



Pr

Grow with Customers

ty

Inspur International Limited

Environmental, Social and Governance Report

2017



Background

Inspur International Limited (hereinafter referred to as “Company”) was listed on the Growth Enterprise Market of the Hong Kong Stock Exchange in 2004 and transferred to the Main Board of the Hong Kong Stock Exchange in 2008. Its shareholder is Inspur Group Limited (hereinafter referred to as “Inspur Group”) which is an information technology enterprise based in Shandong Province, PRC and it provides the cutting-edge technology service in cloud computing and big data. Inspur Group owns four listed subsidiaries, they are Inspur International, Inspur Information, Inspur Software and Huaguang Optoelectronics, and their businesses cover the cloud data centre, cloud big data services, smart city and smart enterprises. These four areas form the overall solution to cover the three service models, IaaS, PaaS and SaaS, comprehensively. Meanwhile, Inspur International Limited is the only company listed in Hong Kong with main business of ERM software development and software outsourcing services. The two main businesses accounted for 79% and 21% of the Company's total revenue in 2017 respectively.



Inspur International Limited has always adhered to the Inspur Group's culture and belief, and strongly believes that sustainable business must pay attention to the interests of all stakeholders. It is not only to provide investors with financial returns, but also provide platforms for employees' development, provide high quality products and services to customers, provide fair trade opportunities for suppliers, and also use the Group's high-tech knowledge to contribute to the environment and the community. The Company continues to plan and participate in various activities in the above aspects and maintains good communication with all stakeholders to perform a good corporate social responsibility.

3 Core Values



The Company's main business involves research and development of information technology. It requires support and contribution from each employee. Therefore, the Company puts great attention on multi-faceted trainings to employees. We encourage employees to exchange knowledge and technological skill and develop innovative thinking. The Company also provides employees with competitive remuneration and benefits, as well as a healthy and safe working environment, so that employees can fully utilize their strengths in their positions.

To maintain the industry's leading position, the Company not only needs to do well but also needs to do faster than others, especially in the IT industry. The Company pursues a forward-looking vision for the business. It is not only to meet customer requirements, but also to promote the benefits of the entire society and to do more for the global environment.

In addition, the Company wants to be a model for others. We care about the vulnerable groups in the community. We believe that children are the backbone of the future. Through various educational activities, we believe that children will give back to the society in the future. The Company attaches great importance to talent training. It applies not only to the Company's own development, but also to creating more possibilities for the world through knowledge sharing.

Communication to Stakeholder

To maintain the above three core values, we must keep good communication with our stakeholders. The following table shows our stakeholders and communication methods.

Stakeholder	Coverage	Communication Method
Customer	<input checked="" type="checkbox"/> Product Reliability	<input checked="" type="checkbox"/> Customer Hotline
	<input checked="" type="checkbox"/> Product Technology	<input checked="" type="checkbox"/> Customer Satisfactory Survey System
	<input checked="" type="checkbox"/> Company Reputation	<input checked="" type="checkbox"/> Telephone interview and site visit by Quality Control Staff
	<input checked="" type="checkbox"/> Planning & Development	<input checked="" type="checkbox"/> Product Testing
	<input checked="" type="checkbox"/> Continuity Planning	<input checked="" type="checkbox"/> Internet Platform
	<input checked="" type="checkbox"/> Services Pledge & After-sales services	
	<input checked="" type="checkbox"/> Market information	
	<input checked="" type="checkbox"/> Warranty	
	<input checked="" type="checkbox"/> Compliance	
	<input checked="" type="checkbox"/> Ethics & Integrity	
	<input checked="" type="checkbox"/> Market Pricing	
Employee	<input checked="" type="checkbox"/> Business Sustainability and Strategic Plan	<input checked="" type="checkbox"/> Intranet Platform
	<input checked="" type="checkbox"/> Governance and Internal Control	<input checked="" type="checkbox"/> WeChat Group
	<input checked="" type="checkbox"/> Environmental management	<input checked="" type="checkbox"/> SaySayCall Platform
	<input checked="" type="checkbox"/> Ethics & Integrity	<input checked="" type="checkbox"/> Staff Activities
	<input checked="" type="checkbox"/> Compliance	
	<input checked="" type="checkbox"/> Health & Safety	
	<input checked="" type="checkbox"/> Operational Procedures	
Government Body	<input checked="" type="checkbox"/> Staff Compensation & Benefit	
	<input checked="" type="checkbox"/> Technological Development	<input checked="" type="checkbox"/> Government Visit
	<input checked="" type="checkbox"/> Governance and Internal Control	<input checked="" type="checkbox"/> Seminar
	<input checked="" type="checkbox"/> Market Information	
	<input checked="" type="checkbox"/> Compliance	
	<input checked="" type="checkbox"/> Ethics & Integrity	
	<input checked="" type="checkbox"/> Business Sustainability and Strategic Plan	
	<input checked="" type="checkbox"/> Financial Status	
Investor	<input checked="" type="checkbox"/> Staff Compensation & Benefit	
	<input checked="" type="checkbox"/> Planning & Development	<input checked="" type="checkbox"/> Annual General Meeting
	<input checked="" type="checkbox"/> Business Sustainability	<input checked="" type="checkbox"/> Interim and Annual Report
	<input checked="" type="checkbox"/> Operational Procedures	<input checked="" type="checkbox"/> Company Website
	<input checked="" type="checkbox"/> Financial Status	
	<input checked="" type="checkbox"/> Ethics & Integrity	
	<input checked="" type="checkbox"/> Governance and Internal Control	

