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浪潮國際有限公司
INSPUR INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code：596)

2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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SCOPE AND REPORTING PERIOD

This is the third Environmental, Social and Governance ("ESG") report of Inspur International Limited (the "Company", and together with its subsidiaries referred as the "Group"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Main Board Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in software development and provision of cloud services and Internet of Things ("IoT") solutions. This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social aspects of the principal business operations based in Jinan and Beijing, the People's Republic of China ("the PRC") from 1 January 2019 to 31 December 2019 ("the Reporting Period"), unless otherwise stated. The principal business operations include:

- Inspur Worldwide (Shandong) Service Limited ("Inspur Worldwide (Shandong)") in Jinan, Shandong, PRC;

- Beijing Tianyuan Network Co., Ltd ("Tianyuan Network") in Beijing, PRC;

- Tianyuan Communications System Co., Ltd ("Tianyuan Communications") in Jinan, Shandong, PRC; and

- Inspur Genersoft Co., Ltd ("Inspur Genersoft") in Jinan, Shandong province and Beijing, PRC.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

STAKEHOLDER ENGAGEMENT

The Group maintains positive relationships with different stakeholder groups through various engagement channels. It engages its stakeholders on a regular basis to address ESG-related issues, identify business opportunities and to review areas of attention, in order to help the business meets its potential growth and be prepared for future challenges.

Stakeholder groups	Regular engagement channels
Employees	• Regular meetings • Intranet platform • WeChat group • Training sessions and talent development programmes • Employee engagement activities
Customers and business partners	• Regular meetings • Salons • After-sales services • Customer service hotline • Customer satisfaction surveys • Product training sessions • Site visits by quality control technicians
Suppliers	• Tendering processes • Audits and performance reviews • Site visits • Telephone and e-mail communications • Annual and interim reports • Company website
Shareholders and investors	• Annual general meetings • Annual and interim reports • Roadshows • Company website • Annual and interim results announcements
Government bodies	• Government visits • Seminars
Market Industry	• Site visits • Seminars • Annual and interim reports • Company website
Local community	• Company website • E-mails • Community events

MATERIALITY ASSESSMENT

In preparing the ESG report, the Group specifically engaged with internal and external stakeholders, namely the board of directors (the "Board") of the Group, shareholders, senior management, frontline staff, customers, suppliers and business partners, as part of the materiality assessment process to identify and prioritise ESG material issues that are crucial for the Group's sustainable development.

In the materiality assessment, stakeholders were asked to rate a list of 17 ESG topics in terms of their relevance and importance to the Group's business development and sustainability, as well as to the wider community. Results of the materiality assessment and the consolidated list of ESG material aspects are presented in the following matrix and table respectively.

MATERIALITY MATRIX

Materiality Matrix
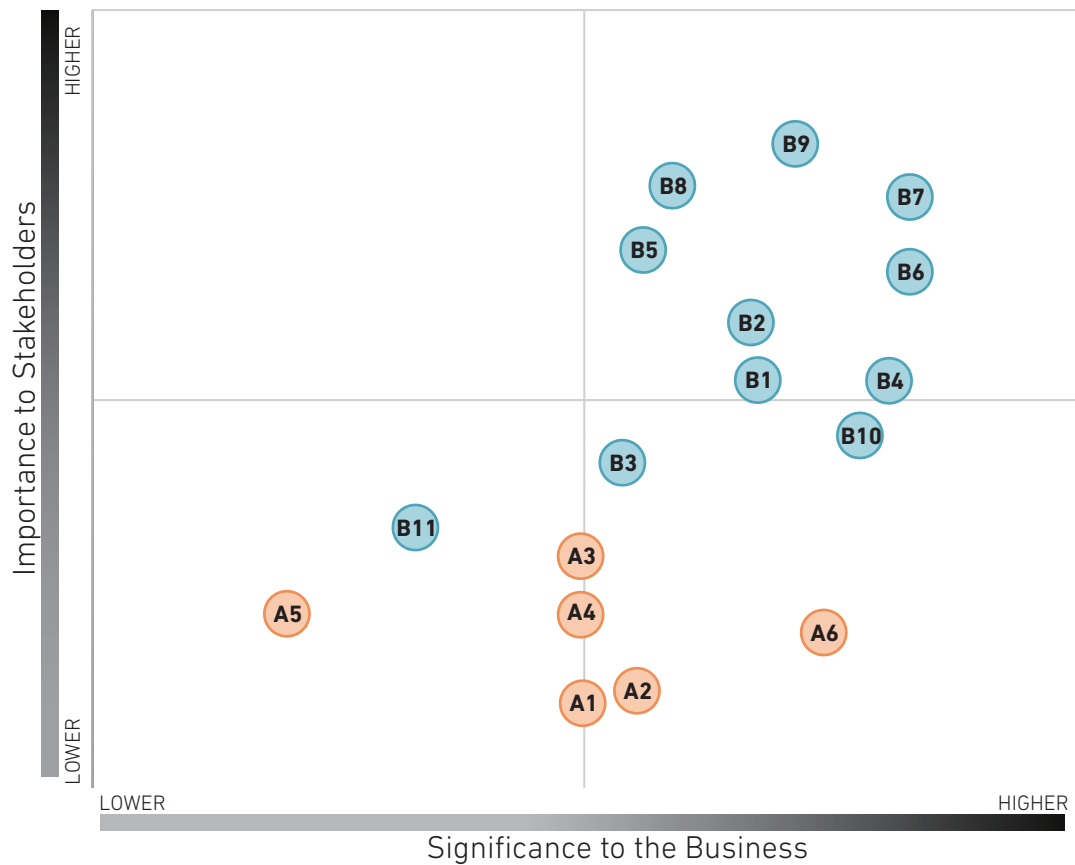
Environmental			
A1	Energy	B3	Development and Training
A2	Water	B4	Labour Standards
A3	Air Emission	B5	Supplier Management
A4	Waste and Effluent	B6	Intellectual Property Rights
A5	Other Raw Materials Consumption	B7	Data Protection
A6	Environmental Protection Policies	B8	Customer Service
Social		B9	Product/Service Quality
B1	Employment	B10	Anti-corruption
B2	Occupational Health and Safety	B11	Community Investment

