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）

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2023 環境、社會及管治報告

Content

1. ABOUT THIS REPORT

Reporting Period and Scope

This Environmental, Social and Governance ("ESG") Report ("the Report") covers the sustainability strategies and ESG performance of NetDragon Websoft Holdings Limited ("the Company" or "We") and together with its subsidiaries (stock code: 0777) ("NetDragon" or "the Group") for the period from 1 January to 31 December 2023 ("the Reporting Period" or "the Year").

The Report encompasses NetDragon's gaming business primarily based in the People's Republic of China ("the PRC") and education technology business primarily based in the United States ("the US") and Europe. This 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 ESG aspects are disclosed in the Report. For further disclosures on corporate governance, please refer to the Corporate Governance Report of NetDragon's 2023 Annual Report.

Reporting Standard

The 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 C2 of the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited ("SEHK").

Reporting Principles

• **Materiality:** Material topics are identified, assessed, reviewed and confirmed by senior management and materiality issues verified by the Board of Directors are disclosed with emphasis to ensure their significance.

• **Quantitative:** Applicable quantitative key performance indicators outlined in Appendix C2 of the ESG Guide under SEHK's Main Board Listing Rules are disclosed to comprehensively evaluate the Group's ESG performance during the Reporting Period. The calculation methods, standards, assumptions, and references for the quantitative data, as well as the sources of the main emissions factors and definitions of terms are also provided.

• **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 and objectively present the Group's ESG management performance.

Contact

We appreciate your feedback on our report, reporting content and sustainability performance. Please contact us through 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

As a prominent online games pioneer in China and global leader in education technology, NetDragon takes on a sense of social responsibility befitting a publicly listed company and maintains high levels of sustainability governance standards. Our commitment to corporate social responsibility is deeply ingrained in the corporate culture, aiming to achieve the perfect balance between economic growth, social progress, and environmental protection. In doing so, we not only drive sustainable growth but also deliver stable returns to investors, laying a solid foundation for our future development.

The Group has established a comprehensive governance structure led by the Board of Directors, under which each function contributes diligently and prudently to advancing the Group's sustainability efforts, working together towards achieving the organisational sustainability goals.

Governance Structure

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

External Assurance[1]

NetDragon's ESG management structure and the respective roles of each layer are as follows:

NetDragon Board of Directors	• Supervise the practices and implementation procedures for corporate governance • Maintain appropriate and effective risk management and internal control systems to ensure compliance with all applicable regulations within the Group • Review and approve ESG reports
Audit Committee	• Assist the Board of Directors in verifying the objectivity and credibility of financial reports, and ensure that directors act in accordance with the *Director's Responsibility Guidelines* when disclosing financial results to shareholders. • Assist the Board of Directors in establishing effective risk management and internal control systems, while maintaining good corporate governance standards and practices. • Review ESG reports and provide recommendations for review and approval by the Board of Directors.
Executive Chairman	Serve as general ESG management consultant under the full authorisation of the Board of Directors.
Group Functions and Business Units	• Our various business units promote the implementation of the Group's ESG policy and integrate ESG targets into the Group's daily operations. • Our subsidiaries formulate and implement ESG-related measures in accordance with the Group's ESG policies and targets, taking into account their own business characteristics and actual circumstances, and collect and summarise the progress and performance of ESG work. • All group functions, business units, and subsidiaries assist in the preparation of ESG reports and conduct ESG-related research.
External Assurance	• **Note 1:** The Audit Committee conducts semi-annual reviews of the effectiveness of our internal control efforts with third-party assistance to comply with the relevant provisions of the Corporate Governance Code of the Main Board Listing Rules issued by SEHK

2.1 Board Independence, Diversity and Performance

We firmly believe that a diverse Board serves as one of the key factors in enhancing our overall performance. Board diversity not only broadens our perspectives but also translates into better decisions and outcomes. In addition to skills, knowledge, and professional experience, the Group considers and balances differences in background, ethnicity, age, gender, and service experience of our Board members. The Board's mission is to select and appoint outstanding individuals to its membership on the basis of merit as well as their contribution to the Group's strategic objectives and sustainable development. We established a Board diversity policy in 2013, which has been under continuous monitoring and maintenance. Aligned with the policy, we have recently appointed a new board member for optimal Board tenure. These directors will stand together to lead the Group towards a more prosperous and sustainable future.

During the Reporting Period, NetDragon 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 experience in corporate operations and management, well-versed in all aspects therein. The Nomination Committee is confident that they exhibit total independence of character and judgement in their duties as Board members and designated roles.

Besides diversity criteria and independence requirements, we perform regular self-assessment of Board performance to monitor Board effectiveness and systematically evaluate their performance for the past financial year.

2.2 Business Ethics and Compliance

2.2.1 Business Ethics and Oversight

The Group has always been committed to maintaining excellent corporate governance performance. We view corporate governance as a driving force for our sustainable development and place high importance on business ethics and integrity. To ensure effective management, we conduct our business activities in all functional and business units with the highest ethical standards. To fulfil this commitment, we entrusted third-party to assess our ethical standards.

All stakeholders who engage in business with the Group, including suppliers, service providers, contractors and customers, are required to comply with the integrity provisions in our bidding/tender documents and contracts. In terms of supplier management, our Internal Audit department and Human Resources department actively communicate relevant business ethics principles to suppliers and business partners, ensuring that they share our commitment to upholding high standards of business ethics.

In terms of employee management, all new hires are required to sign a "Confidentiality and Integrity Statement" to ensure that they practice good business ethics from day one. We also require procurement staff to sign the *Procurement Department Violations and Penalties Rules* and to comply with conflict of interest provisions. Meanwhile, we have formulated the *Code of Conduct for Avoiding Conflicts of Interest*, which requires employees to conduct self-examination and declaration of organisational beneficial interests, in order to identify and prevent potential conflicts of interest and to prevent and control staff management risks. We have set up a dedicated team to handle conflicts of interest, investigate and assess potential conflicts and develop mitigation strategies as appropriate.

The Group has also introduced a feature in its Office Automation (OA) system to collect anonymous complaints about unfair policies and rules or unethical behaviour of employees, especially those in middle and senior management positions.

2.2.2 Anti-Corruption

NetDragon adopts a zero-tolerance attitude towards corruption and bribery. The Group requires all subsidiaries to comply with anti-corruption legislation in the jurisdictions where they operate, such as the *Prevention of Bribery Ordinance* in Hong Kong and the *Foreign Corrupt Practices Act* in the US. They are also required to implement the *OECD Anti-Bribery Convention* throughout their operations.

The Group has established an internal anti-corruption management system in accordance with the above-mentioned laws and regulations. We regulate employee behaviour through internal policies such as the *Employee Misconduct Handling and Management Measures*, which define and impose penalties for corruption and commercial bribery, establishing robust business ethics rules and codes of conduct.

Employee Misconduct Handling and Management Measures (excerpt)

Employees found to have engaged in misconduct that seriously damages (potentially or in reality) the Company's reputation or interests, such as theft, embezzlement, misappropriation of company funds or other property, abuse of position, fraud, accepting bribes/commissions through abuse of authority, abuse of power, private embezzlement, favouring relatives or seeking personal gain, will have their employment terminated immediately by the Group without compensation.

At the same time, in accordance with the requirements of the Independent Commission Against Corruption (ICAC) of the Hong Kong Special Administrative Region, the Group provides a series of anti-corruption related readers such as the *Business Ethics Training for Listed Companies* and *Anti-Corruption Program – Guidelines* for Listed Company to the Board of Directors and senior management, and organises regular training to strengthen the Group's culture of integrity. These help to ensure that our sustainability goals are delivered.

During the Reporting Period, the Group maintained the highest level of integrity and was not involved in any litigation relating to bribery, extortion, fraud, or money laundering.

2.2.3 Reporting Channels

The Group strictly prohibits any unethical business practices and strongly opposes any form of bribery and corruption. To encourage employees to report suspected misconduct in the Group in a confidential manner, we provide a range of reporting channels, including web portal, hotline, email, and intranet.

A reporting feature known as "BUG" has been introduced to our internal OA system. After an investigation by the Internal Audit, if the reported matter is confirmed to be true, the violator will be disciplined by the senior managers of the respective department in accordance with the guidelines provided by the BUG resolution process. The Group plans to develop corresponding internal response procedures for operational problems identified to prevent them from happening again in the future.

To ensure effective whistleblowing, we implement strict confidentiality of the whistleblower's personal information, ensuring that the whistleblower's safety and privacy are thoroughly protected. Our Human Resources department and Internal Audit department work together to ensure that reported matters are handled properly.

Collectively, the above measures and actions instil a culture of integrity in the Group and ensure that this culture is maintained throughout our operations over the long term.

Reporting channels:

Internal

Bug Collection Cabin, email, 99U and other channels.
Email: neishen@nd.com.cn

External

Senior Staff Commendation/Complaint Collection:
https://www.nd.com.cn/2021/collection/?

Email: zuzhibu@nd.com.cn

One of our major overseas subsidiaries has released the *Confidential Reporting (Whistle-blowing) Hotline Policy, Procedures and User Guidelines* through internal and external channels. The Guide provides detailed instructions on the reporting procedure as well as reporting channels, and defines reportable matters to help employees accurately identify unethical business conduct.

2.3 ESG Risk Management

Excellent risk management capabilities are critical to NetDragon's continued success. Our risk management team works closely with departments across the Group to maintain a keen insight into policy updates, competitive landscape, and technological trends. Cross-departmental collaboration enables us to identify potential risks that may pose a threat to our business in a timely manner, especially those closely related to sustainability.

In the risk management process, our departments continuously monitor and assess potential risks to ensure effective control and mitigation. As soon as risks are identified, the relevant departments will report immediately to senior management and, under their guidance, quickly develop action plans and management objectives to reduce losses resulting from the risks.

