



# INOVANCE

## Environmental, Social and Governance 2023 Report

Shenzhen INOVANCE Technology Co., Ltd.

Chief Editor: Ali Han

Editorial Team: Jianfeng Hong, Bingzhen Shen, Chunmiao Zheng

Colleagues listed below also contributed to the Report:

Qinglin Cai, Liheng Cao, Yuhui Cao, Chen Chen, Jianbin Chen, Lixian Chen, Qing Chen, Rong Chen, Shaoyin Chen, Liumin Chu, Qingmei Cui, Longshan Ding, Xiaoting Ding, Yingying Ding, Adabala Sri Divya, Kunneng Dong, Pengpeng Dong, Shuhan Dong, Guanglong Duan, Cuntao Feng, Chang Gao, Junyang Gao, Zhijun Gu, Zhipei Gu, Anna Guo, Jia Guo, Yan Guo, Li Hang, Cuohua He, Liz Hui, Min Hua, Shaomin Huang, Yongchang Huang, Ming Jia, Lingyu Jiang, Renjie Jiang, Zhiqiang Jiang, Song Jin, Stephanie Karle, Yongchao Lan, Fangbiao Lang, Dejun Li, Enze Li, Fujun Li, Hui Li, Lanlan Li, Man Li, Ruilin Li, Shiqi Li, Wendong Li, Wenhong Li, Wenrui Liang, Dachun Lin, Feng Liu, Huan Liu, Longguo Liu, Na Liu, Weitong Liu, Yajing Liu, Yu Liu, Pan Long, Weian Lu, Yan Lu, Zhenwei Lu, Hao Luo, Lingxiao Luo, Shuman Luo, Yonghui Luo, Yue Lv, Ilaria Maiocchi, Chengpeng Ni, Yanxia Ouyang, Lei Pan, Shanli Pan, Anjin Peng, Yangju Peng, Dongbo Piao, Vinciane Pujols, Keyi Qi, Xiaohui Qu, Connie Ren, Şeyda Sayar, Yishi Shi, Wanfeng Su, Weilan Sun, Caixing Tan, Xiangqi Tang, Bing Wang, Chenhu Wang, Hongtao Wang, Jun Wang, Lili Wang, Liang Wang, Ping Wang, Shannan Wang, Xiwen Wang, Xiaoling Wang, Xingran Wang, Xuan Wang, Yanbin Wang, Zhuang Wang, Huafang Wu, Ping Wu, Shuting Wu, Weihong Wu, Wenbin Wu, Xiaoyan Wu, Yingying Wu, Liqiang Xiao, Wenyan Xie, Yan Xie, Chenchen Xu, Hongru Xu, Peng Xu, Shunyi Xu, Chenchen Xu, Huiying Yan, Bo Yan, Ke Yan, Yi Yan, Aiguo Yang, Zhen Ye, Xiao Yu, Xiaoqiong Yu, Baogang Yuan, Zhongjun Yuan, Hua Zeng, Yan Zeng, Guangwei Zhai, Chunlin Zhang, Hongdeng Zhang, Hua Zhang, Huanhuan Zhang, Jianming Zhang, Karrie Zhang, Ningning Zhang, Ping Zhang, Ren Zhang, Sheng Zhang, Weijiang Zhang, Yang Zhang, Zhenhai Zhang, Min Zhao, Ou Zhao, Hao Zheng, Ming Zheng, Long Zhi, Weiqin Zhong, Junqing Zhou, Qin Zhou, Xijiang Zhou, Jinfeng Zhu, Liang Zhuang, Linhong Zhuang, Tong Zou

**INOVANCE 汇川技术**

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# About This Report

This report is the 4th Environmental, Social and Governance (ESG) report of Shenzhen INOVANCE Technology Co., Ltd. (hereinafter referred to as "INOVANCE," "the Company" or "we"). The report systematically presents INOVANCE's sustainable development philosophy, management mechanisms and specific actions, and provides information on the Company's ESG performance, target progress and achievements in 2023. The report aims to respond to the concerns of stakeholders and strengthen communication and interaction with them to continuously promote sustainable development.

## Scope of Report

The information disclosed in this report covers Shenzhen INOVANCE Technology Co., Ltd. and its subsidiaries. Unless otherwise specified, it is consistent with the scope of the consolidated financial statements in the annual report of INOVANCE (Stock Code: 300124.SZ).

## Terminology of Company and Subsidiaries

To facilitate stakeholder review, we have compiled the correlation between the abbreviated designations and the full names of the Company's key operational sites\* as follows.

Company / Subsidiaries Name	Short Name	Key Operational Site
Shenzhen INOVANCE Technology Co., Ltd.	INOVANCE	○
Suzhou INOVANCE Technology Co., Ltd.	Suzhou INOVANCE	○
Suzhou INOVANCE Automotive Co., Ltd.	INOVANCE Automotive	○
INOVANCE New Energy Vehicle Technology (Changzhou) Co., Ltd.	Changzhou INOVANCE New Energy	○
Jiangsu Kingway Transportation Co., Ltd.	Jiangsu Kingway	○
SHANGHAI BST ELECTRONIC CO., LTD.	BST	○
BST Electrical (Jiaxing) Co., Ltd.	BST Electrical (Jiaxing)	○
BST Machinery & Electronics (Jiaxing) Co., Ltd.	BST Machinery & Electronics (Jiaxing)	○
SHANGHAI BNK CABLE CO., LTD.	BNK CABLE	○
Ningbo EST Technology Co., Ltd.	EST	○
Dalian Zhiding Technology Co., Ltd.	Dalian Zhiding	○
Guangdong MJB Electric Co., Ltd.	MJB Electric	○
Tianjin BST Electric Co., Ltd.	Tianjin BST Electric	○
Yueyang INOVANCE Technology Co., Ltd.	Yueyang INOVANCE	○
Suzhou INOVANCE Control Technology Co., Ltd.	Suzhou INOVANCE Control	○
Nanjing INOVANCE Technology Co., Ltd.	Nanjing INOVANCE	○

\*Key Operational Site refers to the Company's headquarter and its subsidiaries that have substantive impact on the Company's business operations.

## Time Period

The report releases annually with information and data spanning the period from January 1, 2023 to December 31, 2023. For Any information and data go beyond this time frame, explanations will be placed in where it is involved.

## Reporting Standards

The report is compiled in accordance with the guidelines of the stock exchange where the company is listed and international sustainable development information disclosure standards, with reference to the following disclosure documents:

- Shenzhen Stock Exchange (SZSE) *Guidelines of Shenzhen Stock Exchange for Self-discipline Regulation of Listed Companies No.2 - Standard Operation of Listed Companies on ChiNext Board (Revised in December of 2023)*
- *Annex I Corporate Social Responsibility Report Disclosure Requirements for Listed Companies, Chapter 1 Section 2 Matters Related to the Disclosure of Periodic Reports, Guidelines of Shenzhen Stock Exchange for Self-discipline Regulation of Listed Companies No.1 - Business Processing (Revised in December of 2023)*
- Global Reporting Initiative (GRI) *Sustainability Reporting Standards*
- International Sustainability Standards Board (ISSB) *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*
- United Nations Sustainable Development Goals (UN SDGs)

## Data Description

The text information and data used in this report are derived from the Company's actual operating raw data, internal documents, financial reports, self-media external disclosure information and public information of authoritative third party. In case of any inconsistency between the relevant financial data and the Company's annual financial report, the data in the financial report shall prevail. The report uses RMB as the currency unit of measurement.

## Reliability Assurance

The report adheres to the principles of accuracy, balance, comparability, materiality, verifiability and understandability. The report discloses information objectively, truthfully and completely, and does not contain any false records, misleading statements or major omissions. The report has been reviewed and approved by the Board of Directors, and the Board of Directors is responsible for the authenticity, accuracy and completeness of the content.

## Access to Report

The report is published in Simplified Chinese and English versions. In case of any discrepancy between the English and the Simplified Chinese version, the content of the Simplified Chinese version shall prevail. The digital version of the report can be viewed and downloaded on INOVANCE's official website [www.inovance.com](http://www.inovance.com)

## Contact Us

INOVANCE Sustainability Office

E-mail: [sustainability@inovance.com](mailto:sustainability@inovance.com)

Website: <http://www.inovance.com>

Address: INOVANCE Headquarter, No.3, Guansheng 4th Road, Longhua District, Shenzhen, Guangdong Province, P.R.China



# Message from Chairman



The year 2023 witnessed heightened geopolitical tensions and global instability, significantly impacting the established international economic order. This evolving landscape, coupled with rising global energy prices, disrupted energy supply chains, and threatened energy security. Simultaneously, GHG emissions caused by human activities have exacerbated the global climate crisis, posing a significant challenge to the Paris Agreement's 2°C target due to disparities in national emission reduction efforts.

Sustainable development remains a shared aspiration of humanity and a consensus for global progress. As a responsible corporate citizen, INOVANCE guided by its mission to "advancing industrial technology for a better world," remains steadfast in its commitment to sustainable development. We leverage technology to drive green intelligent manufacturing and make contribute to societal well-being.

In alignment with China's "Dual Carbon" strategy, INOVANCE put forward the ambitious "2850" and "3030" goals in 2022. We pledged to achieve carbon peaking and carbon neutrality in our operations by 2028 and 2050 respectively, and to reduce the GHG intensity of our major suppliers by 30% by 2030 compared to 2021. Throughout 2023, we implemented several energy-saving and emission-reduction initiatives, encompassing equipment intelligence upgrades, digital and refine energy management, and optimization of high-energy-consumption processes. Our newly constructed Yueyang factory adheres to green, low-carbon, and digital factory standards, incorporating clean energy sources to optimize our energy consumption structure. Guided by the principle of "energy conservation, material conservation, and efficiency enhancement," we adhere to relevant laws and regulations in managing hazardous waste disposal. We embrace the concept of a circular economy, practicing resource reduction, substitution, and recycling throughout our production and operational processes, thereby further enhancing resource utilization efficiency.



The global energy and climate crisis presents both challenges and opportunities for INOVANCE. As a leader in China's industrial automation sector, we aspire to facilitate energy conservation and emission reduction among our upstream and downstream partners through our products and solutions. We aim to become a cornerstone of the dual carbon initiative and a robust enabler of digital energy management. Our AC drives and high-efficient PM motors generate significant value in green energy conservation within the transforming coal, steel, non-ferrous metals, and other industries, supporting the transition of high-energy-consumption sectors. Our off-shore power systems have empowered 70 port terminals to achieve regular shore power connections for ships, enabling lean management of port energy consumption. Our electric vehicle controller and motor serve as core components of new energy vehicles, contributing to green and low-carbon transportation. We remain dedicated to continuous improvement in energy efficiency and unwavering in our pursuit of energy saving and carbon reduction.

Furthermore, INOVANCE places great emphasis on and actively addresses the concerns of our diverse stakeholders. We prioritize customer satisfaction, rigorously control product quality, and ensure that every product meets customer standards. We enhance customer service and have launched the "My INOVANCE" App to provide comprehensive online marketing and after-sales services. We drive development through innovation, introduce new products, and implement superior, optimized, and forward-looking technical solutions. We prioritize privacy and security protection, ensuring information and IT security. We value employee rights and well-being, fostering a positive work environment and offering a competitive development platform. We collaborate with our ecosystem partners to build a green, safe, and reliable supply chain, working together with various stakeholders to achieve sustainable development goals.

The year 2023 marks the 20th anniversary of the establishment of INOVANCE. Looking ahead at the new age, INOVANCE remains committed to the principles of sustainable development, actively accelerating the development and implementation of intelligent, green and digital products and solutions while continuously enhancing our ESG management practices. Our aim is to establish a benchmark for sustainable development among domestic industrial control sector. Moreover, we remain steadfast in philosophy and principles of openness, collaboration and value sharing. We will strengthen cooperation throughout the industry chain, empowering stakeholders to achieve energy conservation and emission reduction targets. Through these collaborative efforts, we are expecting to drive the green, low-carbon, and high-quality development of the industry and contribute to a more sustainable future.



Chairman and President  
Xingming ZHU



# INTRODUCTION TO INOVANCE



## CHAPTER 1

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# Introduction to INOVANCE

## 1.1 Company Profile

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 and automation, digitalization and Intelligence in the industrial sector. It is committed to promoting intelligent manufacturing, industrial upgrading, improving the quality of life and fostering the development of industrial civilization by providing more intelligent, precise and advanced integrated products and solutions.

INOVANCE	
Year of Incorporation	2003
Listed Stock Exchange	Shenzhen Stock Exchange
Stock Code	300124.SZ
Serving Markets	36 countries and regions including China, India, Vietnam, South Korea, Germany, Italy and Turkey
Headquarter Location	Shenzhen, Guangdong Province, P.R. China



### Vision & Mission

**Advancing industrial technology for a better world**

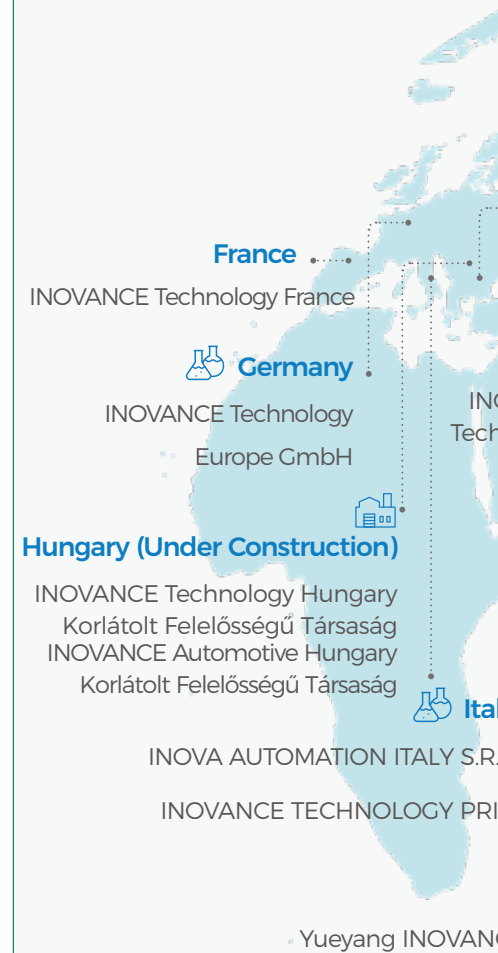


### Core Values

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

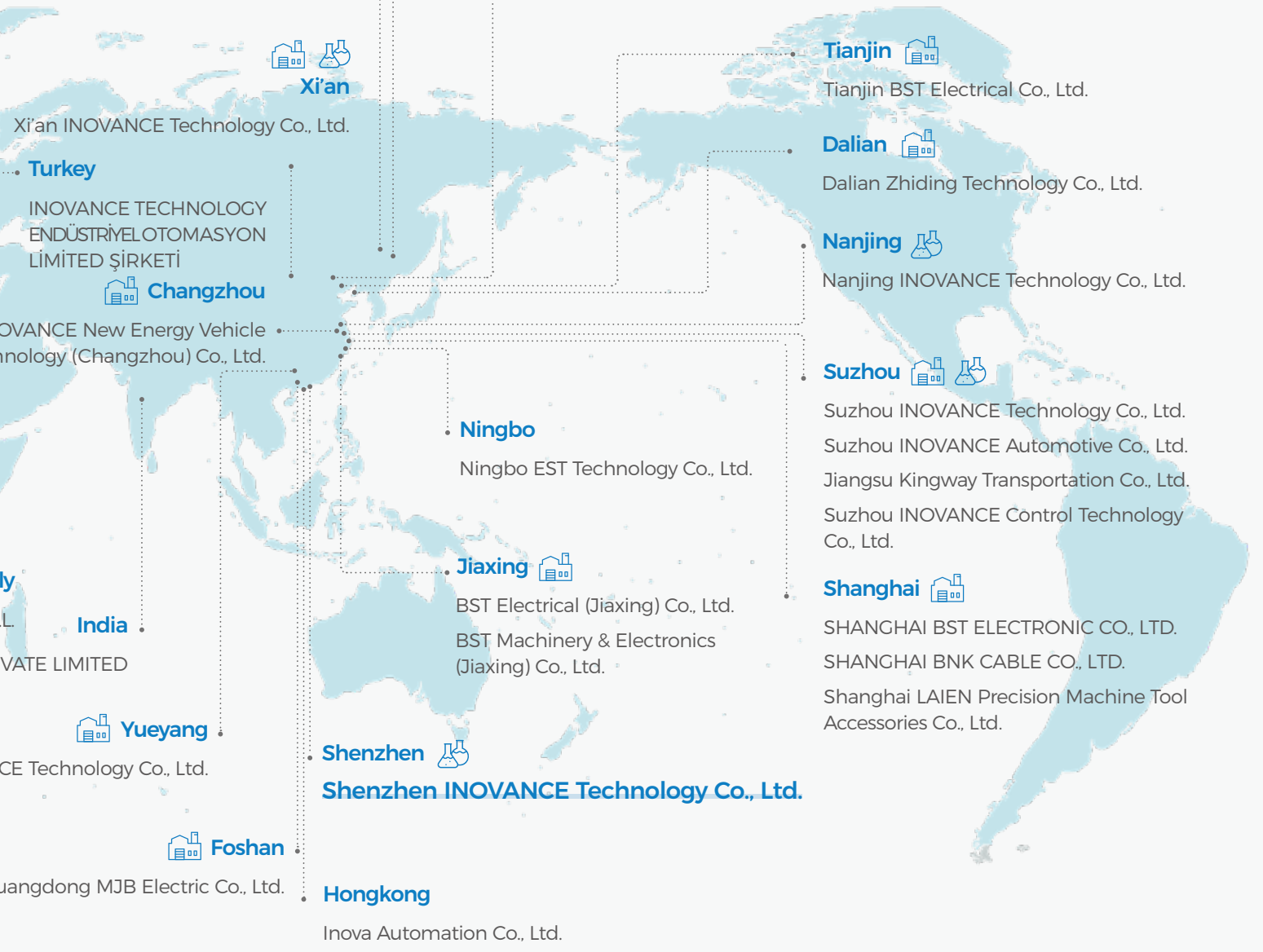
## 1.2 Business Layout

INOVANCE has over 70 branches in Suzhou, Hangzhou, Nanjing, Shanghai, Ningbo, Changchun, Hong Kong, R&D centers in Shenzhen, Suzhou, Nanjing, Milan in Italy and Stuttgart in Germany.



Note: The picture only shows part of the business layout.

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anghai,  
, and 6  
, Xi'an,  
tgart in



**Changchun**

Changchun Weton Optoelectronic Technology Co., Ltd.

**Jinan (Under Construction)**

Jinan INOVANCE Technology Co., Ltd.

**Beijing**

EKSYS (Beijing) Technology Co., Ltd.

**Tianjin**

Tianjin BST Electrical Co., Ltd.

**Dalian**

Dalian Zhiding Technology Co., Ltd.

**Nanjing**

Nanjing INOVANCE Technology Co., Ltd.

**Suzhou**

Suzhou INOVANCE Technology Co., Ltd.  
Suzhou INOVANCE Automotive Co., Ltd.  
Jiangsu Kingway Transportation Co., Ltd.  
Suzhou INOVANCE Control Technology Co., Ltd.

**Shanghai**

SHANGHAI BST ELECTRONIC CO., LTD.  
SHANGHAI BNK CABLE CO., LTD.  
Shanghai LAIEN Precision Machine Tool Accessories Co., Ltd.

**Ningbo**

Ningbo EST Technology Co., Ltd.

**Jiaxing**

BST Electrical (Jiaxing) Co., Ltd.  
BST Machinery & Electronics (Jiaxing) Co., Ltd.

**Shenzhen**

**Shenzhen INOVANCE Technology Co., Ltd.**

**Foshan**

Guangdong MJB Electric Co., Ltd.

**Hongkong**

Inova Automation Co., Ltd.



**Xi'an**

Xi'an INOVANCE Technology Co., Ltd.

**Turkey**

INOVANCE TECHNOLOGY ENDÜSTRİYEL OTOMASYON LİMİTED ŞİRKETİ

**Changzhou**

INOVANCE New Energy Vehicle Technology (Changzhou) Co., Ltd.

**Yueyang**

Yueyang Technology Co., Ltd.

**India**

INDIA PRIVATE LIMITED

## 1.3 Core Business



### • Automation •

Provide professional industrial automation products and solutions for clients, including AC drives, servo systems, control systems (PLC, CNC), SCARA Robots, industrial vision systems, sensors, high-performance motors, high-precision ball screws, industrial Internet and other core modules, as well as solutions for opto-electro-mechanical-hydraulic-pneumatic integration.



### • Elevator & Escalator Solutions •

Provide integrated electrical solutions for elevator manufacturers and the elevator after-sales service market. Our main products include elevator control system(integrated controller/AC drives), human-machine interface, access control system, control cabinet, cables and harnesses, electrical shaft system, elevator IOT, etc.



### • NEV Electric Drive System & Charging System •





Provide low-cost, high-quality integrated product solutions and services for electric passenger and commercial vehicles (including electric buses and logistics vehicles). Our main products include electric drive systems (motor, motor controller, e-powertrain) and power supply systems (DC/DC, OBC, PDU) etc.



### • Electric Traction System •

Provide traction systems and services for metro and light rail. Our main products include traction converters, auxiliary converters, high voltage boxes, traction motors and TCMS etc.

## 1.4 Key Performance in 2023

Category	Metrics	2023	Unit
 <p><b>Economic Performance</b></p>	Revenue	<b>30,419.93</b>	million RMB
	Net profit attributable to shareholders of the listed company	<b>4,741.86</b>	million RMB
	Basic EPS	<b>1.78</b>	RMB per share
	Total assets	<b>48,957.56</b>	million RMB
	Weighted Average ROE	<b>21.66</b>	%
 <p><b>Environmental Performance</b></p>	GHG intensity	<b>4.05</b>	tCO <sub>2</sub> e per million yuan
	Avoided GHG emissions	<b>10,748,527</b>	tCO <sub>2</sub> e
	Total renewable energy consumption	<b>8,740.50</b>	MWh
	Estimated amount of energy saving	<b>1,964,500</b>	kWh
	Amount of recycled waste	<b>837.14</b>	tons
	Total operational expense in environmental protection	<b>6.02</b>	million RMB
 <p><b>Social Performance</b></p>	R&D investment	<b>2,624</b>	million RMB
	Proportion of R&D investment	<b>8.63</b>	%
	Number of new patent applications	<b>982</b>	/
	Amount of employee training hours	<b>686,347.40</b>	hours
	Coverage rate of social insurance	<b>100</b>	%
	Number of participants in safety training sessions	<b>38,407</b>	person-time
 <p><b>Governance Performance</b></p>	Number of independent directors on the Board of Directors	<b>3</b>	persons
	Number of documents reviewed by the General Meetings of Shareholders, the Board of Directors and the Board of Supervisors	<b>94</b>	/
	Number of investor investigation reception	<b>4,500</b>	person-time
	Amount of anti-corruption training hours	<b>1,791</b>	hours
	Number of major incidents violated laws and regulations	<b>0</b>	times

MSCI ESG Rating

**A**

Upgraded from BBB to A

S&P Global Corporate Sustainability Assessment Scoring

**47**

Selected into S&P Global first Sustainability Yearbook 2022 (China Edition)

Morningstar Sustainalytics ESG Risk Rating

**25.0**

Medium Risk

CDP Rating

**B**

Management Level

Note: MSCI ESG rating is recorded as of December 31, 2023.



**Annual Feature: Two Decades of L**





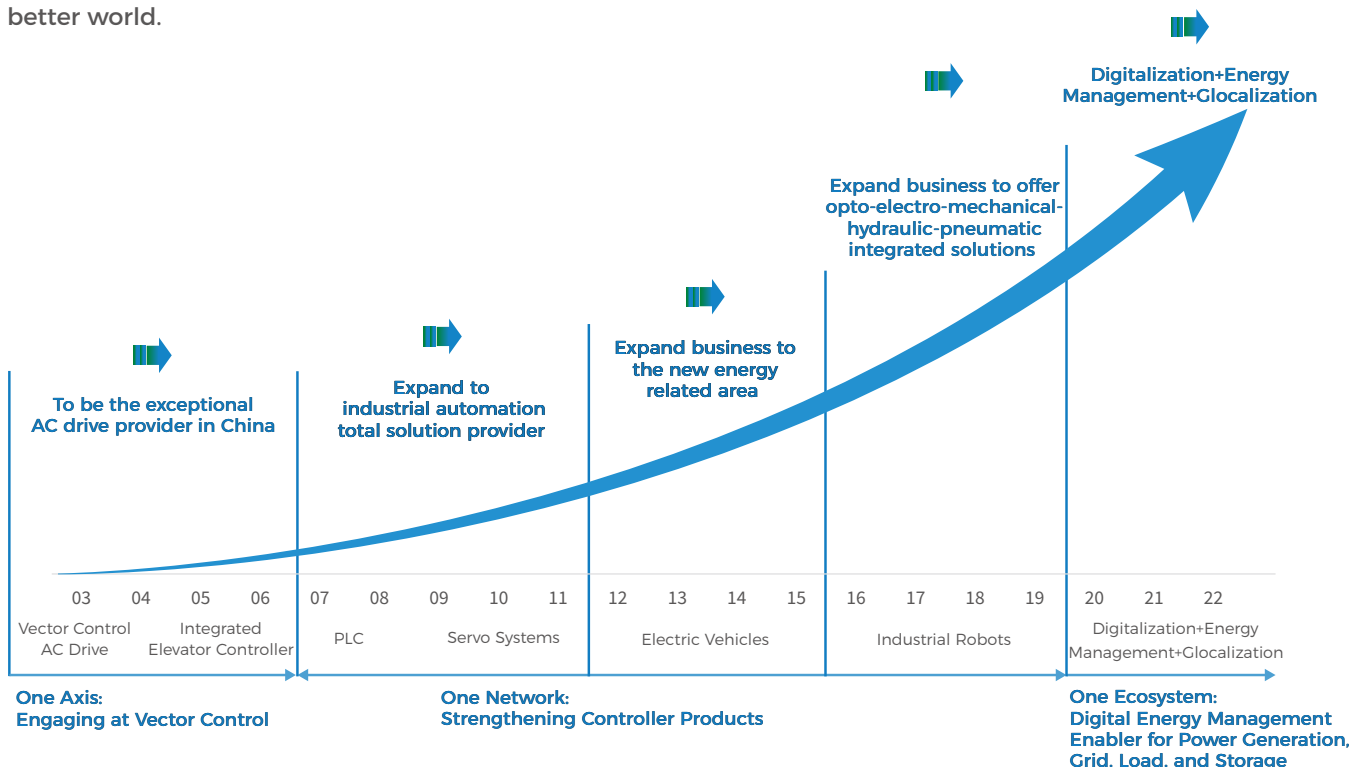
**Leapand Progress**

# Annual Feature: Two Decades of Leap and Progress

Over the past two decades, through dedicated effort and unwavering progress, INOVANCE has grown as a leading industrial automation products and NEV core components provider, boasting a market value exceeding 100 billion RMB and extending its services to 36 countries and regions. Embracing the opportunities presented by the times and undeterred by challenges, INOVANCE has consistently adhered to a core principle of technological innovation, driven by the pursuit of value creation for customers. We have propelled the transformation of our products and solutions towards intelligence, greenness and digitalization, collaborating with diverse industries to advance industrial civilization and supporting the realization of a better life for countless households.

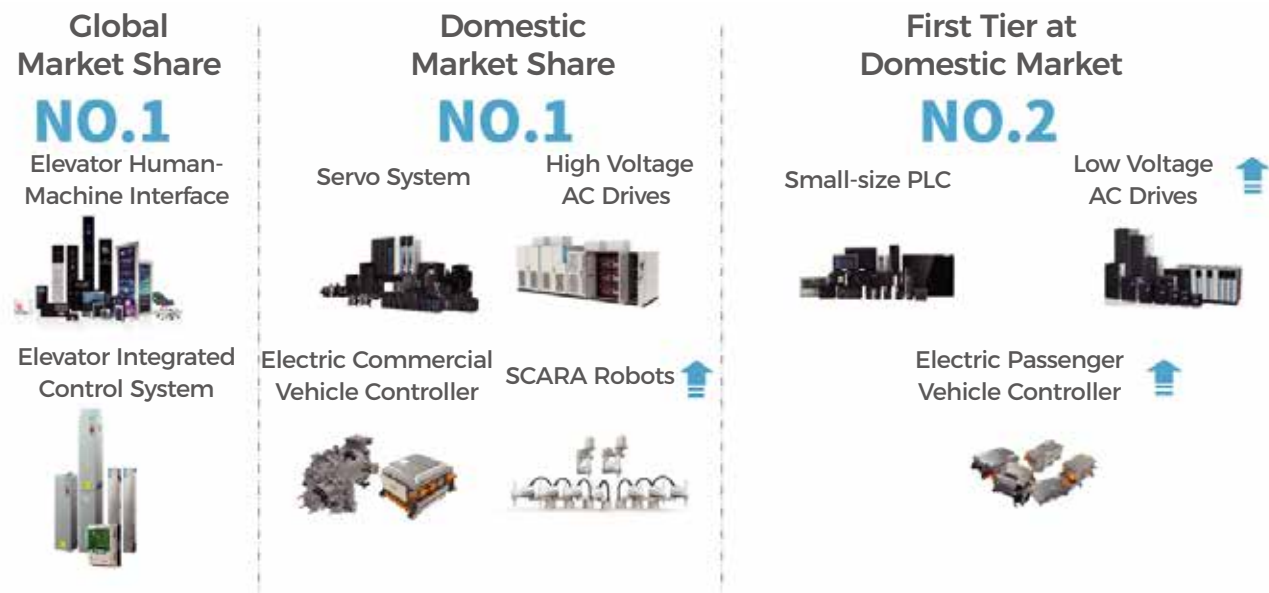
## A Leader in Intelligent Manufacturing: Rising Above the Competition

Through continuous efforts in the past 20 years, INOVANCE has developed from a AC drives manufacturer at the startup period to an integrated product and solution provider with AC drives, servo systems, PLC, motors, industrial robots and NEV core components etc., making contribution to advancing industrial technology for a better world.



The Company implements its business transformation from industrial automation to digital energy management, reorients its positioning from hardware-oriented company to software-oriented company and expands its business operation from domestic market to the global market.

The achievements of INOVANCE cannot be made without differentiated value creation for customers. The unique value of INOVANCE lies in its rapid demand fulfillment, next-generation product iteration, and cross-border innovation. INOVANCE can seize the opportunity in time and fill the demand gap with rapid actions when the gap between customer demand and product supply is identified. As for product iteration, INOVANCE requires each iteration shall encompass cross-generation technology progress, reflecting its connection value, performance value and cost value. In terms of technology innovation, INOVANCE gains competitiveness from innovation one step ahead by quick identification and grasp of technology evolution. In terms of cross-border innovation, INOVANCE leverages its service experience and know-how in different industries to duplicate its technology success across industries. Depending on the Company's unique advantages presented above, INOVANCE stands out from the competition and becomes one of the industry leaders.



Data is collected at the end of 2023.

## | A Steadfast Organizational Reform Explorer: Boldness and Braveness Led to Success

In 2019, INOVANCE fell into the "middle income trap" of company development. Thus, the Company started a difficult and firm organizational reform to reshape organization and achieve self-iteration. Guided by the principle of "structure building is the priority, scenario recognition is the guide," the reform focused on enhancing customer satisfaction and improve operation efficiency and took place in Corporate Governance (CG), Managing Strategy (MS), Sales and Services (LTC/MCR/ITR), Integrated Supply Chain (ISC), Integrated Product Development (IPD), Integrated Human Resources (IHR), Total Quality Management (TQM) and Integrated Financial Service (IFS) totaling 19 operation processes, enabling processes and supporting processes. Adhere to the concept of "two focuses and two returns," the Company not only emphasizes both the long-time construction of principal "fairway" and quick wins in a short time ("two focuses") but also leverages the short-term benefits and talent cultivation in the reform ("two returns").

This reform centered on the optimization of business operation and reshape business process including corporate governance, strategic management, customer service, supply chain management, R&D innovation, and human resource management. It has refined the internal management and regulatory system of the Company and bolstered the systematic thinking and management skills of the executives, leading to effective value loop creation through process reform. This has significantly contributed to the company's revenue milestone of 10 billion RMB in 2020.

## | Digitalization Enabler: New Chapter Driven by Digitalization

Corporate digitalization is the only way towards future corporate transformation and upgrading. We officially announced Digital INOVANCE Strategy in 2020, namely, to realize high-efficient operation and explore business model innovation by implementing digitalization. For internal management, led by corporate structure reshaping and the target of “enhancing customer satisfaction and improving operation efficiency,” we restructured our business, organization, work process, data and IT to ignite digitization and strive for comprehensive fine management. For external service, we explore dynamic business models empowered by digital products and innovative services.

Our internal digitalization transformation and upgrading centers around data governance. The Company implemented Business Architecture (BA), Information Architecture (IA), Application Architecture (AA) and Technology Architecture (TA) to conduct clear, systematic, layered and classified analysis in reference to 4A structuring methodology of digitalization transformation. Internal data governance revolves around the digitalization of core business to achieve efficient business operation with the help of transparent, clean, accurate and connected data. External data governance, on the other hand, highlights customer experience through accurate, prompt, safe information sharing to enhance customer satisfaction. By means of internal and external data governance, INOVANCE has basically established an initial data management system for business operation and development. The system helps to break the data silos and realize accurate, reliable and safe data interaction.

In 2023, the company focused on building data architecture and enhancing data quality management. In terms of the construction of the data architecture, the company carried out actions with 59 business entities across 5 key domains—marketing, R&D, supply chain, financial management, and human resource management (hereinafter referred to as the "3+2 domains"), released standards for 2 business entities, and updated 507 data assets in the 3+2 domains. By the end of 2023, a total of 84 standards had been published, with an overall publication rate of 17%. 59 IT standards were implemented with an overall implementation rate of 12%. Regarding data quality management, the company established methodology to assess data quality, formulated templates for quality scoring, issued data quality reports, quantified data quality, and pinpointed quality issues. During the reporting period, we have issued 1 data quality report.

Moreover, the company has a deep grasp of the diverse, specialized, and changeable characteristic of industrial manufacturing. Based on the need for affordability, efficiency, swift deployment, and ease of upgrade, we have established the InoCube platform, a new generation model-driven system for digitalization and data governance. This platform supports both the Company's digital transformation and that of our customers. At present, INOVANCE specializes in equipment, manufacturing, and operational intelligence. We have developed an IoT solution for hardware and software, after-sales service solution, manufacture management for textile and cotton spinning industry, digital air compression station solutions at factories and integrated energy management solution echoed national “Dual Carbon” goals. This actions not only lays foundation for intelligent factory and zero-carbon factory building but also presents the Company's determination and dedication to Industry 4.0.

## | Sustainability Practitioner: Low-Carbon Transition and Sustainable Development

Since the establishment, the Company assumes corporate social responsibility actively and dedicates to promote comprehensive sustainable development. We focus on the topics of Corporate Governance, Lean Innovation, Low Carbon Pioneer, Responsible Ecosystem, Talent Development and Green Operations and contiguously improve the sustainability management.

After the launch of national “Dual Carbon” goal, the Company put forward “2850” and “3030” goals and made digital energy management as one of core business strategies, aiming to become a cornerstone of the dual carbon initiative. We take action in energy conservation, material conservation and efficiency enhancement to strengthen green and low-carbon operation. We also empower the green and low-carbon transition of upstream and downstream partners by green, high efficient and energy-saving product to co-build the sustainable industrial ecosystem.

“Advancing industrial technology for a better world” is our mission and vision. Standing at the age of 20, INOVANCE will stay true to the original aspiration, develop new quality productive forces and pursue high-quality sustainable development. Moving forward, led by technology innovation and energy efficiency, we will leverage digitalization capability to empower customer and further lay a solid foundations of industry chain integration for the purpose of developing more high-end products, providing more intelligent manufacturing solutions, making energy consumption more efficient and building a healthier ecosystem. We are committed to advancing the development of industrial automation sector and making green contribution to sustainable development.



### “Empowering more advanced machinery”

Co-develop with ecosystem partners to realize technology breakthrough.



### “Enabling smarter manufacturing”

Achieve manufacture automation, intelligence by digitalization platform to enhance coordination efficiency among business units.



### “Making energy consumption more efficient”

Continuously improve product energy efficiency, enter digital energy management market and build digital zero-carbon factories.



### “Building a more sustainable ecosystem”

Build a friendly ecosystem connecting industry talents, users, partners and peers.

ISO

Technology

Ecology

Sustainability

Management

**SUSTAINABLE  
CORPORATE GOVERNANCE**



# GREEN BUSINESS

Development

Environmental

CSR

Innovation

## CHAPTER 3

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# Sustainable Corporate Governance

INOVANCE has consistently adhered to the concept of sustainable development, integrating ESG management comprehensively into its business operations and management. By establishing a robust ESG governance structure, formulating ESG strategies, strengthening stakeholder communication and optimizing ESG material topics management, INOVANCE has improved its ESG governance capability and promoted the comprehensive, balanced and in-depth unification of the concept of sustainable development with the company's strategy and the needs of various stakeholders. In 2023, the company's practices and achievements in ESG governance and management have received wide acclaim from other parties.

## 3.1 ESG Management

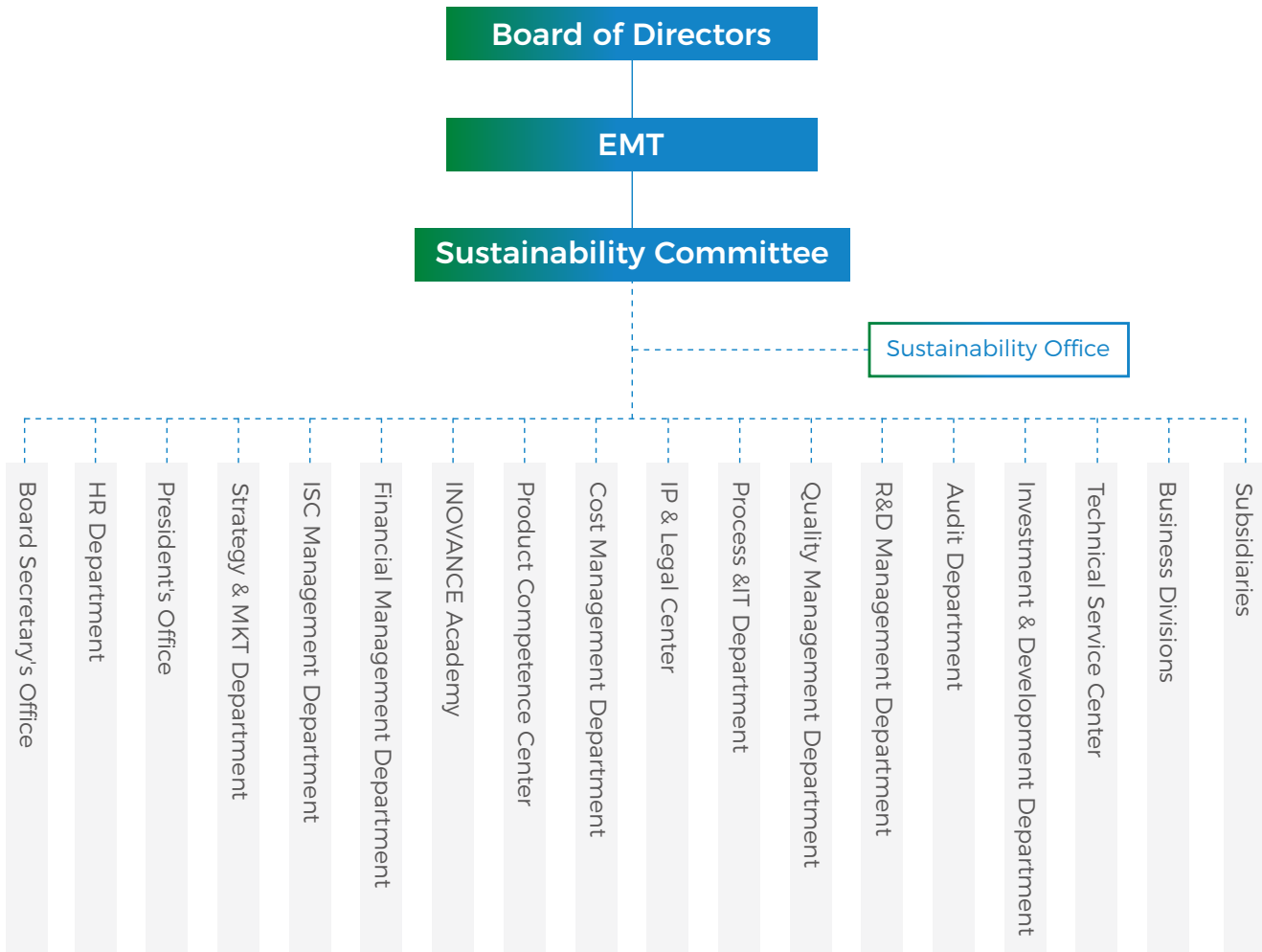
### 3.1.1 ESG Framework

INOVANCE attaches great importance to the construction of the sustainable development governance system and has established a top-down ESG governance structure. The Board of Directors is the highest decision-making authority, which has set up the Sustainability Committee and the Sustainability Office, to coordinate the Company's ESG strategy and ensure the efficient implementation of ESG management measures for our sustainable development.

The Company's Board of Directors oversees and manages ESG issues in a comprehensive manner, guiding the direction and major trends of sustainable development, and performs the decision-making authority on related strategies, objectives and specific matters. 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 Climate change mitigation and adaptation.

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, to strengthen the ESG governance capabilities and further enhance the proactiveness and sustainability of ESG governance and management.





## Responsibilities of the Sustainability Committee



Develop the company-level sustainability 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 business ethics, addressing climate change, safeguarding employee rights and interests, and EHS), and develop appropriate management measures



Coordinate the establishment 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 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

## Honors and Awards for Sustainable Development Management

Honors and Awards	Awarding Unit
ESG Model Enterprise Award	Guangdong Times Media Group
ESG Pioneer Listed Company Award	Guangdong Times Media Group, Times Weekly, Times Finance
2023 Sustainable Development Model Enterprise Award	Shuyang Network Shuyang Public Welfare
The 17th China Listed Companies Value Selection - Outstanding Contribution Award for Green and Low-carbon Initiatives in China Listed Companies	Securities Daily
2023 Easy-Board ESG+8 "Value 100"	Valueonline

### 3.1.2 ESG Strategy

The Company pays close attention to the internal and external impacts of ESG and sustainability. Drawing from the company's strategy, industry dynamics, and the UN SDGs, it has devised ESG strategies focusing on six dimensions: "Corporate Governance," "Lean Innovation," "Low Carbon Leadership," "Responsible Ecology," "Talent Development," and "Green Operations." These strategies are integrated into all aspects of the company's production, operation, and business decision-making.

