

  
網易 NETEASE

# Environmental, Social and Governance Report

# CONTENTS

For NetEase, we think about the impact each of our strategic decisions will have on our users, employees, business partners and all stakeholders involved in the context of our ESG priorities, so that our business lines are not only growing in a sustainable manner but also creating a positive impact to the greater development of the communities we are in.

Letter from NetEase CEO	1
Social	5
Environment	26
Governance	28
Shareholder Return	31

# Letter from NetEase CEO



China has the largest population in the world and is the largest developing country. Technology development is not only a grand strategy set at the national level, it has a profound impact on the lives of hundreds of millions of Chinese people.

NetEase has always believed in the power of technology and the deep social responsibility that comes with it. As we grew bigger, using technology to provide our users the best product experiences in education, entertainment, consumption, food safety and others, our social responsibilities grew even deeper. After more than two decades of operations, we know that it is our long-term commitments and responsibilities to our users, our employees and our communities that underpin our sustained leadership in a hyper-competitive and ever-changing market.

Users are at the heart of everything we do. Our absolute resolve to deliver the best-in-class user experience through constant product innovation is what defines us as a company. Our innovation is fueled by passion. Every employee we hire has a deep passion for what they do. Our talent is our most valuable asset, and we share with them our common respect for craftsmanship and entrepreneurship.

As a first-generation internet and technology company in China, we have experienced first-hand and played our own part in the evolution of China's internet space. We have lived through many important changes and challenges in the online market, both at home and abroad. We weathered the tech bubble in the early

2000s, overcame the financial crisis in 2008 and avoided many short-lived market digressions over the last two decades. Throughout the years, and with all the ups and downs of the internet and technology landscape, NetEase has remained relevant. We delivered continued growth and built up a strong balance sheet.

These achievements were made possible by maintaining a long-term vision with our strategic choices. We thank our employees for sharing the same goal toward product excellence, and we thank our Board of Directors for helping us navigate all the strategic options to make the appropriate decisions.

This year marks our 20th anniversary as a public company. It also comes at a time when the world is going through one of the worst health and economic crisis of our generation. We are fortunate that we operate in an industry that is less impacted by this pandemic. We will come out strong, supported by our one billion users, 21,000 employees and \$10 billion in cash. This gives us even more of a reason to consider others, help others, and act responsibly toward all our stakeholders, communities and environment.

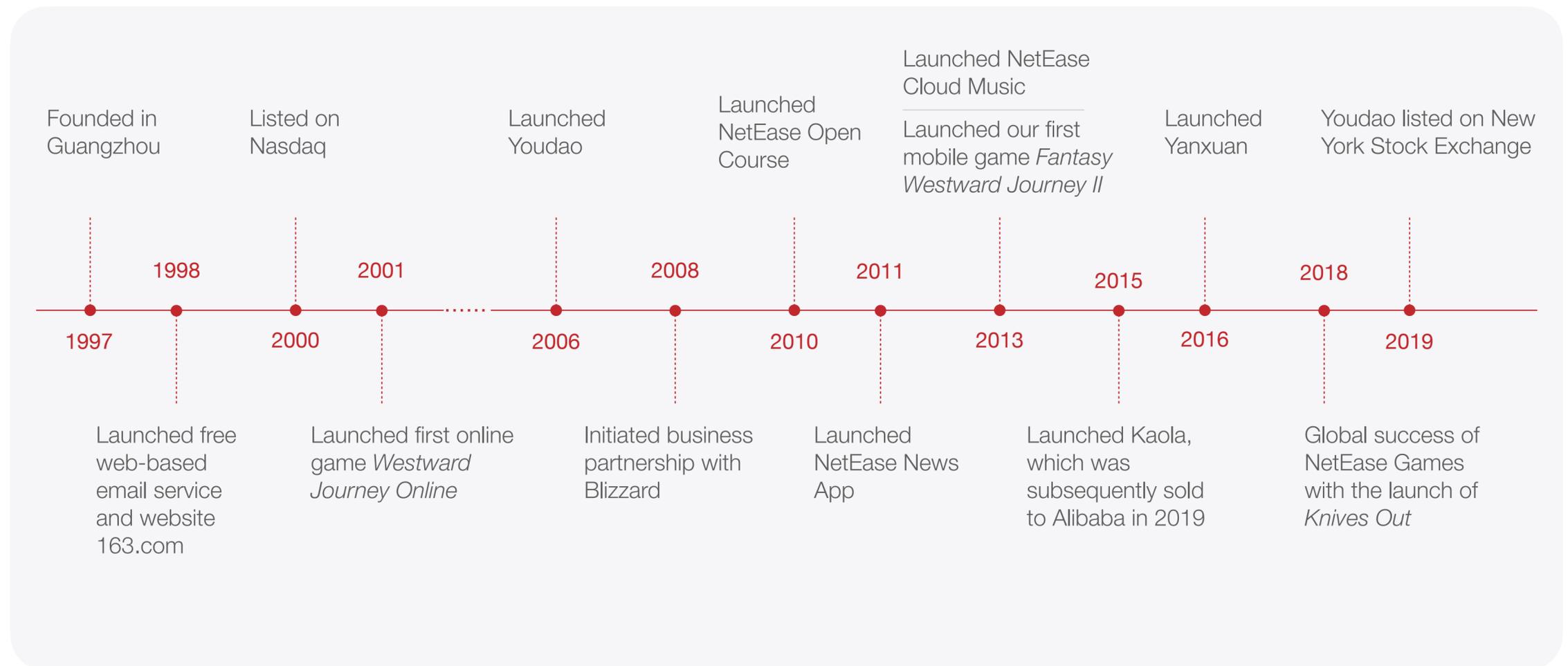
This is our first ever ESG report. I invite you to take a closer look at our values and how we strive to live up to them. We are committed to an increasing focus on these topics and to regularly evaluating our growing portfolio of online products and services in light of our ESG goals, and challenging ourselves to continually improve.

**William Ding**

# NetEase at a Glance

Over the past two decades, we have carefully evaluated each step of our growth and evolving business, keeping in mind the impact on our stakeholders.

Our strategy does not focus on the pursuit of rapid expansion through mergers and acquisitions, but rather on organic growth driven by providing the best products and services that we can. We have been patiently building brands and cultivating products and services that have influenced the lives of over one billion users, and we are pleased to have been rewarded by remarkable returns and social recognition.



# Core Business Areas & Others

Since our humble beginnings in traditional email and web portal businesses, NetEase has gradually grown into an established and diversified company with a robust and expanding offering of online games in China and globally, as well as a strong presence in online education, online music, e-commerce, media and others.