Mindful of the challenges posed by climate change, NetDragon has taken a series of steps to manage physical and transition risks. These measures are designed to strengthen our climate resilience and ensure that our operations are properly equipped against the adverse impacts of these changes. For more information on how we address environmental challenges, please refer to Chapter 5 Environment in the Report.

3. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

3.1 Stakeholder Engagement Approach

NetDragon is convinced that the collective engagement of internal and external stakeholders is necessary for achieving our ambitious sustainability goals. These stakeholders include not only our employees, but also our customers, suppliers, partners, as well as regulatory bodies and community members who play important roles in our business. To this end, we strive to create an open communication platform where the voices of all stakeholders are heard, ensuring that their expectations and concerns are well understood and addressed.

3.2 Identification and Update of Material Topics

During the Reporting Period, we analysed ESG topics according to their importance to stakeholders and the Group's business development, based on feedback from various communication channels. These topics are grouped into three tiers: General Topic, Moderate Topic and Material Topic. The results are shown below.

Category	Topic	Topic Materiality
Environmental	Climate Change	Moderate Topic
	Air Pollutant Management	
	Water Consumption and Conservation	General Topic
	Energy Management and Carbon Emissions	
	Waste Management	
	Environment and Use of Natural Resources	
Social and Governance	Respect for Intellectual Property Rights	Material Topic
	Data Security and Privacy Protection	
	Product and Services Safety and Quality	
	Innovation Management	
	Corporate Governance	
	Anti-bribery and Anti-corruption	
	Community Investment	Moderate Topic
	Diversity, Inclusion and Equal Opportunities	
	Responsible Supply Chain Management	
	Occupational Health and Safety	
	Talent Attraction, Retention & Development	
	Commercial Ethics and Antitrust	

NetDragon firmly believes that high priority must be given to topics that can have a profound impact on our corporate value. This year, through monitoring industry trends, regulatory updates and investor expectations, and based on the results of stakeholder engagement, we identified "Respect for Intellectual Property Rights", "Data Security and Privacy Protection", "Product and Services Safety and Quality", "Innovation Management", "Corporate Governance" and "Anti-bribery and Anti-corruption" as "Material Topic". The significance of these topics reflects their impact on our ESG aspects. We aim to integrate these topics into our day-to-day operations and manage them through our policies and risk management framework.

NetDragon places equal emphasis on General Topics and Moderate Topics. Considering the impact of these topics on our corporate value, we aim to address them through formulating appropriate policies, setting ESG targets, and risk management to ensure that we meet the code of business conduct and ethics across all aspects. This is our commitment to our stakeholders and our investment in the future.

4. USER RIGHTS PROTECTION

4.1 Cyber Security

As a global leader in building internet communities, NetDragon is well aware of the importance of cyber security to the Group and our stakeholders. We strictly comply with laws and regulations on information security in jurisdictions where we operate, including but not limited to the *Standard Contract for the Outbound Cross-border Transfer of Personal Information* and the *Procedures for Administrative Law Enforcement by the Cyberspace Administration Departments.* We have established a top-down cyber security management framework to ensure that every aspect, from policy development to day-to-day operations, is under strict oversight.

To enable robust cyber security governance, we have clearly defined roles and responsibilities within the team and established efficient reporting mechanisms to ensure agile decision making and precise management. In addition, we continually improve our internal cyber security policies and processes to ensure that our business complies with the law. We view cyber security as a core element of risk management, protecting our operations from any potential threats. This comprehensive security strategy provides a solid foundation for a safe and reliable cyber environment for our customers, employees and partners. Through these strategies and actions, we have consolidated our cyber security leadership and set the stage for continued growth and innovation.

4.1.1 Governance

NetDragon's commitment to information security is evidenced by our comprehensive and rigorous governance measures. In addition to having organisation-wide *Cyber Security Management Measures* in place, the Group's senior management is actively involved in overseeing cyber security matters, ensuring the strict implementation of each policy. To strengthen this commitment, we have established a Safety and Compliance Committee, formed by senior management, demonstrating the utmost importance we place on cyber security.

In addition, we have established an Information Security Department composed of professionals, which is directly led by the Vice President of NetDragon. This Department is responsible for the Group's information and cyber security affairs. It undergoes regular internal and external audits and assessments to ensure that our security measures remain at the forefront of the industry. At NetDragon, decisions regarding cyber security are made and implemented collectively by these professional departments, ensuring that we can respond quickly and effectively to any security challenges and provide a secure cyber environment for our customers, employees, and partners.

From developing rigorous guidelines for cyber security and personal privacy protection to addressing regulatory requirements, we conduct sound data classification and security assessments, demonstrating NetDragon's steadfast commitment to user data protection. The Company not only conducted security testing of internal systems, but also paid special attention to 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.

In addition, NetDragon actively seeks the opinions of external experts to improve our cyber security performance. In 2023, the Company was awarded the "Second Prize in Cyber Attack/Defence Exercise" by the Fuzhou Municipal Cyberspace and Information Security Centre, as a concrete recognition of our cyber security efforts.

Looking ahead, NetDragon will continue to closely monitor the latest developments in the field of cyber security, introduce advanced solutions, and continuously improve and strengthen our information security system to ensure maximum protection of user data security and privacy.

4.1.2 Independent Assessment and Certifications

NetDragon's Information Security team is committed to ensuring the protection of data by implementing well-defined management policies and regularly conducting comprehensive security audits of the Company's information systems, business systems and IT infrastructure. In terms of external audits, the local Communications Authority where we operate also conducts strict reviews of these security measures to ensure that NetDragon implements high-standard management in information security.

The China based gaming and education businesses of the Group have all obtained the State National Information Security Protection Level 3 Certification, which is the most authoritative information security certification scheme in China, and have qualified for reassessment during the Reporting Period. This reflects NetDragon's firm commitment to following national information security regulations and technical standards, as well as our continuous efforts to assess and enhance information system security levels.

Notably, our subsidiary Fujian Province Huayu Education Technology Co. Ltd. ("Fujian Huayu") has obtained the internationally recognised ISO27001 Certification, further underlining NetDragon's global leadership in information security.

4.1.3 Cyber Security along the Value Chain

NetDragon views information security as a critical standard in the selection of suppliers and partners. Besides meeting the strict requirements of the State National Information Security Protection Level 3 Certification itself, the Group requires the security qualifications of cloud service providers and other relevant suppliers to have the same capability, if not a higher level of Certification, in their security qualifications.

4.1.4 Cyber Resilience Commercialisation

NetDragon not only focuses on cybersecurity in our daily operations, but also integrates this concept into the design of our products and services. The Company is committed to delivering sustainable designs that translate cyber resilience into commercial value. By undertaking outsourced cyber security attacks and defence drills, NetDragon has improved its capacity to assist corporate clients in safe operations.

4.1.5 Cybersecurity Training and Education

In 2023, we continued our focus on compliance training in terms of data and information security at the Group level. The detailed program and progress include:

1. The Group provides various safety and compliance training to employees. These include mandatory safety and compliance training for new employees, special safety and compliance training for core business personnel, and voluntary information security series certification. In 2023, NetDragon provided information security training to 750 people. The total number of training hours was 1091.72 hours, averaging 1.55 hours training hours per person;

2. *Common Vulnerabilities and Prevention Methods* training introduced preventive methods against common types of vulnerabilities encountered in our business;

3. Network Intrusion Emergency Response training is prepared for employees with emergency procedures for addressing various types of network intrusion;

4. All new employees received the "New Employee Information Security Awareness Training" course to gain basic information security knowledge, security awareness and understanding of their responsibilities.

4.2 Privacy and Data Protection

4.2.1 Privacy and Data Security Principle, Commitments and Approach

As the world's leading operator of online communities, we oversee a vast database of personal information. In this data-intensive era, we recognise the importance of protecting this information and enforce strict data protection measures in all facets of our business. Our guiding principle is to retain user's personal information for the shortest period permitted by law to minimise any potential privacy risks. Specifically, as required by applicable laws and regulations, we formulated the *NetDragon Game Privacy Policy* to ensure compliance and to protect the privacy of our users. NetDragon adopts the contents of *Information Security Technology Personal Information Security Specifications (GB/T 35273-2020)* as the framework to form our organisation-wide information security management system, and has formulated the following principles, commitments, and approach:

Data Collection Phase:

• Principle of Legality: No deception, no misleading, no concealing, no data collected from any illegal channels;

• Principle of Minimum Necessity: Only collect the data directly related to the implementation of products or services;

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

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

Data Storage and Transmission Phase:

• Shortest Time Principle: The storage period is the minimum time required to achieve the purpose of processing;

• 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 the collection phase, any applications beyond the stated purpose need separate authorisation;

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

4.2.2 Scope of Privacy and Data Protection Policies

Protecting the security and privacy of personal data is a top priority in our operations. The Group develops and continuously updates a comprehensive series of privacy policies that apply to all of its controlled companies to ensure the protection of user data on a global scale.

4.2.3 Personal Data Consents, Rights and Control

NetDragon provides users with the right to control their personal information, including but not limited to the right to access, update, delete and withdraw the authorisation. We provide an intuitive interface that allows users to easily update or modify their personal information, such as phone numbers, in the designated application. In addition, when users choose to cancel their accounts, we ensure that their personal information is automatically and securely removed from the system to protect their privacy.

4.2.4 Cross-border Data Management

In order to protect our users' privacy and personal data, NetDragon complies with all applicable laws and regulations on the cross-border transmission where we operate. If there is a need to transport personal information across borders, NetDragon will separately and independently obtain the user's authorised consent to specify the purpose, type and recipient of the outbound transmission of personal information. 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.