The Six Dimensions of ESG Strategy	Corresponding SDGs
<b>Corporate Governance</b> <ul style="list-style-type: none"> <li>· Maintain a robust corporate governance system and improve it</li> <li>· Create an internal compliance culture</li> </ul>	 Goal 16: Peace, Justice and Strong Institutions
<b>Lean Innovation</b> <ul style="list-style-type: none"> <li>· Increase investment in R&amp;D and innovation continuously</li> <li>· Improve product quality and enhance quality management efficiency</li> <li>· Provide high quality services to customers</li> </ul>	 Goal 9: Industry, innovation and infrastructure  Goal 12: Responsible Consumption and Production  Goal 16: Peace, Justice and Strong Institutions
<b>Low Carbon Pioneer</b> <ul style="list-style-type: none"> <li>· Practice low-carbon operation with a focus on "energy saving, material conservation and efficiency enhancement"</li> <li>· In light of the national carbon peaking and neutrality goals, provide new energy-related products and create lower-carbon products and solutions</li> <li>· Address climate risks and enhancing capabilities for climate change mitigation and adaptation</li> </ul>	 Goal 7: Affordable and Clean Energy  Goal 9: Industry, innovation and infrastructure  Goal 13: Climate Action

## The Six Dimensions of ESG Strategy

## Corresponding SDGs






### 3.1.3 Management of Material Topics

#### Communication with Shareholders

Stakeholders' expectations and demands are the source and motivation for us to improve our sustainability performance. We respect and safeguard the legitimate rights and interests of all stakeholders, striving to establish long-term and stable communication mechanisms through various online and offline channels. In 2023, we actively engaged with stakeholders including customers, employees, shareholders, investors, suppliers and partners, government and regulators, and community representatives, communicated in-depth information on sustainable development management, and collected feedback and suggestions on our ESG management, so as to respond to their expectations and demands through focused management on issues of concern.

Key Stakeholders	Representatives or Proxy Organizations	Topics of Concern	Engagement Methods & Channels
 <p><b>Shareholders and investors</b></p>	Domestic and foreign shareholders, key investors	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Corporate Governance</li> <li>Compliance Management</li> <li>Green Products and Innovation</li> <li>Climate Change Mitigation and Adaptation</li> <li>Sustainable Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>General Meeting of Shareholders</li> <li>Earnings Presentations</li> <li>Special Announcements</li> <li>Investor Engagement Activities (daily communication, roadshows, communication through the platform of SZSE, investment strategy sessions, online communication)</li> </ul>
 <p><b>Employees: senior management</b></p>	Vice presidents, directors, senior management of branches and subsidiaries	<ul style="list-style-type: none"> <li>Customer Service Management (CSM)</li> <li>Product Safety and Quality Management</li> <li>Corporate Governance</li> <li>R&amp;D and Innovation</li> <li>Economic Performance</li> <li>Talent Attraction and Retention</li> <li>Intellectual Property Protection</li> </ul>	<ul style="list-style-type: none"> <li>Internal Management Meetings</li> <li>Management Training</li> <li>Internal Emails</li> <li>Daily Communication</li> </ul>
 <p><b>Employees: employees other than senior management</b></p>	Employee / union representatives and other worker representatives	<ul style="list-style-type: none"> <li>Employee Rights and Welfare</li> <li>Employee Training and Development</li> <li>Occupational Health and Safety</li> <li>Talent Attraction and Retention</li> <li>R&amp;D and Innovation</li> </ul>	<ul style="list-style-type: none"> <li>Employee Benefits Program</li> <li>Employee Training Programs</li> <li>Performance Appraisal and Employee Promotion</li> <li>Employees' Congress and Union</li> <li>INOVANCE Circle</li> <li>Safety Management in Production</li> <li>Occupational Health and Safety Measures</li> <li>Incentive Mechanism for R&amp;D Innovation</li> </ul>
 <p><b>Clients</b></p>	OEMs and key end users in automation and elevator industries, NEV manufacturers	<ul style="list-style-type: none"> <li>Customer service management</li> <li>Product Safety and Quality Management</li> <li>Data security and privacy protection</li> <li>R&amp;D and innovation</li> <li>Green Products and Innovation</li> <li>Climate Change Mitigation and Adaptation</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction Research</li> <li>After-Sales Service And Complaint Channels</li> <li>Customer Data And Privacy Management</li> <li>Customer Communication</li> <li>Product Lifecycle Management</li> <li>Trade Fairs</li> <li>Providing Green And Low Carbon Products</li> <li>ESG Disclosure</li> </ul>

Key Stakeholders	Representatives or Proxy Organizations	Topics of Concern	Engagement Methods & Channels
 <p><b>Government and regulatory bodies</b></p>	<p>Governments at all levels in the place of operation, SZSE</p>	<p>Risk Management            Compliance Management            Climate Change Mitigation and Adaptation            Opportunities in Clean Technology            Emissions and Waste Management            Energy Management            Water Use</p>	<p>Information Disclosure            Institutional Visits            Correspondence            Policy Implementation            Actions Against Climate Change            Environmental Management System</p>
 <p><b>Suppliers and partners</b></p>	<p>Suppliers of chips, modules, electronic components and other materials, partner universities, industry associations and chambers of commerce, standards development working groups</p>	<p>Sustainable Supply Chain Management            Data Security and Privacy Protection            R&amp;D and Innovation            Cross-industry Collaboration and Development</p>	<p>Supplier Training            Responsible Minerals Research            Public Tender Meetings            Strategic Cooperation            Negotiation            Exchange Visits            Industry-Education-Research Cooperation</p>
 <p><b>Community representatives</b></p>	<p>NGOs, charities, other social organizations, media</p>	<p>Charity Events and Volunteer Service            Community Engagement and Development            Compliance Management            Corporate Governance            R&amp;D and Innovation            Opportunities in Clean Technology            Emissions and Waste Management</p>	<p>Public Service            Employee Volunteering Service            ESG Disclosure            Community Engagement and Promotion Activities            Environmental Management System</p>



# Materiality Analysis

INOVANCE regularly conducts ESG materiality assessment and analysis, combined with domestic and international ESG-related policies and regulations, the latest policies of the stock exchange, excellent ESG management practices, and external experts' opinions. Based on the principle of dual materiality, we adjusted the identification and priority of the material topics in terms of "importance to stakeholders" and "importance to the company's business operations," and formed a matrix of the INOVANCE ESG Material Topics.

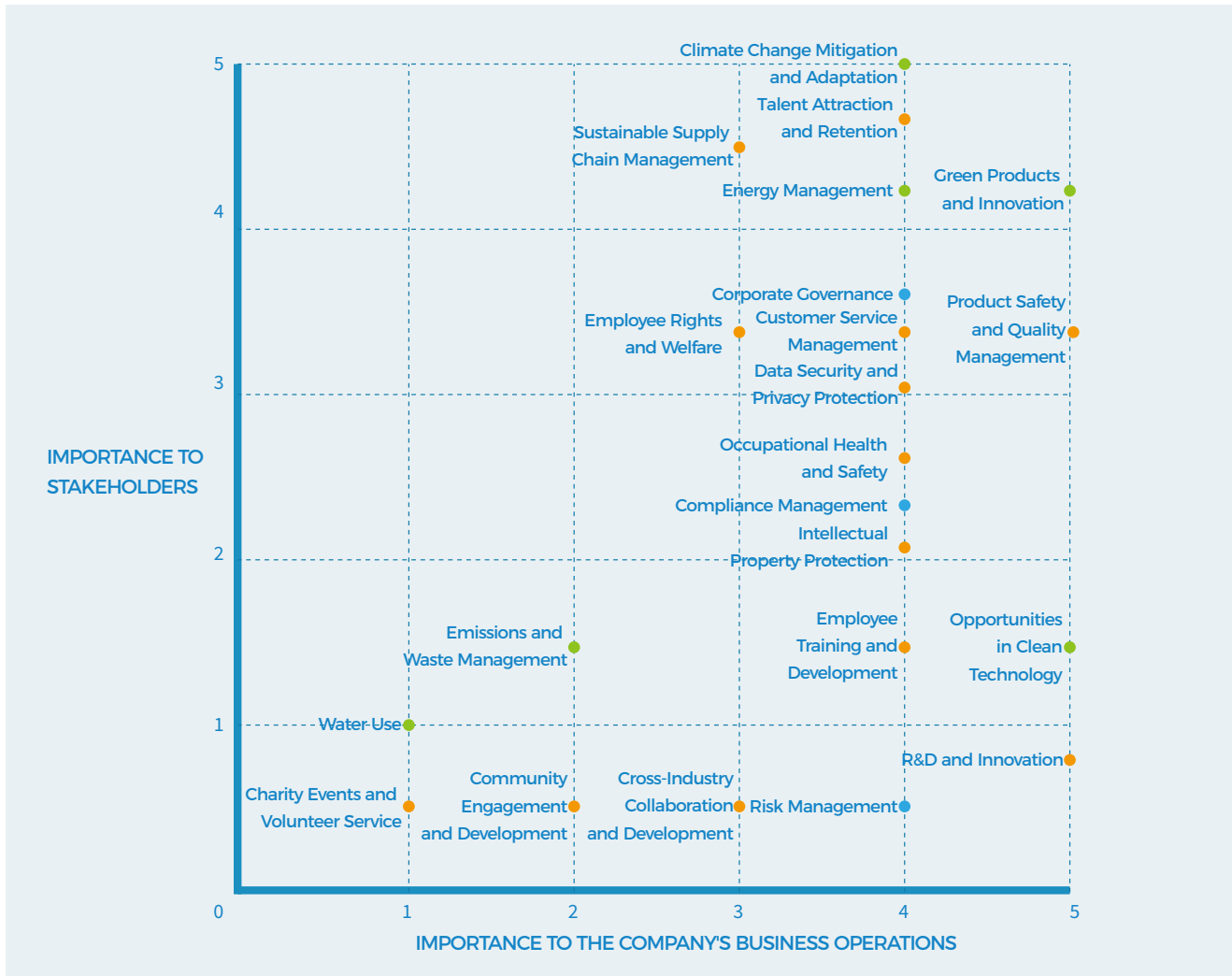
## Materiality Analysis Process



## Adjustments to Material Topics for 2023

<b>Presentation Adjustment</b>	<b>Current Topics</b>	<b>Previous Topics</b>
	<ul style="list-style-type: none"> <li>Compliance Management</li> <li>Employee Rights and Welfare</li> <li>Product Safety and Quality Management</li> <li>Energy Management</li> <li>Opportunities in Clean Technology</li> </ul>	<ul style="list-style-type: none"> <li>Anti-Corruption</li> <li>Employee Rights and Benefits</li> <li>Product and Service Quality Management</li> <li>Energy Use</li> <li>Clean Technology</li> </ul>
<b>Topic Removal</b>	<b>Previous Topics</b>	<b>Reason for Removal</b>
	<ul style="list-style-type: none"> <li>Economic Performance</li> </ul>	The information regarding this topic is fully disclosed in the Annual Report.

## Materiality Matrix of INOVANCE in 2023



Material Topic of High Importance	Material Topic of Medium Importance	Material Topic of Low Importance
•Green Products and Innovation	•Opportunities in Clean Technology	•Water Use
•Climate Change Mitigation and Adaptation	•Emissions and Waste Management	•Cross-Industry Collaboration and Development
•Energy Management	•R&D and Innovation	•Community Engagement and Development
•Product Safety and Quality Management	•Employee Rights and Welfare	•Charity Events and Volunteer Service
•Talent Attraction and Retention	•Employee Training and Development	
•Customer Service Management	•Intellectual Property Protection	
•Data Security and Privacy Protection	•Risk Management	
•Sustainable Supply Chain Management	•Compliance Management	
•Occupational Health and Safety Corporate		
•Corporate Governance		

• Environmental Topics
• Social Topics
• Corporate Governance Topics

Note: For further information on the definition and boundaries of material topics, please refer to "Appendix 4: Material Topics for 2023".

## 3.2 Corporate Governance

INOVANCE faithfully observes the principle of “efficient operation, governance first,” and complies with all regulatory requirements in order to improve its governance structure and governance mechanism for a robust, efficient corporate governance system.

### 3.2.1 Corporate Governance System

The Company 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 Corporate Governance for Listed Companies* and the *Rules Governing the Listing of Shares on the Shenzhen Stock Exchange GEM*, doing so to establish a structure for corporate governance comprised of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and EMT. While we value democracy and human rights, we insist on the centralization of authority and pursuit of harmony in diversity for decision-making, thus forming a governance mechanism with clearly defined rights and liabilities, mutual coordination and checks and balances while ensuring management that is efficient, scientific and transparent. The Company has developed systems and normative documents such as the *INOVANCE’s Articles of Association*, *Rules of Procedure of the General Meeting of Shareholders*, *Rules of Procedures of the Board of Directors*, and *Working System of Independent Directors* in accordance with relevant laws and regulations. Thus, it has firmly established the operative norms of the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors, clarifying the relevant responsibilities of relevant organizations to refine and strengthen the governance structure.

The General Meeting of Shareholders is the highest authority of the Company. The Company convenes and holds the General Meeting of Shareholders in accordance with *INOVANCE’s Articles of Association and the Rules of Procedure of the General Meeting of Shareholders*, thereby ensuring the shareholders’ right to know and participate.

As the Company’s decision-making organization for operation and management, the Board of Directors is responsible for the General Meeting of Shareholders. In order to ensure the scientific and rational decision-making of the Board of Directors, we consider the diverse backgrounds of the members of the Board, including gender, age, industry experience, professional acumen and other relevant factors. The Company’s Board of Directors is comprised of 9 directors - 3 independent directors and 1 female—whereby the independent directors account for 33% and the female director accounts for 11%. The Board members engage in various fields such as electrical engineering and automation, machinery, finance, accounting, etc., and have the industry experience and knowledge necessary to perform their duties, thus helping the Board of Directors make appropriate decisions while ensuring the Company’s long-term sustainable development.

The Board of Supervisors is the Company’s permanent supervisory body. It oversees the directors and senior managers in the conduct of their duties, doing so in accordance with the law. Moreover, it reviews the securities issuance documents and periodic reports produced by the Board of Directors and issues written review comments. The Board of Supervisors is comprised of 3 supervisors, one of whom is an employee representative.



## Convening the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors in 2023



### 3.2.2 Protection of Investors’ Rights and Interests

The Company strictly follows the *Securities Law of the People’s Republic of China*, the *Rules Governing the Listing of Shares on the Shenzhen Stock Exchange GEM*, and the *Guidelines for the Management of Investor Relations of Listed Companies*. We have formulated the *INOVANCE Information Disclosure Management System*, updated and revised the *Investor Relations Management System* as well as the *Investor Visit and Reception Management System* during the reporting period, thereby establishing an efficient, transparent mechanism for the protection of investors’ rights and interests, particularly those of small and medium-size investors.

#### Information disclosure

The Company fulfills its information-disclosure obligations in accordance with the law, implements the principle of “truthfulness, accuracy, completeness, timeliness and fairness,” continues the effort to standardize and refine the information-disclosure process while enhancing the quality, broadening and ensuring the transparency of information disclosure so as to protect the rights and interests of investors. The Company, during the reporting period, issued more than 160 announcements. Since IPO, the Company has obtained A ratings in the information-disclosure assessment of SZSE for 13 years consecutively as the only one among all listed companies on the ChiNext market of SZSE.

#### Innovative Disclosure

- **Three Basis:** Information-disclosure promotion method process-based, process-documentation template-based, and key-link billboard-based.
- **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 a mechanism for information sharing and coupling with business departments in order to promote disclosure management by means of project operation.

## Statutory Information Disclosure

- **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 all information that is beneficial to investors' value judgment and related decisions.

## Voluntary Information Disclosure

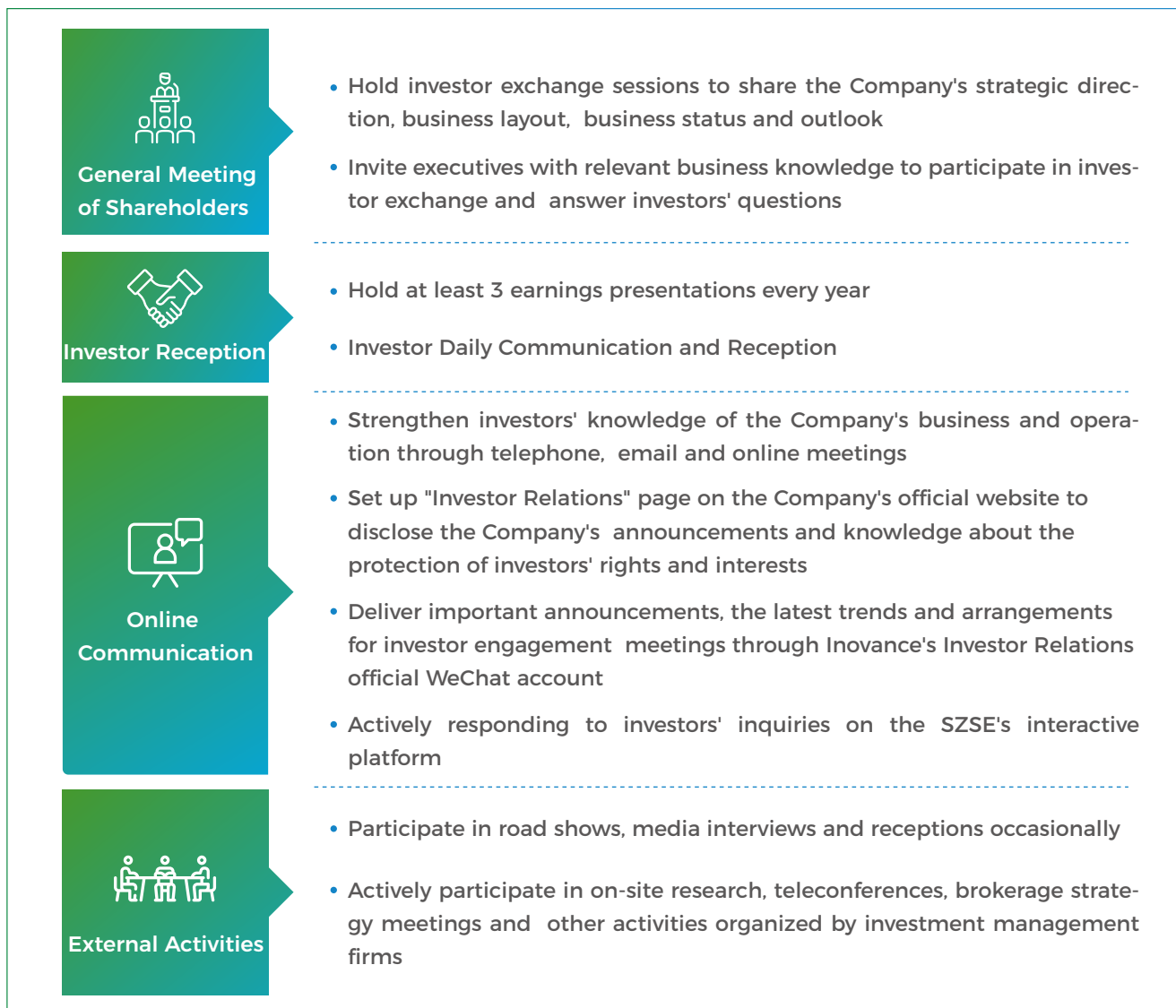
- **Disclosure Method:** Release corporate ESG reports annually and respond to investors' concerns on voluntary disclosure.
- **Disclosure Management:** Organize the relevant departments to participate in internal and external ESG training to enhance the understanding of ESG and improve disclosure quality.

## Shareholder Engagement

In order to meet the varied needs of investors, the Company has established comprehensive, efficient, diverse engagement channels to listen to investors' voices and promote engagement, understanding and recognition between the two sides. Through the Company's official website, new media platform, SZSE's interactive platform, investor hotline, investor email, web conferencing and other channels, the Company engages with investors by means of earnings presentations, road shows, analyst meetings, press conferences, field research and other means, doing so to help them fully and quickly understand the Company's dynamics and information.

During the reporting period, the Company answered 142 questions from investors through the SZSE's interactive platform ([irm.cninfo.com.cn/szse](http://irm.cninfo.com.cn/szse)), representing a reply rate of 100%; received a total of 610 visits from domestic and international brokerage firms, investment funds and individual investors, involving more than 4,500 investors, and it held 66 themed exchanges with multiple stakeholders on ESG-related issues.

## Major Measures for Shareholder Engagement



## Return to Investors

The Company takes *INOVANCE's Articles of Association*, the *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 5.636 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 and updated the *INOVANCE Decision-Making System for Connected Transactions* with detailed provisions on the reporting of connected transactions, withdrawal system, decision-making authority and information disclosure to ensure the fairness of the Company's decision-making regarding connected transactions.

The Company had no major connected transactions during the reporting period. Meanwhile, 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, particularly the interests of small and medium-sized shareholders.

## Honors and Awards for Corporate Governance

Honors and Awards	Awarding Unit
The Best Practice of Board of Directors' Office of Listed Companies in 2023	China Association for Public Companies
Tianma Award for Investo Relations of Listed Companies in China	Securities Daily
Quanjing Investor Relations Gold Award 2022	Quanjing Network
All-Asia Executive Team in 2023	Institutional Investor

## 3.3 Robust Operation

INOVANCE adheres to the principle of "sincerity and trust," regards internal risk control and operational compliance as the foundation of the Company's robust development, continuously elevates our risk management by building and improving the risk-management framework and internal control system, adheres to the philosophy of integrity and compliance in all activities, and abide by business ethics.

### 3.3.1 Risk Management and Internal Control

The Company continuously strengthens and improves its risk management and internal control, and establishes a stable risk-management framework and internal control system to provide favourable protection for the Company's sustainable development.

#### Risk-management Framework

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—notably the *INOVANCE Internal Risk Control Management System*—guidelines for risk management, in addition to which we've established a risk-management mechanism that encompasses the process of "risk identification and evaluation - risk response and management - risk monitoring and reporting." We have also incorporated elements of risk management into strategic planning and business-plan development as the means to comprehensively enhance our risk control and management capability.

## Risk Management Measures of INOVANCE

<b>Optimization of the Risk-control System and Framework</b>	The Risk Control COE <sup>1</sup> constructs and optimizes the top-level risk-control system and framework, guides the element owners to establish the components of effective risk control, outputs the methodology and tools of risk and internal control, and guides the implementation of risk-control projects in each business area.
<b>Risk Identification and Evaluation</b>	The Company regularly conducts risk identification, evaluation and prioritization, collects internal and external risk information, identifies risks and scenarios, evaluates risk levels in terms of probability of occurrence and impact, and outputs a risk matrix. Moreover, the Company implements the concept of group prevention and control as it encourages whistleblowing via the “president’s mailbox” and “whistleblower” channels so as to encourage employees to identify potential risks and dangers in production and operations and to report them promptly.
<b>Risk Response and Management</b>	For the top risks identified that need to be focused on control, the company designates the person responsible for risk management and control, formulates risk management and control objectives, response programs / measures, and forms risk maps. Detailed response plans as needed and decompose specific tasks to ensure effective implementation of risk management measures. For risks that can be controlled within processes, utilize relevant tools and methods of process internal control for management.
<b>Risk Monitoring and Reporting</b>	Risk daily monitoring and reporting is conducted by the person responsible for risk management and control to track and check the progress and effectiveness of risk management and control measures as well as to adopt relevant means to monitor the level of risk and to provide early warning and corrective action. Additionally, the internal audit formulates annual plans based on a risk-oriented approach to focus on high-risk areas, to review and evaluate the appropriateness and effectiveness of business activities, internal control and risk management and to promote the continuous improvement of the risk-management system.

Regarding risk management responsibility, we have formulated the “Three Layers of Defence” risk control mechanism, and the Board of Directors which ultimately responsible for risk management authorizes EMT to identify and manage company-level risks. Additionally, it guides each area in the conduct of risk management and control and clarifies the risk management responsibilities in each layer and department so as to prevent systematic risks.

### Three Layers of Defense for Risk Management at INOVANCE



1: Center of Expertise.

In terms of building a risk management culture, the company organized special training and examinations on risk control and built a risk control knowledge platform library to provide comprehensive, one-stop access to risk control knowledge for the business end and enhance the risk management awareness of all staff. During the reporting period, we organized more than 10 specialized risk control training sessions, covering over 500 participants. We conducted several risk control examinations to assess the mastery of CT, the suite of tools, and basic concepts of risk control in business areas, with a total of 216 individuals passing the examinations. The program also provided 16 documents on risk control knowledge, covering risk control training and empowerment materials, which can be accessed on demand by POs/PCs at all levels, business managers and BPs of internal control.

## Internal Control System

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 series of internal-control management systems, such as the *INOVANCE Internal Control System*, *INOVANCE Internal Control Evaluation System*, *INOVANCE Internal Control Deficiency Identification Procedures*, etc., built internal control systems with focus on five dimensions: business goal achievement, asset and capital security, operational efficiency, compliance and reporting, integrated methods and tools such as KCP, SOD and CT plan into business processes, and conducted effect evaluation through internal control tools to continuously provide important information on the effectiveness of the relevant elements of internal control, and promote the increase of the company's internal control management.

In 2023, the company completed the development of the internal control Proactive Review (PR) and Improvement Recommendation Tracking (RT) tools. The PR tool is generally used for self-inspection activities conducted on specific businesses to verify the effectiveness of control activities, identify unknown risks and promote the attainment of business goals. The RT tool is used for internal control issue location, root cause analysis, risk evaluation, issue introduction, improvement plan development, issue tracking and loop closure to ensure that internal control issues are closed timely and effective manner to prevent recurrence. The Company has effectively promoted CT testing in some areas to guide the establishment of self-correcting and self-improving internal control management systems in various business areas.

In addition, during the reporting period, we promoted the establishment and improvement of accountability standards for business violations to ensure compliance with the laws and regulations as well as to guide the fulfillment of responsibilities and convey a clear value-oriented approach. We drove the top-level design of records management and clarified the strategies, principles and lifecycle management requirements for unified document management to ensure document security, integrity, consistency, and traceability, thereby further enhancing the control environment.

We conduct at least one self-evaluation of the effectiveness of internal control each year for the company and subsidiaries, in addition to which we issue and disclose evaluation reports covering the major aspects of the company's environment control, risk assessment, activity control, information transfer and communication, and continuous monitoring. During the reporting period, the Company has not identified any material deficiencies or significant deficiencies in internal control.

With respect to audits, the Company has focused on financial compliance audits, internal control audits, and special audits of major purchases and engineering construction management. Moreover, we promoted the closed-loop rectification of audit findings so as to drive improvement in the Company's business processes and operating mechanisms.

During the reporting period, 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.

## 3.3.2 Compliance Management

Strictly adhering to regulatory compliance, we have formulated a compliance management system and management mechanism centered on trade compliance, data compliance, intellectual property protection, anti-corruption, anti-unfair competition, anti-money laundering and conflict of interest, etc. Moreover, We have integrated compliance requirements into all aspects of production and operations, forming a comprehensive compliance system for company behavior and management. Based on the foregoing, we have built a clean business environment with a focus on anti-corruption management and integrity in workplace.

### Compliance Management System

The company strictly complies with all applicable laws and regulations, we have formulated the *INOVANCE Business Conduct Guidelines (BCG)*, the *INOVANCE Conflict of Interest Management Measures*, and the *INOVANCE Employee Discipline Policy* to systematically define, guide and constrain the behavior of ourselves and our employees.

### Compliance Management System

<b>Trade compliance</b>	<ul style="list-style-type: none"><li>• Establish standard contract templates covering 7 major systems to ensure compliance for all types of commercial and trade practices</li><li>• Update the latest compliance requirements to templates annually for company-wide adoption in all business processes</li></ul>
<b>Anti-unfair competition/fair competition</b>	<ul style="list-style-type: none"><li>• Comply with the competition regulations and business ethics of the countries and regions in which we operate</li><li>• Do not make false and misleading statements or make inferences about competitors</li><li>• Do not maliciously defaming competitors</li></ul>
<b>Anti-money laundering</b>	<ul style="list-style-type: none"><li>• Conduct anti-money laundering-related compliance risk assessments</li><li>• Integrate anti-money laundering-related requirements in procurement activities covering production materials, assets, frameworks and services</li><li>• 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</li></ul>
<b>Conflict of interest</b>	<ul style="list-style-type: none"><li>• Establish a conflict of interest system, and set up different management requirements according to different job positions and levels</li><li>• Organize and conduct an internal conflict of interest declarations.</li></ul>

Note: For details of data compliance and intellectual property protection, please refer to chapter 6.2 "Data Privacy Protection" and chapter 6.1.3 "Protect Intellectual Property".

For details of anti-corruption, please refer to "Anti-corruption and Integrity Building" in this chapter.

In terms of compliance promotion and training, the Company regularly organizes all employees to study relevant systems such as the BCG. Specialized training is provided for key personnel in the process to require all employees to comply with the code of business ethics. Additionally, we conduct regular and specialized compliance training for all employees, and continuously improve the compliance awareness of the management and employees through publicity, training, examination and other methods.

### **Anti-corruption and Integrity Building**

The company adopts a "zero tolerance" approach towards corruption and commercial bribery, promoting responsible governance through the construction of an anti-corruption system and the cultivation of a culture of integrity. 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 Chairman 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.

The Company has formulated the *INOVANCE Anti-fraud Whistleblower System* to standardize the management of anti-corruption reporting, 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 establish accessible anti-corruption whistleblowing channels, and to ensure fair, effective, and timely handling of any potential corruption incidents.

Meanwhile, the Company has established the *INOVANCE Incentive Plan for Anti-fraud Whistleblowers*, 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.

The company continuously strengthened anti-corruption and integrity education for its employees through internal promotions, integrity training, and the promotion of Integrity Commitment Letter and other activities and methods, and promoted the construction of integrity culture. During the reporting period, the Company conducted integrity-related publicity and training for directors, senior management and employees, with a total of 1,791 hours of training, and achieved 100% coverage of anti-corruption integrity training.

The Company received 24 reports of anti-corruption clues in 2023, and conducted detailed investigations based on the clues. The handling rate of reports and complaints was 100%. During the reporting period, the Company was not received penalties from the competent authorities for violating the laws and regulations related to corruption, bribery, extortion, fraud and anti-money laundering.



**Anti-corruption  
Complaint and  
Whistleblower  
Handling Procedures**

Receive reports from whistleblower and conduct investigations



Investigate responsible persons and departments for accountability

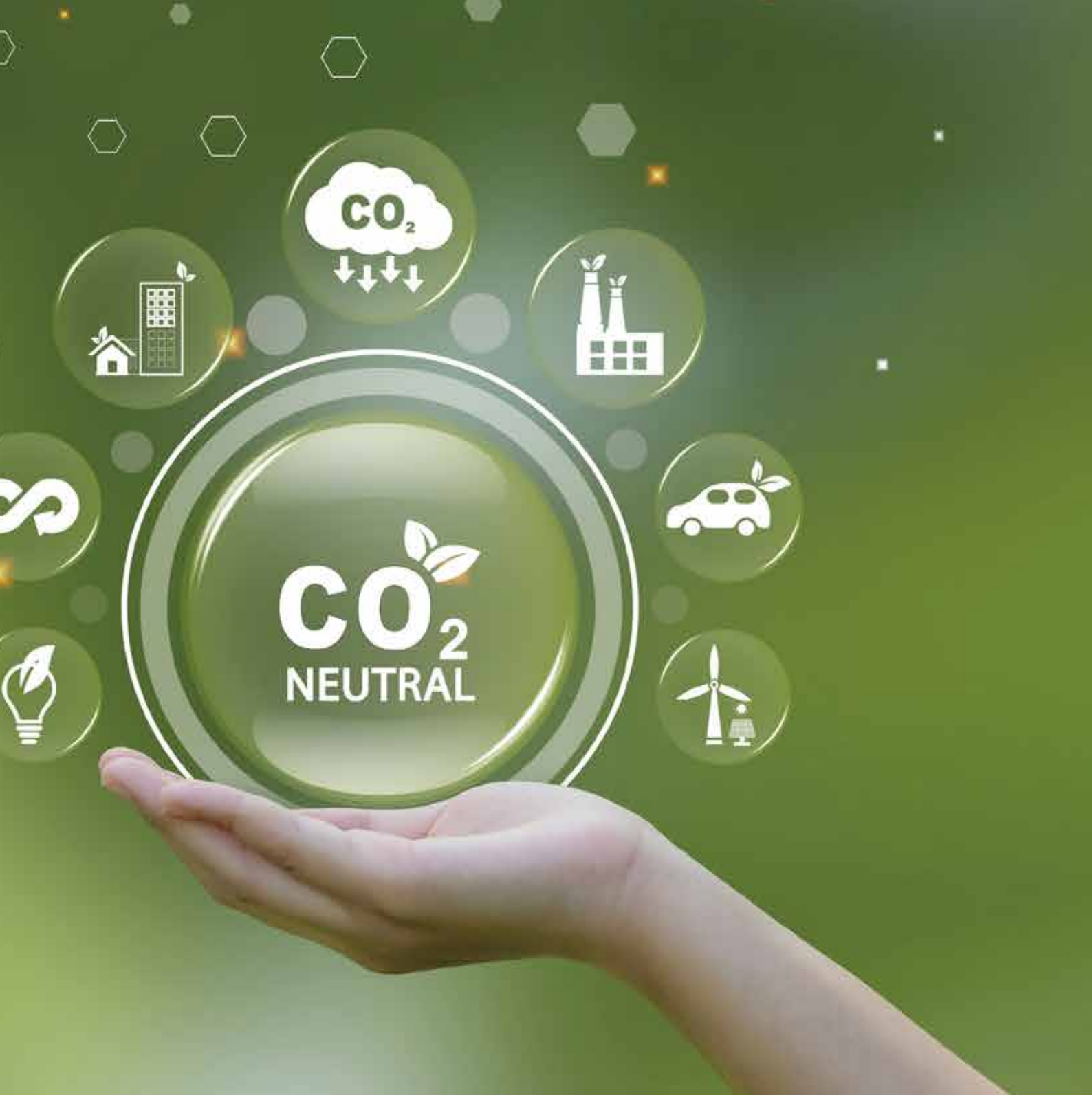


Responsible departments rectify the problems related to internal control





**EMPOWERING  
DEARBONIZATION**



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# Empowering Decarbonization

The global ecological crisis caused by GHG emissions is an unavoidable topic when people discuss sustainable development. Meeting the Paris Agreement's 2°C warming target requires collective action and emission reduction commitments from all nations. Leveraging the technological advantages of intelligence, automation, and greenness within the products and solutions, INOVANCE not only strengthens green operation and fulfill commitments on carbon reduction but also empower different industries with core business to steering industry green and low-carbon transition.

## 4.1 Addressing Climate Change

Climate change poses a significant long-term risk to the stability of global ecosystems, economic development, business operations, and individual well-being. Actively addressing climate change and enhancing climate resilience are focal points of INOVANCE's efforts to the realization of SDG 13.

In this report, INOVANCE first discloses climate-related information and management progress in accordance with IFRS S1 issued by ISSB. We have established a clear governance structure for climate action, reaffirmed the Company's "dual carbon" strategy, identified climate-related risks, seized green opportunities and tracked the progress of performance indicators and goals.

### 4.1.1 Governance

Based on ESG governance framework, the Company has clearly defined roles and responsibilities at each organizational level to enhance the proactiveness and continuity of climate action and ensure the efficient implementation of related initiatives.

Organizations at Each Governance Level	Specific Responsibility
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>Review and make decisions on the company's climate change strategy, goal and specific matters.</li> <li>Monitor and management of the work related to climate change.</li> <li>Review the company's climate-related information disclosure.</li> </ul>
<b>Executive Management Team (EMT)</b>	<ul style="list-style-type: none"> <li>Review and monitor the progress of climate action, quantified performance, and goals achievement status.</li> <li>Review related policies of climate and energy and provide guidance on relevant budgeting plans.</li> <li>Provide resources and guidance to relevant executive departments for taking climate action.</li> </ul>
<b>Sustainability Committee</b>	<ul style="list-style-type: none"> <li>Monitor the company's climate risks and opportunities and formulate corresponding management measures.</li> <li>The Sustainability Office is established to identify and analyze climate risks and opportunities, provide guidance on climate actions, promote and publicize work on climate change response, and track the implementation of specific matters by relevant executive departments.</li> </ul>
<b>Departments, Business Divisions and Subsidiaries</b>	<ul style="list-style-type: none"> <li>Formulate and implement work plans related to climate change response based on the company's strategy.</li> </ul>

## 4.1.2 Strategy

Climate change is both risk and opportunity for INOVANCE. The Company developed strategy coping with climate change from the perspective of risk response and opportunity capture.

<b>Strategy on Addressing Climate Change</b>	<b>Climate Risk Response</b>	<b>Risk Mitigation</b>	Strengthen the Company's green operations, fulfill commitment to GHG reduction and improve supply chain sustainability management.
		<b>Risk Adaptation</b>	Identify and analyze major climate-related risk, assess the potential impact on corporate business strategy and finances and develop response plans for different types of risks.
	<b>Green Opportunity Capture</b>		In line with the green and low-carbon transition trend, the Company develops energy-saving and efficiency-enhancing products and builds solutions integrated with intelligence, automation and greenness for different carbon reduction scenarios.

## 4.1.3 Risk Management

INOVANCE has integrated climate-related risks into our company's risk management processes. We identify types of climate risk, assess potential positive and negative impacts, set priority based on the impact and probability of risk occurrence, and develop appropriate mitigation plans.

### INOVANCE Climate-related Risk Identification and Response

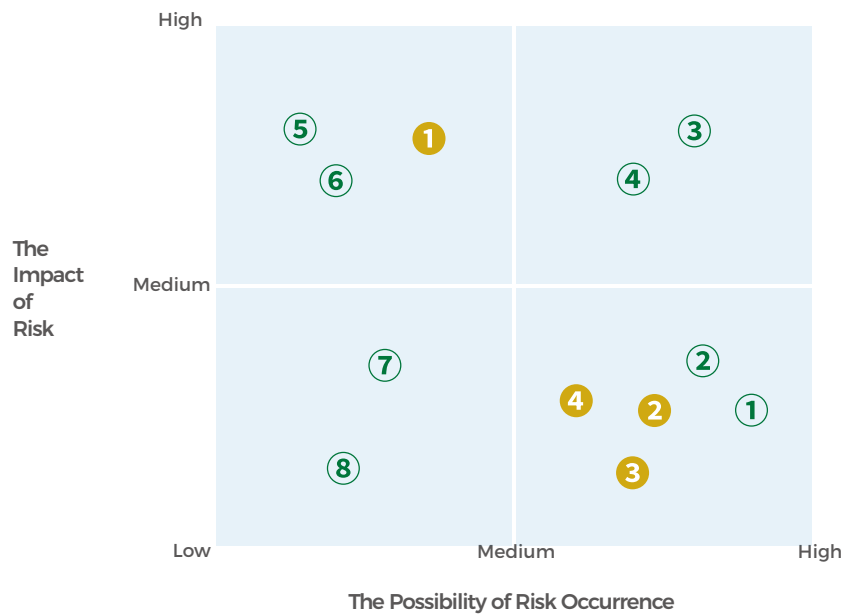
Type of Risk	Risk Description	Potential Analysis of Relevant Risk	Potential Financial Impact	Responding Measures
<b>Physical Acute Risk</b>	Extreme weather caused by climate change	<ul style="list-style-type: none"> <li>Extreme weather such as typhoons and floods may damage buildings at production and office operational sites, thereby affecting normal production and operations</li> <li>Extreme weather may affect the safety of employee commuting, thereby impacting normal business operations</li> <li>Extreme weather may cause temporary supply chain disruptions, affecting normal product delivery</li> </ul>	<p>Operating Costs ↑</p> <p>Revenue ↓</p> <p>Asset Value ↓</p>	<ul style="list-style-type: none"> <li>We develop and implement response plans for emergencies such as typhoons, earthquakes, heavy rainfall, power outages, fires, food poisoning, and major infectious diseases to minimize losses caused by natural disasters</li> <li>We attach great importance to employee's health and safety, implement early warning and notification for extreme weather and offer flexible arrangements for production and work as well as reporting mechanisms</li> <li>ISC established internal emergency plan on business disruption caused by extreme weather such as typhoons</li> </ul>

Type of Risk	Risk Description	Potential Analysis of Relevant Risk	Potential Financial Impact	Responding Measures
<b>Physical Risk</b>	<b>Chronic Risk</b>	<p>The increasing global average temperature, sea level and the frequency of public health emergencies</p> <ul style="list-style-type: none"> <li>Sea level rise may affect the normal operation of the company's headquarters and subsidiaries located in coastal areas, resulting in relocation costs</li> <li>The rise in global average temperature may lead to an increase in energy consumption for cooling in office and production areas</li> <li>The rise in global average temperature may affect product lifespan and performance, and warehouse site selection may change</li> <li>Public health incidents caused by climate change may affect the company's normal production.</li> </ul>	<p><b>Operating Costs</b> ↑</p> <p><b>Asset Value</b> ↓</p>	<ul style="list-style-type: none"> <li>We take climate-related risk into consideration when selecting new operational sites</li> <li>We use digital energy management systems to precisely control and manage energy consumption and implement optimization solutions for energy efficiency of air conditions</li> <li>We monitor different external environmental conditions that may affect product lifespan and performance, and provide clear explanations to consumers</li> <li>We develop internal response plan for public health incidents such as major infectious diseases, and make preparation for medicines and supplies</li> </ul>
<b>Transition Risk</b>	<b>Policy and Legal Risk</b>	<p>Climate-related disclosure regulations</p> <p>Strict requirements for climate-related information disclosure</p> <ul style="list-style-type: none"> <li>Sustainability reporting required by the listed exchange may gradually strengthen climate-related disclosure requirements</li> <li>The implementation of EU Corporate Sustainability Reporting Directive (CSRD) may affect the Company's ESG disclosure and put forward new requirements.</li> </ul>	<p><b>Operating Costs</b> ↑</p>	<p>We stay informed about ESG information disclosure required by the listed exchange and core operating regions and ensure the disclosure are in compliance with local laws, regulations and guidelines</p>
		<p>GHG Emissions Control and Management</p> <p>Strengthened control on carbon emissions from business operation</p> <ul style="list-style-type: none"> <li>The requirements for national carbon peaking and carbon neutrality in the industrial sector may accelerate the Company's green and low-carbon transition</li> <li>International markets, represented by the EU, may strengthen carbon footprint control of export products and "green-washing" behaviors</li> </ul>	<p><b>Operating Costs</b> ↑</p> <p><b>Liabilities</b> ↑</p>	<ul style="list-style-type: none"> <li>We increase R&amp;D investments in green and low-carbon technologies, strengthen energy and carbon emission management, and implement energy-saving and carbon reduction measures</li> <li>We stay informed about relevant laws and regulations concerning energy and GHG emissions in the overseas markets, proactively identify compliance requirements and gaps, and strictly adhere to local laws and regulations in business operations</li> </ul>

Type of Risk	Risk Description	Potential Analysis of Relevant Risk	Potential Financial Impact	Responding Measures
Transition Risk	<b>Market Risk</b>	Change of Customer's Behaviours	<p>Customer's preference for green and low-carbon product</p> <ul style="list-style-type: none"> <li>Customers set ESG supplier entry requirements and may have higher requirements for the products with green and low-carbon features</li> </ul>	<p>Revenue ↓</p> <ul style="list-style-type: none"> <li>We integrate sustainability requirements into product development, highlight green, energy-saving, and low-carbon features, and proactively meet customer ESG requirements for suppliers and product delivery in advance</li> </ul>
	<b>Technology Risk</b>	Energy-saving and Carbon-reduction Technology	<p>Energy-saving and carbon reduction technology that falls behind market demands</p> <ul style="list-style-type: none"> <li>Investment in energy-saving and carbon-reduction technologies that falls behind peers may result in failure to fulfill market demand</li> <li>Investment in the R&amp;D of new technology carries the risk of failure</li> </ul>	<p>Operating Costs ↑</p> <p>Revenue ↓</p> <p>Financing Difficulty ↑</p> <ul style="list-style-type: none"> <li>We keep focusing on the insights of market demands for energy-saving and carbon reduction in products, formulate R&amp;D strategies with adequate investment, and gradually narrow the technology gap with peers</li> <li>We maintain a high tolerance for errors in new technology development and allow for trial-and-error costs</li> </ul>
	<b>Reputation Risk</b>	Negative Public Opinions and Actions Violated Laws and Regulations	<p>Reputation loss caused by climate-related negative public opinions and violated actions</p> <ul style="list-style-type: none"> <li>The Company's carbon reduction commitments do not meet or comply with relevant regulations on GHG emissions in the countries and regions the Company operates</li> </ul>	<p>Operating Costs ↑</p> <p>Revenue ↓</p> <p>Asset Value ↓</p> <p>Financing Difficulty ↑</p> <ul style="list-style-type: none"> <li>We stay alert on the change of laws and regulations in our operating regions, and enhance negative public opinion monitoring to verify the authenticity of issues and correct with responding actions</li> </ul>

Physical Risk	Acute Risk	① High Occurrence Frequency of Extreme Weather
	Chronic Risk	② The Rising Average Temperature in the Globe ③ The Rising Sea Level in the Globe ④ Public Health Emergencies Brought by Climate Change
Transition Risk	Policy and Legal Risk	① Strict Requirements for Climate-related Information Disclosure ② Strengthened National and Industrial Control on Carbon Emissions
	Market Risk	③ Customer's Requirements for Green and Low-Carbon Product ④ Customer's Preference for Green and Low-Carbon Product
	Technology Risk	⑤ Energy-saving and Carbon Reduction Technology Falling Behind Market Demands ⑥ New Technology R&D or Investment Failure
	Reputation Risk	⑦ Failure to Achieve Carbon Reduction Goals ⑧ Negative News Reporting on Climate-related Matters

● Physical Risk ● Transition Risk



Climate change presents INOVANCE with both challenges beyond traditional enterprise risk management and emerging market opportunities. Providing customers with more intelligent, green, and energy-efficient products and solutions will help the Company maintain a favorable position in the global low-carbon transition.



