

INOVANCE



2022

Environmental, Social and Governance (ESG) Report

Shenzhen Inovance Technology Co., Ltd.

CONTENTS

About this Report	01
Key Quantitative Performance	75
Index Table	81

01 About Inovance 03

Vision, Mission & Values	03
Regions	04
Main Business Units	05

02 ESG Governance System 06

ESG Framework	06
ESG Strategy	08
Management of Material Topics	09

03 Solid Corporate Governance 13

Corporate Governance System	13
Operational Compliance and Anti-Corruption	20

04 Lean & Innovative Solutions 22

R&D and Innovation System	22
Product Quality Management	26
Protection of Customers' Rights and Interests	30

05 Enterprising Low Carbon Pioneer 34

Low Carbon Products and Solutions	34
Responding to Climate Change	38

06 A Sincere and Reliable Responsibility Ecosystem 45

Supply Chain Management	45
Cross-industry Collaboration and Development	49

07 A Development Platform for Suitable Talent and Cultural Integration 51

Rights, Interests and Benefits of Employees	51
Occupational Health and Safety	57
Employee Training and Development	60

08 Strict and Diligent Green Operation 65

Environmental Management System	65
Resource Management	66
Emissions and Waste Management	68

09 Business Power with Sincere Dedication to Goodness 70

Community Communication and Volunteer Service	70
Social Welfare and Charity	71



About this Report

This Report is the third Environmental, Social & Governance (ESG) Report of Inovance, disclosing the Company's philosophy, management methods, work implementation and achievements in addressing substantive issues related to the environment, society and governance during the business operation process to stakeholders.

Reporting Scope

The information disclosed in this Report covers Shenzhen Inovance Technology Co., Ltd., Ltd. and its subsidiaries. Unless otherwise specified, it is consistent with the scope of Consolidated Financial Statement of annual report of Inovance (stock code: 300124.SZ).

In particular, the coverage of the quantitative performance disclosed in this Report includes the following three circumstances:

- The coverage of financial data and some social performance (including that of R&D and innovation and intellectual property protection) disclosed in this Report is consistent with the scope of the Consolidated Financial Statement;
- The coverage of some environmental performance (including that of energy management, greenhouse gas emissions and water resource use) disclosed in this Report covers the scope within Company's operational control, including all organizations within the scope of the Consolidated Financial Statement, as well as the Company's expatriate agencies (liaison offices);
- The coverage of other social and environmental performance disclosed in this Report is the direct control scope of the Company, i.e., Inovance's companies and subsidiaries with operational locations in Shenzhen and Suzhou, and the mentioned Companies and Subsidiaries are listed as below:

Companies and Subsidiaries Located in Shenzhen	Subsidiaries Located in Suzhou
Inovance Technology Co., Ltd.	Suzhou Inovance Technology Co., Ltd.
Shenzhen Inovance Information Technology Co., Ltd.	Suzhou Monarch Control Technology Co., Ltd.
Shenzhen Inovance Control Technology Co., Ltd.	Inovance Electromechanical Systems Engineering (Suzhou) Co., Ltd.
	Suzhou Inovance Automotive Co., Ltd.
	Suzhou Inovance Control Technology Co., Ltd.
	Jiangsu Kingway Rail Transit Equipment Co., Ltd.

For further information on the scope and changes of quantitative performance disclosure, please refer to the "[Key Quantitative Performance](#)" section.

For the sake of convenience, some main bodies involved in the disclosed information in the text are mentioned with abbreviations. The corresponding relationship between these abbreviations and the companies or subsidiaries they refer to are as follows:

Name of Company or Subsidiary	Abbreviations in Report
Shenzhen Inovance Technology Co., Ltd.	Inovance ¹
Suzhou Inovance Technology Co., Ltd.	Suzhou Inovance
Suzhou Inovance Automotive Co., Ltd.	Inovance Automotive

Name of Company or Subsidiary	Abbreviations in Report
Jiangsu Kingway Rail Transit Equipment Co., Ltd.	Kingway Rail
Shanghai BST Electric Co., Ltd.	BST Electric
Shanghai BNK Cable Co., Ltd.	BNK Cable
Yueyang Inovance Technology Co., Ltd.	Yueyang Inovance

¹ In addition, "the Company", "We" and "the whole Company" in this Report all refer to Inovance Technology Co., Ltd.

Reporting Period

This report is an annual report, covering the period from January 1, 2022 to December 31, 2022. For any information that goes beyond this time range, explanations will be provided where necessary.

Reporting Framework

This Report is prepared in accordance with Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies (2006), Guidelines of Shenzhen Stock Exchange for Self-discipline Regulation of Listed Companies No.2 – Standard Operation of Listed Companies on ChiNext Market (2022), and Annex I of Guidelines of Shenzhen Stock Exchange for Listed Companies' Handling the Business No. 2 – Matters Related to the Disclosure of Periodic Reports (2020).

Notes to the Report's Data

All qualitative information and quantitative data in this Report are collected from Inovance's authentic operational records or financial reports. Should there be any discrepancy between financial data in this Report with our Consolidated Financial Statements 2022, the latter shall prevail.

The financial data presented in this Report are denominated in RMB.

Reliability Assurance

Inovance promises that there are no false records, misleading statements or major omissions in the content of this Report, and the Company's board of directors is responsible for its authenticity, accuracy and completeness.

This Report is based on the principle of "balance" and discloses both positive and negative information about the Company in an unbiased manner. There are no negative events that ought to have been disclosed, that related to penalties from the competent authorities for violating relevant laws and regulations, or that have had a significant negative impact.

Contact Us

Email of Inovance Sustainability Office : sustainability@inovance.com

You can obtain more social responsibility information about Inovance through the Company's official website: <http://www.inovance.com>

About Inovance

Inovance is a high-tech Company engaged in the R&D, manufacturing and sales of industrial automation and new energy products. The Company focuses on developing core technologies for information layer, control layer, drive layer, execution layer, and sensor layer. It is committed to promoting industrial upgrading, improving the quality of life and fostering the development of civilization with innovative, automated, digital and intelligent services and solutions.

-  **Year of Incorporation:** 2003
-  **Company Name:** Inovance Technology Co., Ltd. ("Inovance," "the Company" or "we")
-  **HQ Address:** Inovance Building, High-tech Industrial Park, Guanlan Subdistrict, Longhua District, Shenzhen
-  **Stock Code:** 300124.SZ
-  **Markets Served:** 36 countries and regions including China, India, Vietnam, South Korea, Russia, Turkey and Egypt

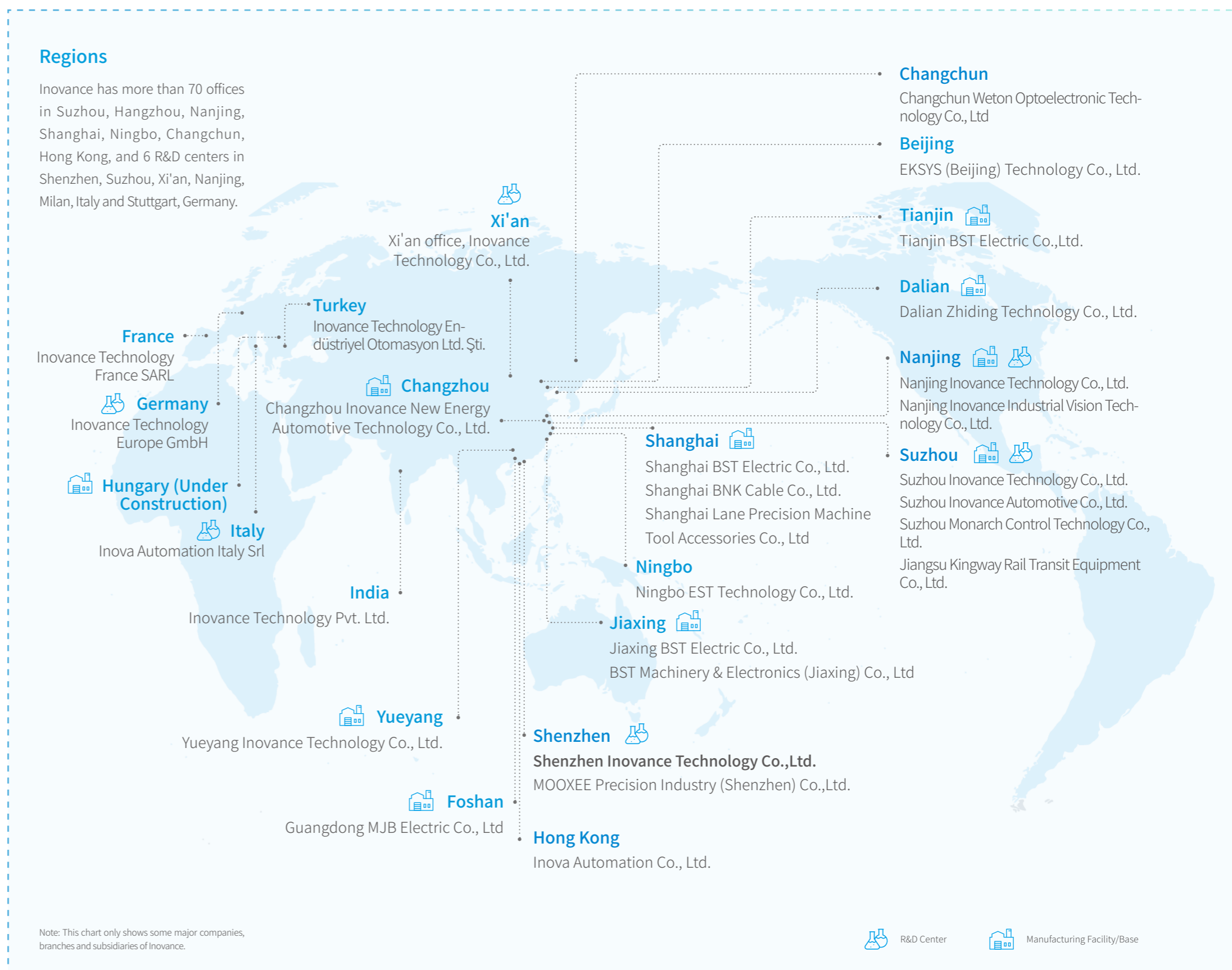
Vision, Mission & Values

Vision & Mission
Advancing industrial technology for a better world

Core Values
Customer first, contribution oriented, uphold to openness and cooperation, strive for excellence

Regions

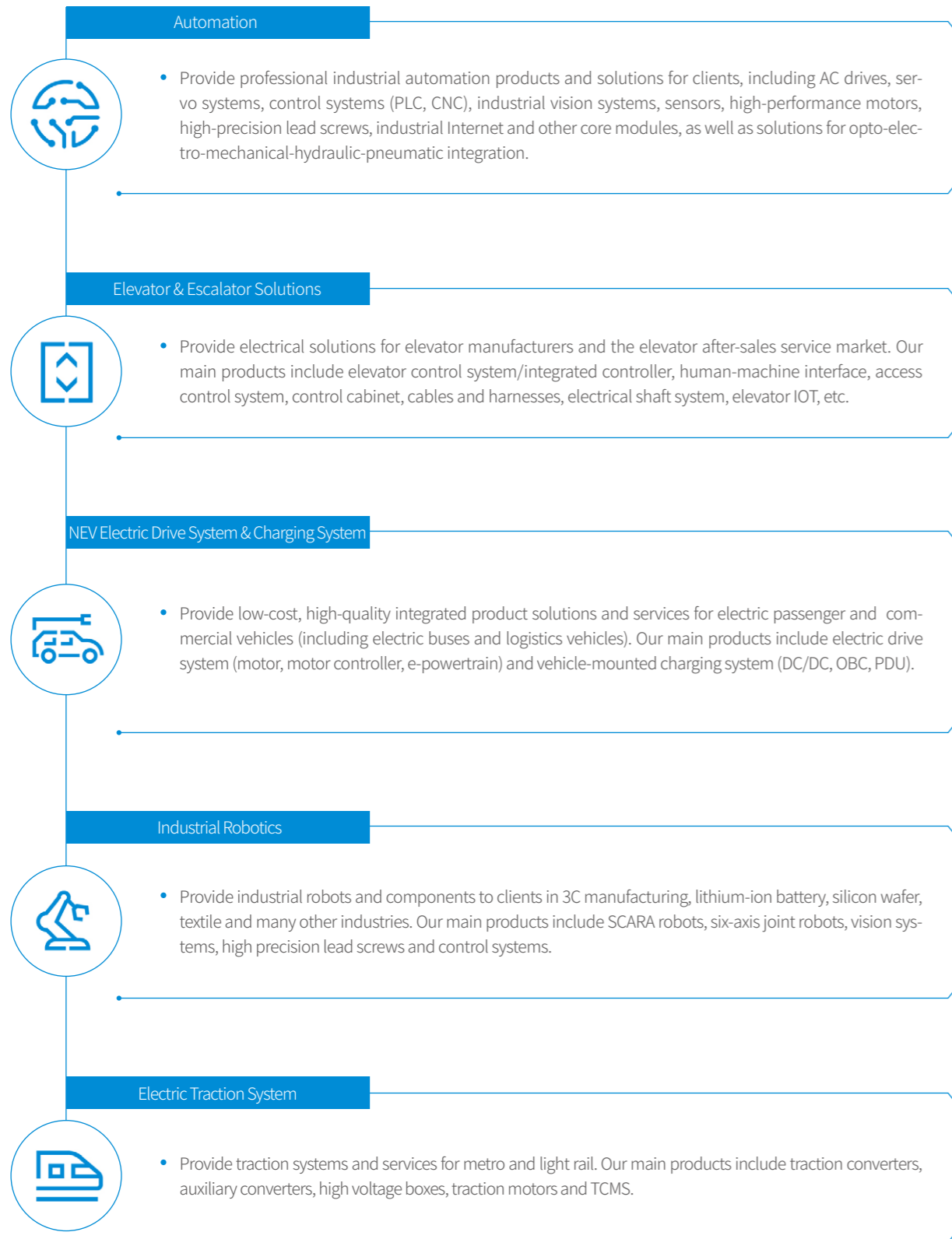
Inovance has more than 70 offices in Suzhou, Hangzhou, Nanjing, Shanghai, Ningbo, Changchun, Hong Kong, and 6 R&D centers in Shenzhen, Suzhou, Xi'an, Nanjing, Milan, Italy and Stuttgart, Germany.



Note: This chart only shows some major companies, branches and subsidiaries of Inovance.

 R&D Center  Manufacturing Facility/Base


Main Business Units



 **ESG Governance System**

Inovance has established a comprehensive ESG framework to strengthen the foundation for ESG management, developed tailored ESG strategy to identify goals and paths, and integrated stakeholder engagement into the entire process of material topics management for comprehensive, balanced and efficient ESG management. Moreover, the Company's ongoing practices and achievements in ESG governance and management have received wide acclaim from other parties.

In February 2023, Inovance was selected as one of the "2022 Forbes China TOP 50 Sustainable Development Industrial Enterprises".



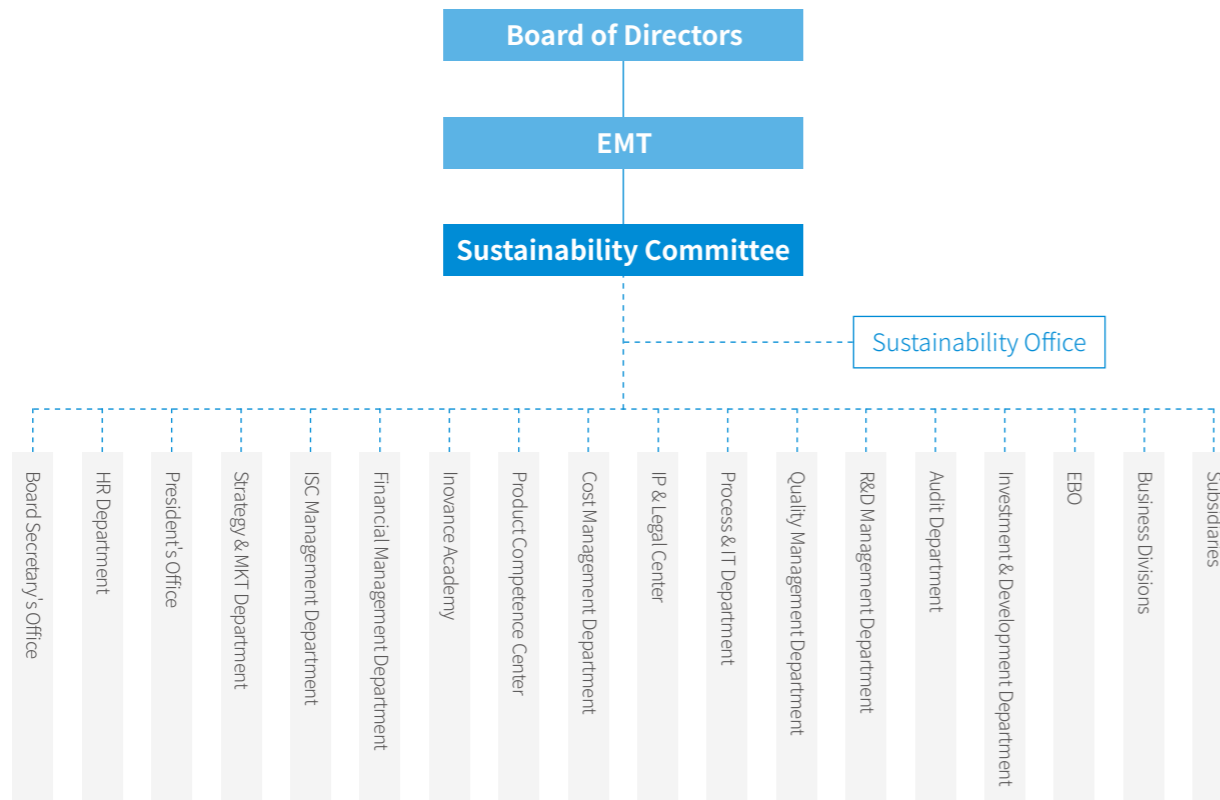
ESG Framework

The Company has established a top-down ESG governance structure to coordinate the Company's ESG strategy and ensure the efficient implementation of ESG management measures for its sustainable development.

The Company's Board of Directors oversees and manages ESG issues in a comprehensive manner and performs the decision-making authority on related strategies, objectives and specific matters. In December 2022, the Company established the Sustainability Committee, with the President as the head of the Committee and key personnel of ESG-related business units and departments (including vice presidents and directors) as members. The Committee is responsible for overseeing the progress of ESG management by our first-level management and our subsidiaries and tracking their progress. The Sustainability Office under the Committee is responsible for promoting the implementation of management measures on key ESG issues such as addressing climate change.

The Sustainability Committee holds regular meetings to report the progress and performance of the Company's ESG management to the Executive Management Team (EMT), including members of the Board of Directors, and to listen to their opinions and suggestions. The Company also incorporates ESG performance indicators into the management's remuneration system and applies appropriate rewards and clawbacks based on the annual appraisal results, so as to further enhance the proactiveness and sustainability of ESG governance and management.

ESG Framework



Responsibilities of the Sustainability Committee

Responsibilities of the Sustainability Committee

- Develop the company-level sustainability (including ESG and corporate responsibility) strategy, goals and guidelines, promote the implementation of such strategies, and supervise the implementation of related tasks
- Monitor the Company's sustainability risks (including but not limited to key issues such as addressing climate change, safeguarding employee rights and interests, and fulfilling corporate social responsibility), and develop appropriate management measures
- Coordinate the establishment, implementation and continuous improvement of the sustainability management system, and make decisions on related issues to ensure that the Company's sustainability management complies with relevant laws and regulations, international standards and key stakeholder requirements; drive cross-discipline/cross-process sustainability business alignment and enable end-to-end operational synergies in sustainability business
- Promote corporate transparency on sustainability and review the Company's annual ESG report; conduct effective communication with key stakeholders, including investors, customers, rating agencies and regulators, on sustainability-related matters

ESG Strategy

The Company pays close attention to the internal and external impacts of ESG and sustainability, and continuously updates its ESG strategy for a more focused approach to achieve its ESG goals. In 2022, we integrated ESG management into all aspects of production and operation and all business decisions with focus on six dimensions: "Corporate Governance", "Lean Innovation", "Low Carbon Pioneer", "Responsible Ecology", "Talent Development" and "Green Operations".

Inovance ESG Strategy




Corporate Governance	<ul style="list-style-type: none"> Maintain a robust corporate governance system and improve it Create an internal compliance culture
Lean Innovation	<ul style="list-style-type: none"> Increase investment in R&D and innovation continuously Improve product quality and enhance quality management efficiency Provide high quality services to customers
Low Carbon Pioneer	<ul style="list-style-type: none"> Practice low-carbon operation with a focus on "energy saving, material conservation and efficiency enhancement" In light of the national carbon peaking and neutrality goals, provide new energy-related products and create lower-carbon products and solutions Address climate risks and enhancing capabilities for climate change mitigation and adaptation
Responsible Ecology	<ul style="list-style-type: none"> Build a secure, stable and resilient supply chain Realize sustainable supply with a focus on survey and assessment of supply chain sustainability
Talent Development	<ul style="list-style-type: none"> Protect employees' rights and benefits Provide a sound and safe workplace Foster all-round and sustainable development of employees
Green Operations	<ul style="list-style-type: none"> Improve environmental management system to ensure environmental compliance Enhance resource efficiency in manufacturing and operations to reduce life-cycle environmental footprint

Management of Material Topics

Communication with Shareholders

The Company is committed to establishing a stable and longstanding communication mechanism with all stakeholders. In 2022, we actively engaged with key stakeholders, including customers, employees, shareholders, investors, government and regulators, suppliers and partners, and community representatives, and collected feedback and suggestions on our ESG management through regular meetings, management systems, project correspondence, and other channels such as our website, media outlets, conferences, reports, and events, so as to respond to their expectations and demands through focused management on issues of concern.