## Online Games

- A leading developer and operator of self-developed mobile and PC games for internet users in China and internationally
- Operator of licensed games from Blizzard Entertainment, Mojang AB (a Microsoft subsidiary) and other leading game developers internationally



## Online Education

A leading intelligent learning service operated by Youdao, our majority-controlled subsidiary dedicated to developing and using technologies to provide learning content, applications and solutions to users of all ages.



## Online Music

With over 800 million registered users as of December 31, 2019, NetEase Cloud Music is widely recognized as one of China's most active music platforms in terms of user retention rate, user time spent on the platform and the level of user-generated content.



## E-commerce, Media and Others

- Our e-commerce platform offers a comprehensive selection of affordable and high-quality products in China under our private label brand "Yanxuan"
- Our internet media services include the popular NetEase News App
- Other innovative businesses include CC Live streaming, and NetEase e-mail, China's leading email service provider since 1997 with over one billion registered email users as of December 31, 2019

# ESG Aspirations

Our businesses cover a broad range of activities, and the company is widely considered to have had significant influence over Chinese people's online habits over the past two decades.

With this responsibility in mind, we have a strong commitment to set standards of excellence in our business practices, guided by the consistent pursuit of leading ESG practices.

## Our ESG Priorities

Through in-depth analysis and detailed discussions with ESG experts, we have identified our core ESG priorities as:

### Social Efforts

Find out more on page 5-17

### Privacy & Data Protection

Find out more on page 24-25

### Business Ethics

Find out more on page 29

### Human Capital

Find out more on page 18-21

### Environment

Find out more on page 26-27

### Shareholder Return

Find out more on page 31

### Cybersecurity

Find out more on page 22-23

### Governance

Find out more on page 28

# Social Efforts

Social responsibility is one of the driving forces behind our long-standing position as a leading internet company.

We are privileged to be trusted and supported by our users, and we believe it is our responsibility to return to the community with our business strengths and insights.



## Online Games

We believe online games can be educational. In many of our games, we try to inspire our users with new concepts and ideas in areas such as sciences, arts and history. For our young players, although only accounting for a minute proportion of our user base, we are a strong advocate for doing everything we can to protect minors from spending excess time on games.



## Online Education

We believe everyone should have access to information and knowledge, which was why we translated online university courses from all around the world and have offered them in China through NetEase Open Courses since 2010. We believe technology will greatly enhance the way people receive education, and it will make an even bigger change to those with limited access to educational resources.



## Online Music

We believe in the power of music and the opportunities it can create. We provide music lovers with access to diverse genres across the globe, help independent musicians gain more exposure, and raise public awareness to actively address important social issues such as animal rights and human welfare by working with influential artists and non-profit organizations.



## E-commerce, Media and Others

We believe users should be able to enjoy a wide range of high-quality products at affordable prices. With our innovative direct-to-consumer business model, local factories can also effectively utilize excess capacity. We also care about other social issues, such as food safety, poverty alleviation and cultural preservation, while exploring new solutions with modern technology.

# Games with Trust

To a great extent, our success in games depends on the high level of trust our players have in us, as well as our commitment to navigate and minimize policy and regulatory risks. These help promote and safeguard the company's long-term goals and sustainable revenue growth.

## Ensure a Conducive In-Game Environment

Our commitment to maintaining trust with players requires us to build games that are fun and fair. In addition, we recognize the importance of IP protection and are dedicated to defending and enforcing our own IP rights, as well as ensuring that we do not infringe on the IP rights of others.

**Anti-Cheating**



**Anti-Hacking**



**Anti-Gold Farming**



## Minimize Policy & Regulatory Risks

**1 / Communications with key external stakeholders**, including regulators, legal counsel and industry associations

**2 / Communications with key internal stakeholders**, including feedback on projects, technology, user experience, operations, marketing, legal teams, etc.

# Anti-addiction Measures for Children

We have taken multiple anti-addiction measures and encourage our developers to create appropriate and informative content that has a positive influence on young game players. Although the revenue contribution from minors playing our games is minute, we believe these steps are important for the well-being of our children and our society. We applaud the regulator's efforts to promote minor-protection guidelines in the industry, and we were among the first to implement and comply with all requirements.

## Efforts as an Industry Leader

NetEase introduced anti-addiction measures for children as early as 2007 and was one of the first companies in China to do so. We continue to make efforts to improve and update the anti-addiction policies in our games as game playing usage and societal attitudes around online games evolve.

In December 2019, NetEase Games, together with other leading game companies in China, released a "minor protection manifesto" to join government and industry efforts to prevent online game addiction for minors.



## In Compliance with National Guidelines

We had implemented anti-addiction systems in more than 80 online games by May 2020. We strictly comply with all regulatory requirements, including:

- ✓ Real-name registration system that restricts non-registered users to 1 hour of play time and in-game purchases
- ✓ Time limits: from 10:00 p.m. to 8:00 a.m. and a maximum of 1.5 hours per day and 3 hours on holidays for minor users
- ✓ In-game purchase limitations: a cap of RMB200 per month is the maximum amount for minors under 16 and RMB400 is the maximum amount for those under 18

# Games for Learning

We try to make the complicated process of acquiring knowledge easier and more fun. We are pleased to see that we are able to use online games to teach and educate young and inquisitive minds in China.

Some of NetEase's games are good examples of how we combine fun game playing with learning, such as *Minecraft*, which was licensed by Mojang, and *CodeCombat*, which was licensed by CodeCombat.



Minecraft

## For Teaching Purposes

We believe *Minecraft* is a very useful educational asset that stimulates children's creativity while exploring different types of arts and sciences. In many schools and universities in China, *Minecraft* is used for teaching purposes. For example, students at the Nanjing University of Aeronautics and Astronautics use *Minecraft* in classes to explore the mysteries of the universe.



Minecraft

## Promote Science in Public

Through partnerships with third-party organizations, we strive to raise public interest in science. In 2019, in partnership with an Albert Einstein-themed science exhibition in Shanghai, we introduced new gameplay in *Minecraft* where users can become Einstein's assistant to explore the wonders of physics. We also joined a science fair co-hosted by US NASA in Hangzhou, using the game to raise public interest in understanding outer space.



