# 網影 NETEASE

**NetEase 2021** Environmental, Social and Governance Report



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### **About This Report**

### Introduction

As a leading internet technology company based in China, NetEase ("we" or "the Company") is committed to fostering collaboration and realizing people's aspirations for a better life through technology and innovation. Since our inception in 1997, we've endeavored to enhance our competitiveness in the industries and have continuously increased our capacity to take on greater corporate social responsibility. We strive to be a sustainable enterprise with an unwavering commitment to users, employees, and society.

### **Reporting Scope**

This is our third Environmental, Social and Governance (ESG) Report. This report provides a comprehensive description of our efforts and initiatives in 2021 (the "reporting period"), as well as certain information pertaining to 2022 and activities prior to 2021.

### **Reporting Guidelines**

We prepared this report based on SASB Standards, the NASDAQ ESG Reporting Guide 2.0, and the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong Limited. We also considered topics and best practices identified by world-leading rating agencies, including MSCI, DJSI (Dow Jones Sustainability Index) and Sustainalytics. Furthermore, we followed our stakeholders' and ESG experts' advice and took into consideration NetEase's current business practices and objectives in fulfilling its social responsibilities.

We prepared this report in accordance with an established process, which includes identifying key ESG issues, determining reporting boundaries and gathering information. The information in this report is primarily collected from NetEase's statistical reports and related documents.

### Access and Feedback

This report is available in Simplified Chinese and English. We welcome and appreciate any comments and feedback. Please feel free to let us know. Your input will help us improve our reporting and our overall ESG performance.

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Tel: (+86) 571-8985-3378

Twitter: @NetEase\_Global



### ESG Highlights in 2021

Governance	
	Established an ESG Committee at the board level.
Ŧ	Maintained a high level of independence on our board of directors, with independent directors accounting for 83% and female directors 33% of the total board.
	99.8% of NetEase employees passed the compliance and professional ethics exam.
User Rights Prote	ction
	Strictly complied with relevant laws and regulations to protect user data, such as China's Cybersecurity Law and the EU General Data Protection Regulation (GDPR).
	Established the NetEase Games Minors Protection Center.
*	Introduced more measures to ensure product quality, such as an end-to-end, closed-loop, digital management system for products.
Environment	
iii i÷i	Developed and upgraded our smart carbon management system and built the NetEase TianGong Carbon Neutrality Open Source Community.
Ŷ	Launched the Yanxuan Sustainability Plan which reduced 3,879 metric tons of $CO_2e$ in 2021 with the help of fewer and lighter packages as well as a digital decarbonization solution.

ę	Continued expanding our fleet of green logistics vehicles.
Talent Manageme	nt
•	Won ATD (Association for Talent Development) Excellence in Practice Awards for two consecutive years, and won 2021 ATD BEST Award.
=	Launched a group-wide benefits management platform which has facilitated our introduction of additional and upgraded benefits to our employees.
	Outperformed the global averages in terms of the proportion of executives and IT engineers who are female.
Growing Together	
	Made donations to Henan Province and Shanxi Province for flood relief and to Xi'an for pandemic control.
	Organized game competitions and provided game-related courses for more than 100,000 students in over 500 universities around the world to cultivate future innovation in the online game industry and attract graduates to the industry.
Ť	Marked the fourth anniversary of the One Screen program, one of our charitable projects, to promote rural education.

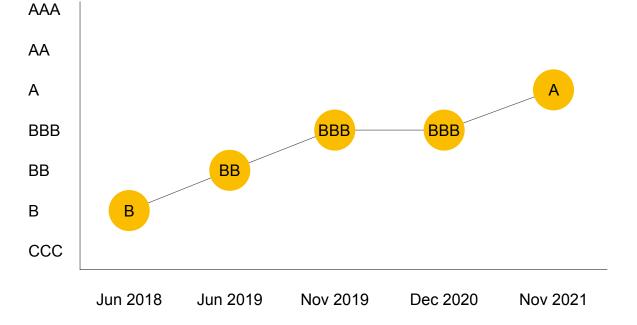




### **ESG** Ratings



NetEase is rated within top 25% of companies in the Global Media & Entertainment industry.<sup>1</sup>



The ESG governance performance is rated on a CCC to AAA scale. The The lower the score, the lower the ESG risks. closer the rating is to AAA, the better the ESG performance.

MSCI ESG Ratings aim to evaluate the listed companies on their ESGrelated risks and the capabilities of risk mitigation, in order to provide investors with a convenient and valuable reference.

<sup>1</sup>Updated in November 2021

<sup>2</sup> Updated in February 2022

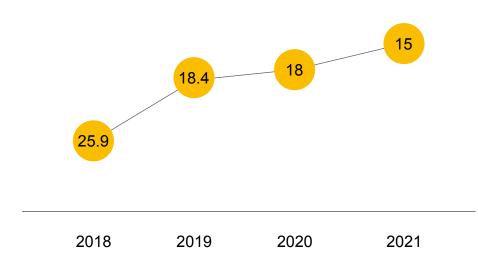
<sup>3</sup>Updated in December 2021

NetEase is rated as a low-risk company, and ranked 54 out of 995 companies in the Software & Services inindustry.<sup>2</sup>

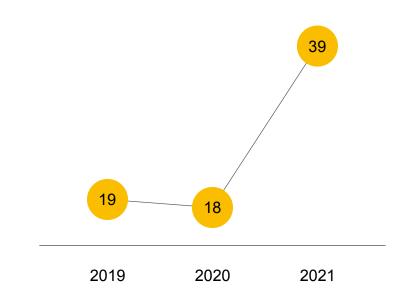


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NetEase is listed in the S&P Global 2022 Sustainability Yearbook Member and awarded S&P Global Industry Movers in the 56 companies of the Interactive Media, Services & Home Entertainment industry.<sup>3</sup>



Sustainalytics is a global leader in ESG research, ratings and data. Its ESG Rating has set nearly 40 industrial-specific indicators and covered more than 14,000 companies worldwide.



The higher the score, the better the ESG performance.

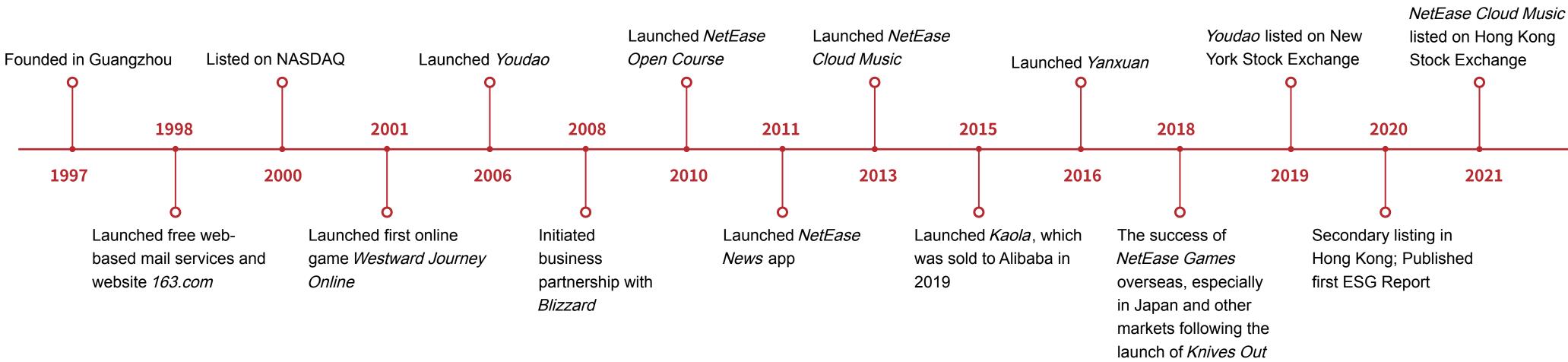
S&P Global assesses the governance and economic, environmental, and social aspects for major companies in the world.



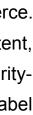


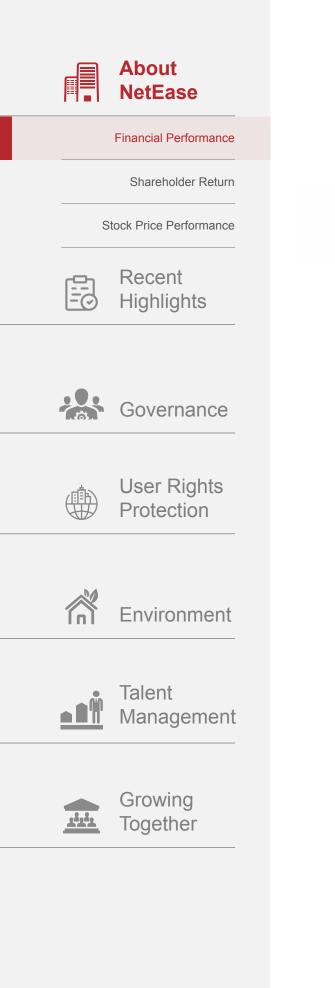
### **About NetEase: The Company at a Glance**

As a leading internet technology company based in China, NetEase, Inc. (NASDAQ: NTES and HKEX: 9999, "NetEase") provides premium online services centered around innovative and diverse content, community, communication and commerce. NetEase develops and operates some of China's most popular mobile and PC games. In more recent years, NetEase has expanded into international markets including Japan and North America. In addition to its self-developed game content, NetEase partners with other leading game developers, such as Blizzard Entertainment and Mojang AB (a Microsoft subsidiary), to operate globally renowned games in China. NetEase's other innovative service offerings include the majoritycontrolled subsidiaries Youdao (NYSE: DAO), China's leading intelligent learning company, and Cloud Village Inc. (HKEX:9899,"NetEase Cloud Music"), China's leading online music content community, as well as Yanxuan, NetEase's private label e-commerce platform.



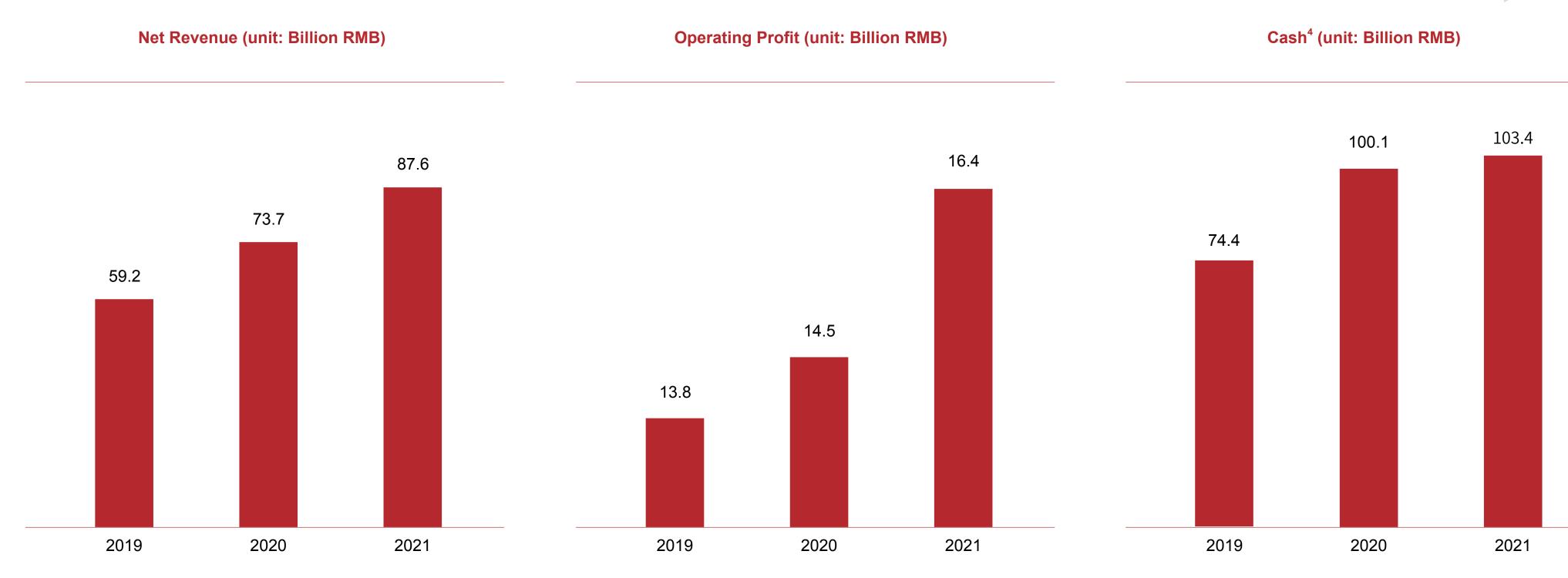






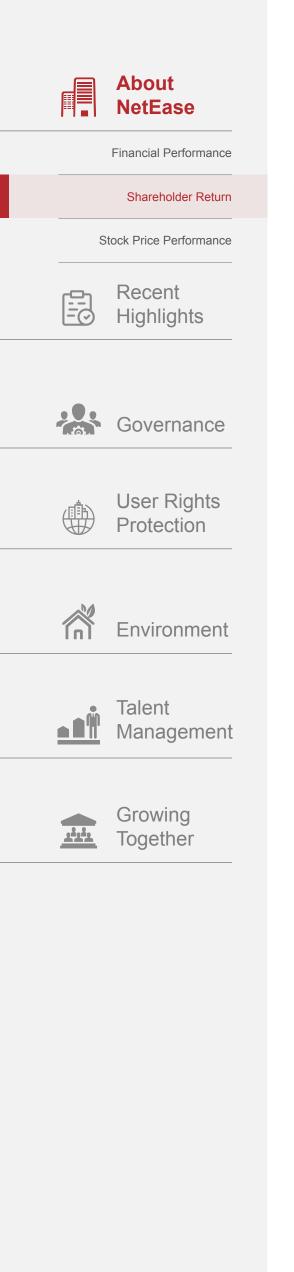
### **Financial Performance**

### Sustainable development and financial growth in 2021



<sup>4</sup> Including cash, cash equivalents, current and non-current time deposits, and short-term investment balance.