4.2.5 Privacy and Data Engagement and Certification

The Group provides in-depth privacy and data security training to all employees, especially those involved in handling personal information. Prioritising "data minimisation" and "privacy by design", one of our major overseas subsidiaries integrates these principles into its products and services to minimise the processing of personal data. At the same time, the subsidiary has deployed advanced software scanning tools to detect vulnerabilities in code, ensuring that issues are identified promptly to provide secure products and services.

A service offered by the overseas subsidiary has been certified by iKeepSafe (Internet Safety Alliance©). This confirms that the oversea's subsidiary's service strictly complies with certain U.S. state and federal regulations on the handling of sensitive personal information.

4.2.6 Third-party Data Management

The Group does not rent, sell, or provide personal data to third parties other than for the following purposes: to complete a merger, acquisition, asset transfer or similar transaction with user consent; to perform specific services with user consent; when inquired by local jurisdictions and regulatory department to be compliant with the relevant requirements of laws and regulations.

4.2.7 Data Breach/Incident Response Plan

The Group has introduced a series of innovative technologies and measures to minimise the risk of data breaches. In addition to developing a comprehensive data security management strategy and contingency plan, we have also established a robust incident response mechanism to ensure a rapid and effective response to information security incidents.

In the event of an information security incident, our Information Security department will take immediate action and assign professional staff to perform an incident analysis. We will collect evidence at the scene of the incident, thoroughly understand the cause and handling of the incident, and conduct a rigorous assessment of its impact. Our aim is to ensure the effectiveness of response measures, to learn from the incident, to make recommendations for improvement and to prevent similar incidents from happening again. In addition, our Information Security department regularly reviews and updates information security policies and procedures to strengthen our information security defence mechanism and continuously improve our information security management level.

We regularly conduct comprehensive assessments of our computer systems and make necessary platform upgrades to ensure that our technology remains at the forefront of the industry. Ongoing network vulnerability assessments and penetration testing enable us to identify and address potential security threats in a timely manner. All of our critical IT infrastructure and systems are equipped with advanced monitoring systems that accurately generate and analyse logs and immediately issue alerts when suspicious network activity or attempted attacks are detected. During the Reporting Period, the Group reported no substantial data leaks in our business operations.

4.3 Protection on Minors

In this era of digital gaming, NetDragon serves not only as a platform for exciting gaming experiences but also as a socially responsible custodian. We are committed to protecting minors from the potential hazards of online gaming. In compliance with the National Administration of Press and Publication's *Notice on Further Strengthening Regulation to Effectively Prevent Online Gaming Addictions among Minors*, the Group implements real-name registration across all of our self-operated games in Mainland China (such as Eudemons, Conquer, and Heroes Evolved). Minors are required to ensure that they have the consent of their guardians to use our services, and their data will be strictly protected. If we find out that we have collected data without a guardian's consent, we will suspend the service to minors and delete the data as soon as possible to protect the physical and mental well-being of minors, reduce their risk of gaming addiction, and help them develop healthy gaming behaviour.

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. Meanwhile, we 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") is a critical strategic asset for the Group. Excellence in IP management serves not only as a powerful driver of our core competitiveness, but also as a key factor in stimulating innovation and development. We are constantly striving to nurture and expand our flagship IPs to provide players with a unique gaming experience. To this end, the Group has collaborated with well-known IPs both domestically and internationally, and is honoured to be an IP partner of prestigious brands such as Universal Pictures and Lego. We have ensured the highest level of protection and respect for these valuable IPs in various domains by implementing a series of innovative mechanisms.

On our intranet, accessible to all employees, each IP related to our offerings 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. This not only raises employee awareness of IP, but also effectively guides employees to use IP in a correct and compliant manner in their daily work, thereby reducing the risks associated with IP misuse or abuse.

At the same time, the Group holds the IP of others in high regard and continues to promote the use of genuine software. In game development and other creative processes, we strictly adhere to IP laws and never infringe upon the IPs of others.

4.5 Customer Engagement

We value our customers' feedback and reviews of our products and services. We always listen attentively to the voice of each customer and regard their feedback as the key to improving the quality of our products and services. To this end, we monitor and respond to customer feedback and enquiries relating predominantly to our products and services. Over the past seven fiscal years, the Group has received an average of less than 0.03% of customer complaints.

2017-2023 Operation Contacts into Support and Complaints Received within the Group

Year	Consolidated Gaming Contacts into Support	Complaints Received	% Complaints
2017	1,908,693	211	0.011%
2018	1,756,206	396	0.023%
2019	1,685,030	335	0.020%
2020	1,837,044	607	0.033%
2021	1,510,396	541	0.036%
2022	1,478,111	461	0.031%
2023	1,240,726	633	0.051%

NetDragon listens and takes every customer's opinion and feedback seriously. Each complaint is handled on a case-by-case basis by studying the feedback from our customer satisfaction surveys. The Technical Support team is responsible for recording the feedback, forwarding it to the relevant personnel for processing, and contacting the customer to resolve the complaint when it is completed.

5. ENVIRONMENTAL PROTECTION

The Group primarily operates in the fields of gaming and education technology, resulting in comparatively minimal environmental impacts when compared to traditional manufacturing industries that directly emit greenhouse gases and produce waste. Nonetheless, we never neglect our responsibility for environmental protection. We perceive environmental protection as a hard core of corporate social responsibility and are dedicated to minimising our negative impact on nature through sustainable business practices. Since October 2022, the *Quality and Environmental Management System* ("QEMS") has been implemented in our overseas UK education business segment in line with ISO 14001 and ISO 9001 standards. Additionally, our subsidiary Fujian Huayu obtained the certification of ISO 14001 environmental management system in 2022, recognising our endeavours in environmental protection.

In response to the challenges posed by global climate change, such as rising sea levels, extreme weather events, and temperature shifts, we recognise the significant impact these changes may have on our assets, business operations, and all stakeholders. Accordingly, we have developed a robust set of internal management policies to mitigate these risks and established a monitoring system to track the progress and results of their implementation. Our aim is clear: to protect both the environment and our business from the adverse effects of climate change while contributing to a greener and more sustainable future.

5.1 Climate Change

Climate change poses a grave and pressing challenge to both social and business sustainability. In light of this, the Group has diligently identified and evaluated the risks posed by climate change, strictly adhering to government-issued guidelines on extreme weather, and carrying out measures to safeguard our employees' safety. Concurrently, we have devised emergency protocols, contingency plans for extreme weather events, and corresponding strategies to mitigate potential damages from future disastrous events.

The Group regularly reviews and tracks the implementation and progress of our climate change policies to ensure effective execution. Additionally, we are continuously exploring innovative approaches to better protect the environment, whether by promoting renewable energy or instituting new resource recycling initiatives, to set a benchmark for environmental stewardship within our industry and pioneer the path toward greener development.

In addition to our ongoing commitment to prioritise climate change issues, our group aligns with the goal of "Climate Action" outlined in the United Nations' Sustainable Development Goals ("SDGs"). We pledge to progressively adopt the Task Force on Climate-Related Financial Disclosures ("TCFD") framework by early 2024, disclosing the Group's risk management system and initiatives on climate change, setting up and meticulously tracking progress on climate change-related metrics and targets.

5.2 Energy Management and Carbon Emissions

NetDragon has significantly reduced its environmental impact through innovative technologies and recycling initiatives. We have not only decreased emissions of harmful pollutants and Greenhouse Gas ("GHG") but also rigorously controlled pollution to water and land, effectively managing the generation of various types of waste.

By carrying out a series of energy-saving measures, we have notably reduced both direct and indirect energy consumption. To mitigate emissions from goods transportation, we are actively promoting innovative road transport methods and have established three new transportation hubs for delivery in the US to enhance our goods transport efficiency. Additionally, we incentivise employees with green travel policies, stimulating them to choose more environmentally friendly modes of transportation.

Our day-to-day office operations are centred around energy conservation, efficient resource utilisation, waste recycling, and environmental protection. We have issued the *Computer Misuse Summary* and the *Air Conditioning Management Measures* to regulate daily office operations and reduce energy consumption. Moreover, we promote the concepts of "reduce, reuse and recycle," encouraging employees to further save energy and resources through methods such as achieving a paperless office, recycling all office supplies and equipment, using LED lighting and installing sensors.

In recent years, NetDragon has demonstrated unprecedented determination and innovative spirit in leading our headquarters and Smart Education Town towards a future powered by 100% clean energy. Simultaneously, we are deeply committed to advancing the green transition across the entire industry chain, striving to minimise the use of non-renewable energy at every stage from source to end. Our goal is to continually enhance energy efficiency, ensuring that we remain at the forefront of energy use, even surpassing evolving advanced standards.

5.3 Indoor Air Quality and Healthy Workplace

We are fully aware of the profound impact of indoor air quality on the physical and mental health of our employees. Hence, we are actively enhancing our work environment to ensure it remains fresh and free from pollution, thereby providing a secure and healthful workplace to our staff. This commitment not only underscores our dedication to employee welfare but also aligns with the vision of "Healthy Workplace, Sustainable Growth" as advocated by HR Excellence Center.

For four consecutive years, we have proudly received the Diamond Level China Healthy Workplace Certification from a distinguished Chinese human resources consulting firm, the HR Excellence Center. This certification, developed by experts from esteemed institutions and organisations including Fudan University, Huawei, Medtronic, Volkswagen, and Bayer, is a comprehensive design, covering aspects such as corporate support, health environment and management, management implementation, and occupational safety and health. This certification serves as an external validation of our efforts in fostering a healthy workplace environment.

5.4 Water Consumption and Conservation

In our daily operations, water resources are primarily used for office cleaning and restroom facilities. Despite our operational locations not being situated in water-stressed areas, we deeply value every drop of water. Therefore, we have internally established stringent water resource management policies and guidelines to act on water conservation strategies comprehensively.

From overall management to operational levels, we meticulously monitor and adjust water conservation strategies to ensure their effective implementation. Regular inspections of water facilities are conducted to preempt any form of leakage, and real-time data monitoring is employed to promptly identify and address any abnormal situations of water consumption.

