



Environmental, Social & Governance Achievements



Innovation Enterprises Holdings Limited

Highlight of 2022 ESG Achievements

Directors message

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

Vision	Being a sustainable company imbued with love, social conscience and shared success with shared responsibility.
Mission	Make the great products that we love, we use and we proud of.
Core Value	<ul style="list-style-type: none"> • Build integrity run credibility: with all customers, colleagues, vendors and all partners • In search of Excellence: in all single details • Happiness: enjoy every day we work with all partners • Marketing Orientation: move quickly to embrace the market flexibly trends and kept Transforming • Simple structure lean staffs: which respects everyone • Passionate: in all the products we made



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

A1. Emissions

This section is referring to air pollutants release and greenhouse gases emission of the Group. All of the KPIs are calculated using the latest emission factors and global warming potential.

A1.1 GREENHOUSE GAS (GHG) EMISSION

In 2022, the GHG emissions of each site of business in China and Vietnam are shown below:

		2022			2021		
Indicator	Unit	Total emission	Percentage of total emission	Intensity per million output value (RMB)	Total emission	Percentage of total emission	Intensity per million output value (RMB)
Shenzhen							
Scope 1 -- Direct emissions	CO ₂ e tonnes	835	4.88%	0.40	1,127	4.63%	0.41
Scope 2 -- Energy indirect emissions	CO ₂ e tonnes	16,284	95.12%	7.84	23,217	95.37%	8.37
Jiangxi							
Scope 1 -- Direct emissions	CO ₂ e tonnes	144	7.23%	0.77	231	8.07%	0.73
Scope 2 -- Energy indirect emissions	CO ₂ e tonnes	1,849	92.77%	9.91	2,632	91.93%	8.33
Huizhou							
Scope 1 -- Direct emissions	CO ₂ e tonnes	264	5.45%	0.34	545	7.28%	0.53
Scope 2 -- Energy indirect emissions	CO ₂ e tonnes	4,574	94.55%	5.86	6,945	92.72%	6.72
Vietnam							
Scope 1 -- Direct emissions	CO ₂ e tonnes	131	13.71%	0.51	116	17.47%	68.70
Scope 2 -- Energy indirect emissions	CO ₂ e tonnes	826	86.29%	3.23	548	82.53%	323.50

		2022			2021		
Indicator	Unit	Total emission	Percentage of total emission	Intensity per million output value (RMB)	Total emission	Percentage of total emission	Intensity per million output value (RMB)
4 Factories							
Scope 1 -- Direct emissions	CO ₂ e tonnes	1,374	5.52%	0.42	2,020	5.71%	0.49
Scope 2 -- Energy indirect emissions	CO ₂ e tonnes	23,533	94.48%	7.13	33,342	94.29%	8.08
Total GHG emissions (Scope 1 / 2)	CO ₂ e tonnes	24,907	100%	7.55	35,362	100%	8.57

Table - GHG emission of the Group by operational sites

The intensity per total million output value (RMB) in 2022 was 7.55. In 2022, due to the temporary closure of factories in China as a result of COVID-19, the scope 1 direct and scope 2 indirect emission has decreased by 11.9% compared with 2021. However, the Intensity per million output value (RMB) in Jiangxi has increased. It is because of the slight reduction of annual production volume in Jiangxi. In Vietnam, the scope 1 Direct emission and scope 2 Indirect emission have increased compared with 2021. As the production volume has raised in Vietnam in comparison with its launching year, so its total GHG emissions have increased accordingly.

The table above has clearly shown that the scope 2 energy indirect emissions dominate the Group's total GHG emission, in which purchased electricity is the only contributor to the scope 2 energy emission. It indicates that an energy-saving plan plays a significant role if the Group has longed for lowering GHG emission in future.

	2022	2021	2022	2021	2022	2021	2022	2021
	CO ₂		CH ₄		N ₂ O		HFCs	
Shenzhen	16,297 95.20%	23,264 95.56%	519 3.03%	709 2.91%	0.05 0.00%	0.10 0.00%	303.00 1.77%	371.00 1.52%
Jiangxi	1,886 94.62%	2,696 94.17%	98 4.91%	157 5.50%	0.26 0.01%	0.31 0.01%	9.07 0.45%	9.07 0.32%
Huizhou	4,608 95.25%	7,085 94.59%	227 4.70%	402 5.37%	0.35 0.01%	0.48 0.01%	2.29 0.05%	2.29 0.03%
Vietnam	808 74.58%	548 81.10%	276 25.42%	17 2.53%	0.00 0.00%	0.00 0.00%	0.00 0.00%	111.00 16.37%
Total	23,598 94.27%	33,593 94.97%	1,120 4.47%	1,286 3.64%	0.66 0.00%	0.89 0.00%	314.00 1.26%	493.00 1.39%