CodeCombat

## For Edu-tainment

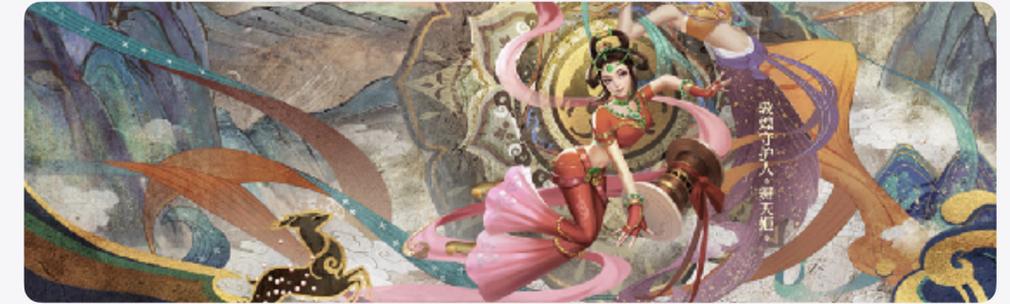
In 2018, we officially introduced *CodeCombat* to China. This world-renowned educational product enables players to learn programming skills step-by-step in the game as well as other fundamentals of computer science. *CodeCombat* has encouraged more young people to engage in the "edu-tainment" environment and practice problem-solving skills.

# Games for Art and Culture Appreciation

Online games can play an important role in cultural inheritance and art appreciation. NetEase was one of the first companies to dig deeply into Chinese culture and present its beauty through games.

We work together with historic museums, gaining inspiration from classic novels, traditional arts and customs as well as ancient history to convey meaningful storytelling that depicts historical events and places in a relevant manner that resonates with a diverse set of players. Some recent examples include:

*Fantasy Westward Journey (FWJ)* is inspired by the Chinese classic novel “Journey to the West.” In collaboration with Dunhuang Museum, the game introduced new gameplay that allows users to experience adventures that are depicted in ancient wall murals. In partnership with Shaanxi History Museum under the theme of protecting national treasures and restoring murals, the game also introduced treasure hunts where players can explore the historical relics of the museum in a fantasy setting.



The FWJ character “Wutianji” was selected to be the online ambassador for Dunhuang Museum. Read more [here](#).

For our online game *Justice*, we introduced a Song Dynasty-themed Chinese New Year celebration in February 2019, allowing users to experience ancient Chinese customs and traditions within the game. Delicately-designed clothing and silver jewelry inspired by traditional Miao culture (an ethnic minority group in China) are also available in the game.



*Justice* restored a traditional Chinese Spring Festival celebration in the Song Dynasty.

With its unique way of storytelling and presenting players’ social ecology, the game *Invincible* has attracted many players who are interested in ancient battles. In this game, players often use classic Chinese language to communicate with each other, particularly for declaring war and conducting other actions within the game.



*Invincible* has become a popular attraction for classic literature enthusiasts.

# Technology Transforms Education

We believe that technology has enormous potential to change the way people learn and everyone has the right to a good education. We have explored a wide range of approaches to empower learning with advanced technology through our majority controlled subsidiary Youdao.



*Youdao Smart Pen*

## Learning with Efficiency

NetEase has been exploring a variety of possibilities to integrate learning with advanced technology, such as AI, optical character recognition (OCR) and neural machine translation (NMT). With technology, teaching and learning efficiency can be greatly enhanced, for both teachers and students.

Examples include:

- Smart pen to grade classwork, give feedback simultaneously and recommend tailored tutorials on weaker areas
- Using AI-powered interactive teaching tools to improve English speaking skills, writing skills and for grammar correction

## “A Life-changing Screen”

We have been making significant advances in distance learning by improving and promoting live-streamed online courses, whereby one good teacher can give lectures to tens of thousands of students simultaneously, making these teachers more accessible to children in less developed regions.

In 2018, NetEase announced an investment of RMB100 million in a project to promote distance learning by improving live-streaming classes for regions that lack access to high-quality education.

As of September 2019, more than 300 schools in rural areas of China had benefited from this project.



*Students taking an online class in Sichuan*

**100** Million

*Investment (‘RMB)*

**300+**

*Schools benefited as of September 2019*

# Education for All

NetEase aspires to make high-quality education and learning tools accessible to everyone. We strive to introduce world-class courses to Chinese users, especially for children in areas with limited resources.

## Introducing World-class Courses

NetEase Open Courses, launched in 2010, is one of the earliest and largest free online education platforms in China.

Open courses from world-famous universities such as Harvard, Oxford and Yale are translated and offered on the platform for free.

## Promoting Reading

Originated in 2016, NetEase initiated a “Give out a Book” project. Each time a user reads one piece of news on the NetEase News mobile app, NetEase donates the equivalent of the cost of one book page to children in rural and mountainous areas.

This campaign not only helps encourage users’ daily reading habits, but also serves a greater educational purpose for children in less developed regions. So far, more than 10,000 books have been successfully donated to children.

# 60,000

Translated courses

# 10,000+

Books donated

## Raising Hope: NetEase Hope Primary School

In June 2016, NetEase joined hands with the China Youth Development Foundation to help build the Huazhai Primary School in southwest China’s Wuhe Village in Tengchong, Yunnan Province. In April 2018, the new teaching building and stadium were completed, and the school was renamed “Tengchong Wuhe Village NetEase Hope Primary School.”



NetEase Hope Primary School

# Incubator for Original Music

Music provides a creative outlet for artists and listeners alike. As one of China's most active music platforms, NetEase Cloud Music strives to deliver highly differentiated music products with the mission to help tens of thousands of talented Chinese independent musicians create indigenous content that resonates with Chinese listeners.

## Professional & Tailored Support for Musicians

NetEase's efforts to help independent musicians to be heard and appreciated also give us a competitive edge. In this way, fostering the growth of independent music both opens a bigger market for the musicians and also introduces original and diversified content to our users, which contributes to our sustainable growth.



Music events hosted by NetEase Cloud Music

## Our Efforts Include

### Project Cornerstone

Assisting aspiring independent musicians with promotion, live performance and royalties management

### Project Cloud Ladder

RMB100 million incentive per year to encourage independent musicians to create better music; a special fund to support musicians when they are hit hard by illness or other accidents

### Other Initiatives

To make independent musicians' voices heard through events such as our annual Indie Music Festival

# 100,000+

Independent musicians

# 1.5 Million

Original songs

# 270 Billion

Playbacks

\*As of December 31, 2019

**As of April 2020, the number of independent artists had risen to 160,000.**

# Music for Public Welfare

For NetEase, music is also a powerful instrument to raise public awareness of social issues and empathy. Our platforms work with popular artists and independent musicians who help raise funds and awareness to benefit organizations that spearhead efforts for animal welfare, children's wellbeing and other social issues.



## Music to Heal

We believe music can act as a powerful emotional tool. For example, if users search words that suggest a pessimistic or depressed mood, they would be directed to a page that contains healing music to help ease stress.



