID-19 Pandemic, we responded quickly by comprehensive planning of COVID-19 prevention and control and business operation, orderly arranging for the resumption of work and production. In 2020, Proya succeeded in ensuring no confirmed case, suspected case or employee put in hospital under observation within the Company. While protecting the health of our employees and partners, we actively supported the battle against COVID-19 by contributing money and medical supplies, in a move to fight together with those heroes in the frontline and contribute to global COVID-19 prevention and control.

Improving Corporate Governance

We continued optimizing our corporate governance and internal control system, thoroughly implemented the product-driven strategy, continuously improved our independent innovation capacity and scientific research competitiveness, actively promoted industry digitalization and intellectualization, and practiced the life cycle digital management to build a comprehensive, efficient and reliable product quality system. By continuously upgrading the product system, we have been committed to providing customers with better products and excellent services, contributing to the sustainable development of the industry.

Building a New Green Ecology

Responsibility begins with the idea. Proya has always adhered to the idea of development of harmonious coexistence between man and nature and has integrated the idea of green development in the whole life cycle of its products. In 2020, we actively responded to the call for “peak carbon dioxide emissions” and “carbon neutrality” by continuing focusing on environmental management, practiced acts such as green intelligent manufacturing, green purchasing, and green logistics, and making useful trials in using clean energy, further controlling energy consumption and further managing sustainable management. While promoting environmentally-friendly production and operation modes, we also encourage consumers and the general public to practice green consumption and concern ecological balance and environmental protection so as to jointly build a green ecology for the sustainable development of man and nature.

Adhering to People Orientation, Honesty and Gratefulness

Responsibility is integrated into the business. Proya has always been adhering to the development principle of people-orientation, honesty and gratefulness. We fully protected the basic rights and interests of our employees and further improved their career development path, so that every employee can harvest growth and realize personal value in a sound and safe working environment. In 2020, we actively undertook industry and social responsibilities by carrying out continuous diversified cooperation with partners in and out of the industry, strengthening collaboration and innovation, jointly promoting industry development and progress, continuing focusing on public services, taking practical actions to assume corporate social responsibility, contribute to the society, and work together to create a better life.

Outlook 2021

The year 2021 marks the launch of China's “14th Five-Year Plan” and achieving the second centenary goal, and also a key year for us to work towards a faster upgrade, deepen the organizational reform, and achieve higher-quality development. After 18 years' development, Proya is still at our marvelous time of making progress. In the pursuit and building of the dream of beauty, standing at a new historical starting point, we will continue upholding the corporate spirit of diligence, pragmatism, passion, initiative, honesty, and gratitude, carrying out the “6*N” development strategy, and working together with all sides to build a new national beauty industry platform with sound operation, high quality products, excellent service and solid development results, and devoting ourselves to becoming a world-class beauty company!

A Focus on Responsibility

Joint Efforts to Fight COVID-19

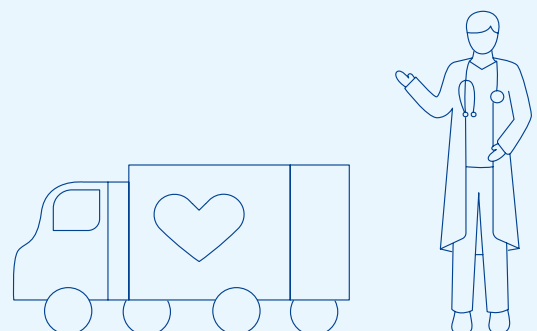


The Spring Festival of China in 2020 was special. The outbreak of the COVID-19 Pandemic (hereinafter referred to as the “COVID-19”) concerned everyone. As a company with a mission of ever-lasting beauty and sharing happiness, Proya quickly responded to the government’s COVID-19 prevention and control policies by comprehensively implementing COVID-19 prevention and control measures, guaranteeing the lives and health of employees, steadily advancing resumption of work and production, actively undertaking social responsibility, and contributing money and medical supplies to fight COVID-19. As of 31 December, 2020, the Company had donated RMB 15,106,453 in total to the hospitals and charity associations in different provinces and cities and was therefore honored by the Wuhan Charity Federation of Hubei Province, the Zhong Nanshan Medical Foundation of Guangdong Province, and Zhejiang Federation of Industry and Commerce with the title of Outstanding Contribution to COVID-19 Prevention and Control and Great Zhejiang Entrepreneur for COVID-19 Control.



Setting up an RMB 15 Million Charity Fund to Fully Support COVID-19 Prevention and Control

After the outbreak of COVID-19, the Company immediately established the Special Leading Group for Response to COVID-19 under the command of Fang Yuyou, the Co-founder and CEO. The Special Group contacted the Wuhan Red Cross to learn about actual needs and organized overseas teams to purchase from European countries medical supplies urgently needed in the frontline. On this basis, the Company set up an RMB 15 million charity fund for the purchase of medical supplies, cash donations and funding for employees, partners and family members.



The Company donated RMB 3 million to Wuhan Charity Federation to support Wuhan's COVID-19 prevention and control.

2020
01/27

The Company purchased approximately 90,000 EN N95 or above masks 20,000 disposable medical masks from Europe to be donated to the Second People's Hospital of Xishui County, Huanggang, Hubei Province and Hubei Charity Federation.



2020
02/01

The Company donated RMB 1 million to Wenzhou Charity Federation and Yueqing Charity Federation to support Wenzhou's COVID-19 prevention and control.

The Company launched a public activity themed with #You behind Masks# on Weibo, in a move to encourage netizens to post their pictures of half taking off masks, paying tribute to all those heroes who put themselves in harm's way, and express the hope for an early end of COVID-19.



2020
02/04

The Company initiated the Deep Ocean Energy Action, whereby to donate RMB 1.5 million (retail price) of personal care products together with the Huzhou Red Cross, including Deep Ocean Energy Wrinkless And Firming Essence, repair mask, hand cream, wash care, and rinsing-free hands sanitizer, to 10 hospitals in Huzhou.

2020
02/26



2020
03/04

Through the ZHONGNANSHAN MEDICAL FOUNDATION OF GUANGDONG PROVINCE, the Company effectuated the Deep Ocean Energy Action whereby to donate the second batch of RMB 6 million (retail price) personal care products to Hubei, including Deep Ocean Energy Wrinkless And Firming Essence, repair mask, hand cream, wash care, and rinsing-free hands sanitizer.

2020
03/08



The Company donated nearly RMB 1 million rinsing-free hands sanitizer to China Children and Teenagers' Foundation, for use in the Foundation's Sunflower Project Love Fund project to ensure the healthy growth of young people and children.

2020
05/14



2020
05

The Company donated more than 200,000 disposable medical masks to the Fosun Foundation for use in a European COVID-19 control project and directed donations to 9 institutions in France, Italy, and Spain.



Secretary General of LVMH Group, Chairman of La Cosmetic Valley, and Mayor of Val de Reuil, expressed their sincere gratitude to the Company and offered a Medal of Honor to Chairman, Hou Juncheng.





Undertaking Responsibility as a Backbone in COVID-19 Prevention

Development of new anti-COVID-19 products

Allowing for the new situation of COVID-19 prevention and control and the Company's business development planning, the Company made the most of its professional advantages by adding medical equipment and disinfection products and launching products designed for the circumstances, including Proya Anti-sensitive Repair Series (for "faces with masks"), Proya Rinsing-free Hands Sanitizer, and Proya alcohol disinfectant spray.



Proya Anti-sensitive Repair Series for Faces with Masks

Free gift of Rinsing-free Hands Sanitizer

At the early stage of the COVID-19, medical supplies were in short supply. While doing its prevention, the Company provided products including Rinsing-free Hands Sanitizer to offline dealers and other partners to assist them in COVID-19 prevention and control.



Proya Rinsing-free Hands Sanitizer¹
with 99.99% Effective Sterilization



Fighting COVID-19 Scientifically and Promoting Resumption of Work and Production in Order

The Company attached great importance to COVID-19 prevention and control. During the pandemic, the Special Leading Group for Response to COVID-19 made timely sharing of COVID-19 developments and prevention and control measures released by the competent national authorities. The Company made preparations in advance for resumption of work and production, including advocating working on site, working at home in different places, and teleconference; responding to the call of the local government for disinfection and protection in office space and distribution of face masks to employees every day; regularly keeping track of employees who had travelled to or from severely hit regions and reminding employees to take precautions.

Proya's Headquarters and Huzhou production base were among the first to resume work and production in Xihu District, Hangzhou and Huzhou respectively. As of 8 April, the Company provided free nucleic acid tests and quarantine accommodation to the last batch of employees from Wuhan, bringing 100% employees back to work.



The Company's First Batch of Employees Resume Work against COVID-19

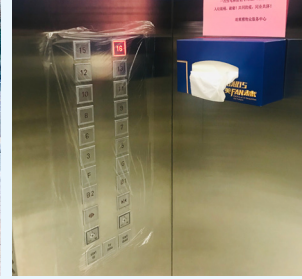
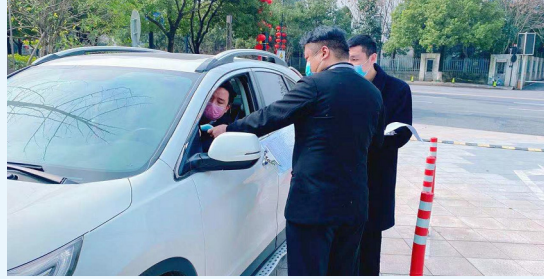
As of 31 December, 2020, the Company had purchased pandemic prevention materials including over **200,000** face masks, over **20,000** protective gloves, goggles, protective clothing, disposable hats, forehead thermometers, forehead temperature scanners, rinsing-free hands sanitizer, dynalysors, and alcohol sterilizers.

¹During the COVID-19, anti-epidemic products such as "disinfecting hand sanitizer" were urgently launched to better help employees, distributors and other stakeholders, and non-marketed products.



Implementing strict management to build Proya's defense line against COVID-19

The Company disinfected the public areas including office, canteens, exhibition halls and elevators on an hourly basis; provided tissues for public buttons in the elevator hall; checked the temperature and health code of all persons entering buildings every day, and disinfected incoming and outgoing vehicles one by one; provided hand sanitizers and alcohol at every floor.



Dining in turn, allowing for nutrition and safety

In order to prevent cross-infection and satisfy the needs of employees for balanced nutrition, every day, the Company provided employees in turn with free meals, with three dishes and one soup each meal.



COVID-19 prevention publicity and mass prevention and control

The Company specially prepared the guidelines for COVID-19 prevention, covering employee gathering and dining required for daily travel, transportation and work. The Company also pasted tips on COVID-19 prevention in public areas of buildings and placed COVID-19 prevention posters at the gates.



Purchasing heart-warming bags for volunteers in the frontline

For anti-COVID-19 during the Spring Festival, Proya's Party branch members donated money to community volunteers for them to purchase heart-warming bags (including heating pads, Vitamin C effervescent tablets, and disposable gloves).



