

# inspur 浪潮

## 浪潮國際有限公司 INSPUR INTERNATIONAL LIMITED

(於開曼群島註冊成立的有限公司  
Incorporated in the Cayman Islands with limited liability)  
(股份代號 Stock Code : 596)



# 2021

ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT  
環境、社會及管治報告

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## SCOPE AND REPORTING PERIOD

This Environmental, Social and Governance (“ESG”) report highlights the ESG performance of Inspur International Limited (the “Company”, and together with its subsidiaries referred as the “Group”), 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 engage principally in software development and provision of cloud services and IoT solutions. The company continues to accelerate its transformation into an enterprise cloud service provider, leverage its leading edge and innovation system in cloud computing, big data, artificial intelligence and other full-stack technologies, uphold the idea of platformization and develop platform-based products with the main focus on Cloud ERP, achieving meaningful growth while facilitating the creation of smart enterprises. 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 2021 to 31 December 2021 (“the Reporting Period”), unless otherwise stated. The principal business operations include:

- Inspur Worldwide Services Limited (“Inspur Worldwide”) in Jinan, Shandong, PRC;
- Beijing Tianyuan Network Co., Ltd (“Tianyuan Network”) in Beijing, PRC;
- Inspur Communication Information System Co., Ltd (“Inspur Communication”) in Jinan, Shandong, PRC; and
- Inspur Genersoft Co., Ltd (“Inspur Genersoft”) in Jinan, Shandong province, PRC.

## GOVERNANCE STRUCTURE

The Group’s board of directors (the “Board”) acknowledges that it takes full responsibility for the Group’s ESG strategy and ESG reporting, and for the assessment and identification of the Group’s ESG-related risks. Its ESG management is to be reviewed at least once a year at the board meetings. Senior management has been delegated to oversee ESG-related issues. When any material ESG topics or risks that may have an impact to the Group’s interests are identified, such information and the recommendations to address such risks will be submitted to the Board. Senior management and the board further discuss about ways to respond to such risks at regular board meetings. The respective impacts of the risks on the Group’s financial performance will be assessed. Objectives, policies and business strategies are then formulated accordingly to minimise the negative impact on the Group.

In order to review and evaluate the progress and effectiveness of ESG-related strategies, the Group engages stakeholders regularly to obtain their feedback through common channels, including annual employee satisfaction surveys, monthly employee meetings, monthly customer satisfaction interviews, and regular communications with customers and potential talents. There are also workgroups and departments for employee welfare and development, customer service, quality assurance and community service.

# STAKEHOLDER ENGAGEMENT AND MATERIALITY

## STAKEHOLDER ENGAGEMENT

The Group attaches great importance to stakeholder engagement. Stakeholders of different groups are regularly communicated through various channels. The stakeholder engagement does not only allow the Group to gain insight into ESG-related issues, but also to identify business growth opportunities and poise for future challenges.

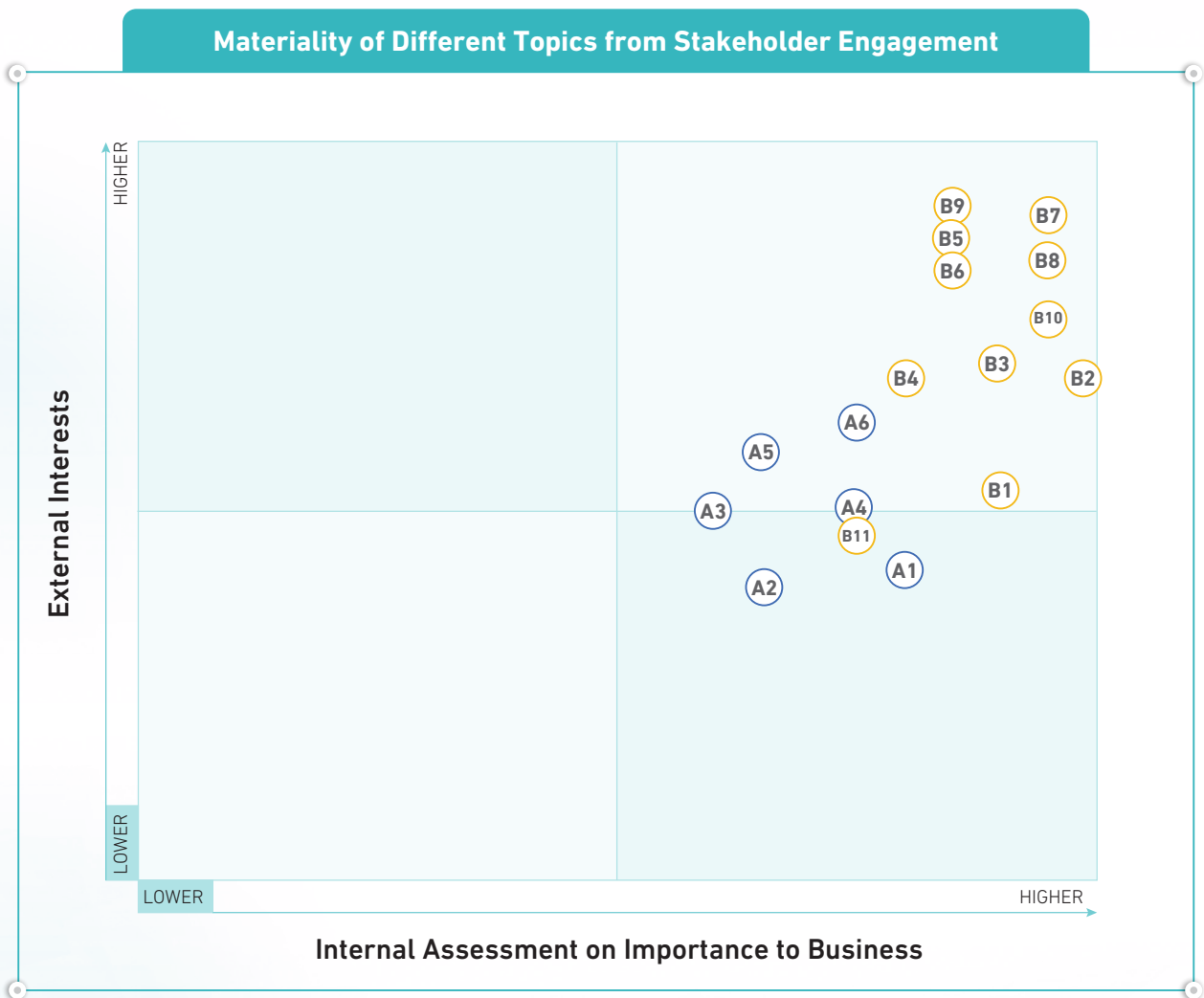
Stakeholder groups	Regular engagement channels
Employees	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Internal network platform</li> <li>• WeChat groups</li> <li>• Training sessions and talent development programmes</li> <li>• Employee engagement activities</li> </ul>
Customers and business partners	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Salons</li> <li>• After-sales services</li> <li>• Customer service hotline</li> <li>• Customer satisfaction surveys</li> <li>• Product training sessions</li> <li>• Site visits by quality control technicians</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Tendering processes</li> <li>• Audits and performance reviews</li> <li>• Site visits</li> <li>• Telephone and email communications</li> <li>• Annual and interim reports</li> <li>• Company website</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Annual general meetings</li> <li>• Annual and interim reports</li> <li>• Roadshows</li> <li>• Company website</li> <li>• Annual and interim results announcements</li> </ul>
Government bodies	<ul style="list-style-type: none"> <li>• Government visits</li> <li>• Seminars</li> </ul>
Market industry	<ul style="list-style-type: none"> <li>• Site visits</li> <li>• Seminars</li> <li>• Annual and interim reports</li> <li>• Company website</li> </ul>
Local community	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Emails</li> <li>• Community events</li> </ul>