Among the environmental and social aspects, the following topics are identified as the most material issues to the stakeholders:

1.   Data protection;

2.   Product/service quality;

3.   Intellectual property ("IP") rights;

4.   Customer service; and

5.   Labour standards.

The above aspects have been closely managed through the Group's policies and guidelines. Management of the aspects is described in separate sections below. The Group aims to keep close communication with its stakeholders and to continue improving its ESG performance and management on ESG-related risks for future business development.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with the Group via email at zoubo@inspur.com.

THE GROUP'S ESG COMMITMENT

The Board of the Group is fully responsible for ESG related matters. The Group has dedicated its effort to ensuring its compliance with the regulatory requirements as described in Appendix 27 of the Listing Rules. The Group's ESG working group supports the Board in the oversight and management of ESG issues relating to the Group's daily operations. With guidance of the Board, the ESG working group formulates and implementation of ESG strategies.

The Group continues to expedite and improve the development of ESG systems. It has clearly defined the division of responsibilities from management to administration to ensure that employees perform their respective roles with effective counterbalance and make sound, science-based decisions.

AWARDS AND RECOGNITIONS

During the Reporting Period, the Group was listed by Ministry of Industry and Information Technology as the solution supplier of China Intelligent Manufacturing System and preferred supplier of China Finance Cloud. The Group's cloud product PS Cloud has been well recognised and was named "2019 China ERP Annual Bestseller Product Award[1]" and "Excellent Solution for Industrial Internet APP of Ministry of Industry and Information Technology[1]" in recognition of its technological innovation and excellence. Inspur iGIX received the "The 7th China Electronic Information Expo Innovation Award[1]" and "2019 China PaaS Platform Annual Innovative Product[1]". Inspur E-cloud Online was awarded the "2019 SME Financial SaaS Cloud Service Trustworthy Product[1]", "2019 China SME Annual Excellent Financial Software Product Award[1]" and "2019 SME Preferred Cloud Service Brand[1]".

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1   The English names are only translation of their official Chinese names. In case of inconsistencies, the Chinese names shall prevail.

A. ENVIRONMENTAL

A1. EMISSIONS

The Group abides by all relevant national laws and regulations in relation to environmental protection that as set out in the PRC, including the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes. As a software and solution provider, the Group and its daily operation have minor impacts on the natural environment. While the Group has not formulated environmental policy, it is responsible for the impacts on the environment arising from its operations of Enterprise Resource Planning ("ERP") solution and enterprise cloud service businesses.

No non-compliance with relevant laws and regulations that have a significant impact on the Group in relation to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste had been identified during the Reporting Period.

A1.1 Air Emissions

During the Reporting Period, air emission was mainly from petrol-fuelled passenger car owned by Tianyuan Network, contributing to the emission of nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and respiratory suspended particles ("RSP").

| Mobile fuel source	Air emissions (non-GHG) from the vehicle operations		
	NO_x (kg)	RSP (kg)	SO_x (kg)
Petrol	0.93	0.09	0.01

A1.2 Greenhouse Gas ("GHG") Emissions

Throughout the Reporting Period, the Group's business operations contributed to GHG emissions of 3,823.89 tonnes of carbon dioxide equivalent ("$tCO_2eq.$"), mainly carbon dioxide, methane and nitrous oxide. The overall intensity of the GHG emissions of the Group was 0.15 $tCO_2eq./m^2$ with reference to the total floor area of the Group's business operations, or 0.76 $tCO_2eq./employee$ with reference to total number of employees. In view of the business nature of the Group as a high-tech service and product provider, a significant amount of purchased electricity was consumed for its daily operations which accounts for 44% of total GHG emission.

Scope of Greenhouse Gas Emissions	Emission Sources	GHG Emission (in $tCO_2eq.$)	Total GHG Emission (in percentage)
Scope 1 Direct Emission			
Combustion of fuels in mobiles sources	Petrol	2.29	<1%
Scope 2 Energy Indirect Emission			
Purchased electricity		1,677.95	44%
Scope 3 Other Indirect Emission			
Paper waste disposal at landfills		23.15	
Electricity used for freshwater processing		23.75	56%
Business air travel		2,096.75	
TOTAL		**3,823.89**	**100%**

Note1:   Emission factors were made by reference to Appendix 27 to the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2:   Combined margin emission factor of 0.968 tCO_2/MWh and 0.4578 tCO_2/MWh were used for purchased electricity in Northern China.

The graph below illustrates the changes in GHG emission intensity by year. As the Group's business continues to expand, there was a substantial increase in the GHG emission intensity throughout the Reporting Period.