Donating blood without compensation to address clinical blood demands

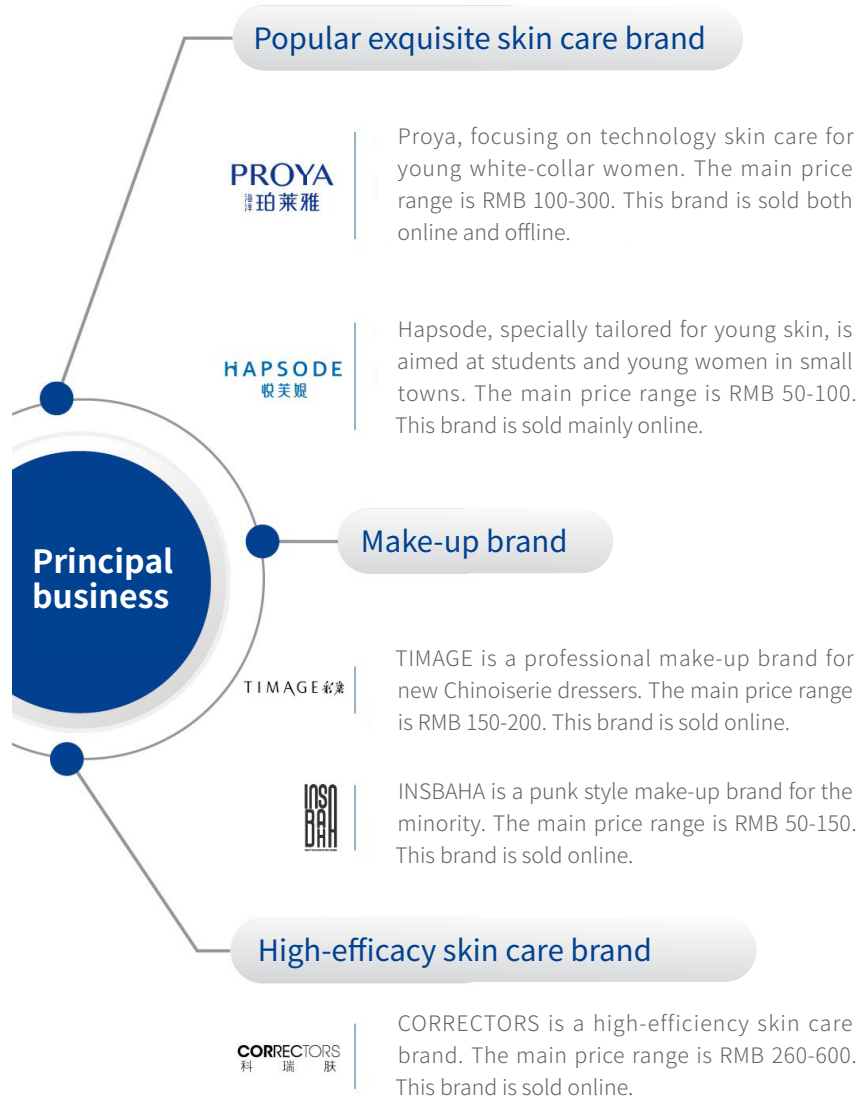
In July 2020, employees were organized to help prevent and control COVID-19 by donating blood without compensation to ensure clinical blood demands for the fight against COVID-19.



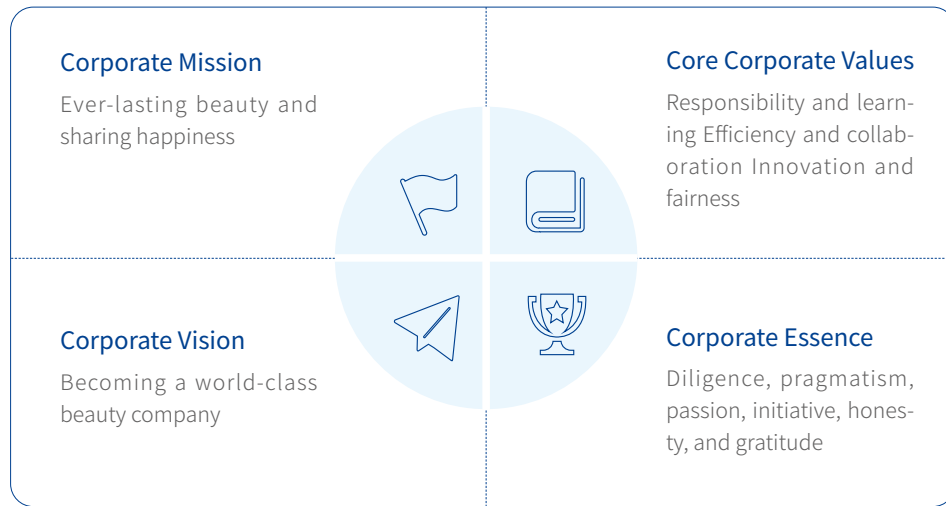
About Proya

Company Profile

The Company is committed to building a new domestic beauty industry platform, mainly engaged in the research and development, production and sales of beauty and personal care products. It mainly owns “Proya”, “Hapsode”, “TIMAGE”, “INSBAHA”, and “CORRECTORS” brands. At present, the Company’s brands have covered the beauty fields such as popular exquisite skin care, make-up and high-efficacy skin care products:



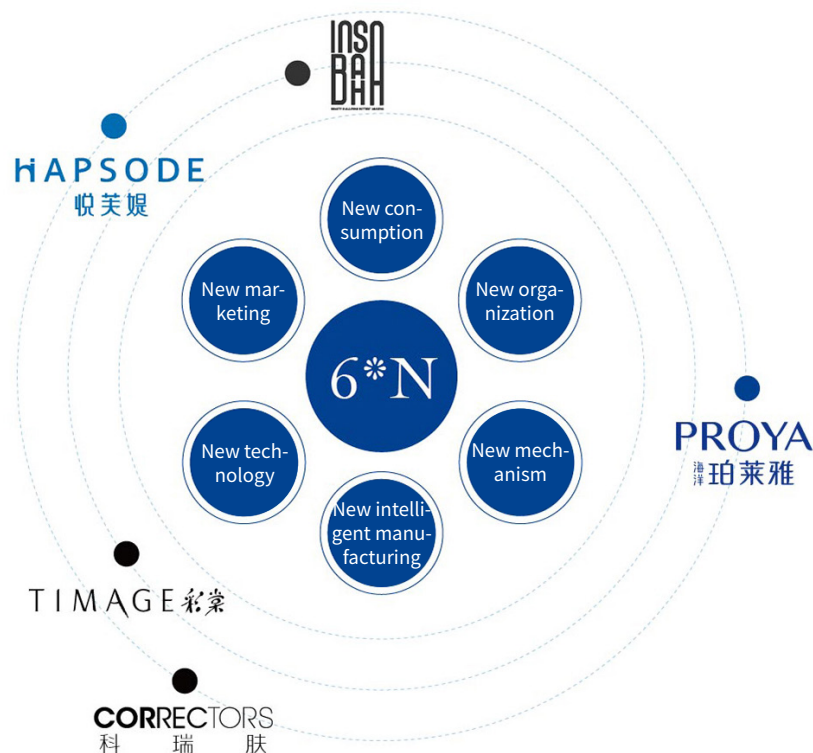
Corporate Culture



Development Strategy

Adhering to the corporate Essence of “diligence and pragmatism, passion and initiative, honesty and gratitude”, the Company is committed to becoming a world-class beauty makeup enterprise, and building a new Chinese cosmetics industry platform. Focus on the “6 * N” strategy in the future (For details, please refer to The Proya 2020 Annual Report) :

“6” refers to new consumption, new marketing, new organization, new mechanism, new technology and new intelligent creation, and “N” refers to creating N brands



The core connotation of “6 * N” refers to the creation, empowerment and incubation of “different” brands that meet the “different” needs of “different” consumers based on the above six capabilities.

Honors in 2020



Included in the MSCI flagship index

Selected in the FTSE Russell Global Stock Index

The 14th Value Rankings of China's Top 100 Listed Companies on the Main Board

Top 5 Home & Personal Care Companies in the Valuation Rankings of Listed Companies in 2020

P5W: Best New Media Operation Award, Excellent IR Team

Great Zhejiang Entrepreneur for COVID-19 Control

Zhong Nanshan Medical Foundation of Guangdong Province: Charity Organization in the Fight Against COVID-19

Wuhan Charity Federation: Outstanding Contribution Organization to COVID-19 Prevention and Control

Cosmetic Newspaper: China Cosmetics Aesthetic Charity Award

Outstanding Contribution Award for Drug Development and Innovation in 2020

Zhejiang Standard Beauty Innovation Contribution Award in 2020

Zhejiang Province Health and Beauty Industry Standard Innovation Contribution Award in 2020

The first "Double Hundred Vanguard" Training Bases in Zhejiang Province

Zhejiang Science Progress Award (3rd prize: key technology and standardization of the detection of banned and restricted substances in cosmetics)

Selected in [Luxe Sustainable Fashion Power List] Top Cases (Promoting domestic cosmetics to replace animal experiments)

China Association of Fragrance Flavor and Cosmetic Industries: Excellent R&D Team, Advanced Enterprise in the Fight against COVID-19

Hangzhou Live Broadcast E-commerce Key Cultivation Park (Base)



Proya

VOGUE: Chinese Brand Awards in 2020

Rayli Beauty Awards: Super Single Mask Product of the Year (Aqua Moisturizing Renewal Mask)

Sina Beauty Awards: Single Product of New Trend in Ingredients (Deep Ocean Energy Essence)

Selected in the List of Transparent Labels: in 2020

Deep Ocean Energy Wrinkless And Firming Essence - Single Popular Anti-oxidant and Anti-aging Product of the Year

Elastic Brightening Youth Activating Eye Cream - Popular Eye Cream of the Year

Elastic Brightening Youth Essence - No. 1 in the New Product List of the Year

Cosmetic Newspaper: G20 Chinese Cosmetics Brands, Top 2 Hydrating Brands, Top 3 Sunscreen Brands

Jumeili: Best Innovative Brand in 2020

China Beauty Expo: CBE Good Brand in 2020

Youzan: Top 10 Leaders in 2020

Huzhou Gold Brand Featured Product Souvenir

Top 10 Beauty Brands Made in Zhejiang

TIMAGE

Cosmetic Newspaper: Emerging Brand Award

Light And Shadow Blending Palette : 2020 Fashion COSMO Beauty Award

01 Environmental

Proya has always adhered to the idea of green development and integrated it into the full life cycle of its products by continuously promoting the green, low-carbon, and sustainable transformation of production, manufacturing, purchasing, packaging, and transportation, actively practicing green intelligent manufacturing, green purchasing, and green logistics, and building an environment-friendly production and operation way, so as to build environmental responsibilities in the Company's genes and contribute to an environmentally-friendly and resource-saving society. Besides, the Company encourages employees to follow green office by practicing a low-carbon life; with the help of the Company's advantageous communication channels, encourages consumers and the general public to follow consume green by paying attention to ecological balance, and environmental protection, so as to achieve naturally sustainable development of man and nature.

