NetDragon

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）

2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2022 環境、社會及管治報告

Contents

1. ABOUT THIS REPORT

Reporting Period and Scope

This Environmental, Social and Governance ("ESG") Report (the "ESG Report") covers NetDragon Websoft Holdings Limited and together with its subsidiaries (stock code: 0777) ("NetDragon" or the "Group") sustainability strategies and the environmental, social and governance ("ESG") performance during the period from 1 January to 31 December 2022 (the "Reporting Period" or "the Year").

This report encompasses NetDragon's core businesses based in the People's Republic of China (the "PRC") and United States including operations in gaming and education. The report also contains details of our sustainable development, vision and progress made on the implementation of our ESG strategy during the year.

The qualitative and quantitative information regarding the Group's approach, initiatives and priorities in managing material environmental and social governance ("ESG") aspects are disclosed in the report. For further disclosures on corporate governance, please refer to the Corporate Governance Report of the NetDragon's Annual Report 2022.

Reporting standard

This Report has been prepared in accordance with the "mandatory disclosure requirements" and adheres to the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide ("ESG Guide") under Appendix 27 of the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited ("HKEx").

Reporting Principles

• **Materiality**: Material topics are identified, assessed, reviewed and confirmed by senior management to ensure their significance.

• **Quantitative**: Quantitative data are presented with calculation methods and relevant terms are defined.

• **Balance**: The ESG performance data is disclosed on an unbiased basis with a full picture of both our accomplishments for the reporting period and potential for enhancement in the future.

• **Consistency**: The data is calculated using consistent methodologies to allow effective year-over-year comparisons.

Contact

We welcome feedback on our report, reporting content and sustainability performance, please contact us by our Investor Relations department:

Mail: Room 2001-05 & 11, 20th Floor, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong.

Email: IR@netdragon.com

2. SUSTAINABILITY GOVERNANCE

The Group considers it our duty as a global leader to create online communities to advance sustainable development, contribute to creating a just and equal society, and uphold high standards of corporate governance. By successfully implementing the governance structure and sustaining the Group's sustainability vision and approach, the Group is dedicated to pursuing sustainable development. As a Group, we can provide investors with a sustainable return as we implement our sustainability ambitions.

Governance Structure

Highest Governance Body	NetDragon Board of Directors	
Board Oversight	Audit Committee	External Assurance[1]
Management Oversight	Executive Chairman	
Implementation of Sustainability Policies	Group Functions and Business Units	

Roles and responsibilities in managing ESG matters are defined by NetDragon as follows:

NetDragon Board of Directors	• Monitors corporate governance practices and procedures
	• Maintains appropriate and effective risk management and internal control systems of the Group to ensure compliance with applicable rules and regulations
	• Reviews and approves the ESG Report

Audit Committee	• Assists the Board in ensuring the objectivity and credibility of financial reporting, and that the directors have exercised care, diligence and skills prescribed by law when presenting results to shareholders
	• Assists the Board in ensuring that effective risk management and internal control systems are in place and good corporate governance standards and practices are maintained
	• Reviews and recommends the ESG report for the Board's approval
Executive Chairman	Operates as a general management advisor with overall delegated authority from the Board
Group Functions and Business Units	• Serve as a bridge between the senior management and the departments/BUs
	• Facilitate implementation of CSR initiatives
	• Raise CSR awareness among colleagues
	• Assist in ESG reporting and ESG-related surveys
External Assurance[1]	**Note 1:** The Audit Committee with the help of Moore Advisory Services Limited (member firm of Moore Global) conducts reviews twice a year on the effectiveness of our internal controls in order to fulfill the relevant requirements under the Corporate Governance Code of the Main Board listing Rules issued by HKEX.

2.1 Board Independence, Diversity and Performance

Diversity on the Board could also enhance the quality of the Company's performance, which the Company recognizes and embraces. In addition to skills, knowledge, and professional experience, a truly diverse Board will take advantage of differences in background, ethnicity, age, gender, and service experience of its members. When possible, these differences should be balanced when determining the optimal composition of the Board. It is the Board's responsibility to make all appointments of its members on merit, considering the above-mentioned criteria that the Board considers to be effective in supporting the Company's strategic goals as well as its sustainable development as a whole.

In addition, the Company has also received annual confirmation of their independence from each independent non-executive Director in accordance with Rule 3.13 of the Listing Rules. These Directors have more than 10 years of board experience, and it has been confirmed that they are independent. The Nomination Committee is confident that they exhibit total independence of character and judgement in their duties as board members and designated roles. According to the factors outlined in the Listing Rules, the Board believes that all independent non-executive Directors are considered independent. It is worth mentioning that one new Board member has been appointed in replace of long time serving member for embracing diversified experience pool and optimal Board tenure.

Besides diversity criteria and independence requirements, we have regular self-assessment of board performance in place for monitoring Board effectiveness and systematically evaluate their performance for the past financial year. We have designed the Board Diversity Policy in 2013 with continuous monitoring and maintenance since then.

2.2 Business Ethics and Compliance

2.2.1. Anti-corruption

As part of the Group's commitment to business ethics, all employees are expected to adhere to the highest standards. A comprehensive set of business ethics rules along with a code of conduct were published in December 2001 by the Group under the title 'Employee Disciplinary Action Measures'. There have been 15 rounds of updates to the policy in the past two decades, and it is now at version 7.3. Besides provide training to our employees, the Group's Internal Audit Department, together with Human Resource Department, actively communicates the relevant business ethics principles to its suppliers and business partners. Through its unique technological capability, the Group also developed functions in its internal Office Automation (OA) system to collect, handle and resolve complaints and compliments from employees at middle and senior levels. It is the purpose of these two functions to collect anonymous complaints about unfair policies and rules, or unethical behavior by employees, especially at the middle and senior levels.

In addition, whistleblower information is kept strictly confidential. The Human Resources Department and the Internal Audit Department work together to ensure that the program is executed properly. As a result of this robust governance measure, numerous problems have been detected within Group operations, resulting in internal processes and procedures to prevent them.

Besides the above, the Group requires all subsidiaries to comply with relevant global regulations, such as Hong Kong's 'Prevention of Bribery Ordinance' and the US's 'Foreign Corrupt Practices Act', as well as implementing OECD Anti-Bribery Convention rules into its policies.

During 2022, the Group did not have any fraud cases such as bribery, extortion, fraud and money laundering.

2.2.2. WhistleBlowing, Reporting channels

There is no tolerance for unethical business conduct at our company. For personnel to report suspected misconduct, we provide an array of channels, including the Internet, a hotline, email, and an intranet. In our internal OA system, we have developed the so-called "BUG" function to collect, handle and resolve suspected breaches of conduct reported by our employees, and we are open to external reports via our corporate email. Investigations are conducted by our internal audit department, and wrongdoers are dealt with by relevant departments and officers, according to the established BUG resolving processes. As soon as it discovers a loophole in the system, it must close it so similar cases won't happen again.

At Promethean, the Confidential Reporting (Whistle-blowing) Hotline Policy, Procedures and User Guidelines (the Guidelines) is published for internal and external publication. Besides providing sufficient protection and anonymity to the whistle-blowers by publicly committing anyone raising a genuine, good-faith concern using the process set out in this policy document will not suffer victimisation or other detriments as a result of doing so, the Guidelines list in detail the stages of reporting, the various contacts and respective reporting channels (telephone, email, mailing address, and web portal), as well as a detailed situation analysis concerning what is and what is not reportable matter to help whistle blowers identify how things stand under the right circumstances.

2.2.3. Business Ethics and Oversight

Our company has remained committed to sound corporate governance as a key driver of sustainable development for many years, and we place high value on business ethics and integrity. To ensure managerial effectiveness, the highest governing body places a high value on integrity and maintains a transparent governance structure. In all Group functions and Business Units, we adhere to the highest ethical standards in our commercial activities. At least once a year, our internal audit functions will assess our ethics standards and report any loopholes to the Board.

2.3 Managing ESG Risks

NetDragon's long-term success depends on its ability to effectively manage risks. Identified hazards may harm our activities in their entirety. To address the risks, the management of each department is responsible for identifying, assessing, and managing the risks that pose hazards to our business, including sustainability-related risks.

In order to manage risk, each department contributes to the Company's continuing process of updating NetDragon's risk profile. Once risks have been identified, they are communicated to senior management, and NetDragon develops action plans and management objectives to mitigate them.

In addition, in recognition of the looming concerns posed by climate change, NetDragon takes the necessary steps to manage physical hazards and transitional risks in order to establish climate resilience and ensure that our operations are not adversely impacted. Please see the Environment section for further information.

3. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

3.1 Stakeholder Engagement Approach

A continuous improvement process requires the input of stakeholders for the Group to achieve its objectives. It is essential for the Group to maintain regular communication channels with key stakeholders, such as customers, employees, suppliers, media and shareholders, regulators, and the communities, to understand their expectations and address their concerns. A wide range of channels are used by the Group to collect feedback from stakeholders regularly, including general meetings, the Company's website, interviews, constructive discussions, surveys, and feedback programmes.

3.2 Identification and Update of Material Topics

The involvement of stakeholders facilitates the identification of potential risks and opportunities. ESG issues were ranked and prioritized according to their importance for stakeholders and the Group's business development based on feedback from various communication channels. This year, we have performed major revamp of material topics according to our newly updated ESG strategies and opinions from external parties; according to the materiality matrix presented below, the following results were found:
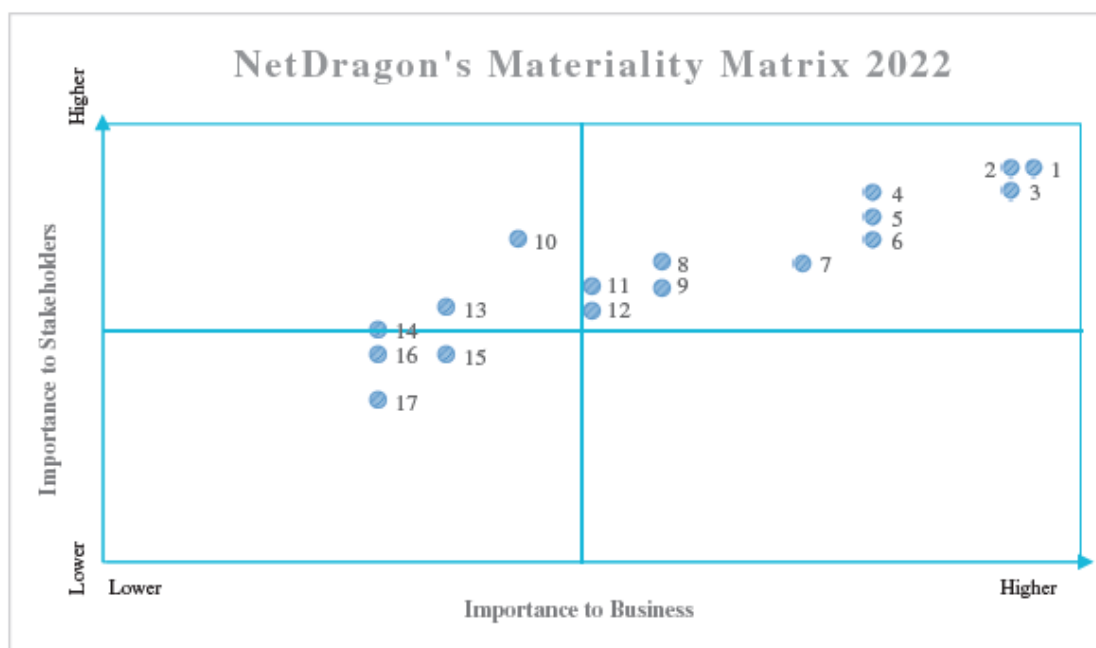
Material Topics

1	Respect for Intellectual property rights
2	Data Security and Privacy Protection
3	Product and Services safety and quality
4	Corporate Governance
5	Bribery and Corruption
6	Innovation Management

Moderate Topics

7	Community Investment
8	Diversity, Inclusion and Equal Opportunities
9	Labour Practices and Human Rights
10	Responsible Supply Chain Management
11	Occupational Health and Safety
12	Talent Attraction, Retention & Development
13	Climate Change
14	Air Emissions Management
15	Water Consumption and Conservation
16	Energy Management and Carbon emissions
17	Waste Management

Based on the observed results, there is a change in the priority of the top issues rated by the stakeholders.

This year, stakeholders have rated "Respect for Intellectual property rights", "Data Security and Privacy Protection", "Product and Services safety and quality", "Corporate Governance", "Bribery and Corruption" and "Innovation Management" as most material issues due to their material impact on the Environment and Society and Enterprise Value of NetDragon. These matters are closely related to NetDragon's business model and therefore must be included in the Company business strategy and targets.

Whilst other topics has been changed to moderate topics where these issues that have significant impact on the Environment and Society and Enterprise Value of NetDragon. These issues are being addressed through NetDragon's Policies, ESG target setting and risk management.

Additionally, we monitor industry trends, updates on regulations, and investor expectations when determining ESG material issues.

4. USER RIGHTS PROTECTION

4.1 Cyber Security

Cyber security is one of the top priorities for NetDragon as a global leader in building Internet communities. From the top to bottom we have constructed our cyber security management framework for streamlined management oversight and operational smoothness. To ensure solid cyber security governance, we have clearly defined roles, responsibilities, and reporting lines; to safeguard our operations, our internal cyber security management policies and approaches have been optimized to ensure not only compliance with applicable laws, but also the integration of cyber security with the risk management framework.

Governance

NetDragon Group has formulated and promulgated information security-related management measures covering the entire group, including cyber security management measures. Attaching great importance to cyber security, the Group has established a Security Compliance Committee, with the chairman of NetDragon (Fujian) serving as the committee's chairman. In addition, the group has a professional security functional team: Information Security Department, which is directly managed by the vice president of NetDragon and will be responsible for the group's information and cyber security affairs, as well as the regular internal and external audits and assessments from various parties (see *Internal and External Assessment* for further details). Any decisions related to cyber security are handled collaboratively by the above organizations.

At Promethean, members of the Board are actively and regularly involved in privacy and cyber security management and practices. The Promethean executive team and Board members are engaged with external audit schedules, evaluation of vulnerability scanning tools, employee training and incident response planning.

Measures and Approach

On the infrastructure level, we routinely assess the appropriateness of the computer systems and execute platform upgrades. In order to find potential security problems, network vulnerability assessments and penetration testing are continuously conducted. A dedicated system that compiles and analyses logs and sends alerts for potential cyberattacks or suspicious activity is applied to all critical IT infrastructure and IT systems.

On the regulation level, NetDragon Group has constructed comprehensive information security management guidelines, including key messages regarding improving cyber security and personal privacy protection capabilities. The Group regularly reviews the developed standards for security tests and regulations or procedures for testing to our defined five key areas: protection of personal privacy on mobile Apps, information security for users, real-name registration, content security, and anti-addiction system of games.

At the same time, the Group has also consulted internationally recognized external cyber security experts to improve the security level of the Group's network and business. In the future, it will continue to track the development of the information security industry, introduce excellent solutions, and improve the overall information security system of the Group.

Independent Assessment and Certifications

According to the defined management measures, the information security team will regularly conduct security audits on the Group's various information systems, business systems, and IT infrastructure, including self-examinations related to data security. At the same time, the Group will undertake a series of information security reviews from the local Communications Authority, including reviews pertaining to cyber security.

The Promethean Group of companies have and maintains Information Security Policies and Systems, which are subjected to periodic audits to include but not be limited to external independent audits completed at least once every 2 years.

The Group's game and education businesses have all obtained the State National Information Security Protection Level 3 Certification (三級認證) (the Certification), which is the most authoritative information security certification scheme in China. The Certification is designed based on the national information security protection regulations and related system regulations, following management norms and technical standards, and recognising the security level protection status of information systems of various institutions and assessments. Additionally, Fujian Province Huayu Education Technology Co. Ltd. ("Fujian Huayu"), a subsidiary of NetDragon Group, has obtained the ISO27001 Certification.

Cyber Security along the Value Chain

NetDragon Group also attaches great importance to information security assurance capabilities when selecting suppliers and partners. For example, besides obtaining the State National Information Security Protection Level 3 Certification itself, the Group will require the security qualifications of cloud service providers and other relevant suppliers to have the same capability, if not a higher level of Certification.

Promethean evaluates vendors and service providers, as appropriate, to ensure proper data protection and security measures are in place. As applicable, Promethean requests the Service Organization Control (SOC) Type 2 report from vendors or other evidence of data protection and cyber security measures employed by the appropriate vendor. As applicable, Promethean requires a written data processing agreement with the vendor that includes a description of the organisational and technical safeguards used by the vendor to protect data and cyber security.