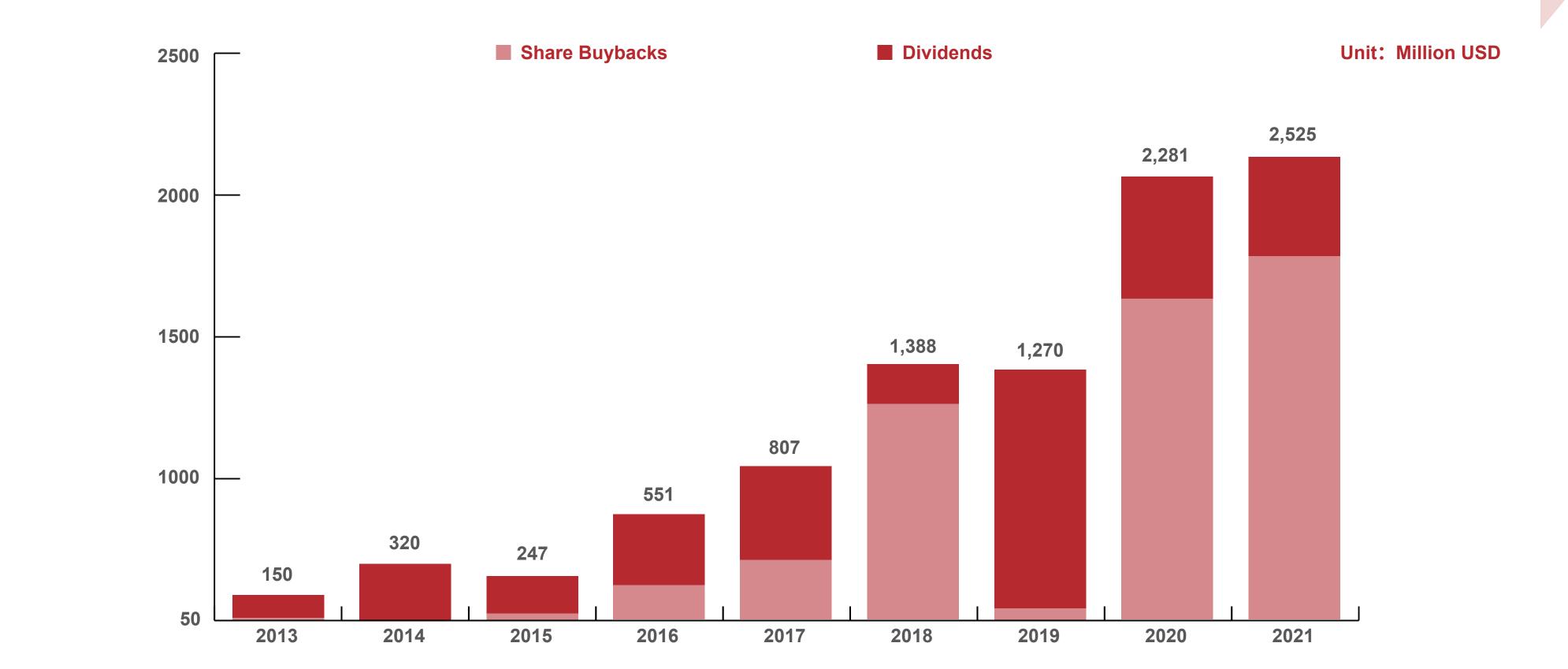




### Shareholder Return

our shareholders.

amount of over USD9.5 billion.



### There is no better way to show our appreciation and gratitude than to share these returns with

### From 2013 to the end of 2021, we have repurchased shares and paid dividends in the aggregate

NetEase 2021 ESG Report

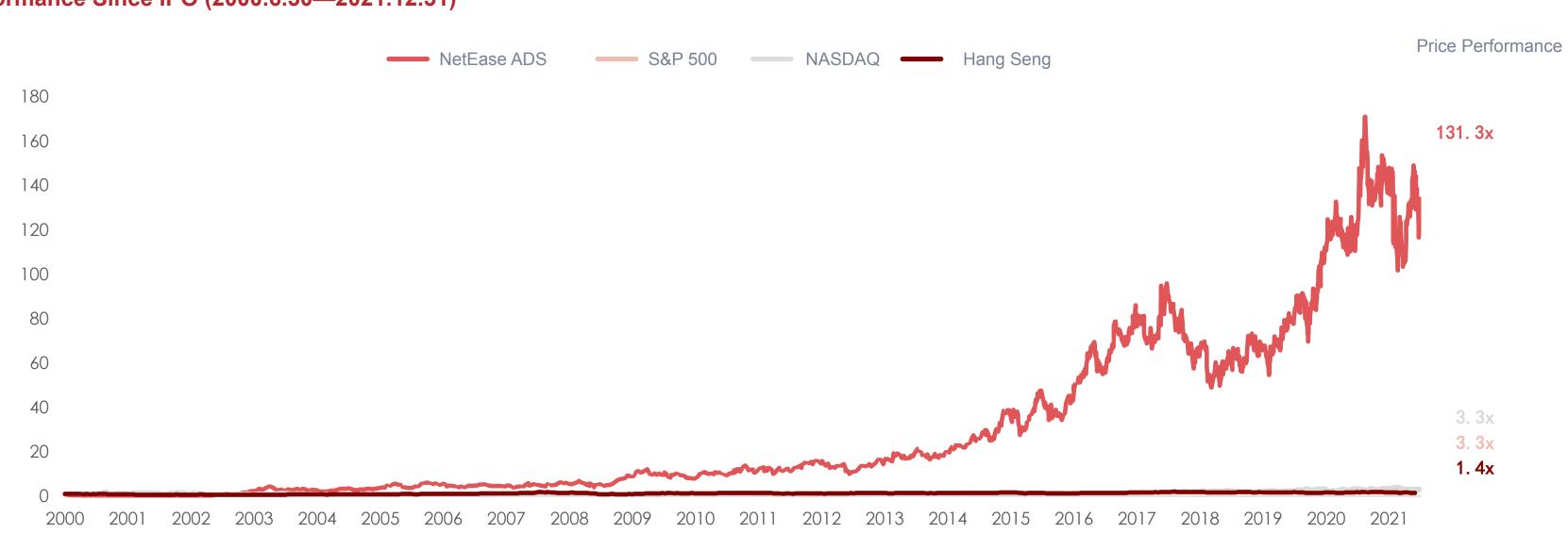




### **Stock Price Performance**

# annualized rate of return of over 25%.

Share Price Performance Since IPO (2000.6.30-2021.12.31)



### Performance for the period ended Dec 31, 2021

(Annualized return)	NetEase ADS	S&P 500	Nasdaq Composite	Hang Seng Index
1 year	6.3%	27.0%	26.7%	-14.1%
5 years	18.7%	16.2%	24.8%	1.2%
10 years	27.5%	14.2%	15.0%	2.4%
Since IPO	25.4%	5.7%	6.9%	1.7%

#### Source: Bloomberg

Note: Adjusted for ADS ratio to ordinary shares changes from 1:100 to 1:25 and to 1:5 effective from March 2006 and October 2020, respectively. The share price returns counted here do not include dividends or dividend reinvestment. Share prices performance represents past performance and does not guarantee further results. The Company's share price may be affected by a number of factors, including those described in the Company's filings with the U.S. Securities and Exchange Commission and The Stock Exchange of Hong Kong.









### Recent Highlights

Delivering Beauty and Culture Through Game Technologies

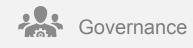
Enhancing Effectiveness of Learning

Connecting People Through Music

Dedicating to Uplifting Content

Producing Top-Selling Original Products

Empowering Digital Transformation







Talent Management

Growing

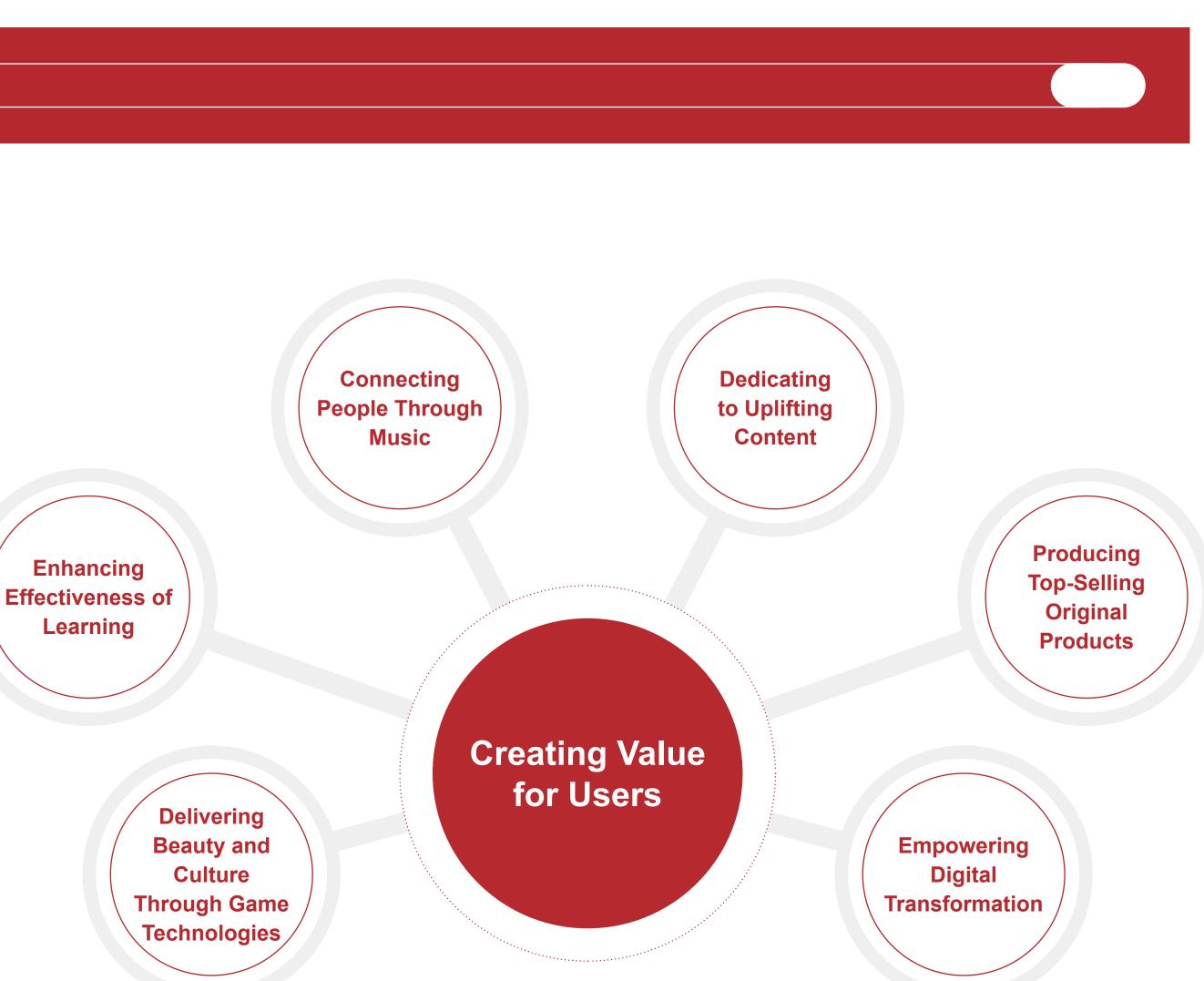
Together



### **Recent Highlights**



At NetEase, we believe that users are the source of value in our businesses, and we put users at the heart of everything we do. We are committed to providing valuable, consistently high quality products and services for users and society. As long as there is a demand for our products and services, we will be there for our customers.



