创新奇智
AInnovation

Qingdao AInnovation Technology Group Co., Ltd

(A joint stock company incorporated
in the People's Republic of China with limited liability)

Stock Code: 2121

2021
ENVIRONMENTAL,
SOCIAL AND GOVERNANCE REPORT

CONTENTS

2021 Environmental, Social and Governance Report

ABOUT THE REPORT

Qingdao AInnovation Technology Group Co., Ltd. ("**the Company**") hereby publishes the 2021 Environmental, Social and Governance (ESG) Report (the "**Report**") to describe the Company's concept, practices and performance in environment protection, social responsibility and corporate governance. The Report is the first ESG report released by the Company since its listing.

REPORTING SCOPE

Unless otherwise specified, this Report covers the Company and its subsidiaries (collectively referred to as "**AInnovation**", "**the Group**" or "**we**") during the period from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"), and certain parts of the Report either date back to previous years or look forward to future year.

REPORTING STANDARDS

This Report is prepared under the *Environmental, Social and Governance Reporting Guide* ("**ESG Reporting Guide**") set out in Appendix 27 to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.*

REPORTING PRINCIPLES

➢ "Materiality": The Group has identified material ESG issues through stakeholders' engagement and materiality assessment, and made targeted disclosure of these issues in the ESG Report;

➢ "Quantitative": All data used in this Report are from relevant statistical reports and official company documents. Relevant standards and methods adopted in calculation of KPIs have been reported, with a narrative provided to illustrate the purposes and impacts;

➢ "Balance": This report follows the balance principle to objectively present the Company's ESG performance;

➢ "Consistency": In this first ESG Report released by the Group, the statistical methods for KPIs have been confirmed and explained, and will be consistently adopted in subsequent years.

REPORT AVAILABILITY

The Report is released in electronic version and is available for view or download on the HKEXnews website (http://www.hkexnews.hk) and the Company's official website (https://www.ainnovation.com/).

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1. ESG MANAGEMENT

1.1. ESG Philosophy

On the road of exploring "AI+Manufacturing", AInnovation always adheres to its mission to "Empower Businesses with AI Technology". With in-house endeavours to improve our "technology & products" and efforts in digging deeper into external "industry scenarios", we spare no effort to contribute our part in industry development, and expand the boundaries for technologies, constantly creating value in the interests of our customers, shareholders and employees. AInnovation stays true to its initial aspiration of "Getting Technology-empowered for Good and Value Creation" and sticks to its values, contributing to well-balanced and healthy development from the environmental, social and governance perspectives and fulfilling its corporate social responsibilities. We always follow the principles of "Talent-oriented" and "Value-driven" to create a high-performance corporate culture of "Integrity in Values, Efficiency in Execution, Contentment in Success".

1.2. Governance Structure

With emphasis on the importance of sustainable development to corporate operation, the Group has established a 3-level structure of ESG governance consisting of the Board of Directors, Senior Management and ESG Working Group, and has clarified ESG functions at all levels, enabling top-down implementation and supervision of ESG issues across the Group to properly manage the Group's ESG issues.

Taking full responsibility of the Group's ESG strategy and reporting, the Board of Directors is responsible for developing ESG strategy and targets, reviewing ESG related issues, determining the corresponding materiality, and ensuring that the Group has an ESG risk management and internal control system in place that is consistent with its actual operations. In addition, the Board of Directors shall regularly review the Group's performance regarding ESG related targets, and examine and approve the information disclosed in the ESG Report. During the Reporting Period, the Company's Board of Directors authorised the Audit Committee to supervise and manage daily ESG related work on behalf of the Board.

Senior Management is responsible for evaluating and determining the Group's ESG-related risks, preparing ESG management policies, ensuring effective operation of the ESG risk management and internal control system, and reporting to the Audit Committee.

The ESG Working Group, comprised of heads of major departments of the Group, is responsible for implementing ESG management policies approved by the Senior Management, conducting ESG management work, and reporting to the Senior Management of the Group.

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1.3. Stakeholder Communication

We believe that the effective engagement of stakeholders plays a significant role in the Group's long-term development. Therefore, we proactively built a communication mechanism to achieve continuous and effective communication with internal and external stakeholders, understand their demands and expectations in a timely manner, and learn about their opinions and suggestions on the Group's sustainable performance and strategy, so as to determine the Group's ESG-related priorities.

Stakeholders	Expectations and requirements	Communication mechanism
Government/Regulatory authorities	• Compliance with laws and regulations • Tax compliance • Support local development	• Daily management • Meetings • Supervision and inspection
Shareholders/Investors	• Shareholder returns • Information disclosure • Investor relations • Corporate governance • Risk control	• Shareholders' meetings • Information disclosure • Activities promoting investor relations
Employees	• Salaries and welfare • Fair opportunity for promotion and development • Quality workplace and development platform	• Performance appraisal • Talent development • Employee activities • Employee care • Staff meeting • Face-to-face communication • Daily communication
Customers	• Innovative products • Quality services • Information security and privacy protection	• Contract performance • Hotline and e-mail • Customer satisfaction survey • Daily communication
Business partners and suppliers	• Fulfilment of promises • Equal, open and fair procurement • Win-win development	• Compliant procurement • Contract fulfilment • Daily communication
Environment	• Environment protection • Response to climate change	• Green office • Climate risks identification
Communities	• Support for community welfare • Support for youth education	• COVID-19 donation • Youth development