## Animal Protection

In partnership with influential artists and non-profit organizations, we have promoted songs to increase public awareness of the need for protecting endangered wild animals such as pangolins, green peafowls and snow leopards.



## Care for Children

In partnership with charity funds, including I Hear U Charity Fund, we have launched campaigns to raise public awareness regarding care for children with hearing disabilities, inviting influential artists to release songs and donate the sales to help children in need for cochlear implant surgery.

# A New Solution for E-Commerce

In our pursuit to continue to find new products and services that impress our users, our e-commerce division Yanxuan was established. It has since become a go-to platform for many middle-class consumers in China who are looking for great products at reasonable prices.

## Innovative Business Model

NetEase Yanxuan pioneered a new innovative e-commerce business model in China whereby NetEase partners with selected manufacturers in China to design and manufacture products and sells them directly to customers. This model eliminates the extraneous costs and third-party layers of distribution and retail.

- ✓ Brings cost-effective products with high quality to consumers
- ✓ Creates new demand for local factories
- ✓ Helps manufacturers move up the value chain



## Empowering Manufacturers

### Product Development

- Leverages big data technologies to understand users' needs and coordinate with manufacturers
- Optimizes production for intelligent manufacturing
- Focuses on market-oriented and high-quality goods

### Design Capabilities

- Powerful in-house designer team
- Nearly 2,000 designer partners

### Online Marketing

- Placement for traditional businesses to put their products online
- Online promotional support to gain more consumers

### Utilizing Excess Capacity

- Creates more demand for local factories
- Reduces excess production capacity

# Empowering Communities to Reduce Poverty

We believe a more sustainable approach to reduce poverty in under-developed areas is to improve local communities' capabilities and skills in order to find the value in their products and to present them to the market in the most effective manner.

For instance, by creating distinctive brands for high-quality local resources, we can give impoverished groups the essential tools they need to establish successful commerce and create their own economically thriving communities.

## Sustainable Poverty-Alleviation Approaches

In 2018, NetEase Yanxuan launched the “Brand Creation for Poverty Alleviation Plan” in a partnership with Leishan, a poverty-stricken county in Southwest China’s Guizhou Province. Leveraging our business insights and experience, we helped local residents to market and sell their specialty products online to reach a wider customer base, in an attempt to lift them out of poverty.



*Yanxuan Store in Leishan county*



*Embroidery culture inheritors of Leishan are invited to co-design products for Yanxuan.*

## What We Have Done

### Establishing Brands

Help under-developed areas create independent brands for their local specialty products

### Providing Industry Know-how

Introduce experts to provide guidance for local development

### Going Online

Set up courses to help local residents learn about e-commerce and increase an online presence for their businesses

# Ensuring Food Safety

NetEase Weiyang, the agricultural arm of NetEase, provides safe and high-quality agricultural products and solutions to consumers, enabled by modern agricultural technology innovations.

Weiyang operates a number of farms that are used for agricultural research and the commercial production of agricultural goods, primarily pork, for consumers in China.

## Reforming Agriculture with the Power of Technology & Internet

China is the world's largest consumer market and importer of pork. Food safety has been a top priority for the government and the general public.

Empowered by technology, NetEase has innovated new solutions to address issues such as food safety, pollution control and agricultural output.

NetEase's solutions are also encouraged by local governments to be adopted by traditional farms in China.



Weiyang pig farms

## Traditional Approaches



Safety concerns



High pollution



Limited sales channel

## NetEase Solutions

### Ensuring Food Safety

Carefully selects swine feed that is organic, nutritious, and without antibiotics or growth hormones

### Technology Advancements

Provides leading technology applied to agriculture to ensure safety, animal welfare and minimizes pollution. For example, deploying smart systems and technologies in our pig farms, we use automatic feeding and ventilation systems to ensure a safe and healthy environment

### Online Marketing Strategy

Uses live-streaming platforms that show our agricultural operations in action, online auctions of pork products and other online marketing techniques, to increase brand awareness among consumers

# COVID-19 Counter-measures

Since its establishment, NetEase has built its reputation on fulfilling commitments to communities, users and employees, especially in the most critical times. During the global COVID-19 crisis, we were one of the first movers and continue to take an active part in the national and international relief pursuits through anti-epidemic work and efforts.

Social responsibility is an important tenet of our mission. NetEase was among the first Chinese technology companies to provide solutions to those suffering and quarantined in China following the domestic outbreak.

The safety of the NetEase family and community is also a priority for us. Through our early and swift action, we have implemented effective epidemic prevention measures in the workplace, while continuing high-efficiency operations across our core business segments.

## Fulfilling Social Responsibility

### Alleviate Resource Scarcity in the Initial 1 Week

**100** RMB  
Million

*Anti-virus fund to provide medical supplies, epidemic solutions and subsidies for frontline workers*

**200,000** masks

*Donated to people based in Hubei Province, the epidemic center*

**50,000** protective supplies

*To users nationwide, including disposable alcohol pads, sanitizer and antiseptic hand spray*

■ ■ ■ | **and we continue the support to date**

### Promote Remote Learning

To support learning during the initial stages and height of the outbreak, we immediately launched free online courses for primary and middle school students in Wuhan after the city was quarantined, which had limited their access to offline education. We subsequently made these courses available nationwide.

## Ensuring Workplace Safety

### Work from Home

- All NetEase employees were asked to work from home for at least 2 weeks and check their daily health status.
- The company also provides policy and software support to smooth the employees' remote working, and a 24-hour hotline staffed by psychologists for emotional support.

### Back to the Office

- Emergency protocol teams were organized to avoid the risk of the virus spreading, cleaning the office buildings with disinfectant and delivering medical resources to employees.
- During the first month after returning to work, NetEase's Hangzhou headquarters dispatched:

**728,000** masks

**10,000** bottles of sanitizer

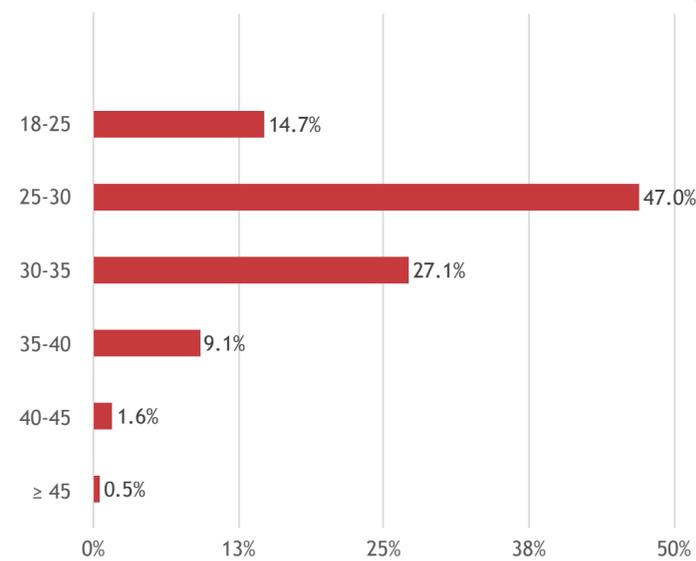
# Human Capital

Human capital is our most valuable asset. Each and every member of our team plays an important role in NetEase's advancement. Their passion, diligence, creativity and drive are what propel us forward.