Our actions

- Use clean energy and strengthen energy consumption control
- Increase environmental protection technology improvement, strengthen waste management and recycling, and reduce emissions
- Give priority to raw materials that meet and have passed sustainable certification
- Use recyclable packaging materials and environmentally-friendly transportation boxes, improve transportation efficiency, build a green logistics system, and reduce product carbon footprint
- Advocate green office, carry out public environmental protection
- Plant trees to contribute to "carbon neutrality"

SDGs Benchmark



Our actions

- The Company's Huzhou production base was named **"Huzhou Green Factory"**
- All raw material suppliers have signed fair trade agreements, and the paper used in the CORRECTORS brand packaging has passed **FSC** certification
- We have planted **5,823** saplings which can absorb **106.56** tons of carbon dioxide each year
- We have saved **16,000** rolls of tapes and **9,688** cartons, which is equivalent to reducing carbon dioxide emissions by **14.78** tons

Green Intelligent Manufacturing: Creating an Eco-Friendly Production Process

The Company and its subsidiaries strictly act on the Environmental Protection Law of the People's Republic of China and other applicable environmental protection laws and regulations and actively practice environmental protection concepts and green factory management. In 2020, the Company was not found to have violated environmental protection laws and regulations or been involved in any pollution accident dispute or subjected to any administrative penalty due to violation of applicable environmental protection laws and regulations.

Proya's Huzhou production base has always adhered to the idea of low-carbon, environmental protection and shared green production by building a green intelligent manufacturing system, strictly acting on applicable national laws and regulations, strictly providing for environmental, safety, energy consumption and other measurement indicators, methods, and control processes, reducing energy and water consumption as well as the discharge of waste water, waste gases and solid wastes in production, so as to reduce the impact of production on the ecological environment and truly achieve a win-win situation of resource conservation and environmental friendliness. The Company's Huzhou production base was named "Huzhou Green Factory".



Environment of Proya Huzhou Production Base Park

◎ Minimized resource consumption

The Company consumes electricity and natural gas, especially electricity. With the use of clean energy and further energy consumption control, while an average annual increase is reported in output, the Company's increase in energy consumption (such as electricity) is less than the average annual growth in output. Besides, given that tap water is mainly consumed, the Company can promote the water recycling by advocating water conservation and investing in environmental protection equipment such as sewage treatment systems, so as to continuously increase the efficiency.



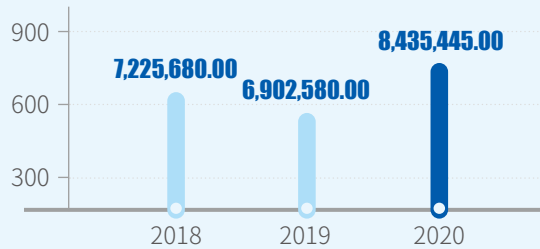
The Company has installed PV power generation devices on the roofing of the Huzhou production base, with a total capacity of 2.13 MW and an annual power generation of more than 2 million kWh, which is equivalent to reducing carbon dioxide emissions by about 1,920 tons.



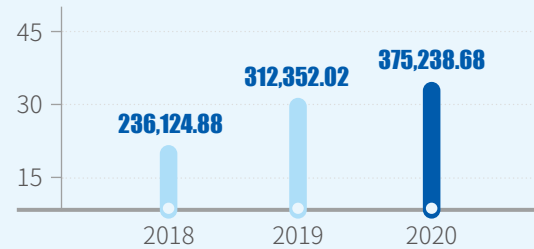
The Company has established an air compressor heat recovery system to make the most of the heat generated by air compressors. It can produce 40t hot water per day for canteen rinsing, staff bathing, cleaning the raw material barrels, and heating up the process water. The annual heat energy storage is equivalent to saving 155t standard coal or reducing 30t carbon dioxide emissions.



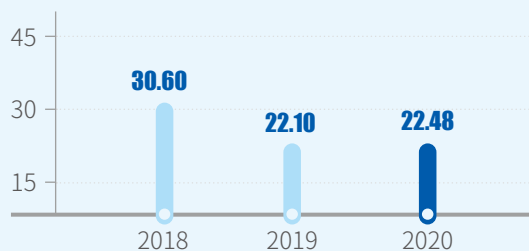
Energy



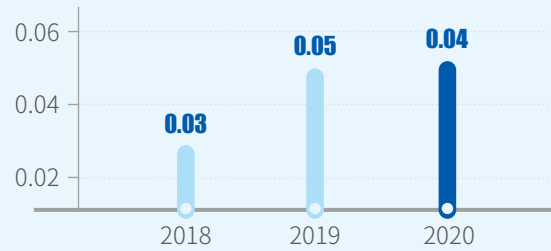
Electricity consumption (KWh)



Operating revenue (RMB 0'000)



Energy Intensity (KWh/RMB 0'000 revenue)

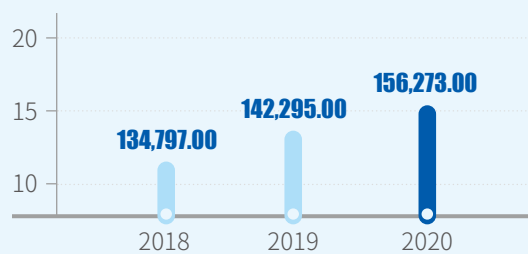


Energy efficiency (RMB 0'000 revenue/kWh)

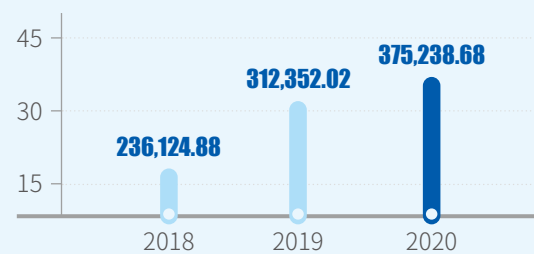
Notes: (1) Energy intensity reflects the energy consumed per RMB 10,000 output. The less energy consumption per unit output, the lower the energy intensity; (2) Energy efficiency reflects the revenue per kWh electricity output. The greater the output per unit electricity, the higher energy efficiency.



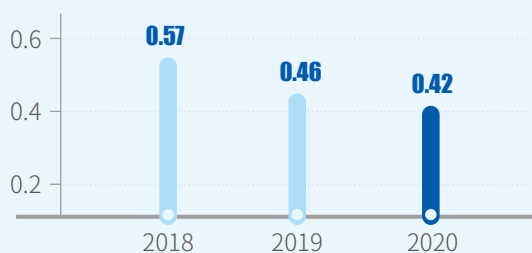
Water



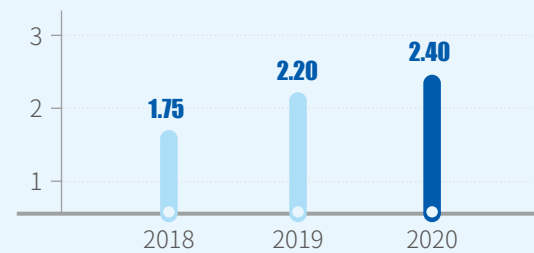
Water consumption (T)



Operating revenue (RMB 0'000)



Water consumption intensity (T/RMB 0'000 revenue)



Water efficiency (RMB 0'000 revenue/T)

Notes: (1) Water consumption intensity reflects the water consumed per RMB 10,000 output. The less water consumption per unit output, the lower the water consumption intensity; (2) Water efficiency reflects the revenue per t water output. The greater the output per unit water, the higher the efficiency of water.

© Minimized environmental impact

Wastewater management

The Company's wastewater mainly comes from toilets, canteens, domestic sewage, and process wastewater. The Company has installed the Multi Vision COD online automatic monitor to monitor the COD in the treated water for 24 hours to ensure that sewage discharge reaches Class A standard; established a sewage treatment system to ensure that the treated sewage can be highly purified and recycled. The Company has also implemented a recycled water system to recycle and reuse the water eliminated from the production process water, which can reduce production water consumption by 1,500 tons per month.



Anaerobic Tower for Sewage Treatment in Huzhou Production Base

Case Establishment of a sewage treatment system under the national first-level discharge standard

Proya has invested more than RMB 3 million to build a sewage treatment system under the national first-level discharge standard, which treats more than 250t sewage every day. The COD of the sewage after advanced treatment is no more than 40mg/L, far less than the required first-level Class A standard in the Discharge standard of pollutants for municipal wastewater treatment plant (GB18918-2002), and can be reused for fish farming in landscape ponds, flushing toilets, gardening and irrigation, to the extent to effectively improve water utilization efficiency.



Landscape fish pond

Waste gas management

The waste gases emitted by the Company during production are dominated by boiler exhaust gas and canteen cooking fumes. The Company had renovated and replaced boilers since 2013. By 2020, all of the Company's boilers were fueled by natural gas to reduce exhaust gas emissions and effectively protect the environment; all of the canteens were installed with fume purification devices to reduce oil fume emissions.

In 2020, the Company input a new 4-ton ultra-low nitrogen gas-fired boiler, which emits less than 30 mg/m³ nitrogen oxide, lower than the required threshold of 50mg/m³ boiler nitrogen oxide emissions. The Company acts early on boiler nitrogen oxide emissions, in a way to contribute to improving local ambient air quality and build a resource-saving and environmentally-friendly factory.

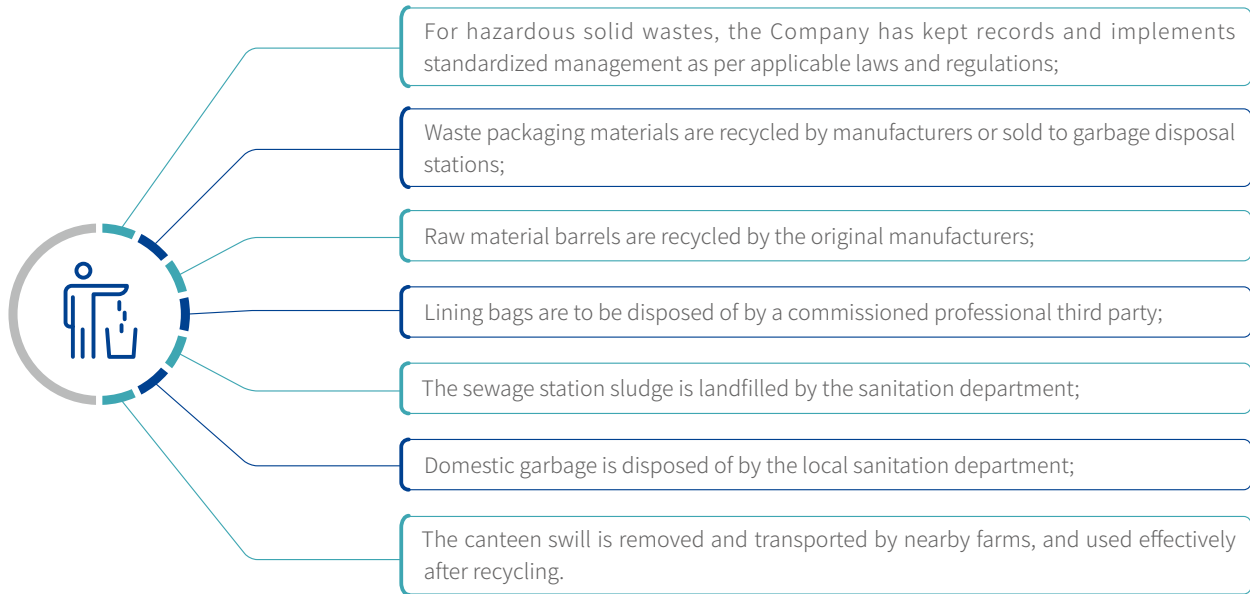
Greenhouse gas emissions

Indicator	Major source of emissions	Unit	2018	2019	2020
Direct emissions (Category 1)	natural gas	T carbon dioxide equivalent	700,281.67	748,261.50	783,394.37
Indirect emissions (Category 2)	Purchased electricity		5,888,297.93	5,643,664.22	6,866,116.38

Notes: (1) Direct emissions (Category 1) refer to greenhouse gas emissions resulting from coal, natural gas, petroleum and other fossil energy combustion activities and industrial production processes; (2) Indirect emissions (Category 2) refer to greenhouse gas emissions resulting from outsourced electricity and heat; (3) Direct emissions are calculated as per the Technical Guide for Calculations for Coordinated Control of Greenhouse Gases in Pollutant Removal from Pollution Treatment Facilities (trial); (4) Indirect emissions are calculated as per the Baseline Emission Factors for Regional Power Grids in China in 2019 Emissions Reduction Projects.

