



NetDragon Websoft Holdings Limited

網龍網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2018 環境、社會及管治報告

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A. Environmental Protection

Emissions

NetDragon Websoft Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) currently engages in online gaming and online education business and its nature of business is not related to manufacturing or other business which produces emissions (including greenhouse), waste (hazardous and non-hazardous), or other business which have a significant effect on the environment. Therefore, the Company is of the view that the KPIs relating to the environmental aspects under Part A of Appendix 27 are not applicable due to the immaterial impact on the environment by the Company’s business.

The Group has enhanced its management of emissions through technological and recycling solutions that seek to reduce the emission of relevant pollutants and greenhouse gases, waste discharged into water and land, as well as the generation of hazardous and non-hazardous waste.

Protection of Environment

The Group has been minimizing the adverse effect of its business on the environment by enhancing operational efficiency and implementing environmental measures. All the operations of the Group are committed to ensure compliance with the relevant laws of the jurisdiction where it belongs and to review the practices of business on a regular basis, in order to identify methods for enhancing sustainable development and deploy measures for more effective use of resources.

Energy Conservation

The Group runs its daily office operation with the objectives of energy conservation, adequate utilization of resources with waste-recycling, as well as enhancing environment awareness of the staff. The Company has spared no effort to advocate “reducing”, “re-use” and “recycling” and reduce energy consumption by encouraging the staffs the use of email for internal and external communications, using e-files at the server, double-sided printing and photocopying, promotion of the use of recycled paper, reduce unnecessary printing and photocopying, and making best effort in recycling all office supplies and equipment.

B. Society

I. Employment

The Group offers equal opportunities to all job seekers regardless of race, color, nationality, religion, gender, age, disability or other bias prohibited by any other relevant laws. The policy of the Group is to select the most suitable person who corresponds to particular job requirements taking into account of educational background, working experiences, skills, personal integrity and considerations such as potential to grow in line with the Group. The Group treats every staff with equality and none of their appointment, remuneration packages and promotions will be affected on the grounds of their social identity, such as race, ethnicity, nationality, gender, religion, age, sexual orientation, political grouping and marital status.

In order to attract, nurture and retain qualified employees, the Group is committed to offer professional development opportunities and a healthy working environment for all the employees. In addition, the Group also pursues the principle of employment with equality. The Group requires the employees to bear high standard of business ethics and promotes good personal integrity.

The Group conducts reviews of the remunerations and benefits scheme regularly to ensure the remunerations and benefits remain competitive. Moreover, the Group continues to review the scheme annually and adjusts the remunerations and other benefits of the employees in accordance with the prevailing market condition, including medical scheme, health check, overseas business trip insurance, training allowance and retirement benefits.

The Group strongly advocates community spirit of mutual respect and equal opportunities. The Group strictly complies with the laws of Equal Opportunities, including Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance. To ensure diversification and equality in career opportunities, the principles of recruitment, remuneration and promotion of the Group are based on the working experiences, skills and performance of the employees, who will not be discriminated on the grounds of age, race, disability, gender or family.

II. Health and Safety

Health and safety of employees are the most important obligations concerned by the Group. Our management team endeavors to identify, assess and eliminate possible health and safety risks existing in our operations. During the past year, no material work-related health and safety incidents had occurred in the Group.

1. Safety

- 1.1 Security staff are deployed on duty for 24 hours a day to monitor full coverage of all working venues, they will conduct patrols and inspections strictly to ensure a safe working environment. A fire station and a corporate fire services branch have been established and equipped with fire-fighting equipment. Meanwhile, training sessions on fire safety are organized for all staff from time to time, such as fire and evacuation drills, explosion prevention drills, rescue drills for lift-trapped victims, and drills for drowning prevention, to ensure the safety of company staff under all circumstances.
- 1.2 We have formulated safety standards and rules for practices and operations in various job positions, accompanied by a comprehensive training program, to ensure the operational safety of employees.