### NetEase 2021 ESG Report







#### **Delivering Beauty and Culture** Through Game Technologies

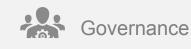
Enhancing Effectiveness of Learning

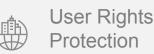
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Empowering Digital Transformation











Growing

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### **NetEase Games:**

### **Delivering Beauty and Culture Through Game Technologies**

We are committed to delivering the best possible gaming experience to the global audience. To achieve this goal, we have developed strong game engines that help us to produce industry-leading games spanning a wide range of genres. We also strive to integrate cultural, artistic, and technical elements into our products to help more users discover the beauty in life.

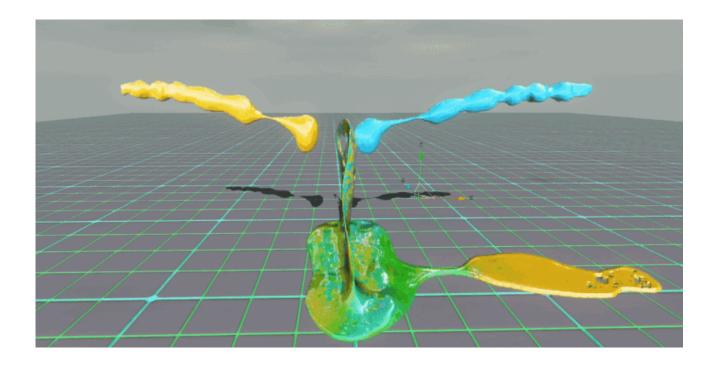


### Improving the User Experience with Advanced Technologies

#### **Breathtaking Reality**

*NetEase Games* is committed to providing users with an extraordinary gaming experience through technical innovation. Messiah incorporates a range of independent invention patents that enable us to produce highly realistic images. For example, the patented Candela global illumination (GI) system is a real-time GI algorithm developed specifically for mobile gaming which can produce smooth and vivid pictures on mobile phones.

The Fluid Injection Algorithm mimics real-life fluids such as raindrops, tears, and waves in games as if they were happening to players in the moment, providing users with a cinematic gaming experience.



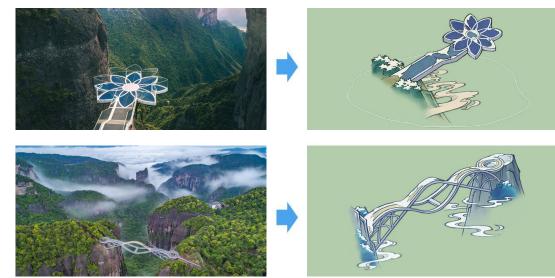
#### **True-to-Life Experience**

We strive to deliver an engaging game experience that feels like time travel. For example, in 2021 the martial arts MMORPG Justice reconstructed the scenery of Jingdezhen, the "porcelain capital" of ancient China. Players can talk to sweat-drenched workers in the kiln, see off the ships loaded with chinaware, and watch traditional Chinese operas created with advanced motion capture and audio production technologies. We've even reproduced the famous Chinese play *Fairy Couple*. The vivid images transport viewers to the theater as if they were part of this beautiful love story.

Another example is the special area, or dungeon, we created within our MMORPG mobile game Ancient Noctume in 2021. It is said that the famous Chinese poet Li Bai was inspired by a splendid mountain scene one day and wrote down one of his best works. We portrayed the scene in the game based on his depiction and on-site visits, such as the rolling clouds in between steep mountains. On the National Day holiday alone, more than 1 million players entered the dungeon, and the number of tourists who chose to visit the attraction physically hit a three-year high.



Justice



Ancient Noctume







Delivering Beauty and Culture Through Game Technologies

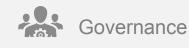
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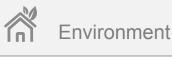
Producing Top-Selling Original Products

Empowering Digital Transformation





User Rights Protection





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NetEase Games:

### **Delivering Beauty and Culture Through Game Technologies**



### **Promoting Cultural Legacies Through Innovation**

#### **Cross-Cultural Melange**

We aim for our games to serve not only an entertainment purpose but also as carriers of culture. We want to present the unique aesthetics of China in a way that is accessible to global users. To that end, we have created various realms where traditional and modern Chinese culture are fully blended and different art forms are seamlessly integrated.



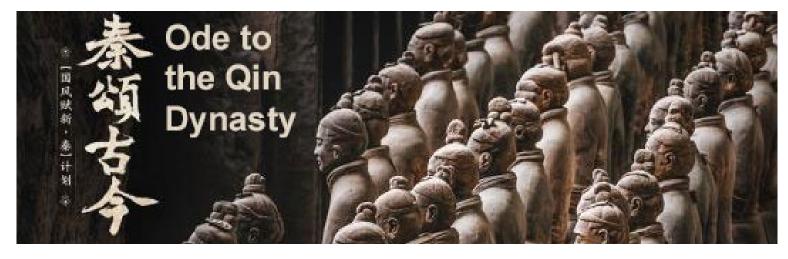
The "Chinese Traditional Opera"- themed Skin Collection in the MMORPG Xuanyuan Sword: Dragon Upon the Cloud

#### **International Recognition**

In August 2021, we introduced *Naraka: Bladepoint* to audiences worldwide. The game provides an entirely new experience of combat that blends shooting and martial arts in an unchained movement system. Traditional kung-fu attire, techniques and weaponry have been refined and modernized for users worldwide. We also established crossovers with a number of internationally renowned characters, including Bruce Lee, Fall Guys, and Shadow Warrior. The game was well received by players with great success and named a "Top Seller" on Steam's Best of 2021 games list.

#### **Digital Heritage**

In 2021, we introduced a new way for young people to learn about Qin history and traditional culture through the China Chic: Qin Dynasty program as part of our MMORPG *New Westward Journey Online II*. This program digitalized the magnificent Terracotta Army that was buried with Emperor Qinshihuang approximately 2,000 years ago. Players can virtually experience the restoration of terracotta sculptures to unveil secret artifacts and feel the exquisite craftsmanship of China's national heritage.



New Westward Journey Online II



Naraka: Bladepoint







**Delivering Beauty and Culture** Through Game Technologies

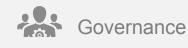
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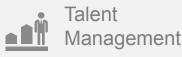
Empowering Digital Transformation





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### **NetEase Games:**

### **Delivering Beauty and Culture Through Game Technologies**



### **Effective Education Through Gamification**

#### **Space** Exploration

The battle royale game Knives Out rolled out the Rocket Construction program in March 2021 which allows players an opportunity to view the launches of rockets in the game.



Knives Out

#### IT Security Education

We have developed partnerships with several organizations in the areas of historical and cultural study and scientific education in an effort to make our games both entertaining and informative. For example, the sandbox game *Minecraft* (which we license from Mojang AB) launched an anti-fraud pop quiz to help teenagers identify false information and telecoms fraud, thereby enhancing their ability to protect their personal information and increasing online safety.



### A Safe Space for Peace of Mind

In 2021, Sky was authorized to gamify the famous novella The Little Prince. On starry evenings, players may play hide-and-seek with the Prince and listen to his adventure in the vast space including descriptions of all the people he met and how he survived overwhelming loneliness along the way. Additionally, we hosted a book sharing session where readers could express their thoughts and experiences about belief, personal development, friendship and love. We want to encourage our users to retain a childlike mind, stay fearless in the face of struggles and embrace the brightness of life.

Five months later, we launched the mobile spaceship MMO game EVE Echoes. In cooperation with the China Aerospace Science and Technology Corporation, we developed a Q&A campaign in the game to share knowledge with our users about how human beings can explore





the universe. We hope these efforts will inspire more young people and spark their interest in space exploration.

Minecraft

#### Knowledge Sharing

With the help of cute game characters, the Fantasy Westward Journey mobile game premiered two new seasons of the animated series Fantasy Academy in 2021 as the means to teach about history, culture, and technology. As of March 2022, six seasons have been aired online, tallying more than 370 million views.



Immune Defense, Get Covid Vaccines Today Season 5 Special: Everything about Vaccination











### Recent **Highlights**

Delivering Beauty and Culture Through Game Technologies

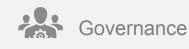
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**User Rights** Protection





Growing

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### **NetEase Youdao:**

### **Enhancing Effectiveness of Learning**

Youdao makes learning happen. For over a decade, Youdao has developed and used technologies to provide learning content, applications and solutions to users of all ages and abilities. We are committed to providing a comprehensive suite of learning products and services that are accessible, reliable and trustworthy, guiding people on their journey of pursuing knowledge and sharing ideas.



### High-Quality Resources Available to Learners of All Levels and Abilities

#### NetEase Cloud Classroom

We aspire to provide useful, systematic courses for learners at any stage. In 2021, we mobilized Youdao's core resources and upgraded NetEase Cloud Classroom, increasing our emphasis on adult education.

Now we provide more than 10,000 courses covering ten categories, from computer skills to vocational courses, totaling over 100,000 contact hours, to help users practice lifelong learning and attain continual progress.



#### Youdao Dictionary for Accessibility

*Youdao* became a member of the China Accessibility Product Alliance in 2021 and is dedicated to meeting the online learning needs of the 17 million visually impaired people in China. For example, we have launched a beta version of the Youdao Dictionary for Accessibility to help them thrive in the digital era. With this app, users can access a voice-over feature to look up words in the dictionary or to hear the correct pronunciation of words, as provided by celebrity voices. This innovative product also makes it easier for them to take pictures for translation when needed.

**Benefit** 

visually impaired Chinese people with technology









### Recent Highlights

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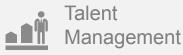


User Rights Protection

Environment

Growing

Together





### NetEase Youdao:

### **Enhancing Effectiveness of Learning**



More Innovative, Productive and Efficient Teaching and Learning

#### Youdao Dictionary Pen

In June 2021, *Youdao* released the high-end *Youdao Dictionary Pen X3s*. Utilizing a self-developed word association algorithm, *Youdao Neural Machine Translation* technology, and optical character recognition, the average recognition accuracy of the pen can reach over 98% and the speed of the recognition is 40% higher than the prior generation of the *Youdao Dictionary Pen*, making language learning much more effective.



Furthermore, e-textbooks published by People's Education Electronic & Audiovisual Press are included in the *Youdao Dictionary Pen*, helping students consolidate the knowledge they have learned in school.

#### Youdao Smart Learning Terminal

Youdao Smart Learning Terminal came out in 2020. It supports high-speed scanning of paper-based homework and tests, and automatic grading of these student work, which greatly reduces teachers' workload. The terminal also generates in-depth analytics for students and creates customized quizzes. The study system helps schools make well-informed judgments in regard to teaching management. By the end of December 2021, the Youdao Smart Learning Terminal could be found in more than 300 schools in 26 provinces in China.





### Building Skills and Know-How for a Bright Future

#### **STEAM Courses**

We are fully aware that education will have a lifelong impact on children. Since 2017, *Youdao* has been focusing on the wellrounded enlightenment of children, from intelligence to aesthetics and creativity. For this reason, we've launched a series of STEAM courses that incorporate a variety of subjects, including coding, Go and science.

In September 2021, the China Computer Federation announced that *Youdao iCode*, which provides coding courses to kids and teens, had been included in its Programming Trainer Accreditation program. We believe this inclusion provides an opportunity for us to contribute to programming education and technological advancement in China.



#### **Online Amazon Web Services Digital Training Courses**

In response to the booming demand for IT courses, *NetEase Cloud Classroom* started providing online Amazon Web Services Digital Training courses in 2021, including classes on machine learning, architecture design and data analysis. This is part of our effort to help more people master the basics of cloud computing and stand out in the competitive job market. As of the end of 2021, *NetEase Cloud Classroom* had rolled out around 100 free-to-use digital training AWS courses.