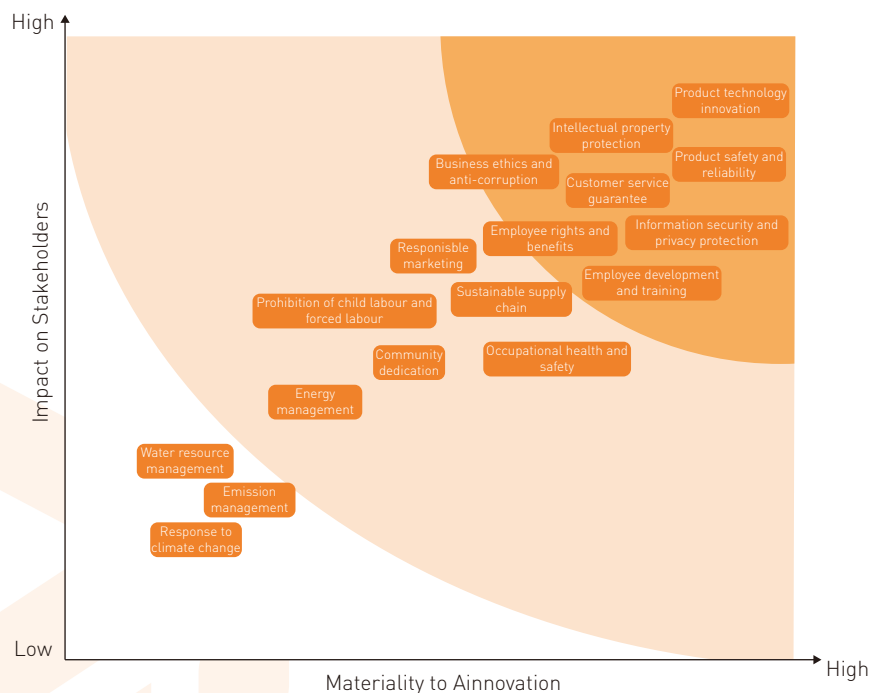**2021 Environmental, Social and Governance Report**

1.4. Materiality Assessment

To further clarify our ESG working priorities, we carried out a materiality assessment and identified material ESG topics through the following steps in 2021, thereby guiding our ESG work, with disclosure of and response to each ESG topic based on materiality provided in the ESG Report:

Step 1 — Initial identification of ESG topics: According to the requirements of the *ESG Reporting Guide*, we identified 17 ESG topics relevant to the Group based on the Group's actual business and industry characteristics;

Step 2 — Determination of the materiality of each topic: Through internal interviews and questionnaire surveys, we conducted our analysis based on two dimensions, namely "Materiality to AInnovation" and "Impact on Stakeholders", and formed a materiality assessment matrix;

Step 3 — Validation of matrix evaluation results: The Group's Senior Management and ESG Working Group reviewed and confirmed the results of the materiality assessment.

High ↑

Impact on Stakeholders

- Product technology innovation
- Intellectual property protection
- Business ethics and anti-corruption
- Product safety and reliability
- Customer service guarantee
- Information security and privacy protection
- Employee rights and benefits
- Responsible marketing
- Employee development and training
- Prohibition of child labour and forced labour
- Sustainable supply chain
- Community dedication
- Occupational health and safety
- Energy management
- Water resource management
- Emission management
- Response to climate change

Low   Materiality to Ainnovation   High

1.5. Statement of the Board of Directors

As stated above, the Board of Directors, serving as the Company's top responsible body of ESG management, is responsible for supervising the Company's ESG issues. In accordance with the requirements of the *ESG Reporting Guide*, we've established an ESG governance structure to conduct evaluation, prioritisation and management of ESG risks. We will also continue to review the establishment and implementation of ESG targets in the future.

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2. PRODUCT RESPONSIBILITY

Based on research capabilities in deep learning, the Group makes great efforts to create innovative and sustainable products to empower Chinese enterprises. We focus on our customers, consistently providing premium services and creating values for them. Regarding intellectual property and information security as the foundation of our business, we strive to protect enterprises' core competitiveness and deliver secure and reliable products and solutions to our customers. We promote smart transformation through self-innovation to empower social innovation and contribute our efforts to the sustainable development of the industry.

2.1. Product Innovation

➤ **Proprietary AI platforms**

Leveraging our research capabilities in deep learning, we have independently developed world-class proprietary AI platforms, namely ManuVision Intelligent Machine Vision Platform, MatrixVision Intelligent Edge Video Platform and Orion Distributed Machine Learning Platform.

The Company persists in using the AI platforms as the technology base and multiplexing technology assets to create full-stack AI solutions for our customers. The Company continuously leverages its research resources. In 2021, the Company brought in the Cloud Platform based on the existing MMO platforms, and created the MMOC AI Platform.

➤ **Industry solutions**

Adhering to our strategic roadmap of "Empowerment, Infusion and Fusion", we have successfully commercialized our AI technologies across several industry verticals. We work with customers from the manufacturing industry, financial service industry and other industries to solve their pain points in corporate operation and information management, enhancing business value for them and empowering Chinese companies.