Stakeholder	Coverage	Communication Method
Supplier	<input checked="" type="checkbox"/> Business Sustainability	<input checked="" type="checkbox"/> Review and Evaluation Report
	<input checked="" type="checkbox"/> Financial Status	<input checked="" type="checkbox"/> Site Visit
	<input checked="" type="checkbox"/> Operational Procedures	<input checked="" type="checkbox"/> Telephone or email communication
	<input checked="" type="checkbox"/> Compliance	<input checked="" type="checkbox"/> Interim and Annual Report
	<input checked="" type="checkbox"/> Ethics & Integrity	<input checked="" type="checkbox"/> Company Website
	<input checked="" type="checkbox"/> Product Reliability	
	<input checked="" type="checkbox"/> Product Technology	
	<input checked="" type="checkbox"/> Company Reputation	
Market Industry	<input checked="" type="checkbox"/> Planning & Development	<input checked="" type="checkbox"/> Site Visit
	<input checked="" type="checkbox"/> Product Technology	<input checked="" type="checkbox"/> Seminar
	<input checked="" type="checkbox"/> Governance and Internal Control	<input checked="" type="checkbox"/> Interim and Annual Report
	<input checked="" type="checkbox"/> Market Information	<input checked="" type="checkbox"/> Company Website
	<input checked="" type="checkbox"/> Compliance	
	<input checked="" type="checkbox"/> Ethics & Integrity	
	<input checked="" type="checkbox"/> Business Sustainability	
	<input checked="" type="checkbox"/> Financial Status	

In addition, the Company also maintains a high standard of corporate governance which oversees and leads the Company sustainability in all aspects. The Board of Directors has overall responsibility for the Company's environmental, social and governance (“ESG”) strategy and reporting, including evaluating and determining the ESG related risks and ensure that the appropriate and effective ESG risk management and internal control systems have been established. The ESG related risks and mitigation measures have already been considered and embedded into the Company risk management system. For details, please refer to section of risk management and internal control in the Corporate Governance Report in the 2017 annual report.

This report has been prepared in accordance with the requirements set out in the Environmental, Social and Governance Reporting Guidelines in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Unless otherwise stated, the report mainly outlines the Company’s efforts on the environment, employees, supply chain management, products, customers, corporate governance and community between 1st January and 31st December 2017.

Our Scope

To ensure that all important aspects of environmental, social and corporate governance are objectively described and covered in this report, the Company has conducted self-analysis and self-assessment to review the daily operations of each business area as well as considering stakeholders' major concerns to decide the coverage of this ESG report.