Cyber Resilience Commercialization

Beyond our standard operations, we are keen to incorporate cyber security features into our products and services, commercializing cyber resilience by creating a sustainable design. Besides its own cyber security management, NetDragon has developed the capacity to assist corporate clients in safe operations by undertaking outsourced network security attacks and defence drills.

Promethean also endeavours to develop and improve its products and services with cyber security and resilience considerations. For example, the newest version of Promethean's ActivPanel product includes features that allow teachers to access their personal Promethean account (with their teaching resources) via a secure login using a Near-field communication (NFC) card issued to the teacher. Teachers can also log into their accounts via other secured methods, contributing to overall cyber resilience.

Legal Compliance

NetDragon's legal department regularly analyses key Chinese State laws and regulations related to information security, including but not limited to the Civil Code (《民法典》), Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), Personal Information Protection Law (《個人信息保護法》), Ministry of Industry and Information Notice of Special Rectification Actions Infringing on User Rights and Interests (《工業和信息化部關於開展縱深推進 APP 侵害用戶權益專項整治行動的通知》), Guidelines for Application and Use of Mobile Internet Application (App) System Permissions (《移動互聯網應用程序(APP)系統權限申請使用指南》), Guidelines for Practice of Network Security Standards-Mobile Internet Application (App) Personal Information Protection Frequently Asked Questions and Handling Guidelines (《網絡安全標準實踐指南－移動互聯網應用程序(App)個人信息保護常見問題及處置指南》), Methods for the identification of illegal collection and use of personal information by apps (《App 違法違規收集使用個人信息行為認定方法》), Information Security Technology Personal Information Security Specification-2020 (《信息安全技術個人信息安全規範-2020》).

Additionally, the Group communicate the testing reports on product conformity promptly in accordance with the requirements under the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) and other pertinent laws and regulations. These steps assisted the Company's products adhere to laws and regulations where we operate.

In 2022, we continued our focus on compliance training in terms of data and information security on the Group level. The detailed program and progress include:

–   Compliance seminar of gaming line`s security issues: total of 55 heads of various projects and functional departments and the heads of business sectors participated;

–   NetDragon University mandatory training on safety compliance for new employees: all new employees totaled 602 people participated;

–   Special training on safety and compliance for core business personnel: a total of 18 off-line training sessions were held with 1,650 participated;

–   Voluntary Information security series certification: A total of 20 people certified.

Trainings are also organized within our information security functioning units:

1.   Overseas DDoS Defense Course (1 hour training): 10 people participated;

2.   Common vulnerabilities and prevention methods (1 hour training): 10 people participated;

3.   Personal information protection course (2 hours course): 20 people participated;

4.   Block-chain security course (2 hours training): 30 people participated.

4.2 Privacy and Data Protection

Privacy and Data Security Principle and Commitments

Operating one of the largest online communities in the world, we handle a tremendous amount of private and personal data. As such, data protection practices are considered in every aspect of our operation to demonstrate to our customers and users that we can be trusted with their data. For each of the phase of data management cycle we have below principles and commitments in place:

Data Collection Phase:

•   Principle of Legality: No data collected from any illegal channels

•   Principle of Minimum Necessity: Only collect the data necessary to fulfil the application

•   Principle of Autonomy: Set isolated application scenarios and provide unbundled services, allowing for user's autonomy

•   Principle of Authorized Consent: Fully inform users about the intent, method, and range of the data collection before their authorization, and no data collection without user authorization

Data Storage and Transmission Phase:

•   Shortest Time Principle: The storage period is the minimum time required

•   De-Identification Management: Apply de-identification after the data collection, store the data separately and strengthen access and usage control

•   Encryption Measures: Apply national encryption standard during data storage and transmission

Data Access and Application Phase:

• Principle of Access Control: Implement minimum access control strategy, internal supervision and approval process for data revision and download

• Principle of Purpose Limitation: Data application must comply with the purpose stated during collection phase, any applications beyond the stated purpose need separate authorization

• Principle of Publicity Restrictions: Utilize de-identification technology to exclude sensitive information in the presentation of personal data to protect privacy and security

Privacy and Data Security Approach

The Group has conducted a strictly product inspection based on the standard for computerised software testing, which includes function tests, weak network tests, safety tests, compatibility tests, integration tests, and interface tests. To ensure the product functions and indexes meet the quality standard, automated testing technology was extensively applied to avoid and control the risks associated with human factors to the greatest extent possible. Moreover, for a further guarantee that product quality and production procedures will be continuously improved, the Group has established an analysis mechanism for determining the causes of defects and preventing defects through the management of "Big Data" for BUG, as well as regular technology exchange with corporate and university partners, as well as continuous improvement and testing for new tools and methods.

Scope of Privacy and Data Protection Policies

All business operations within the Group adhere to the protection of the rights of personal data owners. The public is informed of their rights relating to the data, including access, deletion, and the right to opt out of the sale of their personal data. Explicit rights and convenient channels are available to users for inquiring, revising, deleting, and rescinding data owner's consent. Promethean also published the Privacy Right Statement, which defines the data owner's rights and provides details regarding the personal data that may be collected.

In addition, Promethean has also published and has been maintaining the enterprise-wide Privacy Policy. The Policy governs all Promethean companies and subsidiaries. Moreover, Promethean has product-specific and business-line-specific policies for the operations that collect or process personal data:

• Promethean Software End User License, Service Agreement And Privacy Policy

• ClassFlow Privacy Policy

Personal Data Consents, Rights and Control

The game and education business of NetDragon provides users with personal information modification functions and permissions. For example, users can modify personal information such as mobile phone numbers from designated Apps for respective products. When the user cancels the account, the system will automatically delete the user's personal information.

Promethean employs physical and technical access control to Promethean facilities and systems. Regarding Promethean facilities, credentials are required to access Promethean facilities and visitors are logged. Regarding Promethean systems, access to personal data is limited to only those requiring access to it to perform their job duties. In addition, for Promethean services that process personal data, the personal data is encrypted in transit and at rest.

Promethean has developed and implemented automated deletion procedures to delete personal data processed by Promethean systems after a defined period if certain conditions are satisfied (e.g., the user has not logged into the service for the designated period of time). While yet to fully implement across all Promethean products/services, Promethean is committed to implementing this automated process across all Promethean products.

In addition, the data management systems are subjected to periodic audits, including but not limited to external independent audits that are completed at least once every 2 years.

Cross-border Data Management

In order to protect our oversea users' privacy and personal data, NetDragon complies with all applicable laws and regulations on the cross-border transmission where we operate. The Group also implemented efficient business structures and used the technical infrastructures of the Group to ensure segregated management of onshore and offshore personal data.

Privacy and Data Engagement and Certification

At the functional level, Promethean provides training on privacy laws and data security to all employees, particularly those with access to personal data, highlighting the importance of "Data Minimisation" and "Privacy by Design. From the operation perspective, the concepts as mentioned above have also been integrated into Promethean's products and services to minimise the personal data processed by default. For example, Promethean has deployed software scanning tools to review code for vulnerabilities to ensure that Promethean is evaluating code and delivering secure products and services.

Operating in the K-12 (kindergarten (K) and first through 12th grade (1-12)) education market within the U.S., Promethean has obtained certifications from iKeepSafe (the Internet Keep Safe Coalition©), a non-profit alliance that certifies digital products as compliant with state and federal requirements for handling protected personal information (e.g., student data). Additionally, Promethean's ClassFlow service has achieved the iKeepSafe's Children's Online Privacy Protection Act (COPPA) and Family Educational Rights and Privacy Act (FERPA) Certifications, as well as the California Student Privacy Certification.

Third-party Data Management

The Group does not rent, sell, or provide personal data to third parties for purposes other than to complete transactions or perform specific services under proper consent or when inquired by local jurisdictions and regulatory units to be compliant with the relevant requirements of laws and regulations.

Data Breach/Incident Response Plan

The Group employs multiple technical and physical measures to minimise data breach risks. The Group has established management measures and emergency response plans for overall information security issues, which covers the management measures and emergency disposal plans covering data security issues. In addition, the Group has and maintains an Incident Response Plan. During the reporting period, there were no substantial data leaks in the business operations of the Group.

4.3 Protection on Minors

As a precautionary measure, 16 of the Group's self-operated games (such as Eudemons, Conquer, and Heroes Evolved) use real-name registration to protect minors. Also, the Group implemented play-time controls for minor gamers in compliance with the National Administration of Press and Publication's "Notice on Further Strengthening Regulation to Effectively Prevent Online Gaming Addictions among Minors".