2. Health

- 2.1 We provide a comprehensive environmental safety protective system to ensure that employees are working in a toxic-free and harmless environment.
- 2.2 The Group has established strict rules for various processes, such as procurement, acceptance inspection and equipment maintenance, to ensure food safety and normal operation of equipment.
- 2.3 The Group will organize an annual medical examination for all staff, and a medical clinic has been established inside the Company, managed by recruited professional doctors and nurses and equipped with required facilities, to ensure that diagnosis and treatment are provided for common diseases, and preliminary treatment will be provided to accidental injury cases for timely transfer to hospital for further treatment.

III. Development and Trainings

Staff Training

NetDragon University is a base for nurturing management and technological talents of the Group. As a powerful support and an important part of the overall strategy of the Group, NetDragon University is committed to providing professional and systematic training services to staff. In 2018, in view of the tactical and business requirements of the Group, NetDragon University established a new direction for training based on new organizational structure (two centres + two laboratories: Digital Education Practical Training Centre, Skills Development Centre, E-learning Training Office, to deepen functions and application internally and promote effects with a focus on business externally.

Achievements for the year of 2018

To support strategic development and key businesses of the Company, continued efforts were dedicated to external VR training during the first half of 2018, with focus on the core business of the Company to meet the needs of various business departments with quick response. Through VR/augmented reality (“AR”) related skill training, establishment of certification system and promotion of information technology training for education (from Fujian Province to nationwide in China), the relevant projects in education business of the Company were assisted to achieve annual goals and upgrading of service targets. Also, in response to the request for upgrading employees in key positions made by the Company at the beginning of the year, deeper cooperation with the engineering institute and the programming centre was formed to upgrade the skills of key positions. In management training, the development, improvement, promotion and application of training solutions were managed through the 7-step Qianlong series for management positions (art centre, programming centre and Taihe Yuyu) according to the Company’s requirements of competent standards for management positions to assist management upgrading of the Company in 2018.

In 2018, NetDragon University organized a total of 469 various training events with total attendance of 12,476 participants.

1. External Training:

VR Training Project: External training was organized through practical training in digital education to facilitate quick response to meet the needs of business departments in the key businesses of the Company. Operating projects undertaken in 2018 included: projects of Hong Kong branch companies (such as visits of teacher groups, Christmas course and summer learning tours), overseas strategic cooperation projects (such as experience camps and classes held in Thailand and Singapore), training course for upgrading IT education capabilities in vocational institutions across the nation, training course organized in 2018 for upgrading IT education capabilities of skeleton teachers in vocational institutions in Fujian Province, and the training course organized in 2018 on IT leadership capabilities for principals of tertiary and vocational institutions in Fujian Province. Among these, the project of summer learning tour in Hong Kong and the overseas strategic cooperation projects adopted “101 Creative Thinking World”, a strategic product of the Company, as the core practical program. Meanwhile, the Company’s products were introduced for use in various external trainings. During the first half of the year, the VR Training Centre organized a total of 34 training events with various themes and attended by 1,442 participants.

2. *Internal Training:*

Experimental application of Huayu Education concepts, methods and tools in NetDragon and feedback report: The topics, proposals and plans for experimental application of Huayu Education concepts, methods and tools were completed, including the application and feedback of DJ Education related methodology in corporate training and vocational education, the application of 99U learning platform.

Management Training Project: Based on the competence requirements for management positions in the Company, in 2018, the management training projects were attended by 168 participants.

3. *Routine Training Projects:*

Skills Training: During the year, a total of 77 courses were organized on various topics of skills and attended by 2,505 participants.

Experience Training: The development of 25 teams was completed during the year, including 天晴互娛, Heroes Evolved, 101 Education Platform, Overseas Business Department and Art Centre, with attendance from 1,306 participants.

New Staff Training: During the year, a total of 24 training sessions were organized for new staff with a total number of 926 participants.