GHG EMISSION INTENSITY
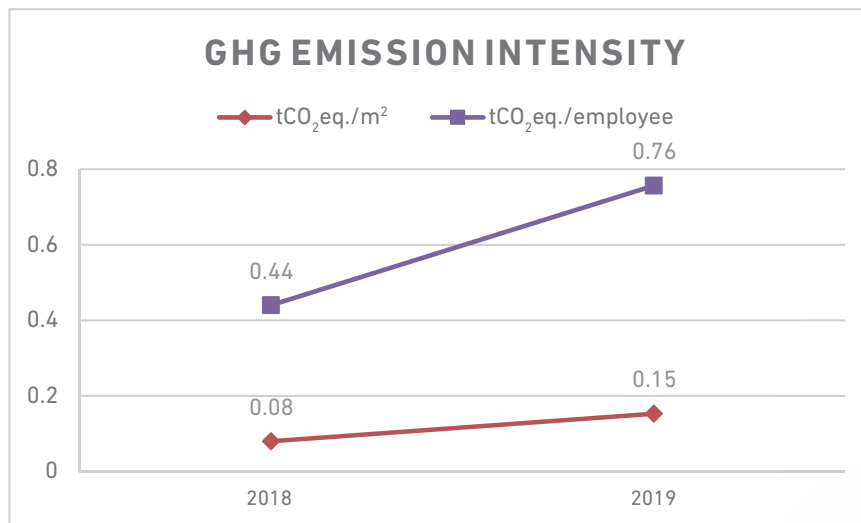
A1.3. Hazardous Waste

The Group generated a total of 0.02 tonnes of hazardous waste during the Reporting Period, which contributed to an intensity of 0.0010 kg/m^2 or 0.0047 kg/employee. Hazardous waste generated included waste computers and printer cartridges.

A1.4. Non-hazardous Waste

The Group generated a total of 927 tonnes of hazardous waste during the Reporting Period, which contributed to an intensity of 37.06 kg/m^2 and of 183.46 kg/employee. Of the hazardous waste generated, 4.82 tonnes was waste paper and 0.01 tonnes was non-office waste paper (e.g. carton boxes and newspaper). Approximately 922 tonnes of food waste and food packaging waste were estimated to be generated from the offices.

A1.5. Measures to Mitigate Emissions

Road Transport Source

The usage of Group's owned vehicles is controlled through strict approval process. Employees are encouraged to commute using shared-bikes or electric vehicles ("EV"). EV charging stations are available at car parks to meet the rapid growth of electric vehicles.

The Group also encourages the use of public transportation for short-haul travel to reduce reliance on the Group's owned vehicles. By liaising with bus service provider, comprehensive bus routes are arranged, and sufficient bus stops are set up around the Industrial Park, allowing employees to transit by public transportation with great ease.

Business Air Travel

The Group has policies to regulate the frequency of business air travel. Business trips are reasonably arranged according to business needs and priorities are given to low-carbon transportation such as high-speed trains. Only senior management personnel are allowed to travel by first class, as stipulated by the Financial Department. The Group actively promotes the use of videoconferencing to reduce the number of face-to-face meetings in order to reduce the carbon footprint arising from air travel. Due to its business nature, business trips are inevitable for technicians who reach out to provide onsite product training and technical support to the customers. Because of the Group's business expansion, its GHG emission due to business air travel rose by 92.7% during the Reporting Period.

A1.6. Waste Handling and Reduction Initiatives

Computers are purchased as needed through the centralised system managed by the Group's Information Management Centre. The Group's hazardous waste generation was minimal, with 0.02 tonnes of waste and worn-out computers collected for recycling during the Reporting Period. The Group utilises refillable ink cartridges where possible to reduce generation of hazardous waste.

Non-hazardous wastes are regularly collected by the building management offices for disposal. The Group strongly advocates the use of electronic communications and documents for creating a paperless office. When printing is inevitable, employees are encouraged to use double-sided printing and reuse paper as much as possible. With the implementation of the above initiatives, the Group managed to recycle 0.06 tonnes of waste paper.

The Group advocates green office, low carbon management, and encourages employees to participate in the green initiatives. Electric appliances such as microwave ovens and refrigerators are provided at pantries, which encourage employees to bring meals to work or dine in at canteens, thereby minimising the generation of packaging wastes. Food waste is properly handled by outsourced cleaning company for waste collection and disposal.

A2. USE OF RESOURCES

While the Group has not established standard policies on the efficient use of resources, it is committed to encouraging employees to observe resource conservation practices for environmental conservation and operational efficiency purposes.

A2.1. Energy Consumption

The Group consumed electricity and petrol as energy sources for its business operations. During the Reporting Period, the total energy consumption of the Group was 2,361,227 kilowatt-hour ("kWh"), with the overall energy intensity of 94.39 kWh/m^2 and of 467.29 kWh/employee.

Energy Consumption Sources	Consumption (in individual unit)	Consumption (in kWh)	Energy intensity (kWh/m²)	(kWh/employee)
Electricity	2,353,695 kWh	2,353,695	94.09	465.80
Petrol	850 Litres	7,532	0.30	1.49

A2.2. Water Consumption

During the Reporting Period, the total water consumption of the Group was 58,791 m^3, with water consumption intensity of 2.25 m^3/m^2 and of 11.63 m^3/employee.

A2.3. Energy Use Efficiency Initiatives

As the Group's GHG emission is positively correlated to electricity consumption, it actively practising green management in the offices. Energy Conservation and Efficiency Programme as well as General Energy Saving and Carbon Emission Reduction Measures detailing energy saving methods have been launched by the Group in pursuing green working environment. The Group has formulated a detailed green office plan for electricity saving, while the operating performance of the green office has also been included in the Group's routine monitoring and evaluation system.