In accordance with the requirements of the China Audio-video and Digital Publishing Association, age-appropriate reminders are added to the game download, registration and login interfaces of the games, and similar age-appropriate reminders are placed throughout all promotional materials.

The Group launched an online parental supervision platform to help parents prevent minors from using online services excessively and to provide all-channel and seamless support. Gamer refund issues are handled by a dedicated process team in accordance with relevant regulations and industry best practices.

4.4 Intellectual Property Protection

Intellectual Property (IP) management is of utmost importance to the Group. For our gaming business, we are and have always been focused on developing and expanding our flagship IP. As a result, the Group has collaborated with well-known IPs both domestically and abroad, and is proud to be an IP partner of prestigious brands such as Disney and Lego. Various mechanisms have been implemented to safeguard IP rights in various fields at the highest level.

On our intranet, accessible to all employees, each IP related to our Gaming and Education is presented as individual modules with details such as official name, applicable jurisdiction, trademark and category, associated samples, etc. More importantly, each dominant IP has its dedicated user manual, articulating practical business scenarios, IP resource protection-related regulations, basic user specifications, applications case studies, etc.

4.5 Customer Engagement

We monitor and respond to customer feedback and enquiries relating to our products and services in our significant Education and Gaming businesses. In the PRC operation, an average of fewer than 0.03% of the annual customer enquiries received results in substantial compliance from the customer over the past six fiscal years.

Year	Contacts into Support (Chinese Gaming)	Contacts into Support (English Gaming)	Consolidated Gaming Contacts into Support	Complaints Received	% Complaints
2017	1,575,300	239,099	1,814,399	135	0.007%
2018	1,435,992	220,396	1,656,388	285	0.017%
2019	1,361,087	210,785	1,571,872	242	0.015%
2020	1,493,279	266,165	1,759,444	569	0.032%
2021	1,141,531	281,521	1,423,052	495	0.035%
2022	1,146,130	218,829	1,364,959	402	0.029%

At our overseas business, Promethean also monitors customer feedback and product-related enquiries. Of the customer enquiries received over the seven years ending 31 December 2022, less than 0.0007% of such queries result in a complaint. As per the table below, in seven 7 years, Promethean had 676,981 inbound contacts to the Contact Centre, 464 were complaints, and only 0.00068% were complaints.

Year	Contacts into Support	Complaints received	% Complaints
2016	91,615	41	0.0004%
2017	94,294	76	0.0008%
2018	99,818	111	0.0011%
2019	113,158	93	0.0008%
2020	77,600	38	0.0005%
2021	87,344	46	0.0005%
2022*	113,152	59	0.0005%
Total	676,981	464	0.00068%

*   Up to 31st December 2022

The complaints are dealt with case-by-case via feedback Customer Satisfaction surveys. These are handled from within the Technical Support team, which records the feedback and, in return, contacts the customers to resolve the complaint, where appropriate best.

5. ENVIRONMENTAL

Currently, the Group engages in online gaming and online education. Its business is not related to manufacturing or other businesses that produce greenhouse gas emissions, waste (hazardous and non-hazardous), or other business activities with a significant environmental impact. Although the Group has no significant effect on these areas, we are dedicated to minimising our negative environmental impacts as much as possible while incorporating sustainable operations into our business model.

Climate change risks and their associated impacts on the Group's business operations must be addressed through policies and strategies that are aligned with best practices. Increasing sea levels, extreme weather events, and rising temperatures can impact the Group's assets, business, and stakeholders. To combat climate change and conserve resources, the Group monitors its most relevant environmental issues to do its part.

5.1 Climate change

All over the world, climate change has been an alarming issue. Some may even coin Climate "emergency". In light of this, the Group identified and assessed the risks posed by climate change and developed measures to safeguard its employees' safety, including strictly following the relevant extreme weather guidelines issued by the government. The Group has developed emergency guidelines and measures to reduce future damage from disastrous events. Additionally, the Group will follow the Carbon Neutrality Project, which aims to decarbonise the Group by reducing its transport, thereby increasing its environmental credentials and environmental footprint. Our climate change policies will be reviewed regularly to ensure they are effective.

We look for novel ways to set an example of environmental stewardship, whether it is through the use of renewable energy sources or the implementation of new recycling initiatives. Promethean has thus far committed to lowering its carbon impact moving forward and has already reached carbon neutrality in 2019 and 2020 through offset purchases. Promethean's goal for the current reporting period is to cut carbon emissions by 5% from consumption in the previous year.

5.2 Energy Management and Carbon Emissions

Through technological and recycling solutions, the Group has enhanced its management of emissions by reducing harmful pollutants and greenhouse gases, waste discharged into water and land, as well as hazardous and non-hazardous waste generation.

In line with the Paris Agreement, the Group commits to reducing Greenhouse Gases ("GHG") emissions. To reach this goal, the Group has set ambitious decarbonisation targets and will annually purchase enough carbon credits to compensate for the remaining GHG emissions.

In the Group's headquarter, offices, and sites, the Group has drastically reduced direct (scope 1) and indirect (scope 2) energy consumption. As part of its efforts to reduce emissions associated with the transportation of goods, the Group is promoting road travel whenever possible and opening three new US hubs that will drastically improve routing efficiency. Additionally, the Group will explore greener travel incentives for employees in locations where public transit is feasible and transition to electric vehicles.

We run our daily office operations with the objective of conserving energy, utilizing resources efficiently, recycling waste, and educating our employees about the environment. The Group has made every effort to promote "reducing," "re-use," and "recycling," as well as reduce energy consumption, by encouraging employees to use email for internal and external communications, use e-files on the server, encourage the use of recycled paper, encourage double-sided printing and photocopying, make every effort to recycle all office supplies and equipment, use LED lighting, and further install occupancy sensors.

5.3 Indoor Air Quality and Healthy Workplace

Indoor air quality goes beyond environmental concerns as it has long-lasting effects on the mental and physical health of our employees, who we treasure. Long-term and short-term exposure to indoor air pollution can result in various health problems, such as cancer, heart disease, dementia, and respiratory illnesses.

In line with the Human Resources Intelligence Club (HREC, "人力資源智享會") 's vision of "Healthy Workplace, Sustainable Growth", we are dedicated to improving corporate health management and sustainable development. We have received the Diamond Level China Healthy Workplace Certification ("中國健康工作場所認證") for the third consecutive year from Human Resource Excellence Center ("HREC"), a well-known human resource consulting firm in China. The certification standards were developed by experts from reputable organizations including Fudan University, Huawei, Medtronic, Volkswagen, Bayer, etc.

The certification criteria are designed based on multiple dimensions such as company organizational support, healthy environment, health management, management implementation, occupational safety and health. Health here is not only physical health but also includes the psychological, financial, physical environment, workplace environment and other aspects of health.

5.4 Water Consumption and Conservation

Water is primarily used for standard office cleaning and flushing in NetDragon. While we do not operate in water-stressed locations, our internal water management policies and guidelines specify our overall water conservation strategy, and we strive to use water resources responsibly.

From the overall management to working-level approaches, we closely monitor and adjust our water conservation strategy to ensure smooth implementation. Water facility check-up is part of our office estate management routine to ensure no water leakage. We benchmark water usage data from period to period to identify any possible consumption abnormality. We also weave the awareness of saving water into our office environment. Water-conscious publicity posters are displayed near the water facilities for all staff on why and how to save water.

5.5 Waste Management

All NetDragon business units work together to reduce waste generation and divert waste from landfills. For this reason, we have established guidelines for the collection, recycling, and disposal of all types of waste. Our waste management strategies are also updated regularly based on regulatory developments.

At our offices, recyclable materials are collected and processed using a centralised procedure in order to minimize waste production. Wastes such as plastic, paper, carton boxes, metals, batteries, and food waste can all be recycled at our facility. In the office buildings where we work, recycling bins and stations are located along with recycling instructions. We sent all recyclable materials to local recyclers or charitable organizations for proper handling. In the case of hazardous waste, we work with registered hazardous waste collectors. For example, these collectors will collect fluorescent lights and batteries to be processed further.

6. PEOPLE

A company's sustainable development is dependent upon the contribution of its employees. Having over 4,000 employees around the globe, NetDragon strives to maintain a healthy, rewarding, and courteous work environment for every one of its employees. In our Group, we have created a work environment in which individuals are able to achieve their full potential.

6.1 Talent Attraction and Retention

Recruiting and retaining the best talent worldwide is important to ensuring sustainable growth. Our employee value proposition includes competitive compensation, performance-related bonuses, leading-edge benefit programs that holistically support employees and their families, and recognition and career development programs for individuals and teams, as well as investing heavily in people management training to ensure our employees are fully engaged and can contribute to our future success.