Business operations and geographical distribution

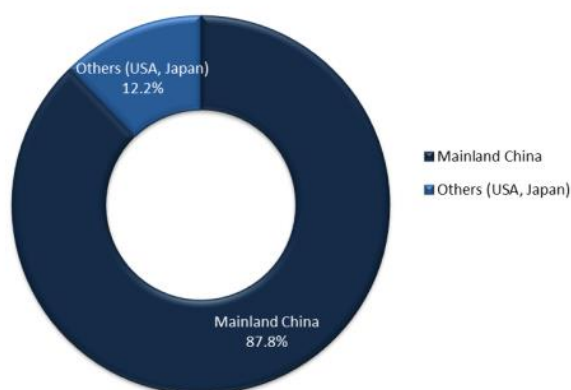
The Company has business operations in mainland China, Hong Kong, the United States and Japan, while the main business operations are in mainland China. In 2017, the Company's overall revenue was HK\$ HK\$1,318M, in which HK\$1,157 was generated in mainland China, which represented about 88% of the Company. The other revenue was mainly generated in United States and Japan.

In term of geographical distribution of employee, the Company's core operations, such as the human resources, technology and quality development, marketing, operations, and channel development, are centralized in Jinan City, Shandong Province, PRC. These account for about 55% of the total number of employees. To meet the needs of customers from other areas, the Company also set up offices in the major cities in China, mainly dealing with the works of sales and products delivery. In overall, about 97% of the total number of employees is working based in mainland China.

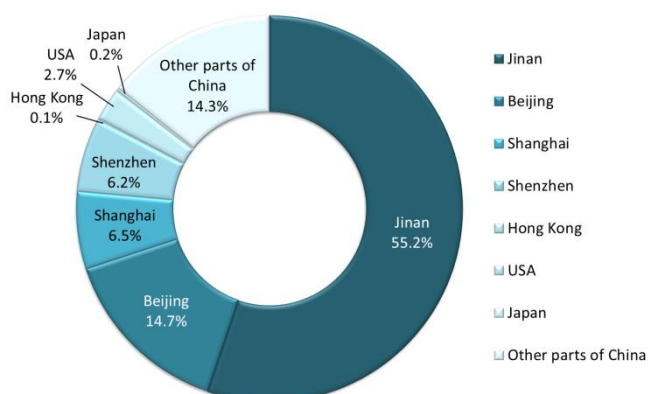
Therefore, the scope of this report will focus on operations in mainland China and Hong Kong. The report will also outline the overall policies and concepts of Inspur International Limited in environmental, social and corporate governance.

The activities related to environmental protection and social responsibility are mainly conducted together with its controlling shareholder, Inspur Group Limited. It facilitates active participation of all employees under the Group and ensures that all operating units are in line with the Group objectives of sustainable business development.

Business revenue distribution in 2017



Geographical Distribution of Employee in 2017



Environmental Protection

During the reporting period, the Company and its subsidiaries did not have any non-compliance case noted in relation to environmental laws and regulations that had a significant impact to the Company. The related compliance requirements include laws and regulations on environmental protection in mainland China and Hong Kong.

Self-Assessment and Key Performance Indicator

The Company has self-assessed its business operations and adopts a comprehensive environmental protection program for business activities which may have impact on the environment. The self-assessment includes areas of emissions (including gas, liquid and solid emissions) control and management, use of resources and overall impact to environment and resources. Since the Company's main business is software development and software outsourcing services, the Company's business operations have no direct relationship with the emission of greenhouse gas, water discharge, generation of hazardous and non-hazardous wastes such as nitrogen oxides, sulfur oxides and other state-regulated pollutants.

During the period, the Company did not have large-scale infrastructure or employing motor vehicle transportation. The Company will indirectly emit greenhouse gases and air pollutants through energy consumption in the daily office operations, such as using computers, air-conditioning and transportation, etc. In view of no direct relationship with the emissions and energy consumption is only on a daily operation need basis, the Company does not establish key performance indicators in the area of emissions, but is committed to promoting energy efficiency in operations, which includes monitoring the use of electricity, water and non-hazardous waste management. The Company strives for environmental protection and community sustainability.

Our Effort to Environmental Protection

The Company's main business includes ERM software development and software outsourcing services. The following are the efforts and contributions for environmental protection done by the Company.

I. Catching the Opportunity to Use Cloud Technology for Energy Saving

The Company promotes the cloud technology from just the ERM function level to a corporate operation level. The Company fully applies the latest technology when developing and selling application software and hardware to the customers. Since 2017, the Company has been developing and launching the cloud computing products in accounting, human resources, procurement and big data analysis, etc. All related operations and data storage are carried out in the cloud and customers can perform their functions through the webpage. It reduces the electricity consumption of software running in the customer's server and computer. The Company will continue focusing on the development of low-energy consumption, high-efficiency, paperless ERM software, reduce the memory space occupied by computer servers and hence significantly reduces the electricity consumption of the server.