➤ **R&D capabilities**

The development of our AI platforms, algorithms, software and technologies is underpinned by our strong R&D capabilities. Our strong R&D capabilities and notable achievements in technological innovations over the past years were highly acknowledged by academia and AI industry around the world. In the well-known International Conference on Computer Vision, we defeated research teams of world tech giants and top universities and won 5 champions. In addition, a number of our academic papers have been published in internationally renowned industry conferences and journals (e.g. the CVPR by IEEE, the ECCV , and journals published by IEEE). As at 31 December 2021, the Group had a total of 259 technical personnel, accounting for 56.7% of its headcount.

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In recent years, by virtue of the Group's technical innovation capabilities, we have received a number of the industry's most prestigious recognitions, including Gartner 2021 "Cool Vendor" in AI for Computer Vision, Gartner 2021 "Example Vendor" for Global Machine Vision, MIT Technology Review "World's 50 Smartest Companies" in 2020, FT Chinese Innovative Enterprise 2020, CB Insights "World's 100 Most Promising AI Companies" in 2020 , Fast Company 50 Most Innovative Companies in China 2020, etc.

➢ **Environmental and social benefits of products**

Our "AI+Manufacturing" solutions help customers in the manufacturing industry to optimise their business or production processes, reduce costs and increase operating efficiency. For example, our intelligent wind power operation and maintenance application helps customers to enhance the reliability and stability of the power generation process by wind power. Our intelligent transportation system can increase the overall locomotive efficiency while eliminating security risks in molten iron transportation. In addition, we provide financial institutions with AI products and solutions for optimising resources utilisation (including computing resources and consumer data calculation). For example, our solution for intelligent hybrid cloud management is utilised to realise intelligent allocation, scheduling and maintenance of computing power (especially GPU and storage resources), which significantly increases the energy efficiency for our customers.

Intelligent Wind Power Operation and Maintenance

The Group actively supports the intelligent development of wind power and other green energy industries. We take the new architecture of "Cloud Management, End Computing and Edge-cloud Collaboration" as our core concept, created a domestically top-class panoramic intelligent inspection and control platform that supports panoramic vision, global control, multidimensional coordination and precise control over unmanned wind farms, so as to solve the pain point that traditional wind power operation and maintenance was implemented via observation, analysis and decision made by technicians purely based on experience, realising easier operation and maintenance and lower carbon emissions in production.

Intelligent Molten Iron Transportation

Based on AI vision algorithm and automatic driving technology, we built a world-class intelligent molten iron transportation system, helping locomotives and radar detection vehicles to automatically detect and avoid obstacles on the track, and identify locomotive tails and hooks, enabling fully automated hook removal. The system is based on security, loaded with an environment detecting system, and capable of identifying the production and operating environment precisely and efficiently under complex and extreme weather conditions on a round-the-clock basis, ensuring the safety of unmanned operations.

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2.2. Protection of Intellectual Property Rights

The Group believes that intellectual property is a key symbol of a company's core competitiveness. Strictly abiding by relevant laws and regulations such as the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China* and the *Copyright Law of the People's Republic of China*, we have formulated the *AInnovation Patent Application and Rewarding Standards* to strengthen the application and protection of intellectual property rights, continuously increase investment in R&D and focus on patent innovation.

We adopted a series of measures to protect the Company's intellectual property rights and encourage employees to innovate:

✓ Relying on the Group's Technical Committee and brand team, assign designated employees to supervise and manage the Group's work regarding intellectual property rights;

✓ Encourage employees to apply for patents. If their patent application is handled or approved, monetary awards will be given by the Company;

✓ Through offline patent digging carried out in Beijing, Chongqing and other cities, assist R&D personnel to explore patent innovation in projects or products;

✓ Provide IP-related training for employees to continuously raise their awareness of IP protection.

In 2020, the Group obtained the Intellectual Property Management System Certificate. As at 31 December 2021, the Group had applied for a total of 634 AI-related patents, and over 90% of them were invention patents, with 124 successfully registered, of which 112 patents were newly added in 2021. In addition, in 2021, the Group newly registered 62 trademarks and 41 copyrights.

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2.3. Quality Management and Control

We are committed to maintaining a high standards of quality in our AI products and solutions. We design and implement a quality management system, and formulate the *Project Management Process Standards* to continuously improve our products and process. We also closely monitor the implementation of quality management procedures and measures. The Company is certified with CMMI Level 3 and ISO9001 Quality Management System Certification. As at the end of the Reporting Period, the Company did not involve any product recalls due to health and safety issues. In case of product recall, we will strictly follow the relevant legal requirement and protect the legitimate interests of our clients.

ISO9001 Quality Management System Certification   CMMI Level 3

2.4. Customer Service

Regarding customer as the basis of our business, we are committed to creating values for our customers and achieving win-win results. We work with leaders in multiple industries and help them solve pain points in corporate operation and information management, demonstrating practicality and advantages of our AI products and solutions.