## INOVANCE Climate-related Opportunity Identification and Response

Type of Opportunities	Opportunity Description	Potential Financial Impact	Responding Measures
Changes of Market Requirement	The increasing requirements for energy conservation and emission reduction across industries are driving a surge in demand for environmentally friendly and low-carbon products and services.	Revenue ↑ Operating Cost ↑	The shift towards sustainability presents opportunities for expanding our customer base and developing innovative products that cater to the growing demand for energy-efficient and low-carbon solutions.
Customer Market Entry Threshold Raised	Customers from the overseas market and new energy sector are progressively incorporating sustainability criteria into their supplier selection processes. As certain peers lag in their commitment and capabilities to customer requirements, we have an opportunity to gain a competitive edge.	Operating Cost ↑ Revenue ↑	By continuously improving green operations, design, manufacturing, packaging, and logistics, we can further strengthen our competitive advantage.
Structure Adjustment of Energy Consumption	A reduction in fossil fuel dependence and a corresponding increase in the utilization of clean energy sources are the important solutions to mitigate climate change from the energy side. By actively supporting the development of the new energy sector and participating in new energy projects, we can unlock new opportunities for business growth and diversification.	Revenue ↑	Our core products and solutions effectively address the challenges faced by customers in the new energy sector, facilitating the implementation of their projects. We also have strategically established a comprehensive energy management platform and energy storage business encompassing "Power Generation, Grid, Load, and Storage".
Efficiency Requirements for Resource Utilization	Improving the efficiency of natural resource utilization, minimizing the environmental impact of our operations, and reducing our ecological pressure are crucial steps in addressing climate change. Enhancing resource utilization efficiency and implementing lean management principles will be imperative for our long-term business.	Revenue ↑ Operating Cost ↓	We are committed to optimizing resource utilization within our operations guided by the principle "energy conservation, material conservation, and efficiency enhancement." Leveraging digital platforms, we are implementing refined management measures to enhance operational efficiency. Additionally, we plan to extend the capabilities of our digital platforms to empower both customers and suppliers, fostering industry-wide improvements in resource utilization.
Building Climate Resilience	Proactive measures to adapt to climate change can mitigate potential financial losses.	Operating Cost ↓	Our new production bases are constructed 100% in accordance with green factory standards. We have also proactively developed comprehensive contingency plans to ensure business continuity in the face of climate-related risks, thereby initially improving our resilience to climate change.

## 4.1.4 Metrics and Targets

To echo national "3060" carbon peaking and carbon neutrality goals and drive industry green and low-carbon transition, INOVANCE announced "2850" and "3030" carbon reduction goals in 2022 and further specified the goals in 2023.

Carbon Reduction Goals	Goal Description	Target	2028	2030	2050
"2850"	To achieve operational carbon peaking by 2028 and operational carbon neutrality by 2050	INOVANCE	To decrease operational GHG emission intensity (Scope 1 +Scope 2) by 35% compared to 2021	/	To realize carbon neutrality in operation
"3030"	To reduce major suppliers' GHG emissions by 30% compared to 2021 by 2030.	Major Suppliers	/	To decrease GHG emission intensity by 30%	/

Since 2021, the company has conducted annual GHG inventory to monitor the progress of carbon reduction. This year, we implemented carbon inventory in line with the organization's scope of annual consolidated financial report with reference to ISO 14064. In addition to Scope 1, 2, and 3, Scope 4 (avoided emissions) was included this year. We engaged a third-party organization to verify the GHG inventory results of major emission organizations including Suzhou INOVANCE, INOVANCE Automotive, and Changzhou INOVANCE New Energy. The verified Scope 1 and Scope 2 emissions accounted for 71.5% of Scope 1 and Scope 2 of the organization's scope of annual consolidated financial report.

GHG Emissions	Unit	2023	2022	2021
Scope 1 Direct Emissions	tCO <sub>2</sub> e	1,807.90	1,601.90	1,933.36
Scope 2 Indirect Emissions	tCO <sub>2</sub> e	121,345.34	79,808.38	63,005.29
Scope 3 Other Indirect Emissions	tCO <sub>2</sub> e	883,727.50	/	/
Scope 4 Avoided Emissions	tCO <sub>2</sub> e	10,748,527	/	/
Total Emissions (Scope 1 + Scope 2)	tCO <sub>2</sub> e	123,153.24	81,410.28	64,938.65
GHG Emission Intensity	tCO <sub>2</sub> e per million RMB	4.05	3.52	3.62

## 4.1.5 GHG Reduction Actions

INOVANCE has implemented a series of GHG reduction actions aligned with the "2850" and "3030" goals. Core initiatives include establishing an energy and carbon emission management platform, building green and zero-carbon factories, and increasing investment in green product design and R&D, to ultimately accelerate the achievement of emission reduction goals across the entire value chain.

Carbon Reduction Goals	Target	2023	2024	2026	2030	2050
"2850"	INOVANCE	<ul style="list-style-type: none"> <li>· Improve Management System</li> <li>· Comprehensive Energy Conservation Diagnosis</li> </ul>	<ul style="list-style-type: none"> <li>· Construct Integrated Facilities of Photovoltaics, Energy Storage and Charging</li> <li>· Manage Product Carbon Footprint</li> </ul>	Green Supplier Management Platform	Explore Carbon Reduction Initiatives	Introduce Carbon Negative Measures to offset the Rest of Emissions
"3030"	Major Suppliers	<ul style="list-style-type: none"> <li>· Analyze CO<sub>2</sub> emission Management Status</li> <li>· Set Carbon Reduction Goals and Plans</li> </ul>	<ul style="list-style-type: none"> <li>· Complete and Improve Management System</li> <li>· Establish Energy and Carbon Emission Management Platform and Monitor the Energy Consumption and Carbon Emissions of</li> <li>· Production Prioritize to Use Renewable Resource</li> </ul>	Promote Green Manufacturing System	/	<ul style="list-style-type: none"> <li>· Provide INOVANCE with Zero-Carbon Products and Services</li> <li>· Promote Carbon Neutrality of Entire Industry Chain Together</li> </ul>

For more details of carbon reduction action, please refer to 4.2 Innovative Green Products and 4.3 Strengthening Energy Management

## 4.2 Innovative Green Products

Led by the "2850" and "3030" carbon reduction goals, INOVANCE spares no effort seizing clean tech opportunities. We continuously tap the carbon reduction potentials of our products and solutions, develop green, energy-saving, and highly-efficient products, and innovate energy-saving and carbon reduction solutions to apply in the industrial, construction, transportation, and new energy sectors. While achieving our sustainable development, we also promote the green and low-carbon transition of the entire industry chain.

### 2023 Key Performance Indicator

GHG Emissions Scope 4 Avoided Emissions

**10,748,527** tCO<sub>2</sub>

## 4.2.1 Accelerating R&D in Clean Technology

In the context of the national "Dual Carbon" goals, INOVANCE views the demand for green and low-carbon products as a significant business opportunity. In 2023, the company has increased R&D investment in clean technology to support energy efficiency improvements within products and solutions. Below is an example of energy storage technology.

### Energy Storage Technology Achievements in 2023

- Addition of new power modules, resulting in higher power density, smaller size, and higher efficiency for energy storage products.
- Improvement and accumulation grid-connected and grid-forming energy storage algorithms to enhance energy utilization and conversion efficiency.
- Dynamic analysis and tracking of energy consumption data through Battery Management Systems (BMS) and Energy Management Systems (EMS), with plans to add and optimize functions such as optimized dynamic battery energy management, fault prediction, and lifespan prediction in the future.
- Strengthened application of thermal management technology in energy storage products, such as water cooling and microchannel thermal management technology.

## 4.2.2 Promoting Green Products

INOVANCE adheres to the principle of green design with the *INOVANCE Product Identity Design Guidebook* published as a fundamental guideline for product design. The guidebook explicitly states that product design should follow the principles of "material conservation, process simplification, packaging minimization, and functional modularization" to comprehensively reduce carbon emissions and resource consumption throughout the product lifecycle, further enhance the environmental protection and sustainability of products, and contribute to the realization of the company's vision of "advancing industrial technology for a better world."



### Material Conservation

Reduce product weight or volume through product design optimization, focus on the selection of green and renewable raw materials, and thereby reduce the consumption of product materials.



### Process Simplification

Optimize production processes, reduce processing steps, improve product production efficiency, and avoid material and energy consumption caused by redundant processes.



### Packaging Minimization

Streamline packaging size, save packaging materials, gradually replace disposable packaging materials with recyclable or reusable materials, and minimize packaging waste.



### Functional Modularization

Adopt a reasonable and compact structure, apply modular thinking, optimize and simplify component separation, and reduce resource consumption throughout the production process.

Subsidiary INOVANCE Automotive is committed to developing green and zero-carbon products by continuously increasing the development and application of renewable materials. INOVANCE Automotive has publicly pledged to achieve 40% recycled aluminum and 30% recycled plastic in their products by 2026, and to develop green and zero-carbon products by 2030. During the reporting period, the company conducted Life Cycle Assessment (LCA) carbon footprint analysis on several key products, including NEV electric drives, motors, powertrains, power supplies, PCS, and high voltage energy storage system. The company leveraged internal and external resources to improve their carbon emission factor and enhance LCA capabilities, laying a solid data foundation for developing zero-carbon products throughout the entire lifecycle.

## Green and Energy-Saving Product Design

### ■ MV33 Low-voltage PM Motors

The motor utilizes flat wire to reduce product size and meets the IE5 high-efficient motor standard of the International Electrotechnical Commission (IEC). The product surface coating has been changed from oil-based paint to water-based paint, reducing volatile organic compound (VOC) emissions and making it more environmentally friendly.



### ■ MD290 Standard Vector Control AC Drives

The MD290 series AC Drives adopt a long-life design for extended product lifespan as well as an independent air duct design to adapt to various harsh and polluted environments. This series also use a refined design that reduces product size by 30%. The product has obtained CE, UL, CUL, RoHS, and KC certifications for export requirements. In 2023, we successfully received the Korean Emark high-efficient energy certification for this product.



In 2023, our green and low-carbon products and solutions were successfully applied in the sectors of Industrial, Construction, Transportation and New Energy.



## Industrial Sector

### Vector-Control High-Voltage AC Drive & PM Motor Solution Supports Green Development in the Coal Industry

To meet the production needs of "Smart Mines" and address the new requirements of safe, efficient, green, low-carbon, and intelligent coal mining, INOVANCE provides high-quality, high-efficiency products and green solutions for coal mining companies. The successful application of self-developed high-voltage AC drives combined with the "dual-adjustment optimization" technology solution of adjustable-speed fan in the device upgrade project of adjustable blade axial-flow fans and induced draft fans in coal-fired units has achieved flexible adjustment of coal-fired units while meeting the process requirements for wind pressure or air volume by adjusting the fan speed and blade angle through high-voltage AC drives. This reduced the coal consumption per kilowatt-hour of power plants, lowered the entire plant power consumption by 0.3-0.5% or more, and achieves a comprehensive power saving rate of over 20%. By shifting the fan performance curve, it can provide technology for adjustable-speed fans to maintain high-efficiency operation.

The vector-control high-voltage AC drive & PM motor solution combine the advantages of direct-drive PM motors and application dedicated AC drive, with key technologies such as high-reliability design, efficient soft-start technology, stepless speed regulation and harmonic suppression technology, motor + electronic control integration technology, and intelligent operation and maintenance management as breakthroughs, promotes energy saving, low energy consumption, and intelligent development of transportation systems at coal mines.



## Construction Sector

### "INOVANCE Brain" - Elevator Component Intelligent Solution Promotes Low-Carbon Elevator Management

In July 2023, INOVANCE released the "INOVANCE Brain," an elevator component intelligent solution based on digital management structured with "4+1+N". "4" refers to the four core intelligent components (control system, drive system, human-machine interface, and door machine) equipped with CPUs and empowered by digital twins technology. The components are able to perceive the physical world and present operating and fault mechanisms by digitalization. "1" refers to an intelligent commissioning APP which can conduct accessible communicate with human beings throughout the elevator lifecycle. "N" refers to the integration of N business process scenarios of elevator companies through intelligent commissioning, significantly improving the elevator safety and the work efficiency of maintenance and factory inspection personnel. Based on digitalization platform, the solution can link multiple business scenarios and thereby provide a foundation to elevator energy and carbon emission management.



## Power Sector

### Hebei Shunping 20MW/40MWh "Photovoltaic + Energy Storage" Project Supports Local Clean Energy Use

INOVANCE assisted Jiangsu Linyang Energy Co., Ltd. in successfully connecting the 20MW/40MWh photovoltaic and energy storage power station to the grid in Shunping County, Hebei Province. This project is part of the 100MW photovoltaic power generation project in Taiyu Town, Shunping County, Baoding City, covering an area of over 2 km<sup>2</sup>. The total planned power capacity scale is 100MW, and the planned installed capacity of the energy storage power station in this phase is no less than 20MW/40MWh. It adopts a 1000V 0.5C air-cooling system and is equipped with 5 sets of 3.78MW high voltage energy storage system from INOVANCE. The Linyang Energy Hebei Shunping 20MW/40MWh photovoltaic and energy storage power station uses advanced technology and builds an energy storage system based on lithium iron phosphate battery technology. It provides storage and release of abandoned wind or light for local new energy power plants, effectively alleviating the difficulty of absorbing power generated by clean energy during peak hours, and realizing a "energy storage factory" at the source. After the power station is successfully connected to the grid, it is expected to generate 137.061 GWh of electricity annually. Compared with thermal power generation with the same power generation capacity, this is equivalent to saving 43,200 tce and reducing CO<sub>2</sub> emissions by about 111,600 tons every year. The photovoltaic and energy storage project avoids the "uneven busyness" of the power system by peak shaving and valley filling, ensures the safe and stable operation of the power system, supports the large-scale development of clean energy, and is of great significance to promoting rural revitalization and development in Shunping County, Baoding City.



## Transportation Sector

### Off-shore Power Systems Contribute to Energy Conservation and Emission Reduction

INOVANCE's off-shore power technology has integrated digital technology to create a professional operation and maintenance management system for off-shore power, standardizing the ship connection process and visualizing electricity consumption data. Up to now, INOVANCE has constructed (including those under construction) 240 sets of port off-shore power systems, assisting 70 port terminals to achieve regular off-shore power connection for ships, with over 10,000 connections and cumulative electricity consumption exceeding 50 million kWh. It is estimated that the off-shore power systems provided by INOVANCE can reduce annual CO<sub>2</sub> emissions by 271,162,935.2 kg, SO<sub>2</sub> by 2,571,100.16 kg, and NO<sub>x</sub> by 1,845,812.8 kg.

### Reliable Components for New Energy Vehicles to Support a Green Asian Games

As a leading domestic supplier of NEV components, INOVANCE Automotive provided the Geely Interstellar Bus C6E and C8E models, which served as the official vehicles for the 19th Hangzhou Asian Games, with bus five-in-one integrated controllers (BD35-1) and light truck five-in-one integrated controllers (LD35-1). Additionally, the company dispatched a professional service team to actively participate in the vehicle maintenance support for the Asian Games, providing a solid guarantee for the green and low-carbon travel of the event.

# Feature Topic: Scope 4 Avoided Emissions-Contributing Solutions to Climate Action

“Avoided Emissions” is defined as “a solution that can fulfill the same functions but with significantly less greenhouse gas emissions”, according to the *Net Zero Innovation Module 2: The Avoided Emissions Framework V3 2020* published by Mission Innovation. Common examples of “avoided emissions” are as follows:

A. One product is used as a substitute for another carbon-intensive product. For example, telephone or video conferences are used as substitutes for conventional business trips and meetings, or the manufacturing of wind turbines helps to substitute fossil fuels in electricity generation and reduce the emissions of the whole society.

B. One product is used to promote other processes to reduce emissions. For example, if a real estate company considers the allocation of public transport facilities in the community development stage, residents will be encouraged to choose public transportation more often after moving in, thus reducing emissions.

Such “Avoided Emissions” are also called “Scope 4” or “Scope 3+” to distinguish them from the routine organization carbon emissions and value chain carbon emissions.

With an increasing concern of human beings for climate change topics, many organizations across the globe have taken action to control their GHG emissions. However, it should be pointed out that the temperature control target of 2°C in the *Paris Agreement* to be achieved jointly by us cannot be at the expense of the development of material and spiritual civilization of human society. Instead, we should pursue a synergy between social development and fulfilled climate goals, which can be made possible through commercial and technological innovation. With such innovation, more, greener products and services can be provided to the whole society, and climate goals can be jointly accomplished while continuously improving human life and achieving the sustainable development of human society.

This requires us to provide more, greener products and services to the whole society and jointly accomplish climate goals while continuously improving human life and achieving the sustainable development of human society. In other words, more organizations should not only focus on “doing less harm” but also make efforts in “doing more good”.

Ever since its establishment, INOVANCE has been providing products and services with significant characteristics of “avoided emissions”. For example, the application of AC Drive products can reduce the energy consumption of various production machinery and can thus avoid GHG emissions caused by power generation and power transmission. Another example is that INOVANCE, as a supplier of core parts and components for new energy vehicles, has boosted the green transformation of transportation by offering competitive products and solutions to new energy vehicle manufacturers. Therefore, in our views, the avoided emissions brought by products and services can create more social value compared to managing our own operational carbon emissions.

In order to better assess the social benefits brought about by the avoided emissions, we specially add this chapter, hoping to establish more extensive connections with more stakeholders in jointly coping with the challenges caused by climate change.



# Two Categories of Scope 4

Based on the actual business status of INOVANCE, our Scope 4 is divided into two categories:

- (1) Directly avoided emissions
- (2) Collaboratively avoided emissions

## 1. Directly Avoided Emissions

Directly avoided emissions refer to that a facility or equipment, after using INOVANCE’s products or solutions, does not significantly change its core feature or form, but rather produces notably less GHG emissions beyond the value chain while fulfilling the same functions. For example, the AC Drive products supplied by INOVANCE to the air-conditioning industry have obtained the effect of energy conservation and emission reduction without changing the core feature of the air-conditioning systems. This effect is regarded as the Directly avoided emissions in INOVANCE’s Scope 4.

## 2. Collaboratively Avoided Emissions

Collaboratively avoided emissions refer to that INOVANCE, in synergy with its industrial partners, has jointly contributed to a fundamental change or substitution of a facility or equipment, and such change or substitution has produced notably less GHG emissions beyond the value chain. For example, INOVANCE, in synergy with wind turbine manufacturers and other suppliers of wind turbine parts and components, has jointly boosted the development of clean energy power generation and reduced GHG emissions from coal-fired power generation.

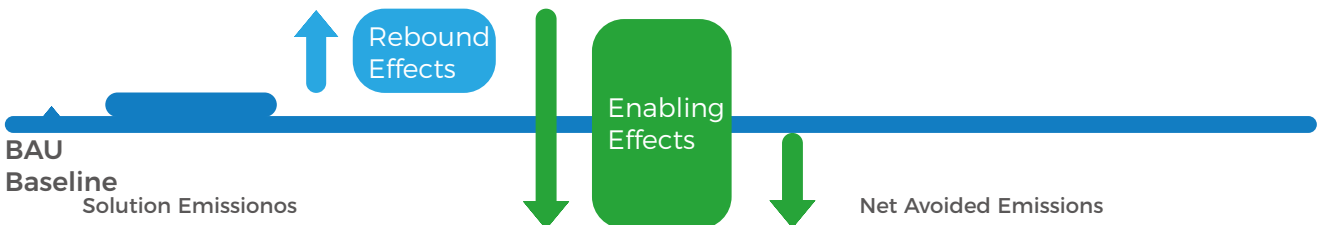
### Differences between Directly Avoided Emissions and Collaboratively Avoided Emissions

Scope 4 Category	Directly Avoided Emissions	Collaboratively Avoided Emissions
Whether there is any change in the core feature of the equipment/facilities	No	Yes
Ownership of avoided emissions	All Allocated to INOVANCE	Partially Allocated to INOVANCE

## Calculation Method for Avoided Emissions

The calculation logic is as follows:

Directly avoided emissions = Emissions of the original equipment or facilities under the baseline scenario - Emissions of the equipment or facilities after using products and solutions of Directly avoided emissions under the same scenario



Considering that:

- a) the emissions generated by INOVANCE's products (referring to the cradle-to-gate carbon footprint of products) are generally much lower than the avoided emission effect brought about by them;
- b) no significant rebound effect has been identified in INOVANCE's product application scenarios up to now;

To simplify data collection and calculation, this report does not include the solution emissions and the rebound effect.

## Accounting Boundary

Scope 4 Category	Directly Avoided Emissions	Collaboratively Avoided Emissions
System boundary	GHG emissions generated by the equipment or facilities applying INOVANCE's products during their use	
Functional unit	Each equipment or facility equipped with INOVANCE's products	Each substitute equipment or facility with the same functions
Time range	From 1 January 2023, to 31 December 2023	

## Directly Avoided Emissions

1. In the following five cases, the calculation formula for Directly avoided emissions is as follows:

Directly avoided emissions

= New installed capacity in 2023 \* Average load rate \* Average energy - saving rate

\* Average daily working hours<sup>Note 1</sup> \* Average annual working days<sup>Note 2</sup> \* GHG emission factor<sup>Note 3</sup>

Scenario/Facility/Equipment name	Baseline scenario	INOVANCE's products applied	Newly installed capacity of INOVANCE's products in 2023 <sup>Note 4</sup> (kW)	Average load rate of equipment	Average energy - saving rate	(tCO <sub>2</sub> e/year)
1 Central air conditioner with AC drive	Annual electricity consumption of central air-conditioning systems not equipped with AC drives	CA200/300/500 series AC drive products	1,700,920	76% <sup>note5</sup>	11% <sup>note6</sup>	686,582 <sup>note7</sup>
2 Air compressor with AC drive	Annual electricity consumption of air compressors not equipped with AC drives	CP200/650/700 series and MD510 series AC drive products	3,587,449.5	70% <sup>note8</sup>	35% <sup>note9</sup>	1,503,754
3 Various equipment/facilities equipped with energy-efficient PM motors	Annual electricity consumption of equipment using induction motors with IE3 or a lower energy efficiency level	MDD31\51 series and MV21\31\33\61 series motor products	1,211,339	60%	8% <sup>note10</sup>	99,480
4 Various equipment/facilities equipped with AC drive energy feedback function	Annual electricity consumption of various similar equipment/facilities not equipped with AC drive energy feedback function	Part of MD880 series, MD050 and MD051 series, and part of HD9X(S) series products	622,771	30%	20%	63,930
5 Various injection molding machines, die-casting machines, bending machines and hydraulic stations equipped with hydraulic servo systems	Annual electricity consumption of various similar equipment/facilities not equipped with hydraulic servo systems	ES 510\560\580\590\600\630\650\660\680 products	5,724,047	50%	20%	979,328

Scenario/Facility/Equipment name	Baseline scenario	INOVANCE's products applied	Newly installed capacity of INOVANCE's products in 2023 <sup>Note 4</sup> (kW)	Average load rate of equipment	Average energy-saving rate	(tCO <sub>2</sub> e/year)
6 Other equipment/facilities equipped with AC drive	Annual electricity consumption of various equipment not equipped with AC drive	MD200/290/310/480/500/500 PLUS/520/580/600/800/810/880, CS200/290/300/710/740, MD100C/100P, and CL100 products	24,180,000	50%	5%	1,034,308

Note 1: Unless otherwise stated, the value is 12 according to the world average of IEA EE Electric Systems;

Note 2: Unless otherwise stated, the value is 250 according to the world average of IEA EE Electric Systems;

Note 3: The GHG emission factor refers to 0.5703 tCO<sub>2</sub>e/MWh in the *Notice of the Ministry of Ecology and Environment of the People's Republic of China on the Management of Greenhouse Gas Emissions Reporting by Enterprises in the Power Generation Industry for 2023-2025 (2023)*;

Note 4: Calculated based on the Company's sales data in 2023;

Note 5: Calculated based on the data in Johnson Controls: The benefits of variable speed drives for high-load chiller operations;

Note 6: Calculated based on the data in Johnson Controls: The benefits of variable speed drives for high-load chiller operations;

Note 7: The annual working hours here are 8,760 hours according to the calculation method in Johnson Controls: The benefits of variable speed drives for high-load chiller operations;

Note 8: Determined by the Company's internal expert opinions, and the following data are quoted from the Company's internal expert opinions unless otherwise specified;

Note 9: Quoted from Ingersoll Rand: INDUSTRY AND THE ENVIRONMENT BENEFIT FROM NEW AIR COMPRESSOR TECHNOLOGIES THAT ENABLE ENERGY EFFICIENCY, OPTIMISED PERFORMANCE AND GREATER RELIABILITY

Note 10: Quoted from Allen G. Neciosup: Comparing the energy savings impact of a permanent magnet motor and induction motor in adjustable speed drive applications

2. In the following cases, the calculation formula for Directly avoided emissions is as follows:

Directly avoided emissions

= Number of new vertical elevators equipped with elevator controllers and inverters with an energy feedback function

\* Average daily electricity consumption of vertical elevators without an energy feedback function \* Average energy

- saving rate \* GHG emission factor

Scenario/Facility/Equipment name	Baseline scenario	INOVANCE's products applied	Number of new vertical elevators equipped with INOVANCE's elevator controllers/drives inbuilt energy feedback function in 2023 (unit)	Average daily electricity consumption of vertical elevators without energy feedback function (kWh)	Average energy-saving rate	Avoided emissions (tCO <sub>2</sub> e/year)
Vertical elevators equipped with elevator controllers/drives with an energy feedback function	Annual electricity consumption of vertical elevators not equipped with elevator controllers/drives with an energy feedback function	MCTC-AFE products	2,911 <sup>note1</sup>	40 <sup>note2</sup>	25% <sup>note3</sup>	5,978

Note 1: Calculated based on the Company's sales data in 2023;

Note 2: Quoted from *China Elevator Association Standard T/CEA 8016-2022*;

Note 3: Quoted from Schindler: Regenerative Drive Upgrades.

3. For new energy vehicles using SiC-based electric drive, the calculation formula for Directly avoided emissions is as follows:

Directly avoided emissions

= Number of new energy vehicles equipped with Inovance's SiC - based electric drive, e - powertrain and charging products in 2023

\* Average annual mileage of vehicles \* Average emission factor of new energy vehicles \* Average energy - saving rate

Scenario/Facility/Equipment name	Baseline scenario	INOVANCE's products applied	Annual mileage of new energy vehicles equipped with INOVANCE's SiC-based electric drive (km)	Average emission factor of new energy vehicles (kgCO2e/km)	Average energy-saving rate	Avoided emissions (tCO2e/year)
New energy vehicles equipped with INOVANCE's SiC-based electric drive, e-powertrain and charging products	Annual electricity consumption of electric vehicles equipped with electric drive, e-powertrain and charging products powered by IGBT	Various electric drive, e-powertrain and charging products based on SiC MOSFET	502,170,900 <sup>note1</sup>	0.0548 <sup>note2</sup>	7.5% <sup>note3</sup>	2,064

Note 1: Calculated based on internal sales data and the relevant industry reports;

Note 2: Quoted from Business travel- land, UK Government GHG Conversion Factors for Company Reporting;

Note 3: According to Toyota's official website, the application of SiC MOSFET is conducive to improving the endurance mileage of electric vehicles by about 5%-10%, so the median value of 7.5% is taken here.

## Collaboratively Avoided Emissions

### Allocation Rules for Collaboratively Avoided Emissions

The allocation of Collaboratively avoided emissions is based on the principle of "actual contribution degree" and as per the technical contribution degree. The specific allocation proportion is as follows:

Electric passenger/commercial vehicles	Electric vehicle manufacturers	Battery manufacturers	INOVANCE	Other suppliers
Positioning of value chain activities	Primary activities	Secondary activities	Tertiary activities	Other activities
Allocation proportion	50%	30%	10%	10%

Rail transit	Vehicle manufacturers	Key system suppliers	INOVANCE	Other suppliers
Positioning of value chain activities	Primary activities	Secondary activities	Tertiary activities	Other activities
Allocation proportion	50%	30%	10%	10%

Wind power generation	Wind turbine manufacturers	Suppliers of main parts and components (impellers, etc.)	INOVANCE	Other suppliers
Positioning of value chain activities	Primary activities	Secondary activities	Tertiary activities	Other activities
Allocation proportion	50%	30%	10%	10%

## Rail Transit

For the Collaboratively avoided emission effect brought about by rail transit, the calculation formula is as follows:

Collaboratively avoided emissions allocated

$$= \frac{\text{Number of vehicles delivered in the current year}}{\text{Total number of vehicles on the line}} * \text{Total length of the line} * \text{Annual passenger flow of the line}$$

\* Average mileage proportion \* (Emission factor of other ground vehicles - Emission factor of subway vehicles)

\* Allocation proportion

Equipment/Facility name	Baseline scenario	Total passenger transportation distance contributed by subways/light rails equipped with INOVANCE products delivered in 2023	GHG emission factor of subways/light rails kgCO <sub>2</sub> e/passenger · km	Average GHG emission factor of all other on land transportation kgCO <sub>2</sub> e/passenger.km	Annual Collaboratively avoided emissions (tCO <sub>2</sub> e)	Allocation proportion	Collaboratively avoided emissions allocated (tCO <sub>2</sub> e)
Subway/light rail vehicles	The GHG emission caused by all other land transportation methods to achieve the same passenger transportation distance	1,218,360,000 <sup>note1</sup>	0.00728 <sup>note2</sup>	0.15745 <sup>note3</sup>	182,970	10%	18,297

Note 1: Calculated based on the proportion of the number of products delivered by INOVANCE in 2023 to the number of vehicles on the subway line, operating mileage of the subway line where they are located, average mileage proportion, and annual passenger flow, and the original data involves trade secrets and cannot be disclosed;

Note 2: Quoted from Business travel- land, UK Government GHG Conversion Factors for Company Reporting

Note 3: Calculated based on the average car emission factor in Business travel- land

## Wind Power Generation

For the Collaboratively avoided emission effect brought about by wind turbines, the calculation formula is as follows:

Collaboratively avoided emissions allocated

= Number of wind turbines equipped with Inovance's electric pitch systems and intelligent yaw drives

\* Average installed capacity \* Average effective utilisation hours \* Average GHG emission factor of power grid

\* Allocation proportion

Equipment/Facility name	Baseline scenario	Number of new wind turbines equipped with INOVANCE's electric pitch systems and intelligent yaw drives in 2023 (unit)	Average installed capacity of wind turbines in 2023 (MW)	Average effective utilization hours of wind power in 2023 (h)	Annual Collaboratively avoided emissions (tCO <sub>2</sub> e)	Allocation proportion	Collaboratively avoided emissions allocated (tCO <sub>2</sub> e)
Wind turbines equipped with INOVANCE's electric pitch systems	Using fossil fuels to generate the same amount of electricity	3,940 <sup>note1</sup>	8.9 <sup>note2</sup>	2,225 <sup>note3</sup>	44,495,861	10%	4,449,586

Note 1: It is calculated based on the sales data;

Note 2: Statistical data from the *Wind Energy magazine*;

Note 3: This parameter has taken into account the full-load generation rate.

## Electric Passenger Vehicles

For the Collaboratively avoided emission effect brought about by electric passenger vehicles, the calculation formula is as follows:

Collaboratively avoided emissions allocated

= Number of electric passenger vehicles equipped with Inovance's products in 2023

\* Average annual mileage of passenger vehicles

\* (Average emission factor of fuel vehicles - Average emission factor of electric passenger vehicles)

\* Allocation proportion

Equipment/Facility name	Baseline scenario	Annual mileage of new energy vehicles equipped with INOVANCE's motor controller, motor, e-powertrain and charging products (km)	Average emission factor of electric passenger vehicles kgCO <sub>2</sub> e/km	Average emission factor of fuel passenger vehicles kgCO <sub>2</sub> e/km	Annual Collaboratively avoided emissions (tCO <sub>2</sub> e)	Allocation proportion	Collaboratively avoided emissions allocated (tCO <sub>2</sub> e)
Electric passenger vehicles equipped with INOVANCE's products	GHG emissions generated by conventional fuel passenger vehicles driving the same mileage	12,362,673,400 <sup>note1</sup>	0.0548 <sup>note2</sup>	0.1639 <sup>note3</sup>	1,348,810	10%	134,881

Note 1: Calculated based on the statistical results of sales quantity of INOVANCE's motor controller, e-powertrain and charging products for electric passenger vehicles and the average annual mileage of passenger vehicles in 2023, and some data involves trade secrets and cannot be disclosed

Note 2: Quoted from Business travel- land, UK Government GHG Conversion Factors for Company Reporting

Note 3: Calculated based on Business travel- land, UK Government GHG Conversion Factors for Company Reporting

# Electric Commercial Vehicles

For the Collaboratively avoided emission effect brought about by electric commercial vehicles, the calculation formula is as follows:

Collaboratively avoided emissions allocated

= Number of new electric commercial vehicles equipped with Inovance's products in 2023

\* Average annual mileage of vehicles

\* (Average emission factor of fuel commercial vehicles - Average emission factor of electric commercial vehicles)

\* Allocation proportion

Equipment/Facility name	Baseline scenario	Annual mileage of new energy vehicles equipped with INOVANCE's motor controller, motor, e-powertrain and charging products (km)	Average emission factor of electric passenger vehicles kgCO <sub>2</sub> e/km	Average emission factor of fuel passenger vehicles kgCO <sub>2</sub> e/km	Annual Collaboratively avoided emissions (tCO <sub>2</sub> e)	Allocation proportion	Collaboratively avoided emissions allocated (tCO <sub>2</sub> e)
Electric commercial vehicles equipped with INOVANCE's products	GHG emissions generated by conventional fuel commercial vehicles driving the same mileage	4,923,250,000 <sup>note1</sup>	0.2110 <sup>note2</sup>	0.8231 <sup>note3</sup>	3,013,467	10%	301,347

Note 1: Calculated based on the statistical results of sales quantity of INOVANCE's motor controller and bridge products for electric commercial vehicles and the average annual mileage of commercial vehicles in 2023, and some data involves trade secrets and cannot be disclosed

Note 2: Calculated based on the data released in Business travel- land, UK Government GHG Conversion Factors for Company Reporting and the electricity consumption data of Yutong Light Truck

Note 3: Calculated based on Business travel- land, UK Government GHG Conversion Factors for Company Reporting

From the above information, INOVANCE's Scope 4 avoided emissions in 2023 are summarized as follows:

Directly avoided emissions (tCO <sub>2</sub> /year)		Collaboratively avoided emissions (tCO <sub>2</sub> /year)	
Central air conditioner with AC drive	686,582	Rail Transit	18,297
Air compressor with AC drive	1,503,754		
Various equipment/facilities equipped with energy-efficient PM motors	99,480	Wind Power Generation	4,449,586
Various equipment/facilities equipped with AC drive energy feedback function	63,930		

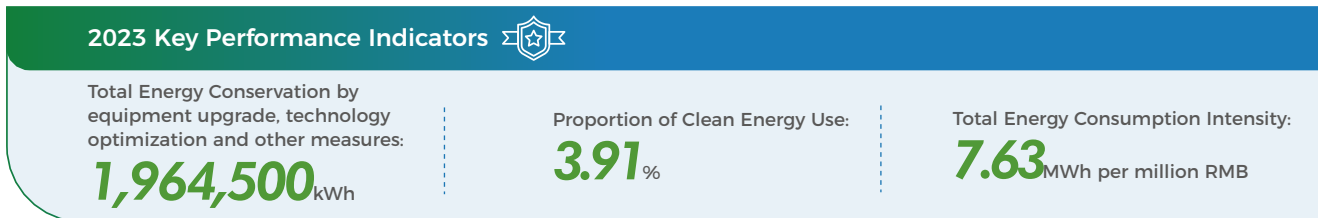
Directly avoided emissions (tCO <sub>2</sub> /year)		Collaboratively avoided emissions (tCO <sub>2</sub> /year)	
Various injection molding machines, die casting machines, bending machines and hydraulic stations equipped with hydraulic servo systems	2,448,320	Electric Passenger Vehicles	134,881
Other equipment/facilities using AC drives	1,034,308		
Vertical elevators equipped with elevator controllers/drives with an energy feedback function	5,978	Electric Commercial Vehicles	301,347
NEV vehicles using SiC technology	2,064		
<b>Total of Scope 4 avoided GHG emissions</b>			<b>10,748,527</b>

The calculation results for Scope 4 during the reporting period demonstrate INOVANCE's first disclosure of the effect of its products in promoting avoided GHG emissions, and constitute important measures for the Company to participate in climate change mitigation actions, as well as innovative exploration to improve the quality of climate-related information disclosure. Due to the impact of data missing and other practical factors, there is still much room for improvement in the accuracy of our calculation data. In the future, taking the disclosure of Scope 4 as the starting point, we will continue to increase investment in green innovation and serve society with more, greener products and solutions. Moreover, we will improve the methodology of Scope 4 and enhance the quality of data collection and calculation in synergy with our industrial ecological partners, to make due contributions to social green and low-carbon transformation with practical actions.



## 4.3 Strengthening Energy Management

Energy management is one of the key business strategies of INOVANCE. It is not only reflected in the Company's internal energy management system building but also characterized by business expansion with digital energy management as the core. INOVANCE will continue to optimize the energy consumption structure, strengthen energy-saving management, improve energy efficiency, and carry out internal and external energy conservation and emission reduction actions through digitalization.



### 4.3.1 Optimizing the Structure of Energy Consumption

The Company practices low-carbon operation in every aspect. We continuously optimize our energy consumption structure and gradually increase the proportion of renewable energy use. During the reporting period, the main energy sources used by the Company's staff canteens at the production bases and office buildings included natural gas and liquefied petroleum gas, while the energy sources for production and R&D come from purchased electricity and renewable energy (electricity generated by our photovoltaic facilities).

Yueyang INOVANCE plans to build a green and digital factory, piloting with an integrated power network combined with solar system, energy storage system, DC power distribution and flexible micro grid technology to achieve flexible energy dispatch, while increasing the proportion of green electricity use and thereby



Wind Turbine at Yueyang INOVANCE

Subsidiary INOVANCE Automotive has increased the proportion of green electricity use through various means such as building solar photovoltaic roof, implementing energy saving and consumption reduction in production, and purchasing green electricity etc. The company pledges to achieve a 50% green electricity use within the energy structure by 2024.

## 4.3.2 Advancing Energy Conservation and Emission Reduction

Energy Conservation Projects	Replacing 220 industrial mining lamps in the warehouse with 103 automatic ad hoc radar-sensing LED lamps	Implementing auto sleep, start and stop for equipment such as monitors, conveyor belts, ion machines, transmission belts, and sealing machines at Suzhou INOVANCE	Adding air curtains to the warehouse docks at Suzhou INOVANCE to prevent the loss of cooling or heating power	Intelligent transformation and upgrade of the central air conditioning and chilled water system in Zone B, Suzhou INOVANCE	Replacing all existing diesel forklifts with electric forklifts at Suzhou INOVANCE
Total Energy Conservation	120,000 kWh	262,500 kWh	10,000 kWh	1,165,000 kWh*	-
Total GHG Emissions Reduction	68.4 tons	149.7 tons	5.7 tons	664.4 tons	12.9 tons

Notes: \* estimated energy consumption

### Optimize Production Process



#### Rotor Core Cleaning-Free Process:

The MS1 rotor pilot line adopts cleaning-free process through production improvement, while optimizing the process to achieve continuous production of rotors and assembly, and reducing the overall energy consumption of the line. This project saved a total of 273,600 kWh of electricity this year.



#### Water-Based Paint Replacing Oil-Based Paint

On the premise of ensuring product performance and quality, some motor products use water-based protective paint instead of oil-based paint. Compared with using oil-based paint, the required baking time is significantly shortened, thereby greatly reducing the energy consumption of the oven. After process optimization, 41,300 kWh of energy was saved this year. Nanjing INOVANCE plans to implement 100% replacement of oil-based paint with water-based paint for robots, effectively reducing VOCs emissions while achieving energy savings.



#### PCBA Automation Rated Increased

The automation of PCBA reflow soldering and DIP process has been increased to over 80%. 30% of PCBA have canceled the wave soldering process and achieved full reflow soldering, significantly reducing energy consumption. During the reporting period, 30% of newly-designed PCBA have implemented this process.



#### Introduction of PCB Organic Protective Film Process

In 2023, the company introduced the PCB Organic Solderability Preservative process, which partially eliminates the upstream supplier's PCB electroplating process and HASL (Hot Air Solder Leveling), thereby achieving energy conservation. During the reporting period, about 10% of new businesses have implemented this process.