The Group also implemented the following initiatives in reducing electricity consumption, including but not limited to:

– setting air conditioner temperature to energy-efficient level at 27 °C or above;

– keeping air conditioner off when outdoor temperature is under 20 °C;

– setting computer monitors to enter sleeping mode when idled;

– installing lighting controls and maximising the use of daylight to avoid unnecessary lighting; and

– switching off unnecessary electronic appliances and devices after office hours.

A2.4. Water Use Efficiency Initiatives

During the Reporting Period, the Group did not encounter any issues in sourcing water fit for purpose for its daily operations. The Group treasures water resources and avoids water wastage as much as possible. To improve the utilisation efficiency of water resources, the Group has formulated an internal guideline in a bid to change employees' consumption behaviour through means including but not limited to:

– Posting water-saving posters in prominent areas to encourage water conservation;

– carrying out regular leakage tests on water taps and washers;

– fixing dripping taps and defects in the water supply system in avoidance of water leakage;

– strengthening the inspection and maintenance on water taps, water pipelines and water storage; and

– installing automatic sensor faucet and motion flushing sensor at toilets.

A2.5. Packaging Materials

The Group had not been involved in the consumption of packaging materials during the Reporting Period. Hence, no such information is presented in this report.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

A3.1. Significant Impacts of Activities on the Environment

The Group's business operations are office based, with significant emissions mainly from electricity consumption and business air travel. As an enterprise cloud service provider, the Group believes its operation is not a major source of environmental pollution and poses minimal impacts to the environment. Nevertheless, the Group has set out a series of guidelines detailed environmental initiatives on energy and water use and promotes low carbon living, which in turn raises employees' awareness on carbon and waste reduction. Through fostering an environmentally friendly culture in the workplace, the Group believes its business is evolving into a more sustainable development model.

B. SOCIAL

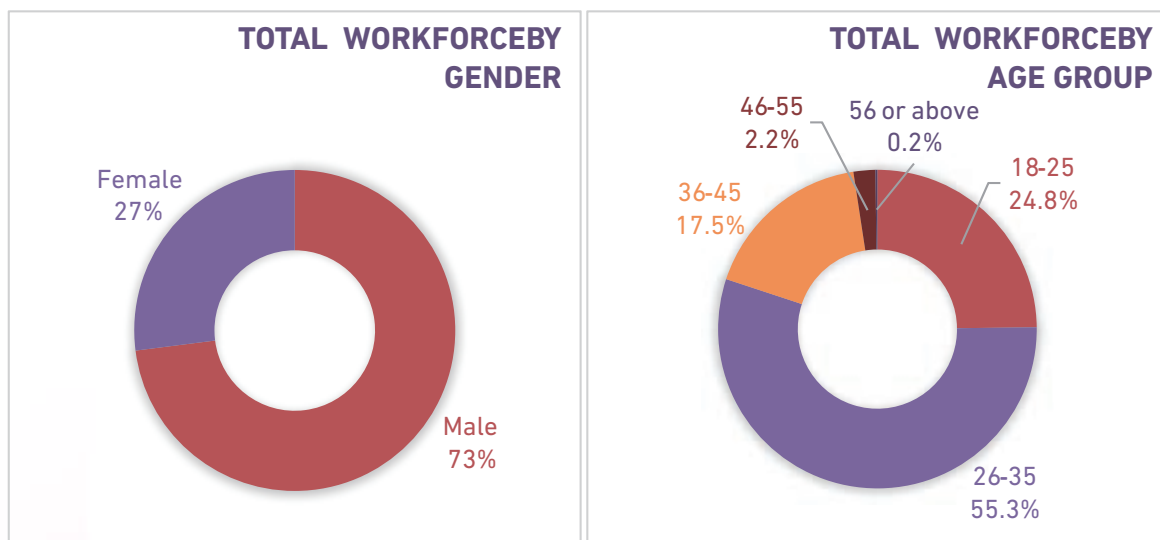## 1. EMPLOYMENT AND LABOUR PRACTICES

B1. Employment

The Group strictly abides by laws, rules and regulations enforced by the PRC in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, other benefits and welfare, including but not limited to the followings:
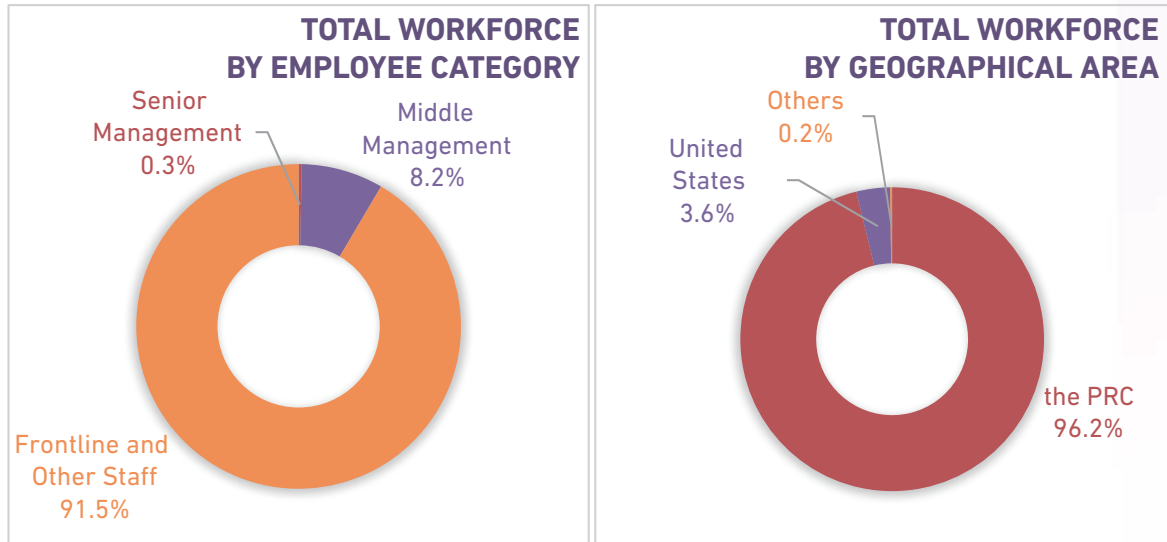
• Labour Law of the PRC;