We uphold high standards in customer service and always take customers as the top priority. We have established effective after-sales service and customer complaint procedures to provide premium services for our customers. With well-established after-sales service procedures in place, our customer service team provides remote customer services on a 24-hour real-time basis, and our engineers also provide remote and on-site technical support depending on the complexity of the problems. We also provide system maintenance services for all cloud-based solutions. Following the principle of incident importance and urgency, we stipulate the response time regarding failure events at all levels in the Service Level Agreement (SLA) to ensure that the business system can be restored in the shortest possible time; we continuously optimise our customer feedback channels to receive customer opinions and demands efficiently and conveniently through our 400 hotline and complaint mailbox. We set up customer complaint procedures to handle customers' complaints

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in a timely manner and determine the responsible department and process for complaint handling, ensuring that our customers' complaints are properly handled. As at the end of the Reporting Period, we did not receive any complaints relating to our products or services.

In addition, when a project is completed upon delivery, we will conduct customer satisfaction surveys, covering satisfaction on the quality, time and related processes of the project. The results of the satisfaction surveys are documented and kept as an important reference for project review.

2.5. Information Security and Privacy Protection

The Group strictly abides by the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China* and other related national laws and regulations regarding information security. We formulated the *Information Security Management Policy* to strengthen the construction of information security standards and continuously improve information security management system to reduce information security risks. Adhering to the general policy of "focus on appropriate protection and prevention, equal emphasis on management and technology, and comprehensive prevention", we spare no effort to make the information system secure and controllable, can be controlled and under control. We continuously improve the information security management system and were certified with ISO27001 Information Security Management System in 2021.

Information Security Management System Certification

We have an Information Security Committee in place as the highest decision-making body for information security management. The Committee is responsible for supervising information security and data protection, ensuring that the data source and data usage are compliant with related laws and regulations. To further strengthen information security management, we engage external consultants to advise on our data security protection and regularly update our policies and procedures; we promote our data compliance system among our employees and supervise collaboration across relevant departments to deal with internal and external data compliance incidents; in addition, we continuously enhance employee awareness of data compliance and emphasise the importance of information security via new staff training. The Information Security Committee also provides regular trainings for all employees to raise their awareness of information protection and continuously offer secure and reliable products and solutions to our customers.

We strictly carry out the data protection policy, processing and analysing customer data in strict accordance with the terms of authorisation and scope of application as set out in the customer agreement. In addition, we procure from third-party personnel a signed security responsibility provision or confidentiality agreement before providing access to any information system resources, and approval of written application is required for third-party personnel to access restricted areas.

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3. RESPONSIBLE OPERATION

3.1. Business Ethics

We strictly abide by the *Anti-Unfair Competition Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China* and other related laws and regulations, and formulated *Anti-fraud Management Policy* and *Internal Control Policy for Anti-Money Laundering and Counter-Terrorist Financing*. The Company has built an Anti-Fraud Management Office and an Anti-Money Laundering Leading Group, which together with the finance department are responsible for internal compliance management in all aspects of the Company, regulating the professional conducts of the Company's management and all employees, and strictly prohibiting acts that violate relevant legal provisions and professional ethics, including abuse of power for personal gain and bribery. In addition, we clearly require our employees to comply with all of the Company's rules and regulations on anti-corruption and anti-bribery as set out in the *Employee Manual*, so as to strengthen their awareness of integrity.

We encourage employees to report any violation of business ethics to the Company. Employees can report to the Company's Anti-Fraud Management Office either by email or by letter. We will strictly protect the information of whistle-blowers and prohibit any discrimination or retaliation. Severe penalties will be imposed on those who violate the regulation by leaking the information of whistle-blowers or retaliating against whistle-blowers, and those who are suspected of violating laws will be transferred to the judicial authorities.

> ➢   **Reporting mail: jubao@ainnovation.com**
> ➢   **Responsible department: Anti-Fraud Management Office**

During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Group or our employees.

We provide anti-corruption trainings, including anti-money laundering and anti-terrorist financing trainings, for our directors, management and relevant employees, and assign employees in anti-money laundering positions to attend anti-money laundering training organised by external institutions or the People's Bank of China to improve their ability to distinguish suspicious transactions.

3.2. Marketing Compliance

We constantly promote a culture of marketing compliance in our daily work to raise awareness of compliance among our employees. For new joiners, we provide training sessions regarding marketing compliance to clarify the compliance requirements that employees should follow in their daily work. For example, employees should keep internal business information, technical information and R&D records strictly confidential. Leakage of business secrets to any other person outside the Company in any form is prohibited.
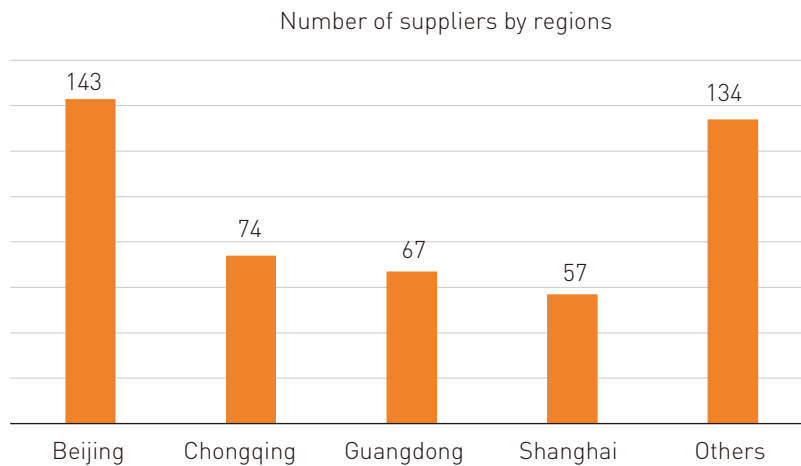
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We also formulate the *AInnovation Brand Management Policy* to regulate the form and scope of use of the Company's brand and trademarks, and maintain a good brand image in the market.