Promethean's Compensation Committee believes our compensation program should reward actions and behaviours that build and support our long-term vision and strategy, while also rewarding short-term performance that enables success through the delivery of our Company strategy's values. Our objectives are to:

- Attract, motivate and retain exceptional talent

- Exemplify purpose-driven pay for performance that links our unique platform to the organization and our diverse employees' individual purpose to drive overall results, retention and engagement

- Align individual goals and compensation with Shareholder interest

Variable Compensation Schemes

In addition to the basic salary, we have comprehensive statutory benefits (including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance, maternity insurance, and housing provident fund) and a diversified incentive system (short-term incentives, long-term incentives, personalized benefits) as follows:

1.   **Short-term Incentives:** According to different positions and performance, short-term incentives include performance bonuses, project bonuses, sales commission bonuses, special post allowances, project milestone awards, project completion bonuses, innovation incentive bonuses, annual awards Bonuses, part-time subsidies, etc.

2.   **Long-term Incentives:** include merit points, similar to options, which are given to employees who have made long-term value contributions to the company and rewarding when the project achieves a breakthrough to earn people or make money.

3.   **Other Benefits:** we develop themed benefits and point-collecting initiatives such as gamified star ratings, flexible welfare funds, lottery activities, point auctions, departmental team building, birthday cakes/gifts, various parent-child activities, festival activities, etc.

Engaging with Talents

The company conducts annual recruitment planning and forecasts for recruitment needs every year. In 2022, 17,482 fresh graduates at home and abroad participated our campus recruitment activities, and 186 outstanding new graduates are hired. At the same time, we actively responded to the call for job stability and employment, and promoted the introduction of students, work and education projects organized by the Fujian Provincial Department of Industry and Information Technology and the Department of College Students of the Ministry of Education, and reached strategic cooperation with several well-known universities to create innovative collaboration in the industry, education and research in the universe.

Recognized by the talents, we have won the "Fujian Province College Student Internship Base", "2022 N-Future Most Socially Responsible School Recruitment Employer Award", "2022 Favorite Employer Award", "2023 Human Resource Management Outstanding Employer Award", "2023 Best Talent Employer Award", etc.

6.2 Talent Development

It is a win-win situation for employees as well as for our company when we invest in learning and development. Learning, growth, and career enrichment are available to all employees. We provide our employees with the tools and resources so they can learn whenever, wherever, and how they choose.

Through various programs, resources, tools and support, the Group aims to unleash our employees' potential while providing coaching and support from our managers.

NetDragon University, a combined online-offline training platform for our internal employees, has continuously expanded its content and training capabilities across over 14 subjects/topics since 2007.

In 2022, NetDragon University plays an important role in supporting and empowering the entire organization in knowledge organization, and actively promote the implementation of knowledge organization affairs; We practice "Huayu"'s educational philosophy, through knowledge accumulation, best practice extraction, and auxiliary With different learning methods and learning products, NetDragon's overall professional ability can be improved to help NetDragon students' career development and NetDragon's talent upgrade.

In the new year, the company's annual keyword is "full staff training", because one of the company's core competencies is that we can continuously learn and master new technologies, and dare to use new technologies to create new products, new services and even new market. In the "all-staff training", we must not only provide equal and open training and learning opportunities for all workers, but also highlight that we will promote and implement what we have learned to support the company's and employees' shared growth.

NetDragon University Achievements in 2022

In order to cooperate with the company's strategic development and key business, in 2022, NetDragon University responded to the company's "Metaverse" annual keyword, participated in the company's metaverse organization project work, and completed the new keyword "openness, bravery, passion" and the refinement and publicity of the code of conduct; participate in the construction of a new model of office and employment in Metaverse, and complete the certification mechanism that matches the business; organize and implement new technology talent training programs such as blockchain, and cooperate with a number of higher vocational undergraduate universities Cooperate to promote the development of talents, and promote the narrowing of the gap between the company and the industry's talent needs; in terms of management leadership training, establish a management post learning area, iterate management post courses and push management post learning, and help the company's management continue to upgrade.

In 2022, NetDragon University held a total of 56 offline learning activities for various training sessions, with a total of 1,235 participants. (Excluding external forums and in-school lectures); a total of 8,689 people participated in thematic course learning on the eLearning online learning platform, with a total of 231,216.09 hours of teaching time, and an average of 26.61 hours per person; a total of 5,529 people participated in training special topics, with a total of 270,367.8 hours of teaching, and an average of 48.9 hours per person Hour. (A training topic usually includes multiple courses).

Routine Training Programs

New Staff Training: A total of 10 new employee training sessions were carried out, including 602 people who participated in online training; the first phase of school enrollment training was 60 people.

Skills Training: NetDragon University carried out 40 internal technical training sessions with 1,001 participants, including 16 tasting sessions of the game design department, 12 innovation review sessions, and 12 sharing sessions at Tianqing Main Course Club.

Innovative Training Programs

1. **Metaverse Organization Cultural Values Training Project**: Due to the demands of the yearly Metaverse organization development, three new cultural value keywords are extracted: "openness, enthusiasm, and bravery," and the abstract ideals are realized in 20 rules of conduct through co-creation. Promote consensus and aid in the establishment and growth of the metaverse organization by informing and training all corporate personnel using online and offline learning techniques.

2. **Blockchain technology training**: In response to the demand for blockchain talent training, a blockchain application development training camp was conducted as a type of training to encourage the transfer of skills and recruiting. Three training sessions on blockchain application development were conducted to attract excellent internal and foreign technical specialists.

3. **Management training projects**: update the learning content of the management post learning area, and discover potential management talents; combined with the problems encountered in the actual work of the management post, through research + online micro-class pre-learning + offline workshops, help the management post improves the management ability and helps the company's management continue to upgrade.

Certification Projects

The company encourages employees' continuous learning and improvement. By heavily investing in certification courses/materials, we have developed internal certifications with relevant certification courses and external expert reviews. Once employees pass our tailor-made certification exams, they obtain the most pertinent business knowledge they can further enhance by continuous learning within their job responsibilities. Currently, there are 1133 certification subjects developed by the company, covering 600+ job specialities.

In addition, the company also encourages employees to participate in external learning certification. For example, the company will reimburse the cost for students who apply for U3D certification, a gaming design and development certification by Unity. At present, a total of 35 students have obtained certification.

Other continuous-learning-related benefits are supported by NetDragon, such as reimbursement for external paid training, dedicated scholarships for employees who received exceptional learning track records, outstanding academic performance recognized by external certification bodies, etc.

1. **Business Certification**: Since 2020, the company has implemented the "business-centric" management concept. At the same time, we have implemented a certificate-holding and promotion mechanism. Core business practitioners in different positions need to pass the corresponding business certification exams to obtain certificates To be promoted from one position to another, not only must the performance results and cultural values meet the standards, but also must pass the transaction certification of the newly promoted position; at the same time, these certification mechanisms are fair, just and open to all employees, which not only accelerates the improvement of employees' capabilities, but also promotes their career development, and meets the company's growing demand for talents; throughout 2022, it will be iterated on the basis of the established certification system, according to the company's annual strategy To meet the needs of business development, a total of 19 record subjects were developed/optimized/cancelled/reused.

2. **U3D series certification**: Unity programming development primary certification, Unity programming development intermediate certification and Unity 3D engine application (advanced-official) certification will be organized on demand throughout 2022. A total of 26 people has passed the U3D series certification. Among them, 9 people passed the primary certification; 10 people passed the intermediate certification; 7 people passed the Unity 3D engine application (advanced-official) certification. This certification serves the company's talent development needs in Unity3D technology business development.

3. **Certification of Design Methodology**: Organization of primary certification of design methodology on demand, 137 people participated in certification; 17 people participated in certification of methodology improvement class certification, 15 people passed. The design methodology is derived from the essence of the design work from the beginning of the company's entrepreneurship to the present, and it is a special certification designed to meet the training needs of design talents inside and outside the company. Improve the ability of design talents.

e-Learning Training and Learning Platform Construction:

1. **Platform function construction**: Based on the requirements of the company's certification management methods, in 2022, the platform certificate acquisition condition function was optimized, and on the original basis, the function of obtaining a certificate after any pass of the bound resource was realized, and the automatic issuance of the certification certificate was realized. Greatly reduce the demand for operating personnel, and more application of AI automation capabilities to achieve operational work.