We not only enhance employee awareness of water conservation through posters and promotional materials within the office but also encourage employees to practice water-saving behaviours in their daily lives. Our goal extends beyond merely reducing water usage, but fostering a collective culture of water conservation, where every employee becomes an integral part of the water-saving initiative.

5.5 Waste Management

All NetDragon's business units are making joint efforts to reduce the generation of waste and reliance on landfills, thereby easing the burden on our environment. To achieve this, we have established comprehensive guidelines for the collection, recycling, and disposal of all types of waste in alignment with local regulations. Moreover, our waste management strategy is regularly updated to adapt to evolving regulatory frameworks.

At our offices, we promote a centralised material recycling program aimed at minimising waste generation and fostering resource circularity. From plastics and paper to cardboard and metals, as well as batteries and food waste, our recycling facilities handle a broad spectrum of materials. Specialised recycling bins and stations have been set up in various corners of the office building, accompanied by clear guidelines, to ensure that every employee can easily sort and dispose of waste. All recyclable materials are directed to local recycling centres or charitable organisations for proper processing and reuse. For hazardous waste, we partner with specialised and professional collection agencies to ensure the safe recycling and disposal of items such as fluorescent lights and batteries.

The Group complies strictly with local legislation in its overseas education business segment, including the New Jersey Electronic Waste Management Act and the New York State Electronic Equipment Recycling and Reuse Act, and has carried out a "Mail-back" program across the US, which is aimed to facilitate clients' convenient recycling of unwanted or damaged products or parts. The initiative allows customers to return items to us free of charge, following detailed instructions, and these items are then responsibly processed and recycled by us. This not only helps reduce electronic waste but also ensures the proper management of old equipment, empowering customers to contribute to environmental sustainability.

6. PEOPLE

NetDragon's success is attributed to the steadfast contributions of all employees. We highly value every talent that joins us and strive to provide them with an ideal work environment that harmonises physical and mental well-being, productivity, and team spirit.

6.1 Diversity, Inclusion and Equal Opportunities

We stay committed to upholding fair, just, and open recruitment principles, ensuring equal opportunities for all job seekers regardless of age, ethnicity, race, family status, ethnic background, colour, gender, sexual orientation, religious beliefs, social background, nationality, disabilities, pregnancy, or any other biases prohibited by law. We embrace values of diversity, equality, and inclusion, with "Zero Discrimination" at the core of our corporate culture.

6.1.1 Policies and Key Initiatives

Our dedication extends beyond creating a Discrimination-Free workplace where every employee can actively contribute their talents and achieve their potential. We also focus on recruiting, attracting, nurturing, and promoting the most exceptional individuals to drive our core competitiveness.

To achieve this goal, the Group has established Employee Inclusion Groups ("EIGs") and developed a diversity, equality & inclusion strategy aimed at fostering exchanges and collaboration among diverse groups while respecting and recognising every employee's individuality and contributions. Under this strategy, the management will regularly engage in intersectional discussions with EIGs to enhance solicitude and support for 4 different groups, namely, Gender, Ethnicity, LGBTQ+, and Disability in talent recruitment, attraction, and recognition. Furthermore, the Group strictly adheres to Anti-Harassment policies, ensuring a safe, friendly, and inclusive work environment for all employees.

The Group implements a series of management policies that promote employees' work-life balance, including:

1. **Fairness in Talent Attraction and Retention:** equally treats all employees during recruitment, promotion, reviews of professional and technical tenures, and training.

2. **Beyond Statutory Holidays:** provides statutory maternity inspection leave, maternity leave, and breastfeeding leave for female employees.

3. **New Working Mode:** builds up Metaverse's new office mode to help employees better balance work and family relationships and accelerates the pace of creating a Metaverse organisation where "everyone participates in co-creation, and everyone shares value". We continue to promote the "efficiency-centered" ideology and transform it into a new working mode, allowing employees to choose a more efficient working mode based on their working preferences for better work-life balance.

4. **Multicultural, Friendly and Humanised 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' feedback, we are dedicated to solving employee demands through various forms and channels.

5. **Health of Everyone:** we arrange annual physical examinations for employees and provide warm, comfortable, and private spaces for female employees during pregnancy and breastfeeding periods.

6.1.2 Diversity Training

The Group fully recognises the importance of diversity, anti-discrimination, no-bias, and anti-harassment principles in building a harmonious, efficient, and innovative workforce. These principles are integral to our employee training programs. To ensure that every employee understands and practices these principles and ideas, we offer tailored courses targeting specific issues to raise awareness among employees and guide their behaviours at certain subsidiaries where these issues are vital to the local communities, promoting a diverse and inclusive work environment. These courses cover:

Anti-Harassment: This course starts by elaborating on the negative impact of discrimination and harassment in the workplace, helping employees understand that such discriminatory and harassing behaviour not only lowers morale and productivity but may also violate the law. Additionally, this course provides examples and case analysis outlining the types of behaviour that may lead to discrimination and harassment (including sexual harassment) and teaches employees how to identify and avoid such behaviour. Last but not least, the course explores the ways to create a mutually respectful work environment and introduces employees to relevant provisions of federal anti-discrimination and anti-harassment laws.

Unconscious Bias: This course explains to employees the definition of unbiasedness and unconscious bias, and emphasises the significance of employees possessing awareness against bias. Starting from the origins of bias, the course assists employees in taking various measures to overcome their unconscious biases, teaching them how to examine and change their biased thoughts and behaviours. Finally, the course presents employees specific strategies adopted by the company to combat unconscious bias.

6.1.3 Management Oversight

One of our major overseas subsidiaries hosts periodic "Curious Conversations", inviting all employees to express their views and expectations regarding the work environment and culture to management executives. These exchanges provide an opportunity for management to explain and respond to queries about the Diversity, Equality, and Inclusion strategy. This not only facilitates mutual trust and understanding between management and employees but also promotes collaboration and communication among EIGs.

6.1.4 Staff Overview

As of 31 December 2023, the Group had a total of 5,389[1] employees, with 91% of full-time employees. Of these, 88% were based in the PRC and Hong Kong SAR, with the remaining 12% based overseas. Moreover, full-time male and female employees accounted for 62% and 38% of the total workforce respectively. Employees aged 31 to 50 represented 59% of the overall headcount, while those under 30 and over 50 accounted for 37% and 4%, respectively.

6.1.5 Prohibition of Child Labour and Forced Labour

We strictly adhere to laws and regulations such as the *Law of the People's Republic of China on the Protection of Minors* and *Provisions on Prohibition of Child Labour* to protect the legitimate rights and interests of minors and oppose any form of child labour. To prevent incidents of employing child labour, we require new employees to provide authentic and valid identification documents for verification upon entry. Those providing false materials or documents will not be hired and will be dealt with according to legal requirements and our internal regulations.

Simultaneously, we prohibit forced labour, respect employees' free will, and encourage employees to reasonably arrange their work and rest time following relevant regulations. In addition, one of our major overseas subsidiaries has publicly released and implemented the *Human Rights Policy and the Slavery and Human Trafficking Statement,* clearly defining equality and rights for every employee. During the Reporting Period, the Group did not encounter any incidents of employing child labour or forced labour.

6.1.6 Staff Communication

We are well aware that communication with our employees serves as essential drivers of corporate development and a key elements of employees' personal growth. Therefore, we remain firm in respecting employees' opinions and suggestions and strive to create an equal, harmonious, smooth, and transparent communication environment. To guarantee employees' rights, we have established a dedicated internal audit department responsible for monitoring and following up on the handling of BUGs and suggestions.

[1]   Only some subsidiaries of the Group are included.

Furthermore, we provide a wide range of channels for employees to submit complaints anonymously/half-publicly/publicly according to their wishes and needs. Our BUG Collection Cabin is a convenient and quick complaint channel where employees can directly report their problems. We have also enacted the *Internal Audit Management* to standardise the overall process and requirements of employee complaints and established incentive measures to inspire all employees to participate actively. The regulations specify the handling department, process, method, and feedback deadline to deal with employee complaints, ensuring they are resolved fairly, effectively, and promptly.

Channels for complaints:

- Intranet BUG Collection Cabin and 99U-Application-Office Management-BUG Collection Cabin: applicable to all types of complaints;

- Senior management commendation/complaint collection cabin: applicable to complaints against management positions, project leaders, and other personnel at levels 7 and above;

- Email: neishen@nd.com.cn

During the Reporting Period, the Group conducted satisfaction surveys for new hires and employee activities. The results were analysed with a view to improving the onboarding process and experience for new hires and optimising the organisation of employee activities. In order to improve the onboarding experience of new hires in a timely manner, we continuously conduct satisfaction surveys during the onboarding period and provide quarterly survey reports to the relevant departments for analysis and improvement. For our employees, we conduct satisfaction surveys after each activity and analyse the results of the surveys for continuous improvement with the aim of persistently enhancing the quality of benefits.

6.2 Talent Attraction and Retention

Talents are our foundation for achieving sustainable growth over the long run. In the global competitive landscape, recruiting and retaining the best talent worldwide injects powerful momentum and vitality into our group. To that end, we strive to implement the most optimal model of human capital management ("HCM") that emphasises being transparent, open-minded, and proactive. We aspire to evolve into an organisation that has no boundaries, is knowledge-intensive, and empowers its members. NetDragon's HCM concept emphasises flexible employment, fairness, transparency, knowledge sharing, and the application of AI technology. We pioneer flexible work modes tailored to the modern era, attracting global talent through remote work opportunities and flexible working hours.

We extend a spectrum of Employee Value Propositions ("EVP") to our colleagues, including competitive remuneration, performance incentives, comprehensive welfare initiatives supporting employees and their families, and personalised career development plans for individuals and teams. Simultaneously, we place significant emphasis on talent management training, fostering an environment where employees feel valued and supported, thereby igniting their passion and creativity in the workplace.