3.3. Supply Chain Management

Our key suppliers are hardware component suppliers, technical service providers and contract manufacturers. We formulated *Supplier Management Implementation Rules* to regulate the Group's supplier management, clarify the selection, record, annual review and grading of suppliers, and establish a full life cycle management process for suppliers.

During the Reporting Period, the Company had a total of 475 suppliers. The number of suppliers by geographical region is as follows:

Number of suppliers by regions

143				134
	74	67	57	
Beijing	Chongqing	Guangdong	Shanghai	Others

Supplier selection	The Group investigates suppliers before including them into the Group's database. Once a supplier meets the Group's basic requirements, the *Supplier Qualification Investigation Registration Form* and a list of information are issued to the supplier. The Centre of Excellence ("**COE**") includes the supplier into the database after reviewing the completeness of such information.
Supplier management	COE will regularly maintain and update the information of suppliers in the system.
Supplier assessment and review	COE conducts annual year-end assessment of suppliers in terms of quality, cost, delivery, service and technology. If the comprehensive score of a supplier is less than 60, it is considered ineligible, and will not be allowed to bid for any project within two years. In the event of a material breach of discipline, including violation of anti-bribery regulations and malicious abandonment of bid, the corresponding supplier will be blacklisted and never be selected.

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In addition, we require suppliers to comply with laws and regulations related to commercial ethics. Relevant regulations on anti-commercial bribery are explicitly stipulated in the supplier contract, prohibiting any form of commercial bribery and safeguarding the legitimate interests of both parties. At the same time, we urge suppliers to pay attention to the environmental and social risks that may arise during the rendering of service. We also give priority to suppliers with a sense of social responsibility and environmental awareness as our partners.

4. PEOPLE-ORIENTED

AInnovation promotes enterprise culture of Integrity in Values, Efficiency in Execution, Contentment in Success, regarding talents as one of the core strengths of the Company. We are committed to providing quality working environment and effective incentive mechanisms for employees, continuously optimising employee training practices to offer employees varied career development paths, encouraging the common growth of employees and the Company and ensuring their rights and interests.

4.1. Employment Management

Complying with relevant laws and regulations, including but not limited to the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and the *Provisions on the Prohibition of Using Child Labour*, as well as the requirements of the *Employee Handbook*, AInnovation standardises all systems of staff management and protects the legitimate rights and interests of employees. In 2019, we were awarded the "Potential Employer of China Internet TOP Employers", which was not only a recognition of the development potential of AInnovation, but also an affirmation of the talent strategies of AInnovation.

Potential Employer Award

❖ **Recruitment and dismissal**

Our success depends on our ability to attract, retain and motivate qualified employees. The Company has formulated the *Recruitment Work Process*, which adopts high standards and strict recruitment procedures to ensure the quality of new employees. In addition, we use various methods for our recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy our demands for different types of talents. We have established the *AInnovation Policy for Internal Recommendation and Award* to encourage internal recommendation by employees and reward employees with successful recommendation. We also set out in the *Employee Handbook* and the *Labour Contract* the conditions for expiration and termination of contracts in detail, standardising the procedures for termination of employment.

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As at 31 December 2021, we had a total of 457 full-time employees. The employee structure and turnover rate are as follows:

Category		Number of employees	Employee turnover*
Gender	Male	325	31%
	Female	132	24%
Age	Under 30 years old	179	25%
	30–40 years old	230	32%
	Over 40 years old	48	28%
Region	Beijing	157	34%
	Shanghai	99	12%
	Chongqing	100	29%
	Qingdao	27	13%
	Other cities	74	40%

*Note: Employee turnover rate = Number of employees lost during the Reporting Period under the category / (Number of in-service employees during the Reporting Period under the category + Number of employees lost during the Reporting Period under the category) * 100%

❖ **Performance management and promotion**

Performance management is an important management tool and method for promoting the Company's performance-oriented culture development. It is the foundation for the future development of the core organisational capacity of the Company, as well as the key to achieve the Company's strategic objectives. We draw up the annual performance appraisal program and use the method of OKRs (Objectives & Key Result) to formulate the assessment plan. We rate employees' performance in the four aspects of business performance, business management, team management and cultural values, and evaluate the working achievements and core competencies of the employees scientifically and rationally, so as to create a workplace that encourages the employees to strive for improvement.

We offer employees a variety of promotion channels. Based on the characteristics of Company's business and the nature of the position, our positions are divided into technical series (T series), business series (B series) and management series (M series) horizontally, and are classified into 13 levels by seniority vertically. Employees are free to choose different development channels based on their own needs and technical features, fully realizing their best talents.

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❖ **Remuneration and benefits**

In accordance with the relevant regulations of the state on remuneration and benefits, we adopt a performance-oriented compensation system based on the market conditions and the Company's position. We also evaluate employee remuneration annually, and formulate adjustment strategies based on performance of employees and the Company. The remuneration paid by the Company to employees includes basic salaries and performance bonus. In addition, the Company pays all kinds of social insurance expenses in accordance with the relevant regulations of the state on social insurance for its employees, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, and housing provident fund etc.. In addition, to incentivise our management team, we have adopted a series of share incentive schemes to better retain talents and promote the long-term sustainable development of the Company.