II. Big Data for Innovation and Effective Data Analysis for Green

In addition, in 2015, the Company worked with the China Energy Conservation and Environmental Protection Group to use the new information concept of "all-demand subtraction" to build the central database system, which unified the platform for data collection, data statistics to analysis. When the data is collected, it will be analyzed according to different business activities and compared against the expected optimal level. The analysis will be translated into a standard index for review, which helps the Group to more systematically manage energy conservation and environmental protection in different places.

Green Culture

The Company always asks for high standard environmental protection among employees. In addition to the above-mentioned innovative energy-saving technology, everyone's subtle habits in work and life can contribute to energy conservation and reduction of waste emission. Accordingly, the Company has formulated a unified energy conservation policy.

For electrical energy, a series of energy-saving measures are advocated in the office. We do not turn on air conditioning when the room temperature is below 29 °C. Otherwise, the temperature should be set at 27 °C or above and the windows should be closed. When the office is full of natural light, electrical lighting should be minimized. Employees are required to turn off their computers and lights when you leave workstation for a long period. In addition, different energy-saving tips are also advocated in employees' daily life. For example, Electricity consumption can reduce by 30% if the rice is soaked for 30 minutes and using hot/warm water for cooking. We also recommend low-carbon cooking method and reduce frying dishes. We highlight to the staff that white wall has a reflection coefficient of 70% which can reduce electrical lighting and so on.

In addition, for water usage, the Company advocates employees using rice washing water to wash dishes or irrigate. Bathing time should be short and water should be turned off when using soap. We also encourage staffs to be in all-round green living and making energy-saving into habits, such as garbage sorting, using environmentally-friendly cars, using public transport tools and reducing meat consumption.

In addition to posting notice at the switch for promoting electrical energy saving, the Company is actively exploring business opportunity in area of environmental protection. The Company is developing project of air quality assessment and promoting energy-saving culture to our customers. In September 2017, the Company has carried out an internal training course of "environmental industry training certification" for sales personnel working for the environmental industry. The training makes our staff have more understanding of the relevant policies and regulations issued by the country in the past ten years. It also introduces our technical research on how to assess air quality and environment and helps for smog treatment. The training improves the understanding of the Group's air warning and forecasting system and promoting importance of air quality and environmental monitoring through data analysis and hence improves the air quality in various regions.

Green Facilities

The Company pursues a green culture where green facilities are one of the key energy saving consideration.

I. Lighting

Since the opening of the Company's main office building S01 in July 2015, the building has adopted advanced energy-saving measures. LED lamps are installed on each floor. The exterior wall of the building is designed with black curtain wall and floor-to-ceiling

windows, which can on one hand provide sufficient natural sunlight to the building and also has a heat preservation effect in winter. The design and facilities reduce the use of heating. In addition, the security guard will ensure that all lighting and cooling systems are turned off during night time at 11pm. It is noted that LED lighting can save up to 50% energy consumption compared to conventional lighting.

Since 2012, the Group transforms nearly 600 sets of lighting switches for buildings in the Science and Technology Park, including S01 office building. Separate lighting switches are installed in the unit near the window and with high intensity of natural sunlight. Employees are reminded to turn off the lights in the areas with strong sunlight. It further enhances the electricity consumption of the building. With the implementation of various energy saving programs, the total electricity costs for the Company's main office with areas of 25,630.25m² in S01 office building in Jinan City and small rental offices of subsidiaries under the Company was about HK2.3M, which represents about 1.9M kWh of electricity energy consumption in 2017.

II. Water

The Company does not have facilities with direct water consumption in the business operations, while water consumption is mainly from the daily office operations such as water usage in the restrooms. The total costs of water usage were about HK130K in 2017, which represents about 17,000m³ of water in volume.

To facilitate the Company's green culture, all the faucets in the Company's restrooms are replaced with automatic induction water outlets with notice of water-saving attached to the side. The hand washing water can be recycled for toilet flushing to reduce water wastage.