Our objectives are to:

- Attract, motivate and retain exceptional talent

- Demonstrate target-driven remuneration that links our unique platform to the organisation and diverse individual employees' purpose to drive overall results, talent retention and engagement

- Align individual goals and compensation with Shareholders' interests

6.2.1 Variable Compensation Schemes

With operational excellence at its core, our plan is driven by value and supported by flexible reward mechanisms. In addition to 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, personalised 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, special skills allowances, special duties allowances, project milestone awards, project completion bonuses, innovation incentive bonuses, annual bonuses, part-time subsidies, etc.

2. **Long-term Incentives:** include merit points, akin to stock options, which are granted to employees who have made long-term value contributions to the company and rewarded when the project achieves a breakthrough.

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.

Furthermore, we consistently refine our compensation policies based on market benchmarks and performance evaluations, safeguarding employees' basic rights and facilitating mutual development and win-win cooperation between the company and our staff. Through regular performance reviews and assessments, we work to provide timely and comprehensive feedback and guidance to employees within our performance management framework.

For more details about our performance management system, please visit:

https://ir.nd.com.cn/sc/human-resource-management-sc

6.2.2 Engaging with Talents

NetDragon remains steadfast in our focus on attracting and nurturing elite talent, continually bringing in high-caliber professionals. Each year, the company conducts annual recruitment planning and forecasts for talent acquisition needs. During the Reporting Period, we introduced a new recruitment management system, enabling flexible, high-adaptive, and precise recruitment to meet our requirements for evolving talent development.

Throughout the Reporting Period, our efforts in social and campus recruitment yielded notable results: We hired 593 professionals through social recruitment. Moreover, 24,388 fresh graduates from home and abroad participated in our campus recruitment activities, and 115 outstanding new graduates were hired. Concurrently, we actively responded to calls for employment stability by establishing robust partnerships with many educational institutions and positively participating in employment and education initiatives organised by the Ministry of Education. These collaborative efforts spanned industries, education, scientific research, and innovation.

Our consistent recognition by talents has garnered us prestigious accolades, such as the "2023 China Excellent HCM Model Enterprise Award", "2023 Best Companies to Work for," "Best Employer Award", "Extraordinary Employer," and "Top Human Resources Management Awards".

6.3 Talent Development

NetDragon acknowledges that learning and development are the cornerstone of the mutual growth of employees and the company. Therefore, we invest substantial resources and effort in cultivating a high-quality learning and development environment for our employees. We provide all kinds of tools and resources to ensure that all employees have opportunities for learning, growth, and career development. Additionally, we offer guidance and support from management to assist employees in overcoming challenges they may encounter in their work.

The Group provides a combined online and offline training platform for our internal employees, which plays a pivotal role in supporting and empowering our entire organisation. Through knowledge accumulation and best practice refinement, we aim to enhance NetDragon's overall professional capabilities supplemented by diverse learning methods and products. This, in turn, facilitates the career development and talent advancement of our employees. Since 2007, the platform has continually expanded the training content and capabilities, offering over 14 subjects/topics for employee selection by the end of the Reporting Period.

As emerging technologies such as AI, 3D, big data, and blockchain continue to evolve, we actively develop and refine relevant training and skills advancement programs within our existing training system. The effort is aimed at identifying and seizing new opportunities, enhancing the professional capabilities of our employees, and simultaneously supporting their personal growth while aligning with the company's strategic development objectives. In addition, we promote online learning, offering a "Weekly Lessons" training program to meet the learning needs of our organisation's development. Furthermore, we leverage AI technology to explore the metaverse, achieving business process automation and structuring through the help of an AI virtual executive named "Tang Yu", thus ensuring efficient and transparent organisational operations.

In 2023, a total of 1,122 participants engaged in the offline training programs, with a total of 34,135.95 teaching hours, averaging 30.42 hours per person. On our eLearning online learning platform, 3,716 employees participated in thematic course learning, with a total teaching duration of 270,431 hours, averaging 72.77 hours per person.

We have in place a complete career development, key position qualification, and a dual-track (managerial and professional) promotion system. Our promotion philosophy is highly centred around the quality of work, without regard to the traditional career boundaries of tenure and ranking. The philosophy ensures that all rules, standards, and processes towards promotion are clearly defined and maximises equity. Moreover, such an approach enables us to identify qualified and excellent employees timely based on their valuable contributions, and thus offer them more opportunities or higher positions within the company. In this regard, all employees are recognised by earning what they deserve.

The company also encourage innovation and the pursuit of excellence by rewarding innovative talent. We hold annual events to give out all kinds of innovation awards, honouring around 20 outstanding employees every year, and many more are incentivised monthly (we have paid "innovation" bonuses to 1,144 staff accumulated since 2021), fostering a conducive atmosphere for innovation. Further, to drive design-driven innovation, we hold our '99 Design Oscar' event annually to reward top creative designs, offering various awards to recognise and encourage employees with rich creativity.

6.3.1 Routine Training Programs

New Staff Training: By the end of the Reporting Period, we carried out new staff training camps for a total of 493 new recruits, with a cumulative study time of 3,944 hours, averaging 8 hours per person. Training content spans corporate culture, relevant norms and regulations, as well as our company's philosophies.

Skills Training: During the Reporting Period, we enhanced employees' professional capabilities through "All-Staff Training," offering courses in new technologies such as Unreal and AIGC, as well as specialised courses in fields such as education, animation performance, Flutter development qualifications, and Web 3D, aiding employees in professional skill enhancement and career development.

Leadership and Management Training: We conducted training in management learning areas to identify potential management talents. By combining actual job problems faced by management positions with research, online micro-course pre-learning, and offline workshops, we help management positions improve their management abilities, facilitating continuous upgrades in company management.

6.3.2 Certification Projects

We have made significant investments and developed courses with relevant certifications and internal certifications evaluated by external experts. In addition to internal certifications, we encourage employees to participate in external learning certifications to stay updated with the latest technologies and knowledge, aligning with industry standards and trends. For example, the company reimburses expenses for students applying for U3D certification (Unity's game design and development certification), enabling them to learn and use cutting-edge game development tools and platforms.

We also encourage metaverse work mode. After employees obtain training certification, they can undertake insoured tasks while completing their work, receiving more compensation and achieving a win-win result for both the company and employees.

1. **Business Certification:** Since 2020, NetDragon has adhered to the "task-centred" management philosophy. To this end, we have established a comprehensive certificate-holding and promotion system aimed at improving employees' qualities and competence. Based on the requirements of different positions, we designed corresponding business certification exams, requiring employees to pass the exam to obtain qualifications for the relevant positions. Additionally, we encourage our employees to continuously strive for advancement and position promotion, and we not only assess employees' performance and cultural values but also require employees to pass business certification for new positions.

2. **Specialised Training Certification:** Through all-staff training, we achieved competency building for various positions within the company. During the Reporting Period, we provided specialised training in Unreal, Flutter development qualifications, etc., allowing employees to acquire relevant knowledge and skills and to obtain related certifications and certificates, proving their professional abilities and qualifications. These certificates are conducive not only to employees' personal career development but also to the company's brand image and market reputation.

6.3.3 E-Learning Training and Learning Platform Construction

We encourage and act on lifelong learning and carry out all-staff training for this purpose. On one hand, we remain firm in leveraging technologies for empowerment and continuously improve the online learning training platform by digitising excellent practices. On the other hand, we constantly introduce a series of courses on new technology such as AI, inspiring employees to participate in training and learning to enhance core skills and work output.

During the Reporting Period, our learning platform added a total of 437 uploaded courses. The total number of employees participating in e-learning was 3,716, with a total study time of 270,431 hours, averaging 72.77 hours per person.

6.4 Occupational Health & Safety

NetDragon attaches great importance to the overall health and well-being of our employees. We consistently promote healthy working habits, balanced lifestyle, and encourage regular exercise. To this end, we provide comprehensive indoor and outdoor sports facilities, and offer internal coaching to cultivate a culture of staying fit and healthy, mitigating health and safety risks for employees.

Additionally, we are committed to adhering to global standards for managing the Group's occupational health and safety issues, while also adapting to local laws and regulations in our operational regions. To ensure compliance, we have rolled out occupational health and safety policies aimed at creating secure and reassuring working conditions for every employee. Our efforts have also been recognised internationally, with Fujian Huayu receiving ISO 45001 certification for its occupational health and safety management systems in 2022. Notably, over the past four years, there have been no significant work-related health and safety incidents or fatalities within our organisation.

Legal Compliance Identification

- We diligently identify and adhere to all applicable laws and regulations relevant to our operations, implementing appropriate control measures to ensure compliance.

Establish a Top-down Occupational Health and Safety Management System

- Executive management oversees the implementation of our occupational health and safety policies, ensuring that they are effectively enforced throughout the organisation. Our managers will take proactive steps to address any health concerns raised by team members.

Identification and Management of Occupational Health and Safety Risks

- Through regular assessments of occupational health and safety risks, we conduct internal inspections of all production activities and locations to identify and eliminate hazards, thereby creating a safe working environment. Additionally, we develop emergency action plans to address any unforeseen circumstances.

Continuous Improvement

- We set goals and performance indicators to drive continuous improvement in our occupational health and safety management practices and reduce such risks for employees. Regular progress assessments help us refine our approach and further enhance health and safety management across the Group.

Provision of Appropriate Occupational Health and Safety Training

- We ensure that our employees receive comprehensive training relevant to their roles, equipping them with the necessary information, skills, and supervision to perform their duties safely.

6.4.1 Safety

To ensure a safe working environment, security personnel are on duty 24 hours a day to comprehensively monitor all working venues and conduct rigorous patrols and inspections.

To improve our rescue and employees' safety awareness and self-rescue skills, we have established fire services systems and hired 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.