Shareholder Engagement Policy and Topics of Concern

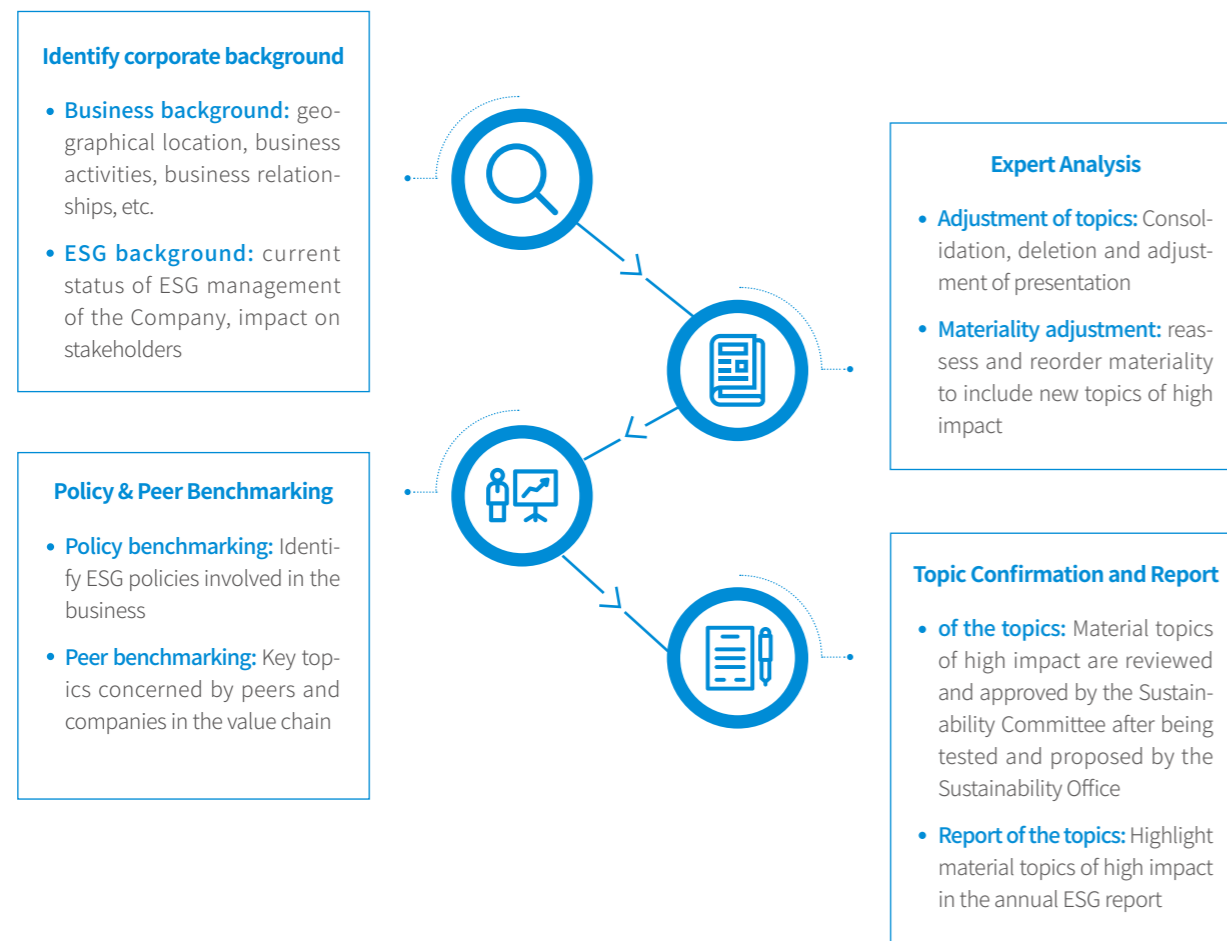
Key Stakeholders	Representatives or Proxy Organizations	Topics of Concern	Engagement Methods & Channels
 Shareholders and investors	Domestic and foreign shareholders, key investors	Economic performance Corporate governance Anti-corruption R&D and innovation Climate change mitigation and adaptation Supply chain sustainability	General meeting of shareholders Earnings presentations Special announcements Investor engagement activities (daily communication, roadshows, communication through the platform of SZSE, investment strategy sessions, online communication)
 Employees: senior management	Vice presidents, directors, senior management of branches and subsidiaries	Customer service management (CSM) Product and service quality management Corporate governance R&D and innovation Economic performance Talent attraction and retention	Internal management meetings Management training Internal emails Daily communication
 Employees: employees other than senior management	Employee/ union representatives and other worker representatives	Employee rights and benefits Employee training and development Talent attraction and retention Occupational health and safety R&D and innovation	Employee benefits program Employee training programs Performance appraisal and employee promotion Employees' congress and union Employee forum Safety management in production Occupational health and safety measures Incentive mechanism for R&D innovation

Key Stakeholders	Representatives or Proxy Organizations	Topics of Concern	Engagement Methods & Channels
 Clients	OEMs and key end-users in automation and elevator industries, NEV manufacturers	Customer service management Data security and privacy protection Responsible marketing Product and service quality management R&D and innovation Green products and innovation Climate change mitigation and adaptation ESG governance	Customer satisfaction research After-sales service and complaint channels Customer data and privacy management Customer communication Product lifecycle management Trade fairs Providing green and low carbon products ESG disclosure
 Government and regulatory bodies	Governments at all levels in the place of operation, SZSE	Risk control Anti-corruption Climate change mitigation and adaptation Clean technology Emissions and waste management Energy management Water resources management	Information disclosure Institutional visits Correspondence Policy implementation Actions against climate change Environmental management system
 Suppliers and partners	Suppliers of chips, modules, electronic components and other materials, partner universities, industry associations and chambers of commerce, standards development working groups	Sustainable supply chain management Responsible marketing Data security and privacy protection R&D and innovation Cross-industry collaboration and development	Supplier training Responsible minerals research Public tender meetings Strategic cooperation negotiation Exchange visits Industry-academia-research cooperation
 Community representatives	NGOs, charities, other social organizations, media	Charity events and volunteerism Community engagement and development Anti-corruption Responsible marketing R&D innovation Clean technology Emissions and waste management	Public service Employee volunteerism ESG disclosure Community engagement and promotion activities Environmental management system

Materiality Analysis

Based on the results of the previous year's stakeholder survey and the assessment of the materiality of the issues (see the "Materiality Analysis" of the 2021 ESG Report), the Company adjusts the identification and priority of material topics with regard to the impact of the topics on the Company and on external stakeholders, taking into account domestic and international ESG-related policies and regulations, the latest policies of the stock exchange, excellent ESG management practices and the external experts' opinions.

Materiality Analysis Process



After analysis, "Cross-industry Collaboration and Development" and "Climate Change Mitigation and Adaptation" are included in this year's material topics of high impact, and we have carried out targeted and focused management on them. "Employee Rights and Benefits" and "Industrial Cooperation and Development" are newly introduced to respond to stakeholders' concerns. The presentation of some topics was adjusted to make them clearer and more precise for stakeholders to understand.

Material Topic Analysis Results for 2022



Note: For further information on the definition and boundaries of material topics, please refer to "Appendix 2: Material Topics for 2022".

Adjustments to Material Topics for 2022

	Current Topics	Previous Topics
Presentation Adjustment	Risk Management	Risk Management and Control
	Anti-corruption	Business Ethics
	Customer Service Management	Customer Rights Protection
	Data Security and Privacy Protection	Customer Information Protection
	Product and Service Quality Management	Product and Service Quality
	Occupational Health and Safety	Health and Safety
	Emissions and Waste Management	Emissions Management
	Climate Change Mitigation and Adaptation	Addressing Climate Change
Topic Division	Community Communication and Development	Community & Public Service
	Charity Events and Volunteerism	
New Topics	Employee Rights and Benefits	Reasons for Inclusions
	Cross-industry Collaboration and Development	Respond to Industry Trends and Stakeholder Concerns



Solid Corporate Governance

With "efficient operation, governance first" as the guiding principle, Inovance strictly complies with all regulatory requirements to improve its governance structure for a robust and efficient corporate governance system. Meanwhile, the Company has established a sound risk management and internal control system for all-round risk prevention. We adhere to anti-corruption requirements and business ethics guidelines to improve our corporate governance across the Board.

Corporate Governance System

The Company strictly complies with the requirements of laws, regulations and regulatory documents, such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Governance for Listed Companies, and the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange GEM, to improve its governance structure and governance system and continuously enhance its governance quality and risk prevention capability.

We have established the EMT, the Executive Board, the Board of Directors, the shareholders' meeting and other bodies to form a layered decision-making system. While value democracy and human rights, we insist on centralization of authority and pursuit harmony in diversity for decision-making to ensure efficient, scientific and transparent management.

Governance Structure

The Company strictly complies with the relevant provisions of laws, regulations and normative documents such as the Company Law of the People's Republic of China, the Code of Governance for Listed Companies, and the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange. We have developed the Inovance's Articles of Association to clarify the operational norms of the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors, and to clarify the responsibilities of the relevant organizations to further strengthen the compliance and comprehensiveness of the governance structure and the performance of duties by its members.

Responsibilities of the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors of Inovance

Three Boards	Members	Responsibilities
General Meeting of Shareholders	All shareholders	<p>As the highest authority of the Company, it shall exercise the following functions and powers in accordance with the law:</p> <ul style="list-style-type: none"> Decide on the Company's business policy and investment plan; Elect and replace directors and supervisors who are not employee representatives; Deliberate and approve the reports of the Board of Directors and the Supervisory Board; Deliberate and approve the Company's annual budget plan and final accounting plan; Deliberate equity incentive plans and employee stock ownership plans; Deliberate the remuneration of directors and supervisors
Board of Directors	Nine directors, including three independent directors (1 female independent director included). Board members have professional expertise and industry experience in electrical engineering and automation, machinery, finance, accounting, etc.	<p>The Board of Directors is responsible for the General Meeting of Shareholders, and its main duties include:</p> <ul style="list-style-type: none"> Convene general meetings of shareholders and report to them; Execute the resolutions of the general meeting of shareholders; Decide on the Company's business plan and investment programs; Manage matters corporate information disclosure; Review the remuneration of the Company's executives
Board of Supervisors	Three supervisors, including one employee representative	<ul style="list-style-type: none"> Review the Company's securities issuance documents and periodic reports produced by the Board of Directors and issue written review comments; Supervise the performance of duties of directors and senior managers, and make proposals for the removal of directors and senior managers who violate laws, administrative regulations, the Articles of Association or resolutions of shareholders' meetings; Monitor and investigate abnormalities in Company operations

Convening of the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors in 2022

General Meetings of Shareholders

2 times

Meetings of the Board of Directors

11 times

Meetings of the Board of Supervisors

8 times

Such meetings considered, reviewed, examined or heard approximately

98 reports on motions

Note: Details on the Board of Directors and the corporate governance structure can be found in "Corporate Governance" of Inovance 2022 Annual Report.

Protection of Investors' Rights and Interests

The Company strictly abides by the requirements of relevant laws, regulations and normative documents, such as the Securities Law of the People's Republic of China, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange, and the Guidelines for the Management of Investor Relations of Listed Companies. We have formulated management systems such as Inovance Investor Relations Management System and Inovance Information Disclosure Management System to put in place measures for the protection of investors' rights and interests based on the principle of equality, with a special emphasis on the protection of the rights and interests of small and medium-sized investors.

Information Disclosure

The Company fulfills its information disclosure obligations in accordance with the law and upholds relevant information disclosure compliance for listed companies. Under this premise, we continued to improve the quality, expand the width and enhance the transparency of information disclosure to protect the rights and interests of investors. During the reporting period, the Company issued more than 190 announcements.

<p>Innovative Disclosure</p>	<ul style="list-style-type: none"> • Three Basis : Process-based, template-based, and billboard-based disclosure • Five Examinations & Three Determinations : Carefully examine the rules, guidelines, cases, history and essence in the process of announcement drafting; determine the logic, core and description • Project-based operation : Establish information sharing and coupling mechanism with business departments to promote the disclosure management by means of project operation
<p>Statutory Disclosure</p>	<ul style="list-style-type: none"> • Information collection : Strengthen communication with lead departments and related personnel, collect materials related to the company's operation and development, finance and other aspects, accumulate materials for the preparation of the annual report and interim disclosure and make predictions • Information review : Ensure that the information disclosed is true, accurate and complete, continuously improve the disclosure quality, and fully disclose information that is beneficial to investors' value judgment and investment decisions
<p>Voluntary Disclosure</p>	<ul style="list-style-type: none"> • Disclosure method : Release corporate ESG reports on a yearly basis and respond to investors' concerns on voluntary disclosure • Disclosure management : Organize relevant departments to participate in internal and external ESG training to enhance their understanding of ESG and further improve disclosure quality

Since IPO, the Company has obtained A ratings in the information disclosure assessment of SZSE for 12 consecutive years, as the only one among all listed companies on the ChiNext market of SZSE. In 2022, our 2021 ESG Report was selected into SZSE's Excellent Cases of 2021 Disclosure Report of ChiNext Listed Companies. The environmental information disclosed in our 2021 ESG Report has been included in the White Paper on Environmental Information Disclosure of SZSE's Listed Companies for outstanding case study.

Shareholder Engagement

On the basis of transparent information disclosure, the Company has established efficient and responsive investor engagement mechanisms and channels to better listen to investors' voices and enhance their understanding and recognition of the Company. During the reporting period, the Company engaged with investors through in-person reception and online communication, proactively responding to their needs, opinions and suggestions and working with them to improve the Company's operation and management.

Major Measures for Shareholder Engagement

<p>General Meeting of Shareholders</p>	<ul style="list-style-type: none"> • Hold investor exchange sessions to share the Company's strategic direction, business layout, business status and outlook • Invite executives with relevant business knowledge to participate in investor exchange and answer investors' questions
<p>Investor Reception</p>	<ul style="list-style-type: none"> • Hold earnings presentations and receive investors for daily or ad hoc visits and research
<p>Online Communication</p>	<ul style="list-style-type: none"> • Strengthen investors' knowledge of the Company's business and operation through telephone, email and online meetings • Set up "Investor Relations" page on the Company's official website to disclose the Company's announcements and knowledge about the protection of investors' rights and interests • Deliver important announcements, latest trends and arrangements for investor engagement meetings through Inovance's Investor Relations official WeChat account • Actively responding to investors' inquiries on the SZSE's interactive platform
<p>External</p>	<ul style="list-style-type: none"> • Participate in road shows, media interviews and receptions occasionally • Actively participate in on-site research, teleconferences, brokerage strategy meetings and other activities organized by investment management firms

During the reporting period, the Company answered 247 questions from investors through the SZSE's interactive platform (irm.cninfo.com.cn/szse), representing a reply rate of 100%; received a total of 274 visits from domestic and international brokerage firms, investment funds and individual investors, involving more than 3,600 investment institutions and 7,600 investors. We also held regular earnings presentations to answer investors' questions.

Return to Investors

The Company takes Inovance Articles of Incorporation, Inovance 3-Year Shareholder Return Plan for 2021-2023 and other institutional documents as the basis for the protection of shareholders' rights and returns. While maintaining timely, fair and healthy communication with investors, the Company has been rewarding them through a sound dividend distribution plan to ensure the long-term value of their investment.

As of the end of the reporting period, the Company has paid cash dividends of RMB 4.678 billion cumulatively, far exceeding the total amount of RMB 1.941 billion raised from the Company's IPO.

Regulation of Connected Transactions

The Company has formulated the Inovance Decision-making System for Connected Transactions with detailed provisions on the reporting of connected transactions, recusal system, decision-making authority and information disclosure to ensure the fairness of the Company's decision-making on connected transactions.

During the reporting period, there were no major connected transactions, and the decision-making procedures of minor connected transactions were in compliance with the relevant laws and regulations and our Articles of Association. The pricing of these connected transactions is fair and reasonable, without prejudice to the interests of the Company and its shareholders, especially the interests of the small and medium-sized shareholders.

Honors and Awards

Selected as one of the 2022 "All-Asia Executive Team" by Institutional Investor, a prestigious financial magazine, and named "Most Honored Company" in the Industry Category (including Infrastructure)

Selected as "Top 50 Most Valuable Listed Companies in ChiNext Market" in the 16th Awards of the Value of Listed Companies in China sponsored by Securities Daily

Honored as "Best Investor Relations Award for Listed Companies in China" in the 13th "Tianma Award" sponsored by Securities Daily

Honored as "High Quality Listed Company" in the 7th "Golden Tangerine Award of Times Finance" organized by Guangdong Times Media Group

Selected as one of the "Top Ten Companies of the Year" in the annual list of 2022 China Business Network Capital Market Value List



Risk Management and Internal Control

The Company has built a sound risk management framework in line with its business reality and operation mode in accordance with the COSO-ERM framework. We have developed rules to define the responsibilities and operation mechanism of management, and launched practical efforts such as risk identification, evaluation and audit according to the management mechanism of the entire process to enhance our risk control and management capability in an all-round manner.

Risk Management Framework

Risk Management System	Risk Management Mechanism	Risk Management Measures
Inovance Internal Risk Control Management System	Cover the entire process including "risk identification and evaluation - risk response and management - risk monitoring and reporting".	<ul style="list-style-type: none"> Risk identification and evaluation: Regularly carry out risk identification and evaluation to develop risk matrix and risk map Internal control system: Establish internal control system and improve it to address risks Internal audit of risks: Launch internal audits for risk management, and formulate annual audit plans for the implementation of audits for the Company and its subsidiaries Risk reporting by employees: Set up channels such as President's Mailbox and "Whistle Blower" to encourage employees to identify potential risks and hidden dangers in production and operations and report them in a timely manner

The Company has built an internal control system in compliance with the requirements of the Basic Standards for Enterprise Internal Control and the relevant guidelines of SZSE, and has established a suitable system and management mechanism for internal control. We conduct internal control and evaluation accordingly to address potential risks.



Internal Control System

Internal Control System	Internal Control Mechanism	Internal Control Evaluation
Inovance Internal Control Evaluation System Inovance Internal Control Procedures Inovance Internal Control Deficiency Identification Procedures	<ul style="list-style-type: none"> Build internal control systems with focus on five dimensions: business goal achievement, asset and capital security, operational efficiency, compliance and reporting Integrate methods and tools such as KCP, SOD and CT plan into business processes 	<ul style="list-style-type: none"> Carry out internal control evaluation for the Company and its subsidiaries annually Evaluate the effectiveness of the Company's internal controls and issue evaluation reports

In 2022, the Company developed guidance documents and templates for CT tools to further strengthen daily checks on process compliance and promote the effectiveness of design and execution of process internal controls. We conducted internal control evaluation of the major areas of the Company's operation and management, covering environment control, risk assessment, activities control, information transfer and communication, and continuous monitoring, with no material omissions found. Based on the identification of deficiencies in its internal control over financial reporting and non-financial reporting, the Company has not identified any material deficiencies or significant deficiencies in internal control over reporting as mentioned above as of the benchmark date of the internal control evaluation report.

In 2022, the Company placed emphasis on financial compliance audits, internal control audits, and special audits of major purchases and engineering construction management and urged closed-loop rectification of audit findings to promote continuous improvement of the Company's business processes and operational mechanisms.



Operational Compliance and Anti-Corruption

The Company has established a sound system and mechanism for compliance management based on laws and regulations and codes of conduct related to data security and IPR protection. We continuously integrate compliance requirements into all aspects of production and operation, thus forming a compliance system that covers all aspects of corporate behavior and its management. We practice the principle of "sincerity and trust" based on this, and build a clean business environment with a focus on anti-corruption management and integrity in workplace.

Compliance Management

Strictly adhering to regulatory compliance, we have formulated the Inovance Business Conduct Guidelines (BCG), Inovance Conflict of Interest Management Measures and Inovance Employee Discipline Policy to define, guide and restrain behaviors of all employees at Inovance in a systematic manner.

Compliance Management System¹

Trade Compliance

- Establish standard contract templates covering 7 major systems to ensure compliance for all types of commercial and trade practices
- Update the latest compliance requirements to templates annually for company-wide adoption in all business processes
- In 2022, the Company established an export control compliance system and initially developed compliance guidelines for overseas sales in line with the changes in the Company's internal and external businesses

Anti-Money Laundering

- Conduct anti-money laundering-related compliance risk assessments
- Integrate anti-money laundering-related requirements in procurement activities covering production materials, assets, frameworks and services
- Check the authenticity and legality of transactions through supplier certification, contract confirmation, invoice audit, and verification of sporadic receipts to strengthen the supervision of economic behaviors

Compliance Training

- Actively carry out daily and special compliance training for all employees to enhance their compliance awareness
- Organize regular training on BCG and other standards for employees, and introduce compliance standards and business ethics to all employees through lectures and signing of the standards
- In 2022, we conducted company-wide assessment on key compliance matters in legal affairs and information security², and provided training on contract management for marketing managers and training on import and export control compliance for domestic and overseas sales staff to enhance the compliance awareness and capability of relevant personnel

¹ For details of compliance management in data security and IPR protection, please refer to chapter 4.3 "Data Security and Privacy Protection" and chapter 6.2 "Intellectual Property Protection".

² For details of the appraisal activities, please refer to chapter "Data Security and Privacy Protection" and chapter "Intellectual Property Protection".

³ For quantitative performance of the such assessment, please refer to the "Data Security and Privacy Protection".

Anti-corruption and Integrity Building

The Company abides by business ethics and promotes responsible governance through the construction of anti-corruption system and cultivation of integrity culture. We have stipulated fundamental provisions on anti-corruption in regulations such as the BCG and Inovance Management Procedures of CSR and Business Ethics, and further strengthened anti-corruption management through measures such as the Inovance Workplace Accountability Management System, Inovance Employee Discipline Policy, Inovance Gift Acceptance Policy, and Inovance Honest Cooperation Agreement for suppliers.

The Company established the Integrity and Honesty Working Committee in 2018. The Vice President is the director of the Committee and the directors of each department are the integrity ambassadors, who are responsible for coordinating and promoting the implementation of integrity-related work and reporting the work progress to the Board of Directors on a regular basis.

For anti-corruption whistleblowing, the Company has formulated the Inovance Anti-Fraud Whistleblower System, set up an anti-corruption whistleblower hotline and email, and promoted them through the Company's official website, "Integrity Inovance" official WeChat account, posters and other ways to ensure the transparency and availability of anti-corruption whistle blowing channels.

The Company has established the Inovance Incentive Plan for Anti-Fraud Whistle blowers, which specifies the incentive mechanism to encourage employees, suppliers and partners to join our anti-corruption supervision. We have established a sound system for investigating and handling anti-corruption complaints, with the Audit Department as the sole department to receive complaints to ensure the independence and impartiality of the investigation results. In addition, we strictly protect the personal information of whistleblowers, prohibit any form of illegal discrimination or retaliation and hostile behavior towards the people involved in the investigation, and take serious actions against those involved in the illegal disclosure of whistleblower information and retaliation against them.

Anti-corruption Complaint and Whistleblower Handling Procedures



In 2022, the Company promoted the cultivation of company-wide integrity and launched activities such as the signing of integrity pledges, lectures and training within the "Integrity Month". During the reporting period, the Company initiated the signing of Inovance Integrity Commitment Letter for all employees. Eighteen training sessions on integrity totaling 1,555 hours were conducted, with attendance of 18,561.

During the reporting period, the Company has not received penalties from the competent authorities for violating the laws and regulations related to corruption, bribery, extortion, fraud and anti-money laundering.



Lean & Innovative Solutions

Adhering to innovator's spirit, Inovance pursues innovative practices in all aspects to continuously build and enhance its transformational capabilities. Motivated by an innovation mindset, the Company strives for excellence in creating quality products and services, and provides first-class solutions and services for the industry with an efficient innovation system to promote its high-quality and sustainable development.

R&D and Innovation System

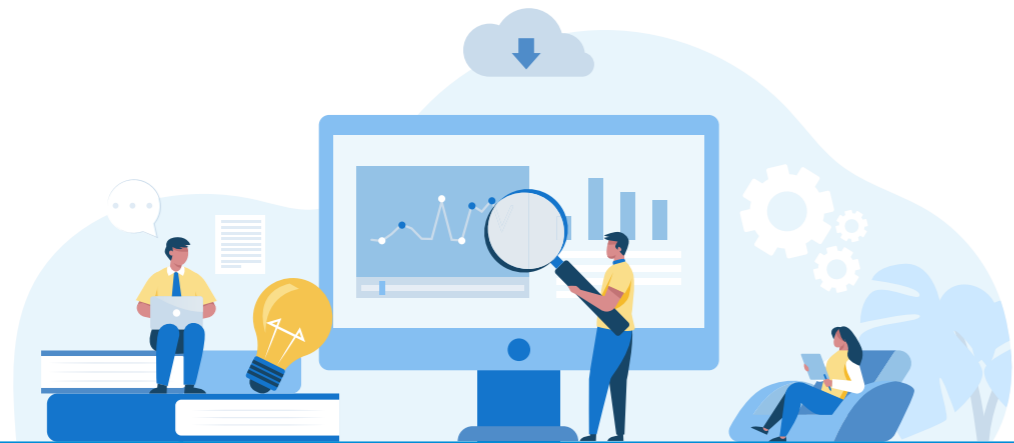
Technological innovation is the primary driving force of companies' development and the key support to build industry-leading, high-quality products and solutions. In 2022, Inovance further strengthened the foundation of its R&D platform, while forging ahead towards "digitalization + carbon peaking & neutrality" with growing innovation capability in data governance improvement and product platform.

Our R&D Framework

The Company has established an all-round R&D and innovation system for technological research, development of platform-based products and tailored products, and implemented an IPD R&D model to align with the external environment, company strategy, customer needs and technology trends.



Inovance R&D Framework



Inovance R&D Framework

- Keep up with leading technologies worldwide through technology research and pre-research, and make up for shortcomings in key technologies
- Conduct forward-looking research on key devices to build core competitiveness
- Intensive development of lightweight, compact technologies with a small ecological footprint for green and low carbon development

Platform-based Product Development

- Develop standardized platform-based products with high performance, great reliability and low cost to provide customers with integrated product solutions
- Develop model-driven platform-based products with digital technology

Tailored Product Development

- Provide innovative and tailored solutions for industry customers
- Establish development process for customer solution and equipment competitiveness, and smooth the entire process covering technology research, platform development and solution development

In 2022, the Company has fully implemented IPD 2.0¹ R&D process and equipment competitive development process, and initiated IPD process improvement efforts in its subsidiaries. Moreover, the Company initiated the digital transformation of IPD process with 4A design to promote more efficient management of demands, markets, technologies and product development.

¹ For more information on the Company's R&D system and IPD 2.0, please refer to the "Management Discussion and Analysis" section in Inovance 2022 Annual Report.

The Company has intensified its R&D investment, strengthened its infrastructure platforms and enhanced talent training to support sustainable innovation. In 2022, the Company established its Nanjing R&D center and launched many projects to intensify the development of intelligent robots and energy storage technology. The Company has also set up a R&D center in Stuttgart, Germany, to work on cutting-edge technologies in CNC systems and related areas. We organize training sessions and workshops for the heavyweight team based on IPD process improvement, professional training for R&D departments, and regular training for managers and the whole team (see "Employee Training System" for details). We formulate R&D incentive sandbox and rules based on differentiated R&D incentive strategies, and attract and retain R&D staff through personalized incentives such as project awards, recognition and merit assessment, as well as non-material incentives such as promotion opportunities, honors and culture. During the reporting period, the Company invested a total of RMB 2.226 billion in R&D. We have a total of 4,793 R&D personnel, accounting for 23.66%² of our workforce.