Waste management

The general solid wastes generated during the Company's production are dominated by waste packaging materials, non-conforming products, waste activated carbon, sewage station sludge, household garbage and canteen swill, and can be reasonably sorted, collected, disposed of or comprehensively utilized, to ensure that such solid wastes will have no impact on the surrounding environment.



Green Procurement: Sustainable Raw Material Sourcing

Proya has always been committed to the principle of sustainable development by applying this to the criteria for green purchasing, and giving priority to raw materials with less environmental and social impacts and renewable raw materials of sustainable or green sources, including those raw materials in line with the principle of sustainable development that protect biodiversity in planting and harvesting, implement sustainable low-carbon agricultural practices in preparation, protect women's rights, and comply with fair trade.

Besides, the Company also makes the most of its role as an industry leader by mobilizing upstream and downstream suppliers to improve environmental impacts, jointly build a green supply chain, and promote green production with green purchasing through selection from supply and demand sides based on the principle of green environmental protection.



Natural products are the core ingredients of Proya's products. For BOERHAVIA DIFFUSA extracts, Tara gum and HEOBROMA GRANDIFLORUM SEED BUTTER, the Company preferentially selects manufacturers under the Nagoya Protocol;



For raw materials from Africa, the Company preferentially selects manufacturers that have signed a fair trade agreement;



For the source of palm oil, the Company preferentially purchases raw materials under RSPO standards.

Green Logistics: Reducing Carbon Footprint

Ecologically recyclable packaging materials

Proya attaches great importance to the sustainability of product packaging by improving the environmental characteristics of products through packaging design, material selection and processing technology, so as to reduce product carbon footprint. Meanwhile, the Company also encourages suppliers to choose lower-carbon and more sustainable raw materials and production methods to jointly practice sustainable development.

The product gift box is designed as a jewelry box and a storage box, which can be reused. After using the internal cosmetics, consumers can use it to hold other items as a storage box ▶



More environmentally-friendly materials

- Since 2011, the Company has gradually replaced non-degradable PVC materials with PET materials of less environmental impacts; as of 2020, no product of the Company was made from PVC materials;
- In 2020, the Company began to use uncovered and uncoated paper, fully covering the Ocean Hydropower series packaging;
- In 2020, the paper used in the Company's CORRECTORS brand packaging has passed FSC certification;
- In 2020, the gray paper used in 90% of the Company's box sets was recycled paper.



Environmentally conscious suppliers

- The Company has assisted major suppliers in completing clean energy upgrade for boilers. In 2020, the major cooperative glass suppliers used pure oxygen and natural gas as energy for production.



Reusable packaging design

- The Company prints instructions and mini-games on the inside of packaging and gift boxes, makes packaging and gift boxes into jewelry boxes and storage boxes, and encourages consumers to recycle gift boxes for reuse.

Improved logistics transportation efficiency

Proya has built five regional sub-warehouses in China based on the proportion of online orders from each province to improve transportation efficiency and reduce carbon emissions during transportation. In the future, Proya will continue optimizing and adjusting warehousing equipment, and more offline sub-warehouses are already in the pipeline.

Region	Covered provinces	Location
East China Sub-Warehouse	Zhejiang, Anhui, Jiangsu, Shanghai	Jiaxing
North China Sub-Warehouse	Inner Mongolia, Heilongjiang, Jilin, Liaoning, Beijing, Shanxi, Tianjin, Hebei, Shandong	Beijing
South China Sub-Warehouse	Guangdong, Fujian, Guangxi, Hainan	Guangzhou
Central China Sub-Warehouse	Henan, Hubei, Hunan, Jiangxi, Shaanxi	Wuhan
Southwest Sub-Warehouse	Sichuan, Chongqing, Yunnan, Guizhou, Xinjiang, Tibet, Gansu, Qinghai, Ningxia	Chengdu

◎ Environmentally-friendly transport cartons

In 2020, Proya began to use recycling boxes instead of cartons. After recycling boxes are transported to the Company's E-commerce Warehouse, they will be recycled for use by the original manufacturers. In 2021, Proya will continue increasing the use of recycling boxes. It is expected to save more than 20,000 transport cartons (430cm*250cm*210cm) and reduce carbon dioxide emissions by 25.16 tons.

Since September 2020, Proya's sub-brand TIMAGE has begun the pilot use of zipper cartons to replace traditional cartons, in a move to reduce the use of tapes while improving the customer's unpacking experience. In 2021, Proya will promote the use of zipper cartons in all of the Company's brands. It is estimated that 20 million zipper cartons will be used throughout the year, to the extent to save more than 500,000 rolls of tape and reduce carbon dioxide emissions by 81.2 tons.



In 2020, **9,688** cartons (430cm*250cm*210cm) were used, equivalent to reducing carbon dioxide emissions by **12.19** tons.

In 2020, **664,000** zipper cartons were used, saving **16,000** rolls of tapes, equivalent to reducing carbon dioxide emissions by **2.6** tons.

◀ Locking Plastic Circulation Box

Green Office: Promoting Low-Carbon Lifestyle

The Company attaches great importance to environmental protection by actively promoting energy conservation and emissions reduction in daily operations and advocating all employees to save electricity and water; fully implementing paperless office and advocating double-sided copying to save paper; encouraging employees to reduce the use of disposable water cups; requiring all employees to turn off lights and electric switches after work and reduce the standby energy consumption of computers, printers and other equipment; actively promoting the idea and description of waste sorting to employees to increase the resource value and economic value of wastes and maximize the use of resources, so as to achieve the purpose of saving resources and reducing emissions.

Green Charity: Contributing to a Circular Economy

While carrying out green operations to reduce carbon emissions, the Company also spontaneously organizes green environmental protection projects to offset the carbon dioxide emissions generated during operations and achieve "carbon neutrality" in the shortest possible time. Since 2007, the Company has organized afforestation activities for many times. As of 31 December, 2020, the Company had planted 5,823 saplings, which can absorb 106.56 tons² of carbon dioxide each year.

In addition, the Company also actively advocates the idea of environmental protection by encouraging employees to actively participate in public activities related to global environmental protection to practice green environmental protection with practical actions.



²As per the National Handbook on Energy Conservation and Emissions Reduction by the Ministry of Science and Technology of the People's Republic of China, one tree can absorb 18.3kg carbon dioxide each year.

02 Social

Proya adheres to the spirit of integrity and gratitude by defending the legitimate rights and interests of employees, building a growth platform for employees, and helping employees balance work and life as possible; actively participating in making industry standards, strengthening industry cooperation, and contributing to the healthy and rapid development of the industry with the help of its own technology and experience advantages. Meanwhile, the Company always makes it its mission to contribute to communities by inputting resources and energy to improve people's livelihood and to undertake corporate social responsibility by associating the Company's development with a harmonious society.

Our actions

- Promote responsibility testing to ensure consumer safety while reducing animal testing
- Fully protect the rights and interests of employees and stick to anti-sex discrimination
- Provide employees with a market-competitive compensation and benefits system, carry out employee equity incentives, and attract and retain core talents
- Support employees in improving skills and academic qualifications, and build a platform for employees to realize their self-worth
- Participate in making team standards and deepen industry collaboration
- Support the development of education in poverty-stricken regions

SDGs Benchmark



Our results

- RMB **72.2** million R&D investment and **196** R&D employees

- **52** employees attended and completed Proya's top-up degree courses

- Participation in making **2** group standards for in alternatives to animal testing



Sincere Service, Customer First

◎ Focus on technology innovation

The Company continuously improves scientific research and technical conditions by actively introducing advanced technologies, strengthening industry-university-research cooperation, deepening strategic technical cooperation, and taking science and technology as the starting point to provide consumers with safe and satisfactory products.

Industry-university-research cooperation

The Company has cooperated with the Institute of Microbiology, Chinese Academy of Sciences on the deep-sea microbial resource utilization and active substance development project; concluded an industry-university-research cooperation agreement with the School of International Cosmetics, Shanghai Institute of Technology to fully cooperate on personnel cultivation, scientific research, technical innovation and personnel training

Strategic technical cooperation

The Company has achieved strategic technical cooperation with BASF (China) and Ashland (China); built a joint experimental center for high-throughput 3D printing Asian skin models with Regenovo Biotechnology Co., Ltd.

In 2020, the Company's R&D invest

ment was RMB **72.2** million,

accounting to **1.92** % of the total revenue

As of 31 December, 2020, the Com

pany had **196** R&D employees

In 2020, the project for key technology and standardization of the detection of banned and restricted substances in cosmetics carried out by Proya with Hangzhou Food and Drug Inspection Institute, National Daily Commodity Quality Supervision and Inspection Center and Hangzhou Quality and Technology Supervision and Inspection Institute won **the Third Prize for Science Progress in Zhejiang**.

◎ Promoting responsible tests

In order to ensure the safety of consumers, applicable Chinese laws and regulations expressly require that special cosmetics and products such as whitening, sunscreen, and children's use shall pass animal experiments. The Company follows the requirements of current Chinese laws and regulations by conducting experiments on special cosmetics to ensure that there are no ingredients in the products that will cause adverse reactions to consumers.

On the basis of meeting the legal requirements, the Company also actively adopts in alternatives to animal testing to reduce animal experiments as possible, and adopts animal alternative test methods including 3D artificial skin models, isolated animal organ models, characteristic cells and microbial models to evaluate in vitro the potential skin irritation, eye irritation, sensitization, phototoxicity and genotoxicity of cosmetic raw materials; on the basis of in vitro experiments, the Company carries out further clinical applicability evaluation to ensure the safety of cosmetic raw materials and products.

To the extent permitted by legal regulations and to ensure product safety, the Company adopts scientific methods including risk assessment to actively achieve animal-free experiments.

In addition, the Company also actively supports and participates in making applicable standards for artificial skin technology innovation and animal substitution, with a view to promoting the improvement and optimization of experimental technologies and methods in the Chinese cosmetics industry. In 2020, Proya invested in the shares of Regenovo Biotechnology Co., Ltd. to carry out R&D of artificial skin experimentation, seeking to find new cosmetic experiment solutions to replace animal experiments.

In 2020, Proya won the honorary title of **"Excellent R&D Team"** in China's flavor, fragrance and cosmetics industry.