## Digital Energy Management



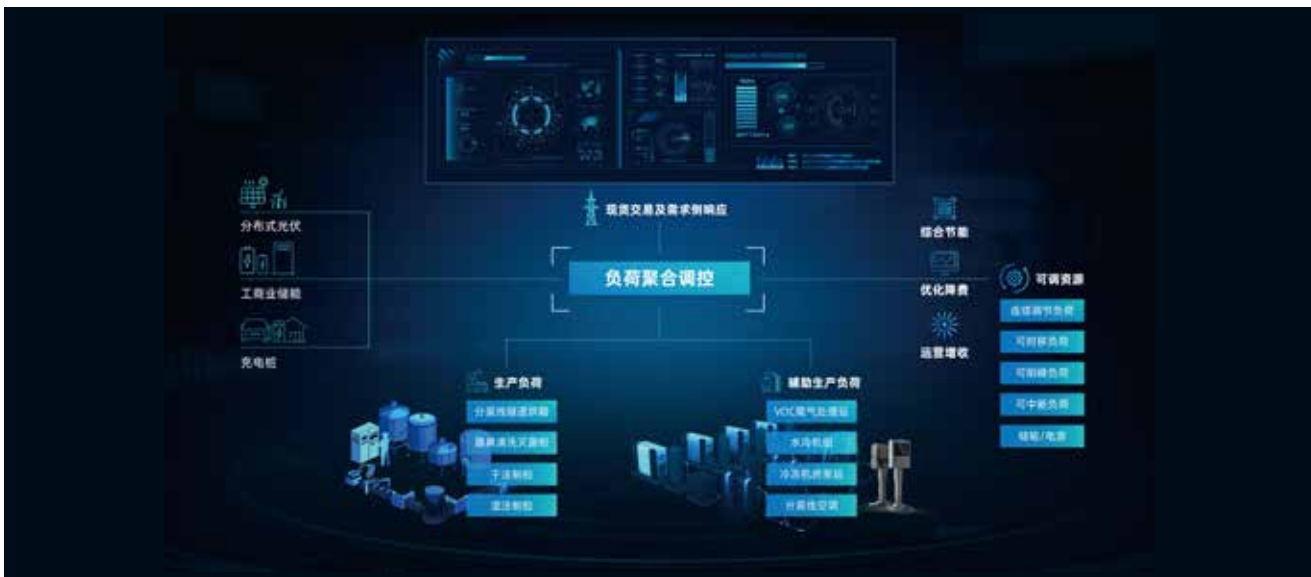
### Energy Digital Management Platform Upgrade

In 2023, the company managed to connect the self-developed comprehensive energy management platform and the Manufacturing Execution System (MES) system, realizing the computing function of single product energy consumption. This function could provide data support for fine analysis of energy consumption, explore energy-saving space and accurate cost accounting. As of the end of the reporting period, the platform has been able to support the calculation of single product energy consumption for motors and low-voltage AC drives.



### Building a Comprehensive Energy Platform Based on the User Demand

Combining the energy use scenarios from the user side, the company has created a generation-grid-load-storage comprehensive energy management platform, which not only provides basic energy-visible management functions but also expands intelligent control systems for typical loads such as central air conditioners, air compressor stations, and elevators. In the future, it will also expand to the user behavior control of air conditioners and lighting, thereby achieving effective management and control, and truly providing customers with one-stop comprehensive energy management and control solutions.



Integrated Energy Management Platform Solution Based on the User Demand

## Piloting Green and Low-Carbon Factory

### Green Factory

Yueyang INOVANCE is constructed in accordance with the standards of green, low-carbon and digital factory. We have introduced the full life cycle carbon emission evaluation mechanism of the buildings, improved the green building level, used centralized cooling with high-efficient air-conditions, and fully utilized industrial waste heating, which greatly reduces the full life cycle carbon emissions of the newly built plants. In addition, Yueyang factory took the lead in establishing demonstration projects for an integrated power network combined with solar system, energy storage system, DC power distribution and flexible micro grid technology, flexible energy dispatch system, and industrial network based on 5G wireless data transmission.



Yueyang INOVANCE Green and Low-Carbon Pilot Factory

### Zero-Carbon Factory

The subsidiary, INOVANCE Automotive, plans to increase the proportion of clean energy use, continue to implement lean production to achieve energy saving, process waste heat recovery, liquid nitrogen heat recovery and waste resource utilization, and strive to build an industry-leading zero-carbon pilot factory by 2025.



Changzhou New Energy Zero-Carbon Pilot Factory

## Promoting Energy Conservation Culture

### Energy-Saving Inspection

To improve the awareness of environmental protection for employees and guide them to develop energy-saving habits, the company routinely carries out special energy-saving inspections. We conduct special inspections on energy consumption actions in offices and production bases, including but not limited to computers and monitors that are not automatically turned off, unnecessary light setting to be always on, conveyor belts idling, equipment and facilities with redundant actions, liquid and gas leakages, unreasonable status of ESD gateways, unreasonable status of temperature control processes etc. The findings of wasted energy will be notified within the company and improvement measures will be taken immediately.



For more details about energy-saving and carbon reduction management in supply chains, please see 8.1.2 Supply Chain ESG Management.

## 4.4 Focusing on Environmental Compliance

To operate in compliance with laws and regulations, INOVANCE strictly adheres to laws and regulations including the *Environmental Protection Law of the People's Republic of China*, the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Cleaner Production Promotion Law of the People's Republic of China*, and the *EU's Waste Electrical and Electronic Equipment Directive (WEEE)*.

The Company adheres to the environmental management policy of "Green Industrial Control, Harmonious INOVANCE, Better World." The Safety and Environmental Protection Department leads the implementation and execution of various management measures based on environmental management objectives and policies. Internally, the Company has established an environmental management system with reference to ISO 14001 and has issued relevant systems such as the *INOVANCE EHS "Three Simultaneous" Management System of Construction Projects*, the *INOVANCE Waste Gas Emission Management System*, the *INOVANCE Domestic Sewage Discharge Management System*, the *INOVANCE Waste Management Procedure*, and the *INOVANCE Hazardous Waste Management System*. During production and operation, the Company strictly controls the discharge of wastewater, waste gas, and solid waste, takes corresponding disposal measures to ensure clean production, and improves the recycling and reuse of waste, contributing to the environmentally friendly society.

### 2023 Key Performance Indicators

Number of Environmental Protection Incident

**0** times

Total Investment in Environmental Protection

**6.02** million RMB

Amount of Environmental Protection Training Duration

**7,439** hours

## 4.4.1 Waste Water, Gas and Solid Waste Management

The Company has established a waste water, gas and solid waste management mechanism, with dedicated data collection and monitoring processes for waste discharge. It collaborates with third-party professional organizations to properly dispose of different types of emissions and gradually promotes emission reduction, recycling, and reuse during operations.

Emission Type	Collection and Monitoring Process	Disposal Method	Examples of Reduction, Recycling and Reuse
Domestic Sewage	Conduct regular sampling and monitoring every year	Sewage is collected through municipal pipelines and transported to municipal sewage treatment plants for disposal.	We promote water conservation at offices and factories to reduce the discharge of domestic sewage
Waste Gas from Production	Use close pipeline for collection, conduct regular testing every year, and discharge in accordance with standards	Waste gas is disposed of through waste gas treatment facilities, such as high-efficient filtration of dust and adsorption of VOCs waste gas using activated carbon.	We use water-based cleaning agents instead of solvent-based cleaning agents, and solvent-free impregnating varnishes instead of solvent-based impregnating varnishes to reduce VOC emissions.
General Industrial Solid Waste	Collected from workshops and transported to general industrial solid waste warehouses	Solid waste is entrusted to institutions with qualification to conduct general industrial solid waste disposal.	We reuse packaging in some product shipments.
Hazardous Waste	Collected from workshops to hazardous waste warehouses, classified and stored	Hazardous waste is entrusted to institutions with qualification to conduct compliant hazardous waste disposal	We purify and recycle cleaning wastewater through process improvements

In 2023, the Company gradually reduced the emission of hazardous waste gas and wastewater through improvements in production processes.

### Improvements in Production Processes

#### Robot Painting Replacement

Nanjing INOVANCE plans to implement 100% replacement of oil-based paint with water-based paint for robots, effectively reducing VOC emissions. According to internal estimation, after the implementation of this process, it is expected to reduce the use of oil-based paint by approximately 50 tons per year on average in the future.

#### Use of Single-component Thermal Interface Material

Some drive control products of INOVANCE have been optimized to use a single-component thermal interface material, reducing VOC emissions by decreasing the use of silicone grease. According to internal estimation, this replacement will reduce the use of silicone grease by an average of 0.6 tons per year.

#### Waste Liquid Recycling and Treatment

Nanjing INOVANCE plans to implement waste liquid recycling. The project uses centralized cooling instead of distributed cooling, and centralizes oil pollution treatment to reduce waste liquid discharge, thereby reducing environmental impact.

## 4.4.2 Environmental Management System Certification

The environmental management systems of the Company and its subsidiaries undergo internal audits annually, and accept external audits based on the ISO 14001:2015. The Company continuously improves its environmental management based on the audit results. During the reporting period, 10 key operational sites has obtained ISO 14001 certification with 5 sites increased compared to the previous year. The reason for the increase is that the newly-added operational sites have passed the certification for the first time. Up to now, the proportion of key operational sites that have obtained ISO 14001 certification is 83%.

## 4.5 Enhancing Resource Utilization Efficiency

INOVANCE adheres to the philosophy of a circular economy and implements measures such as "energy conservation, material conservation and efficiency enhancement" to enhance resource utilization efficiency, achieve resource recycling, and promote sustainable economic growth. The company focuses on raw materials, packaging, solid waste, and high-value key components, and adopts substitution, reduction, recycling, and reuse as implementation pathways to gradually pilot and promote solutions with optimal economic and environmental effects.

### Raw Material Reduction

#### Prompting the Use of Low-silver Solder

In 2023, the Company's electronic process implemented low-silver solder system to reduce the use of the precious metal silver. According to internal estimation, after the implementation of this system, it will cut down the use of silver by more than 2 tons, reducing the consumption of scarce natural resources.

#### My INOVANCE

After the launch of My INOVANCE, 3,980 product models with approximately 13,000 product manuals were digitized, equivalent to saving 25 tons of paper per year.

### Packaging Material Recycling

#### Incoming Material Recycling Packaging

Among the off-site incoming materials from suppliers, 80% of the materials shipped using pallets have adopted recycled pallets, and 40% of the materials shipped using plastic baskets and iron baskets have also replaced by recycled packaging. In the process of internal material flow, 100% of wooden pallets have been switched to recycled pallets, and 100% of the materials delivered use recycled packaging.

#### Returnable Packaging

The Company adopts returnable packaging for nearby customers with large supply volumes, involving products such as NEV electronic control, motors, powertrains, elevator controllers, and AC drives.

## Packaging Material Substitution, Reduction, and Recycling

### Use of Reclaimed Wood

The wood used in the Company's packaging is secondary reclaimed wood, and part of the plywood is engineered wood. Any packaging needs solid wood, we will use recycled wood to replace, practicing environmental protection. In addition, we have added about 8% recycled paper to the corrugated paper packaging of our products, and the proportion of recycled materials added to EPE foam auxiliary materials is about 15%. During the reporting period, the total amount of secondary reclaimed wood used accounted for approximately 33.33% of the total wood used in product packaging.

### Application of Advanced Composite Cushioning Material

In 2023, the Company actively applied new composite cushioning materials in product packaging. We used honeycomb cardboard boxes to replace plastic sheets and piloted and promoted them in the packaging of energy storage products; we used 1.5-2cm honeycomb cardboards to replace 6cm EPE foam, which reduced the volume of a single product by 10%, effectively reducing the packaging volume and thus reducing the resource consumption required for transportation and storage.

### Cardboard Boxes Replace Wooden Boxes

Since 2023, except for some products that cannot be packaged in cardboard boxes due to specific reasons, all other product packaging designs of the company use heavy-duty cardboard boxes and honeycomb cardboard boxes, with a 100% utilization of cardboard packaging design. During the reporting period, the company reduced the use of wood by approximately 200 tons through the replacement.

### Plastic Pallets Replace Wooden Pallets

Leverage the advantages of plastic pallets features such as moisture-proof, anti-corrosion, oil-resistance, and durability, as well as convenience for recycling and reuse, in 2023 the Company used 19,200 plastic pallets to replace 38,400 wooden pallets in the packaging for incoming materials and at new factories.

## Lean Management for Efficiency Improvement

### Delay Management System

The Company's lean management strategy aims to comprehensively improve the utilization of resources such as site equipment, production lines, and manpower, and reduce resource waste. In 2023, the company improved working hour delays through the delay management system, reducing delayed working hours by 42,000 hours, improving production and delivery efficiency, and achieving continuous organizational improvement and value creation.

### DTL Mode Application

The DTL (Direct-to-Line) mode enables materials to be exempted from testing and unpacking, and they are directly delivered to the line-side warehouse in batches according to work orders and shifts, and then directly connected to the delivery by ACV. The promotion of this solution reduces the area required for warehouse usage and improves inventory turnover rate.

### Milk Run Mode Application

The Company has been practicing the Milk Run mode since 2022 and has developed multiple routes covering more than 10 suppliers. The application of the Milk Run mode effectively reduces logistics costs and avoids GHG emissions caused by part of upstream materials during transportation.



## Recycling of Water Resources

### Rainwater Collection and Reuse

Yueyang INOVANCE has established rainwater collection ponds with volumes of 100m<sup>3</sup> and 180m<sup>3</sup> respectively. After being filtered and treated in the collection ponds, rainwater will be used for plant irrigation in the factory. During the reporting period, the rainwater collection volume in the factory has reached 21,800 tons.

### Recycling of Chilled Water in Air Conditioning Systems

In 2023, the Company continued to implement measures for recycling chilled water in central air conditioning systems at Suzhou INOVANCE, a major subsidiary in terms of water resource consumption. This project has achieved 89.69% industrial water recycled in the ABC Zones of the Suzhou factory, equivalent to saving 3,111,700 tons of fresh water consumption.





**FOCUS ON  
CUSTOMER SATISFACTION**



A hand is shown holding a glowing white star and a smiley face icon. In the background, several other icons are visible: a smiley face with two stars, an upward-pointing arrow, and another smiley face with two stars. The word 'ACTION' is written in large, white, sans-serif capital letters across the middle of the image.

# ACTION

## CHAPTER 5

5.1 Strict Product Quality Control

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5.2 Improving Customer Services

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# Focus on Customer Satisfaction

"Customer first" is one of INOVANCE's core values, and the service philosophy of "customer-centric" is deeply rooted in the hearts of INOVANCE people. In 2023, the company focused on customer satisfaction, continuously improving the customer experience by providing high-quality products and excellent services, thereby aiding customer success.

## 5.1 Strict Product Quality Control

INOVANCE strictly adheres to the *Product Quality Law of the People's Republic of China*, *Regulations on the Supervision and Management of Quality and Safety Responsibilities of Industrial Product Production Units*, and other relevant laws, regulations, and product standards. With the quality strategy positioning of "focusing on customer satisfaction and pursuing the best in the industry," INOVANCE aims to achieve "zero product safety issues" and "the same INOVANCE, the same quality." The company has established and perfected a zero-defect quality management system and has built a quality culture with the participation of all employees, promoting the establishment of an efficient digital quality platform.

### 2023 Key Performance Indicators

Customer quality audit pass rate

**100%**

Timely closure rate of customer issues

**93%**

Quality training coverage rate for front-line employees

**100%**

## INOVANCE Awarded Goldwind Technology's Excellent Supplier Award

In March 2023, as a long-term strategic partner of Goldwind Technology, INOVANCE, with its high-quality system and stable performance of batch products, was honored with the "2022 Excellent Quality Award" and "Level 5 Green Supplier" title from Goldwind Technology. INOVANCE actively cooperated with the reliability verification of Goldwind Technology's new products such as V12, comprehensively implementing the five major quality tools: Advanced Product Quality Planning (APQP), Statistical Process Control (SPC), Failure Mode and Effects Analysis (FMEA), Measurement System Analysis (MSA), and Production Part Approval Process (PPAP), thus winning the trust of wind power customers with high-quality standards and efficient services.



2022 Excellent Quality Award Certificate

## 5.1.1 Product Safety Management

INOVANCE places great importance on product safety management, proposing the "dual total, dual safety" concept which ensures the safety of customers' and users' personal safety and property throughout the entire distribution process and product lifecycle. The company aims to reduce safety issues related to hardware and software use in the design and development phase, and incorporates product safety and quality performance into the performance assessments of organizational units and senior executives<sup>1</sup>. INOVANCE emphasizes the "dual safety" concept in quality management, focusing on the personal and property safety of users, requiring consideration of hardware and software safety in product design and development, and integrating product safety issues into performance evaluations. Additionally, in alignment with the EU's RoHS and REACH directives, the company has enhanced its management of hazardous substances throughout the entire process.

As of the end of the reporting period, there have been no recalls of sold products due to safety or health issues, and all product lines are 100% compliant with RoHS requirements.

## 5.1.2 Product Lifecycle Quality Management

In 2023, the company integrated APQP and IPD during the product development stage, adopting automotive quality management ideas, tools, and methods to enhance the quality of industrial products. In the manufacturing phase, the company continually strengthened control over all quality elements, implementing intelligent and digital transformations at manufacturing bases to strive toward the strategic goal of "the same INOVANCE, the same quality." During the reporting period, there were no product recalls due to legal or regulatory requirements or demands from governing authorities, and no major product quality disputes occurred.

### Product Safety and Quality Management at Different Life Stages

Stage	Quality Control Initiatives	Continuous Improvement Initiatives
<b>Product Development</b>	<ul style="list-style-type: none"> <li>Integrates APQP and IPD, applying automotive quality management philosophies, tools, and methods to industrial product development to enhance the quality of new industrial products.</li> <li>Ensures that the product development stage meets regulatory and other product safety standards, sets dual safety red lines, and enhances product-related safety requirements.</li> <li>Conducts quality reviews at various stages of research and development to ensure the success rate and efficiency of product design and development.</li> </ul>	<ul style="list-style-type: none"> <li>The Solid Foundation Team specifically addresses the design issues identified in the previous year.</li> <li>The NPI Quality organization strengthens quality management during the new product introduction process.</li> <li>Promotes product quality improvements from the source through design enhancements.</li> </ul>
<b>Material Procurement</b>	<ul style="list-style-type: none"> <li>Categorically and hierarchically carries out supplier introduction and quality management work, extending quality requirements to multi-tier suppliers.</li> <li>Conducts incoming inspection activities for different suppliers, including regular inspection, external inspection, exemption, and stringent inspection.</li> </ul>	<ul style="list-style-type: none"> <li>The SQE group conducts supplier quality assessments, evaluating supplier materials, quality services, 8D processes, and unauthorized changes.</li> <li>Organizes special improvement competitions and reporting meetings for suppliers.</li> </ul>

<sup>1</sup> In this report, "senior executives" refers to the first-tier organizational leaders, including heads of primary departments, business units, and subsidiary companies, unless otherwise specified.

Stage	Quality Control Initiatives	Continuous Improvement Initiatives
Manufacturing	<ul style="list-style-type: none"> <li>• Promotes intelligent and digital transformation at multiple sites, advances MES development, and ensures precise traceability from raw materials to finished products and from suppliers to customers, maintaining production quality consistency and gradual improvement.</li> <li>• Tests all products 100% during the manufacturing process.</li> <li>• Implements comprehensive control over all factors in the manufacturing process, including personnel, machinery, materials, methods, and environment.</li> </ul>	<ul style="list-style-type: none"> <li>• The QCC improvement team continuously addresses and tracks quality issues during production.</li> <li>• Establishes a lean improvement organization to drive refined management of the manufacturing environment and achieve a zero defect rate.</li> <li>• Provides training and empowerment to quality personnel, regularly organizes quality conferences and award-reporting events to enhance motivation for improvements.</li> </ul>
Market Service	<ul style="list-style-type: none"> <li>• Focuses on customer satisfaction, upgrades joint warranty spare parts services, and establishes an international technical service center.</li> <li>• Sets up professional after-sales customer service and quality complaint interfaces, providing professional and timely technical support to customers.</li> <li>• The after-sales quality department analyzes quality issues and follows up on them until they are resolved.</li> </ul>	<ul style="list-style-type: none"> <li>• Integrates ITR operations and transformations to strengthen the tiered management of after-sales quality issues, enhancing the efficiency and thoroughness of solutions.</li> <li>• Strengthens CQM at the customer end to target and enhance management effectiveness.</li> </ul>

### 5.1.3 Supplier Quality Management

INOVANCE has established an all-process quality control system for suppliers, integrating the ISO 9001 quality management system standards. Through regular internal assessments and both online and offline audits, the company strictly controls the quality of its suppliers. INOVANCE manages suppliers by categorizing and grading them based on their technology, quality, responsiveness, delivery, and cost (TQRDC), providing improvement plans for non-compliant suppliers and establishing a mechanism for their elimination, all aimed at enhancing the overall quality level of suppliers.

#### New Supplier Admission Audit

The company follows the *New Supplier Audit Process and Management Standards* for guiding new supplier admissions, requiring all new suppliers to pass the ISO 9001 quality management system. New suppliers are assessed in several dimensions including sustainable development, quality system maturity, environmental and safety standards, quality organization and personnel capabilities, process quality management, customer service, and reliability assurance capabilities. Future new supplier audits will include additional assessments on operational risk/key person insights, mold management, and traceability.

#### Supplier Material Quality Management

INOVANCE has established a comprehensive incoming material quality management system, including *Incoming Inspection Procedures, Risk Purchase Material Inspection Management Standards, Material Reliability Management Standards, and Incoming Material RoHS Management System*.

The company applies differentiated quality management strategies based on the category and grade of materials. For key materials, the company conducts proactive quality risk management and strengthens control over special characteristics of materials, with plans to enhance quality grading management. For general materials, the company implements a survival-of-the-fittest strategy to inter-

cept and eliminate non-compliant materials. Additionally, the company has implemented the *Component PPAP Process*, requiring suppliers to pass the component PPAP certification to better meet customer quality requirements.

## Supplier Quality Performance Management

INOVANCE has issued several documents internally, including *Industrial Supplier Quality Performance Management Standards*, *Full Supply Chain Supplier Quality Management System*, and *Tier-2 Supplier Quality Management Standards*, to manage suppliers of different types and levels. The company conducts monthly quality assessments of suppliers, which include evaluations of incoming material acceptance rate (LAR), defects per million opportunities (DPPM), quality service, market complaints, and 8D, with positive and negative scoring items. Suppliers are rated as excellent, good, poor, or disqualified. Beyond tier-1 suppliers, the company clearly communicates customer requirements, quality standards, and quality goals to multi-tier suppliers and collaborates with tier-1 suppliers to implement quality management for multi-tier suppliers, requiring direct suppliers and key material sub-suppliers to sign *Quality Agreements* and *Change Management Agreements*. Quality audits are conducted to monitor process yield and review improvements. During the reporting period, the company completed quality assessments for 256 active suppliers, achieving a 28% reduction in production batch rework due to material quality issues.

## Supplier Performance Improvement and Coaching

For suppliers that fail assessments, the company tracks and ensures the effective implementation of corrective measures to achieve closed-loop management of supplier quality issues. If quality improvements do not meet expectations, measures such as adjusting purchasing quotas, code eliminations, or supplier eliminations are taken to avoid quality issues. Simultaneously, the company emphasizes the dissemination of supplier quality requirements, conducts monthly quality training and coaching for suppliers, and regularly holds supplier quality conferences to align suppliers with the company's quality strategy, control points, and goals.

### 5.1.4 Quality Management Audit

Every year, INOVANCE conducts internal audits and third-party supervisory audits for quality management in accordance with ISO 9001 standards, customer requirements, and industry standards to identify areas for quality improvement and ensure products meet customer quality management requirements. As of the end of the reporting period, INOVANCE has undergone 107 customer quality audits and achieved a 100% audit pass rate. In 2023, 87% of the company's significant operational sites have passed the ISO 9001 certification, with the remaining new key operational sites planning to undertake this certification.

### 5.1.5 Quality Culture Development and Training

INOVANCE values the development of a quality culture by strengthening quality responsibilities, agile improvements, cultural dissemination, and quality training to foster an environment where all employees participate in quality culture.

### Strengthening Quality Responsibilities

The company has clarified quality rewards and penalties, quality red lines, and the quality responsibility management system for cadres. In 2023, the company clearly identified core job quality responsibilities and strengthened the qualifications for those positions in terms of quality management, specifying the veto and accountability rights of quality leadership cadres.

### Agile Quality Improvements

The company organizes Quality Control Circles (QCC) to identify core conflicts and focus on quickly effective quality improvement plans, encouraging front-line employee participation and making rapid improvements from small starts.

## Quality Culture Development and Training

### Deepening Quality Training

The company organizes regular weekly quality training for production front-line workers by production quality engineers. During the reporting period, the quality training coverage for production front-line workers reached 100%. This year, the company conducted quality system and tool training as well as specialized quality training for 478 core marketing personnel and 800 core R&D, production, sales, and service staff members.

### Diverse Cultural Dissemination

This year, the company organized the second Quality Conference, which was attended by directors and higher management. The conference focused on customer satisfaction, disseminated quality concepts, and aimed to create a culture of quality involvement for everyone. Alongside the "Quality Month" activities, the company held "510" and "910" quality knowledge competitions this year, inviting all employees to participate in tests on quality processes, tools, and methods, with a participation of 7,835 people. Additionally, the company motivated employees to participate in quality building through awards such as the Hall of Fame Quality Award, Quality Pioneer, and Production Process Quality Award, and by promoting quality figures and stories. This year, the company organized 8 seminars related to quality culture.



## 5.2 Improving Customer Services

INOVANCE consistently adheres to a customer-centric approach, upholding the core value of "Customer first" and fully practicing the philosophy of "making customers more satisfied and operations more efficient." Customer satisfaction is regarded as the goal of our efforts, continuously optimizing and improving the customer service management system, enhancing customer experience and satisfaction, committed to achieving customer value, and helping customers succeed.

### 5.2.1 Customer Service Management System

To implement the company's "Step Towards globalization" strategy and fully promote the GLOCAL (global-local) model, the company continues to develop a more comprehensive, professional, and convenient customer service network. During the reporting period, we have continuously expanded the coverage of our customer service network, improved the quality of customer service, and enriched and optimized customer service channels to enhance the quality and level of global customer service.

#### More Professional Service Team

The company has established a customer service team that includes INOVANCE employees, joint warranty centers, and Certified outsourcing engineers. In 2023, the Technical service center responsible for customer service was elevated to a first-level department within the company. To accommodate the uniform high standards of customer service and the consumption and usage habits of overseas customers, we established an overseas service department in 2023, equipped with 49 service engineers, including 35 local engineers and 9 engineers who can be dispatched overseas. We have also translated platform documentation, process rules, and other documents to facilitate team collaboration and improve information transmission and communication efficiency. In 2023, two translated platform documents or rule documents were approved after review.

In terms of customer service quality, to continuously improve the level of customer service and enhance the capabilities and technical levels of the customer service team, we conducted specialized skill training for customer service personnel. In 2023, a total of 312 training sessions were organized, with more than 7,200 participants in total.

Additionally, during the reporting period, we established a "Partner Management Department" as a third-level department under the Technical Service Center to manage partners and third parties, ensuring that customers receive consistent, high-quality service.

## More Comprehensive Service Network

The company continues to enhance the coverage of the customer service network, providing more comprehensive and timely service and support to global customers. Additionally, we have established 16 renovation and operation service "model sites" in China to provide high-quality technical support to customers. To better meet the needs of customers speaking different languages, we have been actively preparing various local language materials and started using AI engines for multilingual translation from this year onwards. By the end of 2023, we have completed the model training for English and initiated the development of models for other languages like Korean.

### Domestic Customer Service Network

As of the end of 2023, there are

**422** service sites established in China, including

·3 repair centers

·414 joint warranty

·5 regional spare parts centers

### International Customer Service Network

As of the end of 2023, there are

**31** service sites established overseas, including

·9 INOVANCE subsidiaries and offices located in South Korea, Vietnam, Malaysia, India, Turkey, Germany, Spain, Italy, and France

·2 repair centers located in India and Turkey

·16 joint warranty centers located in Hong Kong China, Taiwan China, Japan, Vietnam (3 centers), Philippines, Thailand, Indonesia, Myanmar, Malaysia, Bangladesh, Turkey, Mexico, Colombia, and Brazil

·4 spare parts centers located in Spain, Turkey, India, and Vietnam

## More Diverse Service Channels

We are actively exploring diverse customer service channels, integrating intelligent customer service, and launching a one-stop service platform—the "My INOVANCE APP," continuously improving service efficiency and quality, optimizing customer experience.

**400 Customer Service Hotline**: Provides year-round technical service support. In 2023, the hotline received 276,000 calls, of which 147,000 were processed.

**Intelligent Customer Service**: Introduced AI technology, launching an "Intelligent Customer Service" robot. Throughout 2023, the intelligent customer service had 156,000 effective sessions; combined with the 400 hotline, the total effective acceptance reached 303,000 cases, with a problem resolution rate of 95.8%.

**My INOVANCE APP**: Launched three major service sections: "Self-Service," "Equipment Lifecycle Services," and "Customized Service Solutions," creating a one-stop service platform that integrates online ordering, offline service, rapid response, and professional efficiency. By the end of the reporting period, the My INOVANCE APP registered 20,000 users, with 650,000 user visits and 100,000 document viewings.

**400 Customer Service Hotline**

**147,000**  
were processed

**Intelligent Customer Service**  
with a problem resolution rate

**95.8%**

**650,000**  
user visits

## My INOVANCE APP – Putting Products and Services in Your Pocket

In 2023, INOVANCE launched its official product information and service platform—the My INOVANCE APP—to provide customers with one-stop information and services, streamlining efficient service scenarios for INOVANCE and solving customer pain points. It also creates a knowledge exchange community, connecting talent across the industry. Main features of the My INOVANCE APP include:

### Service Mall

Provides customers with online and offline one-stop professional services, quickly responding to customer needs. Service orders are controllable and manageable, linking order creation, enhancing operational and customer service efficiency, and further improving customer satisfaction. Initially launched with on-site technical services (including fault handling and installation services) and spare parts services (including emergency and shared spare parts services).

### Product Information and Introduction Videos

Provides one-stop, complete, accurate and up-to-date product information, a one-stop information lookup; 100% of the products circulating in the market have their data uploaded, 3,980 products have achieved zero paper usage, and 13,000 product manuals have been uploaded, virtually replacing paper; information transmission is accurate; updates are timely. Makes product manuals and documentation visual, helping customers to understand intuitively, enhancing customer experience.

### Product Selection and Intelligent Comparison

Complete product selection in three simple steps, with a detailed comparison of product parameters to assist customer decision-making.

### Knowledge Interaction and Exchange Community

Connects industrial talent, creating a platform for knowledge sharing, interaction, exchange, and learning, helping customers grow.



Service Mall Interface



Product Introduction Interface



Product Selection Comparison Interface



Exchange Community Interface

## 5.2.2 Customer Satisfaction Management

### Customer Satisfaction Survey

The company places high importance on customer satisfaction and regularly conducts service satisfaction surveys using its internal systems. This includes monthly invitations for sales, expansion, and service personnel from sales & services departments to provide feedback on the service received during the month; quarterly service satisfaction surveys distributed to all sales and expansion personnel and selected staff from the Digitalization Business Division; and initiating "Dissatisfaction Case Feedback" on the OA system, with dedicated personnel to review the cases of dissatisfaction.

To better implement the business principle of "higher customer satisfaction and more efficient operations" and to effectively ensure customer satisfaction, the company's quality transformation in 2023 revolves around quality building and ITR transformation to continuously optimize quality management measures. This year, with customer satisfaction as the core, the company introduced third-party customer satisfaction surveys to identify and continuously improve on top-priority projects. INOVANCE hired the globally leading customer insights and strategic consulting firm Ipsos to conduct third-party customer satisfaction surveys across all business areas, including general automation, elevators, and robotics, collecting over 2,700 valid opinions and suggestions. The survey results show that the company's customer satisfaction ranks at the leading level among the domestic industry. As the first Chinese company in industry automation business to introduce third-party customer satisfaction surveys, the company analyzes and identifies key focus areas and drivers of customer satisfaction from the reports, sets up specific improvement projects for existing issues, optimizes processes and systems, and continually enhances its capability to serve customers.

### Customer Complaints and Resolution

The company has established an efficient handling process from problem to resolution (ITR) based on the *Quality Correction Process* and other institutional documents, employing a tiered and categorized handling mechanism that involves service personnel, expansion personnel, and R&D design personnel. This system ensures timely responses to customer complaints, promotes rapid resolution of feedback, minimizes the negative impact of issues, and supports continuous improvement of product quality. In 2023, the timely closure rate for customer issues reached 93%. By the end of the reporting period, the company received 5 customer complaint letters, all of which were resolved promptly with a 100% timely resolution rate.

### Customer Privacy Protection

INOVANCE strictly protects customer privacy, establishing rigorous access management and committing to collect, access, use, or disclose personal data only with the customer's explicit consent and for legitimate, appropriate business purposes. During collaborations with customers, the company strictly adheres to the customer's regulations and policies, always protecting the customer's assets, including commercial secrets, intellectual property, process technology, and information assets. Throughout the reporting period, there were no incidents of customer privacy or information leakage.

## 5.2.3 Responsible Marketing

The company strictly adheres to 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, as well as industry-specific rules, to conduct responsible marketing management. Through the product user manuals inside the packaging, My INOVANCE APP, company website, and official WeChat public account, we provide customers with truthful, accurate, effective, and easy-to-understand information about product features, usage efficiency, potential risks, safety instructions, and operation and maintenance methods.

During the reporting period, there were no incidents of penalties from regulatory authorities for violations related to product and service marketing, information and labeling laws, regulations, or other voluntary regulations.

### Product Information Management

- Established an information design process covering all products, clarifying key activities and standard requirements involved throughout the product lifecycle.
- Project team engineers provide product information materials and organize peer reviews for all key activities.
- During the product development phase, the testing department conducts third-party tests, and marketing representatives handle the acceptance delivery.
- A product information change process is implemented to ensure timely updates of product information.

### Communication Channel Development

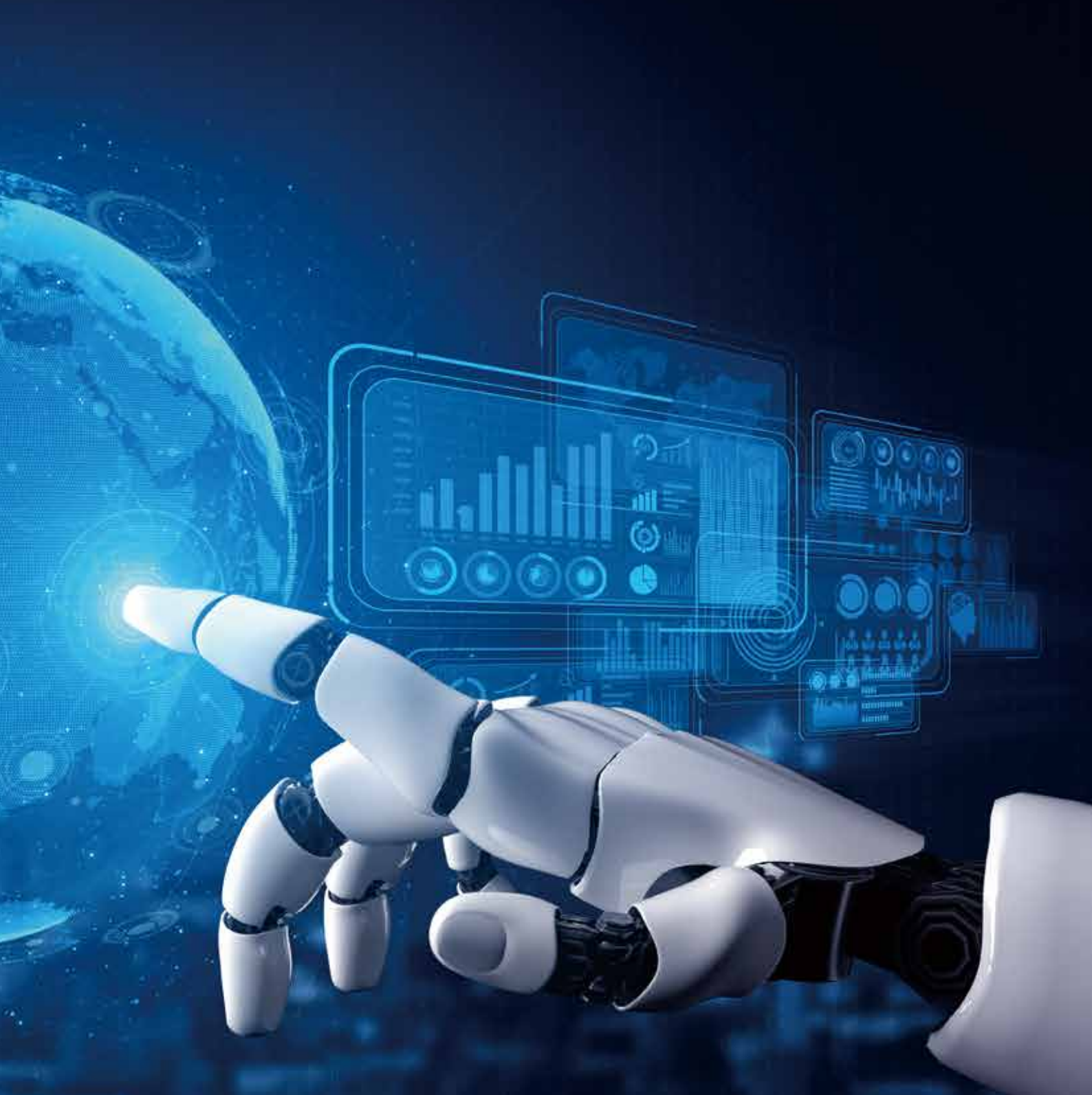
- My INOVANCE APP provides textual and visual documentation for all products circulating on the market by INOVANCE, with added introduction videos; customers can use the APP for one-stop rapid product selection and comparative decision support through product parameter comparisons.
- A "Product Center" is set up on the company website and WeChat public account to describe different products' features and specifications; it provides related certificates, drawings, manuals, videos, and ensures automatic updates of website product data.
- Actively provides customized information about the company's products and services through emerging channels such as online live streaming platforms, online summits, WeChat video accounts, and DOUYIN.

### Supportive Service Provision

- Offers training related to product selection, installation, commissioning, and maintenance for all product lines to customers, including training courses, videos, and documentation.
- Provides tiered and categorized management and professional training courses for customers and channel partners, enhancing the ecosystem's understanding and capability to use products.
- My INOVANCE APP creates a learning and exchange community for industrial control industry talent, providing a one-stop platform for knowledge sharing, interactive exchange, and learning, helping industry users grow faster and supporting customer success.



**INNOVATION  
DRIVES DEVELOPMENT**



## CHAPTER 6

6.1 R&D Innovation Focus

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6.2 Data Privacy Protection


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# Innovation Drives Development

Innovation is the driving force and booster for enterprise development. INOVANCE always adheres to independent innovation, focusing on the research and development of industrial automation products, providing customers with more intelligent, precise, and cutting-edge comprehensive products and solutions using advanced technology and industry experience. Additionally, with the development of the industrial internet, the company places high importance on information security and IT security to effectively protect the data and privacy of all stakeholders in the ecosystem.

## 6.1 R&D Innovation Focus

As a company that values technology, products, and solutions, INOVANCE places great emphasis on R&D innovation and considers technological innovation as the primary driving force for the company's development. It is committed to continuously creating value for customers by providing innovative solutions and services, helping them achieve business success. The company strictly adheres to scientific ethical standards and follows prudent and robust principles in its R&D activities, strictly prohibiting any research and business practices that infringe on individual rights or harm public interests.

2023 Key Performance Indicators					
R&D Investment	Proportion of R&D Investment	Proportion of R&D Personnel	Proportion of Innovation Personnel	Number of New Patent Applications	Number of New Patents Granted
RMB <b>2.624</b> billion	<b>8.63%</b>	<b>5,482</b>	<b>23.15%</b>	<b>982</b>	<b>506</b>

### 6.1.1 Stimulate Innovation Vitality

INOVANCE fully recognizes that R&D innovation is crucial for maintaining a competitive edge and achieving sustainable growth. The company continues to maintain a high ratio of R&D investment, establishes effective innovation incentive mechanisms, and actively collaborates with the industry ecosystem to provide high-quality R&D support for products and solutions.





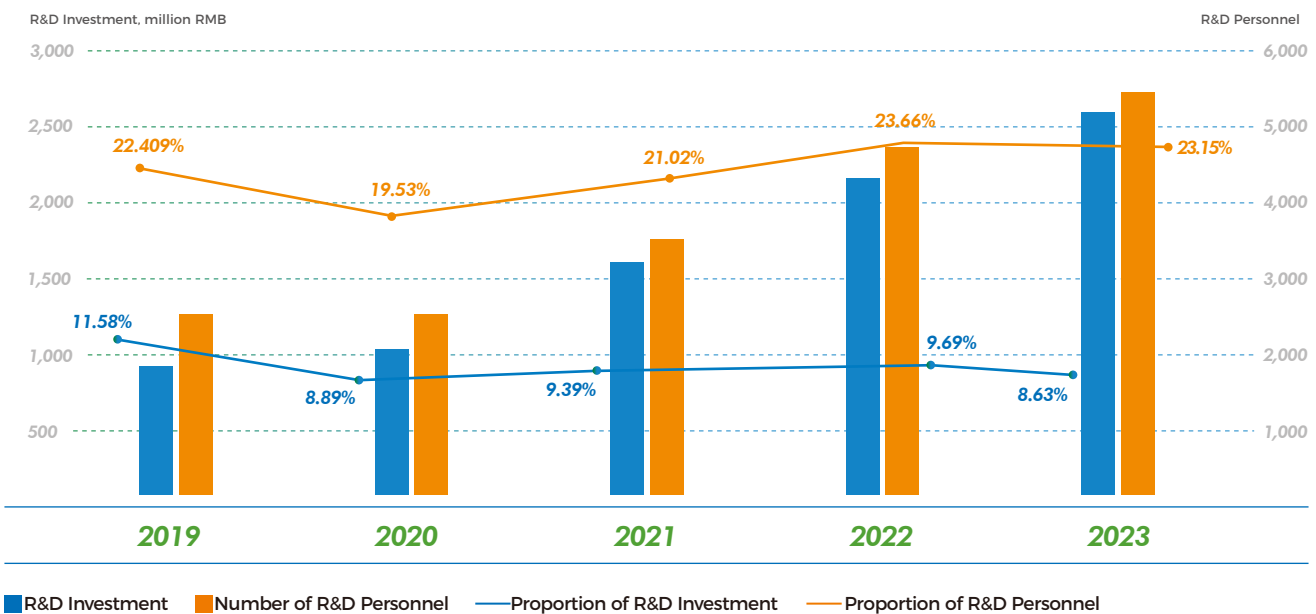
2023 New Products Released: IR-R220 series SCARA Robots with maximum load 220kg



2023 New Products Released: VA71 series OCR Intelligent Camera

## R&D Investment

The company continuously increases its R&D investment, forms excellent R&D teams, and sets up R&D centers globally to enhance its R&D capabilities, ensuring its products and service solutions remain technologically advanced and meet customers' innovation needs. Globally, INOVANCE has established 6 major R&D centers in Shenzhen, Suzhou, Xi'an, Nanjing, Milan (Italy), and Stuttgart (Germany), integrating global resources, gathering diverse innovative intelligence, leveraging regional technological advantages, and creating a complementary R&D layout. As of the end of the reporting period, the company's R&D investment reached RMB 2.624 billion, accounting for 8.63% of the total operating revenue; R&D personnel totaled 5,482, representing 23.15% of the total workforce.