### Recent **Highlights**

Delivering Beauty and Culture Through Game Technologies

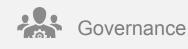
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**User Rights** Protection





Growing



### **NetEase Youdao: Enhancing Effectiveness of Learning**



### **Building an Online Learning Community for Learners and Content Creators**

#### WOW Learning Community

*WOW Community* went live at the end of 2020, aiming to make learning fun and engaging. Here, learners can share resources and experiences with a group of partners. The community has grown to 100 million users in one year, 75% of whom were born in the 1990s. Knowledge sharing via the platform has received more than 1.5 billion monthly page views.



#### **Dolphin Plan**

Youdao Dictionary strives to be a platform for high-quality content, and we're doing our utmost to achieve this goal. At the end of 2021, we initiated the Dolphin Plan, scheduling to invest RMB100 million to award high-quality content creators. Content published under this program is expected to amass 10 billion video views on the Internet. We believe that knowledge sharing will benefit the development of individuals and the entire society. Therefore, we hope this program can help more content creators feel that their contributions are worthwhile.









### Recent **Highlights**

Delivering Beauty and Culture Through Game Technologies

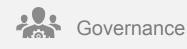
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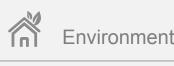
Producing Top-Selling Original Products

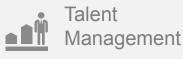
Empowering Digital Transformation





**User Rights** Protection





Growing

Together



### **NetEase Cloud Music: Connecting People Through Music**

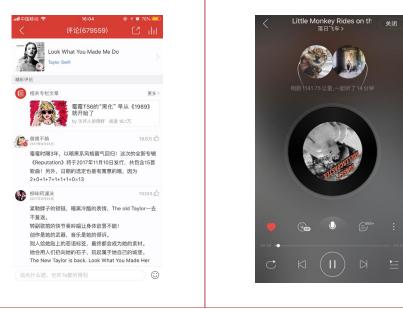
NetEase Cloud Music cares deeply about music and cares even more about people. NetEase Cloud Music is committed to creating a vibrant music community where music lovers can share their thoughts and opinions, and a place where artists can show musical talent and express their innermost feelings.

### **A Place to Share Feelings**

#### **Unconventional Comments Section and Playlists**

Viewing comments during listening has become the new habit among users after we innovated the comments section in our app. The number of user comments has become an indicator of hit tracks.

The playlist adds social-networking features to the product. In contrast to other discover-mode of conventional music applications, Net-*Ease Cloud Music* enables users to share their playlists and resonate with people who have similar musical tastes.



### A Spotlight on New Talents

### **China's Biggest Online Incubator for Independent Artists**

In 2013, we announced that we're going to provide services for independent artists.

In 2016, we initiated China's first comprehensive musician support program, Project Cornerstone.

In 2021, we released the Project Cloud Ladder 2022 to expand the independent artist identification system to further support talents.



We released Project Cornerstone and Project Cloud Ladder 2022 to discover excellent independent artists and help them to reach more audience. As a result of this, the number of independent artists who generate income from their works increased by 80%. The platform's topearned independent artist has accumulated more than RMB10 million.

<sup>5</sup>Based on average data in 2021. <sup>6</sup> Based on data as of the end of 2021.

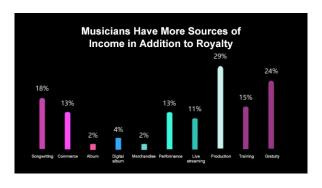
#### **Listening Together**

We are committed to building social network within the app. The Listening Together feature enables users to invite friends or anyone with a similar musical taste to listen to the same song together even if they are thousand miles away.



A Unique Music Community From playlist sharing to daily recommendations, and from music comments to user Moments, there's no denying that online music streaming platforms have never been this engaging and appealing before. Today, *NetEase Cloud Music* is one of the world's biggest music communities.

#### **Support for Music Producers**



### **Statistics**

Per day spent on listening to music by each daily active user<sup>5</sup>

**78.2** min

Registered independent artists<sup>6</sup>

**400+** K **30%**+

UGC (user-generated content) playlists<sup>6</sup>

DAU/MAU ratio remains at<sup>5</sup>









#### Delivering Beauty and Culture Through Game Technologies

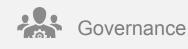
Enhancing Effectiveness of Learning

Connecting People Through Music

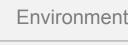
#### Dedicating to Uplifting Content

Producing Top-Selling Original Products

Empowering Digital Transformation







Talent Management



### Growing Together

### **NetEase Media: Dedicating to Uplifting Content**

NetEase Media prioritizes the experience of its users and is devoted to providing inspiring information. We believe that user engagement can only be sustainably increased through the provision of high-quality content and not by simply optimizing recommendation algorithms. To this end, NetEase News has set up a series of activities and columns, including NetEase Future Conference, Future Talks, and Knowledge Highway. As a result, the average daily usage of NetEase News topped the industry in many quarters in recent years and reached 117 minutes during the 2021 Tokyo Olympics. In addition, NetEase Media launched a sub-brand, NetEase Cultural & Creative, in July 2020. The brand operates more than 20 popular accounts that consistently provide high-quality content for tens of millions of followers.

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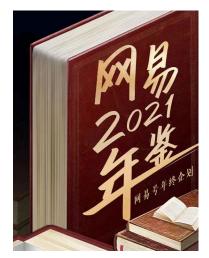
### **User Participation**

We care what users think, and we create what users need.

#### **Annual News Report 2021**

Our Annual News Report is a brand new program launched by *NetEase News* at the end of 2021. Content creators were invited to review and provide insights on the top 100 most memorable events of the year. One example is the 2021 Annual Review: "Live in the Moment" which turned the spotlight on

the stories of average people. Their bittersweet stories touched the hearts of many viewers and received numerous positive reviews online.





### **Social Connection**

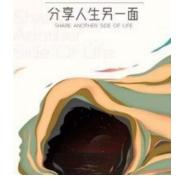
We produce content that's relevant to the lives of young people.

#### **Sincere Talk**

*Sincere Talk* is a popular short video series where we record or interview celebrities about their outlook toward life, love, dreams and suffering.

In addition, *Life as We Know* is a documentary series telling the true life stories of "nobodies". Their hard-earned accomplishments resonated with many individuals and 谈心社 sparked intense discussion 分享人生另一面 on the relationship between the individual and society.





### **Deep Thinking**

We explore the realm of information that surrounds us.

### **NetEase Open Course**

*NetEase Open Course* provides high-quality, thought-provoking content for users while on the go. These include TED Talks on human

development, environmental protection, psychology, and philosophy. We also launched the Learning for 10,000 Minu*tes Proposal* that encourages users to personalize their study plans, cultivate learning habits and create a space for daily improvement.



### **Morale Booster**

2

We want to be a light in the darkness for people who need guidance.

#### **NetEase Cultural & Creative: Light up Corners**

In the winter of 2021, we initiated NetEase Cultural & Creative: Light up Corners program in Houchangcun, Beijing, a place where many Chinese Internet professionals work.

We held mobile exhibitions on several nights and then built a public art installation called "Revival" at the hub of the region. The light installation depicted a group of jumping figures, which signified vigor,

confidence, optimism, and fearlessness.















Delivering Beauty and Culture Through Game Technologies

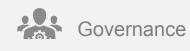
Enhancing Effectiveness of Learning

Connecting People Through Music

Dedicating to Uplifting Content

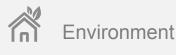
#### Producing Top-Selling Original Products

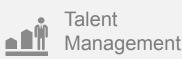
Empowering Digital Transformation





**User Rights** Protection





Growing

Together



### **NetEase Yanxuan:**

### **Producing Top-Selling Original Products**

Over the past six years since the inception of Yanxuan, we have made our brand positioning and development pathway clear — to reshape the lifestyle of the new middle class. We have precisely identified the demands of the younger generation and concentrate on home products to meet their everyday needs. We want our carefully curated and designed products to be the start of a more fulfilling life for people.



### **Developing Quality Products that Consumers Want**

Yanxuan strives to satisfy the demands of consumers with affordable, high-quality products. We thoroughly evaluate consumer needs before product development and focus on the simplicity and functionality of the design. From cat food to ergonomic office chair, each of these flagship products has generated more than RMB100 million in revenue.

Our cat food, for example, was the best-selling domestic brand in the cat food category during multiple big online sales in China in 2021. Prior to its release, it underwent more than 20 rounds of optimization based on user input and test results. An outstanding formulation offers complete nutrition for cats and has received widespread praise from the market.











#### Delivering Beauty and Culture Through Game Technologies

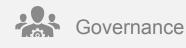
Enhancing Effectiveness of Learning

Connecting People Through Music

Dedicating to Uplifting Content

#### Producing Top-Selling Original Products

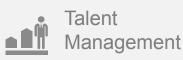
Empowering Digital Transformation



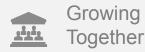


**User Rights** Protection





Growing



### **NetEase Yanxuan: Producing Top-Selling Original Products**



### **Innovative Originality in Product Design**

Originality is our abiding principle and constant commitment. Today, more than 60% of Yanxuan product designs are original. The emerging middle class in China wants designs that are simplistic, functional and stylish, as well as crossovers with prominent companies from other industries. Having won the Golden Pin Design Award and the Red Star Design Award in 2020, Yanxuan continued to innovate and won multiple global design awards in 2021, including the iF Design Award and the Red Dot Award.

We constantly pursue product quality while improving design originality because we know the product itself overrides everything else. A good example of this product-first approach is our Warming Worldwide down coat which was initially released in 2018 and has seen four iterations at this point. The most recent version has been named as one of the 19 best products in 2021 according to Phoenix Lab, a popular review channel in China.

### **Promoting a Healthy, Forward-Looking Life for All**

We take a user-centric approach to our business. For example, taking steps to increase the amount of time users spend on apps is a common practice in the e-commerce industry, but Yanxuan chooses the other way. We have simplified the user interface of our app to help users spend less time on mobile devices. Statistics show that 71% of Yanxuan users completed their purchases within 30 minutes in 2021. We believe that's one reason why more and more users are choosing Yanxuan.



NetEase 2021 ESG Report







### **Highlights**

Delivering Beauty and Culture Through Game Technologies

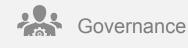
Enhancing Effectiveness of Learning

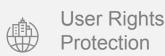
Connecting People Through Music

Dedicating to Uplifting Content

Producing Top-Selling Original Products

Empowering Digital Transformation





Protection





Growing

Together



### **NetEase R&D Capabilities: Empowering Digital Transformation**

NetEase has an abundance of experience in cloud computing, artificial intelligence and other cutting-edge technologies. We are committed to applying our technical solutions to the digital transformation of the entertainment industry.



### **Integrating AI into Various Business Contexts**

#### **Exploring the Metaverse**

NetEase Yaotai is an immersive metaverse service platform. In contrast to traditional video conferencing, it creates a vivid environment for participants. Users can change the look of their avatars during the conference and make avatars mirror their facial expressions.

In the future, we plan to focus on developing more and enhanced metaverse services such as virtual community, virtual reception and virtual reality. In this way, we will look to construct a more immersive, interactive virtual world for a broader range of scenarios such as metaverse art exhibitions.



The 16<sup>th</sup> International Symposium on Biomineralization Was Held on the NetEase Yaotai Platform in August 2021



#### **Digital Revolution**

NetEase owns a number of cutting-edge technologies, including with respect to digital humans, AI character face modeling, and AI gaming robots.

We are committed to developing and applying computer vision, speech and natural language processing, reinforcement learning and other technologies to games and other areas which has the potential to greatly enhance productivity.

In 2021, we produced Guangdong's first two AI news anchors for the Yangcheng Evening News, a famous news agency in Guangdong Province. The life-like digital humans were created based on facial motion capture, 3-D face modeling and deferred neural rendering. They can read the news in a natural tone, and their facial muscles move in sync with the words they say. The automation of news productions greatly reduced the need for human resources and marked a pioneering step in the digitalization of traditional media.