## MATERIALITY ASSESSMENT

Both internal and external stakeholders, namely the Board, shareholders, senior management, frontline staff, customers, suppliers and business partners, have been engaged in the materiality assessment process to identify and prioritise ESG material issues that are crucial for the Group's sustainable development.

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 shown in the following matrix and table respectively.

## 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

The following environmental and social topics are identified as the most material issues to the stakeholders:

1. Data protection;
2. Customer service;
3. Product/service quality;
4. Supplier management;
5. Intellectual property (“IP”) rights; and
6. Anti-corruption.

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](mailto:zoubo@inspur.com).

## THE GROUP’S ESG COMMITMENT

The Board of the Group is well aware of its full responsibility for ESG related matters and strives to ensuring its compliance with the regulatory requirements as described in Appendix 27 of the Listing Rules. The Group’s ESG working group formulates and implement ESG strategies with guidance of the Board and supports the Board in the oversight and management of ESG issues relating to the Group’s daily operations.

The Group 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, CERTIFICATIONS AND CORPORATE MEMBERSHIPS

During the Reporting Period, the Group's business operations have obtained the following awards, certifications and corporate memberships.

Business Operations	Awards, Certifications and Corporate Memberships
<p>Inspur Communication Information System Co., Ltd ("Inspur Communication") in Jinan, Shandong, PRC</p>	<p>Membership:</p> <ul style="list-style-type: none"> <li>- China Security and Protection Industry Association</li> <li>- Member of Tele Management Forum</li> <li>- CCSA TC610 SDN/NFV/AI</li> </ul> <p>Certification:</p> <ul style="list-style-type: none"> <li>- First-class qualification of security engineering enterprise</li> <li>- Third-level qualification for general contracting of communication engineering construction</li> <li>- Safety production license</li> <li>- First-class qualification for professional contracting of electronic and intelligent engineering</li> </ul> <p>Award:</p> <ul style="list-style-type: none"> <li>- 2021 TM Forum Digital Transformation World Catalyst Project "Sustainability Influencer Award"</li> <li>- Selected the Best "Innovative Town Planning" of the Year, Best Solution of the Year and Excellent Solution of the Year in ICT China (2021) Collection and Publication of Case Studies organized by China Association of Communications Enterprises (CACE)</li> <li>- 2021 China 5G Power List "Top 10 Cloud Data Intelligence Enterprises"</li> </ul>

Business Operations	Awards, Certifications and Corporate Memberships
<p>Inspur Genersoft Co., Ltd (“Inspur Genersoft”) in Jinan, Shandong province and Beijing, PRC.</p>	<p>Membership:</p> <ul style="list-style-type: none"> <li>- China Enterprise Confederation</li> <li>- China Association of Chief Accountants</li> <li>- China Software Industry Association</li> <li>- Chinese Medical Accounting Society</li> <li>- Industrial Technology Software Industry Alliance</li> <li>- Storage Branch of China Cereals and Oils Society</li> </ul> <p>Award:</p> <ul style="list-style-type: none"> <li>- 2021 Top 100 Competitive Players in Industry Informatization (Top 20 in Digital Transformation)</li> <li>- 2021 Top 100 Enterprises in Industry Informatization</li> <li>- Excellence Award in Technology Innovation for China ICT Industry</li> <li>- 2021 Leading Enterprise in Digital Transformation</li> <li>- “Leading Enterprise” and “Excellent Service Provider” in smart manufacturing</li> <li>- Outstanding Supplier of Smart Manufacturing Solutions in China</li> <li>- “Smart Manufacturing of Excellence”</li> <li>- Recommended excellent products of China’s Smart Manufacturing</li> <li>- “The New Generation of IT Innovation Product”</li> <li>- 2021 Excellent Big Data solution for Shandong Province’s “Three Excellent and Two Major” Project in 2021</li> </ul> <p>Certification:</p> <ul style="list-style-type: none"> <li>- ISO14001 (Environmental Management System)</li> <li>- ISO45001 (Occupational Health and Safety Management System)</li> <li>- Electronic and Intelligent Engineering Professional Contracting Qualification (Level 2)</li> <li>- Security Development of CCRC Information System Software</li> <li>- Safe operation and maintenance of CCRC information system</li> <li>- ITSS operation and maintenance level 2</li> <li>- Registration Certificate for Confirmation of Design and Construction Grade of Safety Technology Preventive Engineering in Shandong Province (Level 2)</li> </ul>



## A. ENVIRONMENTAL

### A1. EMISSIONS

The Group strives to abide by all relevant national laws and regulations in relation to environmental protection 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.