With our industry leading brand name, we believe we are able to attract some of the most talented game developers, product managers and computer engineers in China and overseas. We make it a priority to maintain a product-oriented culture that appeals to and continually engages our top talent.

## A Young and Dynamic Company

Though NetEase is a first-generation internet and technology player in China, we are nevertheless a young and dynamic company. As of December 31, 2019, we had around 20,797 full-time employees. The average age of our staff is approximately 29.



Age Distribution

## Engineer-Oriented Culture

Around 50% of our employees are in R&D, many with strong scientific backgrounds from prestigious universities in China and around the globe.



October 24 is NetEase's annual Super Coder Day. We host a series of coding lectures, competitions, awards ceremonies and other activities on that day to encourage a culture of engineering excellence.

## Active Employee Engagement

For NetEase, every employee's voice matters.

We have multiple channels for employees to voice their opinions, including formal and informal online surveys and interviews, to keep employees engaged with our corporate goals and strategies. Every October, we perform a full survey to collect feedback from our employees on their workplace experiences, expectations and suggestions for our company. We also organize numerous activities for different occasions that promote a strong corporate culture, such as events for company anniversaries.

# Inclusive & Diverse Culture

Our foundation is built on diversity and the marrying of ideas from different walks of life. At NetEase, we emphasize inclusivity and diversity, which is becoming increasingly important as we continue to broaden our international reach and expand our talent pools to include more and more employees from different cultures and nationalities.

## Gender Equality

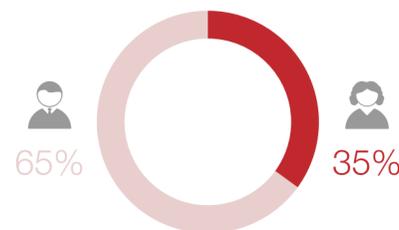
NetEase respects diversity and equality, and there is no difference in compensation and promotion between genders. We believe NetEase stands out from its peers in this regard, as evidenced by its inclusion in the *2020 Bloomberg Gender-Equality Index (GEI)*, an influential criterion that tracks the financial performance of companies committed to gender equality in the workplace. **NetEase was one of only three companies from Chinese mainland to receive such award in 2020.**

In addition, we care about and respect the rights and happiness of working parents. For example, pregnant employees are offered support to help make their maternity journey smooth and their return to work stress-free.

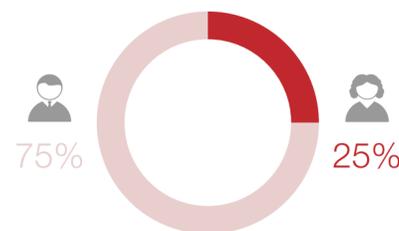


We are proud to be recognized as a leader in advancing gender equality globally.

[Read more here](#)



At NetEase, 65% of the staff are male and 35% are female.



In our management of all levels, about 25% are female.

## Diversity

The company has employees from more than 30 countries and regions, including the US, Japan, South Korea and Canada. We have established offices in the US and other countries, and we are continuing to add more international employees as a part of our globalization strategy.

We respect human rights and have been operating our businesses with this respect in mind. We do not discriminate on the basis of race, gender or religion.



# Employee Development

We encourage each of our employees to be an audacious innovator, thinker and problem solver. At NetEase, we celebrate creativity and the burst of new ideas, and we highly value the people who inspire and nurture them.

We offer dedicated and tailored training to each employee at different career stages, together with a multitude of leadership programs to ensure that all employees have equal opportunities to advance their careers.

## Cultivating Talent

### Training Programs

- **For college graduates:** 1-on-1 mentor to offer guidance and share experiences; Mini-project to work in a team to develop an internet product or incubate a new game, etc.
- **For experienced hires:** The “Landing 163 Fit-in Project” offers continuous support and training for six months; expertise roundtable talk; global industry conference, etc.

### Leadership Development

Carefully designed programs on leadership skills are provided to new graduates, key team members, young managers, senior directors and above



## Get Inspired Every Day

# 1,600+

Training sessions, such as workshops, NetEase talks and seminars in 2019

# 150,000+

Hours spent by our employees on learning and sharing in 2019

# 340,000+

Articles, videos and other materials shared on our knowledge management (KM) platforms

## Award-Winning Training Projects

Each year, NetEase hires young college graduates and helps them grow into workplace professionals through systematic and tailored training programs.

Two of NetEase Games’ training programs received the “*2019 ATD Excellence in Practice Awards*” from The Association for Talent Development (ATD), the world’s largest association dedicated to talent development within organizations. Read more [here](#).



Activities to welcome new employees

# Employee Benefits

NetEase is more than just a place to learn and grow. It is important that our employees are proud of working here not only because of the opportunities for professional advancement, but also because they are provided with a highly enjoyable and supportive working environment.

NetEase offers a wide variety of staff care policies so that our employees receive sufficient care and support. Our policies include, among other things:

## Health and Wellness

- Gyms
- Massage rooms
- On-site clinics and workshops on well-being
- Annual physical examinations
- Employee Assistant Program (EAP), which provides psychological support for stress management
- Grievance support, with subsidies allotted to employees who experience difficult situations, such as illness, the loss of a family member

## Working Parents Support

- Gift card for new mums
- Lactation rooms for nursing mums
- Themed talks on children's growth for young parents

## Employee Benefits

- Free meals from early morning to late night, our canteens are known for attractive menus and high-quality food
- Birthday gifts and festival surprises
- Housing subsidies and interest-free loans
- Shuttle buses for commuters



Gym



Cafe



Basketball court

# Cybersecurity

We maintain a robust cybersecurity system for all of our operations, which is reviewed regularly to ensure our operations and technology are protected. Multiple measures are taken to strengthen our staff's cybersecurity awareness, including on-going compliance trainings and activities such as "cybersecurity day."

## Recognition

NetEase was among the top 100 companies named as having the best cybersecurity management in China as awarded by the cybersecurity bureau of China's Ministry of Public Security in November 2019.