Case

Beauty without Cruelty, promoting the construction of animal substitute experiments for cosmetics in China

Proya actively implements the concept of beauty without cruelty by investing a lot of resources to explore and develop new alternative animal testing methods. On 18 March, 2020, the Company's two project researches won the 2019 Open Scientific Research Funding Project in Key Laboratory of Alternatives to Animal Testing Technology for Cosmetics of the National Medical Products Administration.

附件：
2019年度国家药品监督管理局化妆品动物替代试验技术
重点实验室开放性科研课题项目表

序号	项目名称	单位	负责人	时间	资助金额
5	UV-丙酮物引起皮肤黏膜损伤的预防 机制研究	珀莱雅化妆品 股份有限公司	董加涛	2020年1 月-2021 年12月	3万
6	利用体外人眼黏膜替代实验预测 评价眼用化妆品的刺激性	珀莱雅化妆品 股份有限公司	李美霞	2020年1 月-2021 年12月	3万

国家药品监督管理局化妆品动物替代试验技术重点实验室
2019年度开放性科研课题项目表

In 2020, less than **10** % of the Company's products were subject to animal experiments

In 2020, the Company was engaged in two open scientific research projects in the Key Laboratory of Alternatives to Animal Testing Technology for Cosmetics of the National Medical Products Administration.

Guaranteed product quality

Quality management system

The Company has certified by standard systems including ISO 9001 quality management systems, ISO 22716 Cosmetics - Good Manufacturing Practices and US FDA-GMPC; fully implemented 105 inspection points for cosmetics production licenses by conducting internal audits of each system on a quarterly basis, so as to improve and enhance the operating efficiency of the Company's total quality management system and provide management guarantees for the production of high-quality products.



ISO 9001 Quality Management System



ISO 22716 Cosmetics - Good Manufacturing Practices



US FDA-GMPC Certification

Total quality management

As overall required by all quality management systems and as per the Company's quality planning, Proya has established the organizational structure of the Quality Management Department and a total quality management system covering the entire supply chain from product design to delivery and sales; strengthened information construction to improve quality management.

In addition, the Company has also applied both METTLER's bar code management and SAP system and Alshey's QR code printing and automatic code checking system to achieve forward traceability from raw materials to finished products and achieve a total product life cycle quality supervision system. A product ID is assigned to a single product only through the QR code to collect and track the product in production, warehousing, distribution, logistics and transportation, market inspection and consumption, so as to achieve a full life cycle management in production, sales, circulation and services.



The Company's product Proya Deep Ocean White Luminous Cream Balance was certified by "Made in Zhejiang"



Chemical substances management

The Company's chemical substances management strictly follows China's current environmental protection laws and regulations, labor protection regulations, and cosmetics-related laws and regulations, and conducts purchasing, storage, production and R&D in compliance with laws and regulations.

The Company has eliminated all non-degradable raw materials such as microbeads that are of general concern to the market or consumers from all rinsing products, avoided such raw materials in new product development, and replaced them with natural degradable raw materials.

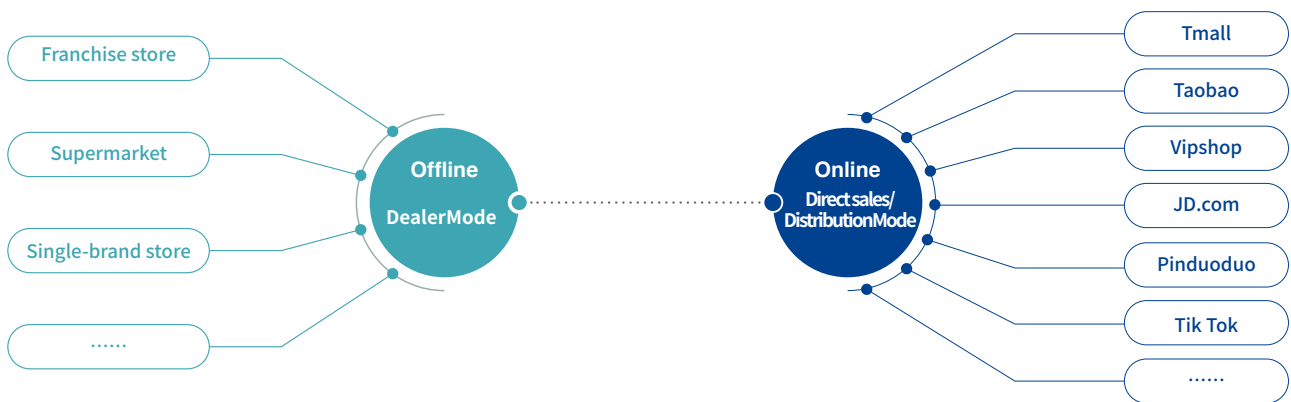
◎ Provision of quality service

Prompting product safety

Different people and skin types have different tolerance to cosmetics. In order to better protect the rights and interests of consumers, the Company provides consumers with tips on safe consumption of cosmetics by means of packaging, offline sales tips, online product details page tips and online KOL live broadcast tips to guide consumers to reasonably select and scientifically use cosmetics.

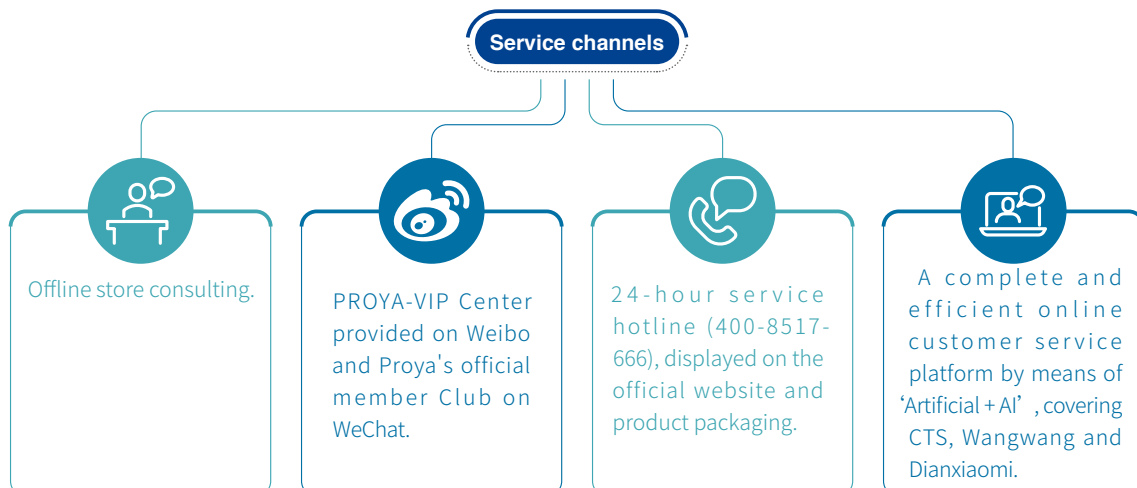
Construction of diversified service channels

The Company has built an omni-channel sales network in more than 30 cities across China, covering department stores, daily chemical boutiques, large supermarket chains and a new-generation E-commerce platform, forming development and operating mechanisms with multiple brands, multiple categories, multiple channels, and multiple modes.



Response to customer demands in time

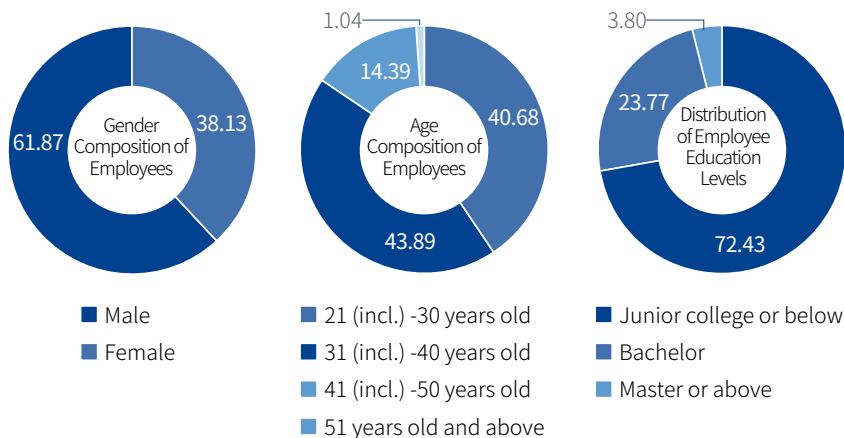
The Company attaches great importance to protecting consumers' rights and interests by always adhering to the service concept of serving with heart and treating consumers with sincerity, continuously improving customer service system construction, enhancing the awareness of services, and providing 24-hour services both online and offline, so as to respond to customer demands better and faster.



People Oriented – Continued Focus on Employee Development

◎ Protection of the legitimate rights and interests of employee

Pursuant to the Labor Law of the People's Republic of China, the Contract Law of the People's Republic of China, and other applicable domestic and foreign laws and regulations, the Company respects and protects the legitimate rights and interests of employees, prohibits employing child labor, guarantees equal pay for equal work, and guarantees the legal rights and interests of female employees, with efforts to create a diversified, fair and just working environment to ensure that all employees are not treated differently due to any factor such as religion, gender, age, and disability.



In 2020, the Company had

2,898 employees; all of them were hired under labor contracts and provided with social insurance.

In 2020, women accounted

for **47.21%** of the Company's middle and senior managements³.

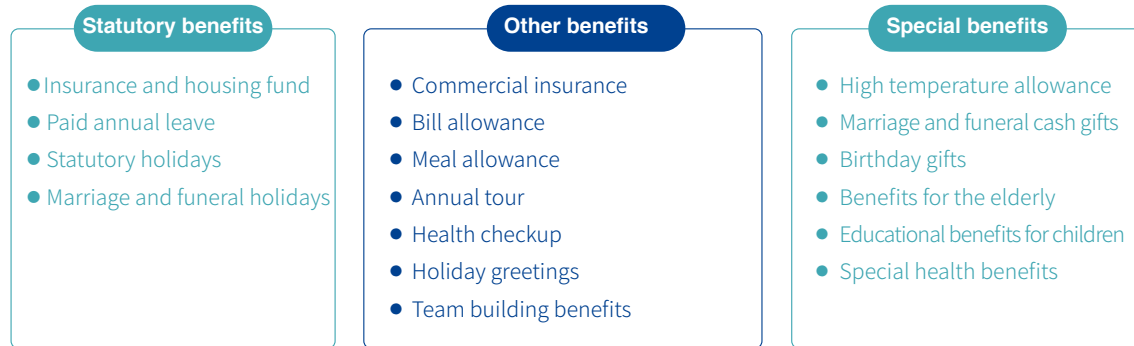
◎ Competitive compensation and benefits system

Improving salary and benefits

Proya takes value creation as the basis for the Company's salary distribution, expressly bases value on performance, establishes a comprehensive and objective performance evaluation system, and relates employee salary distribution with performance evaluation, so as to encourage employees to focus on value creation. The Company has also made the Rules for Performance Appraisal to link employee performance with bonuses and establish a mechanism for normal increase in employee salaries. Based on the diversification of talents in different units, levels, and grades, the Company has built multi-level and multi-faceted compound incentive mechanisms, including equity incentives for middle and senior officers, sharing of excess profits in various business modules, internal entrepreneurial partners, internal department marketization, so as to fully stimulate the enthusiasm of the Company's employees at all posts.