III. Others Facilities Enhancement

In addition, to encourage employees for green travel, the Company has built two bicycle sheds for employees to use. In order to be in line with the government appeal of using electric vehicles to reduce carbon emissions, several electric vehicle chargers have been installed in the parking shed for free.

Environmental considerations in the use of materials and operations

The Company promotes a paperless office and establishes a sharing center. Daily operations such as applying for reimbursement are performed online. Employees can download training materials on the training platform to reduce paper usage. In addition, double side printing is pre-set in all computers and use of rechargeable or filled types ink cartridges for printer is encouraged.

In addition, the Company posts notice of food conservation in the cafeteria to remind employee not to waste food. Food waste is centrally collected for sorting and disposal. Wastes such as glass and aluminum cans are sent to the recycling station for management.

High-quality and green materials for renovation and maintenance works are one of the factors for selection in the tendering processes. Fit-out works is generally conducted after office hours, so as to avoid noise and dust pollution affecting the employees' health. The tap water at each floor is equipped with a purified water filter. The tap water can be directly consumed after being filtered. It saves the waste of plastic barrel of the bottled water.

Social

Employees

The Company believes that employees are one of the valuable assets and key elements to lead the Company for improvement. Therefore, the Company not only provides competitive salary package, but also provides a safe and healthy working environment for employees. Moreover, the Company believes that providing clear goals for employees and continuous learning platform can enhance the overall efficiency and productivity of the Company. In addition, the Company has control procedures and guidelines to avoid the use of child labor and forced labor, for example, all employees are required to provide identification documents. If he/she is under legal age, it is not allowed to register in the human resources system. The laws governing employees in China are mainly the Labour Law, the Labor Contract Law, the Social Insurance Law and the Work Injury Insurance Ordinance. Hong Kong is mainly the Employment Ordinance, Occupational Safety and Health Regulations and the Minimum Wage Ordinance. There is no non-compliance case noted in relation to employment laws and regulations that had a significant impact on the Company for the year ended 31 December 2017.

Recruitment and Welfare

The Company regularly collects market data on human resources costs of related industries and provides competitive compensation and benefit packages to the employees, such as insurance, sick leave, annual leave, marriage leave, and maternity leave, etc. Employees have standard working hours, overtime payment would be arranged if it is properly approved according to the policies and procedures. Besides, the Company has also considered employees' needs in their daily lives. We have provided accommodation to fresh graduates which the rental, water and electricity fee is far below the market. In addition, the Company also provides three different types of cuisine in staff canteens.

Equal Opportunity and Diversity

Our employees have different knowledge and experience in their own fields and recruiting diversified talents could meet with our business development. As a responsible employer, we adhere to the principle of fairness and have a set of policies and procedures for the recruitment process, for example, if there is an employee referral, referrers should not involve in the recruitment process to avoid impairing the objectivity and fairness. Employees' suitability and quality is our primary assessment criteria. We have standardized recruitment requirements for different levels of employees with the principle of equal opportunity and non-discrimination.

Employees by Gender and Age as of 31 December 2017

Region	No. of employees	Male	Female	Aged below 30	Aged 30-50	Aged over 50
Hong Kong	4	3	1	-	3	1
Mainland China	3,648	2,575	1,073	2,063	1,556	29
United States	103	70	33	56	44	3
Japan	8	5	3	4	4	-
Total	3,763	2,653	1,110	2,123	1,607	33

Remarks: Category is based on the registered region of the Company engaged in the employment contract

Health and Safety

The Company believes that it is necessary to provide a healthy and safe working environment for employees and, therefore, the Company has established the "Union Committee". The committee members are selected by employees to represent their interests, and timely escalate employees' requests to the management to continuously improve the occupational health and safety. In addition, the Company regularly issues notices to employees to remind on health and safety, such as the Company suggested employees to take a series of fire prevention measures during the winter months. The Company has not received any work injury reports in 2017. There is no non-compliance case noted in relation to occupational health and safety that had a significant impact on the Company for the year ended 31 December 2017.

Training and Education

The Company provides orientations to the Company's new joiners which included the experience sharing by employees with outstanding performance, also, a number of exciting interactive activities to bring the employees closer together and adapt the working environment as soon as possible. In addition, all new joiners can participate in the two-weeks outward bound, which not only provided new joiners with the opportunity to face challenges, but also enhanced their team work spirit.