Meanwhile, we offer a variety of benefits policies for our employees:

✓ Health protection: The Company provides supplementary medical insurance and accident insurance, and organises on-boarding and annual medical examinations for employees to carefully protect their health;

✓ Benefits and allowances: The Company grants employees communication allowances and food allowances, etc.;

✓ Bereavement consolation: Three working days of bereavement leave and a total of RMB 3,000 of consolation fund are granted to the employee who loses his immediate family member.

❖ **Working hours and holidays**

The Group implements the standard working hours system, with 5 working days and 40 working hours per week. Employees who need to work overtime should apply to the HR Department for approval. Employees of the Group are entitled to annual leave, sick leave, unpaid leave, marriage and bereavement leave, maternity leave and work-related injury leave in accordance with the laws.

❖ **Equality opportunities, diversity and anti-discrimination**

The Group is committed to providing a working environment of fair competition and mutual respect for its employees. It adheres to the principle of fair and open recruitment and hires employees on the basis of merit where the applicants are equally qualified. The Group implements fair employment policy. When recruiting, hiring, training, remunerating, promoting and transferring employees, the Company is guided by the requirements of the entity and the position, without distinction as to ethnicity, race, religion or gender.

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❖ **Labour standards**

By complying with relevant laws and regulations, including but not limited to the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and the *Provisions on the Prohibition of Using Child Labour*, the Group respects the legitimate rights and interests of employees, does not use forced labour, and strictly prohibits the recruitment of child labour. The Group strictly follows the statutory working hours and controls overtime working to guarantee the balance between employees' personal life and work, and prevent forced labour. During the Reporting Period, the Group had no violations involving child labour or forced labour. In case of misusing child labour or forced labour, we will strictly abide by laws and regulations, immediately terminate the labour contract with such labour and take proper follow-up measures.

4.2. Talent Development

We attach importance to the growth and development of each talent, and provide employees with a variety of opportunities for personal advancement and career development to help them grow rapidly. The Group provides a variety of training activities and learning resources for its employees through various training formats such as new employee training, big name sharing session, in-house technology sharing session and online training platform, so as to enhance the general capabilities, professional abilities and leadership of its employees and build a high-quality talent team.

AInnovation new employee training camp

New employee training camp

We have specially created on-boarding training for new employees, under which the new employees conduct systematic learning within one day, so that they can quickly understand the Company's strategies, culture, systems, etc., as well as quickly integrate into the new environment.

Big name sharing session

From time to time, we invite industry big shots to hold technical exchange sessions and series of lectures to share cutting-edge knowledge and experience with technicians, and to jointly create a strong internal learning atmosphere.

Big shot sharing meeting

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Technology sharing session

We regularly organise in-house technology sharing sessions, inviting employees from various technical departments to share their experience in using Python, MatrixVision and other professional tools, so that employees can fully participate in the training and create their own "highlight moments".

Technology sharing meeting

Online training platform

Online training platform

We have an online learning platform in the ERP system, where employees can view previous training courseware and videos, and learn and review professional knowledge whenever and wherever possible.

During the Reporting Period, the Group's key performance indicators concerning employee development and training were as follows:

Category		Percentage of employees trained	Average training hours of employees
Gender	Male	90%	7
	Female	10%	2
Employee type	Management (Level 8 and above)	8%	24
	Junior employees (below Level 8)	92%	5

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4.3. Employee Care

AInnovation values the physical and mental health and well-being of employees, actively communicates with employees, and conducts regular activities to continuously enhance their sense of belonging and happiness.

❖   **Employee communication**

We pay close attention to communication with our employees. We collect significant concerns from employees through the ERP system on a daily basis, and hold the All Hands Meeting on a quarterly basis to discuss and coordinate with employees on major matters, and build a communication channel between employees and the management of the Company, so that the Company can better understand the employees' inner voice, help them solve practical problems in work and life, and enhance their sense of belonging.

All Hands Meeting

❖   **Theme activities**

AInnovation values the physical and mental health and well-being of its employees, and undertakes various activities to enhance their sense of belonging and happiness. We regularly hold activities for Lantern Festival, Mid-Autumn Festival, Dragon Boat Festival, Christmas Day and other festivals. In addition, we also hold activities such as handing out red envelopes for kick-off, and hold activities for the Programmer's Day, the collective birthday meeting and the Company's anniversary. The Company issues souvenirs to employees who have reached their third anniversary of employment, thereby enriching employees' lives, enhancing cohesion and creating a harmonious team atmosphere.

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Mid-Autumn Festival

Dragon Boat Festival activities

The Company's third
anniversary celebration

Christmas activities

4.4. Health and Safety

In strict compliance with the *Labour Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China* and other relevant laws and regulations, AInnovation highly values the health and safety of the employees. We promote healthy work, strive to provide a good working environment for our employees, and take a number of measures to safeguard their health, including:

✓   We set up an exercise area in our office to provide employees with various kinds of fitness equipment;

✓   We set up baby care room in the office to ensure comfort and privacy and provide convenience to our employees;

✓   We post tips on stress-relieving exercise in the tea room to remind employees to relax;

✓   We regularly organise shoulder and neck massage activities for employees to help them alleviate fatigue.