Empowerment by Data Governance

Data governance plays a key role in achieving "Digital Inovance". The Company launched a data governance reform project in June 2021 to further fulfill the Company's digital strategy and support its business goal for "more satisfied customers and more efficient operations". In the project, we improved our data management system from top to bottom, established strategies, systems and processes, as well as roles and responsibilities for data management.

In 2022, the Company made great efforts on the formulation of data asset catalog and master data standards, released seven company-level master data standards for products, materials, customers, suppliers, personnel, organizations and accounting in five major business areas, namely, marketing, R&D, supply chain, financial management and human resource management. The Company also issued its first data asset catalog, laying a solid foundation for future data governance.



² The percentage of R&D personnel is calculated based on the total number of employees reported in the Consolidated Financial Statements.

Innovation Platform as a Driving Force

Based on our core technologies in power electronics, motor drive and control, industrial control and communication, we provide OEM customers with "industrial control & process" solutions under the support of our automation product platform. We are actively adopting and integrating innovative technologies such as material science, software science, information technology, artificial intelligence, and opto-electro-mechanical-hydraulic-pneumatic integration to build more advanced platforms for products and technologies such as industrial internet and industrial software. While helping customers strengthen their business foundation, we provide products and solutions in line with the trends of manufacturing industry to meet their needs for intelligent transformation.

In 2022, the Company continued to strengthen its basic technology platforms with a focus on automation, digitalization and intelligence. We strive to build innovative platforms for energy products and industrial software products, and support the intelligent transformation of factories across the industry based on our own experience in change management and digital transformation.

For digital leapfrogging, the Company has developed InoCube, a model-driven digital platform, and pooled expert resources in lean operations and data to enable efficient manufacturing. Moreover, we have launched a digital twin project and promoted the development of digital tools such as full FA integration.

To embrace the opportunities and challenges in software quality and efficiency, we launched a training program to improve our software engineering capabilities. We applied our intelligent innovations to the control of product development process, enabling a 20% improvement in software quality and a 30% increase in delivery speed. Our subsidiary Kingway Rail has initially completed the development and application of hardware and software for intelligent health management of traction systems, enabling efficient evaluation and management of core equipment.

In 2022, the Company successfully increased operation efficiency and facilitated its high-quality development through innovations in product platforms, technologies, processes and solutions, with cost savings totaling RMB 11,591,100 for the year.



Product Quality Management

The Company strictly abides by the Product Quality Law of the People's Republic of China and its own product standards, and fully implements its quality management principle, which is "quality-centric and highly responsive; excellence and full participation; building a high-quality industrial chain; creating values for customers with excellent quality". We develop and manufacture our products with a sharp focus on customer satisfaction.

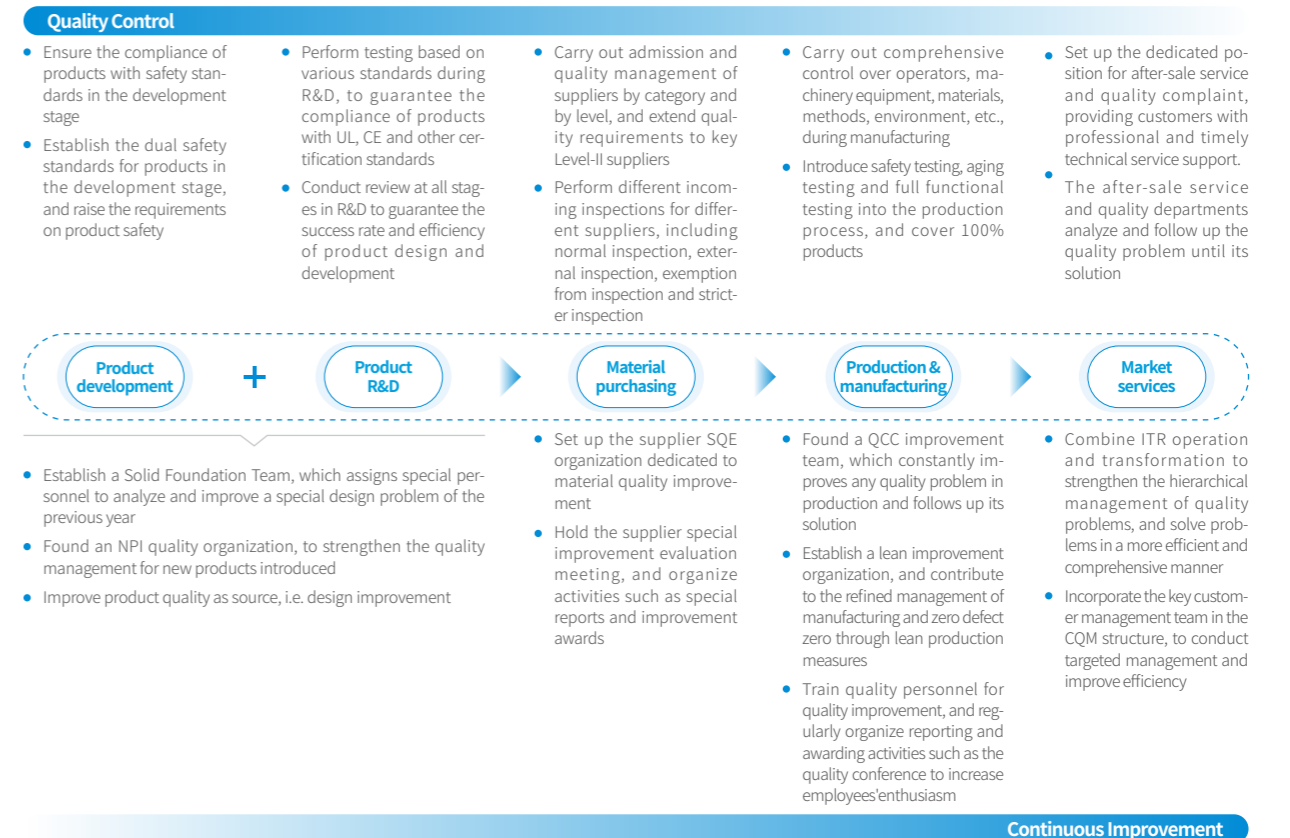
Quality Lifecycle Management

The Company has formulated Inovance Quality Manual as the guiding document for quality management, and established a system covering all processes, guidelines, templates and forms to provide a closed-loop process for product quality management.

The Company has established a quality lifecycle management system covering product R&D, procurement, production, and marketing services to realize lean quality improvement through end-to-end management and continuous improvement. As of the end of the reporting period, the quality management systems of the Company and many of its subsidiaries were accredited to meet the relevant requirements of ISO 9001:2015 and other industry standards, and obtained the certificates of accreditation.

During the reporting period, the Company has not received penalties from the competent authorities for violating laws and regulations related to product and service quality and safety, nor have any of its products been recalled.

Quality Lifecycle Management



Quality management system certification of Inovance and its branches and subsidiaries

ISO 9001:2015	Inovance Technology Co., Ltd. Suzhou Inovance Technology Co., Ltd. Inovance Electromechanical Systems Engineering (Suzhou) Co., Ltd. Suzhou Inovance Automotive Co., Ltd. Ascona Technology (Shenzhen) Co., Ltd. Ningbo EST Technology Co., Ltd. Jiangsu Kingway Rail Transit Equipment Co., Ltd. Changchun Weton Photoelectric Technology Co., Ltd. Shanghai BST Electric Co., Ltd. Shanghai BNK Cable Co., Ltd. Guangdong MJB Electric Co., Ltd. Tianjin BST Electric Co., Ltd. Shanghai Qingjiao Software Co., Ltd. BST Electric (Jiaxing) Co., Ltd. BST Electromechanical (Jiaxing) Co. Ltd. Dalian Smart Drive Technology Co., Ltd. Xi'an office, Inovance Technology (Shenzhen) Co., Ltd.
ISO/TS 22163:2017	Jiangsu Kingway Rail Transit Equipment Co., Ltd.
IATF 16949:2016	Suzhou Inovance Automotive Co., Ltd.

Comprehensive Quality Improvement

In 2022, the Company launched a comprehensive quality improvement plan. With our adherence to quality standards, enhancement of quality awareness among all employees and commitment to quality integrity, we listened to the voice of customers, made customer satisfaction a priority and conducted self-assessment. We were engaged in quality lifecycle management and improvement by establishing stricter standards, identifying defects, tackling key challenges, and taking concrete actions.

For standard development, the Company integrates the quality management process with the improvement of LTC, IPD and ISC. We updated and released technical review, peer review, and manufacturing quality management processes to realize the nesting of quality processes. We established quality and process demand lists for key processes and material consistency management rules in line with the upgrade of automated equipment management. We also set up an index bank consisting of 25 indicators covering R&D, production, marketing, supply and other areas to facilitate the operations of our heavyweight team.

For organization building, the Company set up a special NPI quality organization and PQA organization in line with transformation needs, incorporated key customer quality management teams into CQM structure, and connected quality management

roles through the construction of IPMT, thus supporting the achievement of strategic objectives in quality management.

In addition, the Company has further enforced measures for quality management review and improvement, establishment of quality management platform and quality culture system to continuously improve the effectiveness of quality management and promote the quality awareness of all employees.

Quality Audits

- Organized annual internal review of quality management to identify areas needing improvement; continually optimize management in combination with quality audits by customers
- During the reporting period, our subsidiary Kingway Rail completed 2 internal quality audits targeting key processes and critical procedures, identifying all blind areas for product quality tests
- The company received 63 on-site quality audits and 25 online quality audits from customers during the year

Management Platform Construction

- Continuously promoted the application of MES for full product traceability and accurate recall procedure; provided all-round data and information for quality improvement through transparent production

Multi-site Collaborative Management

- Strive to build a unified management system covering all subsidiaries and production bases
- During the reporting period, the subsidiary BST established its own Quality Center and completed the management integration with the parent company Inovance

Quality Culture Cultivation

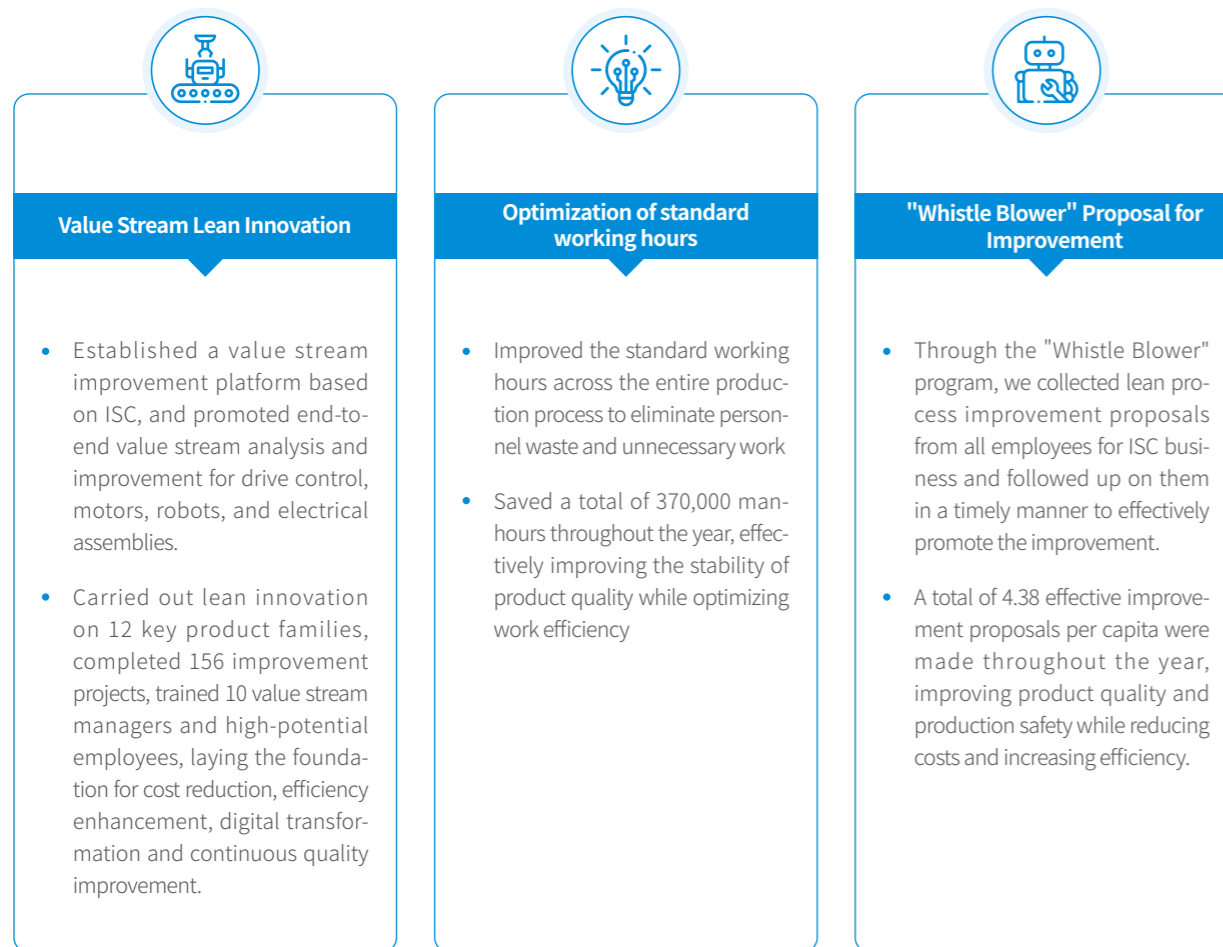
- Quality Training:**
 Carried out training on quality and product safety awareness for all new employees
 Carried out special training on "Product Quality Law", covering all quality management personnel of about 200
 Carried out advanced training on a monthly basis for SQE, QE and FAE employees and skill examinations for frontline employees.
 Carried out ITR training for personnel in R&D, service, marketing, heavyweight team, supply chain and other related departments, covering more than 80% of relevant personnel
- Quality Conference:**
 During our "Quality Month", we organized a quality conference for directors and higher managers, with activities such as quality oaths and negative quality rewards, to help align the "dual integrity and dual safety" quality concept and create a quality improvement atmosphere with supervisors taking the lead and all employees participating

Company-wide Lean Production

Striving for lean production, the Company is constantly improving the factors of human, machine, material, method and environment to improve quality, reduce cost and shorten delivery cycle. Meanwhile, the Company takes customer needs as the driving force for forming its own competitiveness needs. It is committed to creating a high-quality and intelligent model of lean manufacturing in two dimensions: industrial engineering and management engineering.

In 2022, the Company initially built an IPS infrastructure, covering more than 20 lean operation tools for its own business and innovation needs. Through top-down strategy, project improvement and Company improvement measures across the value stream, the Company aims to achieve lean operations across the value chain, embracing "zero waste of resources, zero defective products, 100% on-time delivery of orders, company-wide improvement and healthy sustainability", and cultivating a culture of excellence.

Key Measures for Lean Manufacturing in 2022



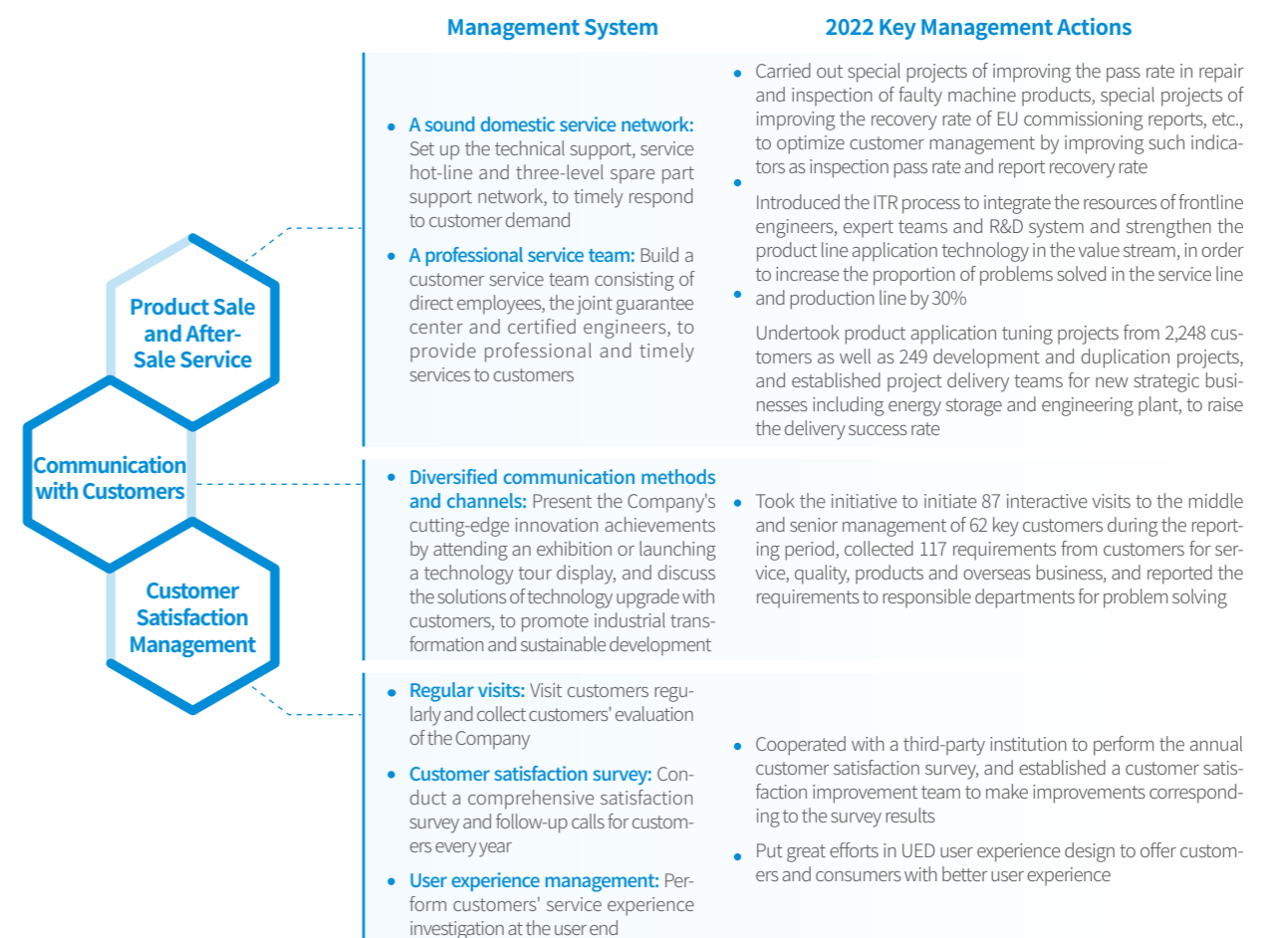
Protection of Customers' Rights and Interests

To realize the goal for "more satisfied customers and more efficient operations", the Company adheres to the customer-centric approach and improves its customer service management continuously. While providing high-quality and efficient solutions, we protect the basic rights and interests of customers in a responsive manner, build good customer relationships, and work hand in hand with customers for win-win development.

Customer Service Management

The Company established a customer service system covering product sales and after-sales service, customer communication and customer satisfaction management, and developed appropriate systems and processes more standardized and efficient management. In 2022, the Company released an updated version of the Rules for Product Return Cycle and Priority Description and Rules for Calculating the Warranty Period of Spare Parts for On-site Replacement, and its subsidiary Kingway Rail has developed the Management Process for Rapid Customer Response and completed the basic construction of the customer service platform.

Customer Service Management System and Management Progress



The Company has established an efficient system, including Quality Correction Process, to manage customer feedback and complaints. Through a tiered processing mechanism covering service personnel, product line personnel and R&D and design personnel, the Company has facilitated rapid resolution of customer feedback, minimization of negative impact and continuous improvement of product quality. During the reporting period, the Company did not receive any customer complaints regarding its products and services¹.

Data Security and Privacy Protection

The Company attaches great importance to protecting data security and privacy for itself and its customers, and strictly complies with the Data Security Law of the People's Republic of China, the Network Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, the GDPR of the European Union and other laws and regulations in the places of operations. The Company strictly fulfills its obligations on data security and privacy protection, and collects and uses personal information under the principles of lawfulness, propriety and necessity.

The Company adheres to the management principles of "raising awareness, strengthening measures, preventing risks, and safeguarding business". We have established an information security management system based on ISO 27001 requirements, and promoted the integration of information security into business processes and the implementation of standards for data security and privacy protection.

Data Security Management System and Management Progress

Compliance Management

- Identified laws and regulations related to data security and privacy protection, and established compliance management mechanisms
- Established a reward and punishment mechanism for information security and investigation and handling procedures, which are reviewed by internal legal affairs manager and external lawyers to ensure strict compliance with relevant laws and regulations
- In 2022, we proactively learned about the requirements of GDPR for the establishment our European base and developed compliance program according to the requirements

Development of Management System

- Established a management system comprising Inovance Information Security Strategy for Management, Inovance Information Security Management Strategy, Inovance Internal Information Asset Management System, Inovance External Information Asset Management System, Information Asset Transmission Regulation and Information Security Reward and Punishment Regulations
- In 2022, we further improved management regulations such as Inovance Information Security Incident Management Framework, Information Security Violation Cases and Penalties, Computer Security Management Standards, Information Security Incident Investigation Procedures, and updated the regulations for interdepartmental cross-regional file transfer and approval.

¹ Based on the reality of the Company's internal management, "customer complaints" herein refers to those complaints related to products and services formally submitted by customers.

Management Framework Development

- The Information Security Department is responsible for the planning of information security control system, and cooperates with IT, legal, personnel, administration and other departments to build information security protection network
- Each department clarified information security responsibilities and assigned information security specialists to coordinate with the promotion and implementation of information security management in the Company; incorporated information security-related KPIs such as average disposal time of security threats, timely repair rate of security risks and timely closure rate of security events into the process and IT department staff performance assessment system
- In 2022, Inovance initially built the information security management framework for its subsidiaries and promoted the framework's implementation in accordance with its own information security standards

Security Technology

- Adopted advanced information security technology for lifecycle security, availability and traceability of information assets
- Built an early warning system to enable visible, controllable, interceptable and traceable information management
- In 2022, the Company deployed IPS and WAF on the Internet egress to defend against network and application attacks; implemented partition isolation on multiple network segments of the intranet, deployed network threat awareness system to monitor threat traffic; deployed anti-virus and HIPS on terminals and installed data leakage prevention software; conducted double-factor authentication with bastion host for remote access and O&M, and monitored administrator's operations

Business Continuity Management

- Developed the Inovance IT Service Continuity Management Plan and IT Business Continuity Plan, and regularly updated the IT contingency plans for key businesses to ensure the fulfillment of IT business continuity management
- Organize the administrators of key business systems to participate in IT business continuity exercises on a regular basis and produce detailed exercise reports according to standard templates
- Conduct an IT business continuity test once a year and ensure its architecture can meet RTO requirements with third-party audits

The information security management system of Inovance Automotive, our subsidiary, is subject to third-party audits on an annual basis. It also receives inspections on network and user privacy security from the government. As of the end of the reporting period, it was accredited to meet the relevant requirements of ISO/IEC 27001:2013 and TISAX standards; during the reporting period, its network security management system was accredited to meet the requirements of ISO/SAE 21434:2021 and obtained an accreditation certificate.

The Company continued to enhance all employees' awareness and ability for information protection by training, assessment and publicity on data security and privacy protection. In 2022, the Company organized more than 25 training sessions and seminars on information security for all employees; launched information security and legal exams with 9,292

participants, representing 97.27%⁷ of employees. The Company launched 26 campaigns on data security and privacy protection for all employees through a variety of channels of communication and set up annual bonus mechanism to encourage all employees to participate in the identification and report of security vulnerabilities.