Besides, the Group has established "Inspur University" in the Science and Technology Park of Jinan, which includes management colleges, software colleges and marketing colleges, etc. Here we provide regular training for employees. For example, in the software school, the training course included key focus on software testing, system problem analysis, high-performance code writing, etc. If employees are abroad and cannot physically participate in the course, we have also arranged an online learning platform, "E-Learning", for employees to add value in anywhere available on their own time.

The Company places importance on employee training and development, employees are required to take the prescribed credits every year. Test would be arranged after each training and employees can earn credits by passing the test. Training credits are directly related to the annual performance assessment. In 2017, the Company trained 21,993 employees, with an average of 5.8 training sessions per employee. The total number of training hours was 823,527 hours, with an average of 218.9 hours per employee.



Mr. Wu, General Manager of Human Resources Department
provide training to employees

Employee Relations

The Group values the employee engagement and communication. We issue work-related information through our intranet, such as business strategy and direction, training courses, etc. In addition to paying attention to work performance, the Group also cares about employees' individual health. Through the WeChat public account, "Spirit of Inspur", we would send out information about the employee activities to promote work-life balance and enhance the employee engagement at the same time.

Moreover, the Group has set up the "SaySayCall" platform in response to the principal of "everything has been answered" in December 2016. Employees can provide advices, complaints and suggestions to the Company through various channels such as telephone, mail and WeChat. The Group also reported to the employees the number of cases received and processed each month. In 2017, the number of complaints was 40, all of which were handled in the same month.

The Company organized different activities for employees every month, such as the Women's Culture Week in the second week of May, to praise women's contribution in the workplace; the fruitful activities in the parent-child culture month, let employees to participate with their family together; parent-child activities for the employees who need to travel a lot on business, to appreciate for their sacrifices on their family times to contribute on the Company; the Engineers Culture Festival to bring a delight working experience to research and development technicians. The Company encourages employees to participate in the Group Sport Day which held in every 2 years, also, the annual basketball and football competitions to enhance the team spirit.

In addition to a series of employee activities, employees would receive a birthday card from the Company on their birthday and they can select a birthday gift from a list which has been prepared by the Company. Moreover, thank-you letter would be sent to employees on their anniversary, to thank for their contributions over the past year.



Recognition

In 2016 and 2017, the Group has been awarded as "Employer Excellence of China" by one of the largest recruitment website which is a prestigious award of human resource management in China. Winners have been chosen among 420,000 companies in the first round and then finally stood out from 215 companies, the whole selection process was last for 3 months. In addition, the Group has been also awarded the "Corporate Training Excellence" and the "Employee Care Strategy Excellence".



In addition, in 2016 and 2017, the Group was awarded the "Top 50 Best Employers for University Students in China" and "Top 15 Best Employers in China for IT and Communications Industry" by ChinaHR.com. It is one of the earliest and largest human resources election specialized for university students in China and serves as an influential guide for job hunting.

Awards not only recognize our efforts in human resources, but also stimulate our motivation to achieve excellence.



Supply Chain Management

The Company pursues fairness and transparency principles in the procurement process, and the related policies and procedures have been complied to provide a consistent guideline. For example, new vendors are required to register through our e-procurement platform and provide the basic information, such as operating license, permit for opening account, legal person authorization letters, and agency certifications, etc. The registration process has been reviewed and approved by designated parties. Only qualified vendors can be recorded in the registered vendors database and participate in quotation and tendering activities. The Company would regularly collect opinions from various stakeholders and evaluate vendors' performance. Unqualified vendors would be removed from the database to protect our product quality. Moreover, the Group and its subsidiaries have been recognized as a member of the "China Bidding and Complaints Association" which represented a high-standard compliance with relevant regulations and would be informed with the latest information in the procurement industry.

The Company incorporates the green concept into the daily procurement practices. Procurement process has been systemized to reduce paper use. Also, the Company tries to avoid choosing materials which are harmful to the environment and prefer to appoint vendors which passed the environmental impact assessment.

The Company is also committed to minimize the risks associated with laws and regulations in the business operations. For example, the terms of the procurement contract should state that the products provided by vendors are complied with the laws relating to import, production, storage and sale. The imported products have been properly handled in accordance with the relevant customs requirements.