## Innovation Incentive Mechanisms

To stimulate employee innovation and deepen the corporate culture of innovation, the company has established multiple internal innovation awards and recognizes outstanding individuals and experts. Technical awards set up by the company include the Highest Technology Award, Major Technological Breakthrough Award, and Major External Technology Cooperation Award, among others. For innovative achievements that are not immediately recognized, the company also has a retrospective innovation reward mechanism to ensure fair and accurate implementation of innovation incentives. In 2023, the company awarded 19 company-level technical awards.

Furthermore, to support R&D personnel in conducting technological innovation and research more conveniently, the company has separated technology development from product development, with independent investment, processes, and decision-making for technology development.

## Open Innovation Cooperation

INOVANCE continuously focuses on and learns from cutting-edge technologies and innovative research in the industry, actively collaborating with customers, suppliers, partners, and universities. For innovation exchange, the company periodically hosts innovation seminars and round-table discussions, inviting university and industry experts to explore new fields, technological directions, and trends. Internal senior R&D experts regularly participate in external exchanges with industry associations and universities to gain insights into the latest technologies and integrate these insights into R&D business planning, applying innovative results in commercial products and services. In terms of technical cooperation, the company co-creates with core customers, establishes joint laboratories with suppliers, partners, and universities, and conducts research projects with several domestic universities. During the reporting period, the company participated in the formulation of 4 national standards.

### **National Standards Formulated by INOVANCE in 2023:**

*Specifications for Improving the Safety of In-use Elevators (GB/T 24804-2023)*

*Technical Specifications for Elevator IoT Monitoring Terminals (GB/T 42616-2023)*

*Safety Assessment Specifications for In-use Elevators (GB/T 42615-2023)*

*Configuration and Selection of Passenger Elevators Installed in Office, Hotel, and Residential Buildings (GB/T 42623-2023)*

## R&D Innovation Honors and Awards

German Red Dot Award  
 –INO-IMCS Injection Moulding Control System

German Design Association

German Red Dot Award  
 –INOVANCE - Fast Troubleshooting Service for Industrial Equipment

German Design Association

German iF Design Award  
 –INOHOME - FAST TROUBLESHOOTING  
 Hanover Industrial Design Forum, Germany

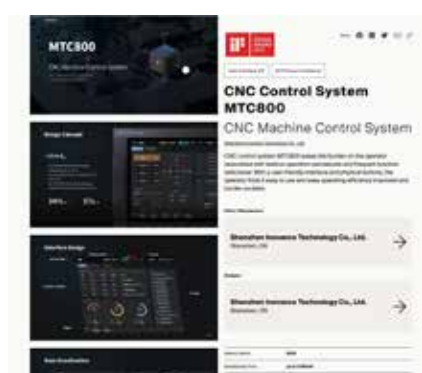
German iF Design Award  
 –CNC CONTROL SYSTEM MTC800  
 Hanover Industrial Design Forum, Germany

German iF Design Award  
 –INOTOUCHPAD  
 Hanover Industrial Design Forum, Germany

Forbes China  
 2023 Forbes China Top 50  
 Innovative Companies

Fortune Magazine  
 2023 Global Future 50

China Elevator Magazinet  
 2023 Elevator Parts Annual  
 Innovation Product



## 6.1.2 Optimize R&D System

### R&D System Support

INOVANCE views its mission and vision for the R&D system as "empowering various industries with leading automation technology, communication technology, and the integration of digital and intelligent technologies through AI & IoT." The company has constructed a comprehensive R&D innovation system focused on "technology research, platform product development, and customized product development." It adopts an Integrated Product Development (IPD) model for R&D, based on external environmental factors, corporate strategy, customer needs, technological advancements, and market competition for technology reserves and product development.

R&D System	
Technology Research	<ul style="list-style-type: none"> <li>• Conducts technology research and preliminary studies to keep up with international leading technologies and address key technological gaps.</li> <li>• Performs forward-looking research on critical components to build core competitiveness.</li> <li>• Deeply develops innovative green and low-carbon technologies focusing on lightweight, miniaturization, and reduced environmental impact.</li> </ul>
Platform Product Development	<ul style="list-style-type: none"> <li>• Develops high-performance, highly reliable, and low-cost standardized platform products to provide comprehensive product solutions to customers.</li> <li>• Combines digital and intelligent technologies to develop model-driven platform products.</li> </ul>
Customized Product Development	<ul style="list-style-type: none"> <li>• Focuses on the development of customized products, offering innovative customized solutions to customers from various industries.</li> <li>• Establishes customer solution development and equipment competitiveness development processes, seamlessly integrating technology research, platform development, and solution development throughout the entire cycle.</li> </ul>

## 6.1.3 Protect Intellectual Property

The company strictly adheres to the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China*, and other relevant laws and regulations. It has developed and established a complete system of policies, including the *INOVANCE Intellectual Property Management Manual*, *Management Procedures for Risks of Intellectual Property*, *Management Procedures for Resolution of Disputes on Intellectual Property*, and *Incentive Procedures for Intellectual Property*. A Patent Committee works in coordination with the Intellectual Property and Legal Departments to systematically carry out the creation, protection, utilization, and management of patents.

In terms of protecting its own intellectual property, the company conducts patent layouts for its projects, arranging for patent engineers and R&D personnel to jointly discuss the innovative aspects of projects. Both parties participate in patent layout, patent risk, and patent proposal reviews to determine the patents that should be applied for. Additionally, by preparing industry patent analysis reports or competitor patent analysis reports, the company enhances R&D personnel's understanding of the current state of intellectual property in the industry, urging them to promptly report research results and file for intellectual property rights. Furthermore, the company rewards patent applications, patent grants, and patent implementations according to the "Intellectual Property Incentive Program" to motivate employees to actively participate in invention and file for intellectual property rights. The subsidiary INOVANCE Automotive has passed the third-party audit for the *Enterprise Intellectual Property Management Norm (GB/T 29490-2013)* and obtained a certification for its intellectual property management system.

As of the end of 2023, the company has accumulated a total of 2,679 granted patents, including 412 invention patents and 24 overseas patents. Throughout 2023, the company filed 982 new patent applications and 43 new copyright applications; it received 506 new patent grants and 61 new copyright approvals.

INOVANCE respects and protects the intellectual property of others, establishing corresponding intellectual property management systems internally to ensure compliance with laws and regulations. The company respects industry norms, and conducts intellectual property searches and checks to avoid infringement risks before undertaking procurement, financing, and overseas market expansion activities. Moreover, the company also engages in patent and trademark rights enforcement, vigorously combating counterfeit and imitation practices in the market. During the reporting period, the company did not face any penalties from regulatory authorities for violating intellectual property laws and regulations.

To continuously enhance the awareness of intellectual property protection among all employees, the company conducts intellectual property education during daily operations and regularly holds intellectual property protection training sessions.

2,679 Total Patents Granted		982 New Patent Applications		
Invention Patents	Overseas Patents	New Copyright Applications	Patents Granted	Copyrights Approved
412	24	506	43	61

\*Note: In 2022, Suzhou INOVANCE passed the third-party audit for the *Enterprise Intellectual Property Management Norm (GB/T 29490-2013)* and obtained a certification for its intellectual property management system.

## 6.2 Data Privacy Protection

The company strictly adheres to 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 legal and regulatory requirements of the locations where it operates and its partners are based. It prudently fulfills its responsibilities and obligations regarding the security and privacy of its own and its customers' data, collecting and using personal information based on the principles of legality, legitimacy, and necessity.

### 6.2.1 Information Security Management

Key Performance Highlights for 2023	
Major information Security Incidents	Company-wide Pass Rate for the "Information Security and Legal Regulations and Requirements" Exam
0 times	100%

## Information Security Strategy Objectives

INOVANCE and its subsidiaries adhere to the principle of "one network, one security strategy." Based on the information security management principles such as client interoperability, server-side access, and differing regional client and server access, the company sets the baseline goal of avoiding significant information security incidents. It continuously builds and enhances the information security management system based on ISO/IEC 27001:2013.

## Information Security Management Structure

The company's information security is coordinated by the Intellectual Property and Legal Center, working in collaboration with various business departments to build a comprehensive information security defense network. Each business department appoints an information security officer to assist in the promotion and implementation of the company's information security management efforts.

INOVANCE has established a four-tier information security organizational structure internally. Business heads are the primary responsible parties for information security within their operations, managing information security assets during business activities; the Information and Security Department is responsible for planning the information security control system and auditing, with internal information security strategy and audit groups; the IT Security Department is tasked with implementing and maintaining the company's information security system, with internal information security operations and defense groups. Key performance indicators related to information security such as average time to handle security threats, timely repair rate of security risks, and timely closure rate of security incidents are included in the performance assessment system of departmental employees; departments collaborate to build and ensure the legal and regulatory compliance of the company's information security system.

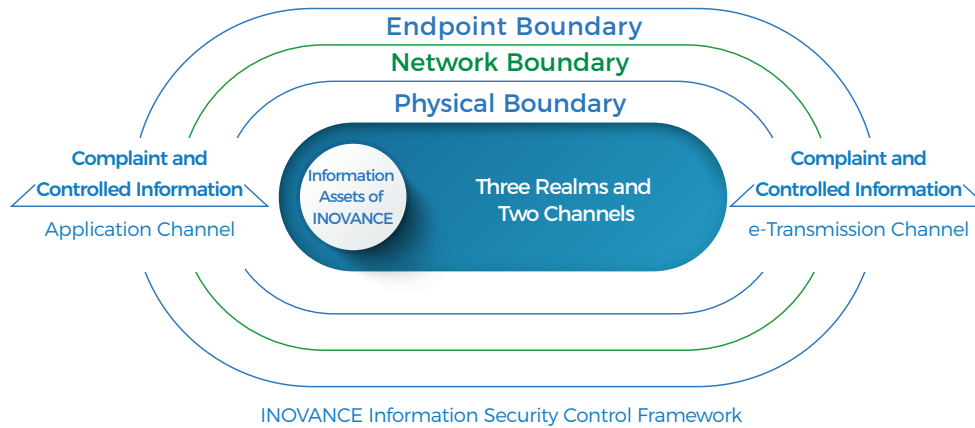
## Information Security Management System

The company has established stringent data privacy protection management systems and data collection declaration/permission regulations. It has issued various management standards, including the INOVANCE Information Security Incident Management Framework, Information Security Violation Cases and Penalties, Computer Security Management Standards, Information Security Incident Investigation Procedures and others. These documents are reviewed annually and revised and updated timely based on the latest applicable laws and regulations, industry insights, and experiences in handling information security incidents.

During the reporting period, the company reviewed and revised 4 management standard documents: *INOVANCE Information Security Reward and Penalty Regulations*, *INOVANCE Information Security Incident Management Framework*, *Information Security Violation Cases and Penalties*, and *Wireless Network Construction Safety Management Regulations*.

## Information Security Management Principles

The company follows the "Three Realms, Two Channels" framework to secure control of INOVANCE's information assets, balancing security efficiency and service effectiveness. The "Three Realms" refer to the network boundary, physical boundary, and endpoint boundary. All outbound information within the network boundary must undergo compliance reviews, and internal core secrets are strictly protected. Within the physical boundary, the entry and exit of storage media are strictly controlled to prevent major information leakage incidents. The endpoint boundary is divided into internal and external endpoints; external endpoints, after legal and regulatory review, need to be uniformly managed within the domain when connected to the company's network, and information assets within internal endpoints must not leave the company's endpoints without permission. The "Two Channels" refer to the company's designated application channels and compliance channels for transmitting information, managing internal confidential data, and ensuring the secure transfer of necessary files.



## Special Projects in Information Security Management

In 2023, INOVANCE undertook a series of special projects to strengthen internal and external information security capabilities. During the reporting period, the company did not experience any major information security violations.

### · Strengthening Information Security Management for Outsourced Personnel

The Information Security Department established the *Outsourced Personnel Information Security Management Standards*, specifying information security baseline requirements and integrating these regulations into the external personnel entry process. Outsourced suppliers are required to appoint an information security officer to coordinate information security tasks during the collaboration, and all outsourced personnel must pass an information security exam, undergo training, and sign a confidentiality agreement before officially starting work.

### · Improving Internal Process Data Standard Management

We issued the "External Release Security Management Standards for Information Systems," strengthening the security management of financial, cost, and payroll data.

### · Optimizing Classification and Permission Management

Based on the INOVANCE Information Security Management Strategy, different classification levels of documents, confidentiality duration, and transmission requirements are established for differentiated management. Departments owning information assets must regularly review the classification levels, and reevaluate the classification when the confidentiality period expires.

### · Implementing Regional Network Isolation

Issued the *Company Base Wired Network Construction Standards* and *Company Base Wireless Network Construction Standards*, classifying company areas into high, medium, low, and production classifications for differentiated management.

## Information Security Emergency Response Management

INOVANCE conducts violation tracing, evidence solidification, and fact clarification based on the *Information Security Incident Management System*, responding swiftly to information security incidents through lawful and technical means until the incident is resolved. The company has set a target time limit for identifying information security incidents, requiring problem identification and resolution closure within 21 days of the incident occurrence.

## Information Security Audit

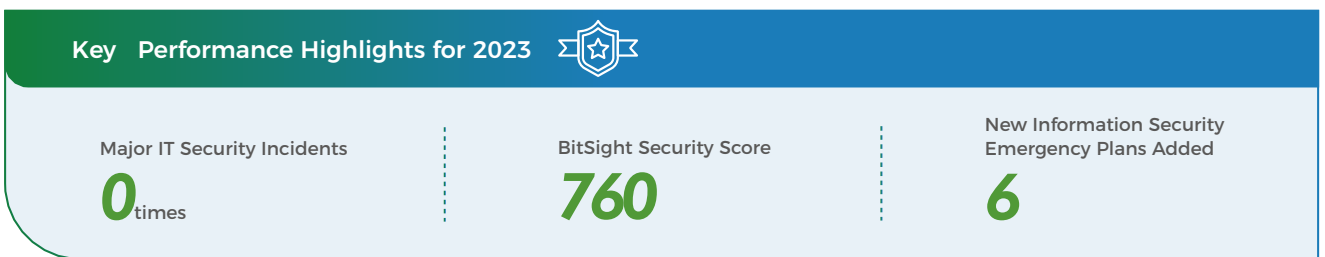
The company conducts routine information security audits monthly and issues corresponding audit reports. During the reporting period, information security audits covered the Shenzhen headquarters and 9 subsidiaries, including Suzhou INOVANCE and BST.

## Information Security Training

"Enhancing awareness, strengthening measures, preventing risks, and securing business" is the company's information security management motto. Information security training and dissemination are important means to enhance company-wide awareness of information security. The company organizes annual information security training for all employees. INOVANCE's information security training system consists of new employee orientation training, regular information security exams, and routine specialized training for information security officers in various business departments.

During the reporting period, the company conducted 2 information security and legal exams covering all employees<sup>1</sup>, with a pass rate of 100%; 34 specialized training sessions for information security officers in various business departments, with over 2,000 participants. Additionally, the company released the *INOVANCE Employee Information Security Handbook*, providing detailed guidelines on personnel security, information asset security, computer security, network security, physical security, office security, and information security operations for outsourced personnel, accompanied by information security rewards and penalties and case references.

## 6.2.2 IT Safety



### IT Security Strategy Objectives

The company has set a baseline objective of no major IT security incidents to ensure business continuity, continuously strengthening and building a "zero trust" IT security protection system. This system authenticates user endpoints, network access, and application and data access, and it is subject to ongoing security monitoring.

### IT Security Management Structure

Internally, the company has established a clearly defined IT security management structure. The EMT is responsible for formulating the company's IT security policies and assessment criteria, with the EMT Director serving as the highest responsible officer for IT security. The Process and IT Department undertakes corporate-level IT construction, maintenance, and security, with the IT Security Department responsible for IT

<sup>1</sup> Front-line production workers, who do not deal with information security matters, are excluded from reference to all employees here.

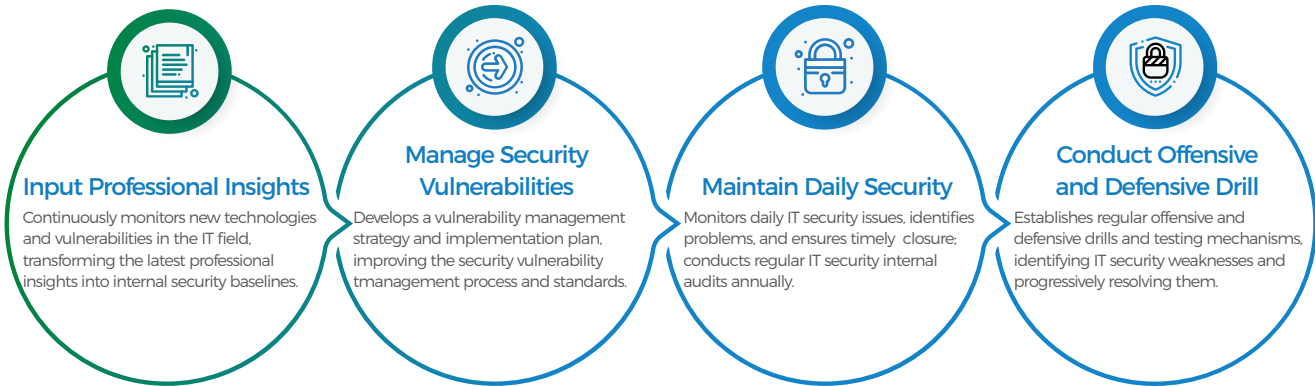


security construction and maintenance, managing the implementation of IT security policies, access control, network security, and security audits.

## IT Security Management System

The company has established an information security management system in accordance with ISO/IEC 27001:2013 and has issued *IT Service Continuity Management System* and *IT Business Continuity Plan*, among other system documents, to comprehensively protect the company's IT security. In 2023, the company reviewed and revised these two system documents, adding details on business continuity drills, new fault simulation scenarios, and requirements for fault recovery steps or manuals to provide guidelines for business continuity drills and fault recovery. The IT Security Department of the company conducts an internal audit annually, reviewing compliance with the group's security baseline, and a compliance audit is published externally every 6 months.

The company conducts daily IT security management in the following four areas:



Regarding internal vulnerability management, the company requires high-risk vulnerabilities to be fixed within 24 hours and medium-risk vulnerabilities within 72 hours. For IT security incidents, the company internally classifies incidents based on the number of affected people and the type of business. Users report IT security issues to the service desk, which then forwards the issues to the IT Security Department for front-line investigation. If a systemic issue arises, the IT Security Department arranges for second-line engineers to handle it specifically. Unresolved security incidents are internally announced and escalated.

Based on the urgency, impact, severity, and potential consequences related to production, operations, and management, the company has established four priority levels for IT security incidents:

•**Level 1 (Highest)**: Upon receiving an incident notification, it must be immediately reported to the IT management layer. The emergency response team initiates the emergency plan. If the incident is not resolved within one hour, it is escalated to the company management.

•**Level 2 (High)**: Upon receiving an incident notification, the incident is immediately reported to the emergency response team for handling. If the incident is not resolved within 30 minutes, it is escalated to the IT management layer.

•**Level 3 (Medium)**: Upon receiving an incident notification, the incident is immediately reported to the emergency response team for handling. If the incident is not resolved within one hour, it is escalated to the IT management layer.

•**Level 4 (Low)**: Upon receiving an incident notification, the incident requires careful analysis and diagnosis according to internal procedures, and it is managed until resolved.

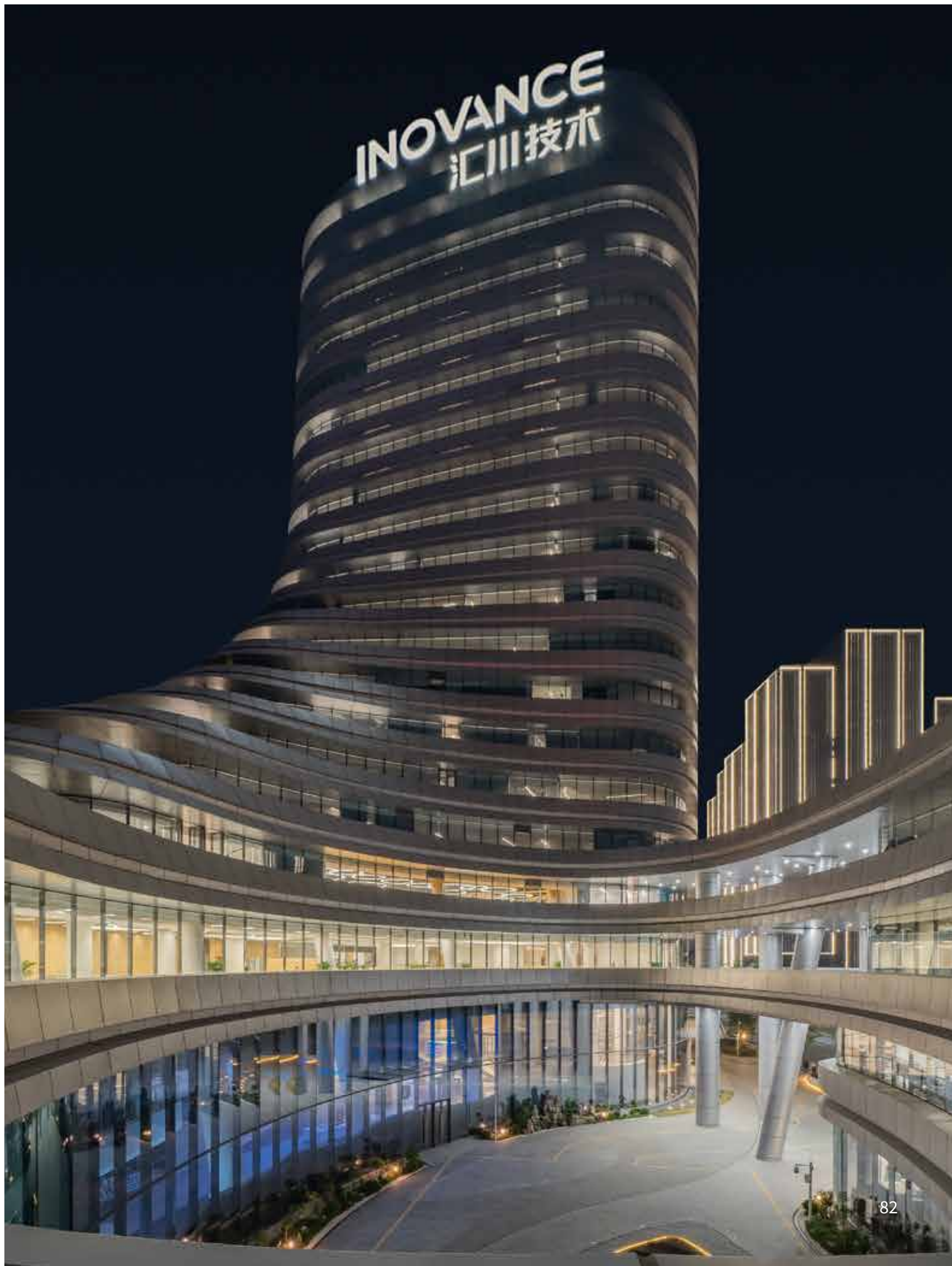
## Emergency Preparedness and Offensive and Defensive Drills

In 2023, the company conducted one comprehensive IT security emergency drill, covering phishing emails, web page tampering, DDOS attacks, and ARP spoofing attacks, enhancing IT personnel's response capabilities to external threats and verifying the effectiveness of emergency plans. During the reporting period, the company added 6 new IT security emergency plans to supplement and cover common security issues and management standards.

Emergency Response Plans	
<i>Phishing Attack Emergency Response Plan</i>	<i>Ransomware Emergency Response Plan</i>
<i>Worm Virus Emergency Response Plan</i>	<i>Web Page Tampering Emergency Response Plan</i>
<i>DDOS Attack Emergency Response Plan</i>	<i>ARP Spoofing Attack Emergency Response Plan</i>

To enhance the company's practical offensive and defensive capabilities and improve its ability to identify security threats, trace origins, and respond to emergencies, INOVANCE conducted 2 IT security drills in 2023. Through these exercises, the company identified and promptly resolved 242 security issues. Additionally, the IT Security Department conducted IT security tests across the entire group, covering all production bases and subsidiaries.

A third-party information security assessment agency, BitSight, evaluated the security of all the company's external-facing systems and internal endpoints. In 2023, the company achieved a BitSight score of 760 out of 850, placing it at a leading level within the industry. The subsidiary, INOVANCE Automotive, keeps on enhance its information security continuity, developing comprehensive and detailed business continuity drill plans, and efficiently implementing and reviewing these drills. The information security management system undergoes third-party audits annually. During the reporting period, INOVANCE Automotive passed the ISO 27001 annual review and completed preparations for the 2024 TISAX re-evaluation ahead of schedule.





# EMPLOYEE DEVELOPMENT GUARANTEE



## CHAPTER 7

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# Employee Development Guarantee

INOVANCE recognizes that employees are the company's most valuable asset. Adhering to the core value of "contributor oriented," we strive to foster a culture that values "people," ensuring employee rights, promoting employee welfare, and working to create a diverse, equal, inclusive, and trustworthy workplace atmosphere. We enhance safety management to ensure occupational health and safety, creating a healthy and safe working environment for employees. We focus on talent development, facilitate promotion channels, grow together with our employees, and continue to cultivate more outstanding talents for the industry.

## 7.1 Employee Rights and Welfare Protection

INOVANCE values and protects basic employee rights and embraces diversity. We adhere to fair employment practices, prohibit child labor and forced labor, oppose discrimination and harassment, and ensure employees' rights to form unions and engage in collective bargaining, integrating these human rights standards into the BCG, committed to creating a diverse, equal, and inclusive workplace. Additionally, the company values humane care, creating the INOVANCE "Five-Level" employee welfare and care system, addressing diverse employee needs. We also maintain open communication channels for employees, listen to their concerns, and foster an open and harmonious communication atmosphere.

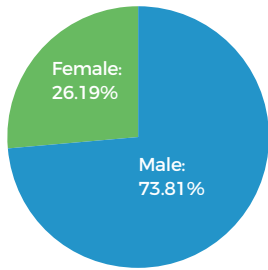
### 7.1.1 Employee Diversity, Equity and Inclusion

INOVANCE advocates for diversity, equity, and inclusion (DEI), respecting and treating employees of different genders, ages, races, nationalities, cultural backgrounds, and physical conditions equally. We believe that a diverse cultural force can inspire creativity in teams. As the company accelerates its overseas business layout, we will enhance DEI construction, building a platform for equal exchange and collaborative creation among diverse talents at INOVANCE.

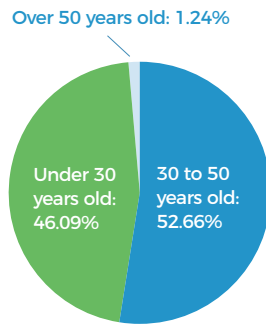
#### Diverse Employee Composition

Adhering to values of equality and diversity, and progressing with the company's international strategy, we employ local staff in global operations, forming diverse and trustworthy teams. The company values and protects the legal rights of female employees, providing various benefits for women, focusing on their development and growth within the company, and encouraging all female employees to fulfill their potential. For qualified persons with disabilities, the company also provides job opportunities and encourages them to utilize their abilities in their roles.

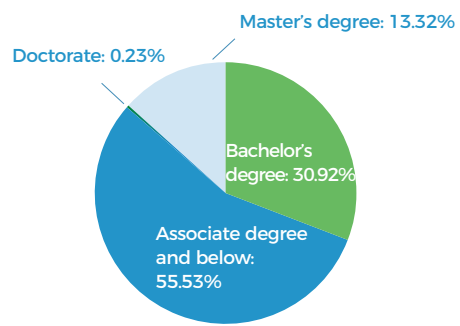
As of the end of 2023, the company employs 25,487 staff from over 10 countries and regions, with non-Chinese-citizen employees making up 1.79%, and minority and/or vulnerable group employees making up 7.91%; female employees constitute 26.19% of the workforce, an increase of 6.55% compared to 2022, with 14.70% female managers, 9.90% of women in STEM-related positions, and 15.00% of women in revenue-generating positions. Additionally, in 2023, the company employed 93 persons with disabilities, with 93 still employed at the year's end.



Employee Distribution by Gender



Employee Distribution by Age



Employee Distribution by Educational Level

### Diversity Composition of the Company

**1,564** from Ethnic Minorities of Chinese Nationality

**456** Non-Chinese-citizen Employees

**93** Disabled Employees

### Equal and Inclusive Work Environment

INOVANCE adheres to the principles of fairness, justice, and transparency in recruitment, employment, and the workplace, prohibiting any form of discrimination or differential treatment. The company commits to providing equal opportunities and treatment in employment, compensation, training, promotion, and termination. INOVANCE has published the *INOVANCE Business Conduct Code* and *Guidelines for the Prevention of Workplace Sexual Harassment* among other regulatory guidelines to standardize employee behavior and build a healthy, safe, equal, and inclusive work environment. We encourage employees from diverse backgrounds to actively engage and spark creative ideas through interaction. To support teams in assimilating and understanding different cultures, we conduct various cross-cultural exchange and promotional activities to foster team integration.

#### The Cable Workshop of the ISC Drive & Control Products Manufacturing Center in Suzhou INOVANCE was honored with the title of "Women's Civilization Post" in Suzhou City

In December 2023, the Suzhou City "Striving Forward on a New Journey, Achieving New Accomplishments at Posts" theme event showcasing women's elegance was held at the National Inspection Building Auditorium in Suzhou Industry Park. The event recognized advanced collectives and individuals of 2023, including Suzhou's Women's Civilization Posts and Women of Achievement. The Cable Workshop of Suzhou INOVANCE, ISC Drive & Control Products Manufacturing Center received the "Women's Civilization Post" awards.

The Cable Workshop currently employs 67 staff members, including 46 female workers, with an average age of 28 years. The workshop includes 5 female junior-level managers. This professional and highly qualified team has undertaken annual cost reduction and efficiency improvement targets, implemented innovative work proposals, and collaborated as a team to meet workshop cost reduction goals, contributing to the achievement of business objectives and earning high praise from colleagues upstream and downstream.



The Cable Workshop of ISC Drive & Control Products Manufacturing Center of Suzhou INOVANCE was honored with the "Women's Civilization Post" awards

## 7.1.2 Employee Interests Protection

INOVANCE strictly adheres to the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and other legal regulations, as well as the laws and regulations of the countries and regions where it operates, establishing a comprehensive system to protect employee rights and genuinely safeguarding employee interests. Building on the standardized system within the company, some subsidiaries tailor specific employee rights protection systems based on their operational circumstances.

### Equal Employment and Freedom of Occupation

In the recruitment process, the company upholds principles of fairness, justice, and transparency, conducting recruitment in an orderly and standardized manner according to the *INOVANCE Employee Recruitment Management System*, *INOVANCE Labor Contract Management Measures*. Selection is based on candidates' abilities, skills, and adaptability to assess and choose the most suitable talent, avoiding employment discrimination. The company has established and continuously improves the employee recruitment and employment management system to genuinely protect relevant employee rights.

We respect employees' right to freely choose their jobs, committing to providing objective and true recruitment information for job seekers to make free choices, not restricting employees to specific jobs or those against their will, and supporting employees in pursuing their personal career goals and development.

During the reporting period, there were no illegal employment incidents, and the labor contract signing rate was 100%.

### Prohibition of Child Labor and Forced Labor

The company has established the *Protection System for Female Workers and Minors*, committing to eliminate any employment or support of child labor. During recruitment and data entry, we verify the authenticity of prospective employee information through questioning, information checks, and identity document verification. We continuously improve remedial processes for child labor, establishing appropriate treatment and compensation, counseling for continuation of compulsory education, or repatriation based on the individual's health status and educational attainment.

The company firmly opposes modern slavery and human trafficking, prohibits any form of forced labor, and strictly forbids employees from paying deposits or handing over their IDs when employed. This includes eradicating prison labor, bonded labor, debt labor, slave labor, or any forced labor used as a form of punishment. During the reporting period, there were no incidents related to employing child labor or forced labor.

### Compensation, Working Hours, and Holidays

Regarding compensation, the company complies with all applicable global wage and salary laws, adheres to equal pay, and provides compensation that meets or exceeds legal or industry minimum wage standards according to the *Management Procedures for Social Responsibility and Occupational Ethics*. It has established and implemented a series of compensation systems including the *INOVANCE Salary Management System* to standardize compensation management.

In terms of working hours and holidays, the company has established the *INOVANCE Attendance Management Method* and *Social Responsibility and Professional Ethics Management Procedure* to ensure compliance with applicable legal and industry standards concerning working hours. The company offers paid annual leave that exceeds national policy, maternity leave compliant with national requirements, and other leave such as marriage, bereavement, and paternity leave in accordance with local regulations at operational sites.



## Anti-Discrimination and Anti-Harassment

The company prohibits discrimination, sexual harassment, and any other form of improper or illegal behavior, ensuring equal opportunities and treatment regardless of race, culture, religion, skin color, gender, age, or disability status. To provide a safe and healthy work environment for all employees, the company has established the *Workplace Sexual Harassment Prevention Standards* and corresponding prevention mechanisms, adopting a zero-tolerance policy towards any form of workplace harassment. During the reporting period, there were no confirmed incidents of discrimination or harassment.

## Collective Bargaining and Freedom of Association

The company respects and protects employees' legal rights to freely associate, form, and join unions, and participate in collective bargaining. Through continuous enhancement of the workers' representative congress and union systems, the company strengthens democratic management and promotes harmonious labor relations. All employees are allowed to participate in collective bargaining, deliberating or amending regulations related to compensation, working hours and holidays, occupational health and safety, employee benefits, and employee training. In 2023, the workers' representative congress negotiated and signed *Collective Contracts*, *Wage Collective Bargaining Agreements*, and *Special Protection Agreements for Female Employees*, covering 100% of employees.

## 7.1.3 Employee welfare

We firmly believe that caring for employees is caring for the future of the company. The company provides comprehensive and diverse benefits and care to safeguard the physical and mental health of employees, organizes various cultural activities to promote a balance between work and life, enhances employees' sense of security, recognition, and well-being, fosters team cohesion and a sense of belonging, and creates a warm, harmonious work environment.

The company has established and continuously improved a "five-level" employee benefits and care system, offering benefits that exceed legal standards across the dimensions of "basic, safety, belonging, respect, and self-actualization." This includes purchasing additional critical illness, accident, and life insurance for employees, establishing a charity fund to assist those in need, and enhancing attention to special groups. Specific benefits and care measures are provided for different categories of employees, such as those who are ill, female, facing hardships, and those working overseas.

<b>Self-Realization</b>	<b>Social Activities</b>	<b>Value Affirmation</b>	<b>Career Development</b>	<b>Long-Term Incentives</b>
	Social welfare Charitable activities	Awards recognition Ten-year employee recognition Exclusive parking spots for outstanding employees	Training and enhancement Job rotation mechanism Academic improvement while employed Skill improvement subsidies	Equity incentives
<b>Respect for Needs</b>	<b>Departure Care</b>	<b>Daily Care</b>		<b>Open Communication</b>
	Exit interviews	Festive care Anniversary consolation Birthday benefits	Women's Day consolation Tsummer coolness/winter warmth gifts Maternity care	Employee-supervisor meetings CEO mailbox
<b>Belonging Needs</b>	<b>Cultural Integration</b>		<b>Recreational Activities</b>	
	Onboarding training Inovance community	New employee discussions Mentorship program	Life association Young talent networking Sports meets	Birthday parties Family days Parent-child summer camp
<b>Safety Needs</b>	<b>Health and Safety</b>	<b>EAP Inovance Mood</b>		<b>Additional Commercial Insurance</b>
	Fitness facilities Health check-ups First aid & AED Parent health check-ups	Health seminars Psychological consultation and mental health check-ups Crisis intervention Meditation & stress relief salons and workshops	Life/major illness insurance Hospital allowance Accident/overseas Insurance Love fund	
<b>Basic Needs</b>	<b>Statutory Benefits</b>	<b>Additional Benefits</b>		<b>Overseas Allowances</b>
	Social insurances and housing fund Special environment Tatutory holidays Night shift allowance	Corporate annual leave Transportation subsidy Night shift snacks Housing subsidy Flexible working system	Away-from-home allowance Hardship allowance	

INOVANCE "Five-Level" Employee Benefits and Care System

### Personalized Benefits and Care Measures for Different Employee Categories

Employee Category	Benefits and Care Measures	2023 Annual Progress
<b>Female Employees</b>	<ul style="list-style-type: none"> <li>Established "Mother's Station" nursing rooms at various bases and factory areas</li> <li>Set up holidays for female employees.</li> <li>Launched special activities for Women's Day</li> </ul>	<ul style="list-style-type: none"> <li>Organized outdoor yoga and scarf salon events on Women's Day, and custom gifts were distributed to all female workers</li> </ul>

Employee Category	Benefits and Care Measures	2023 Annual Progress
<p><b>Employees in Difficulty</b></p>	<ul style="list-style-type: none"> <li>• Established a charity fund for employees in difficulty</li> <li>• Created a support mechanism for employees with major family emergencies, offering swift interest-free loans</li> </ul>	<ul style="list-style-type: none"> <li>• Organized outdoor yoga and scarf salon events on Women's Day, and custom gifts were distributed to all female workers</li> </ul>
<p><b>Employees Working Overseas</b></p>	<ul style="list-style-type: none"> <li>• Produced a global cross-border entry and exit handbook for overseas cultural guidance</li> <li>• Addressed overseas employees' payroll and tax issues to ensure healthy, reasonable, and stable benefits</li> <li>• Established comprehensive procedures for signing and dispatching overseas, promoting global mobility mechanisms for employees</li> <li>• Established comprehensive overseas insurance to ensure the safety and health of employees working overseas</li> </ul>	<ul style="list-style-type: none"> <li>• Purchased overseas travel insurance for 119 instances of employee travel</li> </ul>

## Promoting Physical and Mental Well-being

The company places a high emphasis on employee mental health. During 2023, the company implemented an Employee Assistance Program (EAP), hiring third-party professional organizations to carry out various activities to enhance employees' awareness of mental health management and help them develop a positive mindset. The company established an EAP psychological counseling room in the Suzhou plant and created a special column on the corporate Feishu platform called "HUI XIN QING" to share daily stress relief tips. Regular on-site psychological counseling activities were conducted, offering comprehensive mental health services. These initiatives effectively manage and alleviate employee stress, providing warmth for their physical and mental well-being.

## Employee Assistance Program (EAP)

The progress of the EAP for the year 2023 is as follows:

**Psychological Assessments:** Completed psychological evaluations for all staff and generated reports, collecting a total of 4,315 data entries, of which 4,302 were valid, making the validity of the collected data 99.7%.

**On-site Consultations:** A total of 4 on-site EAP consultation sessions were completed.

**EAP Offline Activities:** Successfully held an EAP Launch Day Carnival and 3 Relaxation Salon events. The carnival promoted the EAP hotline and knowledge, covering more than 2,000 people across Suzhou and Shenzhen bases; the relaxation salons had a total participation of 100 people, with satisfaction ratings of 4.76 out of 5 for Suzhou and 4.56 out of 5 for Shenzhen, averaging a total satisfaction rating of 4.69 out of 5. Additionally, in conjunction with the company marathon event, EAP family and child painting interpretation activities were planned, providing on-site employees with insights into parent-child relationships.

**EAP Empowerment Training:** Completed a total of 4 sessions of EAP empowerment training for managers and HR, with approximately 500 participants in total. The HR empowerment course received a satisfaction rating of 4.24 out of 5, and the manager empowerment course received a satisfaction rating of 4.53 out of 5. In line with festivals such as Qixi (Chinese Valentine's Day) and World Mental Health Day, 3 EAP offline and online empowerment courses were planned and organized, with a total of approximately 100 participants.

## Balancing Work and Life

The company advocates for a humanized management approach, encouraging employees to engage in sports activities that align with their interests and physical fitness. Employees are urged to commit to long-termism by participating in a health check-in system. The company has formed 29 life associations covering basketball, football, badminton, swimming, yoga, dance, and more. It actively organizes a variety of cultural and sports activities, such as outdoor team-building, sports meets, family days, and company-wide health check-ins to enhance employees' physical fitness, enrich their leisure life, and strengthen team cohesion. Libraries and rest areas equipped with various fitness facilities, such as treadmills, table tennis rooms, and yoga studios, have been built in major areas to provide employees with conditions for relaxation and leisure. Additionally, the company has established a one-stop service platform and equipped service robots to offer employee services.

## INOVANCE Fourth Marathon & Family Day Event

In September 2023, INOVANCE held its fourth marathon & family day event, featuring a fun run, parent-child run, on-site EAP consultations, and charity activities. This event saw the participation of approximately 1,000 individuals, covering more than 500 employee occurrences.



INOVANCE Fourth Marathon & Family Day Event 2023



INOVANCE Running and Fitness Association



INOVANCE Photography and Hiking Association

In the year 2023, the subsidiary Suzhou INOVANCE completed the construction of a new Staff Home aimed at providing employees with a comfortable and pleasant leisure space to enrich their cultural lives. This Staff Home spans approximately 1,000 square meters and includes hardware and software facilities such as a gym, yoga room, table tennis room, billiards room, and a staff library. It has formed a multi-functional and comprehensive service position that integrates fitness, entertainment, communication, and learning. In 2023, this Staff Home was awarded the title of "Excellent Staff Home."



INOVANCE "New" Staff Home

## 7.1.4 Employee Communication and Feedback

### Employee Communication Channels

INOVANCE places a high value on employee satisfaction, well-being, and engagement. To continue fostering a diverse, equal, and inclusive workplace environment, the company has established seamless online and offline communication channels and an effective employee communication mechanism. These initiatives are designed to listen to the voices and demands of employees and to provide timely feedback and responses, ensuring that employee issues are resolved promptly.

### Workers' Congress and Trade Union

The company has established a Workers' Congress system (hereafter referred to as the "Workers' Congress") and has set up trade union organizations in accordance with legal provisions. These bodies fully play their role in democratic decision-making, management, and supervision to ensure all employees' rights to be informed, to participate, to express themselves, and to supervise. They also promote the institutionalization, standardization, and proceduralization of the company's democratic management. By the end of the reporting period, trade unions had been established in all the company's main organizations, with a trade union coverage rate<sup>1</sup> of 89.1%.

The Workers' Congress holds regular meetings to sync with the company's development, share growth experiences, discuss company issues, and review policies and systems highly related to employee rights. The Congress negotiates and signs collective agreements with the company. In 2023, the Workers' Congress reviewed and voted on 6 company systems, including *Integrated Supply Chain Business Violation Accountability Management Measures*, *INOVANCE Information Security Rewards and Penalties Regulations*, *Outsourced Personnel Information Security Management Standards*, *Information Security Incident Management System*, *INOVANCE Attendance Management System-V2.0*, and *Fixed Asset Violation Accountability Management System*.