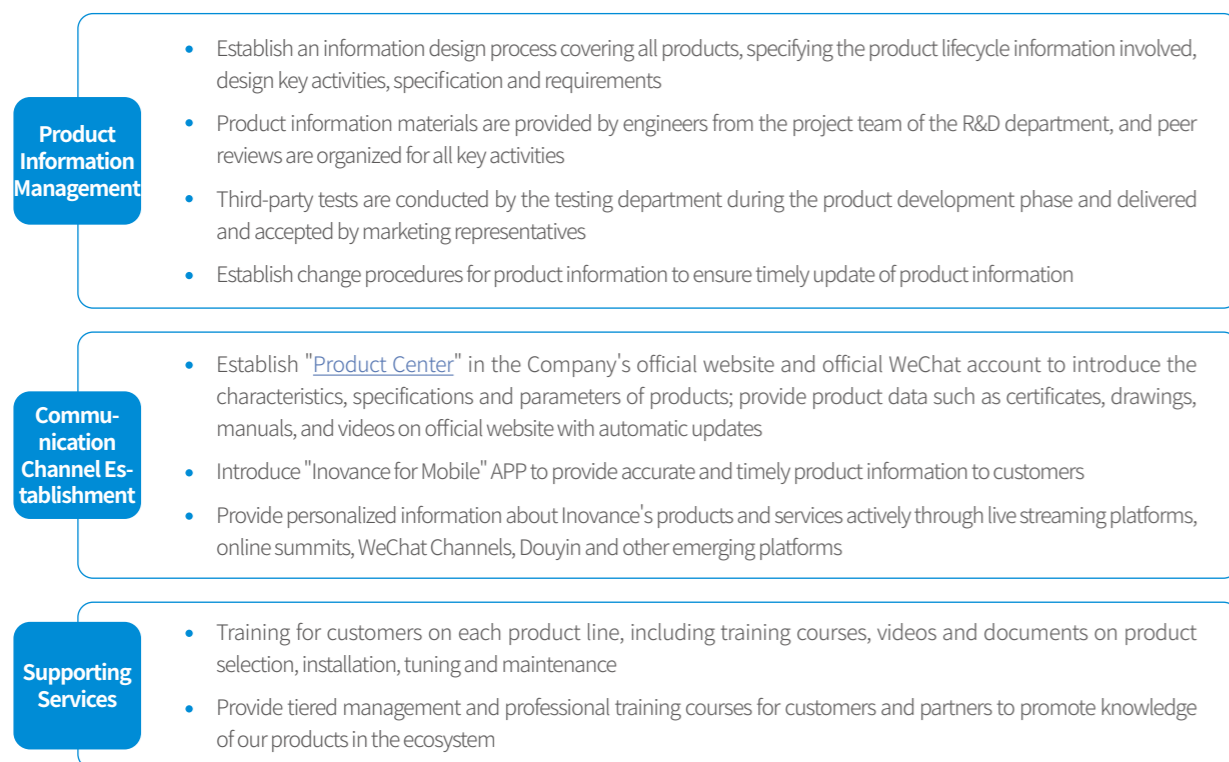
During the reporting period, the Company has not receive any penalties from the competent authorities for violating laws and regulations related to data security and privacy protection.

Socially Responsible Marketing

The Company strictly complies with the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other national laws and regulations to carry out socially responsible marketing management. It conveys true, accurate, effective and user-friendly information to customers about product features, usage efficiency, potential risks, instructions for safe use, and O&M methods through channels such as in-package user manuals, the Company's official website and official WeChat account.

During the reporting period, the Company did not receive any penalties from the competent authorities for violating laws and regulations related to product and service marketing, information and labeling or other voluntary regulations.

Socially Responsible Marketing Management System



⁷ Referring to the active employees covered by the Consolidated Financial Statements in the assessment period (June to July 2022); and, in particular, does not include production line employees due to the characteristics of the employees' business.



Enterprising Low Carbon Pioneer

To facilitate China's 30/60 goals for carbon peaking and carbon neutrality and global net-zero transition, Inovance are adapting to energy transition through energy saving, material conservation and efficiency enhancement with a focus on both products and customers. We are integrating digital technology and energy management practices to improve our low-carbon operations, while leveraging our technology and solutions to enable the low-carbon development of the industry, thereby contributing to climate change mitigation and adaptation with lifecycle emission reduction.

In 2022, the Company established its "2850" and "3030" carbon reduction goals, thus to be the pioneer and practitioner in achieving the national carbon peaking and carbon neutrality goals. Inovance "2850" and "3030" Carbon Reduction Goals. To achieve operational carbon peaking by 2028 and operational carbon neutrality by 2050; To reduce major suppliers' GHG emissions by 30% compared to 2021 by 2030.

Inovance "2850" and "3030" Carbon Reduction Goals

To achieve operational carbon peaking by 2028 and operational carbon neutrality by 2050;

To reduce major suppliers' GHG emissions by 30% compared to 2021 by 2030.



Low Carbon Products and Solutions

For the 30/60 carbon goals, the Company actively grasps the opportunity to develop clean energy with a focus on strategic collaboration of source, grid, load and storage. We provide green, energy-saving and efficient products and solutions in four major fields: industry, power, construction and transportation, to facilitated industry-wide low-carbon practices beyond our own development. Meanwhile, we keep exploring our products and technologies' potential for carbon reduction, and pursues lifecycle green and low-carbon operations covering raw material procurement, manufacturing and product use.

Low Carbon Industrial Products and Solutions

Industry

Energy saving

- Launch energy-efficient MD600 series general-purpose inverter, which supports international energy efficiency classification IE2 level and meets CE requirements to facilitate efficient energy management in digital factories
- Launch a solution for energy-saving renovation of reactor with permanent magnet direct drive motor, saving energy by 10%-20%, enabling low-carbon manufacturing in chemical, metallurgical, pharmaceutical and other industries
- Launch a retrofit solution for permanent magnet synchronous servo system of cable extrusion machine to support the improvement of power grid; the solution achieves 25% energy savings, equivalent to a reduction in carbon emissions of 2.8 million tonnes/year
- Launch a solution for electric vertical injection molding machine for high precision injection while reducing energy consumption by 25% to 40%
- Introduce the optimal control theory of multi-variable and multi-output in the thermal management application of stentering and sizing machines, achieving energy savings of 15% in high energy consumption processes such as textiles

Material conservation

- Create time-sharing drive solutions for integrated air compressor and synchronized machine, enabling lighter and smaller equipment
- Streamline the structure of machinery and equipment to improve productivity and resource efficiency; create resource-saving solutions such as fully automated light inspection machines and direct-drive motor applications for water jet looms
- Streamline the connection of cell sorting machine and high-speed sleeve labeling machine to achieve "one sole network"

Efficiency enhancement

- Launch a digital platform for integrated energy management, which was adopted in Suzhou base and enabled automated and digital energy management for customers
- Create efficient solutions such as valve control solutions for bending machines, visual inspection solutions for pharmaceutical bottles and edible oils based on lean production improvement measures, and indirectly help reduce carbon emissions through the optimization of production speed and personnel deployment

Power

Thermal power

- Integrated high-voltage inverter with "master-slave dual regulation of inverter-driven blade decoupling" solution to save up to 48% of electricity for cogeneration wind turbines

Wind power

- Provide dual-drive electric pitch systems and intelligent yaw inverters for more than 10,000 offshore wind turbines, reducing operation and maintenance costs while increasing power generation

Photovoltaic

- Provide PLC, servo, robot, vision system and other products to support the manufacture of PV products, and participate in the construction of 500 GW PV projects

Power

Power grid

- Collaborate with State Grid and Southern Power Grid to build national demonstration energy storage projects to support the stable operation of new power systems
- Transplant millisecond control technology from automation to grid control for stable control of grid systems with increasing share of renewable energy

Energy Storage

- Provide PCS for electrochemical energy storage systems and core components for flywheel energy storage systems;
- Launched the innovative All-liqcool energy storage terminal, which enables a 20% increase in cycle life and supports the construction of distributed electric energy storage capacity
- Launched new solution for co-control high-capacity energy storage, which significantly improves the speed, consistency, stability and scalability of energy storage system

Construction

Building construction

- Promote the comprehensive electrification of construction machinery, and conduct exploration on the synchronization and four-quadrant control of crane machinery

Building operation

- Provide integrated solutions for water and fluorine units in air-conditioning systems of buildings, and enable energy saving and consumption reduction in HVAC systems of public buildings through excellent control algorithms
- Continuously optimize the dispatching mechanisms of elevators with 4-quadrant controllers to boost low-carbon operations

Transportation

Land transportation

- Develop e-powertrain, electric drive, motor, DC/DC, OBC and other products and solutions for electric passenger cars and commercial vehicles, and participate in lithium-ion battery manufacturing to facilitate the development of new energy vehicles in a multi-pronged approach.
- Build a fully automated solution covering battery storage system and automatic battery swap system to further support the wide adoption of new energy vehicles
- Develop a new generation of permanent magnet synchronous traction for local optimization, global optimization and optimal system efficiency through joint design, enabling a comprehensive energy saving of 16%-20% in application

Transportation

Water transportation

- Launch exclusive inverters for the ship industry, electric inland waterway vessels and solutions for DC grid-based electric propulsion systems based on multiple energy sources, helping the transformation of new energy technologies for ship power systems;
- Provide more than 200 sets of clean shore power systems for ports, reducing carbon emissions by more than 560,000 tonnes

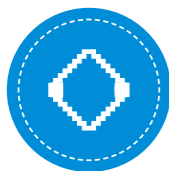
In 2022, the Company focused on the development and application of lightweight, compact and small ecological footprint technologies. We created new increments in green and low-carbon efficiency of products by improving the efficiency of production and product usage, saving material and resource consumption.

Products with Green and Low-carbon Lifecycle



Lightweight

- Replace sheet metal structure with plastic structure in high voltage inverter products, and introduce plastic molding through refined design to save steel use and reduce carbon emissions in the upstream



Compact

- Introduce thin-wall molding technology in the PLC modules of GL20 platform project, which reduces the weight of the housing by 50% while enabling an industry-leading thickness of 12 mm, saves installation space, improves utilization efficiency, and helps to reduce lifecycle carbon emissions of the product terminals.
- Provide integrated MCS1 servo geared motor to shorten the machine by 40% while achieving energy saving



Small ecological footprint

- Replace cold-rolled steel sheets with hot-dip galvanized sheets in the production of elevator control cabinets and other products to reduce the use of powder spraying and potential environmental impact
- Introduce plastic spray-free technology to replace the traditional "plastic + painting" process in the production of elevator call boards, which helps reduce carbon emissions while improving production efficiency

During the reporting period, the Company carried out Life Cycle Assessment (LCA) for key products in NEV-related market and so on, and integrated internal and external resources to improve its factor database and LCA capability, so as to solidify the data foundation for products with green and low-carbon lifecycle.

Responding to Climate Change

Climate change mitigation and adaptation is the entry point for our low-carbon practices. The Company carries out climate information disclosure and identifies and ranks the impact of climate change-related risks and opportunities in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures. We continuously implement measures for energy saving, efficiency improvement, energy transition and carbon emission reduction. We aspire to further control climate risks, seize climate opportunities, and reduce our carbon footprint to the maximum extent possible.

Climate Change Response System

Governance

- The Board considers the disclosure of climate change related management progress and quantitative performance in the Company's ESG report on an annual basis;
- EMT reviews climate and energy-related policies, directs related budget input plans, reviews and monitors progress of actions, quantified performance and goal achievement on climate change issues; and provides resources and guidance to relevant executive departments on climate issues
- The Sustainability Committee oversees corporate climate risks and opportunities and develops appropriate management practices; and the Sustainability Office is responsible for identifying and analyzing climate risks and opportunities, guiding, promoting and communicating our climate change efforts, and following up with relevant executive departments to advance specific issues

Strategy

- Identify and analyze significant climate-related risks and opportunities and assess their potential strategic and financial impact on the Company
- Each business unit carries out management and response actions for low-carbon product and solution development, low-carbon production and operation, and supply chain climate resilience around specific strategies for products and services, investment and R&D, production and operation, and supply chain

Risk Management

- Prioritize climate risks and opportunities according to their probability of occurrence and impact, and identify major climate risks and opportunities
- Develop tailored risk elimination, mitigation, transfer or control measures based on the prioritization
- Integrate climate risk management into company-wide risk management

Indicators and Targets

- Conduct GHG inventory and accounting actively and disclose related performance in ESG reports
- Participate in the CDP climate change questionnaire every year, assess the climate change management performance through emission and energy indicators, and develop improvement plans
- Include energy efficiency in the KPIs of the supply chain management department
- Proactively set operational carbon neutrality goals and carbon reduction goals for the value chain

In 2022, the Company continued to conduct research on climate-related policies and benchmarking analysis against peer companies. Based on expert opinions and our business reality, we identified and prioritized climate change risks and opportunities, assessed strategic and financial impacts of major risks and opportunities and developed management measures to address them.

Climate Risk and Opportunity Matrix for 2022



Climate Risks:

Physical Risks

Transformation Risks

Climate Opportunities:

Opportunities

Significant Climate Risks and Opportunities

Types of Risk/ Opportunity	Description of Risks/Opportunities	Potential Financial Impact	Risk/Opportunity Management Measures
Physical Risks			
Acute Risks	Extreme weather events such as typhoons and floods caused by climate change are becoming more frequent and more severe. If the Company's production sites are affected by these extreme weather events, they may face situations such as power outages and flooding, or even lead to safety accidents or production suspension.	Operating Costs ↗ Asset value ↘	Yueyang base raises indoor elevation to effectively avoid the risk of flooding from flooding Develop IMP for typhoon, rainstorm, power interruption, food poisoning, major infectious diseases and other environmental emergencies to enhance emergency handling capabilities
Transformation Risks			
Policy and Legal Risks	Current climate and environment-related regulatory requirements are becoming increasingly stringent, and laws and regulations on energy and emissions are constantly introduced by the governments. If the Company fails to meet regulatory requirements on GHG emissions and energy management, it will face risks such as lawsuits and penalties.	Operating Costs ↗ Liabilities ↗	Follow up on relevant regulations and policies and respond to the latest policy requirements in a timely manner Disclose information related to "climate change mitigation and adaptation" through ESG reports and other channels
Technical Risks	Under the influence of climate change, the development and iteration of low-emission technologies may have a direct impact on the Company's business and products. The Company needs to increase R&D investment in products and technologies related to the new energy industry and participate deeply in the technological changes on the supply side of various industries.	Operating Costs ↗	Further enhance our R&D and innovation capabilities and develop low-carbon products and solutions by building an efficient R&D management system, promoting data governance improvement in all aspects, and developing more advanced product platforms.
Opportunities			
Products and Services	With favorable policies for carbon neutrality, the demand for low-carbon products and solutions from domestic and overseas customers and consumers has further increased. We'll provide green, low-carbon products and services to meet their needs and generate additional operating income.	Revenue ↗	Provide green, energy-saving and efficient products and services in the four major sectors of power, construction, transportation and industry to help customers reduce their carbon footprint throughout the product life cycle
Market Opportunities	Under China's 30/60 carbon goals, emerging markets for clean energy and other climate-friendly products and services are booming. The Company is accelerating its expansion into new markets and strengthening partnerships for new growth points and lower financing costs.	Revenue ↗ Non-Operating Costs ↘	Make concerted efforts on the integration of "source, grid, load and storage", further explore emerging markets such as wind power and energy storage, and enhance our competitiveness in "digitalization + carbon peaking & neutrality". Collaborate extensively with the upstream and downstream of the industry chain and the public sector on low-carbon technology development and market participation, enabling a comprehensive low-carbon transition of the industry

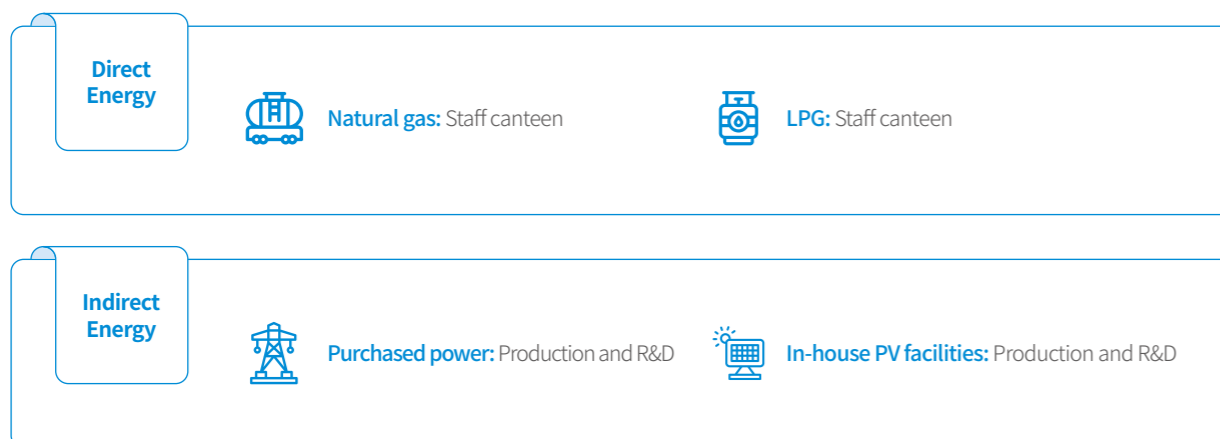
Types of Risk/ Opportunity	Description of Risks/Opportunities	Potential Financial Impact	Risk/Opportunity Management Measures
Adaptability	Enhance climate change resilience and build a green low-carbon ecosystem to further strengthen the Company's ability in grasping climate opportunities. By consolidating infrastructure development, achieving energy transition, and improving climate risk management in the supply chain, the Company will be able to enhance its sustainable operations in the context of climate change and ensure that green and low-carbon products and solutions will bring sustainable growth to the Company.	Revenue \nearrow Operating Costs \searrow	<p>Actively implement energy management measures on the production and operation side to improve resource efficiency</p> <p>Build new renewable energy facilities such as distributed photovoltaic and small-scale decentralized wind power at production bases in Yueyang, Changzhou and other operational locations, and formulate plans related to the use of renewable power</p> <p>Develop low-carbon construction-related specifications for bases under construction to enhance the green and low-carbon benefits of infrastructure</p> <p>Carry out BCM projects to effectively improve security, stability and climate resilience in procurement, planning and ordering, logistics, etc.</p>

Low Carbon Manufacturing and Operations

Reducing GHG emissions from manufacturing operations is one of our key efforts to address climate change and manage climate risks and opportunities. The Company takes energy management as the main path to reduce direct emissions, and practices low-carbon manufacturing operations on all fronts through energy saving, efficiency improvement, lean process improvement, energy transition and awareness-raising activities for all employees.

During the reporting period, the Company's main energy sources included natural gas, LPG and electricity. We have formulated the Infrastructure Management System to regulate the use and management of energy sources.

Major Energy Types and Usage



The Company actively promotes multi-energy complementary and energy-saving efficiency for equipment and facilities, introduced green process, efficient energy management and other measures and built green factories to promote efficient use of energy while reducing GHG emissions. We are striving to promote lean improvement of production processes for indirect emission reduction through resource saving, waste avoidance and production efficiency optimization, and further explore carbon reduction opportunities.

Key Projects for Energy Saving and Carbon Reduction in 2022



Energy Efficiency Optimization

- Company introduction of frequency conversion technology, motor control algorithms and control performance optimization for motor systems such as fans, pumps and compressors, leading to optimization of permanent magnet motor efficiency and improvement of energy efficiency;
- Suzhou base, Changzhou base and other manufacturing bases were equipped with industrial waste heat recovery devices to improve the energy efficiency of heating and domestic hot water. Waste heat recovery project for air compressors at Suzhou plant enables electricity savings of 330,000 kW-h/year, equivalent to reducing 188.2 tons of CO₂ emissions.
- Suzhou base carried out energy efficiency improvement projects for air compressors, pumps and other motor systems, achieving electricity savings of 102,600 kW-h/year, equivalent to reducing 59.1 tons of CO₂ emissions
- The design of cooling systems in Changzhou base and industrial robotics base in Nanjing have been optimized. Changzhou base adopted centralized process cooling solution, while industrial robotics base in Nanjing adopts high-efficiency centrifugal units in the refrigeration room to improve energy efficiency.



Introduction of Green Processes

- Integrated digital, automated and intelligent technologies into production processes for cost reduction, efficiency improvement, efficient energy management and manufacturing emission reduction
- Automatic planning of spraying paths based on physical models of spraying, material characteristics and small data intelligence algorithms, enabling significant improvements in spraying characteristics and 30% increase in efficiency, reducing material usage and indirect emissions



Digital Energy Management

- With digital transformation, built intelligent equipment, factories and power chassis for industrial automation and vehicle electrification to realize the conversion of mechanical energy to electric energy; achieved digital power management with a focus on integration of "source, grid, load and storage"; promoted "strategic integration" to create digital energy management solutions
- In April 2022, the Company's independently developed digital energy management platform was formally adopted at Suzhou base. The platform provides a comprehensive solution for centralized dynamic monitoring and digital management of energy supply, transmission and consumption, providing high-quality data support for energy saving and carbon reduction for us and our customers.



Energy-saving Design Workshop

- In August 2022, the Company held a workshop on energy-saving design for the second phase of Changzhou base, which deeply explored energy-saving and consumption reduction opportunities from four dimensions: process design, equipment design, infrastructure design and logistics hardware design; a total of 74 energy-saving projects were included in the rolling management, with 25 having been put into practice.



Green & Low-Carbon Demonstration Factory

- Yueyang base was designed to be a green low-carbon demonstration factory by introducing a smart micro-grid and electric energy dispatching system with PV energy storage and control flexibility, a 5G-enabled wireless data transmission network and a digital energy management platform for comprehensive monitoring and unified dispatching of energy. PV and wind power facilities constructed by the Company were equipped to increase the proportion of green power to over 30% to further promote the adoption of low-carbon energy.

The Company actively promotes the construction of renewable energy infrastructure, gradually increases the proportion of renewable energy consumption, and sets an energy transition goal based on its business needs: "by 2025, Changzhou base will realize a 100% transition to green power". As of the end of the reporting period, the Company has launched construction projects of distributed PV facilities at several production based and achieved a total installed capacity of 4.7 MW of grid-connected power. Our total PV power generation in 2022 exceeds 5,179,000 kW·h, equivalent to reducing CO₂ emissions of 2,953.3 tonnes. Meanwhile, we are also actively exploring the development and application of diversified renewable energy sources and promoting the construction of small distributed wind turbines at our Yueyang base.

The Company has further increased the promotion of green office concept and cultivated energy-saving culture. We launched the "Energy Saving Month" campaign and published 16 articles on green office facilities to all employees, spreading energy saving knowledge and encouraging them to support green and low-carbon office and mobility.

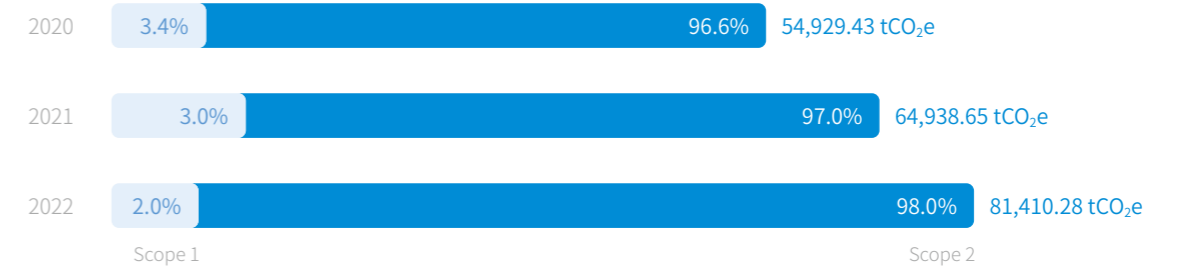
GHG Emissions Accounting

The Company takes GHG emission performance as a benchmark to measure climate change management performance and set up goals. We are moving toward net zero emissions across the value chain by developing a reliable data base through GHG accounting and verification, and continuously tracking our emissions performance and progress toward our goals.

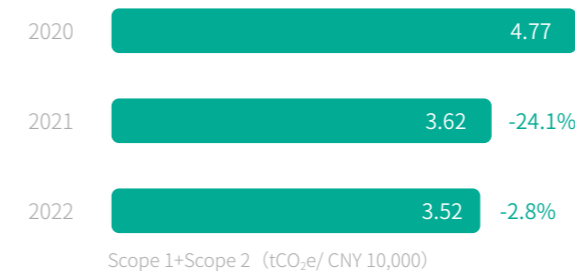
Since 2021, we have been conducting Scope 1 and Scope 2 GHG inventories in the Company on a yearly basis and disclosing the results in our ESG report. On such a basis, we have gradually included indirect (Scope 3) emissions in our GHG accounting. During the reporting period, the Company conducted collaborative research on energy and emissions data with 713 direct suppliers to support the refined measurement of Scope 3 emissions in "Purchased Products and Services". In addition, our subsidiary Inovance Automotive has engaged a third-party agency to verify its Scope 1, Scope 2 and Scope 3 GHG emissions data for 2021 in accordance with ISO 14064-1:2018 and has obtained the verification statement.

GHG Emissions Key Performance in 2022

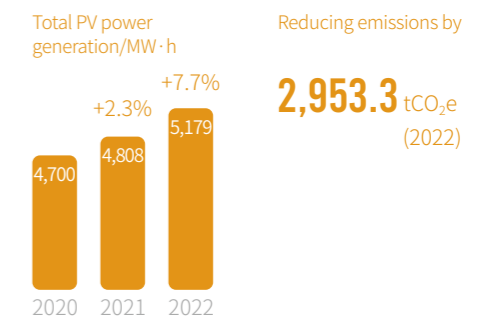
Total greenhouse gas emissions



Intensity of greenhouse gas emissions



PV Power Generation





A Sincere and Reliable Responsibility Ecosystem

Based on the realization of its own efficient, stable, green and low-carbon operation, Inovance is committed to carrying out sustainable management practice in a broader industrial ecosystem. It strengthens industrial cooperation and opens up broader development space while strictly controlling supply chain risk and ensuring safe and stable supply. Consequently, it aims to create a comprehensive responsibility ecosystem.