2. **Platform content construction**: In 2022, a total of 368 newly uploaded courses, 48 training and certification topics, and a total of 2,833 courses were added; among them, according to the needs of the company's business and talents, it is planned to target some courses, and external personnel can pass the learning center on the official website of the metaverse organization enters learning and certification, so as to accept the company's outsourcing affairs.

3.   **Administrator training**: In 2022, a total of 8 administrators were trained, and a total of 292 administrators were trained, which promoted the construction of the company's training and learning ecology. More personnel from various business departments can use the tools of NetDragon University Empowerment, capability certification empowerment**, and jointly promote the development of business and talents.**

6.3 Occupational Health & Safety

Employee health and safety is the Group's most important obligation. Health and safety risks in the Group's operations are identified, assessed, and eliminated by the management team. The Group has not been aware of any material work-related health and safety incidents or work-related fatalities during the past three years.

6.3.1. Safety

To ensure a safe working environment, security staff are on duty 24 hours a day to monitor full coverage of all working venues and conduct patrols and inspections strictly. To improve our rescue and employees' safety awareness and self-rescue skills, we have established fire services systems and a professional fire services team, and we conduct regular training sessions on fire safety annually, including drills on fire and evacuation, rescue drills for lift-trapped victims, and explosion prevention drills.

For employee operational safety, we have also developed safety standards and rules for practices and operations in various job positions, accompanied by a comprehensive training program.

6.3.2. Health

We value human capital most highly. The health of our employees is very important to us, and we continue to promote practical, fashionable and fun initiatives to encourage a healthy and balanced lifestyle for our employees. At Promethean we have

The following are the four key areas we focus on:

Health Initiatives

Our healthy work environment, healthy food standard, sporting events, and fun festival activities all encourage employees to live a healthy lifestyle. NetDragon Games (i.e. Sports Day), 1/4 Marathon, and SEAL Challenge ("星際海豹挑戰賽") are among the annual events.

Health Check

Employees receive free health evaluations, body checks, and health reports.

Training/Education

Our global headquarters offers a wide range of inhouse sports facilities, sports training sessions, meditation courses, health lessons, and consultations to our employees. There are many internal communication channels for health and well-being, including our intranet, office automation, internal messaging, Enterprise Resource Planning pop-up notices, NetDragon Radio, etc., as well as on-campus posters, and display monitor screens.

Illness Prevention

Our global headquarters is equipped with clinics and health management rooms, where treatment is available at any time and expert doctors are invited periodically to provide in-depth consultations. Medical insurance packages are provided to all domestic employees. We also strictly adhere to epidemic control measures in all of our facilities.

6.4 Diversity, Inclusion and Equal Opportunities

We offer equal opportunity to all job seekers regardless of their race, colour, nationality, religion, gender, age, disability, or any other discrimination prohibited by law. In selecting the most appropriate person for particular jobs, the Group considers educational background, working experience, skills, personal integrity, as well as potential for growth within the Group. Every member of the Group's staff is treated equally, and their appointment, remuneration packages, and promotions will not be affected by their social identity. Using our values as a guide for what is right for our culture is demonstrated by our diversity, equity, and inclusion value "Be Discrimination Free". At Promethean, the Human Rights Policy and Slavery & Human Trafficking Statement have been openly published and internally communicated, which clearly defines the definition of equality and rights that every employees are entitled to, as well as our commitment to equality, diversity and inclusion.

Policy and Key Initiatives

As we strive for a Discrimination-Free environment where everyone takes active ownership, we recruit, engage, grow, and promote the best and brightest talent. Promethean's Employee Inclusion Groups (EIGs) have developed a Diversity, Equity & Inclusion strategy, which spikes Intersectional Discussion with the oversight and support from our management executives serving as event sponsors to explore how we can further recruit, engage and celebrate 1 of 4 groups: Gender/Ethnicity/LGBTQ+/Disability. At the same time, Promethean has also developed and maintained the Anti-Harassment policy, which guides the business conducts for an inclusive working environment.

1. **Fairness in Selection and Retention:** the company treats all employees equally during recruiting (hiring), promoting, promoting, reviewing professional and technical tenures, and training;

2. **Beyond Statutory Holidays**: To support female employees, the company provides statutory maternity inspection leave, maternity leave, and breastfeeding leave.

3. **New Working Model**: Metaverse's new office model helps employees balance work and family relationships better. As the company accelerates the pace of creating a Metaverse organization where "everyone participates in co-creation, and everyone shares value", we continue to promote the "efficiency-centred" ideology and transform into a new working model where employees can choose a more efficient working mode based on their working preferences for better work-life balance.

4. **Multicultural, Friendly and Humanized Workplace**: we fully respect each employee's individuality by creating a mutually respectful, healthy, free-from-prejudice and harassment-free working environment. Through employee satisfaction surveys, "BUG collection cabin", and listening to employees' voices, we are dedicated to solving employee demands through various forms and channels.

5. **Health of Everyone**: we arrange physical examinations for employees every year and provide warm, comfortable and independent space for female employees who are pregnant and breastfeeding.

Training and Communication

Based on the formulated strategies we provide relevant training to all our staff (including part-time staff) and people managers. Below are some tailored curriculums targeting specific issues to promote awareness and change behaviour to foster our diversified and inclusive working environment.

Anti-Harassment: the adverse effect of discrimination and harassment at the workplace are elaborated in detail, including low employee morale, reduced productivity, and even criminal liability. In addition to providing an overview of the types of behaviours that can give rise to discrimination and harassment (including sexual harassment), the course also discusses the benefits and strategies for promoting a respectful work environment. The course also addresses the implications of federal anti-discrimination and anti-harassment laws.

Unconscious Bias: No matter who you are, you are prey to unconscious biases. The course defines the issue and advocates for us to be part of a complex, diverse workplace. Taking steps to overcome unconscious bias, we will be taught to recognize how superficial differences can contribute to bias and lead to prejudice and social stereotypes. Specific tactics for combatting unconscious bias and adopting an anti-bias approach are also covered in the course, applicable across the organization and in the hiring process. We have an Affirmative Action Plan and are recognized as an Equal Opportunity employer as a government sub-contractor.

For each of the training courses, 175 (out of 317) managers participated in Anti-Harassment training in 2022, 99 (out of 143) managers participated in Unconscious Bias training in 2022, and 79 (out of 99) managers participated in Affirmative Action/Equal Employment Opportunity training in 2022.

Management Oversight

As discussed above, our management executives are elected as sponsors for each of our four EIGs. The EIG meetings occur every month, and Curious Conversations (all employees invited) occur quarterly.

Staff Overview

As of 31 December 2022, the Group had its overall headcount of 4,751 with 94% of full-time employees, 85% of the employees were based in PRC and Hong Kong and the remaining 15% were based overseas including US, UK, Australia, etc. Full-time male and female employees accounted for 64% and 36% of the overall headcount respectively. Employees aged between 30 and 50 accounted for 58% of the overall headcount while employees aged under 30 and above 50 accounted for 38% and 4% of the overall headcount respectively.

7. VALUE CHAIN

7.1 Innovation Management

Our innovation management approach emphasises on research and development of our owned IPs and collaboration with other brands and encourages internal cooperation through dedicated awards and recognitions. Annually we will short list top 3 in each of the categories among our Technology Innovation Awards (技術創新獎) and Design Innovation Awards (設計創新獎), which summarise the positive impacts and collaboration experiences from the projects.

7.2 Responsible Supply Chain Management

In 2022, Promethean had a total of 32 key suppliers. The geographical split of these suppliers was as follows:

Indicators	2022	2021	2020	2019	2018	2017	2016	2015
Number of Key suppliers[1]	29	23	22	21	23	17	15	11
By region:								
Asian countries other than PRC and								
Hong Kong	3	1	3	3	2	2	4	1
Australia	0	0	0	0	0	0	0	0
UK	1	1	0	1	2	0	0	1
US	14	8	7	8	11	5	1	1
PRC	4	5	6	7	6	7	5	4
UAE	0	0	1	0	0	0	0	0
Hong Kong	4	5	2	2	1	1	4	3
European Countries other than UK	3	3	3	0	1	2	1	1
Total amounts invoiced by key suppliers ($m)	422.0	335.9	198.2	175.1	246.9	183.7	95.8	90.7

[1]   Key Suppliers refers to suppliers of products/services whose total contract sum amounted to $1m or more in any given year.

Promethean has a documented 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.

A documented supplier onboarding process is in place at Promethean for significant suppliers of products. A review of quality processes, health and safety, training and development, and labour ethics are all part of this process. Regular visits by Promethean's operations staff to significant suppliers are part of the company's normal operations.