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Exercise area

Baby care room

Tips on stress-relieving exercise

Shoulder and neck massage activities

In 2021, as the COVID-19 pandemic continued, we responded positively to the pandemic prevention and control requirements issued by the regulatory authorities, strictly implemented the relevant documents and requirements, and required employees' strict implementation. We have provided protective materials to our employees in the office area, and regularly issued safe travel packages to our employees on business trips, which contain alcohol-based cotton tablets, facial masks, clean-free disinfectants, etc., so as to protect their health.

Protective materials in the office

Safe travel packages

In the past three years, the Group had no work-related fatalities. During the Reporting Period, the number of working days lost due to work injuries was 0.

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5. GREEN OPERATION

As an enterprise AI solutions provider, the Company does not involve manufacturing in its own operations, and therefore its environmental impact is relatively limited. The Company deeply recognises the importance of environmental protection. It complies with the requirements of laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, adopts various measures to conserve energy and protect the environment in the ordinary course of its operations, and continuously optimises its environmental performance.

5.1. Green Office

We strictly abide by laws and regulations related to environmental protection, and incorporate energy conservation and emission reduction into our daily management. At the same time, we actively implement the green office concept and promote a series of green office requirements, including but not limited to:
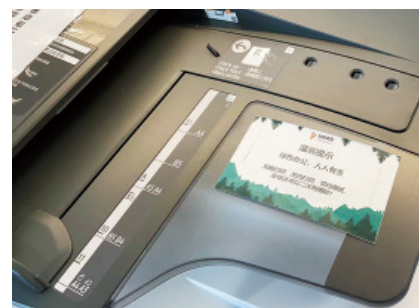
➢ Encourage black-and-white and double-sided printing and promote the reuse of waste paper to save paper;

➢ Post energy-saving signs next to the office switches and post water saving signs next to the wash basins in the toilets;

➢ Use LED energy-saving lamps in the office to save electricity for lighting;

➢ Set up separate waste bins in the office to facilitate the recycling of resources;

➢ Set constant temperature for the central air-conditioning in the office to operate at low power consumption.

| Waste sorting | Water saving | Paper saving |

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Below are our key environmental performance indicators (KPIs). Unless otherwise stated, such key performance indicators cover the Group's offices in Beijing, Xi'an, Chongqing, Chengdu, Zhejiang, Nanjing, Qingdao, Hefei, Guangzhou and Shenzhen.

KPI	2021
Total GHG emissions (tons of CO_2 equivalent)	**533.30**
Including: Indirect GHG emissions from energy consumption (Scope 2) (tons of CO_2 equivalent)	**533.30**
GHG emission intensity (tons of CO_2 equivalent per square metre)	**0.03**
Total energy consumption (MWh)	**775.61**
Including: Total indirect energy consumption (MWh)	**775.61**
Energy intensity (MWh per square metre)	**0.04**
Total water consumption (tons)	**1,335**
Water consumption intensity (tons per square meter)	**0.08**

Note:

1. Based on the operational characteristics, our greenhouse gas emissions mainly come from indirect GHG emissions of purchased electricity (Scope 2). Greenhouse gas emissions are presented as CO_2e and accounted for according to the *Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Public Building Operators* issued by the National Development and Reform Commission ("**NDRC**").

2. Emissions produced in our operation mainly include a small amount of domestic wastewater. Such wastewater has no material impact as they are disposed by municipal pipelines. Therefore, KPI A1.1 (the types of emissions and respective emissions data.) is not disclosed in the Report.

3. Hazardous waste generated in our operations mainly consists of small amounts of used toner cartridges and ink cartridges produced by office printing equipment, which are recycled and disposed of by the suppliers without any material impact. Therefore, KPI A1.3 (total hazardous waste produced and intensity) is not disclosed in the Report.

4. The non-hazardous waste generated in our operations is small amounts of office waste. The office waste is handed over to the property management company for disposal and has no material impact, therefore, KPI A1.4 (total non-hazardous waste produced and intensity) is not disclosed in the Report.

5. A3 (Environmental and natural resources) and A3.1 (Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) is not applicable as we do not use other environmental and natural resources during operation, thus such information is not disclosed in the Report.

6. We use water from municipal tap water, so we have no problem in obtaining suitable water. The above total water consumption only covers offices in Chongqing, Qingdao and Hefei. Water consumption of other offices is borne by property management companies and cannot be measured separately.

7. As we do not use packaging materials in our operation, the KPI A2.5 (Total packaging materials used for finished products and per unit produced) is not applicable.

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5.2. Response to Climate Change

The issue of climate change is increasingly receiving widespread attention worldwide, and the frequency of extreme weather will pose certain risks and impacts to our system service and employee safety. We will strengthen our focus on climate change, actively identify the impacts that extreme weather may have on our business, and formulate appropriate response measures.

In the event of extreme weather, such as rainstorms, typhoons, snow storms, etc., we will notify employees of the weather information in advance and provide precautions for the special weather to ensure the Company's business continuity in extreme weather conditions and minimise the impact of extreme weather on our business.