Supply Chain Management

The sustainable supply capability is an important foundation for companies to provide first-class products and services to the industry. The Company continuously strengthens its supply chain management capability, achieves comprehensive management of suppliers' safety, stability, business ethics, environmental protection, social responsibility and other elements by enhancing the safety and risk resistance capability of the supply chain and strengthening responsible auditing and evaluation of the supply chain. In addition, the Company also establishes good long-term cooperation with suppliers to promote the high-quality development of the entire industry chain.

Improving Resilience of the Supply Chain

The Company's suppliers can be classified into production material suppliers and non-production material suppliers based on the type of products and services they provide. The Company has established systems and processes such as Supplier Development Process, Supplier AVL Management Work Guidance, Supplier Performance Management Process, etc., and combined them with relevant documents such as supplier level operation guidance, supplier portfolio management specifications, strategic supplier management specifications, etc., so as to conduct hierarchical management of suppliers. Based on the importance of the materials supplied by suppliers and their comprehensive impact on technology, quality, responsiveness, delivery & cost (TQRDC), the Company defines strategic suppliers and important suppliers as key suppliers and carries out targeted management.

In 2022, the Company focused on procurement reform to streamline the procurement process framework and update and optimize documents such as Supplier Certification Management Process, Supplier Performance Assessment Management Process, Purchase Order Issuance to Delivery Management Process, etc., so as to further enhance the comprehensiveness and targeted nature of supplier certification, assessment, and delivery management.

The Company focuses on the capability of suppliers in TQRDC and their risk management level, and evaluates and controls sustainable risks of the supply chain in accordance with the Supplier Management Contract. The Company continuously conducts monthly assessments of quality and delivery performances of existing suppliers as well as semi-annual overall assessments of TQRDC, and follows up, supervises and manages risk points in the assessment conclusion until such assessments are finished. Subsidiaries also assess their specific business suppliers through annual audit, QPA, flight inspection, material first inspection and other methods. In 2022, the Company actively responded to internal and external development environments, and focused on the construction of business continuity management system and localized procurement, thus further enhancing the resilience of the supply chain.

Business Continuity Management

In 2022, the Company planned and implemented the BCM project, formed a list of risks and the IMP targeting risk levels and scenario combination of seven major circumstances, including emergency, earthquake, fire, power outage, food poisoning, typhoon and heavy rain, major infectious disease and network interruption. In addition, the Company formulated the Business Continuity Planning (BCP) regarding procurement, planning and ordering, logistics and other business areas.

The BCM project effectively enhances the Company's response capability during the emergency, reduces safety risk of the supply chain, and helps the Company achieve business continuity management across multiple regions and various business types and in the whole link from suppliers to customers, effectively ensuring sustainable implementation of various production and operation activities.

Localized Procurement

The Company is gradually implementing localized procurement of the factory based on the construction progress of its own production base, focusing on local development of main structural material suppliers and the localized supply of accompanying suppliers, so as to improve supply efficiency and reliability.

In addition, replacing imported goods with domestically produced components and structural parts is an essential means for the Company to reduce exclusivity and dependence and enhance supply chain safety. In 2022, the Company strengthened domestic component procurement and has significant improvements in domestication rates of core components. Some products have achieved 100% domestication of their core components, effectively ensuring the safety of the Company's own production and customer-end supply.

The Company values collaborative cooperation and mutual growth with its suppliers. Through supplier incentives, training and empowerment, and deepening cooperation, the Company continuously motivates its suppliers to carry out high-quality practices, thus further enhancing the comprehensive risk management effectiveness of the supply chain.



Supplier Incentives

- Based on the Supplier Performance Management Process, annual performance evaluations are conducted to encourage outstanding suppliers.

Supplier Training

- The operational training is arranged for all suppliers involved in the use of new systems (such as SRM system and mold system).
- The annual quality counseling is provided for production-oriented suppliers, covering topics such as quality management system construction, environmental protection and workshop employee safety. During the reporting period, 95% of core suppliers received training.
- Continuous improvement of supplier empowerment coverage and quality is achieved through QPA, flight inspection and special coaching.

Long-term Cooperation with Suppliers

- Focus on bottleneck materials and critical materials for which a continuous deep customization and joint development is carried out with core suppliers.
- Promoted the cooperation and development of customized integrated packaging, automotive-grade integrated chip customization, capacitor functional customization, servo motor integrated solutions and PLC platform I/O module easy-connection solutions during the reporting period.

ESG Management of the Supply Chain

The Company values the performance of its suppliers in terms of environment, social responsibility, business ethics, etc. Through audit and evaluation, the Company drives the improvement of ESG management levels of suppliers.

For new suppliers, the Company formulates the Inovance Supplier Management Contract and the Inovance Honest Cooperation Agreement, requires all of them to sign such documents, and rules that all of them must provide products conforming to relevant environmental protection requirements, provide effective reports, strictly abide by business ethics, and engage in incorruptible, self-discipline and honest cooperation. All new suppliers have signed such documents. In addition, the Company requires a certification team to conduct on-site audits of new suppliers before admission, evaluating their performance in terms of environment, health and safety as well as the enterprise social responsibility. Suppliers with unsatisfactory audit results are required to make improvements. During the reporting period, evaluations were conducted for 146 new suppliers, and 91.8% of these suppliers passed corresponding evaluations.

For existing suppliers, the Company conducts regular audits of their practices in terms of environment, labor and ethics. The Company signs the Inovance Supplier Management Contract with all suppliers who have formal procurement cooperation with it, clearly defining relevant requirements for suppliers in management of environment, social responsibility, human rights, etc. In addition, Inovance Automotive, one of the Company's subsidiaries, formulates relevant questionnaires about sustainable development of suppliers in accordance with RBA, urging suppliers to carry out corresponding management.

Due Diligence Management for Responsible Minerals

The Company's production process involves the use of gold (Au) and tin (Sn) mineral resources, and prohibits the use of conflict metals in the corresponding mineral categories.

The Company formulates the Measures for Control and Management of Inovance Conflict Minerals by referring to documents such as the OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-affected and High-Risk Areas and the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, clearly ruling that the Company does not support or use conflict metals produced in conflict mineral areas such as Congo and its surrounding countries and regions, and standardizing the management of the Company's conflict minerals.

Process of Due Diligence Management for Responsible Minerals



Cross-industry Collaboration and Development

The Company seizes new opportunities of rapid growth and low-carbon transformation of the industry, and not only achieves its own development but also strengthens comprehensive communication and collaboration with the industrial ecosystem. Based on respecting the intellectual property of all parties, the Company empowers the innovation and reform of the whole industry, thus opening up broader market and development space.

Industrial Communication and Collaboration

In 2022, through strategic cooperation, integration of production, education and research, industry communication and standard co-construction, ecological chain training and empowerment, and other projects, the Company launched extensive and close communication with suppliers, customers, universities and research institutes, industry associations and other partners. The Company actively transferred and shared its business essence, management experience and industry advantages to the ecological chain, and helps to share the responsibility as a promoter of industry technology development and an explorer of management mode transformation.

Key Practices of Industrial Communication and Cooperation in 2022

Industrial Cooperation

- Cooperated with China National Offshore Oil Corporation and South Korean SK on relevant energy projects to accelerate the exploration and development practices of deep-sea oil and gas resources
- Actively carried out further cooperation with partners such as Foundation Steel, Yongfeng Group, Panhua Group, and SINOHYDO on issues such as domestication of automation control technology and equipment, integration of IoT technology and energy management, construction of green intelligent factories, and development of new energy solutions

Co-construction of Production, Education and Research

- Cooperated with Zhejiang University and Nanjing University of Aeronautics and Astronautics to establish a special working team for engineering joint master's and doctoral cultivation projects, complete the enrollment and selection process for relevant talents, and carry out formulation and review of joint cultivation projects
- Established a laboratory together with the School of Automation, Harbin University of Science and Technology, and formally landed it. The Company donated relevant products to support the implementation of scientific research
- Co-built a training base together with Hebei Vocational University of Technology and Engineering to jointly cultivate talents in industrial engineering
- Signed cooperation agreements with 38 colleges and universities relying on the project of matching employment and training based on the supply and demand of the Ministry of Education
- Conducted joint research together with well-known scientific research institutes such as the Institute of Semiconductors, CAS, Zhejiang University and Soochow University on topics such as low-voltage high-current power source products and equipment visual system design
- Held occupational skill competitions in engineering capability, intelligent manufacturing, etc., together with universities such as Yanshan University, Changchun University of Technology, and Hunan University of Technology, and donated relevant products such as PLC

Industry Communication and Standard Co-construction

- Formally joined the Global Wind Energy Council (GWEC) to promote the upgrading and transformation of green energy
- Conducted a technology exchange with LS Research Institute of Lanzhou LS Group on electrical control system, and engaged in in-depth discussion on promoting brand domestication and technical standardization of electrical control system

Industry Communication and Standard Co-construction

- Attended the 4th Innovation and Development Conference of Comprehensive Energy Service Industry and obtained the award of "Innovation Pioneer Enterprise of Comprehensive Energy Service"
- Participated in the preparation and review of the Basic Requirements for Short-circuit Braking Technology of Electronic Motor Winding of Elevators, Basic Requirements for Safety Bus, and Entrusted Testing of Escalators and Moving Walks" as an important collaborator, and published the Basic Requirements for Contactless Control Technology for Lifts
- Participated in a total of 33 industry and technical associations in 2022, with a total expenditure of about RMB 665,532 for membership fees

Eco-Chain Management Talent Empowerment

- Launched the Outstanding Manager Training Camp OMT Project for customer management teams, and established management synergy and deep connections with customers
- Conducted the Channel CEO Training Camp ODT Project for Channel CEOs to achieve cultural integration and promote common development with channel partners
- Organized the Outstanding Co-partner Training Camp OCT Project among the middle and senior managers of the enterprises invested by the Company, so as to promote the incubation of the Company's industrial investment ecosystem and enhance efficiency synergies

Intellectual Property Protection

The Company strictly abides by relevant laws and regulations such as the Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, Copyright Law of the People's Republic of China, etc., and carries out corresponding intellectual property management. In addition, the Company has formulated and formed a complete system including the Inovance Intellectual Property Management Manual, Management Procedures for Risks of Intellectual Property, Management Procedures for Resolution of Disputes on Intellectual Property, Incentive Procedures for Intellectual Property, etc.

In terms of protecting its own intellectual property, the Company arranges patent engineers to carry out patent layout for its own projects. By preparing relevant industry patent analysis reports or peer enterprise patent analysis reports, it enhances the understanding of research and development personnel on the status of intellectual property in the industry, and further urges research and development personnel to report their research results and apply for intellectual property in a timely manner. In addition, the Company optimizes the Incentive Procedures for Intellectual Property and increases the bonus amount for patent application award, patent authorization award, patent protection award, and other awards, in a bid to further stimulate employees' enthusiasm in applying for intellectual property. During the reporting period, the Company conducted more than 40 special training sessions related to intellectual property, which effectively improved the awareness of intellectual property protection among all employees.

In terms of protecting the intellectual property of partners and the wider community, the Company conducts due diligence or risk assessments before procurement, financing, and other activities to avoid infringement risks. During the reporting period, the Company conducted more than 200 patent risk investigations, achieving 100% coverage of key project patent risk reviews. In addition, the Company collaborated with suppliers to actively engage in patent protection, effectively cracking down on counterfeiting and forgery across the entire market. During the reporting period, the Company has not receive any penalties from the competent authorities for violating intellectual property-related laws and regulations.

In 2022, the Company applied for 875 patents, obtained 718 patent licenses, and won the Excellence Award granted by "The 23rd China Patent Award". Suzhou Inovance, one of the Company's subsidiaries, passed the supervision and review of a third party that conducts certification by implementing the standard Enterprise Intellectual Property Management (GB/T 29490-2013), and obtained a certification of the intellectual property management system. In addition, the subsidiary won the first prize of the Suzhou Excellent Patent Award, and successfully applied for the 2022 Suzhou High-value Patent Cultivation Plan Project.



A Development Platform for Suitable Talent and Cultural Integration

Inovance adheres to the "contributor-oriented" core value, and strives to create a culture system that values "person". The Company respects the rights and interests of employees, develops individual differences, and actively creates an equal and inclusive working atmosphere. In addition, it strengthens work safety management, guarantees the health of employees, and creates a safe and healthy working environment for them. The Company also continues to be positive and creates a comprehensive employee development system, so as to contribute more outstanding talents to the industry while working and growing together with employees.

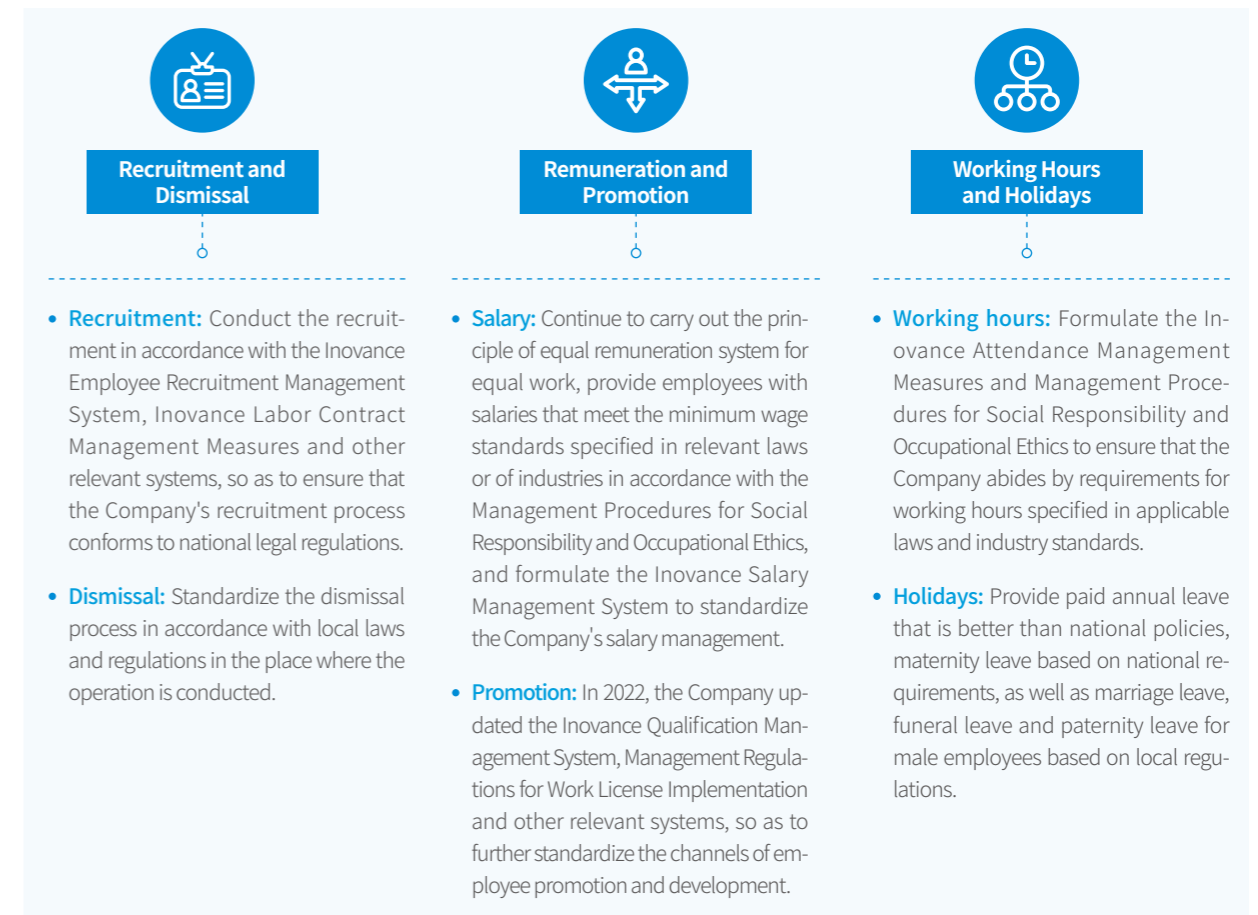
Rights, Interests and Benefits of Employees

The Company attaches great importance to and guarantees the basic rights and interests of employees, and actively embraces group and individual differences to gather "diverse humanistic forces". We have incorporated human rights-related guidelines such as securing personal safety, promoting equal opportunities, upholding anti-discrimination and violence, prohibition of child labor and forced labor and securing the right to participate in trade unions and collective bargaining into BCG, and established a healthy, safe and inclusive working environment. On this basis, the Company strives to provide employees with more personalized benefits and communication channels, and is committed to creating a spiritual home that employees long for.

Employee Recruitment and Employment

Inovance strictly abides by the Labor Law of the People's Republic of China and other relevant laws and regulations, and establishes a sound management system for employee recruitment and employment focusing on dimensions such as recruitment and dismissal, salary and promotion, and working hours and holidays, so as to concretely protect relevant basic rights and interest of employees. Based on the implementation of standardized system of the whole Company, some subsidiaries have formulated specific management systems according to their own operating conditions, and carried out targeted employee recruitment and employment management.

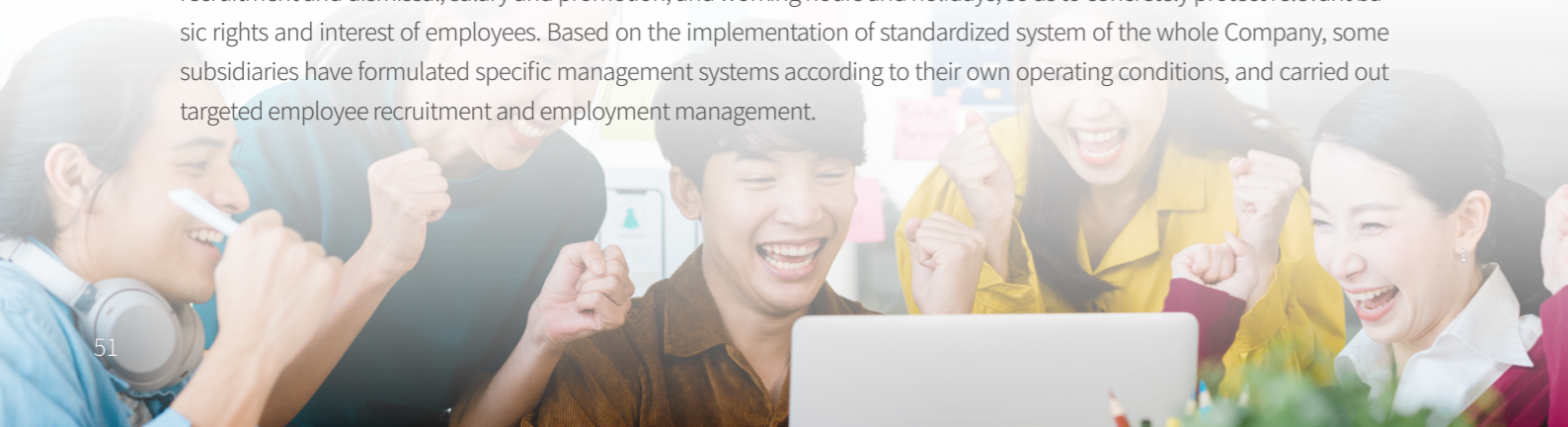
Employee Recruitment and Employment Management System



The Company continues to conduct legal employment and establishes a system and management system to prohibit child labor and forced labor. The Company has formulated the Labor Protection System for Female Workers and Minors, which promises to prohibit any behavior of employing or supporting child labor or forced labor. At the same time, the Company prohibits employees from paying deposits or storing identity cards when they are employed, and prohibits any force and involuntary labor, including prison labor, contract labor, bonded labor, slave labor, or any labor behavior that uses punishment as a means.

We also pay attention to the construction of remedial procedures for child labor in order to protect the safety and health of minors. The Company and its subsidiaries have formulated relevant procedures for remedying child labor, and has established corresponding timely relief mechanisms such as treatment and compensation, continued education guidance or sending them back to their hometowns based on physical conditions and compulsory education degrees of the parties concerned. During the reporting period, all formal employees of the Company were laborers over 18 years old, and there were no incidents of hiring child labor or forced labor.

During the reporting period, the Company has not receive any penalties from the competent authorities due to violations of any laws and regulations related to employee recruitment and dismissal, working hours and holidays, promotion and equal opportunities and other labor standards.



Honors and awards

Received the "2022 Most Digitally Responsible Employer in China" by Forbes China;

Inovance Technology Pvt. Ltd., a subsidiary of the Company, received the Outstanding Employer Certification from the global workplace culture authority Great Place Work Institute.



Employee Equality and Diversity

Inovance adheres to cultural values of equality and diversity, creating an equal and inclusive working environment for employees. We adhere to the principles of fairness, impartiality and openness in employee recruitment, employment and workplace, promise equal opportunities in employment, salary, training, promotion, dismissal, etc., and are committed to not discriminating against employees based on race, gender, social class, nationality, religion, disability or political affiliation.

The Company opposes workplace harassment and discrimination and adopts a zero-tolerance policy towards any form of workplace harassment. We actively create an equal and safe working atmosphere for employees. The Company has formulated the Guidelines for Prevention and Control of Sexual Harassment in Workplace and established a mechanism for preventing and controlling sexual harassment in workplace to ensure the physical and mental health and safety of employees. In 2022, the Company did not experience any confirmed incidents of harassment or discrimination.

Harassment Complaint Handling Procedures



Grasping the Basic Situation

- Promptly understand the situation through investigation and evidence collection upon receiving complaints, and conduct written recording and signature confirmation while ensuring confidentiality;
- Provide a response opportunity for the accused, considering their explanation and response.



Investigation and Reporting

- Establish an investigation team to conduct special investigations. Sort the received information as well as the information and evidences obtained via inspection and then make them form an investigation report and submit it to the handling team. Compile a research report and report it to the handling team.



Handling and Feedback

- Based on the investigation results, the handling team gives feedback on the handling of the incident;
- Mediate both parties involved in the complaint in case that both parties have the willingness to mediate;
- For confirmed sexual harassment incidents, the Company will give disciplinary actions to the perpetrator, such as transfer, warning, and termination of labor contract, depending on the severity and impact of the incident. If the incident violates the law, the perpetrator will be handed over to the legal authorities for processing.

The Company also provides job opportunities for people with disabilities, and encourages them to be creative in the workplace. The Company actively responds to national policies on placing people with disabilities by offering jobs such as logistics cleaner, assembly operator, logistics operator, and office clerks. A total of 86 people with disabilities were employed in 2022.

Employee Benefits and Care

The Company attaches great importance to employee benefits and care, and provides diverse benefits and regularly organizes cultural activities, so as to ensure a work-life balance for its employees and enhance their happiness and cohesion. Additionally, we have formulated the Inovance Life Society Management System and Inovance Activity Safety Management System to standardize the safety and cost of employee activities.

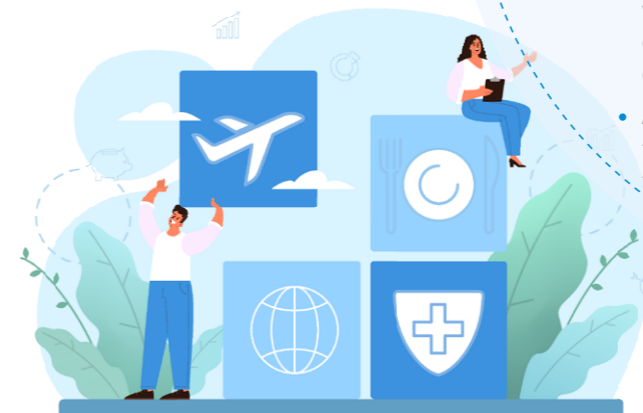
Employee Benefit System

Daily Benefits

- Provide daily benefits and subsidies to all employees, including dining benefits, dormitory services, shuttle bus services, commercial insurance, physical examinations, allowance benefits, communication benefits, team-building expenses, and activity expenses

Cultural and Sports Activities

- Conduct themed activities called "Four-Leaf Clover of Happiness" for all employees of the Company, including various types of cultural and sports activities such as the annual meeting of the Company, family day, Mid-Autumn Festival party and marathon
- **Progress in 2022:** Planned and conducted music barbecues and marathons in Shenzhen and Suzhou, with more than 70 teams and over 80 families participating in such activities, with an attendance of more than 500
- Set up 23 life societies such as basketball, football, hiking, yoga and badminton in Shenzhen, Suzhou and Xi'an, and organize corresponding sports activities
- **Progress in 2022:** A total of more than 400 life society activities were organized, along with 22 life society activities such as the company-level basketball and football matches, with an attendance of more than 5,000 employee participants
- Actively conduct departmental activities such as the tug of war, team-building activity, new employee meeting and departmental trip



Inovance values employee care and has established a sound employee care system to create a positive organizational atmosphere and enhance the happiness and sense of belonging of employees.