6.4.2 Health

Human capital is of paramount value to the Group. We prioritise the well-being of our workforce and continue to promote practical and fun initiatives to encourage a healthy and balanced lifestyle for our employees.

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 healthy life. NetDragon Games (i.e. Sports Day), 1/4 Marathon, and SEAL Challenge are among the annual events.

Health Check

We provide employees with regular health surveys/assessments, annual body checks, and health report interpretation, which help us better understand our employees' overall health status and individual needs. We also formulate policies to better protect employee's health data and privacy.

Health Education

Our global headquarters offers a wide range of in-house sports facilities, sports training sessions, medical courses, health lessons and consultations to our employees. Moreover, 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. Furthermore, we also strictly adhere to epidemic control measures in all of our facilities.

7. VALUE CHAIN

7.1 Innovation Management

At NetDragon, we regard innovation management as a top priority, investing over 1.1 billion RMB annually in developing cutting-edge technologies and products, and hiring over 3,000 experienced and creative R&D personnel worldwide. We continuously drive innovation by encouraging employees to propose new ideas and solutions, providing them with sufficient support and resources. In addition to in-house R&D efforts on our own IPs, we actively engage in strategic partnerships with other global leading brands to work on the development of next-generation educational products.

Furthermore, we foster internal collaboration and innovation through dedicated awards and recognition. Each year, we honour outstanding team members with the Technology Innovation Award and Design Innovation Award, inspiring a culture of innovation and excellence in our workforce.

7.2 Responsible Supply Chain Management

In 2023, the Group had a total of 44 major suppliers. The geographical split of these suppliers is as follows:

Indicators	2023	2022	2021	2020	2019	2018	2017	2016
Number of Major Suppliers[2]	44	29	23	22	21	23	17	15
By region:								
Asian Countries (Excluding Mainland China and Hong Kong SAR)	15	3	1	3	3	2	2	4
Australia	0	0	0	0	0	0	0	0
The United Kingdom ("the UK")	0	1	1	0	1	2	0	0
US	17	14	8	7	8	11	5	1
Mainland China	3	4	5	6	7	6	7	5
United Arab Emirates ("UAE")	0	0	0	1	0	0	0	0
Hong Kong SAR	4	4	5	2	2	1	1	4
European Countries(excluding the UK)	5	3	3	3	0	1	2	1

The Group's major suppliers refers to suppliers of products/services whose total contract sum amounted to USD 1 million or more in any given year.

In order to comprehensively regulate the Group's purchasing and bidding process, ensure smooth production and operation, and enhance supply chain management performance, the group has established a comprehensive supply chain management system and conducted evaluations of suppliers' environmental and social performance.

During the Reporting Period, we formulated and updated the *Purchasing Management System 2023 and Tendering and Purchasing Management System 2023*. These systems require comprehensive assessments of suppliers during the purchasing process, ensuring compliance with licensing and qualification requirements, and developing suppliers based on the "QCDS" principle, focusing on quality, cost, delivery, and service. We also strictly adhere to tendering and purchasing disciplines, maintaining openness, fairness, justice, and honesty throughout the process and enforcing regulations at every stage. Should we detect bidder's any negative environmental or social impacts, or instances of deception, fraud, overpricing, underpricing, or malicious bidding, we will eject the bid and involve legal intervention.

During the Reporting Period, the Group did not experience any significant actual or potential negative impacts from major suppliers regarding business ethics, environmental protection, human rights, or labour practices. Additionally, to the best of our knowledge, employees were not involved in any non-compliant events that violated human rights.

7.3 Quality Management

The Group stays committed to excellent quality management, establishing and implementing a comprehensive internal policy and procedures framework for information security management applying to all Group business lines, in line with the framework outlined in the *Information Security Technology – Personal Information Security Specification* (GB/T 35273-2020) issued by the Chinese government in March 2020.

The following policies and procedures are included:

- Well-rounded preventive measures covering the entire cycle of data collection, transmission, storage, and usage stages

- Clear definition of data ownership rights

- Complaint collection mechanism and response procedures

- Data leakage reporting mechanism

- Data protection impact assessment

- Strengthened organisational measures for information security management

- Regular communication and cooperation with regulatory authorities

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

- We generate and send out daily journals on quality, demonstrating the quality and progress of the latest version of the products on a multidimensional scale, and coordinate timely problem-solving efforts to avoid and control risks wherever possible and ensure the progress of the production.

- We perform a variety of specialised tests on product performance, compatibility, network and security, and other aspects to ensure product quality, employing a 24/7 automated testing-based cloud service on our in-house developed tailored testing platform.

- We strictly implement quality control processes and standards, including product requirement reviews, test plan management, test rule management, test execution management, risk feedback management, and bug data management.

- We have established a quality control system based on online uptime checks, and implement regular testing/auto-triggered testing for timely defect detection during production and real-time monitoring of product quality.

- Under the requirements of relevant laws and regulations, we have developed standards and guidelines for security test in relation to five areas, namely personal privacy protection on Apps, information security for users, real-name registration, content security and anti-addiction system of games. Moreover, leveraging the self-developed security scanner and its exclusive online quality monitoring technology, we provide timely product conformity reports to ensure that our products comply with laws and regulations.

7.3.1 Health, Safety Quality and Certification

As an ISO 14001 certified entity, one of our major overseas subsidiaries undergoes an annual surveillance audit and recertification audit every 3 years. The audits cover 4 aspects — reducing environmental impact, complying with legislation, improving efficiency to reduce operating costs, and gaining a competitive advantage in tendering processes.

7.3.2 Product Recalls & Regulatory Violation

As of the Reporting Period, there were no product recalls related to health and safety or any major product failure incidents. In the event of product or service failures, the Group will promptly provide warranty services to customers, analyze and address failure problems, and offer customers satisfactory solutions under warranty policies. Additionally, there were no instances of regulatory violations regarding products and services during the Reporting Period.

7.3.3 Quality Assurance

We endeavour to establish a product and service environment that is high-quality, reliable, cost-effective, and on-time to ensure customer satisfaction and trust in our brand. For this purpose, we integrate quality assurance principles into every phase of our suppliers' and partners' new product releases and product lifecycle processes. Moreover, we promote a culture of continuous improvement within the Group, enhancing our quality management system and ensuring compliance with ISO 9001 quality management system and other relevant standards.

Our products undergo a series of rigorous tests, including functional testing, performance testing in weak network environments, security testing, multi-platform compatibility testing, system integration testing, and user interface ("UI") testing, to ensure outstanding performance under various dynamics. We harness advanced automated detection technology to minimise the impact of human errors on product quality, which not only enhances testing efficiency but also increases our confidence in product quality. Additionally, we have established a comprehensive quality analysis mechanism to analyse the root causes of BUGs and prevent potential problems occurred in the future.

We believe that ongoing collaboration with leading enterprises and academic institutions enables us to continually explore and implement new technological approaches. This open environment for technology exchanges not only facilitates our progress in innovation but also ensures us a leading edge in product quality.

8. COMMUNITY INVESTMENTS

NetDragon not only stands out as a leading gaming and education technology company but also upholds a strong commitment to social responsibility. Domestically, we actively align with the national strategies of precise poverty alleviation and rural revitalisation, fostering long-term partnerships with various local government entities. Our aim is to increase learning opportunities and create better learning environments for primary and secondary school students in impoverished and underdeveloped regions through measures promoting educational equity. To achieve this, we provide well-rounded tailored solutions to these schools, including upgrading educational technology equipment, offering high-quality teaching resources and services, and training and supporting local teachers. Through these efforts, we hope to advance the level and quality of education and lay solid foundations for student's future development.

Internationally, NetDragon is one of the few leading global companies that is actively engaged in emerging market countries such as Egypt, Ghana, and Thailand, with a vision of leveraging our advanced technology and extensive experience to provide high-quality education to local primary and secondary school students. We strive to ensure equal, high-quality, and inclusive education for all children. In pursuit of this vision, we formed a strategic partnership with the United Nations Educational, Scientific and Cultural Organisation ("UNESCO") in August 2020 to jointly promote global education equality and SDGs.

Moreover, one of our major overseas subsidiaries encourages employees to give back to their communities by providing up to two days of paid leave for such activities. Many employees actively seize this opportunity to contribute to their communities. Additionally, it also actively supported the "Anguilla Initiative" – a community project aimed at improving local education and resources in Anguilla. This project helped to raise locals' awareness of education while providing them with educational opportunities, thus creating a better future for local residents.

During the Reporting Period, the Group actively contributed to the community and invested 4.512 million RMB in community development.

On 7 March, 2023, NetDragon held a training programme at the Confucius Institute at Cairo University, guiding Chinese language teachers in Egypt to better utilise distance learning methods through online meetings. During the training, Mr. Li, Dean of the Confucius Institute, encouraged the teachers there to use NetDragon's Chinese AI courseware, which facilitates a complete closed-loop process before, during, and after class. This marks a new chapter in the Group's steps into the Egyptian market. Since 2022, NetDragon has served 12 Egyptian public schools, benefiting over 800 Egyptian secondary school students, receiving widespread acclaim and recognition. In the future, we will continue to expand our market coverage and promote Chinese AI interactive courseware to more countries in the world.

On 1 July, 2023, Dr. Liu Dejian, Chairman of the Group, attended the 23rd meeting of the UNESCO Institute for Information Technologies in Education (UNESCO IITE) Council, proposing several development suggestions. He proposed creating virtual digital humanoid avatars, writing guidelines for AI technology, co-building a "Teaching Method Repository/ Education Encyclopedia," and providing lesson planning tools. It is believed that virtual avatars can transcend national boundaries

to convey information and showcase the forward-looking image of UNESCO IITE. Participants at the meeting also considered virtual humanoid avatars innovative and capable of attracting young people. In the future, NetDragon will continue to support educational reform and help accelerate the global digitalisation of education.