### INOVANCE Circle

The company has established "INOVANCE Circle," an employee platform for speaking out and interaction. Whether it is about issues encountered at work, feedback on employee benefits, or suggestions for company

<sup>1</sup> Trade union coverage rate = Total number of employees in the trade union at the end of the reporting period / Total number of company employees at the end of the reporting period X 100%.]

development, everyone can speak freely and contribute ideas. We value employee opinions and suggestions, take them seriously, and respond promptly to ensure that employee demands and thoughts are quickly addressed.

### **Whistleblower Mechanism**

The company has established an all-year-round real-time rolling whistleblower mechanism. If employees have opinions about the work environment or find issues in the production and business process, or if they have good suggestions, they can submit them through the whistleblower backend system. The trade union will review the proposals and organize them for reporting. Effective proposals, once reviewed, will be implemented by the company and rewards will be given to the proposers. In 2023, there were a total of 27,944 whistleblowing proposals, with 18,267 deemed effective.

### **President's Mailbox**

Upholding the core value of "Customer first" the company has set up a "President's Mailbox," aimed at reducing baseline issues on the customer side. Internal employees can use this direct line to complain about any dereliction of duty.

### **Employee Satisfaction Survey**

Each year-end, the company conducts a satisfaction survey among all employees, covering dimensions such as corporate culture, organizational atmosphere, and organizational health. The survey collects genuine thoughts and needs from the employees, formulates improvement measures for core issues, and implements these improvements across departments, regularly carrying out a closed-loop review of the improvements. In 2023, the employee satisfaction survey scored 4.45 out of 5.

## **7.2 Talent Attraction and Retention**

INOVANCE places a high emphasis on attracting and retaining talent, employing diverse recruitment channels and initiatives to draw and retain talent, and establishing a remuneration system and talent incentive mechanisms that are both fair and competitive, to fuel the enthusiasm of the organization and its employees.

### **7.2.1 Talent Attraction and Recruitment**

The company has established a diversified talent recruitment system that attracts and selects outstanding talents through a broad range of recruitment channels. In 2023, the company actively built its employer brand and was honored with multiple awards.

#### **Various Recruitment Channels**

The company's talent recruitment is mainly divided into three parts: campus recruitment, social recruitment, and front-line workers recruitment.

In terms of campus recruitment, the company has carried out diverse collaborations with universities, such as setting up "INOVANCE classes" and co-establishing laboratories. These collaborations provide scenario-based case studies from the company's experience and the field of industrial automation for teaching, helping students to understand the application scenarios of various industrial automation products in a more intuitive and vivid manner. During the recruitment season, we maintain close interaction with schools, taking the approach of "sending teaching to the door," going to schools to conduct various themed lectures that cover career guidance and industry expert sharing. The aim is to assist students in combining theoretical knowledge with practical experience, to broaden their horizons, and to understand more comprehensively the application of various technologies within the industry.

Regarding social recruitment, the company upholds the philosophy of "careers attract people" for the introduction of high-end talents. We are not only looking for high-end talent but more importantly, providing them with a platform for career development. We firmly believe in the potential and value of talent and are committed to providing them with an environment full of opportunities and challenges, allowing them to fully utilize their talents and achieve their career aspirations.

Our front-line worker recruitment also covers both campus and social recruitment aspects. For campus recruitment, we collaborate with various technical college to carry out INOVANCE class projects, integrating some professional training into school courses in advance to promote students' understanding of the workplace, offering employment guidance, and helping them better prepare for employment. For social recruitment, we use multiple channels, including traditional online recruitment as well as emerging media platforms like Douyin and Xiaohongshu. The use of these channels helps us reach a broader audience and attract suitable talents for our positions.

### INOVANCE and Hunan University of Technology Co-Established "INOVANCE Class"

In April 2023, Hunan University of Technology and INOVANCE jointly established the industry-characteristic "INOVANCE Class." This collaboration is an implementation of the national "Revitalize the Country through Science and Education" strategy, advancing the integration of production and education, and the innovation of school-enterprise cooperation mechanisms. It represents concrete and effective measures to deepen the cooperative efforts in education, talent cultivation, employment, and development. "INOVANCE Class" carries out the "collaborative education" main function of universities and enterprises. Relying on the Electrical and Information Engineering College of Hunan University of Technology as the teaching platform, it began with the construction of the automation specialty. Combining the industrial advantages of INOVANCE in both parties jointly established an "industry characteristic" school-enterprise co-training class.

In the future, based on the new platform for joint training under the backdrop of full industrialization, through "joint planning," "student co-selection," "teacher co-education," "curriculum co-creation," "practical co-guidance," and "project co-training," the goal is to achieve a close integration of "theory and practice." The initiative aims to cultivate compound engineering application talents with excellence in both professional theory and professional capabilities.



"INOVANCE Class" School-Enterprise discussion meeting

## Employer Branding

### Honors and Awards

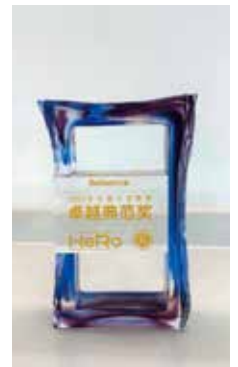
2023 China Talent Management  
Excellence Award

2023 NFuture Most Socially Responsible  
Campus Recruitment Employer

2023 Guangdong Exceptional Employer  
of the Year

2023 Employer Brand Management  
Model Award

2023 China's Best Employer with Outstanding Intelligent Manufacturing Spirit



## Overseas Corporate Culture Development

As the GLOCAL strategy fully implemented, the company continues to accelerate the attraction and placement of overseas talent. We adhere to the "One Team" philosophy, reshaping overseas talent development and team building. To spread corporate culture and enhance team communication, we undertake various initiatives including translating and disseminating internal company information, hosting training camps for overseas colleagues, organizing online and offline exchange activities, and inviting new overseas employees to visit China to better understand the corporate culture. Additionally, to foster a proactive atmosphere and extensive oversight, the company has established the Overseas Ethics Compliance Committee (OEC) team. This team is responsible for assisting in the implementation and conveyance of INOVANCE's core cultural values at overseas operations, handling special key incidents abroad, and aiding in compliance reviews and supervision of leadership conduct as per BCG guidelines. Through organizational and institutional safeguards and advocacy, the company enhances mutual respect and understanding among employees.



Overseas employees came to China to participate in the company's 20th anniversary celebration.



## 7.2.2 Talent Retention and Motivation

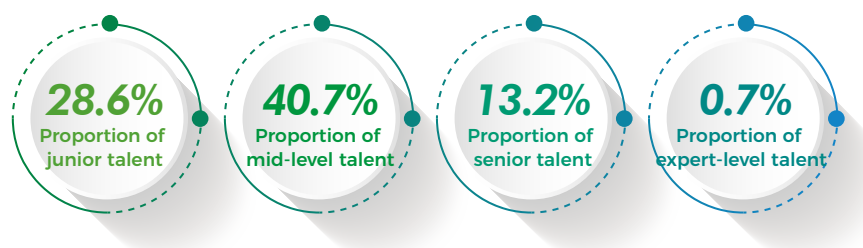
The company places a high priority on talent reserves and building talent echelons, offering targeted retention measures for different categories of talent, continuously optimizing the cadre care mechanism, and has constructed a "contributor oriented" compensation system and incentive mechanism. Additionally, it conducts human resource digital transformation in a "digitized" manner to enhance the management efficiency of the talent system.

### Talent Retention System

The company has established a retention system covering fresh graduates, socially recruited personnel, experts, and key position talents. For fresh graduates, in 2023, the company launched the "Three-Year Fresh Graduate" plan aimed at providing comprehensive training and growth opportunities for campus recruitment personnel. In the first year, graduates will quickly adapt to their work roles through mentorship and tiered learning; in the second year, they receive advanced training alongside practical work to further enhance their skills and technical levels; by the third year, they will have the capability to perform independently. This training plan helps campus recruits grow better and faster, significantly improving their capabilities in various aspects.

For socially recruited personnel, the company has established a "New Employee Training Mechanism." New employees are paired with dedicated mentors to help them integrate into the company and start operations swiftly. For experts, the company highly values and proposes a "One Axis, Four Lines" expert care mechanism aimed at helping experts better integrate into the company and fully utilize their value. For key position talents, the company categorizes them according to different levels of key tasks, continuously monitoring and evaluating them. When these talents face bottlenecks, the company actively creates opportunities to help them resolve issues.

### Company Talent Echelon Situation



### Cadre Care Mechanism




In 2023, the company established a series of cadre management systems, including "Selective Cultivation and Retention," and fully upgraded the cadre appointment system by introducing a tenure system and setting age limits for cadres to invigorate their dynamism. Additionally, we engaged external experts to conduct training on the concepts of mission and responsibility for cadres. The company also iterated and upgraded individual performance management for cadres, clarifying the performance metrics for both cadres and employees. Going forward, the company will further strengthen the care and management of mid-to-senior level cadres, including personal accountability, system building, and compliance.

## Employee Compensation and Incentives

Adhering to the core values of "contributor oriented" and principles of fairness and justice, the company has built a compensation system that includes salary, allowances, bonuses, long-term incentives, and statutory benefits. The company has established various compensation management systems, such as the *Employee Fixed Salary Management Method* and *Bonus Management Method*. Through job grading and performance assessment mechanisms, the company clearly directs contributions, adheres to "anti-mediocrity," and provides competitive compensation and benefits to inspire employee vitality and creativity.

Compensation-wise, based on the company's operational characteristics and talent strategy, the company adopts a partly leading compensation strategy, and for some key positions, a fully leading compensation strategy is applied. The company conducts job grading annually and reviews employee levels and compensation based on job grading standards, job compatibility results, and external competitive compensation insights.

## Talent Incentive Mechanisms

 <p><b>Benchmarking and Recognition</b></p>	<p>Annually, the company conducts recognition events to provide bonuses and honors to outstanding employees. In 2023, the company recognized 74 outstanding teams and 178 outstanding employees from the previous year.</p>
 <p><b>Equity Incentives</b></p>	<p>The company continues to launch equity incentive plans, creating a mechanism for employees to share interests with the company and motivate management teams, outstanding staff, and key talents. In 2023, the company implemented the sixth phase of the equity incentive plan reserved for 245 individuals and the second phase of the long-term incentive plan covering 118 individuals. As of the end of the reporting period, the ongoing equity incentive and long-term incentive plans covered 1,256 employees, accounting for 5.2% of the total company workforce, with non-senior management comprising 98.48%.</p>
 <p><b>Talent Subsidies</b></p>	<p>The company actively assists employees in applying for various talent subsidies to provide more benefits and support.</p>

## Digital Transformation of Human Resources

The mission of our company's digital HR initiative is "to drive human resources with digital intelligence, connecting every individual and every organization with digitized ideas and methods to continuously improve efficiency, experience, and safety." This mission is pursued through three main aspects: empowering business, empathizing with employees, and jointly pursuing a vision. These efforts aim to enhance the value of human resources and ultimately promote business success.

On a practical level, we address two core challenges: the mismatch between HR supply-demand capabilities and the alignment of organizational goals with individual motivations. Our approach involves systematic design integrated into business processes. For example, in the employee performance evaluation process, there is a "I want to develop" link, which advertises new positions that employees can apply for if interested, followed by appropriate feedback and arrangements after internal assessment.

Additionally, we actively explore the application of AI technology, using it to deeply understand employee profiles and job roles, treating AI as an agent for each employee. This enables matching of project opportunities, job transfers, group and team memberships, as well as connections between individuals with similar interests and hobbies. Through AI's intelligent matching, effective interactions and resource sharing among employees are achieved, realizing the true essence of "INOVANCE of INOVANCE People."



## 7.3 Employee Training and Development

INOVANCE upholds the talent philosophies of "Responsibility, Professionalism, Enterprise" and "Pragmatism, Positivity, Diversity." In alignment with the company's development strategy and employee growth demands, it actively constructs a development platform that values "people," providing rich and high-quality learning and growth opportunities to support individual growth and career development. This also empowers the talent reserves and development across the entire industry ecosystem.

### 7.3.1 Employee Training System

INOVANCE places high importance on talent development, establishing a training system for employees at different levels and categories. Through various learning methods such as course training, specialized studies, and offline intensive training, the company offers abundant learning resources aimed at developing leadership in managers, professional and technical skills in employees, and collaborative business capabilities within the ecosystem. The company has formulated systems and procedures such as *INOVANCE New Employee Training Management System*, *INOVANCE Outsourced Training Management System*, *Course System Document*, *Training Management Procedures* to ensure the effective and standardized operation of the employee training system.

Since establishing the "INOVANCE Academy" (originally named "INOVANCE University") in 2018, the company has continually enhanced and strengthened the construction of its employee training system. It shoulders the mission of "accelerating the growth of talent in the INOVANCE ecosystem through a training-to-combat approach," adopting a tripartite core methodology of "situational reproduction, case study, and training combined with combat." This approach is used to create high-quality training programs and courses, develop outstanding internal instructors, and accumulate, consolidate, and share internal organizational wisdom, providing professional and high-quality training resources to meet the learning needs of employees.

During the reporting period, the total duration of training provided to employees reached 686,347.40 hours, with an average training duration of 26.93 hours per employee, achieving a training coverage rate of 100%.

Total Training Duration <b>686,347.40</b> hours	Average Training Duration <b>26.93</b> hours	Employee Training Coverage Rate <b>100</b> %
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## Leadership Development

The company focuses on the training and development of management talent, establishing multi-level management talent echelons based on the cadre's four competencies, around the "three do's and three builds" manager role model. A leadership training system for managers has been established, matching leadership enhancement elements according to different management levels to promote and leverage key leadership roles.

**For potential management talents**, the RMT (Rising Manager Training) program is conducted, which includes pre-training learning, offline intensive training, and personal real-world application. This program is designed to awaken management awareness, train management thinking, and help participants prepare for management roles early. In 2023, the RMT program trained 178 individuals across 4 classes, with 43 hours of offline intensive training.

**For newly appointed managers**, the NMT (New Manager Training) program is conducted, focusing on real management scenarios for new managers, using case studies to systematically enhance the comprehensive management capabilities of new managers through individual and team projects, further encouraging practical application. In 2023, the NMT program trained 120 people across 3 classes, with 74 hours of offline intensive training.

**For middle-level managers**, the MMT (Middle Manager Training) program incorporates content on change and culture into the curriculum to keep pace with business development, includes external experts for action learning, and establishes company-level research projects to continuously enhance the ability of participants to solve complex problems, thus supporting company development. In 2023, the MMT program trained 42 individuals, with 85.5 hours of offline intensive training.

**For senior managers**, the TMT (Top Management Training) program includes collective learning such as the chairman's 20th-anniversary keynote speech and wisdom from *The Book of Changes*, producing a wealth of excellent insights and experiences on life wisdom. The program also includes open classes on *The Book of Changes* and the first INOVANCE cadre conference, helping senior cadres of INOVANCE grasp the wisdom of *The Book of Changes* and forge a leader's spirit. In 2023, more than 170 participants were involved in the TMT program, with 30 hours of concentrated online learning.

## Professional and Technical Competence of Employees

We believe that only through long-term focus can one become truly professional. A combination of professionalism and long-termism embodies the "obsessive" traits necessary for the pursuit of excellence. Therefore, to enhance the professional abilities and technical skills of our employees, the company has established a series of learning programs that correspond to the employees' growth trajectories. These programs focus on business scenarios and pain points, distill best practices in business, and foster solutions through collaborative innovation, thus developing a robust team of professionals across various fields.

In 2023, the company continuously offered the ART training program for junior and intermediate marketing managers to enhance the comprehensive sales capabilities of marketing personnel; the advanced SRT training program for solution representatives to boost their competencies in crafting competitive solutions; the RPT training program for research and development project managers to enhance their project management skills; and the CPT training camp for chief product officers to improve product managers' market insights, demand management, and product definition skills. In 2023, the ART program launched one junior class and two intermediate classes, training a total of 130 people; the SRT program launched two advanced classes, training a total of 84 people; the RPT program launched one intermediate class, training 36 people; and the CPT launched a PMT junior class, training a total of 63 people.

In 2023, driven by strategic imperatives and the actual development needs of the business, the company continuously launched new projects and iterated on existing training programs to enhance the capabilities of both the organization and its employees:

**In 2023, the company launched the Digital Transformation Gold Seed Training Camp (DST) training program for the 3+2 business backbones, change agents, data BPs, and IT personnel involved in the digital transformation process.** The program was designed to help participants utilize enterprise architecture and data governance methods to aid the company's digital transformation efforts. The DST program consisted of three classes that trained a total of 161 people, divided into three phases, with 76 hours of offline intensive training.

**The company also introduced the General Project Management for Automation (GPMT) project for market system project management personnel.** This project integrated external benchmark management concepts and courses, progressively building a company-wide project management training system to enhance employees' project management awareness and skills. In 2023, the GPMT project offered three classes, training a total of 203 people, with 24.5 hours of offline intensive training.

**The Business Vanguard Training Camp (BVT) is a development program designed for core operational talents within heavyweight teams.** The program included directors and reserve directors of SPDT, totaling 37 individuals. Based on its 2022 initiatives, the 2023 BVT introduced a new action learning training model, conducted three intensive training sessions totaling 58.5 hours, and carried out two rounds of action learning, resulting in solutions for ten interdisciplinary challenges. The project fostered a culture of team co-creation during its execution, fully engaging the collective intelligence of the directors, enhancing mutual business understanding among participants, and improving cross-disciplinary operational capabilities within significant teams.

## Business Collaboration in the Ecosystem

In alignment with strategic planning and business development, the company has summarized and solidified the essence and wisdom of its rapid management growth, sharing our advanced concepts and methods with ecosystem partners to continually promote the accelerated training of ecosystem talent, and achieving mutual progress and success with ecosystem partners. Facing customers, channel partners, and investment enterprises among other collaborators, we have launched targeted training programs to foster the development of ecosystem talents across multiple dimensions and levels.

**For the technical personnel of INOVANCE customers,** we launched the IET Ecosystem Technical Capability Empowerment Project, providing both standard and customized training solutions to strengthen the technical personnel's product application skills and support customer business enhancement. In 2023, the IET project established 10 classes, training a total of 141 people.

**The Distributor Technical Capability Training and Certification Project primarily targets technical personnel within the INOVANCE Distributor system,** aiding in the upgrade of agent technical capabilities. In 2023, a total of 16 projects were launched, training 519 technical personnel from upstream and downstream industry chain partners.

**Targeting mid-to-senior level managers within INOVANCE 's invested companies,** we initiated the Outstanding Partner Training Camp (OCT) project, aimed at fostering the incubation of the INOVANCE Investment Ecosystem. The project facilitated mutual visits and support among various enterprises, establishing business connections and promoting benefit enhancement. In 2023, the OCT project set up one class, training 42 people, with 80 hours of offline intensive training.

Employee Training Categories	Training Program	Target Participants	Main Content
<b>New Employee Training</b>	New Power Training Camp (NPT)	All campus-recruited new employees	Focusing on Corporate Culture Integration: By employing a variety of learning methods, humanities education is integrated throughout the project to help new employees understand the company's cultural values and enhance their cultural identification.
	New Energy Training Camp for Socially Recruited Employees (NET)	All socially recruited new employees	
	New Employee Tutor Training camp (NTT)	New employee mentors	
<b>Management Talent Training</b>	Rising Manager Training Camp (RMT)	Reserved cadres identified from various systems	Creating a Continuous Learning Environment for Managers: By introducing external experts and sharing internal organizational knowledge, a continuous learning atmosphere and mechanism are created for managers.
	New Manager Training Camp (NMT)	Newly promoted managers	
	Middle Management Training Camp (MMT Project)	Middle-level managers (including director-level and senior manager-level cadres)	
	Senior Management Workshop (TMT)	Assistant director-level and above managers and level five experts	
<b>Professional Talent Training</b>	Account Responsibility Training Camp (ART)	Marketing personnel primarily from the general market department	Focusing on Business Scenarios and Pain Points: We summarize INOVANCE's best business practices, providing specialized empowerment to cultivate professionals in marketing, R&D, digital transformation, solutions, and project management.
	Solution Representative Special Training Camp (SRT)	Core talents from the Vertical Solutions Center	
	General Automation Project Management (GPMT)	Project management personnel in the market system	

Employee Training Categories	Training Program	Target Participants	Main Content
<b>Professional Talent Training</b>	Digital Transformation Gold Seed Training Camp (DST)	3+2 Key business backbone, Transformation projects members, data business partners, IT personnel	Focusing on Business Scenarios and Pain Points: We summarize INOVANCE's best business practices, providing specialized empowerment to cultivate professionals in marketing, R&D, digital transformation, solutions, and project management.
	R&D Project Manager Training Camp (RPT)	Level 3 general project management talent in R&D management	
	Business Vanguard Training Camp (BVT)	Core operational talents from Heavyweight Teams	
	Chief Product Officer Special Training Camp (CPT)	Marketing team members	
<b>Training of Engineering and Technical Talents</b>	New Force Special Training Camp (NFT)	Newly-recruited Graduates at Marketing Positions	Technical Knowledge and Skills Training for Marketing Employees: Technical knowledge and skills training are conducted for market system employees to help them understand and familiarize themselves with INOVANCE's star products and project technical knowledge, enhancing their product application capabilities.
	Market Intermediate Technical Training Program	Rookies with 1-2 Working Experience at Marketing Positions	
	Creation Camp Project	Interns at Marketing Positions	
<b>Professional Talent Training</b>	Outstanding Manager Training Camp (OMT)	Management level of INOVANCE's customers	Combining Strategic Planning and Business Development: We summarize and consolidate the essence and wisdom of our rapid development, sharing our concepts and methods with ecosystem partners to continuously accelerate the training of ecosystem talent and achieve mutual progress and win-win outcomes with ecosystem partners.
	Channel CEO Training Camp (ODT)	High-level Managers of Distributor	
	Outstanding Partner Special Training Camp (OCT)	Mid-to-senior level managers within INOVANCE's Invested companies	
	ART External Project	Key sales personnel within INOVANCE's Distributor system	
	Channel Technical Capability Training and Certification Project	Technical personnel within INOVANCE's Distributor system	
	IET Ecological Technical Capability Empowerment Project	Technical personnel of INOVANCE's customers	

## Online Learning Platform Construction

To facilitate more flexible, convenient, and autonomous learning for employees, the company has established an online learning platform for knowledge accumulation, exchange, and sharing. In 2023, the platform accumulated 8,398 courses, launched 10,317 learning projects, with 24,991 active user accounts, and totaled 426,427.40 hours of learning.

## Internal Trainer System

Outstanding instructors and high-quality courses are the soul of INOVANCE Academy. In 2023, focusing on the company's and various systems' talent training needs, the portrait of instructors and the "select, train, use, retain" process for instructors were continuously upgraded. Course development and teaching methodologies were iterated, and the instructor system was strengthened to continuously cultivate and output excellent instructor resources, empowering employee career development. In 2023, the company conducted 5 junior instructor certification classes, 1 intermediate instructor certification class, and 1 senior instructor certification class, certifying 179 junior instructors, 33 intermediate instructors, and 33 senior instructors, and awarded the title of "Gold Medal Instructor" to 4 individuals.

## 7.3.2 Employee Promotion and Development

In terms of employee promotion and development systems, the company has built a comprehensive career development channel based on job sequences, including management, professional, project management, and skilled talent pathways. The professional pathway, relying on job qualifications, aims to pull employee capabilities for improvement and development. The company has established promotion management systems such as Company updated the *INOVANCE Qualification Management System* and *Management Regulations for Work License Implementation* as guidelines for employee promotion and development, providing a clear path for career development and effectively preventing potential discrimination in the career development and promotion process.

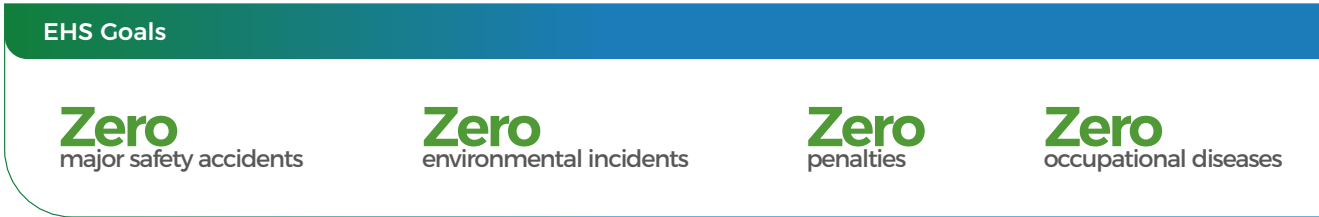
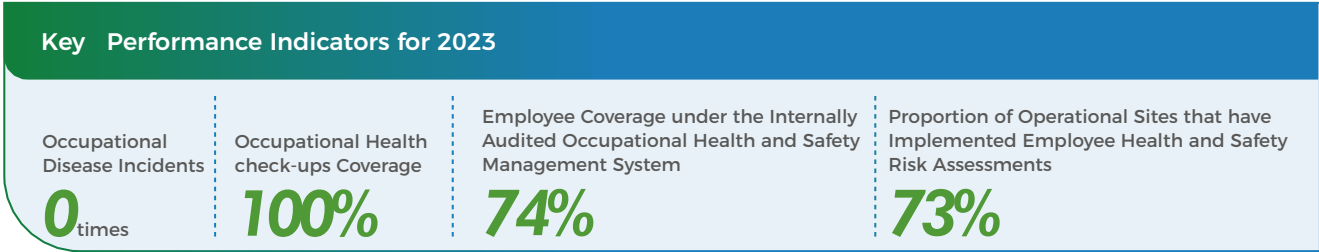
Every year, based on job qualification standards, the company conducts employee capability certifications, making employee abilities explicit, placing the right employees in the right positions through job matching, and providing an internal talent circulation mechanism to promote internal mobility. Specifically, for hybrid key positions such as project managers and product managers, based on the principle of "where they come from, where they go," a preliminary cross-position talent development path has been formed.

In terms of employee performance assessment and promotion, the company has established systems like *Individual Performance Evaluation Process*, following a performance assessment flow that includes performance goal setting, performance coaching, performance evaluation, performance result interviews, performance appeals, and performance result application and archiving. Every 6 months, a performance evaluation is conducted for all employees, and the results are used as the basis for employee promotion, development, and salary adjustments. During the reporting period, 100% of the company's employees underwent regular performance and career development evaluations.

## 7.4 Occupational Health and Safety

INOVANCE adheres to the safety policy of "safety first, prevention foremost, and comprehensive management." With a long-term goal of achieving four "zeroes" in EHS, it continuously improves the occupational health and safety management system, strengthens safety risk management and safety culture construction, advances occupational disease prevention and control, and promotes general occupational health knowledge, safeguarding employees' occupational health and safety.





## 7.4.1 Safety Production

### Safety Management System

INOVANCE strictly adheres to the *Safety Production Law of the People's Republic of China* and the legal and regulatory requirements of each operating location. The company has established systems such as the *INOVANCE EHS "Three Simultaneous" Management System of Construction Projects* and *INOVANCE Safety Performance Assessment System*. It continuously improves the safety production management system, covering all aspects of corporate operations.

Core EHS Management Systems	
<i>INOVANCE EHS "Three Simultaneous" Management System of Construction Projects</i>	<i>Occupational Health Management System</i>
<i>NOVANCE Work Injury Accident Handling Procedures</i>	<i>Hazardous Waste Management System</i>
<i>Safety Performance Assessment System</i>	<i>Confined Space Safety Management System</i>
<i>EHS Rewards and Penalties Management Procedures</i>	<i>R&amp;D Laboratory Safety Management System</i>

The company has established a Safety Production Committee (hereafter referred to as the "Safety Committee"), responsible for the overall management of company safety production, the development of technical measures and occupational health and safety plans, safety production inspections, and supervision. The chairman serves as the committee leader and the highest responsible person, with the director of the president's office serving as the deputy leader. Under the committee, a Safety and Environmental Protection Department is responsible for advancing specific EHS management tasks. Additionally, the Safety and Environmental Protection Department appoints EHS commissioners in major factories and subsidiaries to convey and implement headquarters' EHS requirements, reporting directly to headquarters about the EHS situations.

To ensure the effective execution and continuous improvement of the company's safety management work, regular Safety Committee meetings are convened based on the establishment of the Safety Committee, and EHS-related policies, hazard prevention measures, and supervision reviews are discussed and improved.

As of the end of 2023, the Safety Committee consists of 13 members, representing 100% of the employees; the company has conducted one Safety Committee meeting, reviewing and enhancing two safety management system documents.

## Safety Risk Control

To effectively identify and control occupational health and safety risks, the company follows management documents such as the *Hazard and Environmental Factors Identification and Assessment System*, establishing procedures for hazard identification, assessment, and control. Annually, the company identifies and categorizes occupational health and safety risks associated with company activities, products, services, and operating conditions.

In identifying and assessing occupational health and safety risks, the company uses relevant standards and guidelines to identify hazards, applying intuitive experience and hazardous conditions assessment methods for risk evaluation. The hazardous conditions assessment method is a semi-quantitative evaluation of hazards when operating in potentially hazardous environments, using the probability of an accident (L), the frequency of exposure to hazardous environments (E), and the potential consequences of an accident (C) to determine the hazard score (D) and thus the hazard level.

In terms of risk control, the company develops corresponding risk control plans and measures for different hazard levels, using a "PDCA" work mechanism to continuously monitor and improve safety risks.

During the reporting period, the company experienced no fatalities, and the proportion of operational sites that implemented employee health and safety risk assessments was 73%.

## Emergency Management

To rapidly respond to and effectively control various occupational health and safety incidents, minimizing personnel casualties and property damage from accidents, the company has formulated and released the *Production Safety Accident Emergency Rescue Plan*, which includes one comprehensive emergency plan, five specific emergency plans, and five on-site handling schemes.

The company regularly organizes all employees to conduct emergency drills to enhance their ability to manage accident risks. This year, the company organized all employees to conduct 10 emergency drills, covering categories such as fire, personal injury, food poisoning, and severe weather. In the future, the company will expand the range of emergency plans and exercises, continuously improving and enhancing its risk response and emergency capabilities.

## Suzhou INOVANCE Fire Evacuation Drill

During the 2023 EHS Activity Month, Suzhou INOVANCE organized 5 fire drills, covering various Suzhou INOVANCE factory areas, with 3,418 participants, reaching a historical high in both coverage area and participant numbers. The drills mainly pre-enacted various scenarios where fires could occur, ensuring that employees understand and are familiar with the entire emergency process of fire evacuation and escape. The Wu Zhong District Fire Brigade was invited to



Suzhou INOVANCE Fire Evacuation Drill

conduct real-life training projects, including fire truck entry into the factory area, ladder rescues, and fire equipment operation training, further enhancing employees' safety awareness and emergency self-rescue capabilities, accumulating valuable experience for dealing with real fires. After the drills, management departments organized improvement measures for issues identified during the exercises and refined the emergency plans to ensure that the company's emergency plans are more scientific, reasonable, and efficient.

## Hazardous Chemicals Management

To prevent the impact of hazardous chemicals on employee health, the company has established systems such as the *Chemical Management System* and *Integrated Supply Chain Hazardous Chemicals Management Standards*, managing the entire process of purchasing, transporting, handling, storing, and disposing of hazardous chemicals:

- Purchasing Hazardous Chemicals:** Reviewing the supplier's hazardous chemical production qualifications, chemical safety data sheets, and chemical safety labels; requiring purchasing personnel to be trained and certified before starting work.
- Transportation and Handling of Hazardous Chemicals:** Reviewing the qualifications of transportation vehicles, escort personnel, and loading/unloading staff, and establishing strict operating standards.
- Storage of Hazardous Chemicals:** Using specialized warehouses equipped with relevant safety devices, uniformly marked and stored by category; regularly inspecting storage conditions and promptly making corrections.
- Use of Hazardous Chemicals:** Strictly controlling the usage and operation process; requiring operators to be certified and wear prescribed protective gear during operations.
- Disposal of Hazardous Chemicals:** Prohibiting direct discharge or disposal, collecting all waste uniformly, and entrusting it to a third party for professional disposal.

## Safety Production Review

The company has established a multi-category, multi-level occupational health and safety internal review mechanism, conducting regular inspections weekly, monthly, and annually to identify safety risks at all sites and propose corrective measures for potential hazards, monitoring and following up on remediation.

•**The Safety and Environmental Protection Department**, as the executing agency, conducts routine on-site inspections of all workshops and areas monthly and supervises the correction of identified hazards.

•**The Supply Chain EHS conducts its own monthly inspections**, including but not limited to equipment safety-related issues.

•**Shift leaders and team leaders** in the production plants conduct weekly inspections. Based on their listed issues, the Safety and Environmental Protection Department develops corresponding measures and deadlines for remediation, provides targeted remediation guidance, and after completing the remediation cycle, requires uploading photos of the remediation for review and confirmation by the Safety and Environmental Protection Department, forming a PDCA work mechanism.

During the reporting period, the Safety and Environmental Protection Department completed monthly safety production reviews for all production areas, identifying 747 hazards, with a remediation rate of 100%. Health and safety guidelines were written in the languages most used by employees, ensuring broad comprehension and adherence.

## Safety Culture Development

The company regularly conducts safety education and training for all employees through a combination of online, offline, and practical drills to improve employees' safety skills and awareness. During the reporting period, safety knowledge training was conducted for all staff, along with six specialized safety trainings, including first aid, fire safety, and occupational disease prevention, covering 18,292 employee participants. The training also extended to subcontractors and partners required to work on-site.

## Safety Production Month

In 2023, under the theme "Everyone Speaks Safety, Everyone Knows Emergency Response," we conducted a nearly two-month-long Safety Production Month event, including publicity and education, first aid training, online knowledge quizzes, escape room experiences, and fire emergency drills.

### Online Safety Knowledge Competition

To thoroughly implement the company's occupational health and safety management policies and systems, further popularize knowledge of safety production, and enhance the safety awareness of leaders at all levels, as well as employees in various departments and subsidiaries, the company organized an online safety knowledge competition during the Safety Production Month in 2023. A total of 6,493 individuals from 24 departments and subsidiaries participated in the competition, with a total of 10,726 participants. Among them, 400 individuals won prizes, making the winning rate 6.2%.



Online Safety Knowledge Competition

## First Aid Training

To enhance the safety awareness of safety personnel and equip them with basic emergency first aid knowledge and skills, enabling them to effectively administer self-aid and mutual aid in the event of accidental injuries, thereby minimizing loss of life and property, the company conducts first aid training for relevant personnel at the safety management institute level. The training primarily covers commonly used techniques such as "Cardiopulmonary Resuscitation (CPR)" and "First Aid Safety Tips for Burns, Fractures, etc." A total of 34 safety inspectors, secretaries, and front desk staff participated in the training. Those who pass the training will receive a "First Aid Training Certificate" issued by the Red Cross.



Practical First Aid Training



Theoretical Knowledge Training in First Aid

## Fire Safety Month

To implement fire accident prevention measures, strengthen fire safety supervision, eliminate fire hazards, maximize the prevention and reduction of casualties and property damage caused by fire accidents, and enhance the fire safety awareness and self-rescue skills of employees, the company organized the Fire Safety Month event. Additionally, the company has established a volunteer fire brigade, currently consisting of 9 certified members.



Fire Safety Skills Competition



Company Volunteer Fire Brigade



Safety Promotion Posters



Safety Information Board

## 7.4.2 Occupational Health Management

INOVANCE places great importance on employee occupational health and safety, strictly adhering to the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and regulations of each operating location. The company has established the *Occupational Health Management System, EHS Rewards and Penalties Management Procedures*, and other system standards, with the long-term goal of "zero occupational diseases." It builds and continuously improves the occupational health and safety management system from the aspects of institutional protection, risk management, and daily protection.

During the reporting period, 11 companies and subsidiaries passed the ISO 45001:2018 Occupational Health and Safety Management System certification, an increase of 4 compared to the previous year, due to new operational sites being put into use. Currently, 73% of significant operational sites have passed the ISO 45001:2018 certification. The company's occupational health and safety management system covers 78% of employees, both internally and externally audited.

## Occupational Disease Prevention and Control

In terms of occupational disease protection, the company deepens employee prevention and treatment, strictly implements the *Three Simultaneous* measures for occupational health, compiles occupational disease hazard assessment reports, implements occupational disease prevention engineering measures, and conducts regular on-site occupational disease hazard detection and occupational health-related hidden danger inspections annually, monitoring and rectifying occupational disease risks. Identified occupational disease hazards this year include noise, acrylic acid, tin dioxide, and butyl acetate.

Furthermore, the company strengthens the management of employees' occupational health, providing occupational health services to employees. For all employees, regular health examinations are conducted; for employees involved with occupational hazards, occupational health records are established; for employees exposed to physical injuries and occupational disease hazards, supplemental health insurance is purchased; for employees in positions with physical injury and occupational disease risks, personal protective equipment (PPE), such as earplugs for those exposed to noisy environments, is provided to ensure their health and safety during work. Additionally, we enhance human-machine safety design and add equipment safety acceptance processes to further fortify the occupational health and safety defenses for employees.

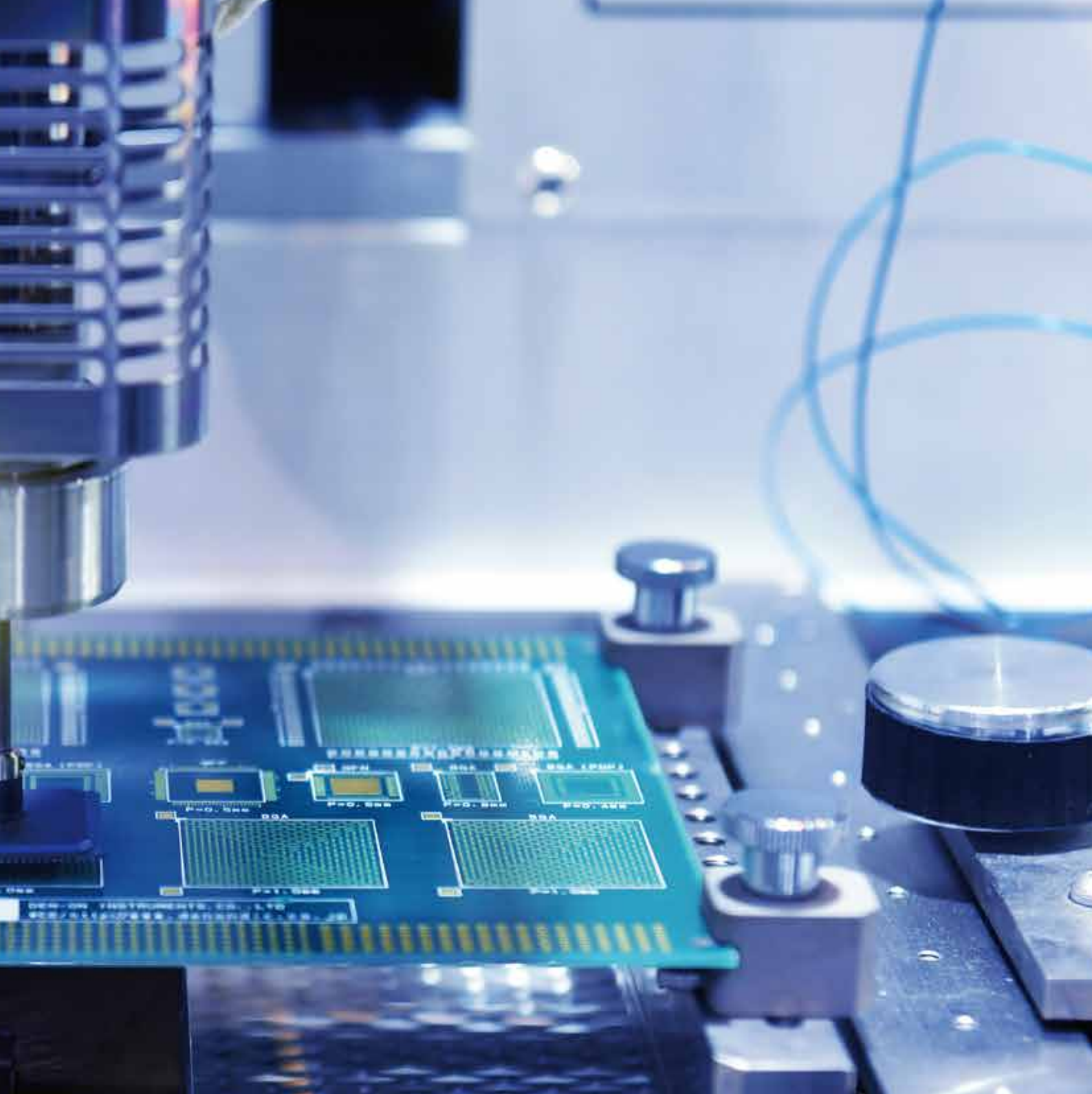
During the reporting period, the company achieved a 100% occupational health examination coverage rate, with no occupational disease incidents or deaths caused by occupational diseases reported.





# **INCLUSIVE AND RESPONSIBLE ECOSYSTEM BUILDING**





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# Inclusive And Responsible Ecosystem Building

## 8.1 Building A Sustainable Supply Chain

INOVANCE regards suppliers as important partners and is committed to collaborating with upstream and downstream partners in the supply chain to promote the sustainable development of the entire value chain.

The company not only emphasizes the crucial support role of the supply chain in delivering high-quality products and services, continuously enhances the resilience of the supply chain, and guarantees the security of the supply chain, but also pays special attention to the sustainable management of supply chain in operational activities, maximizes the value creation potential of the supply chain in environmental, social, and governance aspects. This effort aims to facilitate the establishment of a green, secure, friendly, resilient, and fair business ecosystem.



### 8.1.1 Building A Resilient Supply Chain

As the global political and economic situation becomes increasingly turbulent and the accelerated reconstruction of the global industrial chain, supply chain security has gradually become a crucial factor affecting the sustainable development of enterprises, and enhancing supply chain resilience is one of the main development trends of supply chain management. Based on global and industry development insights, INOVANCE continued to strengthen the supply chain's anti-risk capability in 2023, and carry out supplier Multi-Tier Management and Business Continuity Management (BCM), optimized the capability assessment of suppliers in TQRDC, enhanced cooperation with key suppliers, aiming to construct an autonomous, controllable, safe, and efficient supply chain.

#### Supplier Multi-Tier Management

In 2023, INOVANCE continued to categorize and classify suppliers across the entire group, divided suppliers into levels based on cooperation and performance dimensions, and into categories based on the tier of raw material supply and product operation methods (see the table below for details).

##### Supplier Multi-Tier Management

By Cooperation Level		By Performance Level		
Strategic Supplier	Supplier to be concerned	Excellent Supplier	Supplier to be improved	
Key Supplier	General Supplier	Qualified Supplier	Non-Qualified Supplier	

By Tier of Raw Material Supply		By Product Operation Methods		
Tier 1 Supplier	Multi-Tier Supplier	Manufacturer	Agent/Trader	Service Provider

In 2023, the company formulated and issued the *Multi-Tier Supplier Management Standards*, which involved analyzing upstream raw materials for key materials, determining the scope of Multi-Tier Supplier Management, and proposing management requirements for Multi-Tier Suppliers based on aspects such as technology, quality, supply, and cost.