In addition, the Company has also developed the Measures for Benefits to create convenience for employees in life and health and enhance their sense of belonging and collective honor in the Company.

³The Company's middle and senior managements refer to managers and above.



Attraction and retainment of core talents

In order to further establish and improve the Company's long-term incentive mechanisms, attract and retain outstanding talents, fully stimulate the enthusiasm of the Company's senior managements, middle managements and core backbone employees, the Company implemented the 2018 restricted stock incentive plan in 2018 by granting 1,362,300 restricted stock shares, up to 0.68% of the 20 million shares of the Company's total share capital, to 29 of the Company's senior managements, middle managements and core backbone employees.



Construction of a platform for employee growth

In order to match the Company's talent development strategy, further optimize the Company's HR structure and achieve the Company's long-term development, the Company adheres to the principle of fairness, justice, competition, and merit-based employment, adopts the position management philosophy of "all are talents that will be evaluated based on competence other than education", and has made the Competency Development Plan for Core and Key Positions and the Rules for Training in line with the Company's strategic development, and established diversified training and education methods to help employees improve their professional skills and overall quality, meet the needs of corporate development and employees' personal development, achieve a win-win cooperation.

In 2020, the Company organized **4** trainings on various topics, totaling **46** hours.



Proya's Training System



The Company organized employees to carry out professional training to empower employees

The Company attaches great importance to employee education improvement by encouraging employees to continue learning and acquiring the required certifications and qualification certificates. Since 2017, the Company has cooperated with Zhejiang University of Finance and Economics to open Proya's top-up degree courses, in a move to provide training and learning opportunities to all employees ready to improve their education backgrounds.

As of 31 December, 2020, **52** employees attended and completed Proya's top-up degree courses.

Case Further strengthening skills training and certification

In 2020, the Company organized 7 professional skills improvement training activities, covering tea art specialists, pastry cooks, flower arrangers, and beauticians, where 148 employees were granted advanced certificates and 53 employees intermediate certificates. According to the talent allowance policies of the Hangzhou Municipal Human Resources and Social Security Bureau and Xihu District of Hangzhou, 199 employees are entitled to RMB 616,605 allowances. In addition, for employees certified with intermediate and advanced certificates, their children are given benefits including increased enrollment points, increased settlement points, and personal income tax reductions; employees certified with advanced certificates may also apply for Hangzhou rental/housing allowances.

The Company has made the Dual-Channel Promotion Measures for Employee Career Development whereby to implement fair, just, transparent and open promotion channels and seek to build a reasonable growth path for employees. Meanwhile, the Company will give priority to employees with excellent performance appraisals in promotion and succession.

Proya's Career Promotion System

Management	Professional	Operation	Professional title naming rules
M5-CEO			
M4 - Executive Vice President	P7 - Chief Scientist		
M3 - General Manager of Center	P6 - Scientist		
M2 - Director	P5 - Discipline Leader		Job title + address (director)
M1 - Manager	P4 - Researcher		Job title + address (manager)
	P3 - Expert	O4 - Senior Artisan	Job title + address (supervisor)
	P2 - Specialist	O3 - Artisan	Job title + address (specialist)
	P1 - Assistant	O2 - Senior Operator	
		O1 - Operator	

Notes

- Promotion between different sequence levels is determined based on the qualification readiness of positions to address career development;
- According to work qualifications, skill proficiency and performance, each sequence level can be divided into senior, intermediate and junior, and compensation is differentiated to address salary development.

◎ Further democratic communication with employees

The Company establishes a labor union by law and invests funds every year to support the union's activities and protect the legitimate rights and interests of employees. The Company regularly holds employee representative conferences, and organize special surveys, new employee discussions, and reasonable suggestions to collect employee opinions extensively, create opportunities for employees to express their opinions and participate in management, and encourage employees to communicate with the Company sincerely for reasonable suggestions on the Company's management and development.



Employee Representative Meeting

As of 31 December, 2020, the Company's union covered

80% of the employees.

As of 31 December, 2020, the Company received

4,548 reasonable suggestions from employees,

to the extent to create

RMB **600** million revenue for the Company.

◎ Emphasizing employee health and occupational safety

The Company has passed the GB/T 28001:2011/OHSAS 18001:2007 occupational health and safety management system and established a top-down occupational health and safety management mechanism, whereby to assess and identify hazard sources in all working environments and workplaces, first prevent, then control and eliminate occupational disease hazards and ensure the health of employees. In 2020, the Company held the Ankang Cup event to improve employees' safety skills. Every year, it organizes special safety emergency drills every year to enhance employees' safety awareness and emergency response.

In addition, the Company's production base has achieved remote fire monitoring, whereby the fire supervision department can learn about the operation and monitoring of the fire fighting system at any time, to the extent to improve fire protection technology, information, and intelligence.

Case "Light of Life" first-aid knowledge lecture

Proya and the Youth League Committee of Zhejiang Provincial People's Hospital organized a first-aid knowledge education activity, and invited Dr. Gong Fang Xiao, an attending physician in the Intensive Care Unit of Zhejiang Provincial People's Hospital and a certified instructor of Chinese



CPR training, to give a lecture on first-aid knowledge, in a move to enhance employees' awareness of safety precautions and help employees master basic first-aid knowledge and operation skills, effectively carry out self-rescue and mutual rescue at the scene of an accident, so as to ensure the safety of life and prevent accidents.



Inviting Experts to Provide Fire Drill Training on Site to Improve Employees' Safety Awareness

◎ Helping employees balance between work and life

The Company fully considers the basic needs of employees for work and life by providing a number of welfare facilities within the Company, seeking to build a humane working atmosphere and living environment.



Multi-function Room



Gym



Mother and Baby Room



Canteen



Lounge Bar

To ensure the healthy development of employees' physical and mental health, relieve working pressure, and increase the interest of leisure life, the Company organized various cultural and entertainment activities in 2020, to the extent to enrich the spiritual life of employees and enhance their recognition and sense of belonging in the Company.



Internal Cultural Event



Employee Travel



Employees were organized to participate in the Hanfu Exchange Conference Themed blind date event hosted by the Xihu District Federation of Trade Unions



Mountaineering



Fun Sports Meeting

Be Open-minded and Collaborative to Sustain Healthy Industry Growth

◎ Participation in formulating standards and contribute to industry development

The Company makes the most of its own professional advantages by actively participating in making national, industry, and local standards and contributing to sustainable industry development based on technology accumulation and innovation experience.

Case

Multi-party collaboration to jointly promote the formal implementation of two group standards for alternatives to animal testing

On 9 October, 2020, the Company cooperated with international cosmetics companies including Amway and JNJ completed two group standards for alternatives to animal testing: In vitro testing method for hair color cosmetics skin allergy - human cell line activation testing method (T-ZHCA010-2020) and In vitro testing method for white clear cosmetics skin allergy - human cell line activation testing method (T-ZHCA011-2020), which were published by Zhejiang Provincial Health Products and Cosmetics Industry Association on the National Information Platform for Group Standards and became effective on January 9, 2021.

Such two group standards were published and brought into force to further improve China's in vitro testing standards for cosmetics allergies and help establish a cosmetic product safety evaluation system.

In 2020, the Company led and participated in formulating **2** group standards;

As of 31 December, 2020, the Company had led and participated in the formulation of **9** national standards, **3** industry standards, **1** local standard, and **11** group standards.

◎ Further collaborative innovation and promoted industry cooperation

The Company organized and participated in industry activities, to promote industry exchanges and dialogues; continued deepening extensive cooperation with companies in and out of the industry, and strengthened multilateral cooperation.



Proya participated in the establishment of the International Cooperation Chamber of Commerce of Zhejiang Federation of Industry and Commerce, where Chairman Hou Juncheng was elected Vice Chairman of the organization.



Proya was named one of the first "Double Hundred Vanguard" Training Bases in Zhejiang Province



Proya participated in the Zhejiang Cosmetic Industry High Quality Development Conference and the 6th Cosmetic Industry Leaders' Summit

◎ Common development with suppliers

The Company incorporated social responsibility into supplier assessment by making the Supplier Management System Audit Checklist, continuously improving the supply chain management system, and gradually establishing normalized communication mechanisms to ensure that suppliers had established a complete and effective management system. The Company worked together with suppliers to provide consumers with safe, satisfactory products and services in a more sustainable way.

In 2020, **60%** of the Company's cooperative suppliers passed SA 8000 (the "Social Responsibility Standard").

Supporting Charities and Communities

Proya has always been adhering to "integrity and gratitude", by making it its mission to contribute to communities, paying attention to gender equality, humanitarian assistance, science education and community volunteering, and continuing to input resources and energy to give back to the society. In 2020, the Company organized and participated in a number of activities including Hope Primary School Assistance, "9/9 Charity Day", Care for Children with Autism, and community volunteering.



Case "Public Art Exhibition + Mobile Classroom"-Care for Children with Autism

In November 2020, by donating to the China Volunteer Service Foundation, Proya and Shanghai Noah Foundation held the "Star Talk•Star Wish" Bi Changyu Oil Painting Exhibition at the Proya Qingteng Art Center. The exhibition would last until 30 December, where 54 paintings by the autistic painter, Bi Changyu, would be exhibited.

Meanwhile, Proya cooperated with institutions including Bi Changyu Art Studio, Beijing Stars and Rain Education Institute for Autism, Zhejiang Internet Charity Base, Hailiang Special Education Center, Ningbo Shanyuan Public Welfare Foundation, and Shaoxing Qingteng Academy to sponsor autism charity and promote the autism art therapy project.

Through art exhibitions and the introduction of professional courses related to autism, Proya hopes that practical help will be given to children with autism from the spiritual and technical levels, so as to contribute more to the social environment by truly alleviating the social problems faced by children with autism and creating more tolerance for them.



Proya Chairman Hou Juncheng (second from left) and Painter Bi Changyu (second from right)



#9/9 Charity Day# Proya helped rural children make their dreams come true



The donations are used for the pairing project between Xihu District and Kaili City, Guizhou Province



Proya donated customized school uniforms, notebooks, pencil boxes and other school supplies to the children of the Hope Primary School



The Company's employees actively participated in the volunteer service of Hangzhou Model City

03 Governance

Proya strictly implements the applicable regulatory requirements for the high-quality development of listed companies by continuously optimizing the corporate governance system, continuously strengthening the construction of internal control systems, standardizing information disclosure, increasing interaction with investors, and enhancing information transparency in order to convey the Company's responsible brand image to the capital market and lay a management foundation for sustainable operations.