During the Reporting Period, the Group has issued a notice on “Further Saving of Energy and Reduction in Consumption”. At the same time, the “Energy Conservation and Emission Reduction Program for All” was published through the Group’s internal network to share with employees the methods to reduce emissions in workplace and at home. Employees are also encouraged to use as much natural lighting in daily operation as possible. At Inspur Communication, a power-saving reminder is posted on each power switch.

#### A1.1 Air Emissions

During the Reporting Period, air emission was mainly from petrol-fuelled passenger cars owned by Tianyuan Network, contributing to the emission of nitrogen oxides (“NO<sub>x</sub>”), sulphur oxides (“SO<sub>x</sub>”) and respiratory suspended particles (“RSP”).

Mobile fuel source	Air emissions (non-GHG) from the vehicle operations		
	NO <sub>x</sub> (kg)	RSP (kg)	SO <sub>x</sub> (kg)
Petrol	29.06	1.35	0.02

## A1.2 Greenhouse Gas (“GHG”) Emissions

Throughout the Reporting Period, the Group’s business operations contributed to GHG emissions of 2,497 tonnes of carbon dioxide equivalent (“tCO<sub>2</sub>eq.”), mainly carbon dioxide, methane and nitrous oxide. The overall intensity of the GHG emissions of the Group was 0.094 (last year: 0.19) tCO<sub>2</sub>eq./m<sup>2</sup> with reference to the total floor area of the Group’s business operations, or 0.39 (last year: 0.95) tCO<sub>2</sub>eq. per employee, with reference to total number of employees. As a high-tech service and product provider, the Group consumed a significant amount of purchased electricity for its daily operations, which accounts for 67% (last year: 56%) of its total GHG emission.

Scope of Greenhouse Gas Emissions	Emission Sources	GHG Emission (in tCO <sub>2</sub> eq.)	Total GHG Emission (in percentage)
<b>Scope 1 Direct Emission</b>			
Combustion of fuels in mobiles sources	Petrol	3.19	<1%
<b>Scope 2 Energy Indirect Emission</b>			
Purchased electricity		1673.92	67%
<b>Scope 3 Other Indirect Emission</b>			
Paper waste disposal at landfills		13.97	
Electricity used for freshwater processing		23.83	33 %
Business air travel		782	
<b>TOTAL</b>		<b>2,497</b>	<b>100%</b>

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: The national grid emission factor of 0.6101tCO<sub>2</sub>/MWh was used for purchased electricity.

### A1.3. Hazardous Waste

The Group generated a total of 0.001 ton of hazardous waste during the Reporting Period, which contributed to an intensity of 0.0009 kg/m<sup>2</sup> or 0.0037 kg/employee. Sources of hazardous waste included printer ink cartridges and electronic waste.

### A1.4. Non-Hazardous Waste

The Group generated a total of 152.76 (last year: 874.55) tonnes of non-hazardous waste during the Reporting Period, which contributed to an intensity of 5.76 kg/m<sup>2</sup> and of 24 kg/employee. The non-hazardous waste was mainly the daily waste of offices. Based on multiple rounds of sampling, it is estimated that an average of 0.1 kg of non-hazardous waste was generated per employee per day. Of the non-hazardous waste generated, there were 152.75 tonnes of food waste, and 0.01 tonnes of non-office waste paper (e.g. old newspapers, carton boxes). The estimation method of waste paper is based on 2% of the paper we buy after we have sampled and estimated.

### A1.5. Measures to Mitigate Emissions

#### *Road Transport Source*

The Group has restricted the use of its vehicles through stringent approval process. Employees are encouraged to commute by public transport. Electric vehicle ("EV") charging stations have been installed at the Group's car parks to meet the demand arising from the surge in the number of electric vehicles.

The Group also encourages the use of public transport for short-haul travel. After liaison with bus service provider, extensive bus routes and plentiful of bus stops are available around the Industrial Park, allowing employees to commute by public transport with great ease. The Group also limits the use of taxi by setting claimable taxi fares to hours beyond 9pm. When it comes to vehicle renting, energy-efficient, low-emission vehicles are preferred. Virtual online meetings are also encouraged, if possible, to reduce emissions from travelling. The Group's operation under Inspur Communication also uses energy-efficient lighting, with a goal of reducing energy consumption by 10% within 10 years.

#### *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 a bid to reduce carbon footprint arising from air travel. Due to its business nature, business trips taken by technicians are inevitable as they have to reach out to provide onsite product training and technical support to customers. Amidst COVID, the use of video-conferencing and various online meeting tools is highly encouraged to replace on-site work and personal meeting. As a result, the business air travel has been greatly reduced. Its GHG emission due to business air travel dropped by 61.6% 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. The Group uses refillable ink cartridges, where possible, to reduce generation of hazardous waste.

Non-hazardous wastes are regularly collected by external cleaning companies 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. Wastepaper recycling bins are available at each office floor. With the implementation of the above initiatives, the Group managed to recycle 0.3 tonnes of wastepaper. To achieve waste reduction goals, the Group puts up notices near toilets and printers to encourage conservation of water and paper.