In 2022, we set up a political commissar system at the Headquarters and some subsidiaries, and formulated the Management Measures for Inovance's Political Commissar System. The political commissars are responsible for implementing employee care measures as cultural ambassadors, communication bridges and atmosphere experts. During the reporting period, the Company conducted more than 1,800 employee care activities accumulatively through the political commissar system.



Employee Care System



Daily Care

- Special care actions such as the Singles Club, Green Leaf Care, and Warm Winter Care.
- Festival consoling care actions such as the Army Day Veteran Care, Women's Day Care, and Birthday Care.
- **Progress in 2022:** Benefits and birthday cards were distributed to all employees for the Dragon Boat Festival, Mid-Autumn Festival, Spring Festival and birthdays. Hot and cold weather subsidies and night shift subsidies were distributed to employees working in high and low temperatures and night shifts, covering more than 3,790 employees



Psychological Care

- Disseminate psychological health knowledge through science popularization push and lectures targeting the psychological health topics such as stress relief and anxiety relief.
- **Progress in 2022:** Four psychological health science popularization activities were conducted for all employees, with an attendance of 9,300. An external expert in the field of psychological health was invited to conduct an offline lecture on psychological health, with a total of 53 employees participating in it. One Chinese medicine themed lecture together with free medical consultation service was organized, with more than 30 employees participating in it.



Care for Female Employees

- Distribute care packages for female employees on Women's Day via Inovance Trade Union.
- Establish "Mom Station" nursing rooms at various bases and factory areas to create a good working environment for women.
- **Progress in 2022:** A total of 3,160 care packages for female employees were distributed to all employees.



Assistance for Employees in Need

- Establish the Care Fund Management System, which provides assistance for employees and their immediate family members in the event of accidents, serious illnesses, natural disasters, etc. The reimbursement ratio is up to 55% of the employee's direct expenses.
- **Progress in 2022:** A total of RMB1.306 million was paid from the Care Fund to support employees in need.

The Company respects each employee, actively communicates with employees, establishes open and equal communication channels, listens to employee voices through methods such as the Staff Representative Congress and Trade Union, Inovance Forum, Email to President and employee satisfaction survey, thus helping employees solve problems.

Employee Communication Channels

Staff Representative Congress and Trade Union

- The Company has established a staff representative congress system and a trade union organization in which all employees participate, ensuring that all employees have full rights to know, participate, express and supervise, and enjoy union benefits. It promotes the institutionalization, standardization and proceduralization.
- The Staff Representative Congress negotiates and signs a Collective Contract, Wage Collective Negotiation Agreement, and Special Protection Agreement for Female Staff with the Company to better protect the legitimate rights and interests of employees. In 2022, all employees were guaranteed by the Collective Negotiation Agreement.



INOVANCE Forum

- The Company establishes the INOVANCE Forum to create an open platform for employees' expression and interaction, allowing their appeals and ideas to receive rapid feedback and response and be resolved.
- Each year, more than 2,200 posts are sent in the INOVANCE Forum per year, 150 core issue feedbacks are collected with the problem closure rate of 100%.



Employee Satisfaction Survey

- At the end of each year, a satisfaction survey is conducted among all employees focusing on dimensions such as working environment, supervisor's management style, career development, dedication, cultural atmosphere, etc., collecting real thoughts and needs from employees. Measures for improvement will be formulated targeting core issues, implemented by different departments, and reviewed quarterly for improvement closure.
- In 2022, the coverage rate of the Company's employee satisfaction survey exceeded 80%, and the average score of satisfaction was 4.47 points (out of 5).



Occupational Health and Safety

The Company adheres to the safety policy of "safety first, prevention as the mainstay, and comprehensive governance", implements various occupational health and safety measures under a comprehensive EHS management system and framework, and creates a healthy, safe and responsible working environment.

Work Safety

The Company strictly abides by laws and regulations such as the Work Safety Law of the People's Republic of China and Regulations of Jiangsu Province on Work Safety, has formulated management systems such as the Inovance EHS "Three-simultaneous" Management System of Construction Projects. On this basis, the Company establishes a sound work safety management system, strictly ensuring workplace safety and avoiding safety accidents to the greatest extent.

Work Safety Management System

Management Systems	Management Goals	Management Frameworks
Inovance EHS "Three-simultaneous" Management System of Construction Projects	The proportion of employees with work-related injuries at level 10 or above in the Company is less than or equal to 2‰ of the total number of employees.	Establish a Work Safety Management Committee, in which the Chairman of the Board undertakes the Chief and the Top Executive of the Committee, and the Director of the President's Office undertakes the Deputy Chief.
Inovance Work-related Injury Handling Management System	The recordable injury accident index is controlled within 0.8.	The Committee is responsible for the overall management of the Company's work safety, the formulation of technical measures and occupational health and safety plans, work safety inspection and supervision, etc.
Inovance Research and Development Laboratory Safety Management System	The training rate of three-level safety education for new employees reaches 100%. There are no major fire accidents throughout the year.	The Committee establishes a Safety and Environmental Protection Department, which is responsible for promoting specific EHS management in the Company.

Work Safety Review

- Conduct safety acceptance evaluations, "three-simultaneous" projects and monthly inspections at each base to identify safety risks and propose improvement suggestions, and then follow up on rectification in a timely manner.
- During the reporting period, BST Electric, one of the Company's subsidiaries, has obtained the work safety standardization (three-level) re-examination certification.

Hazardous Chemicals Management

- Formulate the Chemical Management Procedures to clarify the management methods of relevant chemicals and prevent employees and the environment from being harmed by the chemicals.
- Each base uniformly identifies hazardous chemicals and regularly conducts safety supervision and management of hazardous chemicals and their warehouses, so as to promptly discover and rectify relevant issues.

Safety Management for All Workers

- Sign the Safety Responsibility Agreement with all employees.
- Each base regularly signs safety agreements with suppliers and contractors and conducts safety training for them. In daily work, each base supervises their safety to ensure that their workplaces meet relevant safety requirements.
- BST Electric, one of the Company's subsidiaries, makes a statistic of and analyzes suppliers' safety accidents through the EHS monthly meeting of the supply chain, formulates corresponding monthly work safety plans, and punishes, criticizes and educates violators.

Safety Training for All Employees

- Conduct regular training of safety education for all employees to further enhance the safety awareness of all employees.
- In 2022, according to the requirements of different posts, the Company carried out 64 special training sessions in terms of three-level safety education and special equipment safety management for new employees, safety supervisors, safety managers and other relevant employees, with an attendance of 40,437.
- Conduct a series of activities such as safety management training courses, safety propaganda films and banners, first aid training, on-line knowledge quizzes, VR virtual scene experience, and fire emergency drills in conjunction with the "Work Safety Month".

During the reporting period, there was one accidental death after an internal tug-of-war competition organized by the Company. The Company handled the situation properly and carried out post-incident disposal work in a timely manner, reflected on and analyzed the causes of the accident. In addition, the Company formulated and improved documents such as the Inovance Activity Safety Management System, and implemented relevant management measures to avoid similar incidents to the greatest extent.

Occupational Health Management

Main occupational disease risks that the business is involved and are identified by the Company include noise, dust, and exposure to acrylic acid and ethyl acetate. We strictly abide by laws and regulations such as the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and have formulated systems related to the occupational health such as the Inovance Safety Performance Assessment System and the long-term goal of "zero occupational disease accidents". Based on system guarantee, risk management and daily protection, the Company has established a sound occupational health and safety management system and carried out corresponding certification.



Companies and Subsidiaries with ISO 45001:2018 Certification

- Inovance Technology Co., Ltd.
- Suzhou Inovance Technology Co., Ltd.
- Jiangsu Kingway Rail Transit Equipment Co., Ltd.
- Shanghai BNK Cable Co., Ltd.
- Shanghai BST Electric Co., Ltd.
- BST Electromechanical (Jiaxing) Co., Ltd.
- Dalian Smart Drive Technology Co., Ltd.

The Company promotes regular detection of occupational hazards and hidden occupational health-related dangers at each base, supervises and rectifies occupational disease risks, and strengthens the management of occupational health of employees. The Company provides employees with occupational physical examinations, and establishes occupational health records for employees involved in occupational disease hazards. Based on identified hazards, the Company also provides employees with Personal Protective Equipment (PPE) to ensure their health and safety at worksite. In 2022, all employees of the Company received occupational physical examinations, and there were no new cases of occupational diseases.

During the reporting period, the Company has not receive any penalties from the competent authorities for violating laws and regulations related to occupational health and safety.



Employee Training and Development

The Company actively creates a development platform that values "people", supports employees' personalized development and comprehensive capacity enhancement, and empowers talent development across the entire industry ecology. The Company adheres to the principles of matching talents to posts, creating a cohesive and vibrant team while widely attracting talents.

Employee Training System

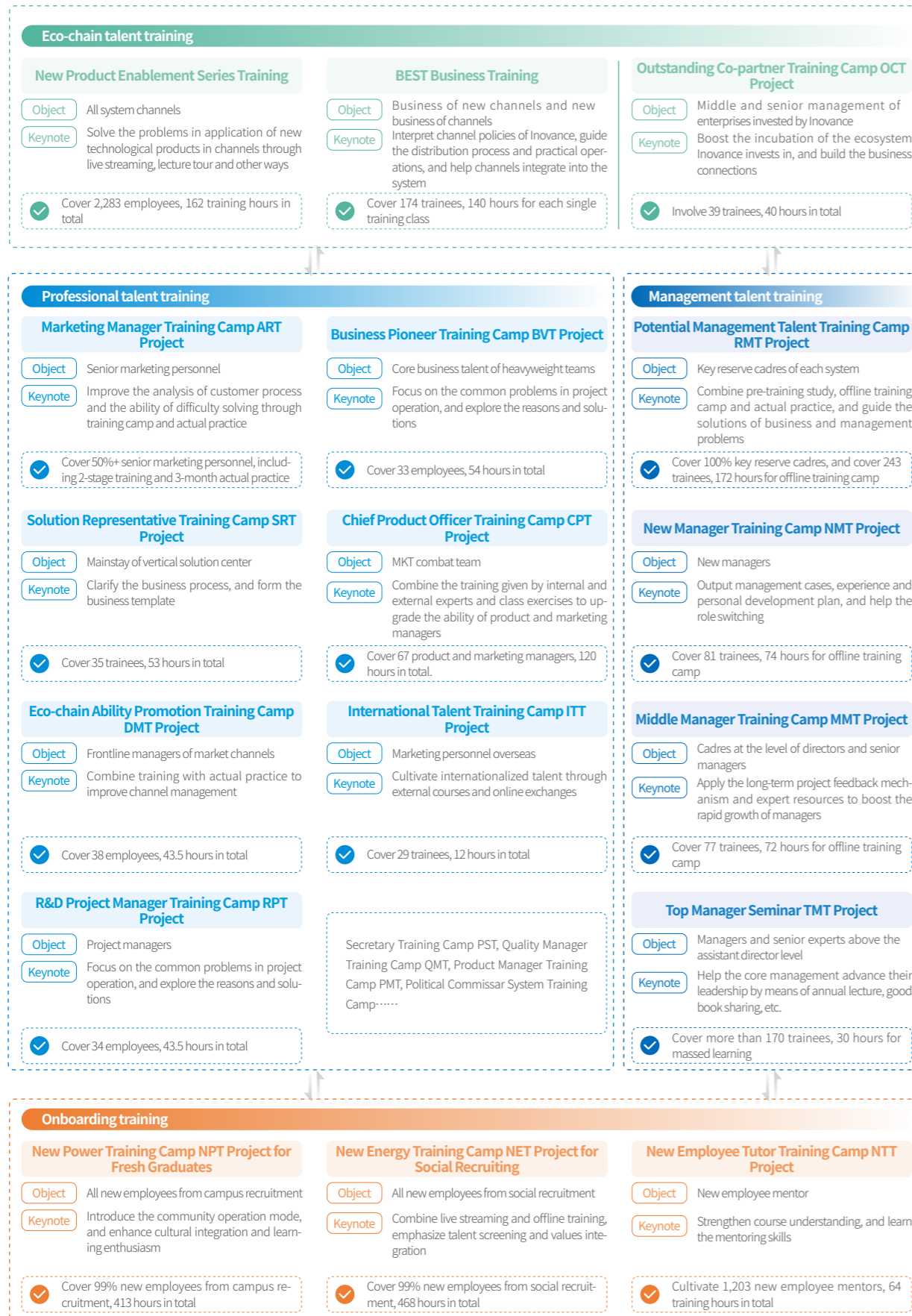
The Company upholds the talent concept of "responsibility, professionalism and enterprising" and "pragmatism, positivity and diversity" and builds a comprehensive employee training system. We have formulated systems and procedures such as the Inovance New Employee Training Management System, Inovance Outsourced Training Management System, Course System Document, Training Management Procedures, and to standardize the construction and management of the employee training system.

The Company sets up an internal training organization called Inovance Academy to accumulate internal organizational wisdom, and establishes a scientific and systematic training system to provide employees with high-quality training projects. In 2022, based on its own strategy and business requirements for each system, the Company leverages Inovance Academy to identify talent cultivation demands through annual surveys of parties related to senior managers' business, resulting in the addition of 6 professional projects. During the reporting period, the cumulative training time for employees reached 279,174 hours, and all employees accepted relevant training projects.

Meanwhile, the Company has set up an online learning platform to provide employees with more flexible and convenient learning channels. As of the end of the reporting period, a total of 20,334 employees with a combined total of 377,321 individuals have used the platform for learning, with a cumulative learning time of 394,723 hours.

Inovance Employee Training System

Eco-chain talent training		
<p>Distributor Fellow Plan</p> <p>Object Sales personnel under the channel system</p> <p>Keynote Approach and understand Inovance; Overcome sales challenges and improve sales ability</p> <p>✓ Cover 126 channel partners and 388 trainees, 16 training hours for each single training class.</p>	<p>Distributor Robot Engineer Series Training</p> <p>Object Robot channel technicians of the system</p> <p>Keynote Be familiar with the functions, application and operation of the robot products, and improve the ability of independent design, writing and optimization</p> <p>✓ Involve 88 trainees, 60 hours for each single training class</p>	<p>Outstanding Manager Training Camp OMT Project</p> <p>Object Customer management</p> <p>Keynote Establish management synergy and in-depth connection with customers based on offline and online class</p> <p>✓ Cover 38 trainees from 13 enterprises, 80 hours of training in total</p>
<p>Distributor EU Engineer Series Training</p> <p>Object EU channel technicians of the system</p> <p>Keynote Explain product applications, conduct practical operations, and improve the value of technicians</p> <p>✓ Involve 88 trainees, 60 hours for each single training class</p>	<p>Distributor Application Development Engineer Series Training</p> <p>Object Channel technicians of the system</p> <p>Keynote Explain the functions and operations of generic products, conduct exams, and improve the ability to develop comprehensive solutions</p> <p>✓ Involve 338 trainees, 35 hours for each single training class</p>	<p>Outstanding Distributor CEO Training Camp ODT Project</p> <p>Object Senior management of channels</p> <p>Keynote Enhance channel retention, achieve cultural integration with partners and promote common development</p> <p>✓ Cover 65 channel partners and 69 trainees, 45 hours in total</p>



New employee training

In terms of new employee training, the Company has launched projects such as the "New Power Training Camp NPT Project for Fresh Graduates", the "New Energy Training Camp NET Project for Social Recruiting", and the "New Employee Tutor Training Camp NTT Project" to focus on cultural integration and help new employees understand and recognize the Company's cultural values and enhance their cultural understanding and identification in various learning ways. In 2022, the Company explored the live broadcast mode for on-line training camps based on the NET Project, accumulating a lot of experience and guidance materials for live broadcast training. We have also opened the "New Employee Tutor Training Camp NTT Project" for new employee tutors, designing scenario-based teaching and case discussions to help trainees deepen their understanding of the course and master coaching skills for serving as tutors. A total of 1,203 new employee tutors have been trained, with certification rates steadily increasing across various systems.

Professional talent training

The Company has established a series of professional talent training camps that provide corresponding learning courses based on employees' growth paths. These training camps focus on business scenarios and pain points and summarize the best business practices, in order to cultivate professionals in fields such as marketing, research and development, manufacturing and functional areas. In 2022, we further developed scenario-based practical training modes based on the "training-combat combination" concept, incorporating the research on the problem-solving topics and other practical tasks into various training projects. We opened the "International Talent Training Camp ITT Project" for overseas marketing personnel, focusing on how to improve their abilities to plan and develop overseas markets, and assisting the further development of the Company's internationalization. A total of 29 international talents were trained, with an on-line training time of 12 hours.

Management talent training

The Company has summarized its own management experience and condensed reform ideas, creating the "Management Talent Training Camp RMT Project", "New Manager Training Camp NMT Project", the "Middle Manager Training Camp MMT Project" and the "Top Manager Seminar TMT Project" with Inovance scenes and characteristics based on the "Three Doings and Three Buildings" manager role model. In 2022, through the TMT project, the Company organized senior managers to learn about the Chairman's annual speech, The Book of Changes and The Wisdom of The Book of Changes, combined with shared reading, video watching, expert sharing, tool practice, and other learning ways to help the core team move from leadership to business leaders. A total of more than 170 trainees attended the seminar, with a cumulative concentration time of 30 hours.

Eco-chain talent training

Considering the strategic planning and business development, the Company summarizes the management essence and wisdom that drive the rapid development of Inovance, provides the eco-chain customers with advanced concepts and methods, continuously promotes the accelerated growth of the Company's eco-chain talents, and achieves the common growth and win-win of eco-chain partners and the Company. We have opened projects such as the "Distributor Application Development Engineer Series Training", "Distributor Robot Engineer Series Training", "Distributor EU Engineer Series Training", "Channel Fellow Plan" and "BEST Business Training" for Distributor engineering technicians and other professionals, as well as the "Outstanding Manager Training Camp OMT Project", "Outstanding Distributor CEO Training Camp ODT Project" and "Outstanding Co-partner Training Camp OCT Project" for eco-chain managers. We empower the eco-chain capabilities in a multi-level and collaborative way comprehensively, thus creating a cultural integration atmosphere.

Special training

The Company carries out special training for empowering reform, so as to effectively implement its reform work. In 2022, the Company held a total of four special reform empowerment events covering IPD, ISC and data projects, with 1,301 employees involved in a total of 26 training hours, resulting in an average course satisfaction score of 94.4. In addition, the Company organized 24 special empowerment sessions regarding the data governance reform project, with more than 1,300 participants and a total training time of 69 hours.

Excellent instructors and high-quality courses are the soul of Inovance Academy. The Company continuously promotes the construction of the instructor system, cultivates and outputs excellent teaching resources for the Company, and empowers employees' career development. In 2022, the Company developed the instructor system from two parts, i.e., the "construction of a systematic instructor training system" and the "activation of director-level instructor group". This aims to open up the path for professor-level instructor training, clarify the requirements for professor-level instructor capabilities, and optimize instructor training methods. During the reporting period, the Company held a total of 5 primary instructor certification classes, 1 intermediate instructor certification class, and explored the cultivation mode of the advanced instructor class, certifying a total of 168 primary instructors, 39 intermediate instructors and 31 advanced instructors.

The Company also actively cooperates with universities to carry out joint training projects, thus cultivating talents that meet new demands in industry development. In 2022, the Company established special working teams in cooperation with Nanjing University of Aeronautics and Astronautics and Zhejiang University, so as to select outstanding engineering master's and doctoral students for special training, followed by sending them to the Company for special internships. The Company and Hebei Vocational University of Technology and Engineering jointly built the "Inovance Training Base of Hebei Vocational University of Technology and Engineering" to jointly cultivate industrial engineering talents. During the reporting period, based on its achievements in the "innovation and practice of the automation technology application talents cultivation mode dominated by Shenzhen Polytechnic – Inovance Industrial Alliance", the Company won the first prize of the 2021 Guangdong Provincial Education and Teaching Achievement Award (Vocational Education).

Employee Promotion and Development

The Company provides four career channels for employees: expert, manager, project manager and skilled talent. It has also formulated management systems such as the Inovance Qualification Management System to standardize talent management and provide employees with clear career development paths. At the same time, based on qualification standards, the Company conducts annual employee competence certification to guide employees' career development and achieve job-person matching.

The Company has initially established a cross-post talent development path for versatile key-post talents and launched reliable projects for key-post talents, focusing on dimensions such as talent retention and capability improvement, and helping relevant talents improve personal capabilities and achieve critical task goals.

In addition, all branches and subsidiaries build their own targeted employee career channel and capability evaluation methods on the basis of the Inovance's qualification system construction project, clarifying the current structural status of talents in each organization and the key capabilities required for different levels of posts and their current states.

In terms of employee promotion and assessment, the Company has formulated systems such as the Inovance Performance Management System, Inovance Staff Evaluation Guidelines, and Inovance Cadre Performance Assessment Management System. The Company conducts a performance evaluation of all employees every six months and uses it as the basis for employee promotion and salary adjustment. The Company has established a "contributor-oriented" salary system, providing employees with industry-competitive salaries and offering rewards to contributors in strategic business, main business units and long-term excellent performance by combining with the Company's strategic orientation, so as to continuously stimulate the vitality of the organization and employees.

Talent Attraction and Retention

The Company focuses on employee development, enterprise culture construction and talent incentives to strengthen employees' sense of identification and belonging, thus attracting and retaining talents. In 2022, the Company formulated systems such as the Inovance Annual Evaluation Management Measures, clarifying the definition and hierarchy of award-winning evaluation.

The Company has established special training and attraction projects for new employees and external experts to help them better integrate into the Company's environment. For new employees, the Company focuses on cultural integration, unified language, scenario practice and other relevant contents based on a training system at three levels, i.e., the Company, department and post levels, and continuously optimizes on-boarding experience of employees. The Company also invites employee tutors to communicate with new employees in advance, increasing employees' understanding of the Company and helping them to better integrate into their team. For newly introduced experts, the Company carries out the "Expert Care Project" and establishes a "One-Axis and Four-Line" expert management mechanism to help them establish professional influence through two main lines (i.e., integration and value) and two auxiliary lines (i.e., incentive and development).

Through the construction and dissemination of enterprise culture, the Company enhances employees' centripetal force and improves the cohesion of the talent team. In 2022, the Company launched the Cultural Middle-class Project, which aims to conduct ideological and cultural construction for all middle and senior employees, covering more than 300 middle and senior cadres. At the same time, the Company launched "the Inovance Meeting Room of the 20th Anniversary" publicity with the theme of "Celebrating the 20th Anniversary of the Company", during which more than 20 senior executives and old employees were invited to share their Inovance story and show Inovance's culture. The Company also conducted three cultural seminars for management personnel to deepen their recognition and understanding of cultural significance.

In addition, the Company uses incentive mechanisms and talent subsidies to motivate working enthusiasm of employees and enhance their working efficiency.

Employee Incentive



- Carry out annual evaluation activities to provide employees with bonus and honor incentives; establish incentive mechanisms at the subsidiary level, and carry out award presentations and internal benchmark publicity.
- Introduce equity incentive mechanisms to further share the struggle achievements with employees and motivate management teams at all levels, outstanding backbone personnel and key talents. As of the end of the reporting period, the fourth to sixth phase of the equity incentive plans and the first phase of the long-term incentive shareholding plan have been initiated. The newly released sixth phase of the equity incentive plan covers the Company's directors, executives, other middle management personnel and core technical personnel. This plan is divided into first granting and reserved granting; 865 people were involved in the first granting, accounting for 4.3% of the total number of employees at that time, and the granted shares account for 0.80% of the total equity of the Company.



- Help employees apply for talent subsidies to provide them with more benefits; Kingway Rail, one of the Company's subsidiaries, organizes employees to apply for the Doubling Plan Talent Subsidy, Gusu Key Scarce Talent Subsidy, Dongwu Key Talent Subsidy, Living Quarter Allowance Plan Talent Subsidy, High-end Talent Subsidy, etc.



Strict and Diligent Green Operation

Implementing comprehensive environmental management and green production is an important way for Inovance to achieve responsible operation. The Company creates a compliant and transparent environmental management system in strict accordance with relevant laws and regulations. While ensuring that its own emissions and waste are under control and compliant disposal, we actively promote energy and resource conservation and efficient utilization measures, and continuously reduce the environmental impact of its own production and operation activities to jointly build a beautiful ecological environment.