In September 2023, the Publicity Department of the Fujian Provincial Committee of the Communist Party of China (CPC) launched China's first-ever national defence education metaverse learning platform. This interactive digital platform, developed with NetDragon's assistance, integrates numerous learning functions, aiming to innovatively create a more interesting and enriching national defence education and learning experience.

In October 2023, NetDragon's flagship IP "Eudemons Online" launched a new game character named "Elegance of Falling Geese • Zhaojun", inspired by the image of Wang Zhaojun, one of the Four Beauties of ancient China. We collaborated with young pipa artist Liu Qingyao to create the theme song "Elegance of Falling Geese" for this character and incorporated trendy dance in China, to promote traditional Chinese culture. Additionally, Pocket Eudemons Online uses CAVE (Cave Automatic Virtual Environment) immersive technology to create a Han Dynasty cultural space, showcasing Han philosophy, engraved scriptures, and so forth, to enhance cultural awareness among players. Warmly welcomed by the audiences, its influence and popularity has reached millions, demonstrating NetDragon's determination and social responsibility in promoting traditional Chinese culture.

In December 2023, the 4th Buddhist Forum of Exchange between Theravada and Mahayana: Sino-Thai Buddhist Friendship took place at Mahachulalongkornrajavidyalaya University (MCU) in Thailand. The forum was preceded by a donation ceremony for the Religious AI smart speaker developed by NetDragon. At the ceremony, the President and the Vice President of the MCU accepted the donation and prayed for the audience, further reinforcing Sino-Thai Buddhist cultural exchanges. This also marks a new milestone in the Sino-Thai Buddhist digital intelligence exchange.

In December 2023, with the support of the Education Department and the Digital Education Museum of Hunan Province, Huayu Education donated LEGO Education FLL science and technology kits to the Fifth Primary School of Longshan County to support the grassroots activities of "Focusing on Digital Transformation to Support Rural Education," promoting the digital transformation of rural education in Hunan Province.

As a company that highly values social responsibility, NetDragon remains dedicated to community investment and social donations, contributing our love for giving back to society. We firmly believe that it is our responsibility to support community education, resources, and social development. We remain steadfast in our commitment to community investment and social development, and will strive towards a better and more equal society.

9. MAJOR RECOGNITION, AWARDS AND MEMBERSHIP

In 2023, NetDragon garnered a series of prestigious awards, showcasing remarkable achievements in ESG endeavours. With regard to corporate governance, upholding the principles of ethical conduct and nurturing a culture of integrity, we have fortified our internal governance mechanism to ensure robust and sound development. With regard to corporate social responsibility, we embrace a people-oriented approach and a philosophy of harmonious coexistence, actively participating in charity and public welfare activities and committing to environmental protection, steadfast in the national belief that "lucid waters and lush mountains are invaluable assets", safeguarding natural resources. Moreover, with regard to social contribution, our ongoing efforts not only drive social progress but also inject positive energy into society, which has earned us accolades such as "Top 100 Enterprises" and "Innovative Enterprise."

No.	Award Issuer	Name of the Award
1	S&P Global	"Sustainability Yearbook" (China Edition)
2	People's Daily Online	2022-2023 Outstanding Enterprise on Social Responsibility Performance in the Chinese Gaming Industry
		2022-2023 Outstanding Enterprise on Comprehensive Social Responsibility Performance in the Chinese Gaming Industry
3	China Information Technology Industry Federation (CITIF)	2023 Top 100 Competitive Enterprises in Software and Information Technology Services
4	Gamma Data	China's Top 15 Competitive Listed Game Companies
5	Frost & Sullivan and TradeGo (Shenzhen) Cloud Technology Co., Ltd.	Most Resilient Profit-Making Listed Company
6	Zhitong Finance Online and Zhejiang Hexin Tonghuashun Network Information Co., Ltd	2023 Golden Hong Kong Stock
7	VBrokers	2023 Award for Company with Best Investor Relations
8	Tsinghua x-lab	2022 Outstanding School-Enterprise Cooperation Organisation of Tsinghua x-lab
9	Changle District Committee of the CPC, The People's Government of Changle District, Fuzhou City	2022 Outstanding Contribution Award of Changle District
10	Changle District Committee of the CPC, The People's Government of Changle District, Fuzhou	Key Enterprise for Cultivation

No.	Award Issuer	Name of the Award
11	Fujian Federation of Commerce & Industry	2023 Fujian's Top 100 Innovative Private Enterprises (Ranked 9th)
12	Fujian Federation of Commerce & Industry	2023 Fujian's Top 100 Private Enterprises in Service Industry (Ranked 19th)
13	Fujian Federation of Commerce & Industry	2023 Fujian's Top 100 Private Enterprises (Ranked 58th)
14	Fujian Provincial Cultural Reform and Development Leading Group	2023 Fujian's Top 10 Cultural Enterprises
15	Internet Society of Fujian	2023 Fujian Top 50 Internet Enterprises with Comprehensive Competitiveness
16	Fujian Provincial Digital Fujian Construction Leading Group Office	2023 Fujian Innovative Enterprises of Core Industries of Digital Economy
17	People's Government of Changle District, Fuzhou	Benevolent Enterprise Care for Yuanzhou and Support Fujian-Ningxia Cooperation
18	Gold Finger Award Jury	2023 China's Outstanding Enterprise in Game Industry
19	Fujian Enterprises and Entrepreneurs Confederation	Deputy Chairman of the Ninth Council of Fujian Enterprises and Entrepreneurs Confederation
20	Fujian Software Industry Association Xiamen Software Industry Association	2022 Fujian's Top 50 Software & IT Services Industry Enterprises with Comprehensive Competitiveness
21	Fujian Provincial Cultural Reform and Development Leading Group	2023 Fuzhou Top 10 Cultural Enterprises
22	People's Government of Changle District, Fuzhou	Benevolent Enterprise Care for Yuanzhou and Support Fujian-Ningxia Cooperation
23	Fujian Enterprises and Entrepreneurs Confederation, Fujian Media Group, Fujian Academy of Social Science	2023 Fujian's Top 100 Enterprises in Service Industry

No.	Award Issuer	Name of the Award
24	Fujian Enterprises and Entrepreneurs Confederation, Fujian Media Group, Fujian Academy of Social Science	2023 Fujian's Top 100 Strategic Enterprises in Emerging Industry
25	China Enterprise Confederation, China Enterprise Directors Association	2023 China's Top 500 Enterprise
26	Publicity Department of Fujian Provincial Committee of the CPC	Furui Dragon, an IP Image of Dragon representing blessing and felicity was recognised as the "Fu" Cultural Zodiac IP Image for the Year of the Dragon 2024 in Fujian Province
27	Tech and Learning	"Tech & Learning Awards of Excellence"
28	Tech and Learning	"Tech & Learning ISTE Best of Show Award"
29	Edtech Digest	"EdTech Awards Cool Tool"
30	EdTech Breakthrough	EdTech Breakthrough "Student Engagement Innovator of the Year" Award
31	Red Dot	"Red Dot Design Award"
32	iF Design	"iF Design Award"
33	The Edvocate	Tech Edvocate Award "Best Classroom Audio-Visual App or Tool"
34	HR Excellence Centre	2023 CHW Healthy Workplace Certification
35	Liepin	Extraordinary Employer
36	Beisen	2023 China Excellent HCM Model Enterprise Award
37	Shixiseng Online	2023 Favorite Employer Award
38	51Job	Excellent HCM Award
39	HRTech China	Popular Employer Award

10. PERFORMANCE DATA SUMMARY

Environmental Performance

2023 Environmental Performance

Emissions	2023	2022	Unit
Air Pollutants[3]			
Nitrogen Oxides (NOx)	**11.86**		kg
Sulphur Oxides (SOx)	**0.38**		kg
Particulate Matter 2.5 (PM2.5)	**0.81**	Not Available	kg
Particulate Matter 10 (PM10)	**0.84**		kg
Carbon Monoxide (CO)	**169.49**		kg
Greenhouse Gas			
Scope 1[4]	**58.36**	Not Available	tCO_2e
Scope 2[5]	**11,919.49**	38.90	tCO_2e
Scope 3[6]	**259.25**	Not Available	tCO_2e
Total	**11,977.85**	Not Applicable	tCO_2e

[3]   The emissions of atmospheric pollutants originate from the exhaust emissions of vehicles owned and controlled by the Group within the scope of the Report. The emission calculation methods refer to the *Technical Guide for Compilation of Emission Inventory for Air Pollutants from Road Motor Vehicles (Trial)* and the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Enterprises of Other Industries (Trial)* published by the Ministry of Ecology and Environment of the PRC, as well as the *Fleet Weighted Road Transport Emission Factor 2021* provided by the Department for Environment, Food and Rural Affairs (DEFRA) of UK.

[4]   The calculation method for emissions of greenhouse gases (Scope 1) from vehicles refers to the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Land Transportation Enterprises (Trial) published by the Ministry of Ecology and Environment of the PRC, and the Greenhouse gas reporting: conversion factors 2023 provided by the Department for Business, Energy & Industrial Strategy and the Department for Energy Security of UK.

[5]   The calculation method for greenhouse gases emissions (Scope 2) from purchased electricity refers to the national grid average emission factors in the Notice on the Management of GHG Emissions Reporting for Power Generation Sector from 2023 to 2025 issued by the Ministry of Ecology and Environment of the PRC, as well as the Greenhouse gas reporting: conversion factors 2023 provided by the Department for Business, Energy & Industrial Strategy and the Department for Environment, Food & Rural Affairs of UK.