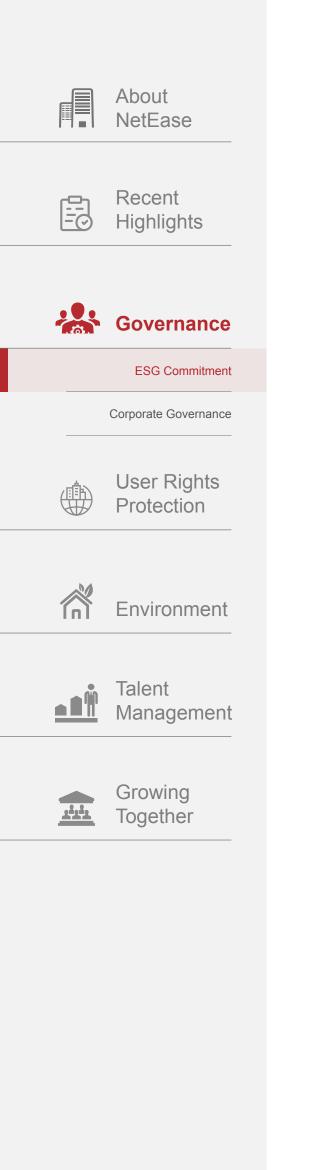
AI News Anchor of Yangcheng Evening News



# **OIGovernance**

Over the years, we have remained firm in our belief that sound corporate governance drives sustainable development. Here at NetEase, we spare no effort to improve our internal control processes and conduct our business practices with the highest ethical standards.

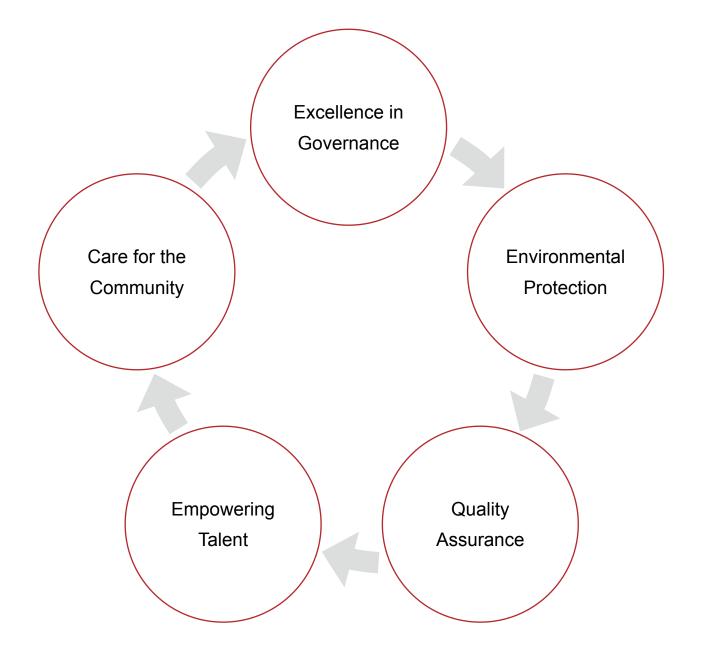




### **ESG Commitment:** Focusing on ESG for Sustainable Development

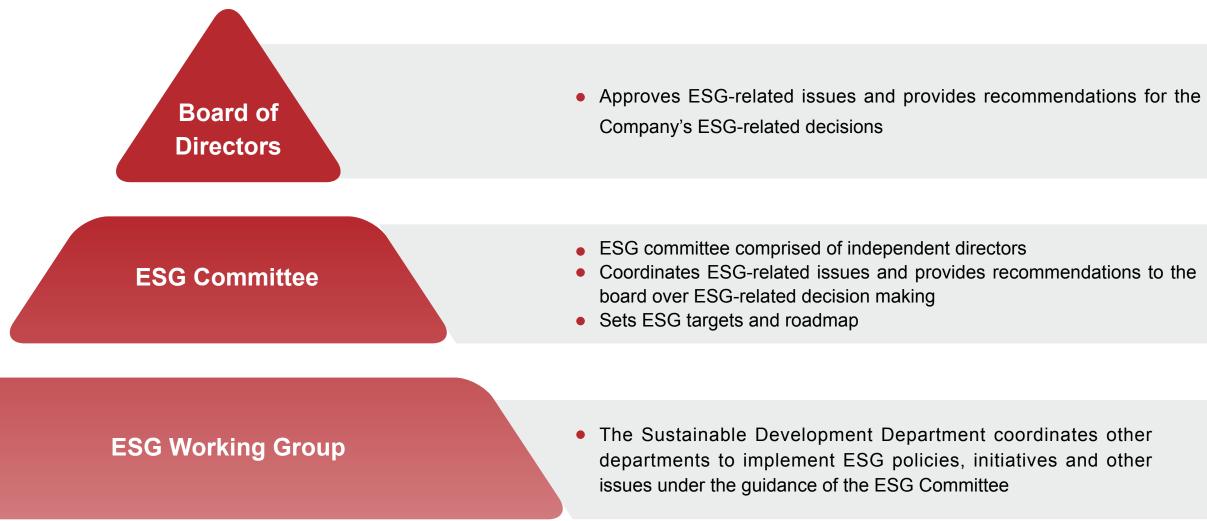
### Our ESG Vision

We integrate ESG standards into our daily business operations and are committed to our ESG vision with a focus on five major areas:

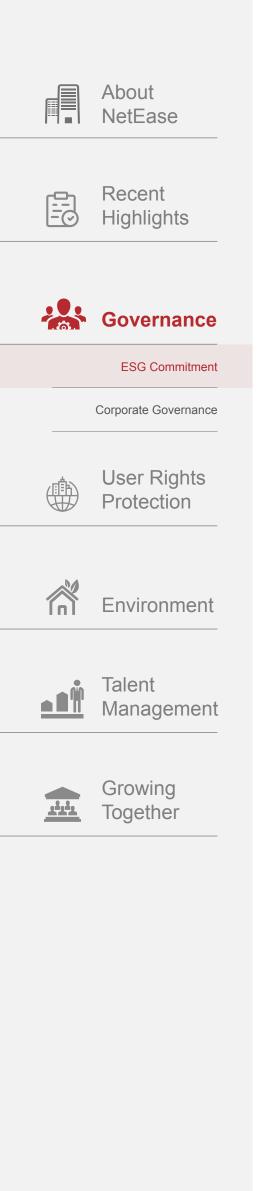


### **ESG Governance Structure**

We have established a three-tier ESG governance structure. Our board of directors oversees the strategy and implementation of ESG initiatives to continuously improve overall transparency on ESG issues. In early 2022, we formed the ESG Committee which is comprised of solely independent directors and is in charge of establishing and supervising our ESG policies and objectives, as well as proposing sustainability recommendations to our board. Our ESG Committee supervises our ESG Working Group which is tasked with implementing the ESG Committee's plans. In 2022, we also set up a Sustainable Development Department within our company which is staffed with a team of full-time personnel.





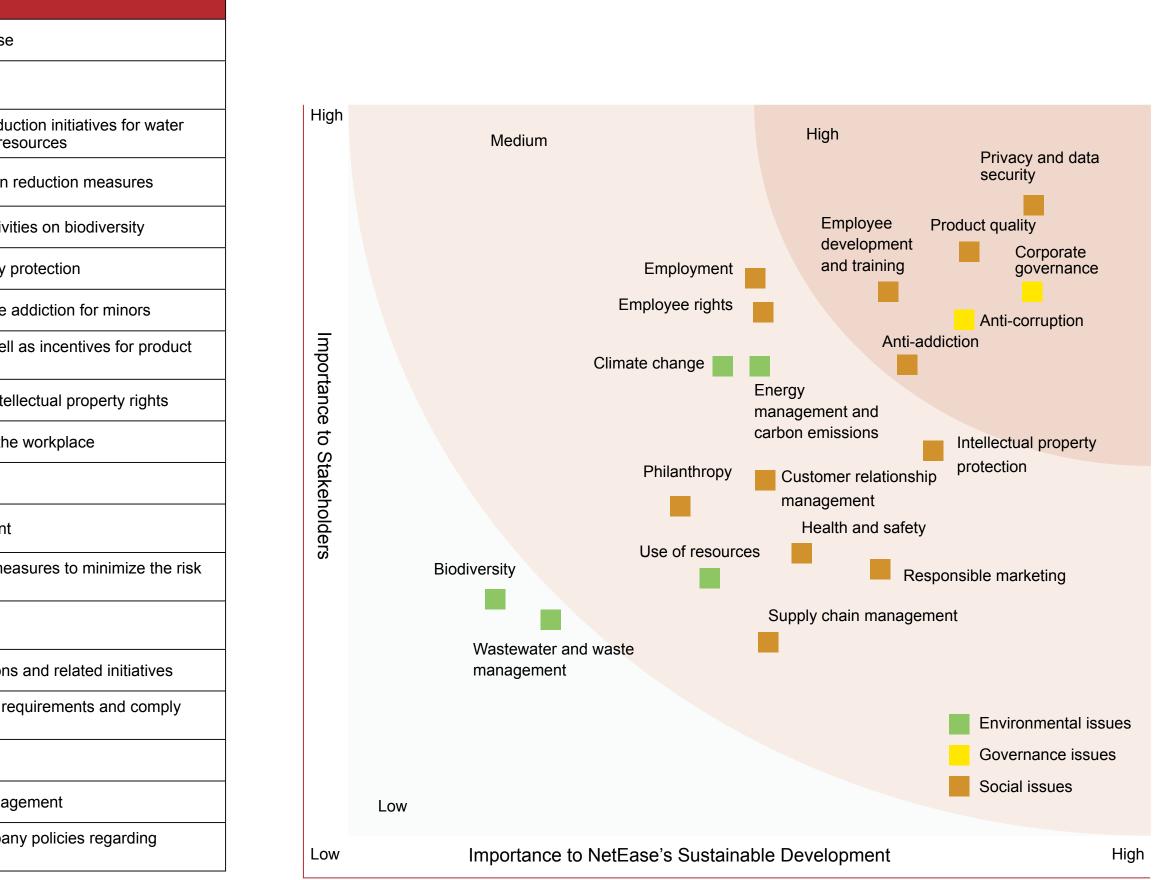


### Materiality Analysis

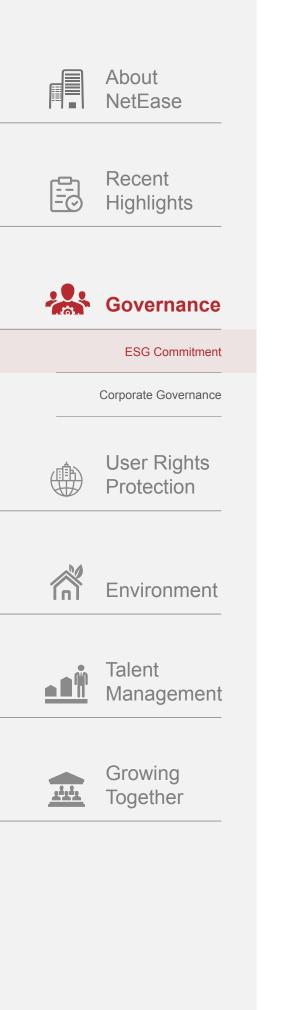
During the reporting period, we conducted a comprehensive review of ESG topics. This included a review of the ratings from MSCI and DJSI, the ESG guidance from HKEX and NASDAQ and the best practices of our peers. We identified 19 ESG issues of significance to the Company. Among these issues, we have determined that six are critical, eleven are important and two are of average importance.

Category		Issue	Description		
Environmental Issues	1	Climate change	Climate change risk identification and response		
	2	Energy management and carbon emissions	Strategies, goals, initiatives and results met		
	3	Use of resources	Management systems, policies and usage reduced consumption, packaging materials and other re		
	4	Wastewater and waste management	Systems, policies, emission data and emission		
	5	Biodiversity	Action to minimize the impact of business activi		
Social Issues	6	Privacy and data security	Policies and measures related to data security		
	7	Anti-addiction	Policies and measures to prevent online game		
	8	Product quality	Product quality management and audits as well quality improvement		
	9	Intellectual property protection	Policies and measures for the protection of intel		
	10	Employment	Policies and measures regarding diversity in the		
	11	Employee rights	Employee labor rights		
	12	Employee development and training	Employee training and promotion management		
	13	Health and safety	Policies and occupational health and safety me of occupational hazards to employees		
	14	Customer relationship management	Customer satisfaction improvement initiatives		
	15	Supply chain management	Supply chain management systems, regulation		
	16	Responsible marketing	Marketing methods meet social responsibility re with advertising ethics		
	17	Philanthropy	Measures contributing to local development		
Governance Issues	18	Corporate governance	Corporate governance structure and risk manage		
	19	Anti-corruption	Compliance with and implementation of compa- business ethics		

NetEase's Material ESG Issues Identified in 2021



Materiality Matrix



### Our ESG Awards and Recognition

Our persistent focus on ESG matters has been recognized by organizations in China as well as the international community.