• Labour Contract Law of the PRC;

• Social Insurance Law of the PRC;

• Provisions on the Prohibition of Using Child Labor of the PRC; and

• Law of the PRC on the Protection of Minors.

No non-compliance with relevant laws and regulations that have a significant impact on the Group in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Period.

The Group had a total number of 5,053 employees (2018: 4,778) as of 31 December 2019. All of them were full-time employees. The Group attracted international talents from around the globe including the PRC, the United States, Japan and the Netherlands. The total workforce sorted by gender, age group, employee category and geographical area[2] in the Reporting Period, are shown below.

TOTAL WORKFORCE BY GENDER
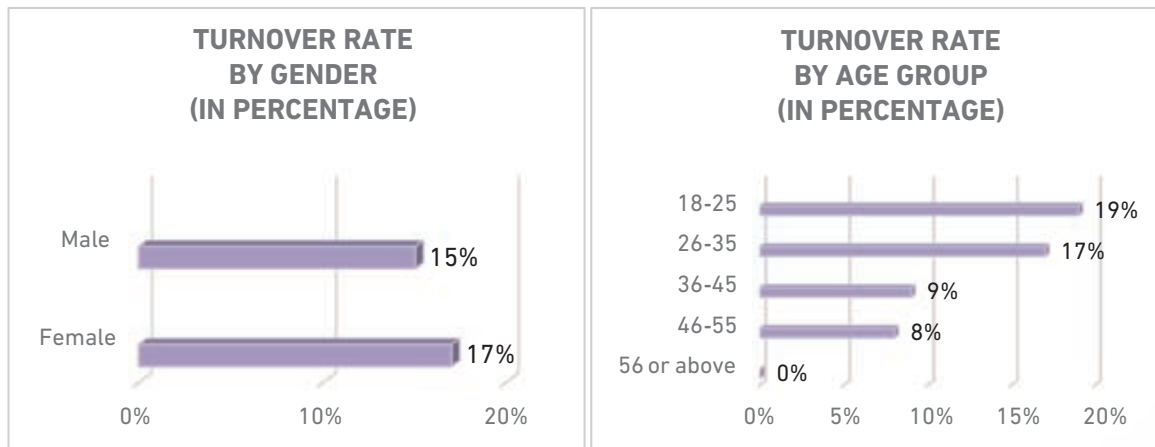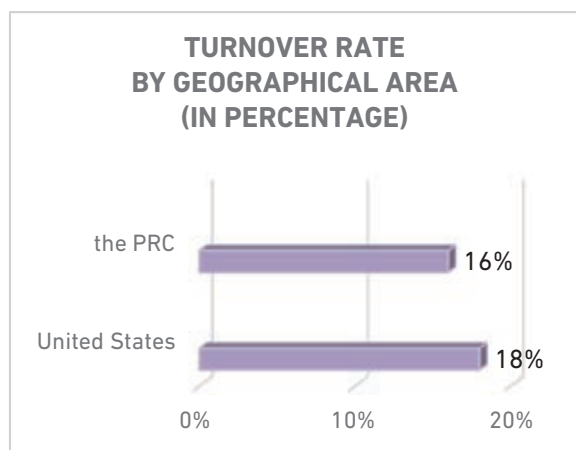
Female 27%

Male 73%

TOTAL WORKFORCE BY AGE GROUP

46-55 2.2%

56 or above 0.2%

36-45 17.5%

18-25 24.8%

26-35 55.3%

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2 Other geographical regions including Japan and the Netherlands, each accounting for less than 1% of workforce.

TOTAL WORKFORCE BY EMPLOYEE CATEGORY

Senior Management 0.3%

Middle Management 8.2%

Frontline and Other Staff 91.5%

TOTAL WORKFORCE BY GEOGRAPHICAL AREA

Others 0.2%

United States 3.6%

the PRC 96.2%

Turnover

A total number of 802 employees left the Group during the Reporting Period, with an overall turnover rate of 16%. The turnover rates of employees from the PRC and United States were16% and 18% respectively. The Group offers competitive salary packages to retain quality employees and to reduce employee turnover. The annual turnover rate categorised by gender, age group and geographical area in the Reporting Period, are shown below.