Certification Projects: Design Theory Primary Certification: During the year, a total of 19 sessions of design theory primary certification were organized and attended by a total of 823 participants.

Skills Certification by Engineering Institute: The skills certification by Engineering Institute included primary certification for 6 skill directions, primary certification of programming design, primary certification of database, structural design, demand analysis and Java intermediate level certification.

Duty Certification for Programming Centre Positions: It involved 14 skill directions (including 4 new certifications for the year of 2018): C++ coding standards, Android coding standards, JAVA coding standards, C++ development certification, SVN source code management certification, STL certification, MySQL certification, UML certification, U3D technical certification, safety technology certification, certification on general knowledge of games, Git customer-end certification, Git instruction certification and Egret development certification, and a total of 514 participants had passed the certification.

IV. Labour practices

The Group has been in strict compliance with the Employment Ordinance and in no circumstances engaged in any forced labour or child labour.

V. Management of the Supply Chain

The Company has established a set of comprehensive system for the management of the supply chain, aiming to select quality suppliers on a strict basis while building a stable cooperative relationship with them, and to guarantee their cooperation meets the social, legal, moral and environmental standards. Prior to the introduction of suppliers, the Group will perform due diligence in respect of the corporate qualification, capability of production, operation and management of the suppliers, and products qualification certification, conduct strict inspection of product quality, make sure quality cooperating manufacturers are introduced, enter into comprehensive supply contracts and quality guarantee agreement with the suppliers in the course of cooperation, regulate strictly the mechanism of admission, assessment and replacement of suppliers, compile a list of qualified suppliers and conduct regular assessment of the system to eliminate the sub-standard ones.

In 2018, Promethean had a total of 17 key suppliers. The geographical split of these suppliers was as follows:

Indicators	2018	2017	2016	2015
Number of Key suppliers ¹	23	17	15	11
By region:				
Asian countries other than PRC and Hong Kong	2	2	4	1
Australia	0	0	0	0
UK	2	0	0	1
US	11	5	1	1
PRC	6	7	5	4
Hong Kong	1	1	4	3
European Countries other than UK	1	2	1	1
Total amounts invoiced by key suppliers (£ million)	246.9	183.7	95.8	90.7

¹ Key suppliers refers to suppliers of products/services whose total contract sum amounted to £1 million or more in any given year.

Promethean has a rigorous supplier on-boarding process that is undertaken in respect of significant suppliers of products to the Group. This process includes a review of quality processes, Health & safety, training & development, labour ethics and the environment. The Promethean's operations team periodically visit significant suppliers in the normal course of business.

During the year, the Group was not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environment protection, human rights and labour practices nor was the Group aware that any of them had any non-compliance incident in respect of human rights issues.

Among the engaging suppliers, key ODM suppliers are managed by the Quarterly Business Review (QBR) process.

Promethean's 2 suppliers of Interactive Flat Panels account for 70% of total company spend are managed by the QBR process. Other Key suppliers based on pareto 80% value are managed by 6 or 12 month business reviews. These are implemented and monitored by way of a QBR presentation pack which is produced for the review meeting and subsequent actions logged and reviewed/closed out at the following meeting.

In 2018, Promethean was not aware of any incidents of non-compliance with regulations and voluntary codes concerning the provision and use of the Group's products and services, including but not limited to, product and service information and labelling, marketing communications including advertising, promotion and sponsorship, and property rights including intellectual property rights that have a significant impact on the Group.

Promethean Limited has transitioned and is now certified to the revised International Environmental Management Systems Standard ISO 14001: 2015. An Environmental Management System is a structured framework used by organizations to manage and reduce their impact on the environment.

It brings with it many benefits for a business, including:

- Reduced impact on the environment to maintain a healthy planet for future generations
- Legal compliance
- Reduced operational costs by improving efficiency
- Competitive advantage during a tender process

Promethean has had no health & safety related product recalls during the four years ended 31 December 2018.