Organization/Activity	A
Standard & Poor's (S&P)	Ir
FTSE Russell	L
UNESCO HK Association Global Peace Centre	E
Association for Talent Development (ATD)	Δ
Forbes	V
2021 Sustainable Development Solutions Program by China Sustainability Tribune	F
Southern Weekly Philanthropy Research Center	2
CSRworld.net	C

#### ward/Honor

Included in S&P's Sustainability Yearbook 2022, became a Sustainability Yearbook Member, and was recognized as an S&P Global Industry Mover

Listed in the FTSE Emerging ESG Low Carbon Select Index and FTSE Asia ex Japan Emerging ESG Low Carbon Select Index

ESG Care label

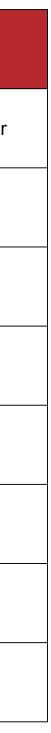
ATD Excellence in Practice Award and ATD BEST Award

World's Best Employers

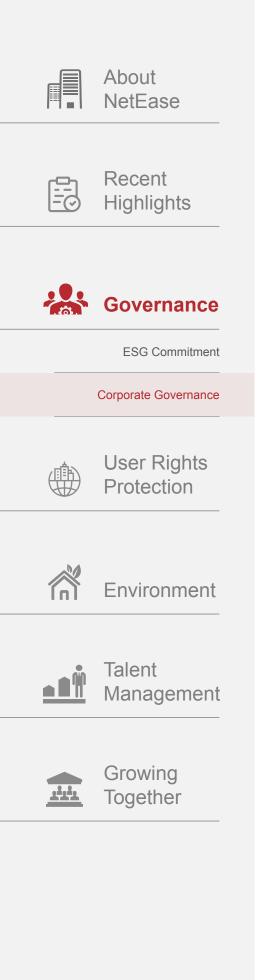
Honorable Mention for Educational Contribution

2021 China's Top 50 Brands/Enterprises for Philanthropy

CSRworld Innovation Awards







### **Corporate Governance: A Principled Approach to Strengthen Risk Control**

### **Optimizing Board Composition**

The Board of Directors is the group's top decision-making body, and it has established an Audit Committee, Compensation Committee, Nominating Committee and ESG Committee to focus on specific areas.

To achieve a diverse board composition, we take into consideration the qualifications, industry experience, background, gender, and other criteria of each board member. The board of directors consists of six members, including five independent directors, representing 83% of the total membership. Ms. Grace Hui Tang has been appointed by the board of directors as a new independent director, effective as of July 1, 2022. Among six directors, two are female directors. Our directors have experience in a variety of areas including technology, entrepreneurship, investment, finance, business administration, law, and social science, which enables our board to make well-informed judgments about corporate development and strategy.

Independent directors account for

Female directors account for

Position CEO/ Founder/I Independ Independ Independ Independ Independ

<sup>7</sup>Effective as of July 1, 2022.

		Gender		Expertise		
n	Name		Educational Background	Industry Experience	Risk Management	Financia Manageme
r/Director	William Ding (丁磊)	Male	Bachelor of Science degree in Communication Technology			
ndent director	Alice Cheng (郑玉芬)	Female	Bachelor of Accounting, MBA			
ndent director	Grace Hui Tang <sup>7</sup>	Female	Bachelor of Science degree in Accounting, MBA			
ndent director	Joseph Tong (唐子期)	Male	Bachelor of Social Science degree with honors in Accounting and Statistics			
ndent director	Lun Feng (冯仑)	Male	Bachelor of Arts in Economics, Masters of Law, and Juris Doctor			
ndent director	Michael Leung ( 梁民杰 )	Male	Bachelor's degree in Social Science			

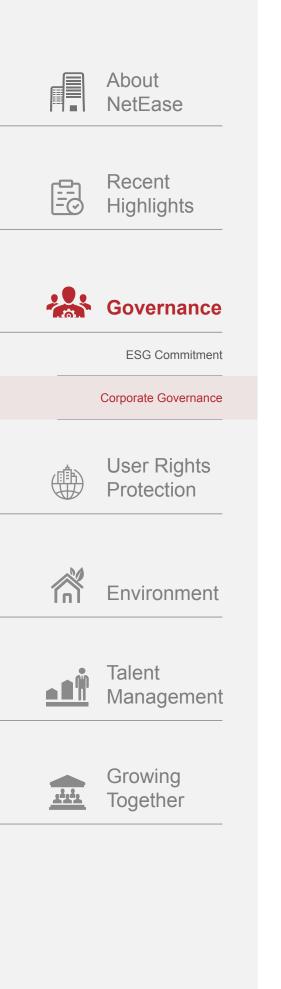












### **Comprehensive Risk Control Mechanism**

ensure robust, sustainable and healthy growth.

### **Enhanced Risk Control Structure**

To further enhance our risk management, in 2021 we improved the structures of our risk control structure. Our Internal Audit Department and Internal Control Department, each with its own areas of responsibilities and staff, enable us to more thoroughly anticipate, monitor and address issues in a timely and effective manner. We have also implemented more frequent internal audits with wider coverage and enhanced our policies regarding data security and purchases as set forth in our "NetEase Group Management Code."

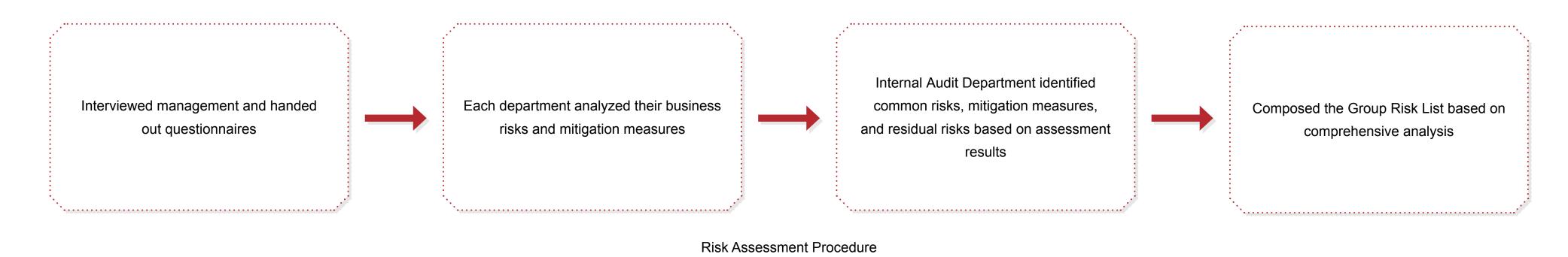
### More Extensive Auditing

Our Internal Audit Department serves as an independent regulator within our group. During the reporting period, it formulated the "FY21 Internal Audit Plan" based on the results of its risk evaluation. We also hire third parties to conduct audits of various aspects of our business. For example, several of our business units have enlisted third-party companies to conduct data security audits to ensure that all compliance risks are identified. We have also taken measures to mitigate the risks and improve risk control capabilities.

### **Optimized Risk Assessment Procedure**

### We have incorporated ESG-related risks into our regular risk control framework and expanded the scope of group-wide audits.

In 2021, we optimized our risk assessment procedures at the group level. We compiled a Group Risk List to offer management profound insights into the prevention of major risks.



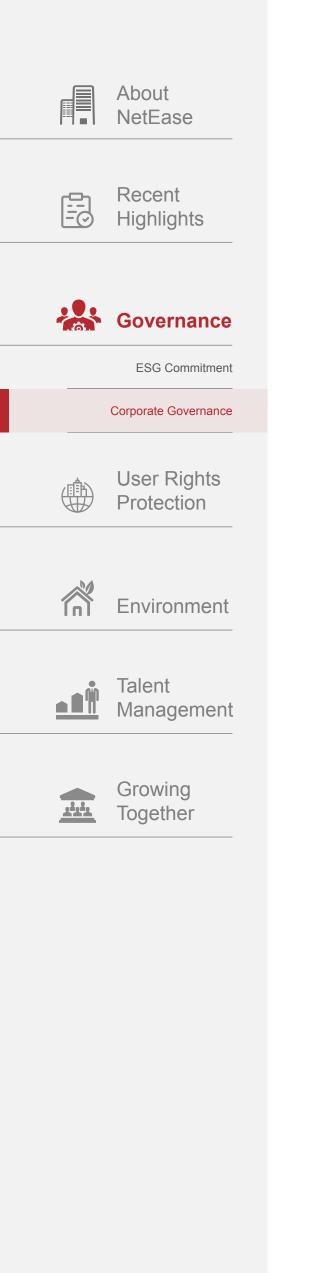
### We have built a comprehensive risk management system to assist us in identifying, evaluating, preventing and managing internal and external risks. The Audit Committee also makes suggestions to











### The Ethical Basis of Success

At NetEase, we see business ethics and integrity as a top priority of our business operations.

### Anti-Corruption Framework

### We attach great importance to integrity and maintain a solid, transparent governance structure to ensure managerial effectiveness.



### **Business Ethics Mechanisms**

NetEase upholds the highest standards in commercial activities and conducts itself in accordance with its ethical principles. Our "NetEase Code of Ethics and Professional Conduct" was published in 2021 as an addition to current policies such as the "NetEase Business Ethics and Integrity Policies" and the "NetEase Whistleblowing System."

### **NetEase Business Ethics Management Policies**

- "NetEase Code of Ethics and Professional Conduct"
- "NetEase Business Ethics and Integrity Policies"
- "Code of Practice on Conflicts of Interest for Employees"
- "Policies on the Acceptance of Gifts by Employees"
- "NetEase Whistleblower System"

#### Five Control Lines for NetEase's Business Ethics and Integrity

- Prohibit trading power for profits
- Prohibit engaging in activities that pose conflicts of interests to the Company and its business
- Prohibit seeking improper personal gains with corporate property, information or position
- Prohibit leaking confidential data
- Prohibit engaging in illegal or disorderly behavior

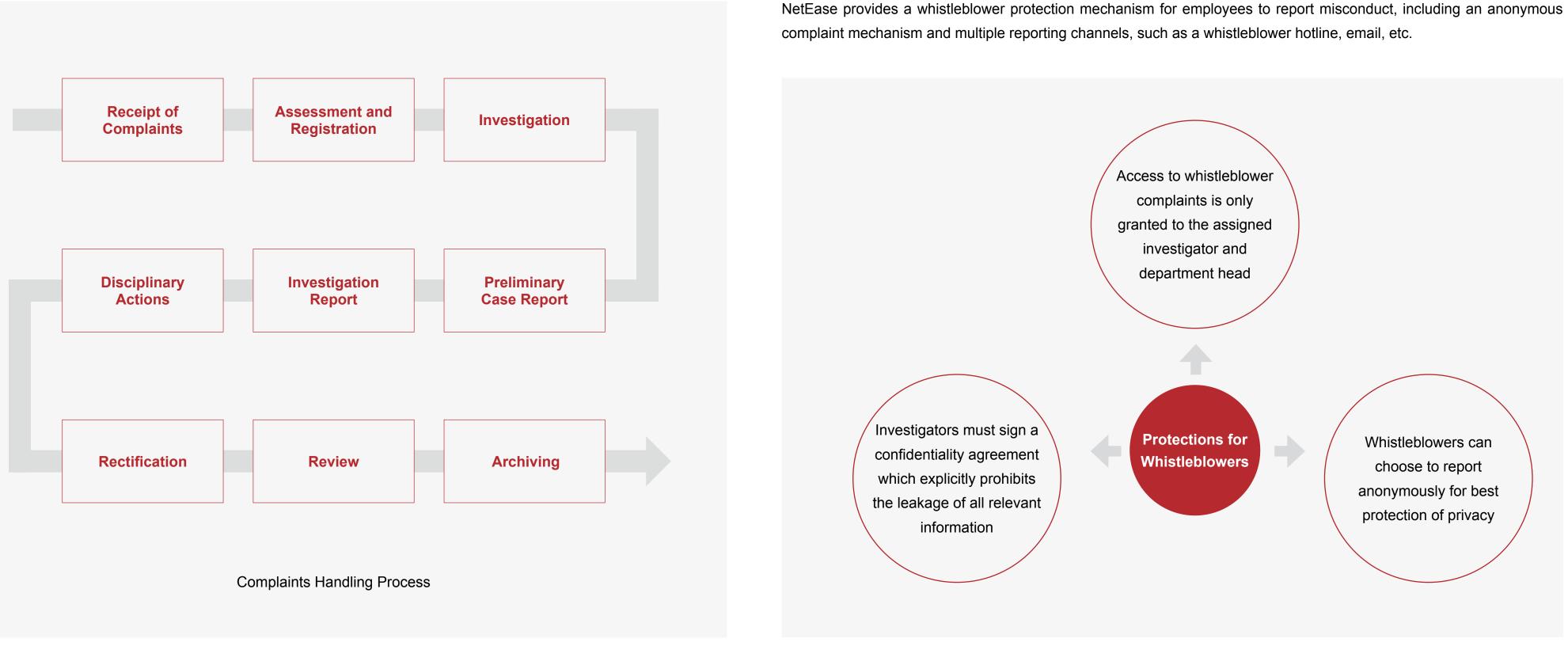




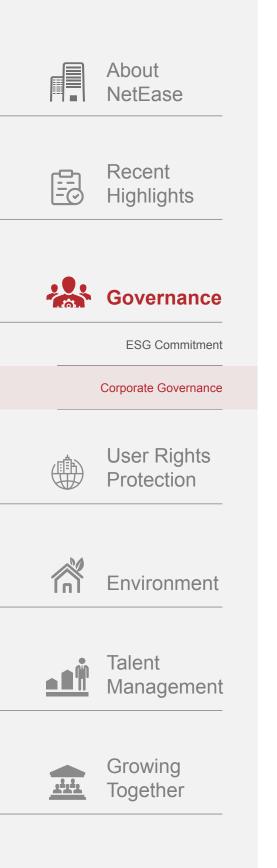
### The Ethical Basis of Success

### Creating a Sound Environment for Whistleblowers

We maintain a zero-tolerance policy against any unethical business conduct. We provide a variety of reporting channels, including the Internet, hotline, email and intranet, for personnel to report suspected misconduct, and we have a comprehensive system to handle reports. Our Ethics Committee Office is responsible for conducting investigations and dealing with wrongdoers. If it identifies any loopholes within the system, it is responsible for closing them to ensure similar cases won't happen again.