A Quarterly Business Review (QBR) process is used to engage key Original Designed Manufacturer (ODM) suppliers. Approximately 70% of Promethean's spend on Interactive Flat Panels is managed by the QBR process. A business review is conducted every six or twelve months for other key suppliers based on pareto 80% value. As part of the QBR process, a presentation pack is produced for the review meeting, and subsequent actions are logged and reviewed/closed out.

During the year, the Promethean 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.

7.3 Quality Management

Based on the framework in the "Information Safety Technology and Personal Information Safety Standard" (GB/T 35273-2020) released by the PRC Government in March 2020, the Group enforces a comprehensive set of internal policies and procedures on information security management. These policies and procedures apply to all Group business lines.

The following policies and procedures are included:

- Full-cycle preventive measures covering data collection, transmission, storage and usage phases

- Clear definition of data owners' right

- Mechanism to handle collection of complaints and response procedures

- Mechanism for reporting of data breach incidences

- Data protection impact assessment

- Organizational measures to strengthen information security management

- Regular engagement and cooperation with the regulatory bodies

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

- 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.

- 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;

- 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;

• 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;

• In accordance with the requirements of relevant laws and regulations, the Group developed standards for security test and regulations or guidelines for testing in relation to five areas, namely protection of personal privacy on Apps, information security for users, real-name registration, content security and anti-addiction system of games. Moreover, the Group submitted testing reports on product conformity in a timely manner using self-developed security scanner and its online quality monitoring technology that is unique in the industry for the purpose of compliance. These measures supported the Company's products in complying with laws and regulations of the State.

Health, Safety Quality and Certification

Promethean, as an ISO 14001 certified body, is subject to annual surveillance audits and a recertification audit every three years, which cover:

• 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

Product Recalls & Regulation Breach

In the year ending 31 December 2022, there have been no recalls related to health & safety. Promethean had no significant product failures during the reporting period ending 31 December 2022. In the event of normal run-rate failures, Promethean's warranty will cover them. The Group did not report any instances of non-compliance with regulations or voluntary codes relating to its products and services in 2022, including, but not limited to, information and labelling about products and services, marketing communications, advertising, promotion, sponsorship, and property rights, including intellectual property rights, which have a significant impact on the Group.

Quality Assurance

As part of our business strategy, Promethean is committed to continuously improving our processes and products. Both Promethean and our suppliers are committed to maintaining quality and achieving customer satisfaction. As a part of Promethean's global Quality Assurance program, we work with our suppliers and business partners to continuously improve our products and processes to ensure very high standards for Quality, Reliability, Cost and Delivery (QCD).

The overall responsibilities include ensuring that Quality Assurance principles are integrated into the supplier/business partners new product release and product life cycle processes; driving a culture of continual improvement while maintaining ISO 9001 Quality Management System certification, compliance and other relevant standards.

8. COMMUNITY INVESTMENTS

Through maintaining long-term sustainability of our businesses and communities in which we operate, the Group is committed to fulfilling its corporate social responsibility in providing feedback to the community.

The activities undertook by the Group as at 31 December 2022 include:

| November, 2022 | **NetDragon Offers Condolences to Anti-epidemic Workers** |

The epidemic is merciless but people are sympathetic. In 2022, We worked together to fight the Covid pandemic. On the morning of November 14, Mr. Zheng Hui, our executive director, led a team to Wenquan Sub-district Office in Gulou District, Fuzhou City to offer condolences, and donated RMB50,000 in cash to help Fuzhou's epidemic prevention and control work. In the afternoon of the same day, the team went to the government of Hunan Town, Changle District, and donated a batch of anti-epidemic materials worth of RMB50,000, such as N95 masks and disinfectant, to send care and greetings to the front-line staff and volunteers.

November, 2022   **Cherrypicks provides tracking services for the new crown epidemic in Hong Kong**

In 2022, Cherrypicks provided development services for the Hong Kong Covid-19 Pandemic Tracking App "Leave Home Safe". During the pandemic, the app has been downloaded more than 8.7 million times and used in more than 140,000 places in Hong Kong. The program won the "2022 Best Public Health Partner Award" at the Huawei Asia Pacific Developers Conference.

October, 2022   **NetDragon's "Flag Run" was Held Successfully**

NetDragon Network held a unique running activity – "2022 NetDragon National Flag Run" at NetDragon Changle Base to celebrate the 73rd anniversary of the founding of the People's Republic of China with practical actions and welcome the 20th Party Congress with struggle. The event is not only an opportunity for NetDragon employees to ignite their energy. This is not only a way for NetDragon employees to ignite patriotic enthusiasm, but also an essential practice of NetDragon's party-building innovation. Among the hundreds of NetDragon employees who participated in the "National Flag Run", there were many CPC members. They said that as party members, they could join in the "National Flag Run" activity, which not only responded to the company's positive corporate culture of "10 km run", but also paid tribute to the motherland in a healthy way. In addition to the staff of NetDragon, there were many children in the "National Flag Run" team, and it is reported that they are students from NetDragon Xingjiyuan Primary School and Kindergarten, in addition to the students from Fuzhou Software Technology College also participated. Patriotic education should start with children, and NetDragon hopes to guide students to inherit the spirit of patriotism and firm ideal belief through the national flag run.

September, 2022

NetDragon uses AI technology to help develop Chinese education in Egypt, with first Chinese teacher training session in full swing

As a long-established Internet company, NetDragon connected with Egypt many years ago with its Prometheus interactive big screen. It has since worked closely with Egypt many times through products such as "Smart Space Classroom" and Edmodo online learning platform, contributing to the development of digital education in Egypt. NetDragon applies its digital education technology capability to empower – as the designated online teaching material partner of the Egyptian Ministry of Education, NetDragon will customize Chinese AI interactive courseware based on the official teaching material, so that Egyptian students can learn Chinese in a fun and interactive way under the guidance of 3D animation, interactive learning and AI helpers.

"NetDragon hopes to improve classroom experience, enhance classroom interactivity, reduce teachers' teaching pressure and increase students' interest through high-quality technology and products," said Chen Hong, Senior Vice President of NetDragon, Chief Technology Officer of Fujian Huayu and General Manager of NetDragon's Egypt business. Through education technology, teachers and students can benefit and contribute to achieving a more equitable and effective global education.

Currently, NetDragon's education map covers 192 countries and regions, with 150 million users and over 2 million classrooms. As NetDragon has explored the education market in countries along the "Belt and Road" in recent years, it has established strategic cooperation with more than 20 countries along the route, including Russia, Egypt, Nigeria, Kenya, and Malaysia, and has engaged in comprehensive cooperation in the field of digital education, combining specific real needs with macro national strategies. Chinese AI courseware's successful implementation in Egyptian Chinese curriculum will demonstrate NetDragon's commitment to global education equity and serve as an exemplary example of utilizing technology for Chinese education abroad.

July, 2022

UNESCO's IITE and NetDragon Launch "Teacher e-Library" to Help Build Global Teacher Capacity

The UNESCO Institute for Information Technologies in Education (UNESCO IITE) and NetDragon have officially launched the online platform "Teacher eLibrary". In addition to Serbia, Tunisia, Ghana, Egypt, Russia, Thailand, the platform has been formally launched in several other countries and institutions. With the platform, educators will be able to access advanced digital resources and educational solutions based on artificial intelligence, enabling them to provide their students with a quality and equitable education. Around 100,000 educators worldwide will be able to access open educational resources, free public tools, and online and on-site training through the platform once it launches. Moreover, the platform provides OER in different languages to meet the educational needs of different regions, currently covering English and Russian, with an Arabic version on the way. By providing technical support, NetDragon will combine its leading technical capabilities and meta-universe organizational advantages to bridge virtual and reality, enabling the platform to create a virtual society and digital educational world with ultra-distance, deep immersion, and a high level of experience. "NetDragon will continue to carry out its social responsibility as a listed company," said Xiong Li, CEO of NetDragon. Under the guidance of UNESCO, the company will continue investing in education, providing equal opportunities and supporting teachers' capacity building, and advancing the digitalization of education worldwide."