Environmental Management System

The Company constructs the environmental management system and ensures its effective operation in strict accordance with requirements specified in national laws and regulations such as the Environmental Protection Law of the People's Republic of China, Water Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Water Pollution Prevention and Control Law of the People's Republic of China, and Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, as well as other regulatory policies in its operational locations. The Company's environmental management policy is "Green Industrial Control, Harmonious Inovance and Beautiful World". Through measures such as the construction of corresponding management frameworks and systems, formulation and implementation of goals and system certification, the Company is committed to achieving whole-process prevention and control of pollution and sustainable utilization of energy and resources.

The Company establishes the EHS Department to ensure the effective implementation and execution of various environmental management measures under the guidance of environmental goals and policies. The Company prepares an environmental self-monitoring plan, and entrusts professional third-party organizations to conduct environmental monitoring each year. Besides monitoring factors such as wastewater, atmospheric pollutants and noise, the Company also detected soil and groundwater pollutant and investigated soil pollution hidden dangers in 2022, and no exceeding of pollutant standards or relevant environmental impacts were found.

The environmental management systems of the Company and its subsidiaries are subject to internal audits each year, and external audits are carried out in accordance with the requirements of ISO 14001:2015. Based on the audit results, the Company continuously improves its environmental management status.

Information Related to Environmental Management System

Environmental Management Systems	Environmental Protection Goals	Environmental Management System Certification
Procedures for Identification and Evaluation of Environmental Factors	<ul style="list-style-type: none"> • Atmospheric pollutants: 100% up-to-standard emission • Solid waste: 100% compliant disposal; the product hazardous waste generation intensity in 2022 is reduced by 10% compared to 2021 (achieved) • Plant boundary noise: 100% up-to-standard emission 	<p>As of the end of the reporting period, the following subsidiaries have been certified as meeting ISO 14001:2015 requirements and have obtained certification certificates:</p> <p>Suzhou Inovance Technology Co., Ltd.</p> <p>Jiangsu Kingway Rail Transit Equipment Co., Ltd.</p> <p>Shanghai BNK Cable Co., Ltd.</p> <p>Shanghai BST Electric Co., Ltd.</p> <p>BST Electromechanical (Jiaxing) Co., Ltd.</p>
Chemical Management Procedures		
Hazardous Waste Management Procedures		

In addition, the Company formulates emergency plans for sudden environmental incidents and files them with the local environmental protection department. Each year, it conducts regular emergency drills and evaluations for sudden environmental incidents to improve the environmental emergency response capabilities of all employees. The Company actively cultivates environmental protection capabilities and enhances relevant awareness of all employees. In 2022, a total of 10 special environmental training sessions were conducted, covering topics such as environmental regulations, environmental pollution hazards and garbage classification and disposal. A total of 763 employees were trained, with a cumulative training time of 836 hours.

In 2022, the Company invested about RMB9.97 million in environmental facility maintenance, environmental technology development and other capital expenditures. During the reporting period, the Company has not received any penalties from the competent authorities due to violations of environmental management laws and regulations related to illegal pollutant emissions, leaks or waste generation. In addition, there was no major environmental impact caused by such issues mentioned above.

Resource Management

Water Resource Management

The Company mainly uses municipal water in its production operation and has not caused any major direct or indirect impact on water resources due to changes in the amount of water intake, consumption, drainage or storage. The Company formulates an annual water resource utilization plan for each unit of water consumption and files it with relevant government departments where the operation is located. We also appointed water conservation commissioners who have passed relevant professional competency assessments to carry out water resource management for these units.

In 2022, the Company continued to implement measures for the circulation of chilled water in the central air conditioning system at its subsidiary Suzhou Inovance, a main water resource consumption unit, achieving a recycling rate of 77.86% for industrial water use in the whole area of Suzhou Factory, which was equivalent to saving 116,509 tons of fresh water consumption.

¹ "Water consumption unit" here refers to a company or subsidiary that significantly consumes water resources.

Packaging Material Management

The packaging materials used in the shipment of finished products include corrugated paper boxes, expandable polyethylene, honeycomb paper boxes, wooden box, etc. The Company attaches great importance to internal recycling of packaging materials to achieve reduction. For the surface mounting technology (SMT), all processed boards in the mounting link are packed in recyclable packagings, and after completion of production, the packaging materials are internally prepared for reuse.

In addition, the Company actively promotes a lifecycle management project for recycled packaging materials, establishes the management system and standards for recyclable packaging materials, and implements packaging material recycling throughout the whole supply chain from suppliers to customers. Inovance Automotive, one of the Company's subsidiaries, has achieved a reduction in wood consumption of about 600 tonnes per year through the promotion of sustainable packaging, while 12 customers of Suzhou Inovance, which is also one of the Company's subsidiaries, have started the using of recyclable packaging materials.

In 2022, the Company continuously implemented corresponding management measures for reduction, light-weighting and recycling & regeneration of packaging materials to achieve cost reduction and efficiency enhancement while reducing resource consumption.

Key Projects of Packaging Material Management in 2022

Cancellation of Wooden Boxes for High-voltage Inverters

Actively communicated with customers and canceled the use of wooden boxes, which helps save about 1,500 tonnes of wood consumption per year.

Replacement of Wooden Boxes with Paper Boxes

Replaced wooden boxes with high-strength paper boxes, which helps save about 1,000 tonnes of wood consumption per year.





Lightweight Design of Expandable Polyethylene

Used expandable polyethylene with high degradability to reduce environmental impact during disposal at the end of its life cycle; reduced the density of EPE used in transportation from 18 kg/cm³ to 16 kg/cm³ through fine design, which helps save 139 tonnes of expandable polyethylene consumption per year.

Emissions and Waste Management

The Company formulates the Inovance Waste Gas Emission Management System, Inovance Domestic Sewage Discharge Management System, Inovance Waste Management Procedures, Inovance Hazardous Waste Management System and other internal systems in strict accordance with national and local governmental requirements in its operational locations. We adopt targeted pollution prevention and control measures and classified treatment and disposal methods for different types of emission and waste, in order to strictly manage and control the discharge of wastewater, emission of atmospheric pollutants and generation of solid waste, and reduce its own environmental impact.

Requirements and Treatment and Disposal Methods for Emissions and Waste Management in 2022

Wastewater Discharge	
	<p>Internal management system: Domestic Sewage Discharge Management System</p> <p>Treatment facilities: septic tanks and cafeteria oil separators</p> <p>Treatment method: The Company did not discharge any production wastewater, and domestic sewage was collected and treated by the municipal sewage plant before being discharged in compliance with regulations.</p> <p>Compliance with standards: Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T 31962-2015), Standards for Pipe of Chengnan Sewage Plant, etc.</p> <p>Testing indicators: pH, total nitrogen, COD, NH₃-N, total phosphorus, SS and petroleum substances</p>
Atmospheric Pollutant Emission	
	<p>Internal management system: Waste Gas Emission Management System</p> <p>Treatment facilities: Fiber filters, activated carbon adsorption devices, etc. In 2022, the subsidiary Suzhou Inovance added two sets of waste gas treatment facilities</p> <p>Treatment method: Primary filtration and activated carbon adsorption</p> <p>Compliance with standards: Integrated Emission Standard of Air Pollutants of Jiangsu Province (DB 32/4041-2021)</p> <p>Testing indicators: Non-methane Hydrocarbon (Volatile Organic Compound, NMHC), tin and its compounds</p> <p>Reduction measures: Replaced the high-emission conformal coating with the conformal coating of low-VOCs emission, and replaced the ABS + mirror spraying scheme with the PMMA alloy material scheme of low-VOCs emission.</p>
Generation of Solid Waste	
	<p>Internal management system: Waste Management Procedures</p> <p>Types of waste: Waste packaging materials, waste electronic component leftover materials, nitrogen filter elements, tin slag, etc.</p> <p>Disposal method: Sold externally after being unified collection by the project team, and entered compliant disposal by third parties.</p> <p>Reduction measures: the Reverse Logistics Department entrusted the third party to recycle and reuse relevant waste.</p>
	<p>Internal management system: Hazardous Waste Management System</p> <p>Types of waste: Waste organic solvents, waste packaging containers, waste rags and gloves, waste liquid for surface treatment, waste grinding mud, waste emulsions, etc.</p> <p>Disposal method: All of them were entrusted to qualified third parties for compliant disposal.</p> <p>Reduction measures: Cleaned wastewater was purified and recycled through process improvement; small packages were replaced with large packages; alcohol, soldering flux empty barrels and other reusable packaging barrels were recovered.</p>

In 2022, the subsidiaries Suzhou Inovance and BNK Cable were listed as key polluting units by the environmental protection department. The Company strictly disclosed its pollutant information in strict accordance with relevant laws and regulations. See "[Annex III: Details about Pollutants from Discharge and Emissions of Major Entities under Environmental Regulation in 2022](#)" for detailed discharge and emissions situation.

The Company prepared an environmental impact evaluation report for construction projects in accordance with requirements and obtained approval from the environmental protection department. It also completed environmental protection acceptance upon completion and obtained an acceptance report; and applied for and obtained permits such as water drainage and pollutant discharge. The subsidiary Suzhou Inovance Technology Co., Ltd. obtained a pollutant discharge permit in May 2020 (certificate No. 91320506678343007N, valid for 5 years); and the subsidiary BNK Cable registered enterprise basic information, main products, raw and auxiliary materials, emission of waste gas and discharge of wastewater and discharge of industrial solid waste on the national pollution discharge permit management platform in June 2020 (registration No. 91310115756967254W001W, valid for 5 years).



Business Power with Sincere Dedication to Goodness

Inovance adheres to the concept of "taking whatever from society and giving back to society accordingly" and actively fulfills its social responsibility. While continuously focusing on scientific and educational undertakings and participating in public welfare and charity activities, the Company is concerned about external environmental changes and actively responds to social needs. It has carried out a series of communication and volunteer service activities around the local community where it operates, striving to achieve dual benefits of self-development and contribution to society.

Community Communication and Volunteer Service

The Company encourages employees to participate in social welfare undertakings by serving as volunteers. It has established a dedicated volunteer association to coordinate and manage employee volunteer activities. The association works together with party committees at all levels of the Company to provide support in terms of funding, resource, and platform for employee volunteer activities.

The Company actively responds to the calls from the local government and relevant departments where it operates, and carries out regular and specific volunteer service activities focusing on urban civilization construction, environmental protection, public health and other fields. In 2022, the Party Committee of Suzhou Inovance responded positively to the call of Taihu Street, and established the "Inovance Civilized City Inspection Volunteer Service Team", mobilizing 83 party member volunteers to participate in the urban civilization construction which was called "Woodpecker" action. The volunteer association organized four Taihu river inspections and cleaning, water sampling and publicity events, three Taihu Street community environmental protection actions, two regional garbage picking and environmental protection hiking activities, and a series of environmental protection promotion and publicity activities under the theme of "Gathering New Force, Greening the Land" to help the whole society create a green and environmentally friendly atmosphere and enhance environmental protection awareness. The cumulative service time of registered volunteers from employee volunteer associations participating in public health-related volunteer services exceeded 21,500 hours.

Moreover, the Company takes volunteer service as a bridge to actively strengthen communication with the local community and build harmonious and friendly community relations. In 2022, the Company organized street and community visits, care, lectures and friendship activities such as the "World No Tobacco Day Themed Lecture" and the "Teaching Richness · Care in Inovance Friendship Activity", with an attendance of more than 100 to related activities.

Social Welfare and Charity

The Company also responds to social needs through public welfare and charity donations, supporting the development of various social public undertakings. In April 2022, the Company urgently purchased 100,000 new coronavirus antigen test kits and donated them to local government through its subsidiary BST Electric, supporting Shanghai's united fight against the epidemic.

The Company has long been concerned about public welfare investment in the field of science and education, actively helps poor students in mountainous areas, and supports local education through foundations related to education development. In 2022, the Company launched a book donation and student living improvement activity for the Manwan Town School District in Yunxian County, Lincang City, Yunnan Province, in order to contribute to the education undertaking in poor mountainous areas. The Company donated RMB30,000 through the Longhua District Charity Federation in Shenzhen to support education assistance and consolidate poverty alleviation achievements in Donglan County, Guangxi Province. It also directly donated RMB485,000 to the Education Development Foundation of Harbin Institute of Technology, Education Development Foundation of Shanghai Ocean University, and Education Development Foundation of Nanjing University of Aeronautics and Astronautics to promote the development of education undertaking.



Key Quantitative Performance

Economic Performance

Scope of data statistics during the reporting period

The scope of economic performance statistics is consistent with the scope of Consolidated Financial Statement of the Company.

Changes compared to the previous year

Since 2022, two new indicators have been disclosed, namely "revenue growth rate" and "net profit growth rate attributable to shareholders of the listed company". Details of the data "net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses", "net cash flow generated from operation activities" and "weighted average return on equity" are available in the Company's 2022 Annual Report, which will not be repeated here.

Indicators	Unit	2020	2021	2022
Revenue	RMB 10,000	1,151,131.68	1,794,325.66	2,300,831.24
Revenue Growth Rate	%	55.76	55.87	28.23
Net Profit Attributable to Shareholders of the Listed Company	RMB 10,000	210,014.21	357,340.46	431,976.24
Net Profit Growth Rate Attributable to Shareholders of the Listed Company	%	120.62	70.15	20.89
Basic Earnings Per Share	RMB/share	0.81	1.37	1.64

Corporate Governance Performance

Scope of data statistics during the reporting period

The scope of corporate governance performance statistics is consistent with the scope of Consolidated Financial Statement of the Company.

Changes compared to the previous year

Since 2022, new data related to anti-corruption has been disclosed. The data on composition of board of directors and holding frequency of three boards (board of directors, board of supervisors and board of shareholders) have been reflected in the main text (see Section 3.1 "Governance Structure"), which will not be repeated here.

Anti-corruption

Indicators	Unit	2022
Number of Training ¹ Sessions Related to Anti-corruption	/	18
Proportion of Employees Participating in Training Related to Anti-corruption	%	100
Total Number of Hours of Anti-Corruption Training Received by Employees	Hour	1,555
Number of Operating Sites ² Where Anti-corruption Audits Have Been Conducted	/	47
Number of Operating Sites that Have Passed Anti-corruption Audits	/	47

1 It refers to training activities in which employees sign the Business Conduct Guidelines and receive propaganda and education on anti-corruption content; the same below.

2 "Anti-corruption Audit" means an audit activity that includes a review of corruption; "Operating Site" means the corresponding company or subsidiary, hereinafter.

Environmental Performance

Scope of data statistics during the reporting period

The scope of environmental performance statistics covers the Company's direct control scope, including companies and subsidiaries located in Shenzhen and Suzhou (for a detailed list, please refer to the "About This Report").

In particular, energy management, greenhouse gas emissions and water resource use performance are uniformly covered, on a prior-year basis, the scope within Company's operational control, i.e. for all organizations within the scope of the Consolidated Financial Statements, as well as for the Company's subsidiaries and outposts (liaison offices).

For all data related to "intensity", they are calculated with the Company's revenue (in RMB million) as the denominator, with the coverage scope of the revenue data consistent with that of the Consolidated Financial Statement.

Note: Due to the retrospective adjustment of individual data for historical years, the scope within operational control of the Company for 2020 and 2021 is described in the "About This Report" section of the [ESG report for 2021](#) (in addition to the subsidiary Dalian Zhi Ding Technology Co.,Ltd., of which corresponding historical data was consolidated during the data retrospective adjustment process).

Changes compared to the previous year

Starting from 2022,

- The "Energy Management" section additionally includes six new indicators: "Total Energy Consumption", "Total Direct Energy Consumption", "Total Indirect Energy Consumption", "Energy Consumption Intensity", "Direct Energy Consumption Intensity", and "Indirect Energy Consumption Intensity". The data on "Electricity Consumption per RMB 1 Million Revenue" will no longer be disclosed;
- The "Water Resource Use" section additionally includes the data on "Total Water Withdrawal" and its breakdown by source, and the data on "Total Water Consumption" and "Water Withdrawal Intensity" are revised and disclosed in this section;
- The "Emissions and Waste Management" section additionally includes the data on "Total Particulate Matter (PM) Emissions", and the non-substantive indicator "Total Exhaust Gas Emissions" will no longer be disclosed;

- The disclosure of data on "Packaging Material Management" are added.

Energy Management

Indicators	Unit	2020	2021	2022
Total Energy Consumption¹	MWh	85,994	117,551	149,238
Total Direct Energy Consumption	MWh	5,426	4,698	4,118
Natural Gas	m ³	442,662	350,336	317,129
Liquefied Petroleum Gas (LPG) ²	L	84,862	120,828	91,442
Total Indirect Energy Consumption	MWh	80,568	112,853	145,120
Purchased Electricity ³	MWh	75,868	108,045	139,941
Self-built Photovoltaic Power Generation	MWh	4,700	4,808	5,179
Energy Consumption Intensity	MWh/RMB 1 million	7.47	6.55	6.49
Direct Energy Consumption Intensity	MWh/RMB 1 million	0.47	0.26	0.18
Indirect Energy Consumption Intensity	MWh/RMB 1 million	7.00	6.29	6.31

1 The calculation is based on the General Rules for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2020) and the China Energy Statistical Yearbook 2021. The average low heating value of natural gas is 38,931 kJ/m³ (the maximum value within the reference scope).

2 The total LPG consumption data for FY2022 has been expanded to cover the Company's operational control scope, and in addition, the Company has made corresponding retrospective adjustments to the FY2021 data and supplemented the disclosure of FY2020 data.

3 The data of purchased electricity consumption for FY2020 and FY2021 have been retrospectively adjusted based on the corresponding historical data of the new subsidiaries added to the scope of consolidation in the current year.

Greenhouse Gas Emissions

Indicators	Unit	2020	2021	2022
Total GHG Emission ¹	Tonnes of CO ₂ equivalent	54,929.43	64,938.65	81,410.28
Scope 1 GHG Emission ²	Tonnes of CO ₂ equivalent	1,864.56	1,933.36	1,601.90
Scope 2 GHG Emission	Tonnes of CO ₂ equivalent	53,064.87	63,005.29	79,808.38
GHG Emission Intensity ⁴	Tonnes of CO ₂ equivalent/ RMB 1 million	4.77	3.62	3.52

1 Total GHG emissions include Scope 1 and Scope 2 GHG emissions. The increase in total GHG emissions in FY2022 is mainly due to: 1) an expansion in the scope of data coverage (the Company's direct control scope was expanded in FY2022, mainly due to the addition of new branches and outposts in FY2022); 2) higher energy demand due to the Company's organic growth and capacity increase (mainly is due to the increased consumption of purchased electricity, but the consumption of direct energy (especially LPG) actually decreases). In addition, the Company adjusted the data for FY2020 and 2021 retrospectively accordingly to include historical emissions data from the new subsidiaries added to the scope of consolidation.

2 Fixed combustion emissions from cooking equipment and mobile combustion emissions from own business vehicles, forklifts and operational leased vehicles are calculated based on ISO 14064-1:2018 and the General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises (GB/T 32150-2015). The Company is not involved in industrial process emissions and significant fugitive emissions. The GHG type incorporated involved is CO₂. Among this, the emission factors are calculated with reference to the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (for Trial Implementation)" (2015), and parameters such as calorific value are taken as the corresponding default values in the Guidelines.

3 The indirect emissions of purchased electricity is calculated based on ISO 14064-1:2018 and the General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises (GB/T 32150-2015). The GHG type incorporated into the calculation is CO₂. For the calculation of emissions caused by purchased electricity in FY2022, the emission factor for organizations whose operations are located in China refers to 0.5703 tCO₂e/MWh in the Notice of the Ministry of Ecology and Environment on the Management of Greenhouse Gas Emissions Reporting by Enterprises in the Power Generation Industry for 2023-2025 (2023); for organizations whose operations are located overseas, the calculation refers to Climate Transparency's corresponding emission factors for the power sector in each country for 2021.

4 Data for FY2020 and 2021 are calculated based on retrospectively adjusted total GHG emissions.

Water resource use

Indicators	Unit	2020	2021	2022
Total Water Withdrawal ¹	m ³	338,754	435,580	605,987
Municipal Water Supply	m ³	338,754	435,580	595,987
Directly Collected and Stored Rainwater	m ³	0	0	10,000
Total Water Consumption ²	m ³	/	357,570	541,028
Water Withdrawal Intensity ³	m ³ /RMB 1 million	29.43	24.28	26.34

The correspondence between the indicators and historical data was adjusted; the specific values were also retroactively adjusted according to the expanded range. The increase in total water intake in 2022 is mainly due to: 1) a significant expansion of the data coverage (including all consolidated companies and subsidiaries as well as expatriate agencies); 2) increased water demand resulting from the Company's stable operation and business growth.

2 Total water consumption for both FY2021 and 2022 is calculated using the following formula: Total water consumption = Total water withdrawal - Total water discharge. The Company will continue to improve the measurement of water consumption data and retrace the historical data.

3 Both the FY2020 and 2021 data were calculated based on the retrospectively adjusted total water withdrawals.

Packaging Material Management

Indicators	Unit	2022
Total Packaging Material Usage ¹	Ton	4,875

1 Including the usage of paper boxes and foam materials within the statistical scope.

Emissions and Waste Management¹

Indicators	Unit	2020	2021	2022
Total Wastewater Discharge				
Total Water Discharge ²	m ³	/	22,213	64,959
Total Wastewater Pollutant Emissions				
Chemical Oxygen Demand (COD)	Ton	15.08	17.86	37.66
Ammoniacal Nitrogen (NH ₃ -N)	Ton	1.07	1.21	2.65
Suspended Solid (SS)	Ton	15.46	18.35	36.25
Total Phosphorus	Ton	0.15	0.17	0.32
Total Nitrogen	Ton	2.83	3.14	5.73
Tin and Its Compounds	Ton	/	0.017	0.021
Animal and Vegetable Oils	Ton	1.52	1.68	3.13
Total Atmospheric Pollutant Emissions ³				
Particulate Matter (PM)	Kg	/	/	329.5

Indicators	Unit	2020	2021	2022
Volatile Organic Compounds (VOCs) ⁴	Kg	/	720.0	824.5
Total Waste Generation ⁵				
Hazardous Waste		427	313	412
Non-hazardous Waste		448	478	648

1 Based on the Company's business reality, the data in the Emissions and waste management section (including that of historical years) actually includes data from organizations within the Company's direct control that generate significant pollutant emissions or solid waste from manufacturing in the corresponding year. The increase in emissions and waste data in FY2022 is mainly due to 1) the expansion of the scope of organizations included in the calculation (from Suzhou Inovance in previous years of FY2021 to Shenzhen Inovance, Suzhou Inovance, Inovance Automotive (Suzhou and Changzhou bases), Kingwei Rail and Xi'an R&D Center); 2) the increase in energy consumption due to the growth of the Company's business.

2 The "Domestic Wastewater Discharge" data for 2021 corresponds to the "Total Wastewater Discharge" here.

3 Pollutants NOx and SO2 are not included in the Company's production waste gas emissions.

4 It is calculated based on the monitoring value of the non-methane hydrocarbon (NMHC).

5 Here, the "Hazardous Waste" reported by the Company includes waste organic solvents, waste packaging containers, waste wipes and gloves, surface treatment waste, waste grinding sludge, waste emulsions and other hazardous wastes listed in the National Hazardous Waste List, while the "Non-hazardous Waste" includes waste paper skin, waste wood pallet, waste copper, waste iron, waste aluminum, waste plastic bags, etc.

Social Performance

Scope of data statistics during the reporting period

The scope of social performance statistics covers the Company's direct control scope, including companies and subsidiaries located in Shenzhen and Suzhou (for a detailed list, please refer to the "About This Report").

In particular, the statistical scope of performance related to R&D and innovation and intellectual property protection is consistent with the scope of the Company's Consolidated Financial Statements.

Changes compared to the previous year

Starting from 2022,

- The "Employee Employment" section additionally includes two new indicators: "Proportion of Employees Covered by Collective Negotiation Agreement" and "Social Insurance Coverage Rate". The number of employees divided by gender, employment type, age and education level is revised to be calculated as a percentage of the total number of employees;
- In the "Product and Service Quality Management" section, the "Proportion (Sales Volume) of Recalled Products Due to Safety and Health Reasons in Total Number of Already Sold or Delivered Products" has been merged with relevant indicators and will no longer be disclosed;
- The "Customer Service Management" section will additionally include two new indicators: "Number of Complaints Received about Products and Services" and "Customer Satisfaction";
- New data are disclosed in the "Intellectual Property Protection" and "Occupational Health and Safety" sections.

R&D and Innovation

Indicators	Unit	2020	2021	2022
R&D Investment	RMB 10,000	102,323.35	168,545.72	222,926.89
Proportion of R&D Investment ¹	%	8.89	9.39	9.69
Total Number of R&D Personnel	Person	2,513	3,560	4,793
Proportion of R&D Personnel ²	%	19.53	21.02	23.66

1 Proportion of R&D Investment = R&D Investment (RMB 10,000) / Revenue (RMB 10,000) × 100%; here, the coverage of revenue is consistent with that of the Consolidated Financial Statement.