During the four years ended 31 December 2018, Promethean has had no significant product failures. Any normal run rate failures are covered by Promethean's warranty offerings.

Promethean also monitors customer feedback and product related enquiries. Of the customer enquiries received over the course of the four years ended 31 December 2018, less than 1% of such enquiries result in a complaint. The complaints are dealt with on a case by case basis via feedback Customer Satisfaction surveys. These are dealt with by a dedicated team who record the feedback and in return contact the customers in order to best resolve the complaint.

ClassFlow™ and Data Privacy

Since ClassFlow™ is a service which collects personally identifiable information from teachers, parents and students, since its initial release in 2014, Promethean has made significant efforts to comply with data privacy regulations around the world. Promethean has made significant efforts to ensure that it is particularly sensitive to its use of personally identifiable information belonging to students (children under the age of 18). To that end, Promethean has developed a privacy policy which is constantly updated with each new release of the Service and takes into consideration the ever-changing legal regulatory landscape on a global level. To date, there have been no incidents of security or data breaches related to the ClassFlow™ Service.

Quality Assurance

Promethean's global Product Quality objectives are working with our supplier/business partners to continually improve product/processes to ensure that very high standards, in terms of Quality, Cost and Delivery (QCD) performance, are achieved.

The overall responsibilities include ensuring that Quality Assurance principles are built into the supplier/business partners new product release and product life cycle processes; whilst also ensuring that they maintain ISO 9001 quality management and other relevant standards.

VI. Product Liability

Based on the standard of a computerized software test, the Group has performed strictly product inspection, including function test, weak network test, safety test, compatibility test, integration test and interface test, etc. and applied extensively automated testing technology to avoid and control, to the largest extent, risks of human factors to ensure the product functions and various indexes meet the quality standard. Moreover, for the purpose of a further guarantee for continuous improvement on product quality and on the quality of the production procedures, the Group has established an analysis mechanism for causes to defects and prevention measures for defects through the management of the information of BUG, along with regular technologies exchanges with corporates and universities, as well as continuous improvement and testing for related new tools and new methods.

The Group has taken the following measures to guarantee product quality:

1. Giving out daily journals on quality, demonstrating on a multidimensional scale the quality and progress of the latest version of the products, and coordination for issues addressing on a timely basis to avoid and control risks to the largest extent in order to ensure the progress of the products;
2. On the basis of the 7 x 24 cloud service of the automated testing technology, performing self-development of a tailored testing cloud platform to conduct various specific tests such as functions, compatibility, network and safety for the products for a comprehensive protection of quality;
3. Strict implementation of the procedures and standards related to quality control, including review of product demand, test activities such as management of test plans, management of test rules, management of test performance, management of feedback on risks and management of bug information;
4. Establishment of a quality monitoring and control system through online dial testing, by performing regular/triggered dial testing tasks automatically to discover production defects in a timely manner, instant monitoring and control of product quality can be guaranteed;

VII. Anti-corruption

The Group has been directing the operation of the Company's departments in accordance with laws and regulations and has put in place a reporting mechanism, allowing the employees an access for ideas or suggestions feedback to the internal review department of the Company on an anonymous basis.

VIII. Community Contribution (Public Service Activities)

1. In January 2018, the Company organized the First Member Representatives' Conference and 2017 Annual General Meeting of the Innovation and Venture Capital and Incubator Service Alliance of Universities in Fujian Province at the Haixi (NetDragon) Animation Creativity City. After initiated by the Conference, the Fujian Public Welfare Foundation "Red Dream-Building Trip for Youths – Assistance to Overcome Challenges in Poverty Alleviation" ("青年紅色築夢之旅-助力脫貧攻堅") was formally unveiled and established. The foundation will be used specifically in investment projects which can help poverty-stricken regions to eliminate poverty, promote economic development in poverty-stricken regions, and enhance the innovation and enterprising capabilities of university students.