### The Ethical Basis of Success

### **Promoting Integrity in the Workplace**

### **Promoting Awareness Through Training**

During the reporting period, we provided numerous business ethics training sessions and spread awareness of business ethics issues through internal campaigns using videos, presentations and other activities for all employees in an effort to increase their integrity awareness and create a culture of integrity within our company. In 2021, the attendance of our business ethics training sessions reached over 38,000.

#### **Compliance and Professional Ethics Certification**

• We offered company-wide training on compliance and professional ethics. It covered a range of topics, including security, integrity, internal control, internal audit, investor relations, and public relations. Employees who received 90 points or above could pass the final exam. We also required all employees to sign an "Integrity Pledge." In 2021, 99.8% of employees passed the compliance and ethics exam.

### Integrity Training for Suppliers

We are committed to improving the integrity of all of our supply chains. Each contract we execute with our vendors includes articles relating to our integrity requirements. In addition, in order to convey our integrity standards and business conduct criteria, we routinely organize training sessions for sales representatives and on-site staff of our suppliers and provide integrity guidelines to our suppliers. For example, we send emails to our vendors during the Mid-Autumn Festival and National Day to remind them that we do not accept holiday gifts of any kind.

### Integrity Training

 In 2021, we gave more intensive ethical training to management and functional specialists, including purchasing and sales, compared to prior years. We intriduced our newly issued professional ethics norms and typical cases during the traning sessions. 99.2% of management professionals and functional specialists completed professisonal ethics training in 2021.

• New employees were also provided with integrity and professional ethics training upon onboarding.

### **One-Month Integrity Campaign**

• We initiated a one-month program in our offices to promote the importance of integrity. During this month, we presented livestreaming courses and offline training to all employees. We also put on caricatures and presented short videos in workplaces, dining rooms and other areas to remind our employees of our integrity policies. The attendance of the program reached over 20,000.



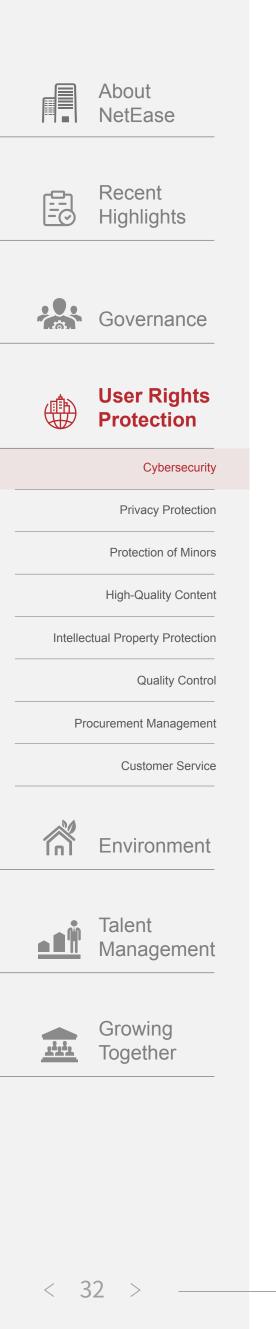




## 02 User Rights Protection

We strive to give our users superior products and services in all respects and protect our users' rights. To achieve this goal, we have enhanced our systems, procedures and management capabilities to ensure the security of network information and private data, strengthened measures to better protect minors and expanded our quality control activities for our products and content. We are also making relentless efforts to optimize intellectual property protection, customer service and our supply chains.





### **Cybersecurity: Enhanced Capabilities for Smoother Operations**

### Ensuring Cybersecurity with **Improved Governance Structure and Policies**

We established a cybersecurity management framework with clearly defined powers and responsibilities to support the smooth operation of our cybersecurity management. We have optimized our internal cybersecurity management policies to safeguard our operations, while at the same time ensuring compliance with applicable legal requirements.

### The Management Structure

To ensure the best performance of our cybersecurity function, NetEase formed the Security Executive Council at the group level in 2021 to work with our existing Cybersecurity Department.

### **Cybersecurity Department**

Works with business units on cybersecurity issues and provides security midend solutions

### **Security Executive Council**

Consists of technical experts and management and legal staff from our business units. Oversees the implementation of their cybersecurity strategies

### **Policies for Cybersecurity Assurance**

NetEase strictly abides by the Data Security Law of the People's Republic of China and other relevant laws and regulations. To effectively safeguard user data, we have developed and optimized internal policies such as the "General Rules of NetEase Data Security Management" and the "NetEase Policies on Data Classification and Grading" based on the issues we found in our operations.

Concurrently, we implemented clear guidelines to regulate the behavior of our employees. We also launched the NetEase Professional Ethics and Compliance Certification program to increase employees' awareness of cybersecurity.

### Internal and External **Protections for Thorough Cybersecurity**

We adopt a dual-track approach to managing cybersecurity risks and continually optimize data security management procedures and defense technologies to prevent and control internal and external data security risks.

### **The External Management Procedure**

We require all third-party partners related to network data security to receive data-security training and abide by our data security requirements. Additionally, we have taken various protective measures to ensure NetEase's cybersecurity, such as setting up physical isolation of server rooms, isolation between internal and external networks, and strict access control.

### **Security Certification**

In 2021, our products including NetEase Mail, NetEase News, and NetEase Yanxuan completed the Classified Protection of Cybersecurity (DJCP) certification.

In addition, a series of our IT infrastructure and information security management systems obtained ISO 27001 certification





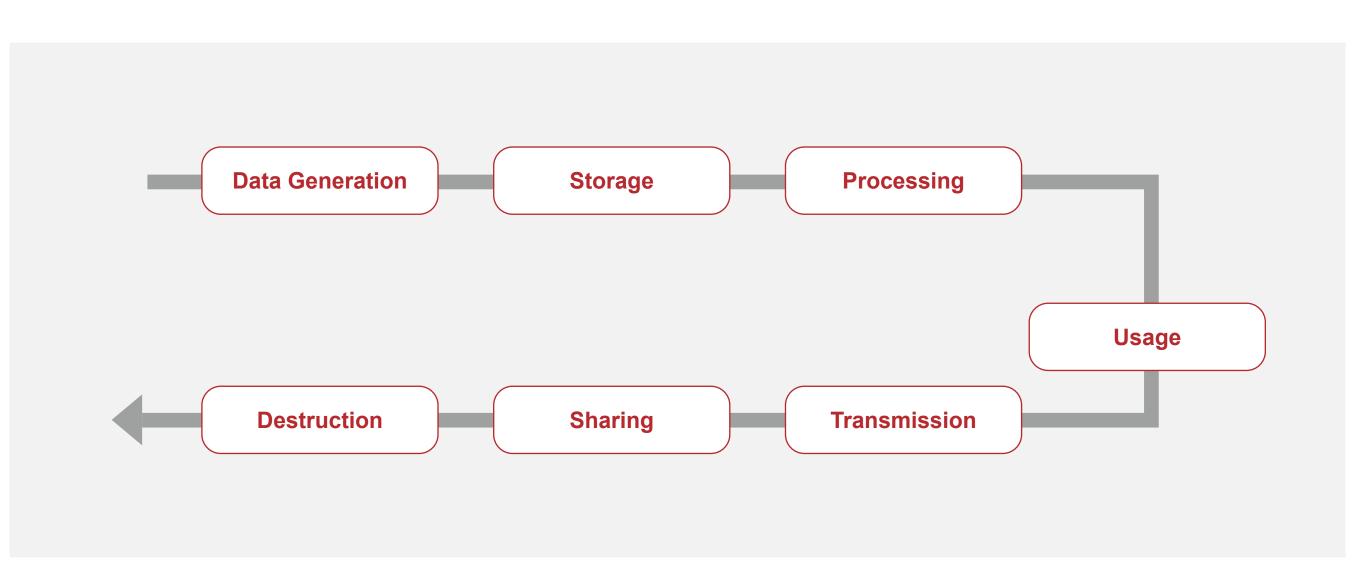


### Internal and External Protections for Thorough Cybersecurity

### The Internal Management Procedure

### **Data Security Management Procedures**

Focusing on the data security life cycle management process, we conduct routine inspections and supervision to ensure data security. We also perform regular security checks with professional security engineers to avoid potential data security-related risks.



Coverage of NetEase Data Security Life Cycle Management

Our Cybersecurity Department and Internal Audit Department also conduct special audits on a regular basis. They invite reputable third parties to carry out security assessments and information audits of our businesses and services for timely identification of related risks. For example, a special internal audit was launched in 2021 which was accompanied by an external re-examination of the audit process and results.



For our existing dual-layer defense system (network layer and application layer), we upgraded the firewall in the network layer, reinforced system self-defense through the iteration of technology and improved the efficiency of vulnerability fixes and firewall defenses.

### Network Layer Defense

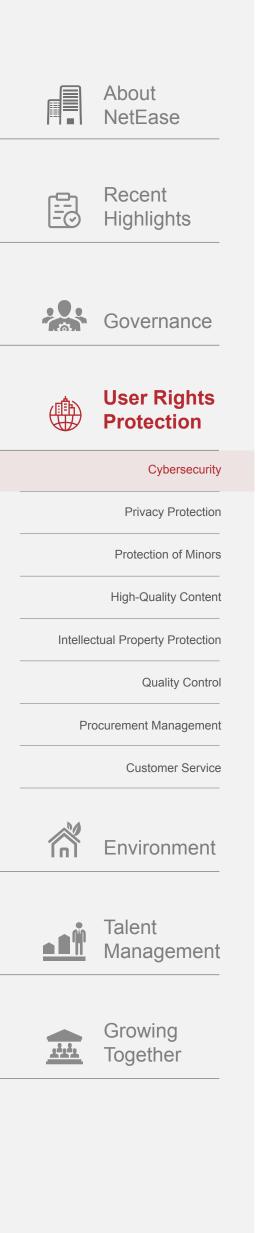
Effectively defends against common DDoS attacks such as SYN Flood, ACK Flood, ICMP Flood, and UDP Flood.

In 2021, we upgraded our firewall and applied patches to common vulnerabilities. These efforts give us more time for back-end repair. We also took more measures to enhance our crawler strategy, preventing a certain amount of crawler attacks and reducing back-end server consumption.

### **Application Layer Defense**

Uses browser fingerprint, CC tool identification and other defense modules to defend against website attacks at frequencies of more than 1 million queries per second.

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### Wide-Ranging, Themed Training for Greater Awareness Among Employees

We regularly organize cybersecurity internal publicity and training events to increase employees' knowledge and awareness of cybersecurity. In 2021, we organized an offline information security publicity week in several locations and launched two online activities. The content included compliance with information processing, interpretation of key information in the Personal Information Protection Law of the People's Republic of China, office security and data security red lines. More than 90% of NetEase employees participated in the training, and the attendance reached more than 30,000.