6.   EMPOWER THE INDUSTRY AND BENEFIT THE SOCIETY

We actively participate in industry associations and industry exchange events to promote a win-win cooperation for the industry. In 2021, we were the vice-chairman unit of Qingdao Artificial Intelligence Association and vice-chairman unit of Shandong Gazelle Enterprises Development Association. Together with local governments, enterprises, colleges and universities, we have created an artificial intelligence ecosystem, and provided guidance to high-growth small and medium-sized enterprises to help the artificial intelligence industry develop.

Digital economy innovation laboratory

In 2021, at the World Industrial Internet Conference — Forum on Digital Economy-Enabling Industry Creation, 10 enterprises including AInnovation, Haier, Hisense and Tencent Cloud jointly launched the Digital Economic Innovation (Qingdao) Laboratory. With the goal of promoting industrial development in the digital economy, the laboratory brings together advanced technologies such as industrial internet, artificial intelligence, 5G, big data, block chain, and Internet of Things. The laboratory also focuses on digital economic policy, industry, technology and application research, and integrates high-quality resources such as think tanks, industry institutions, scientific research institutes, leading enterprises, etc., so as to create a new generation of digital economic innovation and development ecosystem, and help Qingdao traditional enterprises for their digital transformation.

AInnovation is committed to doing its best to give back to the society in a variety of ways as it develops its business. In recent years, we have actively engaged in charity and public welfare undertakings, fulfilled our social responsibilities, and conveyed warmth and impression to the public.

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➢ **Donations and assistance to affected areas**

In February 2020, we launched the "One-day salary donation" campaign, under which the Company and its employees contributed a total amount of RMB600,000 in two days. In collaboration with WaterDrop Foundation, we donated RMB500,000 to set up "special fund for the affected areas", which would be used in the most needed areas affected by the pandemic, while the remaining RMB100,000 was used to purchase medical supplies, such as facial masks, which would be directly delivered to areas affected by the pandemic.

Certificate of donation

➢ **AI equipment helps quarantine**

In February 2021, AInnovation successively donated 11 self-developed AI quarantine equipments to hospitals in Qingdao, Jiaxing, Shanghai, Chongqing and Guangzhou, etc. Our nucleic acid test chamber is equipped with AInnovation AI Pandemic Prevention Data Management Platform, helping the traditional pandemic prevention equipment realise functions such as non-contact accurate temperature measurement, automatic alarm upon detecting any anomalies, and back-end cloud platform statistics and analysis of personnel information, and providing a more safe and convenient quarantine work environment for medical workers.

Donation of AI quarantine equipment to Qingdao

AI nucleic acid test chamber

➢ **Innovation and smart future leading by the youth**

In 2021, AInnovation was selected as the "Qingdao Youth Innovation and Creation Practice Base", and hosted the Youth Innovation Festival and other activities. We combine scientific popularisation with interest training, scientific education with practical education to enhance the scientific ability, scientific spirit and innovation of the young people, so as to create a good atmosphere for the entrepreneurship city construction.

Innovation practice base

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APPENDIX: ESG REPORTING GUIDE INDEX

Aspects	Descriptions	Chapter
A1 Emissions	General Disclosure Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.1. Green Operation
A1.1	The types of emissions and respective emissions data.	5.1. Green Operation
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1. Green Operation
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1. Green Operation
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1. Green Operation
A1.5	Description of measures to mitigate emissions and results achieved.	5.1. Green Operation
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5.1. Green Operation
A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	5.1. Green Operation
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.1. Green Operation
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.1. Green Operation
A2.3	Description of energy use efficiency initiatives and results achieved.	5.1. Green Operation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.1. Green Operation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable
A3 The Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	Not applicable
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable

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Aspects	Descriptions	Chapter
A4 Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.2. Response to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.2. Response to Climate Change
B1 Employment	General Disclosure Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4. People-oriented
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1. Employment Management
B1.2	Employee turnover rate by gender, age group and geographical region.	4.1. Employment Management
B2 Health and Safety	General Disclosure Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.4. Health and Safety
B2.1	Humber and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.4. Health and Safety
B2.2	Lost days due to work injury.	4.4. Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.4. Health and Safety
B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2. Talent Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.2. Talent Development
B3.2	The average training hours completed per employee by gender and employee category.	4.2. Talent Development

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Aspects	Descriptions	Chapter
B4 Labour Standards	General Disclosure Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1. Employment Management
B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1. Employment Management
B4.2	Description of steps taken to eliminate such practices when discovered.	4.1. Employment Management
B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	3.3. Supply Chain Management
B5.1	Number of suppliers by geographical region.	3.3. Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.3. Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.3. Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.3. Supply Chain Management
B6 Product Responsibility	General Disclosure Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2. Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.3. Quality Management and Control
B6.2	Number of products and service related complaints received and how they are dealt with.	2.4. Customer Service
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.2. Protection of Intellectual Property Rights
B6.4	Description of quality assurance process and recall procedures.	2.3. Quality Management and Control

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Aspects	Descriptions	Chapter
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	2.5. Information Security and Privacy Protection
B7 Anti-corruption	General Disclosure Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.1. Business Ethics
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.1. Business Ethics
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3.1. Business Ethics
B7.3	Description of anti-corruption training provided to directors and staff.	3.1. Business Ethics
B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Empower the Industry and Benefit the Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Empower the Industry and Benefit the Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	6. Empower the Industry and Benefit the Society

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人工智能
赋能商業價值
Empower Businesses
with AI Technology