TURNOVER RATE BY GENDER (IN PERCENTAGE)

Male 15%

Female 17%

0%   10%   20%

TURNOVER RATE BY AGE GROUP (IN PERCENTAGE)

18-25   19%
26-35   17%
36-45   9%
46-55   8%
56 or above   0%

0%   5%   10%   15%   20%

**TURNOVER RATE
BY GEOGRAPHICAL AREA
(IN PERCENTAGE)**

the PRC	16%
United States	18%

0%   10%   20%

Competitive Compensation and Benefit Package

The Group treasures talents and regards them as the key to driving the success of the Group. It recruits employees based on candidates' capabilities, performance, relevancies of their experiences. To attract high-calibre workforce, the Group actively participates in on-campus career fairs and offers competitive remuneration and benefits based on employee's performance, education level, professional qualifications, and experiences.

As stated in the Employees' Leave and Attendance Regulation, employees are entitled to sick leave, personal leave, marriage leave, maternity leave, paid annual leave and statutory holidays,. The Group regulates employees' working hours and offers over-time compensation for employees who work exceeding the statutory working hours. The Group also provides mandatory provident fund, insurance schemes and housing fund for employees. Allowances are offered to outposted employees and their families.

Appraisal System

The Group has developed a comprehensive performance evaluation system to assess employees' work performance. On top of basic salaries, discretionary bonus and share options would be granted to eligible employees with reference to the Group's and the employees' performances.

Workplace Welfare

Employees are beneficial from a series of welfare measures and able to achieve work-life balance. The Group provides centralized canteens and rest areas, where maternity priority seats are specially designed for pregnant employees. Leisure facilities such as tennis, basketball and football practice grounds are available for employees' leisure purposes.

Employee Relations

During the Reporting Period, the Group organised various cultural and sports events, such as annual dinner, festive celebrations, 1024 Programmers' Day and sports competitions to enrich employees' cultural life and to promote their physical and mental well-being. A WeChat group account, Tides of Thoughts, is set up for broadcasting of employee engagement activities and latest news of the Group, aiming to foster employee engagement and develop a sense of belonging among the employees.

Equal Opportunity

The Group envisions a work environment free from discrimination. As an equal opportunity employer, the Group emphasises a fair, open, objective and non-discriminatory selection process in its employee recruitment, promotion, transferral and other business operation activities. Assessment of eligibility is based on attributes relevant to the job requirement, such as qualifications, knowledge, work experience, skills and competency.

B2. Employee Health and Safety

The Group strictly abides by laws and regulations in relation to occupational health and safety, including but not limited to:

- Work Safety Law of the PRC;

- Law of the PRC on the Prevention and Control of Occupational Diseases; and

- Regulation on Work-Related Injury Insurance.

The Group pays attention to its employees' health and promotes work-life balance by setting appropriate working hours. Employees are entitled to regular health examinations. To promote healthy lifestyle, the Group organises various recreational activities such as bi-annual sport competitions.

The Group strives to create a safe working environment for its employees. Adequate fire facilities including fire extinguishers and fire alarms are appropriately installed and properly maintained in office areas. Clear fire safety signages indicating emergency escape routes are in place. The Group conducts annual fire drill or participates in fire drills organised by property management to refresh employees' knowledge on emergency procedures and enhance their safety awareness.
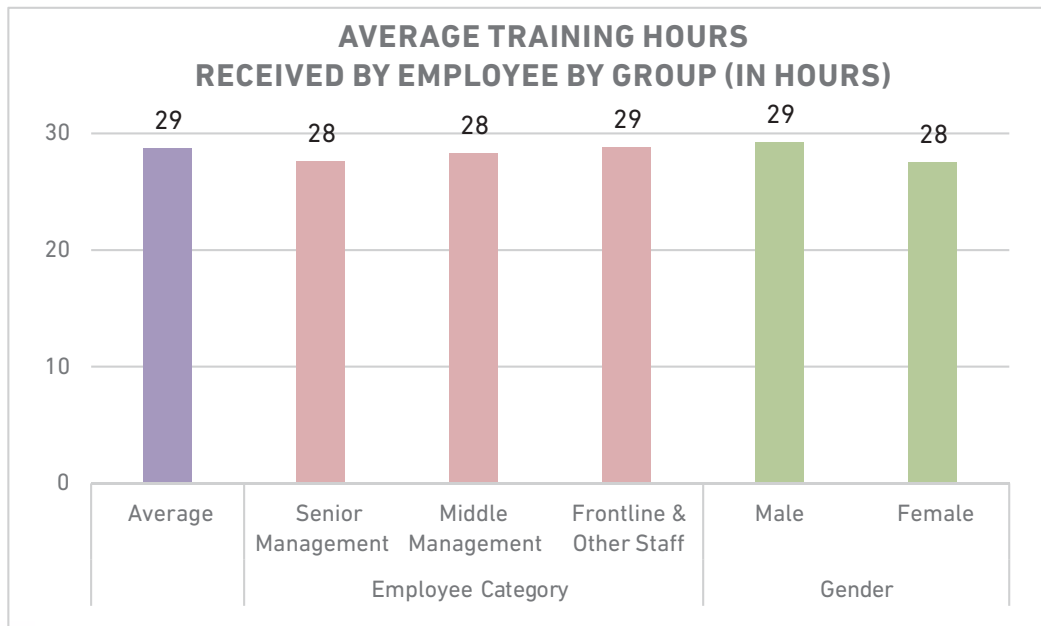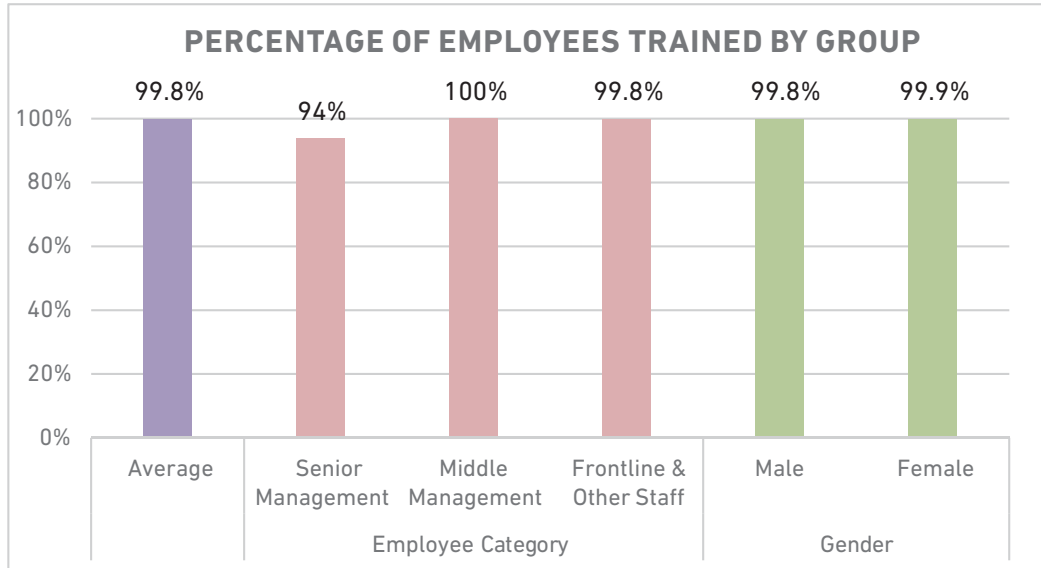
No non-compliance with relevant laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards had been identified during the Reporting Period.