## Established System

We have developed proprietary industry-leading cybersecurity technologies and practices that safeguard our products and services.

- ✓ Our cybersecurity system follows the best international standards' practices
- ✓ Our products comply with international and domestic certification standards
- ✓ Multiple compliance certifications: ISO27001, CSA STAR, PCI-DSS and GB/T 22239-2019

## Security Awareness

- Regular online training and tests for all employees
- Cybersecurity awareness events
- Cybersecurity Code of Conduct for Employees

## Our Security System

# 7/24

*A 7/24 security system to detect and manage risks*

# 10 Billion

*Capable of 10 billion protective scans at peak hours*

# 2TB/s

*Capable of handling DDoS attack of 2 TB/s*

# Cybersecurity

Our sophisticated structural organization, emergency response system and feedback channel ensure the prevention of significant cybersecurity breaches. With these measures in place, we can rapidly prevent or quickly identify and deter transgressions before they have the opportunity to infiltrate our system or compromise our users' data.

## Organizational Structure

### Senior Management

Oversees the effectiveness of NetEase's cybersecurity system and the long-term planning of cybersecurity strategies

### Cybersecurity Executive Committee

Coordinates business units and functional departments when any security issues arise

### Security Department

Responsible for surveillance, maintenance and upgrade of our cybersecurity system, such as monitoring intelligence threats, defending cyber-attacks, providing compliance training and regular reviews

## Emergency Response Mechanism

In the event of a security breach, NetEase has a clear, designated plan to address any lapse in security.

- 1 Breach rated according to magnitude
- 2 Collective solution determined with input from multiple secure channels
- 3 Implement solution
- 4 Security department identifies the cause of security breach, reviews the entire scenario and implements any needed security modifications

## Feedback Channel

We have also built a public website where our community can submit feedback on any concerns around our cybersecurity or perceived weaknesses in our systems at <https://aq.163.com/>

# Privacy & Data Protection

We believe privacy is a fundamental human right and it underpins human dignity and other key values. At NetEase, we deeply respect users' privacy and take methodical approaches to ensure the utmost security of their personal data.

## Internal Procedures

### Protected Storage

Stringent security protection measures are in place to avoid damage or loss of data and protect against illegal use.

### Employee Awareness

Through frequent security and privacy protection training courses, we work to strengthen employees' awareness of the importance of protecting information.

### User Support

We provide a dedicated email channel (Privacy@service.netease.com) specifically for handling questions, comments and suggestions about our privacy policy, practices and matters regarding users' personal information.

## Policy Disclosure

We have clear privacy policies which are accessible on our websites.

[English version](#)

[Chinese version](#)



# Privacy & Data Protection

In a world where data is frequently shared online, security is paramount. NetEase strictly follows applicable laws and regulations governing information security in the markets where we operate.

As a good corporate citizen, NetEase has established procedures to support law enforcement and investigations while insisting on the principle of “minimum necessary” disclosure of data.

## Efforts in Compliance

### In China

Provisions on the Cyber Protection of Children’s Personal Information (2019)

Cyber Security Law of the People’s Republic of China (2017)

Provisions on Protection of Personal Information of Telecommunication and Internet Users (2013)

For more details, please refer to our Annual Report on Form 20-F which can be accessed on the website of the US Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov) and our IR website [here](#).

### Outside of China

European Union General Data Protection Regulation (GDPR)

We operate multiple games in the EU, and certain of our other services can also be accessed in the EU.

For our products and services to which we believe GDPR applies, we have engaged significant internal and external resources to support our efforts to comply with GDPR and accomplished our preliminary GDPR compliance project prior to its effectiveness in May 2018. Meanwhile, a special customer service team was established to respond to users’ requests in relation to their data subject rights (e.g. right of access, right of erasure, etc.) under GDPR.

With respect to new projects or services available in the EU, any potential privacy or security issues will be identified at an early stage by a privacy impact assessment implemented by our management and product, legal and IT teams. In addition, guidelines on data privacy breaches and notifications are disclosed to different departments within our company for dealing with any possible data breach in compliance with the GDPR.

# Environment

NetEase has always complied with all applicable environmental regulations where it operates. Due to the online nature of the majority of our businesses, our operations exert minimal impact on the environment with a small carbon footprint. We are committed to additional carbon mitigation and continuously explore ways to become even more energy efficient as part of our social and environmental responsibility.

## Servers

- NetEase sources its physical servers from well-known server manufacturers, which are compliant with industry energy efficiency standards such as “Energy Star®” requirements and the SPECpower benchmark.
- When collaborating with third-party cloud server providers, we intentionally choose partners with a strong commitment to carbon emission reduction so as to better fulfill our commitment to reduce our environmental footprint.



## Energy Efficient Consumption

Always conscious of environmental protection, NetEase has implemented energy efficiency measures into our daily operations, including:

# 382 Mwh

*Installed solar power system with over 382 Mwh output at our office campuses in Hangzhou*

# 90%

*Installed smart lighting control systems in our office buildings, which are expected to reduce energy consumption by as much as 90%*

# 505 Tons

*Reduced exhaust emissions by over 57 tons and carbon dioxide by over 448 tons by encouraging the use of electric vehicles and using environmentally friendly construction materials in office buildings*

# 20,000

*Eliminated 20,000 paper files after a paperless working environment was encouraged*

# Environment

## Keeping Offline Products Green

We strive to keep our offline products and services as green as possible, including by:

- Simplifying product designs
- Eliminating excessive packaging
- Using renewable materials when available
- Imposing strict requirements on manufacturers to follow international standards to maximize environmentally friendly practices

For example, for our made-in-Thailand natural latex pillows sold on our Yanxuan platforms, the manufacturer uses fiber made from wood pulp from trees, which causes no derivatives or chemical reactions in the production process.



## Reducing Agricultural Pollution

Livestock breeding is one of the biggest sources of pollution in China. NetEase has conducted intensive research in this area and created an innovative pollution treatment system to improve the problem. This includes a sewage treatment system that processes and makes full use of animal waste in our pig farms.



# Governance

NetEase has seven members on its Board of Directors, six of whom are independent directors as defined under the rules of the Nasdaq Stock Market. Our board has three committees: the audit committee, the compensation committee and the nominating committee. Each committee is comprised entirely of independent directors.

Board candidates recommended by the board's nominating committee are elected to the Board of Directors by the majority vote of all of NetEase's shareholders.