Table - Total emission of the Group by GHG types
Indicator (CO₂e tonnes; %)

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

	NOx	SOx	PM
Release in 2022 (in kg)	86.85	0.12	8.14
Release in 2021 (in kg)	45.29	0.56	3.78
Release in 2020 (in kg)	98.68	0.59	9.31

Total emission of air pollutants of the Group by pollutants

A2. Use of Resources

A2.1 ENERGY CONSUMPTION

	Purchased Electricity (kWh)	Diesel Oil (Stationary) (L)	Diesel Oil (Mobile) (L)	Petroleum (Mobile) (L)	Vehicles Travel (km)	Natural Gas (ton)	LPG (kg)
Shenzhen							
Actual consumption	17,802,300	560.04	6,635.53	390.61	58,840	0	0
Intensity per total million output value (RMB)	8,570	0.27	3.19	0.19	28	-	-
Jiangxi							
Actual consumption	2,153,324	80.00	0	3,661.34	14,859	14,317	0
Intensity per total million output value (RMB)	11,541	0.43	-	19.62	80	77	-
Huizhou							
Actual consumption	4,579,712	0	9,440.31	3,934.43	102,951	0	0
Intensity per total million output value (RMB)	5,871	-	12.10	5.04	132	-	-
Vietnam							
Actual consumption	1,004,260	0	6,828.00	10.00	21,000	0	0
Intensity per total million output value (RMB)	3,934	-	26.74	0.04	82	-	-
Total consumption	25,539,596	640.04	22,903.84	7,996.38	197,650	14,317	0
Intensity per total million output value (RMB)	7,741	0.19	6.94	2.42	60	4	-

Table - Total emission of energy and kilometers travelled by vehicles in 2022

In the reporting period, Vietnam experienced increase in production so the total amount of fuels consumed by purchased electricity and vehicles increased. It is due to the introduction of new products and frequent travels of auditors and clients. The actual consumption of the 3 operational sites in China has reduced compared with 2021. However, the intensity per total million output value (RMB) in Jiangxi has increased due to the slight decrease in production volume in comparison to 2021. The overall energy consumption has reduced by 19.58% and got improved in the reporting period, except for the consumption in mobile diesel oil owing to the increase in Vietnam. The group continue to seek various opportunities and hoping to further decrease electricity consumption in the future.

	Purchased Electricity (kWh)	Diesel Oil (Stationary) (L)	Diesel Oil (Mobile) (L)	Petroleum (Mobile) (L)	Vehicles Travel (km)	Natural Gas (ton)	LPG (kg)
Shenzhen							
Actual consumption	28,869,746	1,440.00	13,516	10,249	223,767	0	0
Intensity per total million output value (RMB)	10,410	0.52	5	4	81	-	-
Jiangxi							
Actual consumption	3,254,621	80.00	0	4,144	18,044	25,386	0
Intensity per total million output value (RMB)	10,298	0.25	Insignificant (<0.0001)	13	57	80	-
Huizhou							
Actual consumption	6,953,932	0	12,434	4,801	116,503	0	11
Intensity per total million output value (RMB)	6,726	-	12	5	113	-	0.01
Vietnam							
Actual consumption	647,952	0	0	30	1,890	0	0
Intensity per total million output value (RMB)	382,482		-	18	1,116	-	-
Total consumption	39,726,251	1,520.00	12,764	8,975	360,204	25,386	11
Intensity per total million output value (RMB)	9,631	0.37	3	2	87	6	0.003

Table - Total emission of energy and kilometers travelled by vehicles in 2021

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

A2.2 WASTE MANAGEMENT

	Shenzhen		Jiangxi		Huizhou		Vietnam	
	2022	2021	2022	2021	2022	2021	2022	2021
Non-hazardous waste								
Total weight (kg)	96,137	137,523	48,710	257,290	80,429	147,387	65,835	82,000
Weight per production volume	0.017	0.01	0.002	0.005	0.005	0.005	0.04	8.91
Weight per total million output value (RMB)	46	50	261	814	103	143	258	48,404
Hazardous waste								
Total weight (kg)	5,538	2,670	2,100	949	2,962	1,630	140	0
Weight per production volume	0.001	0.0003	Insignificant (<0.0001)	Insignificant (<0.0001)	0.0002	0.0001	Insignificant (<0.0001)	0
Weight per total million output value (RMB)	2.67	0.96	11.26	3.00	3.80	1.58	0.55	0

Table - Total waste generation of the Group

The intensity per total million output value (RMB) of hazardous waste and non-hazardous waste in 2022 were 3.26 (Total weight/ total million output value (RMB)) and 88.24 kg/RMB (Total weight/ total million output value (RMB)) respectively. All 4 operational sites have reduced the amount of non-hazardous waste by 41.69% compared with 2021. However, the amount of hazardous waste transferred has increased, resulting in an increase in the intensity per total million output value (RMB) of hazardous waste.