B3. Development and Training

The Group attaches great importance to building a high-calibre, professional and responsible team that ultimately makes the Group stay ahead of the market. Inspur University, a training academy established by the Group, is actively developing long-term training strategy, by providing various forms of trainings to improve employees' skills and competencies and to encourage employees continued education and lifelong learning.

On-the-job training is provided to both general staff and management staff. Orientation camps are organised for new employees to provide pre-employment training on corporate culture, job requirements, assessments, as well as relevant training for employees engaged in special duties so as to equip them with necessary knowledge and competence.

During the Reporting Period, over 99% employees received trainings; the total training hours and the average training hours per employee were 145,360 hours and 28.77 hours per employee respectively.

PERCENTAGE OF EMPLOYEES TRAINED BY GROUP

	Average	Senior Management	Middle Management	Frontline & Other Staff	Male	Female
	99.8%	94%	100%	99.8%	99.8%	99.9%

Employee Category — Gender

AVERAGE TRAINING HOURS RECEIVED BY EMPLOYEE BY GROUP (IN HOURS)

	Average	Senior Management	Middle Management	Frontline & Other Staff	Male	Female
	29	28	28	29	29	28

Employee Category — Gender

B4. Labour Standards

There was no child labour, nor forced labour in the Group's operation as pursuant to the Labour Law of the PRC as well as Provisions on the Prohibition of Using Child Labour of the PRC. The Human Resource ("HR") Department has established practices to prevent the employment of child and forced labour. New employees are required to provide personal information for verification in time of reporting duty and such information will be stored at the HR Shared Services Centre. In case of suspected fraud, the Group will reject the candidate's application. Employees who are later found providing fake material or information will be terminated by the Group immediately. Additionally, the Group strictly reviews the identity information, qualifications and employment background of candidates during the recruitment process to prevent recruiting child labour.

No non-compliance with relevant laws and regulations that have a significant impact on the Group in relation to child and forced labour had been identified during the Reporting Period. No related incidents were reported during the year.

2. OPERATING PRACTICES

B5. Supply Chain Management

During the Reporting Period, the Group engaged 326 suppliers and subcontractors. They were principally hardware manufacturers and service providers providing electronic products, dome cameras, closed circuit television cameras and office automation systems.

Number of suppliers by geographical region	
Geographical Region	Number of Suppliers
The PRC	324
United States	2

The Group has established standardized operating procedures to ensure the objectivity and measurability of the selection and evaluation of suppliers, to strengthen daily management and assessment of the suppliers and to establish a stable and win-win cooperative relationship. The Group regularly reviews and evaluates these procedures to regulate supplier management, by means to control and to ensure the quality of products and services.

The Group mainly considers the credit rating, qualifications, sources of the products and the quality assurance in selecting suppliers. Priorities are given to suppliers with reliable quality, good reputation and well-beings in environmental and social aspects. The Enterprise Credit Information System comprises of selection criteria on environmental performance and social well-being. Enterprises are required to provide information relating to product environmental protection and management system and social responsibility for compliance assurance.

The Group signs formal contracts with identified suppliers and set out rules which the suppliers should comply with, together with additional requirements related to sustainable development, social responsibility and anti-commercial bribery. In addition, the Group closely monitors suppliers' performance on major issues regarding safety and environment, and requires prompt rectification on the identified problems.

B6. Product Responsibility

The Group is dedicated to delivering quality, in-trend and innovative products and solutions through technology advancement. During the Reporting Period, the Group launched a wide range of cloud products, including the first domestic large enterprise digital platform – Inspur iGIX, Treasury Management Cloud and HCM Cloud Suite Edition which offered integrated cloud solutions to enterprises. According to the research report for HCM software market, Inspur HCM Cloud was ranked 2nd in China Human resource software SaaS market and the first in the large enterprise market.