Our actions

- Establish an efficient governance system and structure
- Strengthen information disclosure and investor relations management,
- Enhance information transparency
- Improve the company's risk and compliance control
- Strengthen the protection of intellectual property and avoid the risk of intellectual property
- Pay attention to anti-corruption and comply with good business ethics

SDGs Benchmark



Our results

- Obtained the information disclosure **A** of Shanghai Stock Exchange

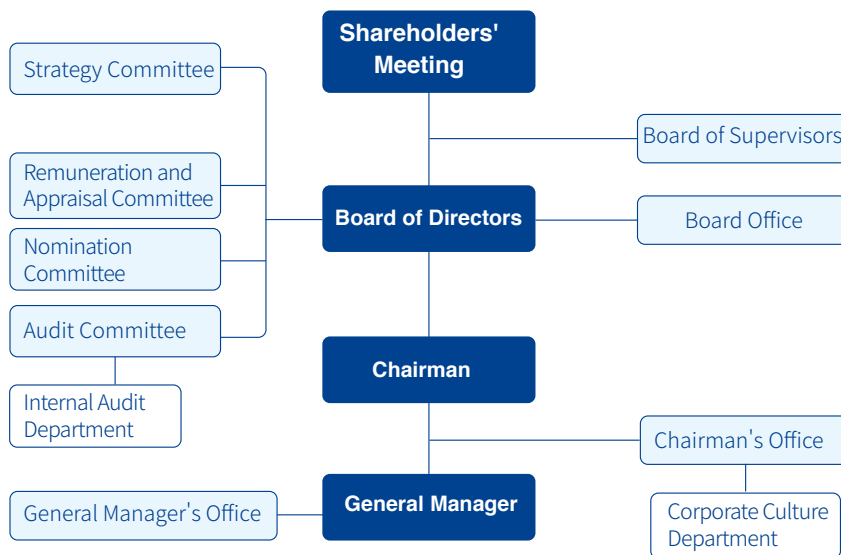
- A total of **3** investor research and communication activities were conducted online and on site to receive more than **300** investors in total

- In 2020, **28** new trademarks and **8** new copyrights were added

Improving Corporate Governance

As required in the Company Law, the Securities Law, the Listing Rules of the Shanghai Stock Exchange, the Code of Corporate Governance of Listed Companies and other applicable laws and regulations as well as the Articles of Association, the Company has continuously improved its standard operations and improve its corporate governance structure according to the Company's actual conditions.

The Company has established the shareholders' meeting, the Board of Directors, the Board of Supervisors and special committees under the Board of Directors as required, and made their respective rules of procedure, which defines the responsibilities, procedures, and obligations of institutions at all levels in decision-making, supervision, and execution, to the extent to form a scientific, effective, clearly-defined, mutually balanced, and mutually coordinated governance structure.



Governance Structure Diagram

In 2020, **4** shareholders' meetings were held to consider and approve proposals including the public issuance of **A**-share convertible corporate bonds, the annual profit distribution plan, the adjustment of the 2018 restricted stock incentive plan and the 2020 company-level performance assessment indicators in related documents. There were **7** meetings of the Board of Directors, **6** meetings of the Board of Supervisors, **2** meetings of the Strategy Committee, **6** meetings of the Audit Committee, and **1** meeting of the Remuneration and Appraisal Committee, where independent directors were present in person or in proxy.

In 2020, the Company issued **4** regular reports and **59** temporary announcements. The information disclosure complies with the requirements of relevant laws and regulations, and has not been punished or concerned by regulatory agencies. Information disclosure complied with the requirements of the applicable laws and regulations and the Company was not subject to punishment or regulatory scrutiny by the regulators.

Improving Disclosure Quality

As required by the competent regulatory authorities including the China Securities Regulatory Commission and the Shanghai Stock Exchange, the Company has disclosed all material information in a true, accurate, complete, timely and fair manner pursuant to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Administrative Measures for Company Information Disclosure, so as to ensure that all shareholders have fair access to information and all concerned parties could learn about the Company's operating conditions and the progress of significant matters in time. **In 2020, the Company was rated A by the Shanghai Stock Exchange for information disclosure.**

Strengthening Investors Relationship Management

The Company attaches great importance to investor relations management by communicating information with investors and answering questions patiently according to the principles of fairness, openness, and impartiality, and promptly responding to questions raised by investors by SSE e-interaction, telephone call, and securities mailbox.

Meanwhile, in order to strengthen connections with the capital market, the Company continues increasing the channels and methods for communication with institutional investors by participating in brokerage exchange meetings and actively accepting investor calls/on-site research activities to ensure that investors can learn about the Company's latest updates in a timely and accurate manner and regularly publish survey minutes on SSE e-interaction.

In 2020, **3** investor research and communication activities were conducted by the Company online and on site to receive more than **300** investors in total.

Tightening Risk and Compliance Management

◎ Risk management

The Company upholds the risk management philosophy of matching risks and returns and a "prudent" risk appetite, to minimize the negative impact of risks on the Company's operating performance and maximize the interests of shareholders and other equity investors. Based on this risk management target, the basic strategy of the Company's risk management is to confirm and analyze all risks faced by the Company, establish an appropriate bottom line of risk tolerance and carry out risk management, and timely and reliably monitor all risks, and control the risks within limits.

◎ Compliance management

In 2020, the Company continued laying a solid foundation for compliance management by strengthening the construction of the compliance management team and continuing improving various compliance management mechanisms as per the new compliance management rules; and inviting third-party professional agencies to conduct internal control audits as per the Basic Internal Control Norms for Enterprises and other applicable provisions.

Intellectual Property

Pursuant to the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China and the Anti-Unfair Competition Law, the Company has made the Intellectual Property Management System, whereby to standardize the Company's intellectual property management, strengthen Intellectual property protection, prevent intellectual property losses, encourage innovation, enhance the Company's market competitiveness and effectively avoid intellectual property risks. In 2020, the Company passed the intellectual property management system certification.

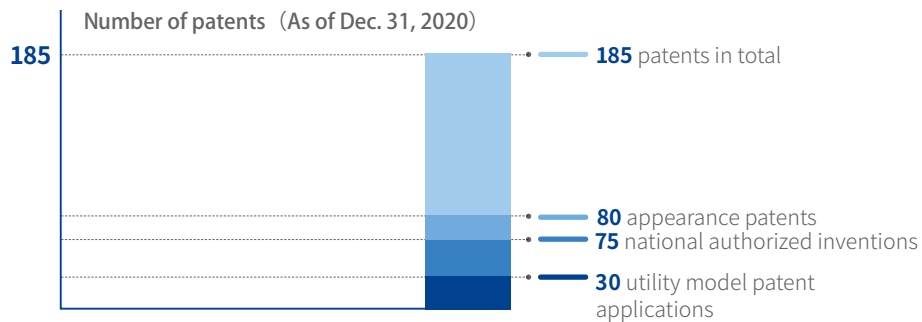
Meanwhile, the Company also organized training on topics related to intellectual property to provide professional training and guidance for key positions in the Innovation Center, the Sales Department, and the New Product Development Office and enhance employees' awareness and ability to protect intellectual property.

In 2020, **28** new trademarks and **8** new copyrights were added

As of 31 December, 2020, the Company owned **733** trademarks and **65** copyrights.



Certificate of Intellectual Property Management System Certification



Inventions Authorized in 2020

Description	Patent No.	Patent type	Date of authorization
A method for preparing non-ionic vesicle with whitening effect	CN201710604087.7	Invention	2020.02.21
A method for preparing an anti-wrinkle composition and its PIT nano emulsion	CN201710378639.7	Invention	2020.03.27
A method for preparing cosmetic microspheres with anti-aging effect	CN201710964531.6	Invention	2020.03.27
A method for preparing sustained-release solid microspheres with anti-wrinkle effect	CN201710973739.4	Invention	2020.03.27
A method for preparing a composition with long-lasting moisturizing effect	CN201710378638.2	Invention	2020.05.26
A method for extracting high-purity lecithin from Camellia oleifera cake	CN201810705984.1	Invention	2020.09.15
A culture method capable of increasing the content of bacterin-like amino acids in umbilical liver	CN201610086706.3	Invention	2020.10.02
A method for extracting high-purity isopimaric acid from pine nut oil	CN201810434808.9	Invention	2020.12.01
A method for preparing small molecular weight dendrobium officinale polysaccharide	CN201710145503.1	Invention	2020.12.01

Anti-corruption

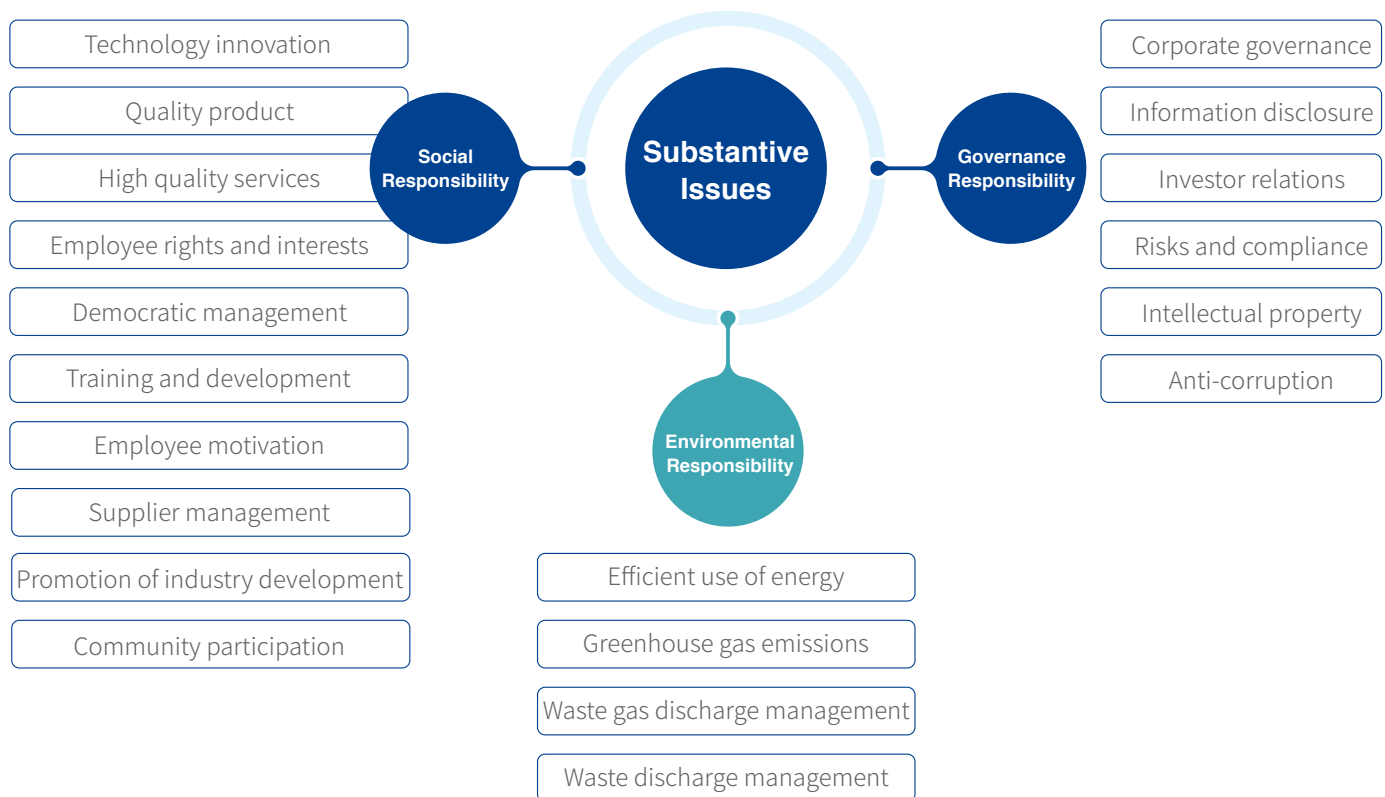
The Company has established the Employee Supervision and Reporting Management System of Proya Cosmetics Co., Ltd. to clarify the business ethics behavior warning line for all employees, standardize the reporting procedures, ensure the Company's healthy development, and provide protection mechanisms to reporters. Regarding anti-corruption, the report may report in real name or report anonymously by telephone, letter, email, text message, or face to face. Investigation should be completed within 30 days from the date of acceptance of the reported matter. In the case of any difficulty in audit arrangements or any complicated matter, the time limit may be extended as appropriate, but shall be by no means more than 90 days. Investigation results should be fed back to the reporter at the same time.