The Group advocates green office, low carbon management, and encourages employees to observe green initiatives. Electric appliances such as microwave ovens and refrigerators are provided at pantries in a bid to encourage employees to bring meals to work or dine in at canteens, thereby minimising the generation of packaging wastes. Food waste and rubbish are properly handled by outsourced cleaning companies for waste collection and disposal. Water machines are also in place to reduce the use of single-use water bottles.

## A2. USE OF RESOURCES

While the policies on efficient-use of resources are yet to be established, the Group is committed to promoting observance of resource conservation practices for environmental conservation and operational efficiency. Offices are checked daily at 8:30pm for adherence to environmentally friendly practices, and reminders are issued if needed.

### A2.1. Energy Consumption

Sources of energy consumption of the Group's business operations are electricity and petrol. During the Reporting Period, the total energy consumption of the Group was 2,754,310 kilowatt-hour ("kWh"), with the overall energy intensity of 103.9 kWh/m<sup>2</sup> and of 433.95 kWh/employee.

Energy Consumption Sources	Consumption		Energy Intensity	
	(in individual unit)	(in kWh)	(kWh/m <sup>2</sup> )	(kWh/employee)
Electricity	2,743,680 kWh	2,743,680	103.15	432.28
Petrol	1,200 Litres	10,630	0.4	1.67
	Total Consumption	2,754,310	103.9	433.95

## A2.2. Water Consumption

During the Reporting Period, the total water consumption of the Group was 57,155.7 m<sup>3</sup>, with water consumption intensity of 2.16 m<sup>3</sup>/m<sup>2</sup> and of 9 m<sup>3</sup>/employee.

## A2.3. Energy Use Efficiency Initiatives

As the Group's GHG emission is positively correlated to electricity consumption, it actively implements 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 regular monitoring and evaluation system. The also places plants in the office with regular care.

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

- Setting air conditioners' temperature to 27 °C or above to save energy;
- Switching off air conditioners when outdoor temperature is under 20 °C;
- Setting computer monitors to switch to 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 for its daily operations. The Group treasures water resources and avoids water wastage as much as possible. To improve the efficiency in use of water resources, the Group has formulated an internal guideline in a bid to change employees' water use behaviour through various means including but not limited to:

- Posting posters in prominent areas to promote water conservation;
- Conducting leakage tests on water taps and washers regularly;
- Fixing dripping taps and defects in the water supply system to avoid water leakage;
- Improving inspection and maintenance on water taps, water pipelines and water tanks; and
- Installing automatic sensor faucets and motion flushing sensors at toilets.

Through the above-mentioned measures, the Group's Operations at Tianyuan Communications aims to reduce water use by 5% in 10 years.

#### A2.5. Packaging Materials

The Group did not consume any 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 does not cause significant environmental pollution and poses minimal impacts to the environment. Nevertheless, the Group has set out a series of guidelines detailing 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.

## A4. CLIMATE CHANGE

Global warming poses a wide range of risks to businesses, including supply chain disruptions, rising insurance costs, and loss of labour. The heightening threats of climate change and its associated physical damage for businesses, change in market perception and public preference for environmentally friendly products and services have exacerbated climate-related financial, reputational and strategic risks. In the foreseeable future, climate change will undoubtedly be a growing concern for the Group and various industries. The Group has identified the following risks arising from climate change.

### Physical Risks

The continued increase in greenhouse gas (GHG) emissions is driving up average global temperatures, melting glaciers, raising sea levels and shifting atmospheric circulation. In the near future, climate change will lead to an increase in intensity and frequency of extreme weather events around the world. The blizzard in southern China in 2008 and the floods in Zhengzhou last year both showed the uncertainty about climate change which could happen without warning. The Group employs more than 6,000 employees in Beijing and Shandong. Extreme weather, such as snowstorm, is likely to prevent employees from going to work and its impact on our operations is unpredictable. Extreme weather may also affect logistics operations, which may in turn cause delay in suppliers' delivery of goods and put our operation at risk.

Apart from physical risks to our operations, extreme weather may have an impact on our customers, especially those of manufacturing companies. If our clients are affected by extreme weather and delay their plans or even stop their operations, there could be a direct financial impact on us.

### Transitional Risks

Our country has pledged to peak carbon emissions by 2030 and to achieve carbon neutrality by 2060. During the transition, we may be required by the government to increase the proportion of new energy consumption, and eventually switch to new energy. For the Group and our clients, the expenses that may incur during the transition are unpredictable.

In addition to the expense on energy bills, we and our clients may be required to support carbon neutrality by paying carbon taxes or carbon credits. Our data centers may also be charged for excessive electricity consumption.

Our ERP management system serves a wide range of clients. They are also subject to various uncertainties brought about by climate change. If their operations are threatened by climate changes, our business will eventually be affected as well. Some of our clients may face not only impacts such as taxes and electricity bills, but also more severe transitional impacts or reputational impacts. For example, customers engaged in oil products or oil services are inevitably challenged to meet national carbon neutral requirements. They face not only the challenges of business transformation, but also the impact of reputation loss during the transformation. Under financial pressure, their management system replacement plans may be delayed and, at worst, they may cease to be our clients due to business setbacks.

## Opportunities

The Group engages principally in cloud computing and ERP system management. Our business features the provision of a virtual working environment anytime, anywhere. While the physical risks of climate change may have impacts on us, we believe that the opportunities brought about by climate change are far greater than the risks. When an extreme weather event, or a plague, occurs, our management system can ensure the normal operation for most enterprises. For any large enterprise in need of collaboration, our cloud management system will be an excellent choice.