[6]   The calculation method for greenhouse gases emissions (Scope 3) from travel and residential water supply refers to the "ICAO Carbon Emissions Calculator" uploaded by the International Civil Aviation Organization Organisation (ICAO), the Set of Greenhouse Gas Emission Coefficients for the Whole Life Cycle of Chinese Products (2022) published by the Carbon Peak and Carbon Neutrality Research Centre of the Chinese Academy of Environmental Planning, as well as the Greenhouse gas reporting: conversion factors 2023 provided by the Department for Business, Energy & Industrial Strategy and the Department for Environment, Food & Rural Affairs of UK.

Emissions	2023	2022	Unit
Emission Intensity	2.44	Not Applicable	tCO_2e/person
Waste[7]			
Hazardous Waste[8]	8.00		t
Intensity	1.63	Not Available	kg/person
Non-Hazardous Waste (Office, Domestic Waste)	13.50		t
Intensity	2.75		kg/person

Resource Consumption	2023	2022	Unit
Energy			
Office or Domestic Electricity Consumption	21,019.45		MWh
Intensity	4.28		MWh/person
Petrol	25,217.61	Not Available	Litre
Intensity	5.14		Litres/person
Diesel	79.50		Litre
Intensity	0.02		Litre/person
Total Energy Consumption[9]	21,245.74	202.32	MWh
Intensity	4.33	Not Applicable	MWh/person
Water Resource			
Office or Domestic Water Consumption	29,998.00	359.00[10]	t
Intensity	6.11	Not Applicable	t/person

[7] Considering that the majority of our revenue comes from our games and education technology business, the waste generated from our operations is not significant. The current disclosure scope only includes some but not all subsidiaries of the Group. We are expanding our data collection scope to include more data from all subsidiaries in the future.

[8] Hazardous waste from 3D printers, discarded electronics, batteries, aerosols, fluorescent lamps, and liquid cleaning waste.

[9] The calculation method for total energy consumption refers to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Chinese Power Generation Enterprises (Trial) issued by the National Development and Reform Commission of the PRC.

[10] Only some subsidiaries of the Group are included.

Social Performance

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

	2023		2022		2021	
	Number of Staff[11]	% of total	Number of Staff	% of total	Number of Staff	% of total
Total Workforce	**5,389**	**/**	4,751	/	4,834	/
Total workforce by employment type						
Full time	**4,907**	**91.1%**	4,460	93.9%	4,689	97.0%
Part time	**482**	**8.9%**	291	6.1%	145	3.0%
Full-time workforce by gender						
Male	**3,043**	**62.0%**	2,835	63.6%	2,907	62.0%
Female	**1,864**	**38.0%**	1,625	36.4%	1,782	38.0%
Full-time workforce by age group						
30 or below	**1,833**	**37.4%**	1,686	37.8%	2,063	44.0%
31-50	**2,884**	**58.8%**	2,584	57.9%	2,251	48.0%
51 or above	**190**	**3.9%**	190	4.3%	375	8.0%
Full-time workforce by employment category						
General staff and Supervisor	**3,844**	**78.3%**	3,630	81.4%	3,817	81.4%
Middle management	**751**	**15.3%**	622	13.9%	653	13.9%
Senior management	**312**	**6.4%**	208	4.7%	219	4.7%
Full-time workforce by geographic region						
Hong Kong SAR	**25**	**0.5%**	20	0.4%	22	0.5%
Mainland China	**4,307**	**87.8%**	3,767	84.5%	4,151	88.5%
Other Regions	**575**	**11.7%**	673	15.1%	516	11.0%
Other data						
Total minority ethnic employee	**78**	**1.45%**				
Total new employee	**677**	**12.56%**				
Female employee in management	**190**	**/**	Not Available			
Female employee in new recruits	**240**	**35.45%**				
Female employee in senior management	**45**	**/**				

[11] The number of staff covers the majority of employees at the headquarters of NetDragon Websoft Holdings Limited and its main subsidiaries. In the future, NetDragon will enhance employee information collection and disclose more comprehensive employee data.

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

	2023	2022	2021
	Turnover Rate[12]	Turnover Rate	Turnover Rate
Full time employee turnover	**13.5%**	15%	39%
Employee turnover by gender			
Male	**13.9%**	16%	22%
Female	**12.7%**	8%	69%
Employee turnover by age groups			
Below 30	**14.1%**	9%	38%
31-50	**13.2%**	54%	44%
51 or above	**10.5%**	14%	10%
Employee turnover by geographic region			
Hong Kong SAR	**16.0%**	25%	7%
Mainland China	**13.7%**	16%	42%
Other Regions	**11.5%**	15%	21%

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	**2023**	2022	2021
Work-related fatalities	**0**	0	0
Lost day due to work injury[13]	**49**	0	0

[12]   The employee turnover rate is calculated by: (the number of employees who left during the reporting period)/(the total number of employees in that category by the end of the reporting period) X 100%.

[13]   Calculated based on an "8-hour workday" as one working day.

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

The number of employees trained	2023	% of employees trained[14]
The number of full-time employees trained	**4,306**	**100%**
The number of employees trained by gender		
Male	**2,782**	**64.6%**
Female	**1,524**	**35.4%**
The number of employees trained by employee category		
General staff and Supervisor	**3,295**	**76.5%**
Middle management	**719**	**16.7%**
Senior management	**292**	**6.8%**

Training hours completed by employees	2023 Training Hours
Total training hours full-time employees completed	**271,906**
Average training hours full-time employees completed[15]	**63.15**
Training hours completed of employees by gender	
Male	**236,965**
Female	**34,942**
Training hours completed of employees by employee category	
General staff and Supervisor	**206,313**
Middle management	**60,897**
Senior management	**4,697**

Note: During the Reporting Period, the Group dispatched specific personnel responsible for the employee training data. We will continue to strengthen internal data collection and improve data disclosure in future reports.

[14]   The percentage of employee training is calculated by: (the number of trained employees in certain category)/(the total number of employees in that category) X 100%.

[15]   The average training hours is calculated by: (the total training hours completed by the employees in that category)/(the total number of employees in that category) X 100%.

11. CONTENT INDEX OF THE ESG GUIDE OF SEHK

Mandatory Disclosure Requirements		Section
Governance Structure	A statement from the Board containing the following elements: (i) disclosure of the Board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-elated issues (including risks to the issuer's businesses); and (iii) how the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	2. SUSTAINABILITY GOVERNANCE 2.1 Board Independence, Diversity and Performance 3. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report:	1. ABOUT THIS REPORT
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG Report and describing the process used to identify which entities or operations are included in the ESG Report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	1. ABOUT THIS REPORT

General Disclosures and KPIs		Disclose Section/Explanation
A. Environment		
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.	5. ENVIRONMENTAL PROTECTION
A1.1	The types of emissions and respective emissions data.	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A1.2	Direct (Scope 1)and energy direct(Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A1.5	Description of emission target(s) and steps taken to achieve them.	5.1 Climate Change 5.2 Energy Management and Carbon Emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction target(s) and steps taken to achieve them.	5.5 Waste Management

A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Energy Management and Carbon Emissions 5.4 Water Consumption and Conservation
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.2 Energy Management and Carbon Emissions
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) and steps taken to achieve them.	5.4 Water Consumption and Conservation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	*Due to the nature of the business, the Group is not involved in the consumption of finished packages.*
A3. The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5.2 Energy Management and Carbon Emissions 5.5 Waste Management
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5. ENVIRONMENTAL PROTECTION 5.2 Energy Management and Carbon Emissions

A4. Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact the issuer.	5. ENVIRONMENTAL PROTECTION 5.1 Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5. ENVIRONMENTAL PROTECTION 5.1 Climate Change
B. Social		
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.	6. PEOPLE 6.1 Diversity, Inclusion and Equal Opportunities 6.2 Talent Attraction and Retention
B1.1	Total workforce by gender, employment type(for example, full- or part-time), age group and geographical region.	10. PERFORMANCE DATA SUMMARY – Social Performance
B1.2	Employee turnover rate by gender, age group and geographical region.	10. PERFORMANCE DATA SUMMARY – Social Performance

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.	6.4 Occupational Health & Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	10. PERFORMANCE DATA SUMMARY – Social Performance
B2.2	Lost days due to work injury.	10. PERFORMANCE DATA SUMMARY – Social Performance
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.4 Occupational Health & Safety
B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Talent Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	10. PERFORMANCE DATA SUMMARY – Social Performance
B3.2	The average training hours completed per employee by gender and employee category.	10. PERFORMANCE DATA SUMMARY – Social Performance

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.	6.1	Diversity, Inclusion and Equal Opportunities
B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1	Diversity, Inclusion and Equal Opportunities
B4.2	Description of steps taken to eliminate such practices when discovered.	6.1	Diversity, Inclusion and Equal Opportunities
B5. Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.1 7.	Cyber Security VALUE CHAIN
B5.1	Number of suppliers by geographical region.	7.2	Responsible Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	2.2 4.1 7.2	Business Ethics and Compliance Cyber Security Responsible Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.2 4.1 7.2	Business Ethics and Compliance Cyber Security Responsible Supply Chain Management
B5.4	Description of practices used to promotes environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	7.2	Responsible Supply Chain Management

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.	4.1 Cyber Security 7. VALUE CHAIN
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	7.3 Quality Management
B6.2	Number of products and service related complaints received and how they are dealt with.	4.5 Customer Engagement 7.3 Quality Management
B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.4 Intellectual Property Protection
B6.4	Description of quality assurance process and recall procedures.	7. VALUE CHAIN 7.3 Quality Management
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.2 Privacy and Data Protection

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.	2. SUSTAINABILITY GOVERNANCE 2.2 Business Ethics and Compliance
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.	2.2 Business Ethics and Compliance
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	2.2 Business Ethics and Compliance
B7.3	Description of anti-corruption training provided to directors and staff.	2.2 Business Ethics and Compliance
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.	8. COMMUNITY INVESTMENTS
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8. COMMUNITY INVESTMENTS
B8.2	Resources contributed (e.g. money or time) to the focus area.	8. COMMUNITY INVESTMENTS