## Board of Directors

Name	Age*	Gender	Position
William Lei Ding	48	Male	Director and CEO
Alice Cheng	58	Female	Independent Director
Denny Lee	52	Male	Independent Director
Joseph Tong	57	Male	Independent Director
Lun Feng	60	Male	Independent Director
Michael Leung	66	Male	Independent Director
Michael Tong	48	Male	Independent Director

\* As of April 1, 2020

## Board Committees

**Audit Committee**

**Compensation Committee**

**Nominating Committee**

For more details on our board of directors, please click [here](#).

# Business Ethics

Integrity and trust are the foundations for NetEase to be able to stand as a globally renowned technology company. At each level of our NetEase family, we are hardwired with an eye toward a diverse, ethical and respectful work culture, infusing our products, services and operations with quality and integrity. Our solid business practices ensure that decisions and actions are made with our users, employees and stakeholders in mind.

Promoting fairness, justice and integrity for all of our employees is at the forefront of our company culture. Read more about our [Code of Business Conduct](#).

The Audit Committee of the Company's board oversees procedures for employee complaints and concerns and reports regularly to the full board of directors.

NetEase has an Ethics Committee that is authorized and has the power to investigate any and all matters brought to its attention in such manner as it deems appropriate and report them directly to the CEO.

Below are the details of Ethics Committee:

## Ethics Committee Core Responsibilities

- Introducing company values, anti-corruption policies and compliance requirements to employees
- Improving internal procedures related to integrity issues and managing risks
- Investigating unethical behavior or integrity violations and take appropriate actions to correct them

## 3+N Reporting Channels

- Multiple whistleblower reporting avenues with legal protection: [0571-89852122](tel:0571-89852122)
- Email: [jb@service.netease.com](mailto:jb@service.netease.com)
- Website: <https://jubao.163.com/>
- Reporting channels on NetEase products

## Zero Tolerance Attitude + Effective Measures

# 100%

*All tip-offs received are required to be addressed within 30 days*

# 100%

*All of our new employees and key personnel received integrity training courses*

# Strong Market Performance

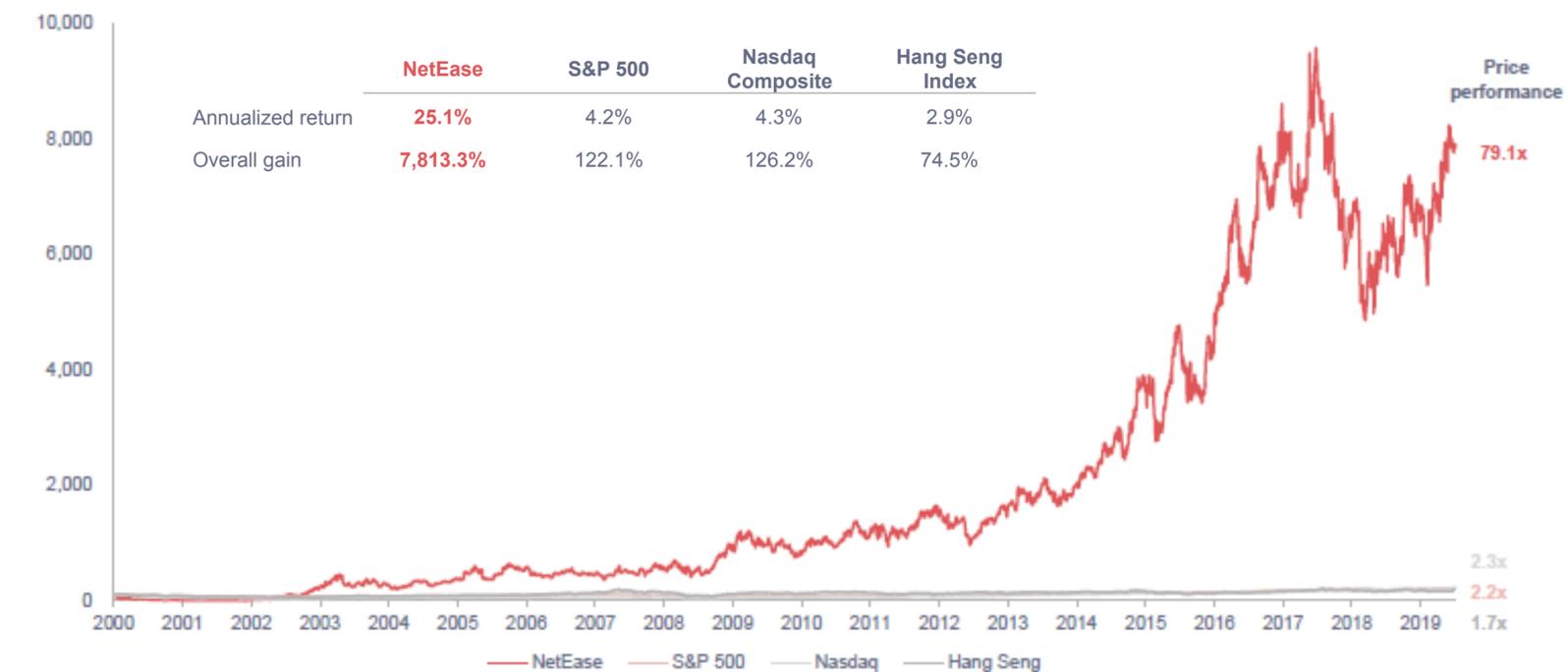
This year marks the 20th anniversary of NetEase’s listing on Nasdaq, and it has been a remarkable journey for us.

We were among the earliest Chinese companies listed in the US in the 2000s. As we continue to grow and evolve, we are always very appreciative of the long-term support from our shareholders.

## NetEase has significantly outperformed the market

Since IPO (Jun 30, 2000 – Dec 31, 2019)

(Rebased to 100)



Source: FactSet

Note: Adjusted for ADS ratio changes from 1:100 to 1:25 effective from March 27, 2006.