Apart from the aforementioned waste reduction measures, the Group has also developed a “LEAN Service” to minimize waste, and pursuing zero inventories, zero waste and no negative impacts on the operation as ultimate goals. In consideration of the fact that the products produced in Shenzhen are diverse and always in small amount in the purchasing order, the product line of it is modified with 2R1C approach (remove, reduce and combine) on the premise that product quality remains the same, increasing the productivity and resources utilization. Shenzhen operational site of the Group is successfully achieved “Zero Waste to Landfill Platinum Operations, 100% diversion, with 5% Thermal Processing with Energy Recovery”, awarding a UL Certification mark. The certification has been valid since 2018



ENVIRONMENTAL CLAIM VALIDATION SUMMARY

Innovation Sound Technology Company Limited

Innovation Sound Technology Company Limited

Report Number:

152799-0100

Validation Period:

09/01/2018 - 07/31/2023

Claims:

Innovation Sound Technology Company Limited has achieved Zero Waste to Landfill Platinum Operations, 100% diversion, with 5% Thermal Processing with Energy Recovery.

Method:

UL 2799A Environmental Claim Validation Procedure (ECVP) for Zero Waste Classifications

Facility:

Floors 3rd-5th of Building 8th, Buildings 2nd-6th, 3rd Floor and 5th Floor of Building 1st, 1st Area, Industrial Area of Huaide Culture, No. 162, Fenggang Road, Bao'an District, Shenzhen, China

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A2.3 WATER CONSUMPTION

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

- Educate employees to turn off the taps while not use.
- Installing water-saving appliances with water-saving label.
- Fix dripping taps and water mains promptly.

	Water consumption (m ³)		Intensity per production volume		Intensity per total million output value (RMB)	
	2022	2021	2022	2021	2022	2021
Shenzhen	315,233	462,880	0.055	0.046	151.75	166.91
Jiangxi	47,635	78,377	0.002	0.001	255.31	247.99
Huizhou	87,800	118,430	0.006	0.004	112.56	114.54
Vietnam	13,416	4,374	0.009	0.480	52.55	2,581.95

Table - Total water discharge

A3. The Environment and Natural Resources

A3.1 EXHAUST GAS EMISSION

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

The Group is also commissioned quality assurance company to test exhaust gas emission. Pursuant to 2022 testing report, the exhaust gas emission of the Group was far below the local standard of Guangdong Province "Air Pollution Emission Limit DB44/27-2001", "Volatile Organic Compounds pollution emission Limit in the Printing Industry DB44/815-2010" as well as "Comprehensive Air Pollution Emission Limit GB16297- 1996", "VOC Emission Limit for Industrial Company DB12 524-2018" and "Emission standard of pollutants for synthetic resin industry GB 31572-2015". The Group's administrative department is response to communicated with quality assurance company to identify the emission source and monitor the emission. Once the abnormal emission of the exhaust gas is observed, the Group will take immediate corrective actions. The Group's technical services team are required to attend relevant technical training to get to know how to operate generators and monitor the emission.

A3.2 RESPONSIBLE PROCUREMENT

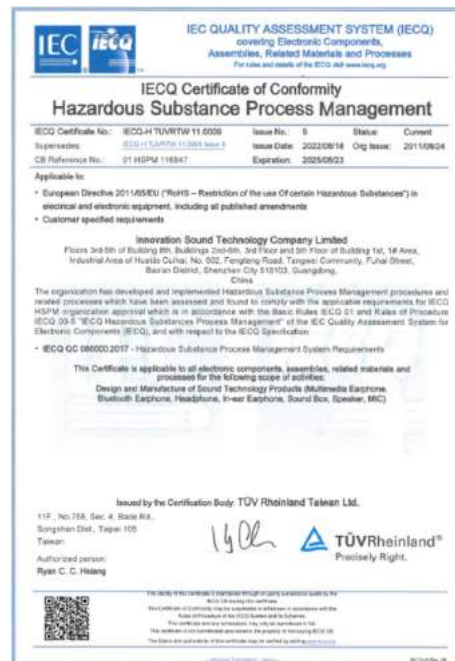
The Group is a participant of the Responsible Business Alliance (RBA) and follows RBA's Code of Conduct to ensure the workers are treated with respect and dignity, and the business operations are environmentally responsible and conducted ethically. One of the policies is to adopt responsible sourcing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