Product Responsibility

The Company believes that product quality is a key element in business sustainability and we have established a set of control procedures in this regard. For example, if the purchase involves an agent, the contract must include the terms of the product responsibility. The agent must guarantee its quality and provide product quality certification issued by manufacturer, after-sales service commitment letter, etc., to ensure that the product is authentic and not a duplicated.

The products produced by the Company are closely monitored by the project manager, then the products would be further checked and signed by technical management department. After the products have been delivered to the customers, they have to check and sign for acceptance.

In 2017, the average number of complaints received per month was about 15 cases, mainly about the technical support, maintenance and hotline services. We have arranged hotline for each category of complaints, so that the issues would be followed up by appropriate personnel immediately.

Customer Satisfaction

The Group is always "Focus on Customer" and Customer Care Department has been established to in charge of the customer care activities; customer satisfaction management and review; after-sale service evaluation and quality assessment; and regular trainings on customer service.

Moreover, the Group also set up customer service hotline to handle customer opinions and complaints. Responsible person must be familiar with the product functions, customers' business processes and applications, as well as the good communication skills. In order to enhance the customer experience, since 2014, the Group has provided hotline training for employees every year and monthly experience sharing sections. In 2015, "Inspur Customer Satisfaction Management Information System" was officially launched and we have established the "Inspur Customer Satisfaction WeChat Research System" at year end, so that we could have better understanding on our customers' needs.

At the same time, the Company has also set up an operation and maintenance service department to develop tailor-made service strategy to fit the customers' business operations. For the implementation service, we provided both online services and on-site services for customer problem solving. The Company would regularly assess the employee performance and conduct analysis on customer satisfaction. The Company would arrange a service supervisor to perform the assessment based on the results of telephone interview and site-visit with our customers. The assessment result would be reported to the relevant departments for improvement. In 2017, the Company sampled 423 customers and the customer service score was about 95. The customers also proposed some valuable suggestions for our improvement during the interviews. We value customers' opinions and actively pursue continuous improvement.

Furthermore, the Company has always adhered to the strategy of "leading high-end, specializing in industry, improving on customer satisfaction", and maintained our corporate culture of "focus on customer satisfaction". Therefore, we designed the product from the users' perspective. For example, there were more than 40 companies have been invited for trial use before the official launch of "ICSD Cloud Service Desktop V4.0" in March 2017, and the product has been designed with more personalised functions. The new function, "Voice Collection", on the internet platform has been launched to allow customers to raise their concerns in 24 hours a day, truly combining "Internet + customer service."



Intellectual Property Rights

The Company is committed to protect intellectual property rights and appointed the technical and quality management department to handle the product patents. The procurement contract with vendors should be clearly stated with the terms of compliance to the legal requirements on the intellectual property rights. In addition, the Company would regularly review the current operating practices and control procedures to ensure that intellectual property rights are being protected.

Data Protection and Privacy Policy

The Company keeps strictly confidential on customer data and has established a “confidentiality committee”. It is responsible to monitor the Company’s overall control mechanism on data confidentiality, implementation on controls procedures, related budget and the crisis management.

The Company emphasizes the importance of information confidentiality in orientations to all new joiners. In addition, a personal digital certification and password have been assigned to each employee, only certified computers can access to company intranet. The Company has also developed DSM encryption software, which can monitor the file forwarding, copying, capturing, reading time and time limit, etc., and employees have been reminded that all documents should be encrypted before sending out. The personal digital certification would be disabled once the employee is separated from employment and he/she cannot open the encrypted file again.

Anti-corruption

The Company is committed to maintain a high level of corporate ethics culture. “Ethical Compliance Committee” has been set up to promote a culture of integrity and monitor employees to comply with corporate ethical requirements and codes of conduct. The Company has also set up the ethical compliance page in the Company website, so that employees can report any violation case anonymously. The committee would conduct an independent and fair investigation based on the reporting case and decide the handling strategy according to the Company policies to show our real actions in anti-corruption. The Company has also incorporated the control procedures of anti-corruption in the policies and procedures, such as segregation of duties, vendor registration, tendering procedures, etc. During the reporting period, the Company has not violated any anti-corruption related law and regulations.

Our Community

The Company has been actively assuming corporate social responsibility. We have worked with our staff, business partners and community organizations to care for the community, environment protection and sustainable development.