In line with the strategic business plan, the Group has transformed into a leading cloud service provider in China. The Group has strengthened its high-end advantages and speeded up its cloud transformation development in order to enhance its brand and market influence. A new engine for enterprise digital transformation has been created to further accelerate the digitalised transformation of large enterprises during the Reporting Period.

Product Recalls

Acknowledging the product quality and after-sale service are key concerns among the customers. Therefore, the Group has established Technical and Quality Management Department and Operation and Maintenance Department for product quality assurance, and provision of instant response and assistance for inquiries relating to product quality and after-sale support and maintenance. There were no recalls of products sold due to safety and health reasons during the Reporting Period.

No cases of material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided had been identified during the Reporting Period.

Customer Services

The Group is committed to providing quality service to its customers, which are enterprises of various sizes that seek for management software and digital transformation. Adhering to the "customer-first" business philosophy, the Group places customer satisfaction at the core of each of its business decisions.

To manage customer satisfaction, the Group maintains active and close communications with customers to fully understand their requirements during the project planning phase. Communication meetings, salons and telephone interviews are conducted regularly to review service performance of the Group. There were no product- and service-related complaints received during the Reporting Period.

Intellectual Property ("IP") Rights

The Group upholds high ethical standard and respects the values and rights of customers' information assets. The Group strictly abides by relevant national laws and regulations, including the Patent Law of the PRC and Trademark Law of the PRC.

The Group encourages technological innovation and continuously improves its IP rights management system to protect the IP rights owned by the Group and clients. As IP Rights is one of the material ESG topics, the Group has formulated and implemented corresponding risk management strategies and countermeasures to ensure that the IP risks are always controllable.

A number of trademarks and patents were registered in the PRC or pending for approval. The Group strictly prohibits the use of cracked software and illegal copy of copyrighted documents. Employees in violation of the policy will be subject to disciplinary action or civil sanctions. No cases of material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to IP rights had been identified in the Reporting Period.

Data Protection

Data protection was considered by stakeholders to be the most material topic. The Group strictly abides by the Cybersecurity Law of the PRC as well as the internal policies on data protection. Employees are subject to duty of confidentiality to the Group and the Group's clients pursuant to their employment agreements. Access to confidential information and internal system is restricted, of which they are either password-protected/encrypted or only accessible upon authorisation of the management personnel.

The Information Security Committee continues to oversee the information security matters of the Group. They are responsible for reviewing the Group's security plan, assessing security risks and implementing security management systems. The committee has developed various policies and requirements, namely the Information Security Construction Outline, Requirements on Inspur Group's Personnel Security Management, Information System Security Inspection Policy, Information System Operation and Maintenance Security Management Requirements and Information System Construction Management Requirements for ensuring safe and reliable operation of computer network and information systems. These policies also serve to strengthen the Group's information security management and to prevent all operational risks.

No non-compliance with relevant laws and regulations that have a significant impact on the Group in relation to data protection and privacy had been identified during the Reporting Period.

B7.   Anti-corruption

The Group believes that honesty, integrity and fair play are essential values. An Anti-Corruption Policy is set out in accordance with the Criminal Law of the PRC, Anti-unfair Competition Law of the PRC and Anti-Money Laundering Law of the PRC. The policy stipulates standards of behaviour and explains proper procedures and responses for different situations in business dealings. In order to prevent bribery in procurement, integrity clause and the corresponding breach of contract penalty are included in the contracts and tender documents. Any fraud, corruption, irregular transactions or breach of ethics shall be reported to the Group. Such report, if any, shall be treated in strict confidence to protect the identity of the whistle-blower.

The Group was in compliance with all applicable laws on prohibiting bribery, extortion, fraud and money laundering of the PRC. No concluded legal case regarding corrupt practices brought against the Group or its employees had been identified during the Reporting Period.

Ethics and Compliance Committee

The Ethics and Compliance Committee continues to promote proper conduct at workplace. Employees are encouraged to report suspected misconducts or malpractices to the Group via various reporting channels (managers, Ethics and Compliance Committee, e-mails or hotline). Upon receipt of complaints, the Committee will endeavour to investigate and respond fairly and properly. Necessary remedial measures shall be taken so as to control and rectify the identified risks.

Conflict of Interest

In order to prevent potential conflicts of interest at work and to maintain internal fairness, the Ethics and Compliance Committee has stipulated the Employee Conflict of Interest Management Measures. The Audit and Evaluation Department and HR Department of the Group conduct regular internal inspections for early detection of conflict of interest.

Employees should truthfully declare the conflict of interest that may occur in any business or other organisations of which the Group has business dealings as stipulated in the management system. They shall notice the relevant departments for any conflicts of interest that have occurred or foreseen to occur.

B8. Community Investment

The Group devotes considerable time and effort to contributing to the society. It fulfils its corporate social responsibility through active participation in various community service activities. Although the Group has not established formal policy on community investment, it encourages its employees to take part in volunteer works.
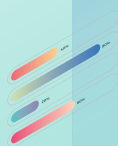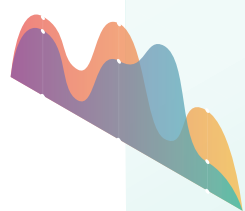
Volunteer service team

In June 2019, Tianyuan Network, one of the Group's subsidiaries, formed a volunteer service team and worked with15 other service teams to protect and maintain the information security of the local community.

Blood donation activity

During the Reporting Period, a total of 10 employees of Tianyuan Network participated in the voluntary blood donation activity.