2. Proportion of Research and Development Personnel = Total Number of Research and Development Personnel / Total Number of Employees × 100%; here, the scope of "Total Number of Employees" is consistent with that of the Consolidated Financial Statement.

Product and Service Quality Management

Indicators	Unit	2021	2022
Sales Volume of Products Recalled Due to Safety and Health Reasons in Already Sold or Delivered Products	RMB 10,000	0	0
Proportion of Products Recalled Due to Safety and Health Reasons in Already Sold or Delivered Products ¹	%	0	0

1 Proportion of Products Recalled Due to Safety and Health Reasons in Already Sold or Delivered Products = Sales Volume of Products Recalled Due to Safety and Health Reasons in Already Sold or Delivered Products (RMB 10,000) / Total Sales Volume (RMB 10,000) × 100%.

Customer Service Management

Customer Service Management	Unit	2021	2022
Number of Complaints Received about Products and Services ¹	/	0	0
Complaint Handling Rate	%	/	/
Customer Satisfaction ²	Point	8.2	9.2

1 Based on the Company's actual internal management, the "customer complaint" here refers to formal complaints from customers regarding products and services.

2 It is calculated based on customer satisfaction scores obtained from the customer satisfaction survey (out of a maximum score of 10).

Supply Chain Management

Indicators	Unit	2020	2021	2022
Total Number of Suppliers ¹	/	775	826	1,103
Chinese Mainland	/	765	813	1,050

Indicators	Unit	2020	2021	2022
Hong Kong, Macao, Taiwan and Overseas Regions	/	10	13	53
Number of New Suppliers Implementing Evaluation from Environment Labor, Ethics and other Aspects	/	114	206	146
Proportion of New Suppliers Evaluated from Environment, Labor, Ethics and other Aspects	%	/	100	91.8
Proportion of Suppliers that have Signed Anti-corruption Agreement ¹	%	100	100	100

1 Based on the Company's definition of supplier materiality level, only production material suppliers are counted and disclosed here.

2 During the reporting period, some of the new suppliers of the subsidiary Kingwei Rail did not pass the evaluation, and the Company did not recognize them as qualified suppliers for the time being until they rectified and passed the subsequent evaluation.

3 Here, the "Anti-corruption Agreement" refers to the Supplier Honest Cooperation Agreement, which specifically includes anti-corruption-related content.

Intellectual Property Protection

Indicators	Unit	2020	2021	2022
Number of Patent Applications	/	501	731	875
Number of Patents Granted	/	323	467	718
Number of Trademark Applications	/	65	108	28
Number of Trademarks Approved	/	102	46	81

Employee employment

Indicators	Unit	2020	2021	2022
Total Number of Employees	Person	8,229	11,043	13,342
Proportion of Employees by Gender				
Female	%	22.02	24.08	24.58
Male	%	77.98	75.92	75.42
Proportion of Employees by Age				
Under 30 years old	%	54.32	51.44	47.01
Between 30 and 50 years old	%	45.08	48.06	52.45
Above 50 years old	%	0.60	0.50	0.54
Proportion of Employees by Employment Type				
Full-time Labor Contract Employees	%	88.37	93.26	98.25
Employees of Other Types of Employment ¹	%	11.63	6.74	1.75

Indicators	Unit	2020	2021	2022
Proportion of Employees by Education Level				
PhD	%	0.22	0.24	0.30
Master's Degree	%	14.23	13.10	16.55
Bachelor's Degree	%	28.36	31.30	36.20
Junior College Degree or Below	%	57.19	55.36	46.95
Proportion of Employees Covered by Collective Negotiation Agreement ²	%	100	100	100
Social Insurance Coverage Rate	%	100	100	100

¹ "Other Types of Employment" involves the interns, probationers, student workers, dispatched workers and post-retirement employment, with a relatively small proportion.

² Based on the Company's actual management, probationary employees are not covered by collective negotiation agreement. Therefore, when calculating this data, the denominator is the total number of employees (excluding probationary employees).

Occupational Health And Safety

Indicators	Unit	2020	2021	2022
Number of Employees of Occupational Disease Risk Posts	Person	/	/	349
Number of Newly Added Employees with Occupational Diseases	Person	/	/	0
Employee Physical Examination Coverage Rate ¹	%	100	100	100

¹ Based on the Company's actual management, probationary employees are not eligible for the annual physical examination uniformly organized by the Company. Therefore, probationary employees are not included in the calculation of this data.

Employee Training

Indicators	Unit	2020	2021	2022
Employee Training Coverage Rate	%	65.16	100	100
Proportion of Employees by Gender ¹				
Female	%	65.31	100	100
Male	%	65.29	100	100
Average Duration of Employee Training	Hour	20.03	15.00	23.51
Proportion of Employees by Gender ²				
Female	Hour	/	15.00	23.56
Male	Hour	/	15.00	23.50

¹ Training Coverage Rate of Employees by Gender = Total Number of Trained Employees of that Gender / Total Number of Employees of that Gender x 100%. Based on the Company's actual management, this data is calculated excluding production line employees.

² Average Duration of Employee Training by Gender = Total Duration of Training for that Gender / Total Number of Trained Employees of that Gender x 100%. Data disclosed for 2021 has been retrospectively adjusted based on this calculation method.

Employee Promotion and Development

Indicators	Unit	2020	2021	2022
Proportion of Employees who Receive Regular Performance and Career Development Evaluations ¹	%	100	100	100

¹ Based on the Company's actual management, probationary employees are not subject to regular performance and career development evaluations. Therefore, probationary employees are not included in the calculation of this data.

Volunteer Service

Indicators	Unit	2020	2021	2022
Number of Employees Participating in Volunteer Activities	Person	40	50	393
Cumulative Duration of Employee Volunteer Services	Hour	240	200	36,460
Average Duration of Employee Volunteer Services ¹	Hour	6.0	4.0	92.8

¹ The significant increase in the average duration of employee volunteer services in 2022 is mainly due to the Company's increased investment and participation in emergency volunteer services for unexpected events.

Social Welfare

Indicators	Unit	2020	2021	2022
Total Amount Invested into Community Public Welfare ¹	RMB	6,247,000	145,000	1,460,112
Among which, Amount Donated to Charity Projects ²	RMB	/	30,000	667,232
Investment Amount by Field				
Education Assistance	RMB	555,000	135,000	687,232
Environmental Protection	RMB	/	3,000	/
Labor Needs	RMB	/	5,000	/
Medical Health	RMB	5,000,000	/	587,379
Cultural and Sports Undertakings	RMB	/	2,000	/
Community Construction ³	RMB	/	/	185,501

¹ RMB692,000 of the community public welfare investment in FY2020 was invested in areas other than those listed below and is therefore not shown here.

² Referring to the amount corresponding to the donated project for which a donation receipt has been issued under uniform monitoring (printing) by the Ministry of Finance.

³ A portion of the amount invested in the "community construction" in FY2022 are donated to local foundations in India, where one of our subsidiaries operates, whose final practical orientation depends on the respective foundation.

Index Table

Report Index of Shenzhen Stock Exchange's Guidelines for Social Responsibility of Listed Companies

Contents	Chapters
Article 2	ESG Strategy
Article 3	ESG Strategy Corporate Governance System
Article 4	Operational Compliance and Anti-Corruption Cross-industry Collaboration and Development
Article 5	Index Table About this Report
Article 7	Corporate Governance System
Article 8	
Article 9	
Article 10	
Article 11	
Article 12	
Article 13	Rights, Interests and Benefits of Employees
Article 14	Rights, Interests and Benefits of Employees
Article 15	Occupational Health and Safety
Article 16	Rights, Interests and Benefits of Employees Employee Training and Development
Article 17	Rights, Interests and Benefits of Employees
Article 18	Employee Training and Development
Article 19	Rights, Interests and Benefits of Employees
Article 20	Protection of Customers' Rights and Interests Cross-industry Collaboration and Development
Article 21	Product Quality Management Protection of Customers' Rights and Interests
Article 22	Product Quality Management
Article 23	Operational Compliance and Anti-Corruption Supply Chain Management
Article 24	Operational Compliance and Anti-Corruption
Article 25	Protection of Customers' Rights and Interests

Contents	Chapters
Article 26	Protection of Customers' Rights and Interests
Article 27	Environmental Management System
Article 28	Low Carbon Products and Solutions Environmental Management System Responding to Climate Change Resource Management
Article 29	Resource Management Emissions and Waste Management
Article 31	Environmental Management System Resource Management
Article 32	Community Communication and Volunteer Service
Article 33	Community Communication and Volunteer Service Social Welfare and Charity
Article 34	Management of Material Topics
Article 35	ESG Framework ESG Strategy
Article 36	ESG Strategy Product Quality Management Rights, Interests and Benefits of Employees Occupational Health and Safety Environmental Management System Community Communication and Volunteer Service

Report Index of Self-regulatory Guidelines for Listed Companies on the Shenzhen Stock Exchange No. 2 - Standardized Operation of Listed Companies on the Growth Enterprise Market

Contents	Chapters
9.1 Overview	ESG Strategy Corporate Governance System
9.2 Business Principles	Operational Compliance and Anti-Corruption Protection of Customers' Rights and Interests Cross-industry Collaboration and Development
9.3 Social Responsibility Strategic Planning and Mechanisms	ESG Framework ESG Strategy
9.4: (1)	Social responsibility system
9.4: (2)	Shortages and problems in implementing social responsibility
9.4: (3)	Improvements and specific timelines
9.5 Giving back to shareholders	Corporate Governance System
9.6 Financial soundness	Corporate Governance System
9.7 Protection of employee rights	Rights, Interests and Benefits of Employees Occupational Health and Safety
9.8: (1)	Comply with environmental protection laws and industry standards
9.8: (2)	Environmental Protection Plan
9.8: (3)	Natural Resources Use
9.8: (4)	Pollutant disposal
9.8: (5)	Pollution prevention and control facilities
9.8: (6)	Payment of taxes related to environmental protection
9.8: (7)	Supply chain environmental security
9.8: (8)	Other environmental protection responsibilities
9.9: (1)	Environmental Protection Policy, Objectives and Results
9.9: (2)	Total resource consumption

Contents	Chapters
9.9: (3)	Environmental investment and environmental technology development
9.9: (4)	Management of pollutant emissions
9.9: (5)	Construction and operation of environmental protection facilities
9.9: (6)	Waste treatment and disposal, recycling of waste products for comprehensive use
9.9: (7)	Voluntary agreements with environmental authorities
9.9: (8)	Rewards by environmental authorities
9.9: (9)	Other voluntary disclosures
9.10 Environmental Protection Policy Implementation	Environmental Management System Resource Management
9.11 Disclosure of Environmental Information	Emissions and Waste Management
9.12: (1)	Product safety laws and industry standards
9.12: (2)	Production environment and process
9.12: (3)	Product quality and safety mechanism and accident response plan
9.12: (4)	Other production and product safety responsibilities
9.13: (1)	Employee management system and measures to deal with irregularities
9.13: (2)	Occupational hazards and safety measures
9.13: (3)	Employee Training
9.13: (4)	Other employee protection responsibilities
9.14 Ethics of science	R&D and Innovation System Low Carbon Products and Solutions
9.15 Supervision and inspection	Management of Material Topics

Annexes

Annex I: Glossary

This Annex provides explanations of English abbreviations used in the report related to professional terminology, laws and regulations, standards and guidelines, and other proper nouns, so as to ensure accurate understanding of relevant information by readers.

English Abbreviations	Interpretation
A	
ABS	Acrylonitrile Butadiene Styrene
APP	Application Software
B	
BCG	Business Conduct Guidelines (of Inovance)
BCM	Business Continuity Management
BCP	Business Continuity Planning
BOD ₅	Biochemical Oxygen Demand After 5 Days
C	
CE	Conformité Européenne
CEO	Chief Executive Officer
CFSI-CMRT	Conflict Minerals Reporting Template by Conflict-Free Sourcing Initiative
CNC	Computer Numerical Control
COD	Chemical Oxygen Demand,
COSO-ERM	Enterprise Risk Management—Integrating with Strategy and Performance (2017) by Committee of Sponsoring Organizations of the Treadway Commission
CQM	Customer Quality Management
CT	Compliance Test
D	
DC/DC	DC-to-DC converter
E	
EHS	Environment, Health & Safety
EMT	Executive Management Team
ESG	Environmental, Social & Governance

English Abbreviations	Interpretation
EU	End User
F	
FA	Factory Automation
FAE	Field Application Engineer
G	
GDPR	General Data Protection Regulation (REGULATION (EU) 2016/679)
GWEC	Global Wind Energy Council
H	
HCl	Hydrogen Chloride
HIPS	Host Intrusion Prevent System
I	
IE	International Energy Efficiency Class
IMP	Incident Management Plan
ISO/SAE 21434:2021	ISO/SAE 21434:2021 Road vehicles — Cybersecurity engineering
ISO/IEC 27001:2013	ISO/IEC 27001:2013 Information technology — Security techniques — Information security management systems — Requirements
ISO 14001:2015	ISO 14001:2015 Environmental management systems — Requirements with guidance for use
ISO 14064-1:2018	ISO 14064-1:2018 Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals
ISO 9001:2015	ISO 9001:2015 Quality management systems — Requirements
I/O	Input/Output
IPD	Integrated Product Development
IPMT	Integrated Project Management Team
IPO	Initial Public Offerings
IPS ^{p.27}	Inovance Production System
IPS ^{p.30}	Intrusion Prevention System
ISC	Integrated Supply Chain
IT	Information Technology
ITR	Issue to Resolved
K	
KCP	Key Control Point
KPIs	Key Performance Indicators

English Abbreviations	Interpretation
L	
LCA	Life Cycle Assessment
LTC	Lead to Cash
M	
MES	Manufacturing Execution System
NPI	New Product Introduction
N	
NH ₃ -N	Ammoniacal Nitrogen
NMHC	Non-Methane Hydrocarbon
NPI	New Product Introduction
O	
OBC	On-Board Charger
OEM	Original Equipment Manufacturer
P	
PCS	Power Conversion System
PLC	Programmable Logic Controller
PM	Particulate Matter
PMMA	Polymethyl Methacrylate
PPE	Personal Protective Equipment
PQA	Product Quality Assurance
Q	
QCC	Quality Control Circle
QE	Quality Engineer
QPA	Quality Process Audit
R	
RBA	Responsible Business Alliance
RMI	Responsible Minerals Initiative
RTO	Recovery Time Objective
S	
SCARA	Selective Compliance Articulated Robot Arm
SMT	Surface Mounted Technology

English Abbreviations	Interpretation
SOD	Segregation of Duties
SQE	Supplier Quality Engineer
SRM	Supplier Relationship Management
SS	Suspended Solid
T	
TCMS	Train Control and Management System
TISAX	Trusted Information Security Assessment Exchange
TQRDC	Technology, Quality, Responsiveness, Delivery & Cost
U	
UED	User Experience Design
UL	Underwriter Laboratories Inc (Certification)
V	
VOCs	Volatile Organic Compounds
VR	Virtual Reality
W	
WAF	Web Application Firewall
*	
3C	Computer, Communication & Consumer Electronic
4A	Business Architecture, Data Architecture, Application Architecture & Technology Architecture

Annex II: Material Topics of High Impact in 2022

The Table below presents the ESG material topics of high impact obtained after screening by materiality threshold and impact analysis for the year 2022, as well as their definitions, boundaries and corresponding chapters & sections where related information is disclosed. Here, the "boundary of topic" refers to the links that may have a significant impact on such ESG issues along the Company's value chain after preliminary identification, which are divided into three categories: "supply chain," "production and operation," and "products and services".

Material Topic of High Impact	Definition of Topic	Boundary of Topic			Position
		Supply Chain	Production and Operation	Products and Services	
Corporate Governance					
Anti-corruption	Inovance has established an anti-corruption management system, which includes the construction of anti-corruption system, risk identification, management of conflict of interests, construction of claim channels, promotion and training of integrity culture, etc.	○	○		Anti-corruption and Integrity Building Key Quantitative Performance - Anti-corruption
Risk Management	Inovance has established a comprehensive risk management system by implementing basic risk management processes in various aspects of corporate management and during operations, thus improving ESG risk management and cultivating a good risk management culture.		○		Risk Management and Internal Control
Corporate Governance	Inovance has built an effective "three-board and one-level" (board of directors, board of supervisors, board of shareholders, and senior management level) governance framework to promote the diversification and independence of the board of directors, ensure the company's standardized operation and ensure scientific, standardized, and transparent corporate governance.		○		Governance Structure
Social					
R&D and Innovation	Inovance's management system and R&D progress in the field of technological innovation includes the progresses in terms of management system, plan, platform, products under research related to the Company's research and development innovation, as well as the impact on the Company and research and development ethics and innovation culture.		○	○	Our R&D Framework Empowerment by Data Governance Innovation Platform as a Driving Force Key Quantitative Performance – R&D and Innovation

Material Topic of High Impact	Definition of Topic	Boundary of Topic			Position
		Supply Chain	Production and Operation	Products and Services	
Customer Service Management	Inovance has established systems and measures for customer service, customer complaint & handling, responsible marketing and other customer relationship management, including disclosure of data related to customer satisfaction, customer service and complaints.			○	Customer Service Management Responsible Marketing Key Quantitative Performance - Customer Service Management
Product and Service Quality Management	Inovance ensures that its own products or services comply with laws and regulations and industry standards, and meet customers' main requirements for safety and quality. In addition, its standards are in line with requirements for human health and personal and property safety, and such standards include relevant management systems and measures.		○	○	Quality Lifecycle Management Comprehensive Quality Improvement Key Quantitative Performance - Product and Service Quality Management
Talent Attraction and Retention	Inovance provides competitive salary and benefits, carries out workplace diversity and inclusion construction, promotion and development opportunities and special incentive policies, so as to attract and retain talents. This includes the disclosure of data related to employee assessment and promotion.		○		Employee Promotion and Development Talent Attraction and Retention Key Quantitative Performance - Employee Promotion and Development
Sustainable Supply Chain Management	Inovance has established systems and measures related to supplier admission, classification and assessment, a management system and measures to enhance supply chain safety and sustainable supply capability, and systems and measures related to supplier ESG management and green procurement. This includes the disclosure of data related to supplier statistics, risk assessment, etc.	○			Improving Resilience of the Supply Chain ESG Management of the Supply Chain Key Quantitative Performance - Supply Chain Management
Industrial Cooperation and Development	Inovance exchanges information and shares resources with related industries throughout the entire value chain, such as automation, power and new energy vehicles, and participates in research and formulation of industry-related policies and standards. In addition, it promotes the exchange, transfer and transformation of innovative research and development achievements, and empowers systems and measures related to industrial development.	○	○	○	Industrial Communication and Cooperation

Material Topic of High Impact	Definition of Topic	Boundary of Topic			Position
		Supply Chain	Production and Operation	Products and Services	
Environment					
Clean Technology	Inovance actively promotes the application of cleaning measures and the using of clean energy during the production process, and also actively provides solutions related to cleaning technology to respond to policy demands, accelerates the development of market space, and has an impact on clean energy technology through its own innovation capabilities and strategic development strategies.		○	○	Low-carbon Products and Solutions Low-carbon Production and Operation
Green Products and Innovation	Inovance provides green products with comprehensive environmental benefits such as "energy saving, material saving and efficiency enhancement" through product's full lifecycle management, design optimization and other means, and promotes the measures and achievements related to research and development of new green products.			○	Low-carbon Products and Solutions
Climate Change Mitigation and Adaptation	Inovance establishes a management system to cope with climate change, carries out risk identification and further scenario analysis. In addition, it reduces its own operational carbon emissions as well as the discoloration of strategies, measures and relevant data in climate risk.	○	○	○	Climate Change Response System Greenhouse Gas Accounting Key Quantitative Performance - Greenhouse Gas Emissions

Annex III: Details about Pollutants from Discharge and Emissions of Major Entities under Environmental Regulation in 2022

According to the relevant regulations of the Ministry of Ecology and Environment, China Securities Regulatory Commission and Shenzhen Stock Exchange, the emission data for the subsidiaries of the Company that have been listed as Major Entities under Environmental Regulation (now referred to as "Key Environmental Regulation Units") for the year 2022 are shown as below.

Name of Company or subsidiary	Name of major and specific pollutants	Discharge/Emission pattern	Number of outlets	Distribution of outlets	Average concentration	Discharge/Emission standards	Annual total emissions	Approved annual total emissions	Excessive discharge/emission
Suzhou Inovance	NMHC	Processed to meet discharge standard and then discharged	4	Within the factory area	2.45 mg/m ³	60 mg/m ³	0.73 t/a	0.8048 t/a	None
	Tin and Its Compounds	Processed to meet discharge standard and then discharged	2	Within the factory area	6.15×10 ⁻⁴ mg/m ³	5 mg/m ³	0.018 t/a	0.0263 t/a	None
	COD	Discharge via pipe	2	Within the factory area	278 mg/L	350 mg/L	16.7 t/a	18.866 t/a	None
	SS	Discharge via pipe	2	Within the factory area	172 mg/L	220 mg/L	18.6 t/a	19.57 t/a	None
	NH ₃ -N	Discharge via pipe	2	Within the factory area	25 mg/L	30 mg/L	1.2 t/a	1.34 t/a	None
	Total Phosphorus	Discharge via pipe	2	Within the factory area	4.2 mg/L	5 mg/L	0.18 t/a	0.1904 t/a	None
	Total Nitrogen	Discharge via pipe	2	Within the factory area	40 mg/L	50 mg/L	3.21 t/a	3.466 t/a	None
	Animal and Vegetable Oils	Discharge via pipe	2	Within the factory area	67 mg/L	100 mg/L	1.73 t/a	1.888 t/a	None
	Waste Organic Solvents, Waste Packaging Containers, Waste Rags and Gloves, Waste Liquid for Surface Treatment, Waste Grinding Mud, Waste Emulsions, etc.	Entrusted to qualified third parties for disposal	Not applicable	Not applicable	Not applicable	Not applicable	351 t/a	470 t/a	None

Name of Company or subsidiary	Name of major and specific pollutants	Discharge/Emission pattern	Number of outlets	Distribution of outlets	Average concentration	Discharge/Emission standards	Annual total emissions	Approved annual total emissions	Excessive discharge/emission
BNK Cable	PM	Organized emission	1	Within the factory area	1.1 mg/m ³	Integrated Emission Standards of Air Pollutants of Shanghai (DB 31/933-2015)	0.00498 t/a	/	/
	NMHC	Organized emission	1	Within the factory area	2.82 mg/m ³	Emission Standard of Air Pollutants for Printing Industry (DB 31/872-2015)	0.0492 t/a	/	/
	HCl	Organized emission			< 0.3 mg/m ³	Integrated Emission Standards of Air Pollutants of Shanghai (DB 31/933-2015)	0.3 t/a	/	/
	Methyl Isobutyl Ketone	Organized emission			< 0.0009 mg/m ³	0.0009 t/a	/	/	
	Cyclohexanone	Organized emission			< 0.33 mg/m ³	0.33 t/a	/	/	
	Butanone	Organized emission			0.0025 mg/m ³	0.0000436 t/a	/	/	
	Cooking Fume	Organized emission	1	Within the factory area	0.2 mg/m ³	Emission Standard of Cooking Fume of Shanghai (DB 31/844-2014)	0.00368 t/a	/	/
	Non-methane Hydrocarbon	Organized emission	1	Within the factory area	1.69 mg/m ³	Integrated Emission Standards of Air Pollutants of Shanghai (DB 31/933-2015)	0.02 t/a	/	/
	HCl	Organized emission			2.0 mg/m ³		0.0238 t/a	/	/
	Non-methane Hydrocarbon	Organized emission	1	Within the factory area	3.62 mg/m ³	Integrated Emission Standards of Air Pollutants of Shanghai (DB 31/933-2015)	0.0374 t/a	/	/
	HCl	Organized emission			7.3 mg/m ³		0.0754 t/a	/	/
	pH	Centralized discharge	1	Within the factory area	7.3	Integrated Wastewater Discharge Standard (DB 31/199-2018)		/	/
	SS	Centralized discharge	1	Within the factory area	21 mg/L		0.98 t/a	/	/
	COD	Centralized discharge	1	Within the factory area	23 mg/L		1.07 t/a	/	/
	NH ₃ -N	Centralized discharge	1	Within the factory area	2.53 mg/L		0.12 t/a	/	/
	Animal and Vegetable Oils	Centralized discharge	1	Within the factory area	0.19 mg/L		0.001 t/a	/	/
	BOD ₅	Centralized discharge	1	Within the factory area	7.6 mg/L	0.36 t/a	/	/	

Advancing industrial technology for a better world

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