In order to create a clean and harmonious cooperation atmosphere, the Company has placed the requirements for compliance with the principles of good faith, integrity, confidentiality, strict compliance with the law, and liability for breach of contract, standardized supplier management and cooperation and clarified the reward and punishment mechanism in the Business Code Commitments. Meanwhile, the Company visits its partners from time to time to ensure that they comply with the Company's Business Code. In 2020, the Company was not found to have been involved in anti-corruption-related violations.

Sustainability Management

Analysis of substantive issue

In order for this Report to better respond to the expectations of stakeholders, the Company has identified and evaluated substantive issues, clarified those material issues that have a significant impact on the Company and its stakeholders, and focused on disclosure and response in the Report.



Stakeholder participation

Stakeholder	Expectations and Demands	Major Communication Channels	Response Measures
Shareholders and investors	<ul style="list-style-type: none"> • Get returns on investment • Learn about the Company's operations 	<ul style="list-style-type: none"> • Shareholders' meeting • Release reports regularly • Visitor survey 	<ul style="list-style-type: none"> • Information disclosure • Compliance governance • Hold the shareholders' meeting • Continuous return to shareholders • Investor communication meeting
Government	<ul style="list-style-type: none"> • Operate in accordance with laws • Pay taxes in accordance with laws • Promote employment • Implement various policies • Achieve quality development • Ecological protection 	<ul style="list-style-type: none"> • Actively accept supervision • Information report • Working meeting • Government-enterprise cooperation 	<ul style="list-style-type: none"> • Respond to the national strategy • Comply with laws, regulations and policies • Pay taxes in full and on time • Create jobs • Promote compliance management • Work safety
Employees	<ul style="list-style-type: none"> • Protect legitimate rights and interests • Provide favorable benefits and development opportunities • Provide a healthy and safe working environment • Enjoy the right to democratic participation 	<ul style="list-style-type: none"> • Labor union • Workers' congress 	<ul style="list-style-type: none"> • Strengthen employee training • Keep open employee promotion channels • Occupational health and safety management • Regularly hold workers' congress
Customers	<ul style="list-style-type: none"> • Quality products • High quality services 	<ul style="list-style-type: none"> • Customer satisfaction survey 	<ul style="list-style-type: none"> • Strict quality management • Innovative R&D investment • Improve customer communication channels
Suppliers	<ul style="list-style-type: none"> • Open and fair purchasing • Keep commitments • Win-win cooperation 	<ul style="list-style-type: none"> • Bidding platform 	<ul style="list-style-type: none"> • Public purchasing information, fair purchasing • Perform as agreed
Communities	<ul style="list-style-type: none"> • Support social welfare undertakings • Create jobs for communities 	<ul style="list-style-type: none"> • Volunteer team 	<ul style="list-style-type: none"> • Carry out public service activities • Volunteer activities Take social responsibility
Industry	<ul style="list-style-type: none"> • Fair competition Promote industry progress 	<ul style="list-style-type: none"> • Industry cooperation 	<ul style="list-style-type: none"> • Enhance R&D capacity • Participate in industry activities • Participation in making standards
Environment	<ul style="list-style-type: none"> • Green products • Energy conservation and emissions reduction • Environmental pollution control 	<ul style="list-style-type: none"> • Improve the formula • Technology improvement and promotion 	<ul style="list-style-type: none"> • Wastewater/waste gas treatment and recycling • Minimize carbon emissions • Minimize energy consumption

Key Performance Highlights

Economic performance

Indicator	Unit	2020
Operating revenue	RMB 000' 000' 000	37.52
Net profit attributable to parent company	RMB 000' 000' 000	4.76
Total assets	RMB 000' 000' 000	36.37
Number of R&D employees	Person	196
R&D investment	RMB 000' 000' 000	0.72
Total dividends paid to shareholders during the reporting period	RMB 000' 000' 000	1.44

Note: For Proya's other financial data in 2020, refer to Proya's 2020 Annual Report.

Environmental performance

Energy

Indicator	Unit	2018	2019	2020
Office electricity consumption	KWh	7,225,680.00	6,902,580.00	8,435,445.00
Operating revenue	RMB 0' 000	236,124.88	312,352.02	375,238.68
Energy intensity	KWh/RMB 0'000 revenue	30.60	22.10	22.48
Energy efficiency	RMB 0'000 revenue/kWh	0.03	0.05	0.04

Notes: (1) Energy intensity reflects the energy consumed per RMB 10,000 output. The less energy consumption per unit output, the lower the energy intensity; (2) Energy efficiency reflects the revenue per KWh electricity output. The greater the output per unit electricity, the higher energy efficiency.

Water

Indicator	Unit	2018	2019	2020
Water consumption	T	134,797.00	142,295.00	156,273.00
Operating revenue	RMB 0' 000	236,124.88	312,352.02	375,238.68
Water consumption intensity	T/RMB 0'000 revenue	0.57	0.46	0.42
Water efficiency	RMB 0'000 revenue/T	1.75	2.20	2.40

Notes: (1) Water consumption intensity reflects the water consumed per RMB 10,000 output. The less water consumption per unit output, the lower the water consumption intensity; (2) Water efficiency reflects the revenue per t water output. The greater the output per unit water, the higher the efficiency of water.

Greenhouse gas emissions

Indicator	Major source of emissions	Unit	2018	2019	2020
Direct emissions (Category 1)	natural gas	T carbon dioxide equivalent	700,281.67	748,261.50	783,394.37
Indirect emissions (Category 2)	Purchased electricity		5,888,297.93	5,643,664.22	6,866,116.38

Notes: (1) Direct emissions (Category 1) refer to greenhouse gas emissions resulting from coal, natural gas, petroleum and other fossil energy combustion activities and industrial production processes; (2) Indirect emissions (Category 2) refer to greenhouse gas emissions resulting from outsourced electricity and heat; (3) Direct emissions are calculated as per the Technical Guide for Calculations for Coordinated Control of Greenhouse Gases in Pollutant Removal from Pollution Treatment Facilities (trial); (4) Indirect emissions are calculated as per the Baseline Emission Factors for Regional Power Grids in China in 2019 Emissions Reduction Projects.

Social performance

Indicator			Unit	2020
Employees	Total number of employees		Person	2,898
	By gender	Male	Person	1,105
		Female	Person	1,793
	By age	21 (incl.) - 30 years old	Person	1,179
		31 (incl.) - 40 years old	Person	1,272
		41 (incl.) - 50 years old	Person	417
		51 years old and above	Person	30
	By education background	Junior college or below	Person	2,099
		Bachelor	Person	689
		Master or above	Person	110
	Gender distribution of middle and senior managements	Male	Person	123
		Female	Person	110
	Employees hired under labor contracts		%	100%
	Employees provided with social insurance		%	100%
	Employees covered by the labor union		%	80%
Society	Number of training sessions		Nr.	4
	Total training time		Hour	46
	External donations (Product donations are priced at the retail price)		RMB 0' 000	1,500

Indicators and Standards

Table of Contents		SDGs	GRI Standards	CASS-4.0
About this Report			GRI 101 GRI 102	P1.2 P1.3
Messages from Co-founders			GRI 102	P2.2
A Focus on Responsibility: Joint Efforts to Fight COVID-19			GRI 403 GRI 413 GRI 416	P3.1 P3.2
About Proya	Company Profile		GRI 102	P4.2 P4.3 P4.4
	Corporate Culture		GRI 102	P4.1
	Development Strategy		GRI 102 GRI 103	G2.2 G2.3 G2.4
	Honors in 2020		GRI 102	A3
Environmental	Green Intelligent Manufacturing: Creating an Eco-Friendly Production Process	 	GRI 302 GRI 303 GRI 305 GRI 306 GRI 307	E2.1 E2.3 E2.5 E2.11 E2.13 E2.15
	Green Procurement: Sustainable Raw Material Sourcing		GRI 301 GRI 308	E2.2
	Green Logistics: Reducing Carbon Footprint		GRI 301 GRI 305	E2.19 E2.21 E2.22
	Green Office: Promoting Low-Carbon Lifestyle		GRI 302 GRI 305	E3.1
	Green Charity: Contributing to a Circular Economy		GRI 305	E3.6
Social	Sincere Service, Customer First		GRI 416	M2.2 M2.4 M2.5 M2.6 M2.9

Social	People Oriented – Continued Focus on Employee Development	   	GRI 401 GRI 403 GRI 404 GRI 405 GRI 406 GRI 419	S2.1 S2.2 S2.3 S2.4 S2.5 S2.8 S2.10 S2.11 S2.14 S2.15 S2.16 S2.17 S3.3
	Be Open-minded and Collaborative to Sustain Healthy Industry Growth		GRI 202	M3.6 M3.8
	Supporting Charities and Communities		GRI 413	S4.6 S4.8 S4.11
	Improving Corporate Governance		GRI 102 GRI 201	M1.1
	Improving Disclosure Quality		GRI 102 GRI 201	M1.4
	Strengthening Investors Relationship Management		GRI 102 GRI 201	M1.5
Governance	Tightening Risk and Compliance Management		GRI 102	M1.1
	Intellectual Property		GRI 102 GRI 202	M3.5
	Anti-corruption		GRI 102 GRI 205	M1.3
Sustainability Management	Analysis of substantive issue		GRI 102	G2.1
	Stakeholder participation		GRI 102	G6.1
Key Performance Highlights				A2
Indicators and Standards				A5
Feedback Questionnaire				A6

Feedback Questionnaire

Dear readers,

Thank you very much for taking the time to read the Sustainability Report 2020 of Proya Cosmetics Co., Ltd. In order to provide you and other stakeholders with more valuable information and effectively promote the Company's ability and level to perform corporate social responsibility, we sincerely expect your comments and suggestions

MCQs (please tick ☒ in the appropriate box, where applicable)

1. Your overall evaluation on this report:

☐ Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor

2. The report's response and disclosure with respect to issues of concerns to stakeholders:

☐ Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor

3. How do you think Proya is doing in terms of economic responsibility?

☐ Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor

4. How do you think Proya is doing in terms of environmental responsibility?

☐ Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor

5. How do you think Proya is doing in terms of community responsibility?

☐ Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor

6. Are the information, indicators and data disclosed in the report clear, accurate and complete?

☐ Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor

7. Do you think the contents and format of this report are easy to read?

☐ Yes ☐ No

Open questions

Do you have any comments and suggestions on Proya's fulfillment of social responsibility and this Report?

Your contact information:

Name: Tel: E-mail:

Company: Position:

Mailing address:

You may send us your valuable comments or suggestions by telephone, email or courier. Our contact information is given below:

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the official account of the Company