During the reporting period, all tier-2 suppliers, in addition to tier-1 suppliers, have been 100% included in supplier management. Moreover, the company has also implemented unified group management for suppliers of the same category.

### Business Continuity Management

In 2023, the company continued to focus on the construction of the BCM system. The company redefined and assigned label attributes to manufacturers, materials, and molds based on the needs of Business Continuity Management, and formed a list of three categories for decision-making reference. The Company conducted business continuity risk assessment and classified risk levels and risk event scenarios on a quarterly basis. The company has formed a Business Continuity Plan (BCP), which describes in detail the countermeasures and implementation plans of each department to avoid, mitigate and cope with the relevant risks, and specifies the emergency response mechanism and decision-making procedures. During the reporting period, the Company conducted a business continuity risk event drill, simulating a scenario of business interruption caused by the supply disruption of core components, which helped to refine contingency plans for such events.

### Lifecycle Management

INOVANCE has established an internal lifecycle management system for suppliers at different stages, covering supplier registration, admission audit, performance evaluation, empowerment training, and phase out, all tracked within the management system. In addition to the TQRDC assessment, INOVANCE has incorporated ESG audit in the supplier admission stage to investigate suppliers' environmental, social and ethical aspects.

The company conducts TQRDC assessments on suppliers annually, with monthly assessments on suppliers' quality and delivery performance, and semi-annual overall assessments on TQRDC. The TQRDC assessment is led by the Procurement Strategy Team and assisted by SQE. The Procurement Strategy Team formulates an annual assessment plan and confirms the assessment list according to supplier categories and transactions, coordinating with SQE to execute the assessment, and ultimately generates an assessment report with excellent, qualified, to be improved and non-qualified ratings. For suppliers who do not pass the performance assessment, the company carries out empowerment training to facilitate continuous improvement in supplier performance.

### Key Supplier Cooperation

During the reporting period, INOVANCE strengthened cooperation with suppliers represented by strategic suppliers to create high-quality products and build component-level solutions through co-creation and co-research, forming a competitive industrial chain based on digitalization and innovative concepts, and promoting industrial progress and sustainable development.



INOVANCE's 2023 Supplier Conference

## 8.1.2 ESG Management of the Supply Chain

INOVANCE places great emphasis on ESG management for its suppliers. In 2022, the Integrated Supply Chain Management Department established a dedicated Dual Carbon Office to lead sustainable supply chain management. The company's supplier ESG management includes five phases: supplier admission, maintenance, audit, performance improvement, and phase out, and dynamic tracking and control of supplier activities related to environmental impact, labor and human rights, sustainable sourcing (conflict minerals), business ethics, etc, covering all suppliers.

### Supplier Admission

The company has incorporated EHS and CSR assessment standards into the supplier admission assessment. During the reporting period, 100% of the 251 new suppliers completed ESG information collection and admission audits.

New Suppliers are required to sign the *INOVANCE Supplier Management Contract* and the *INOVANCE Honest Cooperation Agreement*. During the reporting period, all new suppliers have signed both agreements.

### Supplier Audit

INOVANCE conducts annual assessments and on-site audits of suppliers in terms of Environment, Health and Safety, Business Ethics and Corporate Social Responsibility.

In 2023, INOVANCE introduced "Low-carbon Management" as an additional scoring criterion for supplier evaluations, aiming to encourage suppliers to conduct GHG inventory, energy efficient utilization, and carbon reduction initiatives.

### Supplier phase out

The company ends the relationship with suppliers who engaged in significant illegal activities or behaviors that seriously affect the operation and management of INOVANCE. Behaviors that seriously affect the management of INOVANCE include but not limited to major supply accidents, major quality issues, leakage of confidential information incidents, major security accidents, and violations of business ethics, which cause business interruptions, asset losses, threats to personal safety, and damage to reputation.

### Supplier Maintenance

The company invites suppliers to continuously improve and supplement ESG information, including but not limited to 14 categories of information such as greenhouse gas emissions, energy consumption, water consumption and renewable energy utilization. During the reporting period, the invitation rate of INOVANCE to improve ESG information of important suppliers reached 100%.

In cases where the type of collaboration with a supplier is upgraded from single-category to multi-category material cooperation, INOVANCE will conduct a re-evaluation of the ESG information for such suppliers and invite them to provide additional information.

### Supplier Performance Improvement

The company conducts management assessments on the top 80% of suppliers of the headquarters' procurement amount and all suppliers under the subsidiary INOVANCE Automotive (the assessment includes the dimension of green and low-carbon development), and issues assessment reports for the items of the suppliers that do not comply with the assessment criteria, and supports them to continuously improve the relevant performance.

The company regularly organizes ESG Empowerment Training activities for suppliers to support the development of their ESG capabilities. During the reporting period, INOVANCE has conducted 2 supplier ESG training sessions, which included green supply chain, "dual carbon" and anti-corruption.



## Responsible Sourcing

As a responsible listed company, INOVANCE actively implements responsible sourcing behavior and has integrated ESG into our daily sourcing management, aiming to strengthen compliance operation, encourage suppliers' ESG practice and standardize trading behavior.

## Conflict Minerals Management

The Company has issued the *Measures for Control and Management of INOVANCE Conflict Minerals* explicitly committed to not using 3TG (Gold, Tantalum, Tungsten and Tin) produced in conflict mineral areas such as Congo and its surrounding countries and regions. The *INOVANCE Supplier Management Contract* states that our products comply with the Conflict-Free Sourcing Initiative (CFSI), prohibiting suppliers from providing

conflict minerals or their derivatives sourced from conflict-affected regions mentioned above. The Company's production process involves the use of gold (Au) and tin (Sn) mineral resources. During the reporting period, the company conducted conflict minerals investigations on suppliers providing these 2 types of minerals and did not find any suppliers using conflict minerals. The proportion of relevant mineral suppliers that have signed the *Conflict-Free Minerals Commitment* reached 100%.

## GHG Management

The company is committed to jointly promoting the green and low-carbon transformation of the supply chain with our partners. At the 2023 Supplier Conference, we clearly communicated the company's "2850" and "3030" goals to our supply partners, and launched the "Carbon Reduction Leading 3030" initiative in response to the target of "reducing the GHG intensity of our major suppliers by 30% by 2030 compared to 2021". In 2023, the company simultaneously revised and updated the *INOVANCE Supplier Management Contract*, supplementing and refining the management content and requirements for green and low-carbon development in addition to existing requirements related to Environmental, Social, and Human Rights aspects. During the reporting period, the company completed a directional information collection on GHG emissions for suppliers included in the evaluation.



Launching Ceremony of "Carbon Reduction Leading 3030" Initiative at INOVANCE's 2023 Supplier Conference

## Management of Hazardous Chemicals and Hazardous Substances

The company establishes a management system for hazardous chemicals and hazardous substances following the *Regulations on Safe Management of Hazardous Chemicals in China*, *EU RoHS Directive*, *EU REACH Regulation*, and other laws and regulations in the places of operation.

The company manages the importation, procurement, transportation, loading & unloading, warehousing, storage, issuance, requisition, use, and disposal of hazardous chemicals based on the *Chemical Management Procedure* and the *ISC Hazardous Chemicals Management Standards*, with the goal of "zero chemical safety incidents". Before importing hazardous chemicals, the R&D Department must provide the *Material Safety Data Sheet (MSDS)* to the EHS Department for review. The company requires suppliers to comply with the specifications for the use of materials, the incoming materials to meet the requirements of environmental and safety supervision authorities, and the use of dedicated vehicles to ensure the safety of transportation. At the

supplier admission stage, the Procurement Center must review the supplier's qualifications for the production, transportation, and disposal of hazardous chemicals and waste water, gas and solid waste treatment, while the SQE reviews suppliers' clear labels, control procedures and storage environments for flammable, corrosive and toxic chemicals. During the reporting period, 100% of key suppliers passed the review of hazardous chemicals management and RoHS compliance.

In response to RoHS 2.0, the company conducts assessments and audits for hazardous substances in the Supplier Survey Report (SSR), Supplier Quality Process Audit (QPA), and Incoming Quality Control (IQC) on a monthly and quarterly basis. We have RoHS testing equipment that enables direct testing of hazardous substances in incoming materials.

### **Ethical Business Practices**

The company advocates Transparent Procurement and Integrity Transactions, requiring suppliers to abide by business ethics and eliminate any illegal and irregular business behavior. INOVANCE regularly conducts supplier training and dissemination of business ethics every year. In the 2023 Supplier Conference, the company conducted special policy briefings and training sessions for suppliers on integrity, compliance, and business ethics. During the reporting period, there were no instances of suppliers being removed from INOVANCE's supply chain due to major ethical violations or safety accidents. All the new suppliers completed the signing of the *INOVANCE Honest Cooperation Agreement*.

### **Local Sourcing**

To further enhance supply chain resilience and promote local economic development, INOVANCE has adopted strategies of "Local Development", "Supplier Relocation" and "Globalized Supply".

From 2024, the company plans to intensify efforts to develop local suppliers and continuously increase the proportion of localized sourcing. According to the construction process of production bases, the company will guide the relocation of suppliers to ensure the continuity of local supply. Additionally, as the pace of going global accelerates, INOVANCE will lay out a globalized supply chain to further enhance the resilience of the

## **8.2 Promoting Industrial Cooperation and Development**

"Advancing industrial technology for a better world" is the vision of INOVANCE. The realization of this vision relies on comprehensive communication and collaboration throughout the industrial chain, as well as on technological innovation, talent exchange and wisdom sharing among industry ecosystem partners. In 2023, INOVANCE continued to strengthen industrial ecosystem cooperation, enhancing the company's collaborative capabilities throughout the industry chain, and working together with ecosystem partners to promote sustainable development of the industry.

### **Industrial Ecosystem Collaboration Strategy**

INOVANCE ecosystem's industrial ecosystem collaboration is coordinated by the Department of Ecosystem Strategic Development in collaboration with various departments. In 2023, INOVANCE focused on integrating industry and education, organizing events, integrating industry and research, building a talent ecosystem and training empowerment as key areas, triggering extensive knowledge and talent exchange within the ecosystem through the combination of online and offline activities, leveraging the synergy between industry, education, and research at INOVANCE, enhancing the cohesion of the industrial ecosystem, and promoting the win-win cooperation within the industry ecosystem.

## INOVANCE Industrial Ecosystem Collaboration Strategy

### Industry-Education Integration

Integrating industry cases and experience into the teaching curriculum of colleges and universities, providing a professional talent pool for the workforce and meeting industry demands.

### Industry-Research Integration

Co-creating solutions with multiple core customers, establishing joint laboratories with suppliers and industry partners, engaging in research cooperation with several universities and establishing joint laboratories to tackle cutting-edge technologies.

### Event Organization

Taking into account the development trend of our own and our customers' industries, we host innovative competitions targeted at universities and technical colleges.

### Talent Ecosystem Development

Collaborating with ecosystem enterprises to conduct specialized talent recruitment events, and establishing employment and internship bases in partnership with universities to cultivate industry talents.

### Training Empowerment

Providing operational and management experience empowerment training for ecosystem partners.

## Key Industry Collaboration and Exchange Cases of 2023

### Industry-Education Integration

#### INOVANCE and Yanshan University Achieved Strategic Cooperation

In May 2023, the signing ceremony of the strategic cooperation agreement between INOVANCE and Yanshan University, as well as the inauguration ceremony of the "Yanshan University-INOVANCE Industrial Intelligent Control Modern Industry Institute" was held at Yanshan University. Both sides aim to deepen the integration of industry, education and research, accelerate the integration of the industrial chain, innovation chain and talent chain, promote the training of industrial technology professionals and scientific and technological innovation, and deliver high-quality talents for the domestic industrial control industry upstream and downstream.



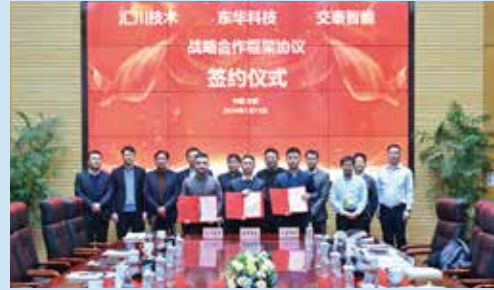
The Signing Ceremony between INOVANCE and Yanshan University

## Industry-Research Integration

### INOVANCE together with ECEC and Jiaotai to Develop High-Power Inverter Equipment

In January 2023, INOVANCE signed a strategic cooperation agreement with East China Engineering Science and Technology Co., Ltd. (referred to as “ECEC”) and Anhui Jiaotai Intelligent Technology Co. Ltd.(referred to as “Jiaotai”) in Hefei, and the three companies will work together to carry out in-depth cooperation in the field of automation and digitalization in the chemical industry.

INOVANCE has rich experience and technological expertise in the research and development of large power rating AC drives. ECEC has many application and years of experience in chemical industry, and Jiaotai has demonstrated outstanding performance in predictive maintenance digital solutions. Therefore, this collaboration is expected to leverage the strengths of the three companies to tackle the industry's technical challenges, optimize designs, and jointly develop high-performance, high-stability and high-reliability equipment with ultra-large-power-rating AC drive, to build a new pattern of efficient, green and safe development of the chemical industry.



The signing of the strategic cooperation agreement between INOVANCE, ECEC and Jiaotai

## Talent Development

### INOVANCE Ecosystem Talent Recruitment Event

In 2023, INOVANCE established the INOVANCE Ecosystem Talent Recruitment Event, collaborating with industry ecosystem partners such as clients and distributors to conduct recruitment activities in colleges and universities. We are committed to providing students recruited during the event with a two-month technical training program, helping them to better bridge the gap between university education and industry practices, enhancing the technical capabilities of downstream enterprises, and providing qualified and professional talent supply for ecosystem partners. Together with ecosystem enterprises, INOVANCE offered about 100 employment opportunities for college graduates.



INOVANCE Ecosystem Talent Recruitment Event



## Event Organization

### The First INOVANCE Cup National Innovation Competition for Intelligent Automation

The first INOVANCE Cup National Innovation Competition for Intelligent Automation was officially launched in December 2023. This competition is hosted by the Chinese Association of Automation and organized by INOVANCE, which is an exploratory engineering innovation competition for students from universities and technical colleges nationwide in the industrial field. The competition features four themes: "Intelligence (Industrial Artificial Intelligence)," "Greening (Green Manufacturing)," "Digitalization (Construction of Industrial Internet of Things Systems)," and "Automation (Implementation of Automated Production Line Upgrades)," aims to guide the industrial automation talents in universities to pay attention to industrial trends, closely integrate engineering education with industrial practices, improve the ability of innovative design, solving complex engineering problems, and stimulate green & intelligent innovative solutions. Ultimately, the competition seeks to contribute to the collaborative education and innovation between industry, education, and research. Over 400 teams from more than 100 universities have registered for the competition, which is scheduled to conclude in July of the following year.



## Training Empowerment: INOVANCE Online and Offline Industrial Empowerment

### Popular Science in Industrial Automation Industry

The company has launched short video accounts called "INOVANCE Speaks on Industrial Automation" and "INOVANCE Planet Platform" to popularize knowledge about the Industrial Automation Industry to the general public. By the end of 2023, the two short video accounts have released 35 short videos on industrial science popularization, with 50,000 followers and more than 4 million views. In September 2023, the company officially launched the "INOVANCE Planet" platform, which offers about 700 courses on industrial automation knowledge. This platform provides industry knowledge and professional courses for practitioners, enthusiasts, and students majoring in related fields, with the total course views surpassing 100,000 times.



INOVANCE Speaks on Industrial Automation



INOVANCE Planet

## Communications & Empowerments with Professionals

The company has established 5 industry training bases in East China and South China, aiming to provide professional technical empowerment for technical personnel in the ecosystem. Among them, the INOVANCE Engineer Empowerment Training Camp (IET) jointly launched by the General Automation Division and INOVANCE Academy, had 300 participants in 2023. In the future, the company plans to advance the construction of industry training bases in Central China and North China. The company has set up a specialized technical exchange platform for industry engineers called the INOVANCE Developer Conference. Through face-to-face offline interactions and sharing, open technical cooperation and mutual experiences to discuss important software technologies and trends in the industry. In 2023, INOVANCE held 2 Developer Conferences, with approximately 400 participants engaging in conference exchanges.



INOVANCE Developer Conference (Dongguan)

For details of the Empowerment of Management Talent in the Ecosystem, please refer to chapter 7.3.1 *Employee Training System*.

## 8.3 Contributing to Social Development

### 8.3.1 Community Communication and Volunteer Service

INOVANCE actively participates in community construction and fulfills our corporate social responsibility by creating a community-enterprise linkage platform. We encourage employees to engage in community volunteer services, taking volunteer service as a bridge of community communication and contributing to the construction of a harmonious and livable community. During the reporting period, the cumulative service time of registered volunteers from the Employee Volunteer Association participating in public health-related volunteer services exceeded 5,600 hours, with more than 800 person-times.

In 2023, the Company actively responded to the calls from the local government and relevant departments and focused on the theme of Green and Environmentally Friendly Practices and Resource Reuse for innovation in public welfare services. Led by the INOVANCE Employee Volunteer Association, with the residents of the Taihu Street community as the service objects, the company launched the "Gathering New Force, Greening the Land" environmental empowerment for community public welfare innovation service.

#### "Gathering New Force, Greening the Land" Environmental Empowerment for Community Public Welfare Innovation Service

##### "Gathering New Force" Ecological and Environmental Protection Science Popularization Classroom

The purpose of the classroom is to popularize environmental protection knowledge among children and teenagers in the community through lectures and hands-on experiences based on different environmental protection themes and to guide children and teenagers to pay attention to environmental issues and raise awareness about environmental issues.

##### "Gathering Aspires as One" Beverage Bottle Recycling Program

Volunteers from INOVANCE initiated the recycling of beverage bottles. After recycling, the discarded beverage bottles were recycled and reused. The company collaborated on the recycling and disposal process.

## "Gathering New Force, Greening the Land" Environmental Empowerment for Community Public Welfare Innovation Service

### INOVANCE Environmental Knowledge Contest

INOVANCE volunteers conducted a community environmental protection knowledge contest based on environmental protection knowledge in the popularization classroom, selected community youth environmental protection ambassadors, and encouraged community residents to actively engage in environmental protection actions.

### "Heart and Power" Achievement Exhibition

During the achievement exhibition, INOVANCE volunteers demonstrated the process of garbage recycling and reusing to community residents in the form of videos and PowerPoint, and utilized the power of the enterprise to contribute to the creation of a favorable ecological environment atmosphere in the district.

## 8.3.2 Social welfare and Charity Initiatives

INOVANCE actively undertakes social responsibility, responds to the needs of social public services, and supports social public welfare and charity activities with practical actions. In 2023, the company conducted a series of activities including assisting education in poor mountainous areas and organizing environmental protection hiking events.

### Education Support to Fulfill Dreams in the Mountainous Areas of Yunnan and Guizhou

In order to help the poor students in the mountainous areas of Yunnan and Guizhou to alleviate their financial pressure and complete their studies successfully, the Suzhou INOVANCE Volunteer Association and the Yixin Public Welfare Society in Suzhou Industrial Park jointly sponsored 15 students in the form of scholarships for families under special difficulties in the mountainous areas.



Group photo of volunteers and sponsored students

### Environmental Protection Activities in Suzhou Lingyan Mountain

In October 2023, the INOVANCE Volunteer Association initiated the Lingyan Mountain Clean-up activity, more than 40 volunteers participated in this activity. Along the hiking trails, volunteers picked up the garbage left by tourists, actively practicing environmental protection and promoting the concept of caring for nature.



A snapshot of the Lingyan Mountain Environmental Protection Activity

### Won the "Wuzhong Charity Award" in 2023

INOVANCE actively participates in public welfare charity and fulfills corporate social responsibility. Suzhou INOVANCE contributed to the modernization of Wuzhong Taihu New Town in Suzhou, which has earned widespread praise from the government and society, and won the honorary title of "Wuzhong Charity Award" for the most caring donation enterprise in 2023.



Suzhou INOVANCE "Wuzhong Charity Award" Certificate of Recognition

### The "Caring for Education" Campaign in Lincang, Yunnan

Suzhou INOVANCE Volunteer Association launched a book donation initiative within the company and in Suzhou Industrial Park, encouraging the donation of idle books to promote book recycling. In June 2023, representatives of the INOVANCE volunteers and philanthropists from the Yixin Public Welfare Society in Suzhou Industrial Park, brought over 4,000 donated books to Xin Cun Elementary School in Manwan Town, Yunxian County, Lincang City, Yunnan Province, for offline donation. They presented the books and gifts to local students for Children's Day and simultaneously visited other elementary schools to understand the local needs.



Volunteer representatives distributed Children's Day gifts to local elementary school students

### The Caring Library in Lintao County, Gansu Province

Suzhou INOVANCE participated in the "Hundred Western Caring Library" project initiated by the Kind-City Public Welfare Federation in Suzhou Industrial Park and established "INOVANCE Caring Library" in Zisong Elementary School of Yaxiaji Town, Lintao County, Dingxi City, Gansu Province. The library was delivered in September 2023.



A corner of the INOVANCE Caring Library



The background features a dark blue gradient with several bright blue, fiber-like streaks radiating from the top left towards the right. A solid green circular shape is partially visible on the left side, overlapping the blue gradient. The bottom portion of the image is a solid teal color.

# **REPORT APPENDIX**



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## Appendix 1: ESG Key Performance Table

Performance Indicators of this year are disclosed according to the organizational scope of the consolidated financial reports. The statistics of some performance indicators are inconsistent with the indicators disclosed last year. To facilitate stakeholders' understanding and comparison of indicators, invalid data due to changes in statistical caliber over the years are using " / " to replace.

### 1.Economic Performance [1]

Indicators	Units	2023	2022	2021	
Revenue	million RMB	30,419.93	23,008.31	17,943.26	
Categorized by Market Segmentation of Revenue					
Domestic Revenue	Domestic Revenue	million RMB	28,680.11	22,123.02	17,326.18
	Proportion of Domestic Revenue	%	94.28	96.15	96.56
Overseas Revenue	Proportion of Overseas Revenue	million RMB	1,739.82	885.29	617.08
	Proportion of Overseas Revenue	%	5.72	3.85	3.44
Growth Rate of Revenue	%	32.21	28.23	55.87	
Operating Costs	million RMB	26,278.78	19,783.51	15,152.79	
Basic EPS	RMB per share	1.78	1.64	1.37	
Net Profit Attributable to Shareholders of the Listed Company	million RMB	4,741.86	4,319.76	3,573.40	
Net profit Attributable to Shareholders of the Listed Company	%	9.77	20.89	70.15	
Net Cash Flow from Operating Activities	million RMB	3,369.92	3,200.83	1,766.02	
Total Assets	million RMB	48,957.56	39,211.61	27,303.26	
Weighted Average ROE	%	21.66	24.31	27.35	
Retained Earnings	million RMB	16,358.11	12,573.87	9,044.17	
Total Expenses for Employee Salaries and Benefits	million RMB	4,856.49	3,962.80	2,805.30	
Human Capital Return on Investment [2]	%	1.85	1.81	1.99	
Financial Assistance Received from Government	million RMB	147.14	153.84	121.42	

[1] Economic performance data can be found corresponding figures in the annual financial reports of 2023, 2022 and 2021. If any data difference occurs, the data in the annual financial reports shall prevail.

[2] Human Capital Return on Investment = [Revenue-(Operating Costs-Total Expenses for Employee Salaries and Benefits)]/Total Expenses for Employee Salaries and Benefits



## 2.Environmental Performance Table

### GHG Emissions

Indicators	Units	2023	2022	2021
Total GHG Emissions [1]	tCO <sub>2</sub> e	1,006,842.55	81,410.28	64,938.65
Scope 1 GHG Emissions [2]	tCO <sub>2</sub> e	1,807.90	1,601.90	1,933.36
Scope 2 GHG Emissions [3]	tCO <sub>2</sub> e	121,345.34	79,808.38	63,005.29
Scope 3 GHG Emissions [4]	tCO <sub>2</sub> e	883,727.50	/	/
Scope 3 Upstream Emissions [5]	tCO <sub>2</sub> e	862,930.09	/	/
Scope 3 Downstream Emissions [6]	tCO <sub>2</sub> e	20,797.41	/	/
Scope 4 Avoided GHG Emissions	tCO <sub>2</sub> e	10,748.527	/	/
GHG Emission (Scope 1 + Scope 2) Intensity	tCO <sub>2</sub> e per million RMB	4.05	3.52	3.62

Notes:

[1] The total GHG emissions in 2023 include Scope 1, Scope 2, and Scope 3 emissions. The increase in total GHG emissions in 2023 is attributed to the increase of energy consumption brought by the Company's organic growth and capacity expansion. The main reasons for the increase in GHG emission intensity in 2023 are: ① The newly built factories and office spaces such as Changzhou INOVANCE New Energy and Yueyang INOVANCE were put into use in 2023, and the newly-increased basic energy consumption (referring to the minimum energy consumption required to maintain the normal operation of the factory or offices, which shows little correlation to production capacity or regional occupancy) is relatively large; ③The construction progress of distributed photovoltaics in the two factory Changzhou INOVANCE New Energy and Yueyang INOVANCE fell behind expectations, and the grid connection has not been completed in 2023. The total GHG emissions in 2022 and 2021 only include Scope 1 and Scope 2.

[2] Referring to *ISO 14064-1: 2018, 2006 IPCC Guidelines for National Greenhouse Gas Inventory and General guideline of the greenhouse gas emissions accounting and reporting for industrial enterprises (GB/T 32150-2015)*, including fixed combustion emissions from cooking equipment and mobile combustion emissions from self-owned vehicles for business use, forklifts, and operating lease vehicles; The company does not involve industrial process emissions or significant fugitive emissions. The categories of GHG emissions included in the calculation is CO<sub>2</sub>. The calculation of calorific value and carbon oxidation rate in the emission factors refers to the corresponding default values in the *Guidelines for Accounting and Reporting Methods of Greenhouse Gas Emissions from Other Industrial Enterprises (Trial) (2015)*, and the Unit Heat Value Carbon Content (UHVCC) refers to *2006 IPCC Guidelines for National Greenhouse Gas Inventory*.

[3] Referring to *ISO 14064-1: 2018 and General guideline of the greenhouse gas emissions accounting and reporting for industrial enterprises (GB/T 32150-2015)* for the calculation of indirect emissions from purchased electricity and steam. The categories of GHG emissions included in the calculation is CO<sub>2</sub>. When calculating the emissions from purchased electricity of the year 2023, emission factor selected for the domestic operational sites is in accordance with the *Notice on the Management of GHG Emission Reporting of Enterprises in the Power Generation Industry from 2023 to 2025 (2023)* and used 0.5703 tCO<sub>2</sub>e/MWh. Emission factors selected for the overseas operational sites are in accordance with the corresponding electricity emission factors of different countries in 2021 provided by Climate Transparency.

[4] Referring to *ISO 14064-1: 2018 and General guideline of the greenhouse gas emissions accounting and reporting for industrial enterprises (GB/T 32150-2015)*, Scope 3 emissions include: indirect emissions from transportation (upstream raw material transportation, downstream goods distribution, waste transportation, employee commuting, etc.); Indirect emissions from products or services of the Company (upstream production of raw materials, water, electricity, gas, waste disposal, business travel, etc.).

[5] The scope of upstream emissions include purchased goods & services, capital good, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, and employee commuting. The emission factors refer to *UK Government GHG Conversion Factors for Company Reporting*.

[6] Downstream emissions under Scope 3 here only include downstream distribution and transportation.

## Energy Management

Indicators	Units	2023	2022	2021
Total Energy Consumption	MWh	231,859.61	149,238.00	117,551.00
Total Non-Renewable Energy Consumption	MWh	223,117.28	/	/
Proportion of Electricity Generated by Renewable Energy	%	3.77	/	/
Total Direct Energy Consumption	MWh	8,469.42	4,118.00	4,698.00
Natural Gas Consumption	m <sup>3</sup>	461,655.22	317,129.00	350,336.00
Liquefied Petroleum Gas Consumption	L	86,416.17	91,442.00	120,828.00
Total Indirect Energy Consumption	MWh	223,390.20	145,120.00	112,853.00
Purchased Electricity	MWh	208,016.01	139,941.00	108,045.00
Electricity Generated by Solar Power	MWh	8,740.50	5,179.00	4,808.00
Total Energy Consumption Intensity	MWh per million RMB	7.63	6.49	6.55
Direct Energy Consumption Intensity	MWh per million RMB	0.28	0.18	0.26
Indirect Energy Consumption Intensity	MWh per million RMB	7.35	6.31	6.29
Estimated Energy Consumption [6]	kWh	1,964,500.00	/	/

Notes:

[6] Estimated energy consumption from the energy conservation and carbon reduction projects in 2023.

## Water Resource Use

Indicators	Units	2023	2022	2021
Total Water Withdrawal	m <sup>3</sup>	1,021,444.28	605,987.00	435,580.00
Total Water Consumption (Categorized by origins)	m <sup>3</sup>	748,134.00	541,028.00	357,570.00
By the Origins of Water Withdrawal: Municipal Water Supply	m <sup>3</sup>	999,657.48	595,987.00	435,580.00
By the Origins of Water Withdrawal: Directly Collected and Stored Rainwater	m <sup>3</sup>	21,786.80	10,000.00	0
Water Withdrawal Intensity	m <sup>3</sup> per million RMB	33.60	26.34	24.28

## Resource Use

Indicators	Units	2023	2022	2021
Total Packaging Material Usage	tons	24,544	/	/
Proportion of Energy-Saving, Material-Conserved and Carbon-reduced Product offering	%	49.67	/	/

## Emissions and Waste Management [7]

Indicators	Units	2023	2022	2021
<b>Atmospheric Pollutant Emissions</b>				
Total Waste Gas Emissions	m <sup>3</sup>	1,097,885,202.12	/	/
Particulate Matter (PM)	kg	199.67	329.50	/
Particulate Matter (PM) Emission Intensity	kg per million RMB Revenue	0.0001	/	/
Nitrogen Oxide (NOx)	kg	1,160.09	/	/
Nitrogen Oxide (NOx) Emission Intensity	kg per million RMB Revenue	0.0004	/	/
Volatile Organic Compounds (VOCs) [7]	kg	6,969.50	824.50	720.00
Volatile Organic Compounds (VOCs) Emission Intensity	kg/1 million RMB Revenue	0.229	/	/
<b>Sewage Discharge</b>				
Total Sewage Discharge	m <sup>3</sup>	273,310.09	/	/
Domestic Sewage Discharge	m <sup>3</sup>	228,155.05	64,959.00	22,213.00
Chemical Oxygen Demand (COD)	tons	114.17	37.66	17.86
Ammoniacal Nitrogen (NH <sub>3</sub> -N)	tons	7.81	2.65	1.21
Total Phosphorus	tons	0.62	0.32	0.17
Total Nitrogen	tons	9.86	5.73	3.14
Animal and Vegetable Oils	tons	4.63	3.13	1.68
Tin and its Compounds	tons	0.03	0.02	0.02
Suspended Solid	tons	50.00	36.25	18.35
<b>Solid Waste Emissions</b>				
Total Hazardous Waste [8]	tons	694.62	412.00	313.00
Hazardous Waste Emission Intensity	tons/1 million RMB Revenue	0.023	/	/
Total Hazardous Waste Recycled/Reused	tons	67.41	/	/
Total Hazardous Waste Disposal	tons	627.22	/	/
Hazardous Waste Reduction Goal	%	15	/	/
Total Hazardous Waste Disposed by Lanfill	tons	0.5	/	/
Total Hazardous Waste Incinerated with Energy Recovery	tons	53.30	/	/
Total Hazardous Waste Incinerated without Energy Recovery	tons	522.38	/	/
Total Hazardous Waste Used Other Methods	tons	23.91	/	/
Total Hazardous Waste With Unknown Disposal Method	tons	0	/	/
Toxic Emission and Leakage Incidents	times	0	/	/
Total Non-hazardous Waste	tons	769.80	648.00	478.00
Non-hazardous Waste Emission Intensity	tons/ million RMB revenue	0.025	/	/
Total Waste Recycled	tons	605.59	/	/

Notes:

[7] The statistical caliber and scope of the indicators included in emissions and waste management have been expanded in 2023, resulting in the data for 2023 not being comparable with the previous years. In this case, data from previous years is not disclosed.

[8] 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.

## Environmental Management

Indicators	Units	2023	2022	2021
Proportion of Operational Sites that Have Been Conducted Environmetnal Risk Assessment	%	83	/	/
Total Environmental Protection Training Duration	hours	7,439.00	/	/
Number of Employees Participating in Environmental Protection Training	persons	3,134	/	/
Proportion of Employees Participating in Environmental Protection Training	%	12.08	/	/
Total Investments of Environmental Protection During the Reporting Period	million RMB	6.02	/	/
Number of Key Operational Sites Certified ISO 14001	/	10	/	/
Number of Operational Sites Certified/Audited/Verified Environment Management System (EMS) by Third-Party Professional Companies	/	10	/	/
Number of Operational Sites Certified/Audited/Verified Internal Environment Management System (EMS) by Internal Experts	/	10	/	/
Number of Penalties Caused by Violations of Environmental Protection Laws and Regulations	/	0	/	/
Total Fine Payment Caused by Violations of Environmental Protection Laws and Regulations	million RMB	0	/	/

### 3.Social Performance Table

#### Products and Services

Indicators	Units	2023	2022	2021
Number of Product and Service Incidents Caused by Violations of Laws and Regulations	/	0	0	0
Amount of Revenue for Products Sold or Shipped that Have Been Recalled for Safety and Health Issues	million RMB	0	0	0
Proportion of Products Sold or Shipped that Have Been Recalled for Safety and Health Issues	%	0	0	0
Number of Product and Service Complaints Received	/	5	0	0
Complaint Resolution Rate	%	100	100	100
Proportion of Online Sales[3]	%	millionth	/	/
Total Number of Customer Privacy Incidents Violated Laws and Regulations	/	0	0	0
Total Number of Safety and Health Incidents of Products and Services Violated Laws and Regulations	/	0	0	0
Customer Satisfaction Score [4]	points	69.75	/	/
Number of Labeling Incidents of Products and Services Violated Laws and Regulations	/	0	0	0
Number of Marketing and Communications Incidents Violated Laws and Regulations	/	0	0	0
Proportion of Product Revenue from Conflict-Affected and High-Risk Areas [5]	%	0	0	0

Notes:

[1] Proportion of Products Sold or Shipped that Have Been Recalled for Safety and Health Issues = Amount of Sales for Products Sold or Shipped that Have Been Recalled for Safety and Health Issues (RMB 10,000) / Total Sales (RMB 10,000) x 100%

[2] Complaints include customer complaints in written forms and customer complaints through the reporting channels of government agencies.

[3] Proportion of Online Sales = Revenue Generated by Online Sales (Excluded Order Management System) / Total Revenue (RMB 10,000) x 100%. In 2023, the Company first launched online stores which is still at the initial phase thus proportion of online sales remains relatively small.

[4] The 2023 annual customer satisfaction survey was conducted by a third-party agency. The survey methods, content, target customers and scores were significantly different from the self-conducted survey in the previous years. To avoid any confusion of readers, the scores of customer satisfaction survey in the previous year are not disclosed.

[5] Proportion of Product Revenue from Conflict-Affected and High-Risk Areas = Product Revenue from Conflict-Affected and High-Risk Areas (RMB 10,000) / Total Revenue (RMB 10,000) x 100%.

## R&D Innovations

Indicators	Units	2023	2022	2021
R&D Investment	million RMB	2624.15	2,229.27	1,685.46
Proportion of R&D Investment [1]	%	8.63	9.69	9.39
Total Number of R&D Personnel	persons	5,482	4,793	3,560
Proportion of R&D Personnel [2]	%	23.15	23.66	21.02

### Notes

[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 Report.

[2] Proportion of R&D Personnel = Total Number of R&D Personnel / Total Number of Employees × 100%; here, the scope of "Total Number of Employees" is consistent with that of the Consolidated Financial Report.

## Intellectual Property Protection

Indicators	Units	2023	2022	2021
Number of New Patents Application During the Reporting Period	/	982	875	731
Number of New Patents Granted During the Reporting Period	/	506	718	467
Number of New Trademarks Application During the Reporting Period	/	69	28	108
Number of New Trademarks Approved During the Reporting Period	/	33	81	46
Number of New Copyrights Application During the Reporting Period	/	43	/	/
Number of New Copyrights Approved During the Reporting Period	/	61	/	/

## Information Security

Indicators	Units	2023	2022	2021
Number of Recognized Information Security Incidents	/	15	/	/
Number of Information Security Vulnerabilities	/	1,955	/	/
Number of Affected Customers and Employees by Violated Information Security Behaviors	persons	15	/	/
Number of Key Operational Sites Certified ISO 27001	/	1	/	/

## Employee Recruitment

Indicators	Units	2023	2022	2021
Total Number of Employees	persons	25,487	20,256	16,938
Proportion of Employees by Gender				
Proportion of Female Employees	%	26.19	/	/
Proportion of Male Employees	%	73.81	/	/
Average Profits of Employees	million RMB	0.19	/	/
Proportion of Employees by Employment Type				
Full-time Employees	persons	23,685	20,256	16,938
Full-time Contractors	persons	1,420	/	/
Part-time Employees (Internship, Apprentices, Working Students and Retired Employees Rehired in total)	persons	382	/	/
Proportion of Part-time Employees	%	1.50	/	/
Proportion of Contractors	%	5.57	/	/
Proportion of Part-time Employees and Contractors	%	7.07	/	/
Proportion of Full-time Employees	%	92.93	/	/
Proportion of Employees by Age				
Number of Employees Above 50 Years Old	persons	317	/	/
Number of Employees Between 30 and 50 Years Old	persons	13,422	/	/
Number of Employees Under 30 Years Old	persons	11,748	/	/
Proportion of Employees Above 50 Years Old	%	1.24	/	/
Proportion of Employees Between 30 and 50 Years Old	%	52.66	/	/
Proportion of Employees Under 30 Years Old	%	46.09	/	/
Proportion of Employees by Education				
Number of Employees with Doctor's Degree	persons	58	52	35
Number of Employees with Master's Degree	persons	3,395	2,505	1,708
Number of Employees with Bachelor's Degree	persons	7,880	6,297	4,911
Number of Employees with College Diploma and Below	persons	14,154	11,402	10,284
Proportion of Employees with Doctor's Degree	%	0.23	0.26	0.21
Proportion of Employees with Master's Degree	%	13.32	12.37	10.08
Proportion of Employees with Bachelor's Degree	%	30.92	31.09	28.99
Proportion of Employees with College Diploma and Below	%	55.53	56.29	60.72
Proportion of Employees from Minority or/and the Disadvantaged Group [1]	%	7.91	/	/
Proportion of Employees from Minority or/and Vulnerable Group Undertaking Senior Executives Positions	%	8	/	/
Number of Non-Chinese-Citizen Employees	persons	456	/	/

## Employee Recruitment

Indicators	Units	2023	2022	2021
Proportion of Newly-Recruited Employees by Gender[2]				
Total Number of Newly-Recruited Employees	persons	8,995	/	/
Number of Newly-Recruited Male Employees	persons	6,723	/	/
Number of Newly-Recruited Female Employees	persons	2,272	/	/
Newly-Recruited Employees by Age				
Number of Newly-Recruited Employees Above 50 Years Old	persons	17	/	/
Number of Newly-Recruited Employees Between 30 and 50 Years Old	persons	3,149	/	/
Number of Newly-Recruited Employees Under 30 Years Old	persons	5,829	/	/
Proportion of Newly-Recruited Employees by Gender [2]				
Number of Newly-Recruited Male Employees	%	35.74	/	/
Number of Newly-Recruited Female Employees	%	34.03	/	/
Proportion of Newly-Recruited Employees by Age [3]				
Proportion of Newly-Recruited Employees Above 50 Years Old	%	5.36	/	/
Proportion of Newly-Recruited Employees Between 30 and 50 Years Old	%	23.46	/	/
Proportion of Newly-Recruited Employees Under 30 Years Old	%	49.62	/	/
Proportion of Internal Employment [4]	%	12.66	/	/
Signing Rate of Employment Contract	%	100	100	100
Employee Turnover Rate [5]	%	24.42	27.90	/
Employee Voluntary Turnover Rate	%	23.79	/	/
Turnover Rate by Gender [6]				
Male Employee Turnover Rate	%	23.73	/	/
Female Employee Turnover Rate	%	26.36	/	/
Turnover Rate by Age [7]				
Turnover Rate of Employees Above 50 Years Old	%	12.30	/	/
Turnover Rate of Employees Between 30 and 50 Years Old	%	20.41	/	/
Turnover Rate of Employees Under 30 Years Old	%	29.32	/	/
Proportion of Female Employees at Junior-level Management Positions [8]	%	15.60	/	/
Proportion of Female Employees at Middle-level Management Positions	%	14.50	/	/
Proportion of Female Employees at Senior-level Management Positions	%	6.60	/	/
Proportion of Female Employees at Executives Positions	%	14.70	/	/
Proportion of Female Employees at Revenue Generating Positions	%	15.00	/	/



Indicators	Units	2023	2022	2021
Share of women in STEM-related positions	%	9.90	/	/
Proportion of Senior Executives Hired from Local Communities at Key Operational Sites [14]	%	27.50	/	/
Proportion of Employees Undertaking Regular Performance and Career Development Review [15]	%	100	100	100
Percentage of Employees Below Senior Management Level that Stock Option Incentive and Long-term Incentive Program Applies	%	98.48	/	/
Number of Employment and Labor Incidents Caused by Violations of Laws and Regulations	/	0	0	0

Notes:

[1] Minority or/and the Disadvantaged Groups include: ethnic minorities of Chinese nationality, non-Chinese-citizen employees, and employees with disabilities.

[2] Percentage of newly-recruited (Female/Male) employees by gender = Number of newly-recruited (Female/Male) Employees / Total number of (Female/Male) employees x 100%.

[3] Percentage of newly-recruited employees in a certain age group = Number of newly-recruited employees in the age group / Total number of employees in the age group x 100%

[4] Proportion of Internal Employment = Number of internal recruitment / (Number of internal recruitment + Total number of new recruitment) x 100%.

[5] Employee turnover rate = Number of employees turnover / Total number of employees x 100%, where the coverage of "total number of employees" is consistent with the scope of consolidated financial statements.

[6] Employee turnover rate of a certain gender = Number of employees leaving of that gender / Total number of employees of that gender x 100%.

[7] Employee turnover rate of a certain age group = Number of employees leaving in that age group / Total number of employees in that age group x 100%.

[8] Proportion of female employees at junior-level management positions = Number of female employees at junior-level management positions / total number of employees at junior-level management positions x 100%, where junior-level management is defined as heads of third-level departments and primary organizations.

[9] Proportion of female employees at middle-level management positions = Number of female employees at middle-level management positions / Total number of employees at middle-level management positions x 100%, where middle-level management positions is defined as heads of second-level departments (including deputy positions).

[10] Proportion of female employees at senior-level management positions = Number of female employees at senior-level management positions / Total number of employees at senior-level management positions x 100%, where senior management is defined as the first-level organization of the company, that is, heads of first-level departments, business units, and subsidiaries (including deputy positions).