From what we are going through in the COVID-19 pandemic, when people cannot go to work as usual and offices cannot function properly, it is clear that the cloud management system can play a role several times larger than usual. The cloud management system has proven to be effective in enabling the proper collaboration of all employees of a company. In this extraordinary period of time, the cloud management systems are crucial for some very important industries such as logistics and e-commerce.

### A4.1. Major Climate-Related Issues That Have Impacts on the Group and Actions Taken

In view of the heightening climate threats, the Group has proactively identified corresponding risks that may have impacts on the Group's operations. The Group has policies in place to ensure the safety and protect lives of all employees during extreme weather. Employees are allowed to work from home under certain weather conditions so as to reduce the impacts of increasingly severe and frequent natural disasters on the company's day-to-day operations.

## B. SOCIAL

### B1. EMPLOYMENT AND LABOUR PRACTICES

#### B1.1 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:

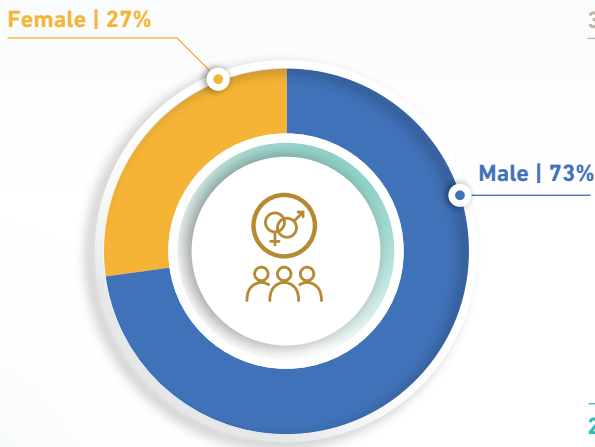
- Labour Law of the PRC;
- Labour Contract Law of the PRC;
- Social Insurance Law of the PRC;
- Provisions on the Prohibition of Using Child Labour of the PRC; and
- Law of the PRC on the Protection of Minors.

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.

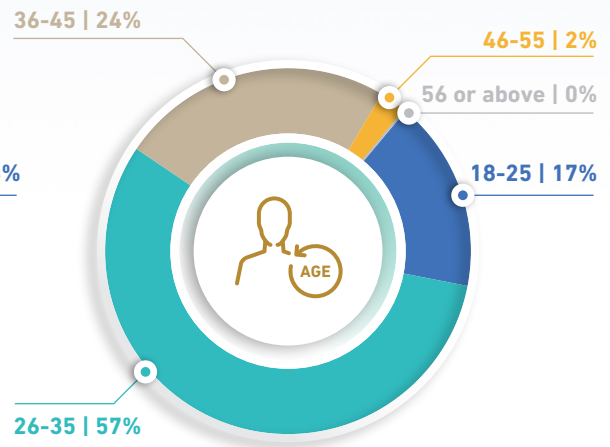


The Group had a total number of 6,347 employees (2020: 5,052) as of 31 December 2021. All of them were full-time employees. The Group attracted international talents from around the world. The total workforce sorted by gender, age group, employee category and geographical area in the Reporting Period are shown below.