A3.3 HAZARDOUS SUBSTANCES MANAGEMENT

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

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

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



A4. Climate Change

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

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

Conclusion

The Group identified more than 60 possible risks among department covering environmental and social aspects such as hazardous waste disposal and management, materials sourcing and procurement, storage management, business ethics, health and safety, risks of accident etc. In 2022, the Group encountered low risks in operation, and continued to implement energy-saving measures such as eliminating energy inefficient air-conditioning, arranging awareness training, and monitoring energy consumptions. The Group will continually improve the performance with regards to the set targets.

B. Social Responsibility

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

In the Group's pursuit of business development, the company will continue to fulfill social responsibilities, always bear in mind the Group's duties and obligations to society, always prioritize the concerns of development of the country and the happiness of the people and make a contribution to the great rejuvenation of the Chinese nation.

B1. Employment

Employees are the engine of value creation for the business of Group. This drives the Group diligently creates an engaging, harmonious, fair and safe working environment to the employees for academic pursuit and career development. The Group certainly follows the national employment ordinance, and also continuously establishing employee-centered policies and practices to increase the employees' sense of belongings, as well as to inspire employees' retention. In the reporting period, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, as well as discrimination.



Figure - Common area available for all employees

B1.1 RECRUITMENT AND PROMOTION

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

Region	Minimum Monthly Salary from government	Amount of above requirement from government
Shenzhen	RMB 2,360	RMB 190 higher than required
Jiangxi	RMB 1,610	RMB 240 higher than required
Huizhou	RMB 1,720	RMB 530 higher than required
Vietnam	RMB 1,074	RMB 581 higher than required

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



Figure - Outstanding performers in 2022

B1.2 BENEFITS AND WELFARES

The Group pays “Five social insurance and one housing fund” , namely endowment insurance, Medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund for employees based in China. The basic remuneration package fully complies with the national employment laws and regulations in China and Vietnam, such as the ND 145/2020/NĐ-CP of Vietnam. And all employees are entitled to a various statutory holidays and paid leave. The Group also adopts a five-day workweek. Special leaves such as parental leave, marriage leave, and compassionate leave are included. Even more, the Group cares and realizes the hard work in high temperature working environment higher than 35 degrees Celsius and overnight works, additional compensation paid is offered in return.

B2. Labour Practices

The Group strongly believes that children shall enjoy a pleasant childhood. Human resource department and administrative department of the Group join hands to monitor and regulate the child labour and teenager of the Group (if any). By definition, child labour refers to the workers aged under 16 years old; whereas the teenager refers to the workers aged between 16 to 17 years old. The Group prohibits the employment of child labour and also the Group requires Human resource department and administrative department must check identity card, educational history, qualification, career experience in the recruitment process so as to ensuring regulatory working age and experience are met before onboard. Moreover, the Group arranges training to the recruiters to enhance their recruiting skills. The departments also conduct regular inspections to check the identity of every employee. Once the child labour is found, the Group terminates the employment contract immediately, arranges medical checks and sends the child back to his/her hometown for growing up. Follow-up actions such as financial supports for education, the salary he/she deserved and the job opportunities after 16 years old. An investigation will be launched as well to examine the cause and take corrective actions accordingly.

B3. Occupational Health and Safety (OHS)

B3.1 CARING TO EMPLOYEES

The Group remains highly attentive to occupational health and safety whereby the Group is pledged to build a safe working environment and form a trustworthy bonding among Employees. The Group follows or even acquires certificates of ISO 45001 occupational health and safety management system and the QC080000 hazardous substances management system. Thereby, the Group has established an OHS procedure and policies, in which an OHS checking program is specified. It is expected to assess the danger of high-risk positions and figure out monitoring measures. For instance, Employees in the gluing process can be susceptible of excess exposure of Benzene and noise, resulting in chronic poisoning or occupational deafness; Employees work under the X-Ray exposure and in the grinding, process may be affected by radioactivity, PM and dust, therefore, proper PPEs shall be offered.