[11] Proportion of female employees at executives positions = Number of female employees at executives positions / Total number of employees at executives positions x 100%.

[12] Proportion of female employees at revenue generating positions = Number of female employees at revenue-generating positions / total number of people in revenue generating positions x 100%, where revenue generating positions are defined as: direct management roles in departments such as sales, or roles that directly contribute to the output of products or services, excluding support functions such as human resources, IT, and legal. It can also be referred to as roles with profit and loss responsibility.

[13] Share of women in STEM-related positions = number of women in STEM-related positions / number of employees in

STEM-related positions, where STEM (Science, Technology, Engineering, and Mathematics) workers use their knowledge of science, technology, engineering, or mathematics in their daily responsibilities. To be classified as a STEM employee, the employee should have a STEM-related qualification and make use of these skills in their operational position. Positions include, but are not limited to, the following: Computer programmer, web developer, statistician, logistician, engineer, physicist, scientist.

[14] Proportion of senior executives hired from local communities at key operational sites = number of senior executives hired from local communities at key operational sites / total number of senior executives.

[15] Based on the company's management practices, employees on probation are not applicable to regular performance and career development appraisals, therefore this data does not include employees on probation.

## Occupational Health and Safety

Indicators	Units	2023	2022	2021
Total Working Hours	hours	48,148,855	/	/
Number of Employee Work-related Fatalities	persons	0	1	/
Number of Contractor Work-related Fatalities	persons	0	/	/
Number of Work Injury Occurrence	times	31	36	/
Working Days Loss due to Work-related Injury	days	2,614.50	1,315.00	/
Lost Workday Rate due to Work-related Injury [1]	/	10.86	/	/
Lost-Time Injury Frequency Rate [2]	/	0.64	/	/
Lost Time Injury Severity Rate [3]	/	0.05	/	/
Number of Employees at Occupational Disease Risk Positions	persons	685	349	/
Number of Newly-increased Employees with Occupational Diseases	persons	0	0	/
Number of Fatalities with Occupational Diseases	persons	0	/	/
Number of Operational Sited Undergone Employee Health and Safety Risk Assessment	/	11	10	10
Proportion of Workers Represented by Joint Labor Management Health and Safety Committee [4]	%	100	100	100
Number of Operational Sites Certified ISO 45001	/	11	10	10
Coverage of Employee Health Check-up [5]	%	100	100	100
Amount of Safety Training Participants	person-times	38,407	40,437	/
Number of Safety Training Sessions	times	185	64	/
Coverage of Social Insurance for Employees	%	100	100	100
Number of Occupational Health and Safety Incidents Due to Violations of Laws and Regulations	/	0	0	0

Notes:

[1] Lost Workday Rate due to Work-related Injury = lost workdays due to work-related injuries X 200,000 / total working hours.

[2] Lost-Time Injury Frequency Rate = total number of work-related Incidents that caused working time loss x 1,000,000 / total working hours, where total number of work-related Incidents that caused working time loss is equal to the number of work injuries.

[3] Lost Time Injury Severity Rate = Working days Loss due to Work-related Injury x 1,000 / total working hours.

[4] Joint Labor Management Health and Safety Committee refers to the Health and Safety Committee comprising of the Management team and the workers.

[5] Based on the company's management practices, employees on probation are not applicable to regular performance and career development appraisals, therefore this data does not include employees on probation.

## Employee's Rights

Indicators	Units	2023	2022	2021
Number of Key Operational Sites Reviewed and Assessed Human Right Protection Performance	/	4	4	3
Number of Key Own Operational Sites (including joint ventures where the company has management control) Reviewed and Assessed Human Right Protection Performance in last 3 years	/	4	/	/
Number of Incidents Due to Violations of Laws and Regulations on Employment & Dismissal, Compensation & Welfare, Working Time & Vacation, Equal Opportunities and Anti-Discrimination	/	0	0	0
Percentage of Employees Participating in Diversity, Discrimination and/or Harassment Training	%	100	100	100
Total Number of Discrimination Incidents	/	0	0	0
Total Number of Discrimination and Harassment Violated Laws and Regulations	/	0	0	0
Number of Labor Disputes [1]	/	15	11	/
Percentage of Employees Covered by Collective Bargaining Agreement [2]	%	100	100	100
Proportion of Employees Who Have Formally Elected as Employee Representatives [3]	%	89.10	/	/
Results of Employee Satisfaction Survey	points	4.45 (out of 5)	4.47 (out of 5)	/

Notes:

[1] Includes non-compete restriction.

[2] Based on the company's management practices, employees on probation are not applicable to regular performance and career development appraisals, therefore this data does not include employees on probation.

[3] The number of employees participating in the labor union is the number of employees who have formally elected employee representatives. Therefore, the proportion of employees covered by formally elected employee representatives is equal to the labor union coverage rate.

## Employee Training

Indicators	Units	2023	2022	2021
Coverage of Employee Training	%	100	100	100
Coverage of Employee Training by Gender [1]				
Proportion of Female Employees participating in Training	%	100	100	100
Proportion of Male Employees participating in Training	%	100	100	100
Total Number of Employees Training Duration	hours	686,347.40	158,996.00	130,245.00
Average Employees Training Duration	hours	26.93	23.51	15.00
Average Training Hours of Employees by Gender				
Average Training Hours of Female Employees	hours	26.93	23.56	15.00
Average Training Hours of Male Employees	hours	26.93	23.50	15.00
Average Training Expenses of Employees	RMB	232.89	/	/
Amount of Employee Personal Information Security Training	times	17	15	2
Number of Employee Personal Information Security Training	persons	25,487	13,342	14,460

Notes:

[1] Coverage of employee training of a certain gender = total number of employees of that gender participating in training / total number of employees of that gender x 100%

## Supplier Management

Indicators	Units	2023	2022	2021
Total Number of Suppliers	/	2,592	/	/
Total Number of Active Suppliers During the Reporting Period [1]	/	1,528	/	/
Number of Suppliers from Mainland China	/	2,552	/	/
Number of Suppliers from Overseas, Hong Kong, Macau and Taiwan Reigions	/	40	/	/
Suppliers by Level of Raw Materials				
Total Number of Tier-1 Suppliers During the Reporting Period (by material offering type) [2]	/	1,528	/	/
Total Number of Tier-1 Suppliers During the Reporting Period (by procurement & trading type) [3]	/	1,638	/	/
Number of Tier-1 Significant Suppliers [4]	/	113	/	/
Percentage of Total Spend on Significant Suppliers in Tier-1	%	55	/	/
Total Number of Significant Suppliers in Non Tier-1 [5]	/	0	/	/
Number of Significant Suppliers	/	113	/	/
Supplier Review				
Percentage of Key Suppliers Assessed [6]	%	43	/	/
Percentage of New Suppliers Under ESG Assessment	%	100	/	/
Percentage of New Suppliers Under On-Site ESG Assessment	%	100	/	/
Percentage of Total Revenues from Products Containing Minerals from Conflict-Affected and High-Risk Areas Coming from Suppliers that Have Been Verified Conflict-free [7]	%	0	0	0
Percentage of Supplier Accessibility to Conflict-Minerals Information	%	100	/	/
Number of New Suppliers Under ESG Assessment	/	231	/	/
Percentage of New Suppliers Passed ESG Assessment	%	100	/	/
Percentage of Suppliers Signed Supplier Code of Conduct	%	100	100	100
Percentage of Suppliers Signed Agreements with Environment, Labor and Human Rights Clauses	%	100	100	100
Percentage of Suppliers Signed Anti-Corruption Agreements [8]	%	100	100	100

Indicators	Units	2023	2022	2021
<b>Supplier's Performance Improvement</b>				
Number of Suppliers Failed to Meet Quality Standard Assessment During the Reporting Period	/	220	/	/
"Number of Suppliers Assessed with Substantial Actual/Potential Negative Impacts [9]"	/	0	/	/
Number of Suppliers with Substantial Actual/Potential Negative Impacts that Were Terminated	/	0	/	/
Total Number of Suppliers Supported in Corrective Action Plan Implementation	/	0	/	/
Percentage of suppliers assessed with substantial actual/potential negative impacts supported in corrective action plan implementation	%	0	/	/
<b>Supplier's GHG Inventory</b>				
Number of Key Suppliers Undergone GHG Inventory During the Reporting Period [10]	/	131	/	/
Coverage of Key Suppliers Undergone GHG Inventory During the Reporting Period	%	64	/	/
<b>Supplier Training Empowerment</b>				
Number of Supplier Capacity Building Training During the Reporting Period	/	2	/	/
Coverage of Supplier Integrity Training and Education During the Reporting Period	%	100	/	/

## Distributor Management

Indicators	Units	2023	2022	2021
Percentage of Distributors Participating Regular Internal Product and Service Training Among Distribution Network	%	100	100	100

Notes:

[1] Active Supplier refers to suppliers that have traded with INOVANCE this year.

[2] Tier-1 Supplier (by Material Offering Type) refers to suppliers that provide materials directly to INOVANCE.

[3] Tier-1 Supplier (by procurment & trading type) refers to suppliers that have directly trade with INOVANCE.

[4] Tier-1 Significant Suppliers refers to the Tier-1 Suppliers that provides important materials and has long cooperation history with the INOVANCE. These Suppliers can fill the demand gap of the INOVANCE's development and need to build long-term partnerships with the Company.

[5] Total Number of Significant Suppliers in Non Tier-1 refers to the Supplier that have indirect partnership with INOVANCE and provide important materials or components of materials indirectly.

[6] Key Suppliers refers to the Suppliers offered essential materials to INOVANCE.

[7] Percentage of Total Revenues from Products Containing Minerals from Conflict-Affected and High-Risk Areas Coming from Suppliers that Have Been Verified Conflict-free = Total Revenues from Products Containing Minerals from Conflict-Affected and High-Risk Areas Coming from Suppliers that Have Been Verified Conflict-free(RMB 10,000)/ total revenue(RMB 10,000) x 100%.

[8] The Anti-corruption Agreement refers to the Supplier Honest Cooperation Agreement, which specifically includes anti-corruption-related content.

[9] Substantial Actual/Potential Negative Impacts refers to supply disruption, major product quality issues and other incidents that may seriously affect the Company's reputation.

[10] Main Supplier refers to the group of suppliers that account for the top 80% of the annual procurement amount, ranked by procurement amount.

## Community and Public Charity

Indicators	Units	2023	2022	2021
<b>Total Amount Invested into Community Public Welfare</b>	RMB	696,599.27	1,460,111.51	145,000.00
<b>Education Assistance</b>	RMB	292,000.00	687,231.91	135,000.00
<b>Environmental Protection</b>	RMB	0	0	3,000
<b>Labor Needs</b>	RMB	0	0	5,000
<b>Medical Health</b>	RMB	0	587,378.61	0
<b>Cultural and Sports Undertakings</b>	RMB	0	0	2,000
<b>Other Fields</b>	RMB	404,599.27	185,500.99	/
<b>Use of Charity Funds</b>	RMB	145,585.70	/	/
<b>Among which, Amount Donated to Charity Projects [1]</b>	RMB	492,000.00	667,231.91	30,000.00
<b>Total Voluntary Service Duration of Employee Volunteers</b>	hours	5,600	36,460	200
<b>Number of Employee Voluntary Service Participants</b>	persons	80	393	50

Notes:

[1] 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.

## 4. Governance Performance Table

### Corporate Governance

Indicators	Units	2023	2022	2021
Number of Board of Directors	persons	9	9	9
Number of Independent Directors	persons	3	3	3
Number of Male Directors Among the Board of Directors	persons	8	8	8
Number of Female Directors Among the Board of Directors	persons	1	1	1
Proportion of Female Directors Among the Board of Directors	%	11	11	11
Number of Board Meetings Held	times	7	11	11
Number of Average Participants of Board Meeting Attendance	persons	9	9	9
Attendance Rate of Board of Directors Meeting	%	100	100	100
Minimum Attendance Rate for Meetings of Board of Directors	%	100	100	100
Number of Non-Executive/Independent Directors with 4 or Less Other Mandates	persons	3	3	3
Average Tenure of Board Members	years	7.67	6.67	5.67
Number of Independent Directors with Industry Background	persons	3	3	3
Multiple of CEO's Base Salary [1]	/	965.69	1,060.94	923.17
Other Executives with Shareholding Reported Multiple of Base Salary [2]	/	713.75	903.67	698.61
Proportion of Government Ownership	%	0	0	0
Number of Audit Committee Meetings Held	times	5	0	0
The Ratio between the Total Annual Compensation of the CEO and the Mean Employee Compensation	/	16.44	17.09	23.52
Number of General Meetings Held	times	1	2	2
Number of Board of Supervisors Meetings Held	times	6	8	9
Attendance Rate of Board of Supervisors Meeting	%	100	100	100

Notes:

[1] Multiple of Base Salary refers to the multiple between stock ownership value and base salary. CEO Multiple of Base Salary = share price at the end of the FY \* number of shares held by the CEO / base salary of CEO

[2] Other Executives Multiple of Base Salary =(share price at the end of the FY \* number of shares held by the executive 1 / base salary of executive) + (share price at the end of the FY \* number of shares held by the executive 2 / base salary of executive) + (...) / number of executives with shareholdings reported



## Compliant Management

Indicators	Units	2023	2022	2021
Number of Employees Participating in Anti-Corruption Related Training	persons	21,382	18,561	7,612
Coverage of Employees Participating in Anti-Corruption Related Training	%	100	100	100
Total Hours of Employees Participating in Anti-Corruption Related Training	hours	1,791	1,555	11,195
Number of Corruption Clues from Reporting Procedures	/	7	/	/
Number of Incidents of Employees Being Dismissed or Disciplined Due to Corruption	/	2	/	/
Number of Incidents Violated Laws and Regulations	/	2	0	0
Number of Operational Sites Where Anti-Corruption Audits Have Been Conducted [1]	/	47	47	/
Number of Operational Sites Where Anti-Corruption Audits Have Been Passed During the Reporting Period	/	47	/	/
Number of Corruption Lawsuits Filed Against the Company or Employees and Concluded During the Reporting Period	/	0	0	0
Number of Incidents Violated Laws and Regulations	/	0	0	0
Number of Fine Payment Due to Laws and Regulations Violation	/	0	0	1
Amount of Fine Payment Due to Laws and Regulations Violation	million RMB	0	0	0.2
Number of Major Tax Incidents Violated Laws and Regulations	/	0	0	0
Number of Conflict of Interest Incidents Violated Laws and Regulations	/	0	0	0
Number of Money Laundering and Insider Trading Incidents	/	0	0	0
Number of Anti-Competitive, Anti-Trust, and Anti-Monopoly Related Lawsuits that Have Entered Legal Proceedings	/	0	0	0

Notes:

[1] Anti-Corruption Audits refers to the audit activity covering a review of corruption behaviors; Operational Sites refers to corresponding company or subsidiaries.

## Appendix 2: Index Table

1. Shenzhen Stock Exchange (SZSE) *Guidelines of Shenzhen Stock Exchange for Self-discipline Regulation of Listed Companies No.2 – Standard Operation of Listed Companies on ChiNext Board.* (Revised in December of 2023)

Guideline Chapter	Clause No.	Corresponding Chapter		
Chapter 9 Social Responsibility	9.1	Chapter 3 Sustainable Corporate Governance		
	9.2	Chapter 3 Sustainable Corporate Governance Chapter 6 Innovation Drives Development		
	9.3	Chapter 3 Sustainable Corporate Governance Chapter 4 Empowering Decarbonization Chapter 6 Innovation Drives Development Chapter 7 Employee Development Guarantee Chapter 8 Inclusive And Responsible Ecosystem Building		
		9.4	About This Report Chapter 3 Sustainable Corporate Governance Chapter 4 Empowering Decarbonization Chapter Focus on Customer Satisfaction Chapter 6 Innovation Drives Development Chapter 7 Employee Development Guarantee Chapter 8 Inclusive And Responsible Ecosystem Building	
			9.5	Chapter 3 Sustainable Corporate Governance
			9.6	Chapter 3 Sustainable Corporate Governance
			9.7	Chapter 3 Sustainable Corporate Governance Chapter 7 Employee Development Guarantee
	9.8			Chapter 4 Empowering Decarbonization Chapter 8 Inclusive And Responsible Ecosystem Building
			9.9	Chapter 4 Empowering Decarbonization
	9.1	Chapter 4 Empowering Decarbonization		
	9.11	Not Applicable		
	9.12	Chapter 7 Employee Development Guarantee		
	9.13	Chapter 7 Employee Development Guarantee		
	9.14	Chapter 6 Innovation Drives Development		
	9.15	Chapter 3 Sustainable Corporate Governance		

2. Annex I Corporate Social Responsibility Report Disclosure Requirements for Listed Companies, Chapter 1 Section 2 Matters Related to the Disclosure of Periodic Reports, Guidelines of Shenzhen Stock Exchange for Self-discipline Regulation of Listed Companies No.1 - Business Processing.(Revised in December of 2023)

Guideline Chapter	Clause No.	Corresponding Chapter
<i>Annex I Corporate Social Responsibility Report Disclosure Requirements for Listed Companies</i>	<b>1. Overview</b>	Chapter 1 Introduction to INOVANCE
	<b>2. Social Responsibility Performance</b> (1) Shareholder and creditor's rights protection	Chapter 3 Sustainable Corporate Governance
	<b>2. Social Responsibility Performance</b> (2) Employee's right protection	Chapter 7 Employee Development Guarantee
	<b>2. Social Responsibility Performance</b> (3) Suppliers	Chapter 8 Inclusive And Responsible Ecosystem Building
	<b>2. Social Responsibility Performance</b> (4) Environmental Protection and Sustainable Development	Chapter 4 Empowering Decarbonization
	<b>2. Social Responsibility Performance</b> (5) Public Relations and Public Welfare	Chapter 8 Inclusive And Responsible Ecosystem Building
	<b>2. Social Responsibility Performance</b> (6) Targeted Poverty Reduction	Chapter 8 Inclusive And Responsible Ecosystem Building
	<b>3. Issues and correction Plan of company undertaking social responsibility</b>	Chapter 3 Sustainable Corporate Governance  Chapter 4 Empowering Decarbonization  Chapter 5 Chapter Focus on Customer Satisfaction  Chapter 6 Innovation Drives Development  Chapter 7 Employee Development Guarantee  Chapter 8 Inclusive And Responsible Ecosystem Building
	<b>4. Companies in the biopharmaceutical and food &amp; beverage industries shall disclose product quality management systems, after-sales service systems, and the establishment and implementation of product recall systems.</b>	Not Applicable

### 3. Global Reporting Initiative (GRI) Sustainability Reporting Standards

GRI Standards	Disclosure	Location
General Disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	About This Report Chapter 1 Introduction to INOVANCE
	2-2 Entities included in the organization's sustainability reporting	About This Report
	2-3 Reporting period, frequency and contact point	About This Report
	2-4 Restatements of information	About This Report Appendix 1 ESG Key Performance Table
	2-6 Activities, value chain and other business relationships	About This Report Chapter 1 Introduction to INOVANCE
	2-7 Employees	Chapter 7 Employee Development Guarantee Appendix 1 ESG Key Performance Table
	2-8 Workers who are not employees	Appendix 1 ESG Key Performance Table
	2-9 Governance structure and composition	Chapter 3 Sustainable Corporate Governance 3.2 Corporate Governance
	2-10 Nomination and selection of the highest governance body	Chapter 3 Sustainable Corporate Governance 3.2 Corporate Governance
	2-11 Chair of the highest governance body	Chapter 3 Sustainable Corporate Governance 3.2 Corporate Governance
	2-12 Role of the highest governance body in overseeing the management of impacts	Chapter 3 Sustainable Corporate Governance 3.2 Corporate Governance
	2-13 Delegation of responsibility for managing impacts	Chapter 3 Sustainable Corporate Governance 3.2 Corporate Governance
	2-14 Role of the highest governance body in sustainability reporting	Chapter 3 Sustainable Corporate Governance 3.1 ESG Management
	2-15 Conflicts of interest	Chapter 3 Sustainable Corporate Governance 3.3 Robust Operation
	2-16 Communication of critical concerns	Chapter 3 Sustainable Corporate Governance 3.2 Corporate Governance
	2-18 Evaluation of the performance of the highest governance body	Chapter 3 Sustainable Corporate Governance 3.1 ESG Management
	2-19 Remuneration policies	Chapter 3 Sustainable Corporate Governance 3.1 ESG Management
	2-21 Annual total compensation ratio	Appendix 1 ESG Key Performance Table
	2-22 Statement on sustainable development strategy	Chapter 3 Sustainable Corporate Governance 3.1 ESG Management

General Disclosures		
<b>GRI 2:</b> General Disclosures 2021	<b>2-26</b> Mechanisms for seeking advice and raising concerns	<b>About This Report</b> <b>Chapter 1</b> Introduction to INOVANCE
	<b>2-27</b> Compliance with laws and regulations	<b>Chapter 3</b> Sustainable Corporate Governance 3.3 Robust Operation <b>Chapter 7</b> Employee Development Guarantee 7.1 Employee Rights and Welfare Protection
	<b>2-28</b> Approach to stakeholder engagement	<b>Chapter 3</b> Sustainable Corporate Governance 3.1 ESG Management
	<b>2-30</b> Collective bargaining agreements	<b>Chapter 7</b> Employee Development Guarantee 7.1 Employee Rights and Welfare Protection
Material Topics		
<b>GRI 3:</b> Material Topics 2021	<b>3-1</b> Process to determine material topics	<b>Chapter 3</b> Sustainable Corporate Governance 3.1 ESG Management
	<b>3-2</b> List of material topics	<b>Chapter 3</b> Sustainable Corporate Governance 3.1 ESG Management
	<b>3-3</b> Management of material topics	<b>Chapter 3</b> Sustainable Corporate Governance 3.1 ESG Management
Economic Performance		
<b>GRI 201:</b> Economic Performance 2016	<b>201-1</b> Direct economic value generated and distributed	<b>Appendix 1</b> ESG Key Performance Table
	<b>201-2</b> Financial implications and other risks and opportunities due to climate change	<b>Chapter 4</b> Empowering Decarbonization 4.1 Addressing Climate Change
	<b>201-3</b> Defined benefit plan obligations and other retirement plans	<b>Chapter 7</b> Employee Development Guarantee 7.1 Employee Rights and Welfare Protection
	<b>201-4</b> Financial assistance received from government	<b>Appendix 1</b> ESG Key Performance Table
Economic Performance		
<b>GRI 202:</b> Market Presence 2016	<b>202-2</b> Proportion of senior management hired from the local community	<b>Appendix 1</b> ESG Key Performance Table
Procurement Practices		
<b>GRI 204:</b> Procurement Practices 2016	<b>204-1</b> Proportion of spending on local suppliers	<b>Chapter 8</b> Inclusive And Responsible Ecosystem Building 8.1 Building Sustainable Supply Chain <b>Appendix 1</b> ESG Key Performance Table
Anti-corruption		
<b>GRI 205:</b> Anti-corruption 2016	<b>205-1</b> Operations assessed for risks related to corruption	<b>Appendix 1</b> ESG Key Performance Table
	<b>205-2</b> Communication and training about anti-corruption policies and procedures	<b>Chapter 3</b> Sustainable Corporate Governance 3.3 Robust Operation
	<b>205-3</b> Confirmed incidents of corruption and actions taken	<b>Chapter 3</b> Sustainable Corporate Governance 3.3 Robust Operation

<b>Anti-competitive behavior</b>		
<b>GRI 206:</b> Anti-competitive Behavior 2016	<b>206-1</b> Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	<b>Chapter 4</b> Empowering Decarbonization <b>4.5</b> Enhancing Resource Utilization Efficiency <b>Appendix 1</b> ESG Key Performance Table
<b>Energy</b>		
<b>GRI 302:</b> Energy 2016	<b>302-1</b> Energy consumption within the organization	<b>Chapter 4</b> Empowering Decarbonization <b>4.3</b> Strengthening Energy Management
	<b>302-2</b> Energy consumption outside of the organization	<b>Chapter 4</b> Empowering Decarbonization <b>4.3</b> Strengthening Energy Management
	<b>302-3</b> Energy intensity	<b>Chapter 4</b> Empowering Decarbonization <b>4.3</b> Strengthening Energy Management
	<b>302-4</b> Reduction of energy consumption	<b>Chapter 4</b> Empowering Decarbonization <b>4.3</b> Strengthening Energy Management
	<b>302-5</b> Reductions in energy requirements of products and services	<b>Chapter 4</b> Empowering Decarbonization <b>4.3</b> Strengthening Energy Management
<b>Water and Effluents</b>		
<b>GRI 303:</b> Water and Effluents 2018	<b>303-1</b> Interactions with water as a shared resource	<b>Chapter 4</b> Empowering Decarbonization <b>4.4</b> Focusing on Environmental Compliance <b>4.5</b> Enhancing Resource Utilization Efficiency
	<b>303-2</b> Management of water discharge-related impacts	<b>Chapter 4</b> Empowering Decarbonization <b>4.4</b> Focusing on Environmental Compliance
	<b>303-3</b> Water withdrawal	<b>Appendix 1</b> ESG Key Performance Table
	<b>303-4</b> Water discharge	/
	<b>302-5</b> Water consumption	<b>Appendix 1</b> ESG Key Performance Table
<b>Emissions</b>		
<b>GRI 305:</b> Emissions 2016	<b>305-1</b> Direct (Scope 1) GHG emissions	<b>Chapter 4</b> Empowering Decarbonization <b>4.1</b> Addressing Climate Change
	<b>305-2</b> Energy indirect (Scope 2) GHG emissions	<b>Chapter 4</b> Empowering Decarbonization <b>4.1</b> Addressing Climate Change
	<b>305-3</b> Other indirect (Scope 3) GHG emissions	<b>Chapter 4</b> Empowering Decarbonization <b>4.1</b> Addressing Climate Change
	<b>305-4</b> GHG emissions intensity	<b>Appendix 1</b> ESG Key Performance Table
	<b>305-5</b> Reduction of GHG emissions	<b>Chapter 4</b> Empowering Decarbonization <b>4.1</b> Addressing Climate Change
	<b>305-7</b> Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	<b>Appendix 1</b> ESG Key Performance Table

Waste		
<b>GRI 306:</b> Waste 2020	<b>306-1</b> Waste generation and significant waste-related impacts	<b>Chapter 4</b> Empowering Decarbonization 4.4 Focusing on Environmental Compliance
	<b>306-2</b> Management of significant waste-related impacts	<b>Chapter 4</b> Empowering Decarbonization 4.4 Focusing on Environmental Compliance
	<b>306-3</b> Waste generated	<b>Chapter 4</b> Empowering Decarbonization 4.4 Focusing on Environmental Compliance <b>Appendix 1</b> ESG Key Performance Table
	<b>306-4</b> Waste diverted from disposal	<b>Chapter 4</b> Empowering Decarbonization 4.4 Focusing on Environmental Compliance <b>Appendix 1</b> ESG Key Performance Table
	<b>306-5</b> Waste directed to disposal	<b>Chapter 4</b> Empowering Decarbonization 4.4 Focusing on Environmental Compliance <b>Appendix 1</b> ESG Key Performance Table
Supplier Environmental Assessment		
<b>GRI 308:</b> Supplier Environmental Assessment 2016	<b>308-1</b> New suppliers that were screened using environmental criteria	<b>Chapter 8</b> Inclusive And Responsible Ecosystem Building 8.1 Building Sustainable Supply Chain
	<b>308-2</b> Negative environmental impacts in the supply chain and actions taken	<b>Chapter 8</b> Inclusive And Responsible Ecosystem Building 8.1 Building Sustainable Supply Chain
Employment		
<b>GRI 401:</b> Employment 2016	<b>401-1</b> New employee hires and employee turnover	<b>Appendix 1</b> ESG Key Performance Table
	<b>401-2</b> Benefits provided to full-time employees that are not provided to temporary or part-time employees	<b>Chapter 7</b> Employee Development Guarantee 7.1 Employee Rights and Welfare Protection
	<b>401-3</b> Parental leave	<b>Chapter 7</b> Employee Development Guarantee 7.1 Employee Rights and Welfare Protection
Occupational health and safety		
<b>GRI 403:</b> Occupational Health and Safety 2018	<b>403-1</b> Occupational health and safety management system	<b>Chapter 7</b> Employee Development Guarantee 7.4 Occupational Health and Safety
	<b>403-2</b> Hazard identification, risk assessment, and incident investigation	<b>Chapter 7</b> Employee Development Guarantee 7.4 Occupational Health and Safety <b>Appendix 1</b> ESG Key Performance Table
	<b>403-3</b> Occupational health services	<b>Chapter 7</b> Employee Development Guarantee 7.4 Occupational Health and Safety <b>Appendix 1</b> ESG Key Performance Table
	<b>403-4</b> Worker participation consultation, and communication on occupational health and safety	<b>Chapter 7</b> Employee Development Guarantee 7.4 Occupational Health and Safety
	<b>403-5</b> Worker training on occupational health and safety	<b>Chapter 7</b> Employee Development Guarantee 7.4 Occupational Health and Safety <b>Appendix 1</b> ESG Key Performance Table
	<b>403-6</b> Promotion of worker health	<b>Chapter 7</b> Employee Development Guarantee 7.4 Occupational Health and Safety <b>Appendix 1</b> ESG Key Performance Table
	<b>403-7</b> Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<b>Chapter 7</b> Employee Development Guarantee 7.4 Occupational Health and Safety

<b>GRI 403:</b> Occupational Health and Safety 2018	<b>403-8</b> Workers covered by an occupational health and safety management system	<b>Chapter 7</b> Employee Development Guarantee <b>7.4</b> Occupational Health and Safety
	<b>403-9</b> Work-related injuries	<b>Chapter 7</b> Employee Development Guarantee <b>7.4</b> Occupational Health and Safety <b>Appendix 1</b> ESG Key Performance Table
	<b>403-10</b> Work-related ill health	<b>Chapter 7</b> Employee Development Guarantee <b>7.4</b> Occupational Health and Safety <b>Appendix 1</b> ESG Key Performance Table
<b>Training and Education</b>		
<b>GRI 404:</b> Training and Education 2016	<b>404-1</b> Average hours of training per year per employee	<b>Chapter 7</b> Employee Development Guarantee <b>7.3</b> Employee Training and Development
	<b>404-2</b> Programs for upgrading employee skills and transition assistance programs	<b>Appendix 1</b> ESG Key Performance Table
	<b>404-3</b> Percentage of employees receiving regular performance and career development reviews	<b>Appendix 1</b> ESG Key Performance Table
<b>Diversity and Equal Opportunity</b>		
<b>GRI 405:</b> Diversity and Equal Opportunity 2016	<b>405-1</b> Diversity of governance bodies and employees	<b>Chapter 7</b> Employee Development Guarantee <b>7.4</b> Occupational Health and Safety
<b>Non-discrimination</b>		
<b>GRI 406:</b> Non-discrimination 2016	<b>406-1</b> Incidents of discrimination and corrective actions taken	<b>Chapter 7</b> Employee Development Guarantee <b>7.4</b> Occupational Health and Safety
<b>Freedom of Association and Collective Bargaining</b>		
<b>GRI 407:</b> Freedom of Association and Collective Bargaining 2016	<b>407-1</b> Freedom of Association and Collective Bargaining 2016	<b>Chapter 7</b> Employee Development Guarantee <b>7.1</b> Employee Rights and Welfare Protection
<b>Child labor</b>		
<b>GRI 408:</b> Child Labor 2016	<b>408-1</b> Operations and suppliers at significant risk for incidents of child labor	<b>Chapter 7</b> Employee Development Guarantee <b>7.1</b> Employee Rights and Welfare Protection
<b>Forced or Compulsory Labor</b>		
<b>GRI 409:</b> Forced or Compulsory Labor 2016	<b>409-1</b> Operations and suppliers at significant risk for incidents of forced or compulsory labor	<b>Chapter 7</b> Employee Development Guarantee <b>7.1</b> Employee Rights and Welfare Protection
<b>Local Communities</b>		
<b>GRI 413:</b> Local Communities 2016	<b>413-1</b> Operations with local community engagement, impact assessments, and development programs	<b>Chapter 8</b> Inclusive And Responsible Ecosystem Building <b>8.1</b> Building Sustainable Supply Chain
	<b>413-2</b> Operations with significant actual and potential negative impacts on local communities	<b>Chapter 8</b> Inclusive And Responsible Ecosystem Building <b>8.1</b> Building Sustainable Supply Chain



Customer Health and Safety		
<b>GRI 416:</b> Customer Health and Safety 2016	<b>416-1</b> Assessment of the health and safety impacts of product and service categories	Appendix 1 ESG Key Performance Table
	<b>416-2</b> Incidents of non-compliance concerning the health and safety impacts of products and services	Appendix 1 ESG Key Performance Table
Customer Health and Safety		
<b>GRI 417:</b> Marketing and Labeling 2016	<b>417-1</b> Requirements for product and service information and labeling	Chapter 5 Focus on Customer Satisfaction 5.2 Improving Customer Services
	<b>417-2</b> Incidents of non-compliance concerning product and service information and labeling	Appendix 1 ESG Key Performance Table
	<b>417-3</b> Incidents of non-compliance concerning marketing communications	Appendix 1 ESG Key Performance Table
Customer privacy		
<b>GRI 418:</b> Customer Privacy 2016	<b>418-1</b> Substantiated complaints concerning breaches of customer privacy and losses of customer data	Chapter 6 Innovation Drives Development 6.2 Data Privacy Protection Appendix 1 ESG Key Performance Table

#### 4. UN SDGs Mapping Table

Chapters	Sections	SDGs Mapping
<b>Chapter 3</b> Sustainable Corporate Governance	3.1 ESG Management 3.2 Corporate Governance 3.3 Robust Operation	16 Peace, Justice and Strong Institutions 17 Partnerships for the Goals
<b>Chapter 4</b> Empowering Decarbonization	4.1 Addressing Climate Change 4.2 Innovative Green Products <b>Feature Topic:</b> Scope 4 Avoided Emissions 4.3 Strengthening Energy Management 4.4 Focusing on Environmental Compliance 4.5 Enhancing Resource Utilization Efficiency	7 Affordable and Clean Energy 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production 13 Climate Action
<b>Chapter 5</b> Chapter Focus on Customer Satisfaction	5.1 Strict Product Quality Control 5.2 Improving Customer Services	12 Responsible Consumption and Production

<p><b>Chapter 6</b> Innovation Drives Development</p>	<p>6.1 R&amp;D Innovation Focus 6.2 Data Privacy Protection</p>	<p>9 Industry, Innovation and Infrastructure</p>
<p><b>Chapter 7</b> Employee Development Guarantee</p>	<p>7.1 Employee Rights and Welfare Protection 7.2 Talent Attraction and Retention 7.3 Employee Training and Development 7.4 Occupational Health and Safety</p>	<p>3 Good Health and Well-being 5 Gender Equality 8 Decent Work and Economic Growth 10 Reduced Inequalities</p>
<p><b>Chapter 8</b> Inclusive And Responsible Ecosystem Building</p>	<p>8.1 Building A Sustainable Supply Chain 8.2 Promoting Industrial Cooperation and Development 8.3 Contributing to Social Development</p>	<p>4 Quality Education 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production 17 Partnerships for the Goals</p>

## Appendix 3: Glossary

Abbreviation	Full Name
3C	Computer,Communication and Consumer Electronics
3TG	Tin, Tantalum,Tungsten and Gold
4A	Business Architecture (BA) , Information Architecture (IA) ,Application Architecture (AA) and Technology Architecture (TA)
5G	5th Generation Mobile Networks
8D	Eight Disciplines
AI	Artificial Intelligence
APQP	Advanced Product Quality Planning
ARP	Address Resolution Protocol
BCG	Business Conduct Guidelines
BCM	Business Continuity Management
BCP	Business Continuity Planning
BMS	Battery Management System
CE	Conformité Européenne
COE	Center of Expertise
CFSI	Conflict-Free Sourcing Initiative
CQM	Customer Quality Management
CG	Corporate Governance
CNC	Computerized Numerical Control
CPU	Central Processing Unit
CSA	Corporate Sustainability Assessment
CSRD	Corporate Sustainability Reporting Directive
CT	Compliance Test
CUL	Canadian Underwriters Laboratories
DC/DC	DC-to-DC converter
DDOS	Distributed Denial of Service
DEI	Diversity, Equity and Inclusion
DPPM	Defective Parts Per Million
EAP	Employee Assistance Programs
EHS	Environment, Health and Safety
EMS	Energy Management System
EMT	Executive Management Team
ESG	Environmental, Social and Governance

Abbreviation	Full Name
FMEA	Failure Mode and Effects Analysis
GDPR	General Data Protection Regulation (REGULATION (EU) 2016/679)
GHG	Greenhouse Gas
GLOCAL	Gobal+Local
GRI	Global Reporting Initiative
HASL	Hot Air Solder Leveling
IEC	International Electro Technical Commission
IFRS S1	International Financial Reporting Standards Sustainability Disclosure Standard 1
IFS	Integrated Finance Service
IHR	Integrated Human Resource
IoT	Internet of Things
IPD	Integrated Product Development
ISSB	International Sustainability Standards Board
ITR	Issue to Resolve
KC	Korea Certification
KCP	Key Control Point
LAR	Lot Acceptance Rate
LCA	Life Cycle Assessment
IQC	Incoming Quality Control
ISC	Integrated Supply Chain
ISO	International Organization for Standardization
LTC	Lead to Cash
MCR	Manage Client Relationship
MES	Manufacturing Execution System
MS	Managing Strategy
MSA	Measurement Systems Analysis
MSCI	Morgan Stanley Capital International
MSDS	Material Safety Data Sheet
NPI	New Product Introduction
OA	Office Automation
OBC	On-board Charger
OEM	Original Equipment Manufacturer

Abbreviation	Full Name
PC	Process Control
PCB	Printed Circuit Board
PDCA	Plan, Do, Check and Act
PLC	Programmable Logic Controller
PO	Process Owner
PPAP	Production Part Approval Process
PPE	Personal Protective Equipment
PR	Proactive Review
QCC	Quality Control Circle
QPA	Quality Process Audit
RoHS	Restriction of Hazardous Substances
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
RT	Recommendation Tracking
SCARA	Selective Compliance Assembly Robot Arm
SOD	Segregation of Duties
SPC	Statistical Process Control
SQE	Supplier Quality Engineer
SSR	Supplier Survey Report
TCMS	Train Control and Management System
TISAX	Trusted Information Security Assessment Exchange
TQM	Total Quality Management
TQRDC	Technology, Quality, Responsiveness, Delivery & Cost
UL	Underwriters Laboratories
UN SDGs	United Nations Sustainable Development Goals
VOCs	Volatile Organic Compounds
WEEE	Waste Electrical and Electronic Equipment Directive

## Appendix 4: Material Topics of High Impact in 2023

The Table below presents the ESG material topics of high impact obtained after screening by materiality threshold and impact analysis for the year 2023, 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".

No.	Dimensions	Topics	Boundary of Topics			Definition of Topics	Location
			Supply Chains	Production and Operation	Products and Services		
1	E	Opportunities in Clean Technology		○	○	It is defined as INOVANCE's innovation capability and strategic development plans in clean tech, as well as the key measures and achievements in seizing the opportunities. This includes INOVANCE's efforts in actively promoting the application of clean production processes, the use of clean energy, providing solutions for clean tech, enhancing innovation capabilities, and accelerating market development to promote the development of clean tech.	4.2 Innovative Green Products
2	E	Green Products and Innovation			○	INOVANCE integrates green and sustainable principle into the entire life cycle of product design, production, transportation, and recycling, providing green products with comprehensive environmental benefits such as "energy conservation, material conservation, and efficiency enhancement," and promoting the R&D of new green product with relevant measures and outcomes.	4.2 Innovative Green Products
3	E	Climate Change Mitigation and Adaptation	○	○	○	INOVANCE establishes dual carbon strategy and climate change management system. This includes setting climate goals and emission reduction pathways, establishing a climate governance structure, identifying climate risks and opportunities, promoting low-carbon manufacturing and transformation, and GHG emissions inventory and climate information disclosure.	4.1 Addressing Climate Change

4	S	Talent Attraction and Retention		○	INOVANCE has rich human resources and put efforts to attract and retain talents. This includes providing a comfortable and good working environment, fair and transparent employment processes, competitive compensation and benefits, smooth development channels and promotion opportunities, and special incentive policies.	7.2 Talent Attraction and Retention	
5	S	Sustainable Supply Chain Management		○	INOVANCE establishes sustainable supply chain management system. This includes relevant management systems and measures such as supplier access, classification management, risk assessment, and performance evaluation, as well as supply chain labor standards, responsible procurement management, and cooperation with customers and suppliers to build sustainable supply chain construction.	8.1 Building Sustainable Supply Chain	
6	S	R&D and Innovation		○	○	INOVANCE launches management system and R&D progress in the field of technological innovation, including the company's R&D and innovation management system, plans, platforms, progress of products under development, impact on the company, as well as R&D incentives and innovation culture.	6.1 R&D Innovation Focus
7	S	Customer Relation Management			○	INOVANCE establishes systems and implements measures for customer service, customer complaint handling, responsible marketing, and other customer relationship management, including the disclosure of relevant data such as customer satisfaction, customer service, and complaints.	5.2 Improving Customer Services

## Appendix 5: Reader's Feedback Survey

Dear readersDear readers,

Thank you for reading the *INOVANCE 2023 Environmental, Social and Governance Report*. To further improve our sustainability work and report preparation quality, we sincerely invite you to provide valuable feedback and advice on this report to help us continuously improve. You can submit your feedback online by scanning the QR code on the right side of this page, or you can manually fill out the following questionnaire and mail this page to us. The mailing information is as follows:

Recipient: Sustainability Office

Tel: 0755-29799595 Post Code: 518101

Address: INOVACE Headquarter, High-tech Industrial Park, Guanlan Street, Longhua District, Shenzhen, Guangdong Province, P.R.China

1.Your overall evaluation of INOVANCE's ESG Report:

Very good  Good  Average  Poor

2.Your Evaluation of this report reflecting the Company's significant economic, social and environmental impact:

Very good  Good  Average  Poor

3.Is the information disclosed in this report accurate, clear, and complete:

Yes  No

4.Are the content arrangement and layout design of this report easy to read:

Yes  No

5.Your feedback and advice on INOVANCE sustainability work and performance:

\_\_\_\_\_

6.Your feedback and advice on the INOVANCE ESG report:

\_\_\_\_\_



INOVANCE 2023 ESG Report  
Reader Feedback Questionnaire

### Contact Information

Name: \_\_\_\_\_

Telephone: \_\_\_\_\_

Working Organization: \_\_\_\_\_

Title: \_\_\_\_\_

Email: \_\_\_\_\_

Please kindly contact us via [sustainability@inovance.com](mailto:sustainability@inovance.com) for any query about the report, thanks.





WeChat Account



Feedback Collection

## INOVANCE

ADVANCING INDUSTRIAL TECHNOLOGY FOR A BETTER WORLD

INOVANCE Headquarter, No.3, Guansheng 4th Road, Longhua District, Shenzhen, Guangdong Province, P.R.China

[WWW.INOVANCE.COM](http://WWW.INOVANCE.COM)