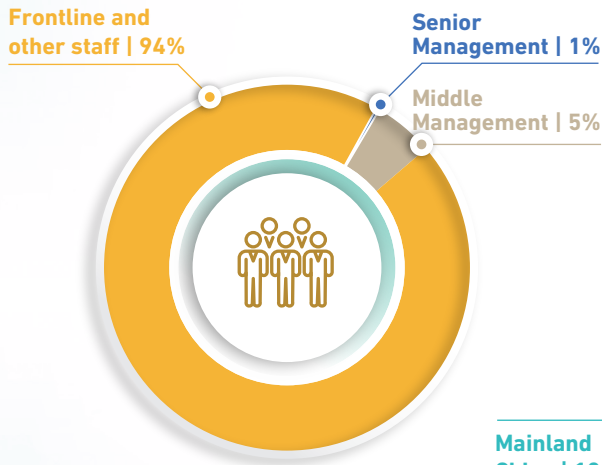
**TOTAL WORKFORCE BY GENDER**



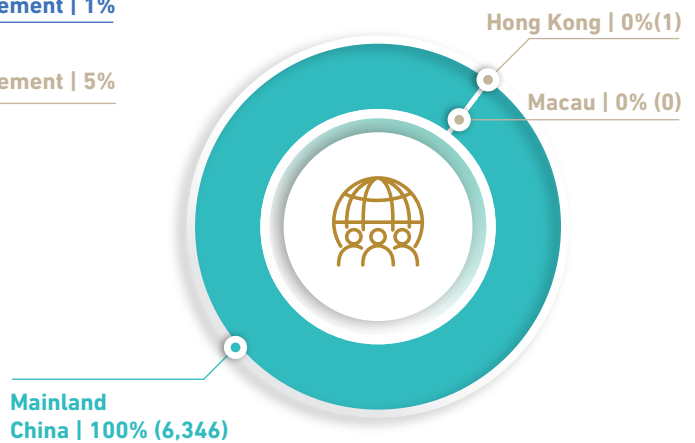
**TOTAL WORKFORCE BY AGE GROUP**



**TOTAL WORKFORCE BY EMPLOYEE CATEGORY**



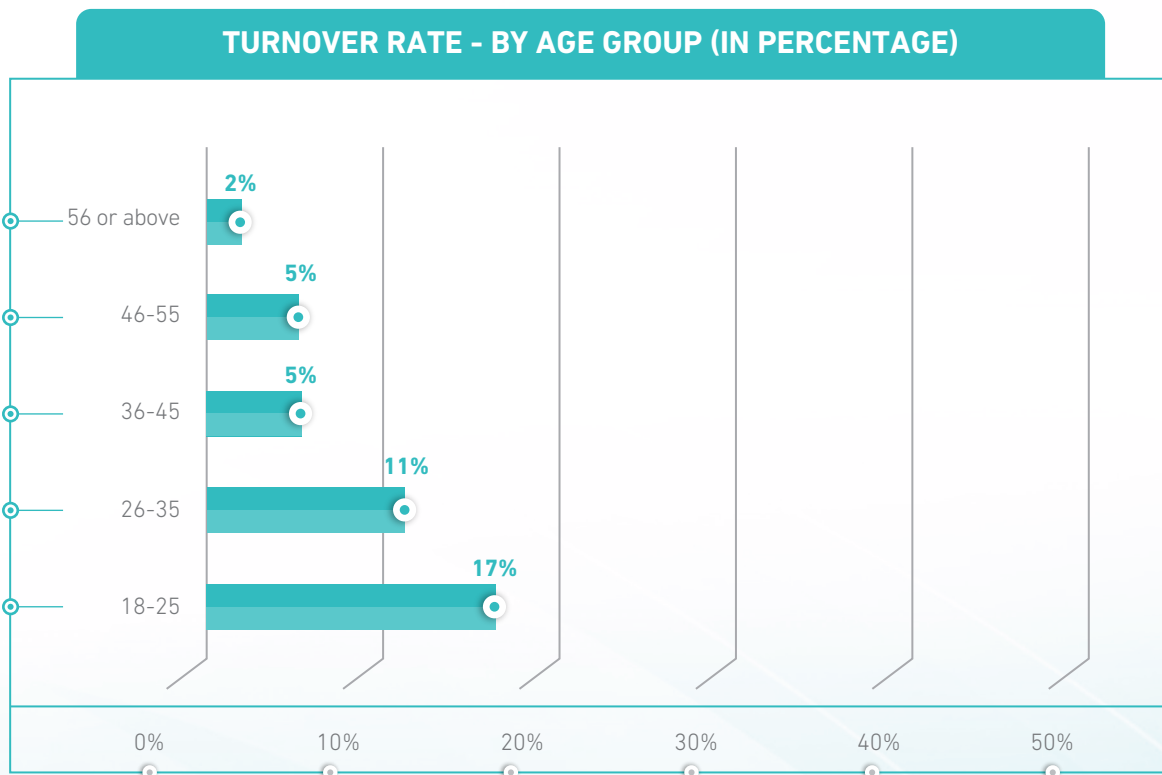
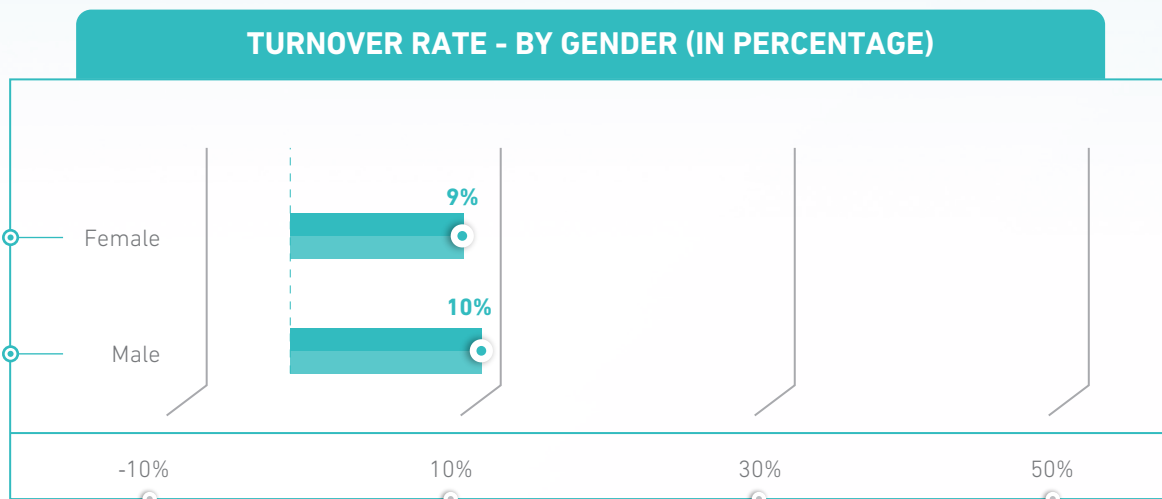
**TOTAL WORKFORCE BY GEOGRAPHICAL AREA**



During the Reporting Period, the Group organized programs for new employees and held company events, such as the Mid-autumn Festival celebration, Programmers' Day and departmental team building activities, to create a more harmonious working environment. There are no reported layoffs or pay cuts due to the Covid-19 Pandemic.

Turnover

A total number of 626 employees left the Group during the Reporting Period, with an overall turnover rate of 9.86%. The Group offers competitive salary packages to retain high calibre 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.



### *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 background, professional qualifications, and experiences. The Group takes reference from the average pay trend and pay level to ensure that the salary of its employees is set at a reasonable market level.

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. The Group has a formal dismissal mechanism, and an appeal system is in place for dismissed staff to appeal.

### *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 provided 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 activities, 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 emphasizes 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.

## B1.2 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 cares about the health of its employees 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 Sports Day. The Group also ensures employees to have sufficient rest by introducing the nap time. With regular maintenance of air conditioners and water purifiers, there are no complaints about the work environment from employees.

The Group strives to create a safe working environment for its employees. Adequate fire facilities including fire extinguishers and fire alarms are properly installed in office areas and well maintained. 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 let employees familiarize with the 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.