B3.2 WORKING ENVIRONMENT

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

The Group keeps a certain amount of hazardous chemicals and hazardous substances in the operational sites. Every single chemical is with corresponding material safety data sheet (MSDS) to instruct safety usage and list out potential hazards. The MSDS comprises substances name, composition, handling and storage requirement, toxicity, relevant health risks, first-aid measures, firefighting measures, accidental release measures, emergency contact information and, etc. Employees shall be aware of and pay attention to the MSDS while using chemicals. Only well-trained specialists can access the chemical storeroom where the temperature and humidity are being tightly controlled. Stringent entry limitation is adopted as well. Safety incidents (if any) will be reported to the top management immediately, perform corrective action and evacuate if

necessary. In the concern of fire, the general manager and department head form a fire safety committee which leads the fire preparedness in the Group. The administrative and human resources department arrange a fire safety training every year to all the Employees, in which the training teaches the Employees how to use fire distinguishers and emergency education. To better the fire preparedness, the Group also places and install proper fire safety equipment, for example, fire alarm, various types of distinguishers, fire sands and spill-kits.

B4. Training and Development

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

B5. Operating Practices

B5.1 SUPPLY CHAIN MANAGEMENT

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

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

B6. Product Responsibility

B6.1 QUALITY ASSURANCE

A) CERTIFICATION OF PRODUCT SAFETY AND QUALITY

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

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



B) QUALITY ASSURANCE MECHANISM

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



C) ELECTROSTATIC DISCHARGE (ESD) CONTROL

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

D) BATTERIES QUALITY

The battery is a critical component of the electro-acoustic product and almost all of the Group product needs batteries. The Group requires the batteries to be stored 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 such as the thickness, the size, wire and circuit design to prevent overheating and explosion. For suppliers, they shall provide certificates of UL, CB, ETL or IEC 62133 international safety standard for lithium-ion battery products 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 moisture. Compliance with the corresponding ordinance of import and export goods is a must even though it varies country by country.

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

E) CUSTOMERS SATISFACTION

Even though the Group pays extra attention to products quality, the Group encounters enquiries concerning about the quality. Marketing and Quality Control department are delegated to handle customer complaints if any. The Quality Control department further investigates the root cause of low quality and comes up with effective corrective and preventive action plans. The marketing department will then address the complaints and comfort the unpleasant experience of customers. The recall and compensation procedure (if necessary) will be activated. As of 31 December 2022, 45,124,982 pieces of products were sold in 2022 and there were 8 complaints regarding product quality due to materials from supplier. The Group investigated the causes and strengthened the inspections frequency. Re-design and modifications are required if applicable. Also, there were no recall of the product and no customers disputes and claims due to the safety and health reasons.

Meanwhile, the Group realizes the number of complaints not the only way to quantify the satisfaction of customers. In view of that, the marketing department conducts a customer satisfaction survey twice a year and analyze the result. The ten customers' satisfaction factors are attitude of sales person, communication, R&D, sample quality, technical supports, packaging, Hazardous Substances compliances, product quality, on-time delivery, and complaints handling. In 2022, the results were positive and far beyond the passing rate. It implies that the customers were satisfied with the professionalism and the quality of services provided by the Group.

In the meantime, the Group is also being assessed by customers regularly. There is a supplier responsibility standard, that the Group has to meet in order to aligning with the globe's code of conduct, in which also covers labour and human rights, health and safety, environmental protection, ethics and management system. RBA audit is conducted every 2 years. These can be seen as a must item to fulfill customers' requirement. The Group is pleased that all the audit and assessment are passed, and the Group continues business with the Group's customers in 2022.

B6.2 TRADE SECRETS CONTROL

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

B) PRIVACY AND CONFIDENTIALITY

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

B6.3 PROMOTION AND ADVERTISEMENT

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

B7. Anti-Corruption

The Group is aware any misconduct can tarnish the Group's reputation and trust. Integrity is high on the list of things that the Group are diligent to maintain. Thereby, the Group is not only bound by rigidly national laws and compliances of China and the 38/2018/QH14 of Vietnam, but also follows the Foreign Corrupt Practices Act. The Group, moreover, has established anti-corruption policy and code of conduct to prohibit Employees from receiving any advantages offered by customers, suppliers, colleagues, or the third parties, while they are performing employee duties. Every staff in the purchasing department of the Group must be transferred every two years to prevent corruption. Employees are required to declare interests on their first day of employment and an ethics committee launches inspection every half a year as well.

B8. Community Investment

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

In 2022, in view of the gradual ease of COVID-19, the Group has enhanced the participation in community activities. A total of 115 community hours has contributed towards COVID-19 prevention measures, waste sorting and recycling. Jiangxi donated 30,000 RMB and resources including tents and boxes of drinks to Taihe District Red Cross and the community committee in Taihe District Gaoxin Residential Area respectively.