



## Environment, Social & Governance Achievements

Innovation Enterprises Holdings Limited

# Highlight of 2018 ESG Achievements

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### Group's policy

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>
Mission	We Desire to be the No.1 manufacturer in our industry. We Explore to create the best-reputed products for the new generation.
Vision	Produce Great Sound Audio Devices for the new generation all over the world with outstanding Quality.

The Group has longed to manufacture excellence and good quality electro-acoustic sound devices, leading the Group to be worldwide recognition. Upholding this strategic principle, the Group is geared to international standards and tries to channel all that it learned and heard into the business that is environmentally responsible and sustainable. Striving to that aim, the top management is pledged to maintain management system functions effectively and works wisely. Hence, the Group sets up a corporate governance guideline and well defines the responsibility of each role and department. As of 31 December 2018, the Group attained several international standard certificates to link up the Group to the market worldwide, aiming to provide high-quality electron-acoustic services.

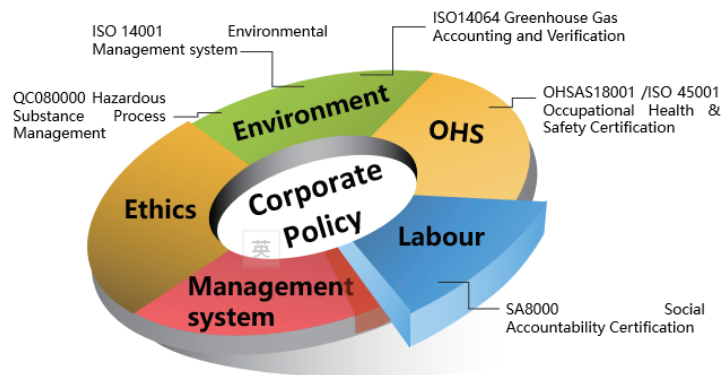


Figure – The Group's policy is being incorporated with amfori Business Social Compliance Initiative (BSCI) and RBA code of conduct

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## Environmental Aspects

### 1. ENVIRONMENTAL KPI IN 2018

In 2018, the emission of each place of business in China is shown below:

Table – GHG emission of the Group by operational sites

Indicator	Unit	Total emission in 2018	Percentage of total emission
Shenzhen			
Scope 1 - Direct emissions	CO2e tonnes	1,125	6.88%
Scope 2 - Energy indirect emissions	CO2e tonnes	15,223	93.12%
Jiangxi			
Scope 1 - Direct emissions	CO2e tonnes	153	6.55%
Scope 2 - Energy indirect emissions	CO2e tonnes	2,183	93.45%
Huizhou			
Scope 1 - Direct emissions	CO2e tonnes	602	8.07%
Scope 2 - Energy indirect emissions	CO2e tonnes	6,863	91.93%
Total			
Scope 1 - Direct emissions	CO2e tonnes	1,880	7.19%
Scope 2 - Energy indirect emissions	CO2e tonnes	24,269	92.81%
Total GHG emissions (scope 1 and 2)	CO2e tonnes	26,149	100%

Table – Total emission of the Group in 2018 by GHG types

	Indicator ( CO2e tonnes %)			
	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs
Shenzhen	15,316; 93.69%	682; 4.17%	0.40; 0%	350; 2.14%
Jiangxi	2,207; 94.49%	124; 5.29%	0.26; 0.01%	5; 0.21%
Huizhou	6,953; 93.15%	510; 6.83%	1.55; 0.02%	-
Total	24,476	1,316	2.21	355
Percentage of total emission	93.60%	5.03%	0.01%	1.36%

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	Indicator (CO2e tonnes; %)			
	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs
Percentage of total emission	93.60%	5.03%	0.01%	1.36%

Table – Total emission of air pollutants of the Group in 2018 by pollutants

	NO <sub>x</sub>	SO <sub>x</sub>	PM
Release in 2018 (in kg)	19.08	0.80	1.40

Table – Total emission of energy and kilometers travelled by vehicles in 2018

	Purchased Electricity (kWh)	Diesel Oil (Stationary) (L)	Diesel Oil (Mobile) (L)	Petroleum (Mobile) (L)	Vehicles travel kilometers (km)	Natural Gas (ton)	LPG (kg)
<b>Shenzhen</b>							
Actual consumption	17,546,283	9,800	13,028	15,280	227,059	-	-
<b>Jiangxi</b>							
Actual consumption	2,699,755	90	-	4,502	28,336	6,957	120
<b>Huizhou</b>							
Actual consumption	6,872,018	1,603	-	20,435	-	-	13,190
<b>Total</b>							
consumption	27,118,056	9,890	1,280	24,937	-	6,957	13,310

Table - Total waste generation of the Group in 2018

(calculated in tonnes)	Shenzhen	Jiangxi	Huizhou
Non-Hazardous Waste	12	4.8	0.81
Hazardous Waste	518	1.40	256

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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. At the end of 2018, 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.