I. Education Platform

The Company believed that education is the foundation upon which we build our future, therefore, we have been committed for education development. On August 22, 2017, we participated at “Dream of Hope” book donation campaign to Xiaofocun Village at Jinan. The Company donated books, stationery, and sports activities to the village secretary, and brought the love of all staff to the poor village.

On October 25, 2017, the Company supported the book donation campaign again. The Company sponsored the “Conveying Hope” campaign to establish a library in Guanxian Qianhuyingcun Elementary School at Liaocheng City. We hope the children can develop a good reading habit and work hard in order to return to the society.



II. Bringing the Technology to the Community

The Company actively supported the community development which in line with China urbanization and technology development, in order to enhance community infrastructure equipment and improve the quality of life standard. At June 27 - 28, 2017, the Guangdong Smart Community Conference co-organized by the Company was successfully held in Dongguan. The Conference attracted more than 80 real estate property guests to discuss the technology development of smart community.

III. Caring the Disadvantaged Groups

The Company actively respects and cares for the disadvantaged group. On January 13, 2017, the Company together with the Yinchuan Talent Development Exchange Service Center, Education Bureau and some Media Groups to organize “Caring for Poor Children” charity event. We donate some books to Yinchuan Elementary School at Ningxia City and sent our warmth to the poor children.



On February 9, a group of staff arrived Longlin Kechangxiang Village, at Baise City Guangxi Province. We donated 40,000 yuan and the road hardened materials to the village. Also, we participated in road hardening projects with the villagers. Inspur always cared for the society, actively engaged in social welfare undertakings through practical actions.



IV. Care of Environment

The Company values the importance of environmental protection and strives to minimize the impact of environment on the well-being communities. In the past two years, we organized the trees planting campaign for our young staff together with Jinan Ecological Protection Association and the Olympic Sports Center in order to strengthen the awareness of environmental protection. In addition, we also proposed a series of energy saving measures and training to enhance staff's environmental awareness.

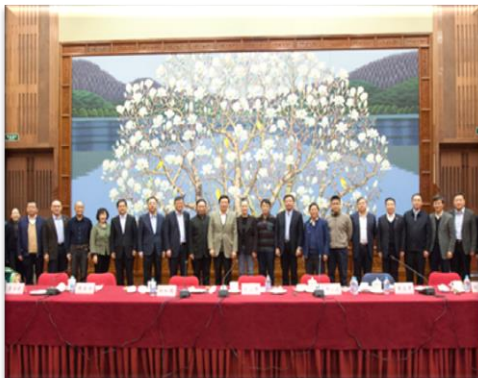


The Company has been actively participating in industry seminars to share the experiences, exchange professional opinions in order to grow together.



On October 20, 2017, the Company held a financial model sharing seminar. Mr. Wang Xingshan, Chairman & CEO of Inspur International, Vice President of Shanghai National Accounting Institute together with the financial directors from China 22MCC Group, China Railway 11 Bureau Group, CCCC Second Harbor Engineering Company, CCCC Third Harbor Engineering Company, Shandong Commercial Foundation, Linyi Shandong Energy Mining Group and Gold Mantis gathered to discuss the financial management information trend and the future development.

On November 11, 2017, the "Innovation of Data Management" Forum jointly hosted by Shanghai National Accounting Institute, ICAEW, CGMA, ACCA, AMA and Inspur International was held in Shanghai. Mr. Wang Xingshan, Chairman & CEO of Inspur International, gave a speech on "Management Accounting Practice in Digital Transformation".



On November 24, 2017, in the seminar of "Knowledge and Practice" sponsored by the China Association of Chief Financial Officers, Inspur International was the only cloud computing, big data service provider bring invited to discuss the overall strategy, practice model and specific framework of China's management accounting development.



On November 26, 2017, “The fifth China Accounting Management” Forum sponsored by China Association of Chief Financial Officers and Inspur Group was held in Beijing. Mr. Wang Xingshan, Chairman & CEO of Inspur International, was invited to attend to share the experience.

On November 30 to December 1, 2017, the 13th National Construction Industry Informatization Forum was held in Hangzhou. Numbers of executives from Inspur Group were invited to attend and share the experience on cloud computing, big data service, artificial intelligence etc.