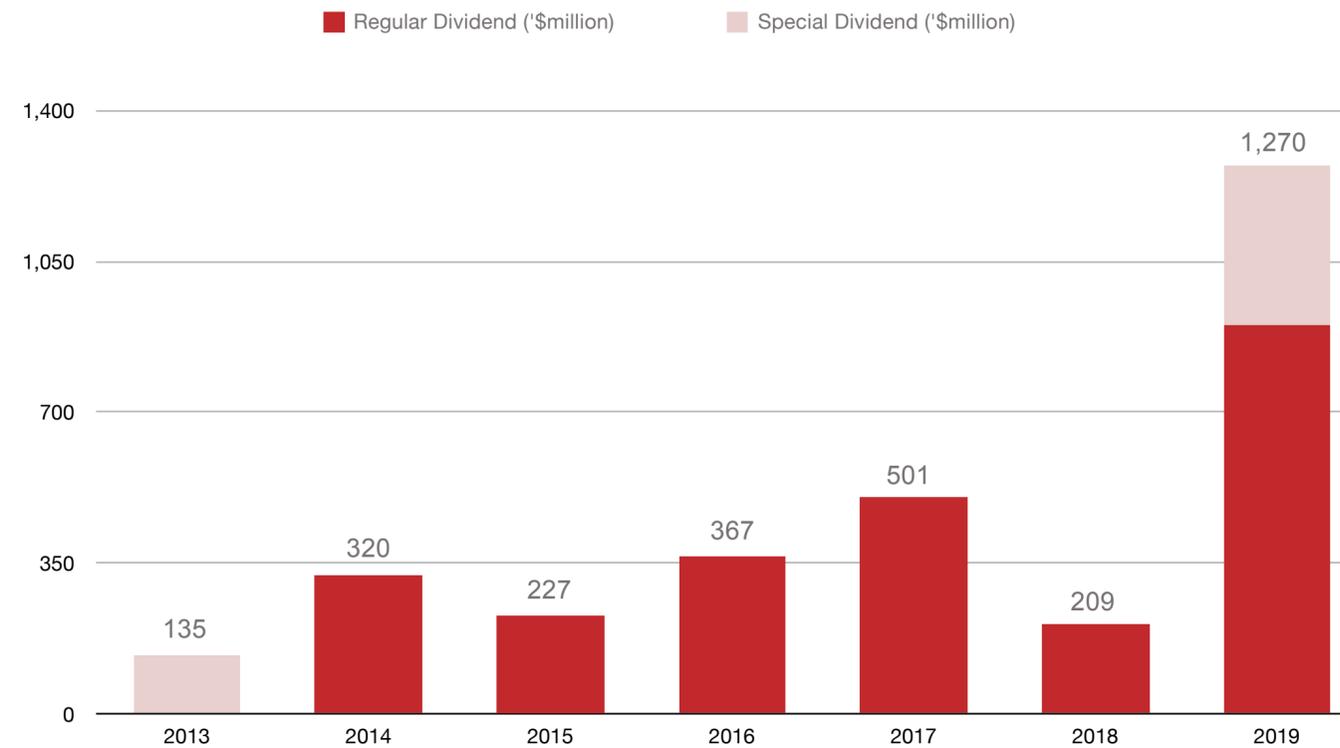
Share price returns not accounting for dividends or dividend reinvestment

# Shareholder Return

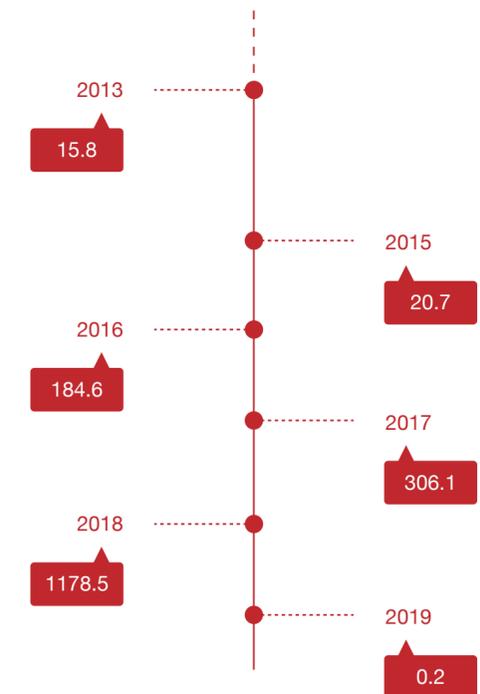
We have been growing steadily over the past 20 years with the support of our long-term shareholders, and we think there is no better way to show our appreciation and gratitude than sharing these returns with our shareholders.

We started to pay dividends since 2013, and we are one of the very few growth companies in the world that has a regular quarterly dividend payout to our shareholders.

## NetEase has returned over \$3 billion in dividends to shareholders



## NetEase has repurchased over \$1.7 billion of shares since 2013 (\$million)



### Note:

- In 2013: annual dividend of 20% - 25% of anticipated annual net income after tax;  
From 2014 to 2019Q1: quarterly dividend of approximately 25% of anticipated quarterly net income after tax from 2014 to 2019 Q1;  
Since 2019Q2: quarterly dividend of approximately 20-30% of anticipated quarterly net income after tax
- Please note the determination to make dividend distributions and the amount of such distributions in any particular quarter will be made at the discretion of our board of directors and will be based upon our operations and earnings, cash flow, financial condition and other relevant factors. Similarly, any future share repurchase will be at the discretion of the company's board of directors.

# Contact

NetEase is dedicated to reporting transparency on ESG matters. We share information about our ESG performance through a number of channels, such as reports, regulatory filings, press releases and conversations with stakeholders.



This report consolidates and highlights the most important aspects of our ESG policies and efforts. The report is also designed to guide readers to where they can access more information about specific topics of interest. All data are as of December 31, 2019, unless otherwise noted.

You can also visit our IR website for publications, documents, policies, and other sources of information about the Company's ESG policies.

## For More Information, Please Contact:

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 [ir@service.netease.com](mailto:ir@service.netease.com)

 [@NetEase\\_Global](https://twitter.com/NetEase_Global)

In this ESG report, unless otherwise indicated, references to the "company," "NetEase," "we," "us" and "our" refer to NetEase, Inc. and its consolidated subsidiaries and affiliated entities. This ESG report includes trademarks, service marks and trade names owned by us or other companies. All trademarks, service marks and trade names included in this report are the property of their respective owners.

This report may also contain certain forward-looking statements, including with respect to our strategic priorities and goals, and actual results could differ materially. Risk factors that could cause actual results to differ are set forth in the "Risk Factors" section and throughout our Annual Report on Form 20-F for the

year ended December 31, 2019 filed with the U.S. Securities and Exchange Commission ("SEC") and our other filings with the SEC, our Current Report on Form 6-k filed with the SEC on May 29, 2020.

These risk factors are subject to update by our future filings and submissions with the SEC and earnings releases. NetEase does not undertake any obligation to update this forward-looking information, except as required under the applicable law. Please also that performance of the company's business, financial results and share price may not be indicative of future results.

The image features a modern building with a glass and metal facade. A semi-transparent white rectangular area is overlaid on the building, containing the NetEase logo and address information. The logo consists of the Chinese characters '網易' in red and 'NETEASE' in black. To the right of the logo, the company name and address are listed in black text. The background shows a clear blue sky with some clouds and green trees on the right side.

網易 **NETEASE**

NetEase, Inc.

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