June, 2022

NetDragon continues to explore new measures to prevent addiction

June 1st marks the first anniversary of promulgating and implementing the newly revised "Law of the People's Republic of China on the Protection of Minors". China.com published "Strengthening the NetDragon for Minors' Protection NetDragon Continues to Explore New Measures to Prevent Addiction", focusing on NetDragon's efforts in implementing the anti-addiction policy. The article mentioned that NetDragon encourages technological innovation through internal lectures Continuously improve the internal anti-addiction mechanism of the game, actively fulfil the social responsibility of game companies, and further strengthen the network security protection network for minors. NetDragon has always paid great attention to anti-addiction in game design. Several anti-addiction lectures have been held within the company, requiring R&D, operations and other departments to strictly implement anti-addiction policies.

9. MAJOR RECOGNITION, AWARDS AND MEMBERSHIP

Award Issuer	Name of the Award
Zhitongcaijing, Hithink Royal Flush Information Network	The 6th Golden Hong Kong Stocks "Most Valuable Education Company"
Fujian Software Industry Association	2022 Fujian's Top 50 Software & IT Services Industry Enterprises with Comprehensive Competitiveness
Fujian Federation of Commerce & Industry	2022 Fujian's Top 100 Private Enterprises
Internet Society of China	China's Top 100 Internet Enterprises
China Enterprise Directors Association, China Enterprise Confederation	2022 China's Top 500 Service Companies
China Federation of Electronics and Information Industry	2022 China's Top 100 Software and IT Service Companies
Fujian Enterprises and Entrepreneurs Confederation	2022 Fujian's Top 100 Service Companies
Internet Society of Fujian	2022 Fujian top 50 Internet enterprises with comprehensive competitiveness
Internet Society of China	2021-2022 China Internet Industry Self-discipline Contribution and Public Welfare Award
Fujian Enterprises and Entrepreneurs Confederation	2022 Fujian's Top 100 enterprises in Strategic Emerging Industries
Fujian Federation of Commerce & Industry	Top 100 Fujian Innovative Private Enterprises
China Culture & Entertainment Industry Association	2022 Golden Finger Award for Excellent Enterprise and Outstanding Entrepreneur
Fujian Information and Communication Industry Association	2018-2021 Fujian Information and Communication Industry Integrity Enterprise

10. PERFORMANCE DATA SUMMARY

Environmental performance

Environmental Performance in 2022

KPI A1.1	The types of emissions and respective emissions data	Scope 2 – 38.9 tCO2e (from office electricity consumption)*
		* For scope 2 emission, we applied the Greenhouse gas reporting: conversion factors 2022 by the UK Department for Energy Security and Net Zero and Department for Business, Energy & Industrial Strategy, which is 0.19338 kg CO2e/kWh
KPI A1.3	Total hazardous waste produced and intensity	We are currently expanding our data collection scope to include disposed general wastes that are non-hazardous.
KPI A1.4	Total non-hazardous waste produced and intensity	Given the fact that we generate most revenue from online and mobile games, as well we education, the amount of hazardous waste of our operation is immaterial; however, we are currently expanding our data collection scope to include office supplies such as batteries and fluorescent tubes disposed.
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Total Energy Use 202,315 kWh
KPI A2.2	Water consumption in total and intensity	Total 359.00 m³

Note:

1. Given our business operation depends almost purely on purchased electricity, we consider scope 1 emission immaterial;

2. The current disclosure scope includes Promethean's UK offices in Blackburn, UK. In the future, the management will continue to extend the data collection to other offices.

Social Performance

KPI B1.1 Total workforce by gender, employment type, age group and geographical region for the year

	2021		2022	
	Number		**Number**	
	of staff	% of total	**of staff**	% of total
Total workforce	4,834	–	**4,751**	–
Total workforce by employment type				
Full time	4,689	97	**4,460**	94
Part time	145	3	**291**	6
Full time workforce by gender				
Male	2,907	62	**2,835**	64
Female	1,782	38	**1,625**	36
Full time workforce by age group				
30 or below	2,063	38	**1,686**	44
31-50	2,251	58	**2,584**	48
51 or above	375	4	**190**	8
Full time workforce by employment category				
General staff and Supervisor	3,817	81	**3,630**	81
Middle management	653	14	**622**	14
Senior management	219	5	**208**	5
Full time workforce by geographic Region				
Hong Kong	22	1	**20**	1
PRC	4,151	88	**3,767**	84
Other Regions	516	11	**673**	15

KPI B1.2 Employee turnover rate by gender, age group and geographical region for the year

	2021	**2022**
Total employee turnover rate	39%	**15%**
Employee turnover rate by gender		
Male	22%	**16%**
Female	69%	**8%**
Employee turnover rate by age group		
Below 30	38%	**9%**
31-50	44%	**54%**
51 or above	10%	**14%**
Employee turnover rate by geographic region		
Hong Kong	7%	**25%**
PRC	42%	**16%**
Other Regions	21%	**15%**

Note: The turnover rate is calculated by: (number of employees who left the Group during the year/average number of employees at the beginning and end of the year) x 100%

KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting period

KPI B2.2 Lost days due to work injury

Occupational Health and Safety	2020	2021	**2022**
Work-related fatalities	–	–	**–**
Lost day due to work injury	–	–	**–**

EMPLOYEE TRAINING

KPI B3.1 The percentage of employees trained by gender and employee category

KPI B3.2 The average training hours completed per employee by gender and employee category

Note: The Group is in the process of enhancing internal data collection practice. It is part of our plan to assign dedicated personnel to gather such data in the future.

11.HKEX REPORTING GUIDE CONTENT INDEX

General Disclosure and KPIs		**Reference/Remarks**
Aspect A1 – Emissions		
General Disclosure Information on: (a) the policies; and (b) 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		ENVIRONMENTAL
KPI A1.1	The types of emissions and respective emissions data.	PERFORMANCE DATA SUMMARY
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	
KPI A1.5	Description of emission target(s) set, and steps taken to achieve them.	ENVIRONMENTAL Energy Management and Carbon Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set, and steps taken to achieve them.	ENVIRONMENTAL Waste Management

Aspect A2 – Use of Resources

General Disclosure Policies on the efficient use of resources, including energy, water, and other raw materials

ENVIRONMENTAL

KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	PERFORMANCE DATA SUMMARY Environmental Performance
KPI A2.2	Water consumption in total and intensity.	
KPI A2.3	Description of energy use efficiency target(s) set, and steps taken to achieve them.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them.	ENVIRONMENTAL Water Consumption and Conservation
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	PERFORMANCE DATA SUMMARY Environmental performance

Aspect A3 – The Environmental and Natural Resources

General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.

ENVIRONMENTAL

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	ENVIRONMENTAL

Aspect 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

ENVIRONMENTAL

KPI 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.	ENVIRONMENTAL Climate Change

Aspect B1 – Employment

General Disclosure Information on: (a) the policies; and (b) 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.	PEOPLE

KPI B1.1	Total workforce by gender, employment type, age group and geographical region	PERFORMANCE DATA SUMMARY Social Performance
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	

Aspect B2 – Health and Safety

General Disclosure Information on: (a) the policies; and (b) 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.	PEOPLE

KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting period	PERFORMANCE DATA SUMMARY Social Performance
KPI B2.2	Lost days due to work injury	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	PEOPLE Occupational Health & Safety

Aspect B3 – Development and Training

General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	PEOPLE

KPI B3.1	The percentage of employees trained by gender and employee category.	PERFORMANCE DATA SUMMARY Social Performance
KPI B3.2	The average training hours completed per employee by gender and employee category.	

Aspect B4 – Labour Standards

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	PEOPLE
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	PEOPLE Diversity, Inclusion and Equal Opportunities
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

Aspect B5 – Supply Chain Management

General Disclosure	Policies on managing environmental and social risks of the supply chain.	VALUE CHAIN
KPI B5.1	Number of suppliers by geographical region.	PERFORMANCE DATA SUMMARY Social Performance
KPI 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.	OUR VALUE CHAIN Responsible Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	

Aspect B6 – Product Responsibility

General Disclosure Information on: (a) the policies; and (b) 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		VALUE CHAIN
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	We do not have major product recall event for the reporting year.
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	VALUE CHAIN Quality Management
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	USER RIGHTS PROTECTION Intellectual Property Protection
KPI B6.4	Description of quality assurance process and recall procedures.	VALUE CHAIN Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	USER RIGHTS PROTECTION Privacy and Data Protection

Aspect B7 – Anti-corruption

General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.		SUSTAINABILITY GOVERNANCE
KPI 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.	PERFORMANCE DATA SUMMARY Social Performance
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	

Aspect 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.		COMMUNITY INVESTMENTS
KPI B8.1	Focus areas of contribution	COMMUNITY INVESTMENTS
KPI B8.2	Resources contributed to the focus area.	COMMUNITY INVESTMENTS