2. In March 2018, more than 30 teachers and students from St. Paul's Convent School of Hong Kong participated in the VR experience camp of NetDragon Websoft Inc. The products of NetDragon, including VR technology and 101Creative Thinking World, brought entirely new teaching and learning experience to teachers and students participating in the experience camp.
3. In June 2018, Fujian Preschool Education College (福建幼兒師範高等專科學校) and the Company organized friendship activities at the AR/VR preschool education and resources application center in Fujian Province. 100 kids from affiliated kindergartens celebrated "1 June" happily through experiencing the AR interactive sand pits, VR treasure hunt at seabed, immersive projection, MR, 101 reading robot and other projects at the site of activities.
4. In June 2018, 33 teachers and students from Institute of Technical Education of Singapore visited the Company for two weeks of learning, exchange and practical activities. Through learning the practical application of related products, including 101 Creative Thinking World and 101 Education PPT, and focusing on the learning and practice of VR content creation by using 101 Creative Thinking World, conclusion on experience was exchanged and shared.
5. In July 2018, in order to arouse social concern for children with advanced stage of brain tumors, the Eudemons Online game initiated the "Lemon Challenge" to explore different "methods" of eating lemon. Under the urge of these creative calls, many players participated in the caring relay.
6. In July 2018, the Company initiated the "2018 Inter-national Summer Intern" project. By liaising with worldwide target universities and colleges, biographies from student applicants were screened and 20 interns from different places around the world were recruited to learn and live in the Company. Trainers guided them to perform brainstorming on design ideas based on the self-developed design methodology of the Company as the core program.
7. In July 2018, the Chuntian Crazy Festival was held by NetDragon, a charity zone for sales of used items was established in the activity area, the proceeds from charitable sales were fully donated to caring institutions.
8. On 23 July 2018, the summer camp for good youths with the theme of "Close relations between Fujian and Tibet · Grateful to Party" ("閩藏親 感恩黨") was held in Changdu city by NetDragon. "Young visitors" from Tibet visited the Haixi (NetDragon) Animation Creativity City, experienced VR, canoeing, golf and other activities.
9. In September 2018, a small sub-team of the Company went to Changding for conducting survey and research, and donated 101 smart education software to new students at primary one level of Liuyuan Primary School in Hetian Township, so that students in the mountain regions could learn skills through internet linkage by using the smart equipment of the Company, as well as to acquire more extra-curricular knowledge and to facilitate development of rural education.
10. On 28 September 2018, the "National Flag Running Race" was held at the Changle base of NetDragon, the event attracted participation by several hundreds of employees, who sent their respect and best wishes for celebrating the 69th anniversary of the National Day of the PRC with action.

11. In October 2018, NetDragon participated and sponsored the final round of the Fourth “Internet+” Innovation and Venture Capital Contest for University Students in China. Through site inspection, picking outstanding projects, providing campus recruitment positions, comprehensive assistance was provided to convert the contest results into a fruitful event.
12. On 28 October 2018, more than 30 employees of the Company participated in the “Fuzhou City Happy Running Race” (“福州城市樂跑”) and fully showed their spirit of self-surpassing, passion to do their best and optimistic personality in the event.
13. In November 2018, the red education program of NetDragon Huayu Education was invited by the Cultural and Tourism Department of Fujian Province to present the product series of “VR+ Culture” and received attention and enquiries from a large audience and many customers, as well as hot discussions and good comments from government leaders, media and peers in the industry.
14. On 16 December 2018, NetDragon adhered to its objectives of facilitating the sharing of best practices and cross-sector exchanges for innovations, and launched the MAD technology forum by integrating internal and external resources, attracting talents and technological thinking.
15. On 21 December 2018, the donation ceremony of Qingling K12 leadership education program was held by Tsinghua University Education Foundation. These donations will be used for the Qingling K12 leadership education program, which is a program jointly developed by Tsinghua University and NetDragon Huayu Education for nurturing leadership at K12 stage.