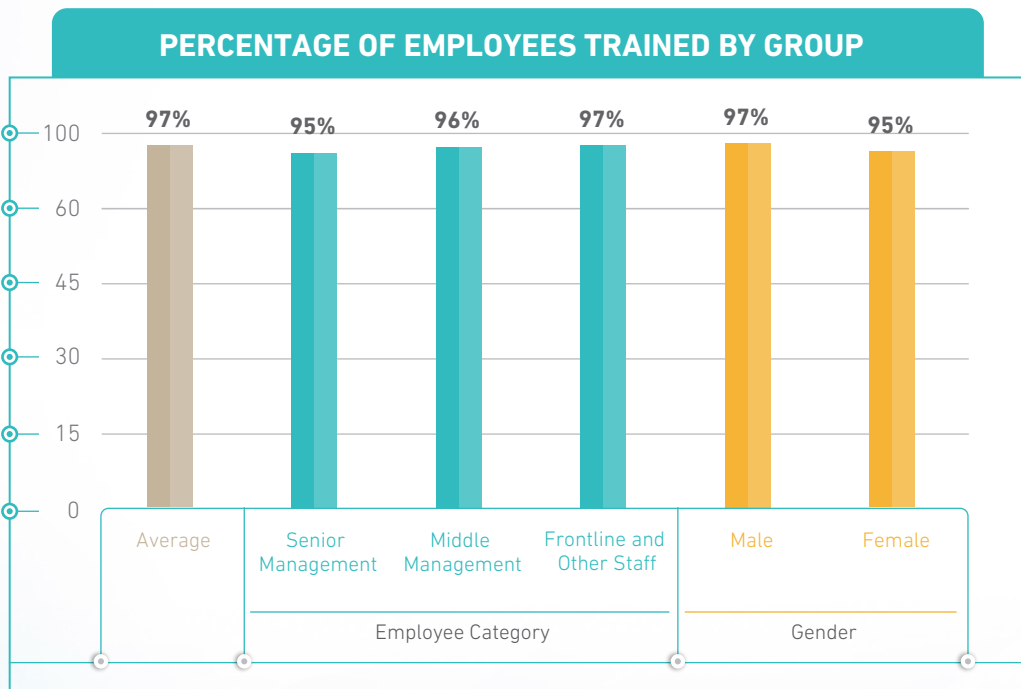
In response to the COVID-19 pandemic, the Group has arranged nucleic acid testing for employees, and requires all employees to wear masks and have their body temperature taken when entering the office. Work stations are strictly set apart. Staggered meal times are implemented to avoid dining during peak hours, and employees are required to dine separately. An epidemic information reporting mechanism is in place and quarantine is arranged in a timely manner. An emergency response team was set up to provide supplies to non-local employees.

### B1.3 Development and Training

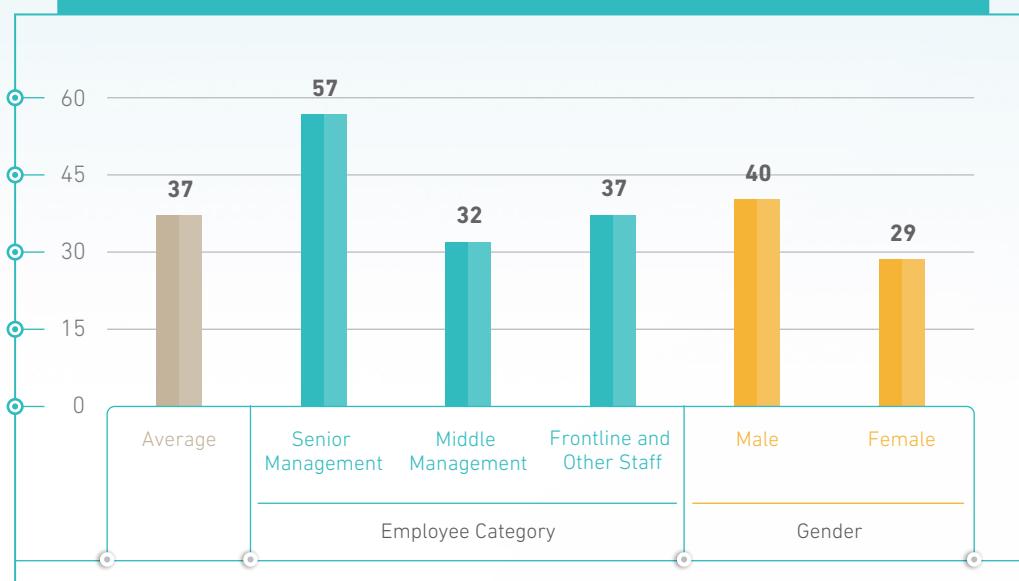
The Group attaches great importance to building a high-calibre, professional and responsible team that ultimately makes the Group stay ahead of the market. Inspur training, a training academy established by the Group, is actively developing long-term training strategy by providing trainings in various forms to improve employees' skills and competencies and to encourage employees continued education and lifelong learning. Courses such as Inspur International Training Management Method (2021 edition), Inspur International Employees' Certificates Management Method (2021 edition), Inspur International's Management Methods for R&D Professional Rank Certification, Inspur International's Management Method for Pre-Sales Professional Rank Certification, Inspur International's Management Method for Implementation Professional Rank Certification, Inspur International's Management Method for Customer Service Professional Rank Certification, and Inspur International Credit Management Method are provided to employees. Employees' needs are identified through various surveys and studies. The Group ensures that training objectives are achieved through training and assessment. Learning credits are given so as to ensure that all employees have fulfilled the learning hour requirement. Employees' improvement over time is tracked.

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, etc. Trainings corresponding to their job nature are arranged for new hires to equip themselves with necessary knowledge and skills.

During the Reporting Period, over 97% of employees received trainings; the total training hours and the average training hours per employee were 227,772 hours and 37 hours per employee respectively.



### AVERAGE TRAINING HOURS RECEIVED BY EMPLOYEE BY GROUP



#### B1.4 Labour Standards

There was no child labour and 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 codes to prevent child labour and forced labour. New employees are required to submit personal information for verification upon onboarding 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 found to have provided false documents or information after onboarding will be terminated immediately. Additionally, the identity information, qualifications and employment background of candidates are carefully reviewed during the recruitment process to prevent using 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.