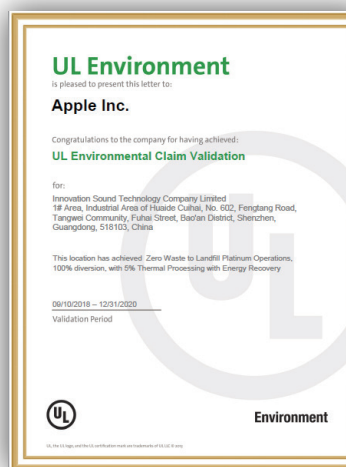


Table - Total water discharge in 2018

	Water consumption in 2018	Intensity per production volume
Shenzhen	245,173 m <sup>3</sup>	0.010
Jiangxi	50,390 m <sup>3</sup>	0.001
Huizhou	126,625 m <sup>3</sup>	Insignificant (<0.001)

## The Environment and Natural Resources

### 2. 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. In view of that, the Group installed activated carbon adsorption treatment devices to centrally collected and absorbed the exhaust gas. The activated carbon is replaced once a year. The Group is also commissioned with the third-party to test exhaust gas emission. Pursuant to 2018 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”.

# Highlight of 2018 ESG Achievements

## 3. 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.

## 4. HAZARDOUS SUBSTANCES MANAGEMENT / GREEN PROCUREMENT

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.



## Social Aspects

The Group strives to fulfill 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 the Group is 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.



Common area available for all employees

# Highlight of 2018 ESG Achievements

## 5. RECRUITMENT AND PROMOTION

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Fair and equal employment and recruitment procedure are adopted in the Group. Moreover, the Group endlessly strives to retain talents and stabilize the turnover rate, the Group, therefore, offers a reward scheme to appreciate the outstanding performance of the employees and their loyalty to the Group.



Outstanding performers in 2018

## 2. BENEFITS AND WELFARES

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The Group is committed to being a family-friendly employer and therefore adopted several employee-oriented employment practices to enhance employees' sense of belonging. The Group cares about the safety of female employees, in particular, pregnant women. Additionally, the Group encourages employees to take sufficient rest to maintain a reasonably sound body and mind and also promotes a work-life balance. As a result, the Group organised recreational activities such as annual dinners, and the corporate trip was also arranged during the reporting period to enrich the life of employees, sharing warmth and happiness among colleagues and their family members.

# Highlight of 2018 ESG Achievements



The 7<sup>th</sup> Basketball competition in Huizhou

Sport competition in Jiangxi



2018 Corporate Trip



2018 Chinese New Year Dinner



# Highlight of 2018 ESG Achievements

## Occupational Health and Safety (OHS)

### 3. 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 OHSAS 18001 occupational health and safety management system and the OC080000 hazardous substances management system.

In order to minimize the impact on those employees, a regular body check is arranged before, during and after on board. The administrative and human resources also schedule relevant training once a year to teach employees how to wear PPE appropriately. In terms of mental health, the Group has also organized awareness training to employees to share physical and mental health issues in order to maintain a reasonably sound body and mind of the employees. There were no work-related fatalities recorded in the Group during the reporting period, but there was a total of 316 workdays were lost due to work-related accidents in the reporting period.

### 4. 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, an emergency shower 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. 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 stores 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 enter to 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.

## 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.

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## Operating Practices

### 5. 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 are eligible to be registered suppliers / contractors of the Group.

Table – the assessment criteria to screen out suppliers / contractors

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>

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## Product Responsibility

### 6. QUALITY ASSURANCE

#### 6.1. 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.

#### 6.2. QUALITY ASSURANCE MECHANISM

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



#### 6.3. 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. Employees have to confirm they are dressed properly, and the wristband is in function before entering EPA. Employees 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.

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## 6.4. 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 , where equipped with explosion-proof air-conditioners and with explosion-proof cabinets. Also, with sufficient fire safety equipment. No electricity, heat, and erosive chemicals right near the batteries are allowed.

## 6.5. CUSTOMERS SATISFACTION

Marketing and Quality Control department are delegated to handle customer complaints (if any) through service hotline and email. 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 at 31 December 2018, there were 2,05,114,733 pieces of products being sold in 2018 and there were merely 10 complaints. Also, there were no recall of the product and no customers disputes and claims regarding services quality.

Meanwhile, the Group realizes the number of complaints is not a 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 then analyse the result. The six customers' satisfaction factors are customers expectation, customer perception of quality and value, customer satisfaction, customers complaints and loyalty of customers respectively. In 2018, the customers satisfaction result is conducted half a year and the scoring scale varies among different operational sites. To sum up, results are fairly positive. It implies that the customers are 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 labour 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 development with our customers in 2018.