## B2. OPERATION PRACTICES

### B2.1 Supply Chain Management

During the Reporting Period, the Group engaged 1161 suppliers and subcontractors. They are mainly hardware manufacturers and service providers providing electronic products, dome cameras, closed circuit television cameras and office automation systems.

The Group has established standardized operating procedures to ensure the objectivity and measurability of supplier selection and evaluation, and optimize the daily management and assessment of suppliers, so as to establish a stable and win-win partnership. The Group regularly review and evaluate these procedures to regulate supplier management in a bid to control and ensure the quality of products and services.

In terms of supplier selection, the Group mainly considers the credit rating, qualifications, sources of the products and the quality assurance. Priorities are given to suppliers with reliable quality, good reputation and excellent performance 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.

The Group signs formal contracts with identified suppliers, and sets out rules that suppliers have to observe and 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. Priority is given to environmentally preferable products and services when selecting suppliers. In the procurement process, quality and environmental aspects of suppliers are assessed.

Also, the Group identifies environmental and social risks in the supply chain through quarterly and annual analyses of procurement plans, procurement contracts, supplier management, logistics, production, quality assurance, customer service and other areas. The Group classifies the risks of identified issues and uses historical data to calculate risk-induced losses and to develop response plans.

The Group's commercial purchases are mainly computer and electronic products. Electronic products are power-consuming by nature, and will eventually cause secondary pollution. Therefore, the Group always takes environmental and social responsibility into consideration when sourcing any product. When the price and quality of a product offered by multiple suppliers meet our requirements, then the environmental-friendliness of the materials used and energy-efficiency level of the product will become the most important criteria for our procurement.

## B2.2 Product Responsibility

The Group is dedicated to delivering quality, in-trend and innovative products and solutions through technology advancement. During the Reporting Period, the company continued to improve products' functional modules, accelerated the upgrade of cloud service products, improved the operation service system, continued to increase investment in R&D, and upgraded cloud services from a product-based model to a platform-based service model. The company has obtained certifications on CCRC Secure Information System Software Development and CCRC Secure Information System Operation and Maintenance. The company's main products have passed the re-tests of Information Security Classified Protection (Level 3) Certification.

The Group's software testing procedure documents outlines the procedures for individual, group and system testing to ensure high product quality. The Group has passed ISO27001, ISO27701, EAL3+ information security certifications. An Expert Team on Product Safety has been set up for emergency response. The Group has also developed a management system for information security management, including "Data Privacy Management Methods", "Data Safety Management Methods", "Information Systems Management Systems", etc. Product design is also developed in accordance with security development lifecycle and information security requirements.

### *Product Recalls*

The product development process is CMMI5 certified, with quality control and assurance.

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 Service*

The Group is committed to providing quality service to businesses of all 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 decision.

In order to ensure customer satisfaction, the Group maintains active and close communication with customers to fully understand their requirements in the early planning stage of projects. Communication meetings, salons and telephone interviews are conducted regularly to review the service performance of the Group. No product- and service-related complaints were 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 intellectual property management system to protect the IP rights of the Group and its clients. As intellectual property is one of the important ESG topics, the Group has formulated Intellectual Property Management Methods and established a dedicated IP department to ensure that its IP rights are not infringed. If our IP rights are found to be illegally used, a warning letter will be immediately issued to the party concerned to claim for license fees.

In terms of protection of external parties' IP rights, we have implemented the Computer System Security Management System (Trial Version), which stipulates that computer terminals are to be purchased and distributed centrally, and should be configured with standardized environments. The terminals should be installed with unified legitimate software, and installation of illegitimate software are prohibited. The terminals should be added to the Group's domain controller for unified management.

A number of trademarks and patents have been registered in the PRC or are pending for approval. The Group strictly prohibits the use of cracked software and illegal copies 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 as 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 group has passed the certification audits of ISO 27001 information security management system and ISO 27701 privacy information management system. According to the Data Privacy Management Methods and Network Access Control Management System issued by the group, email correspondences have to be encrypted and digitally signed. Only users with authenticated identities can connect and access to the company's internal network. In addition, the Group has issued the Information Assets Security Management System. The Group- or company-related information is protected by the Document Security Management System through encryption based on user identity and information's confidentiality level. The internal public information of the Group or company is only available to users after authentication.

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

## B2.3 Anti-corruption

The Group believes that honesty, integrity and fair play are core values. The 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 sets out the code of conduct for employees and the appropriate handling procedures for various 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 kept strictly confidential 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 good work ethics. Employees are encouraged to report suspected cases of misconduct or malfeasance to the Group via various reporting channels (managers, Ethics and Compliance Committee, e-mails or hotline). Upon receipt of a complaint, the Committee investigates and responds to the incident in a fair and appropriate manner. Necessary remedial measures shall be taken so as to control and rectify the identified risks.

### *Conflict of Interest*

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

Employees should truthfully declare the conflicts 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.

### *Anti-corruption Training for Directors and Staff*

The Group's auditing department organizes anti-corruption trainings for the Group's directors and employees.

## B2.4 Community Investment

The Group actively participates in anti-epidemic activities and assists various enterprises to resume work and production. We assume our roles and responsibilities in business operation, take the lead to enhance the coordination and organize voluntary services to help the community winning the battle against COVID. In response to the call of the higher-level party committee, we organized the "Fighting Epidemic" charity donation activity and raised RMB101,400 from party members and cadres. We also launched 8 free SaaS products (anti-epidemic version) to help businesses resume production and work. We have actively sourced for anti-epidemic supplies to offer protection to all employees. The remote interactive conferencing solution was developed to facilitate remote communication and 12 remote signing events and project kick-off meetings were held.

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