Poster for the online Information Security Publicity Month

Cybersecurity training attendance

30,000+

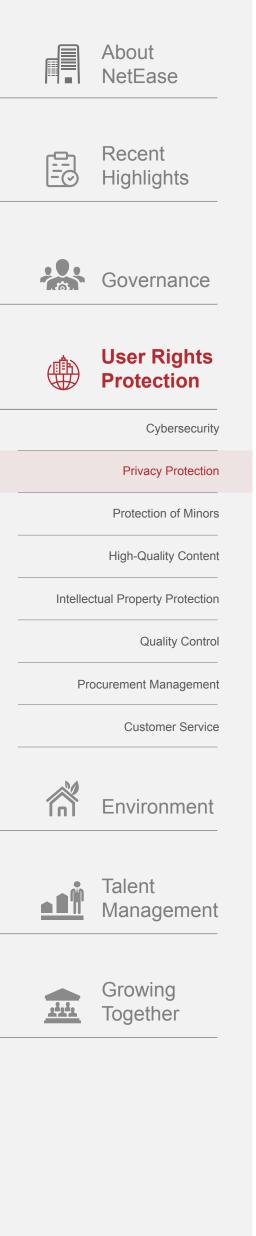
Cybersecurity training events covered





Picture of the offline Information Security Publicity Week





# **Privacy Protection:**

### We have a privacy management team and complete policies to ensure effective, comprehensive protection of users' privacy.

### The Management Structure

In 2021, we upgraded our management structure to better protect user privacy. We have established a specialized personal information protection department to handle complaints and reports regarding users' privacy information security. Additionally, we formed a specialized cybersecurity team to protect user privacy on apps. It also oversees the implementation of privacy protection measures at the corporate level and across all business units.

### Management Policies on Privacy Assurance

### **Privacy Protection Policies**

- NetEase Group:
- "NetEase Group Privacy Policy"
- "Management Measures for the Security Protection of NetEase Users" "NetEase Policies on Users' Personal Information Processing Activities"

### Stepping up Privacy Protection Measures to Better Protect Users' Rights

Regulation (GDPR).

family members.

#### 

### Personal Information **Protection Department**

The department is responsible for handling complaints and reports regarding user privacy information security so as to process user feedback in a timely manner.

### 

### App Personal Privacy and Cybersecurity Team

Staffed with professional technical personnel and contact persons from business units, the team is dedicated to ensuring the privacy compliance of app products and overseeing user privacy protection measures.

### **Optimized Privacy Assurance with a Safety Net to Protect Personal Information**

In 2021, we updated our management and privacy policies based on new laws and regulations to fully protect the privacy and rights of our users.

• "NetEase Policies on Users' Personal Information Protection Management"

In 2021, we continued to strengthen the protection of user privacy, including through classification and grading of personal information, sensitive information encryption in storage and transit, and data masking. In addition, our business units promptly responded to the requirements adopted by the regulatory authorities in China. We strictly comply with all relevant laws and regulations to protect user data, such as China's Cybersecurity Law and the EU General Data Protection

*NetEase Games* has taken the various measures to protect the rights of users. For example, it launched the NetEase Users' Personal Information Service Platform in November 2021. The platform contains various channels for users to exercise their information protection rights. Users can search, copy, correct, delete, withdraw, supplement or transfer authorized personal information on this platform.

Additionally, it allows immediate family members to access the information of the deceased. If a user passes away, their immediate family members can exercise their information protection rights. We will properly handle their information in accordance with applicable legal requirements and the wishes of their immediate

Youdao also tightened the personal information protection during the reporting period. Two apps, namely Youdao Dictionary and Youdao Premium Courses, passed the certification review of the China Cybersecurity Review Technology and Certification Center (CCRC) and were awarded the Mobile Internet Application (App) Security Certificate.







### **Protection of Minors:** Adding Various Measures to Create a Healthy Internet Environment

Our business units have stepped up their measures to enhance the protection of minors and create a healthy Internet environment, including the introduction of the teenager mode which sets time and spending limits for underage users. In 2021, NetEase Games established a minors protection center as an addition to its upgraded anti-addiction mechanism. We also launched targeted campaigns to reduce harmful content on the Internet with multiple parties to protect minors online.

### Minors Management System

NetEase Games has increased its efforts to protect minors by optimizing its management systems and implementing a mix of protection measures. In China, NetEase Games was among the first to create an anti-addiction system aiming to better protect minors. In 2021, we upgraded this system and set up a dedicated minors protection center in an effort to create a safe gaming environment for minors, which set a positive tone for the game industry in China.

### Anti-Addiction System Upgrade

To better prevent kids and teenagers from indulging in online games, we fully upgraded our anti-addiction system in accordance with national regulations.



Focusing on minors protection related policy research and product development to build a protection mechanism in a systematic way.





### Case Study: NetEase Games — Enhanced Minors Protection System to Create a Healthy Gaming Community

having been achieved.

### **Minors Protection Initiative**

In China, we launched campaigns in 2021 to improve the Internet environment, introduced intelligent technologies to monitor the Internet environment and upgraded our Parents Caring Platform which enables parents to monitor and manage their children's usage of online games. These measures effectively protect minors from inappropriate behavior online, ensure their security on social media and help them develop healthy gaming habits.

#### **Internet Environment Improvement Campaigns for Minors**

We conducted a "3+3+2" self-inspection to maintain a healthy Internet environment and strictly online game playing time of minors.

Three governance actions: gaming environment governance, harassment governance and of illegal industries involving minors;

Three anti-addiction measures: prevention of technologies designed to evade our anti-addic escort function upgrading and optimizing and introduction of 365/24 year-round services;

Two special initiatives: protection of minors during summer vacation and development celebrity culture.

Moreover, we joined hands with various government departments, industry peers and trade associations to share our experience with respect to the protection of minors.

#### **Educational Videos**

We produced a series of videos including prosecutor's lectures and law sitcoms to promote protection of minors. The videos were broadcasted on the *NetEase CC live streaming* platform, generating more than one million views.

#### To nurture a conducive and uplifting Internet experience for minors, we have implemented several initiatives within our company and cooperated with many outside parties, with substantial results

y control the governance	Leveled-Up Parental Controls We improved our Parents Caring Platform and upgraded the parent escort functions, enabling parents to moni manage children's gaming behavior.
ction system,	Effective Removal of Illegal Content
of a healthy	Enhanced the monitoring of the gaming environment and our ability to address illegal and harmful inforr involving minors in a timely manner.

#### **Industry Proposals**

NetEase and several industry peers jointly initiated China's Minors Protection Proposal by the Gaming Industry to safeguard the healthy growth of teenagers.

#### **Group Standards and Pacts**

We participated in the formulation of the group standard titled "Online Game Age Reminder" and strictly complied with it.

NetEase helped formulate and signed the "Online Game Industry Anti-addiction Self-discipline Conventions" issued by the China Audio-Video and Digital Publishing Association. It vows to carry out and conduct work concerning anti-addiction, real-name verification and user complaints.













## **High-Quality Content: To Create Responsible Platforms**

### NetEase Media – Distributing High-Quality Content

Strictly observing laws and regulations in China, we fully ensure the compliance of information and content appearing on the NetEase Media websites. Information involving violence, pornography, gambling, illegal drugs and discrimination is prohibited to protect the physical and mental health of users.

### NetEase Yanxuan – Practicing Responsible Marketing

Yanxuan's compliance team conducts several rounds of review on product detail pages and product labels. Team members work in accordance with management standards, and accountability is assigned to each of them. The team exercises strict control to prevent the use of prohibited terms, extreme words and false advertising, as stipulated by Advertising Law of the People's Republic of China, to ensure the authenticity of marketing content.

> Four-level review mechanism: Classify online product descriptions based on the content involved and then submit them to four review teams to ensure that the text is typo-free, the information is valid, the pictures are accurate and standardized and the data and qualifications are authentic and in line with the disclosure requirements.

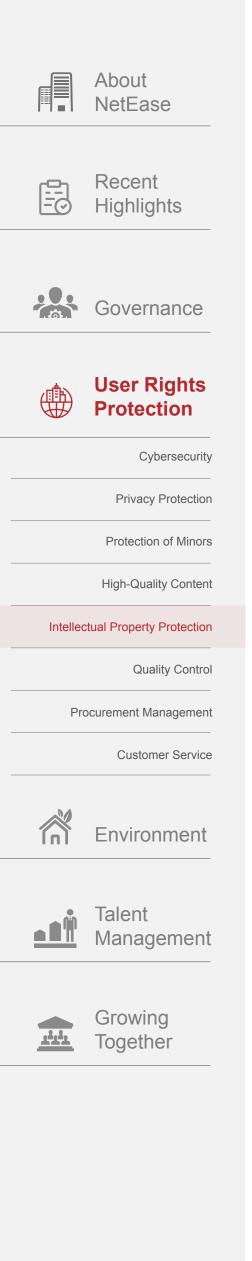
> > Product Labels and Product Detail Pages Management Rules

### NetEase Cloud Music – Building a Healthy Community

NetEase Cloud Music is committed to building a platform that offers meaningful content to the public. For this purpose, we have solid measures in place to ensure the content on our platforms is in strict accordance with China's Internet Information Service Management Measures and call for entertainment service providers to abide by media ethics standards.

"One ballot veto": Conduct multiple rounds of review for design drafts. If any reviewer does not approve a draft, revisions will be made until it is approved by all reviewers.





## **Intellectual Property Protection:** Improving the Intellectual Property Management System, Respecting R&D Achievements and Encouraging Continuous Innovation

We formulated the "NetEase Policies on Intellectual Property Protection" as guidelines for the management, usage and protection of our intellectual properties, such as patents, trademarks and copyrights. While protecting our own intellectual property, we adopt a zero-tolerance policy against any infringement of the intellectual property rights of others. Additionally, we encourage and incentivize employees to claim new innovate ideas and concepts, thus maintaining an innovative atmosphere within NetEase. During the reporting period, we organized more than 70 intellectual property training and internal promotional events for employees to increase their knowledge about intellectual property.

"NetEase Policies on Intellectual Property Protection": regulates intellectual property-related work, including application, management and usage, and provides guidance to employees on IP licensing and transfers.

#### Preventative Protection:

·We take various measures such as extensive patent analysis, research and investigation to avoid infringement of intellectual property rights from early stages such as project proposal and product design. •NetEase Games has set up an infringement risk review process covering all procedures from product development to its market launch so as to ensure all potential problems are identified and removed in a timely manner.

#### Safeguarding Rights:

We have improved the complaint mechanism for third parties asserting their intellectual property rights so as to better protect the legitimate rights of content producers and build a healthier content ecosystem. We use technology to monitor infringement of NetEase's IP rights, and address it through warnings, complaints and potentially legal action.

#### Training in Intellectual Property Risk Management:

NetEase Games offers lectures, seminars and other online and offline training programs to all relevant departments. The training raises employees' awareness of the importance of intellectual property rights and updates them with the latest legislation and regulatory requirements to avoid infringement of third-party rights in the process of product development, operation and promotion. During the reporting period, we conducted 30 training sessions on intellectual property rights, involving nearly 2,000 people from different departments.

To encourage workplace innovation, Youdao released the "Patent Reward Policy". Youdao offers online and offline patent application courses and streamlines the internal processes, making it more convenient for employees to apply for patents.

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#### Intellectual Property Protection Policies

#### Intellectual Property Protection Measures

#### Patent Application Support



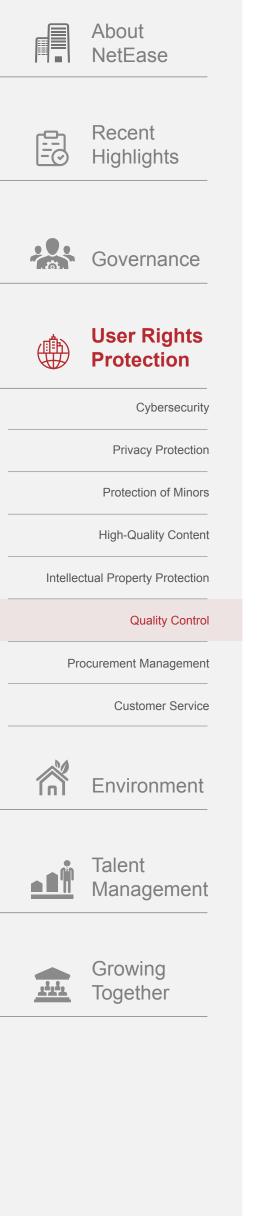












## **Quality Control:** Meticulously Selecting Top-of-the-Line Products and Building a Culture Emphasizing Quality

### A Well-Rounded Quality Control System to Select Safe and High-Quality Products

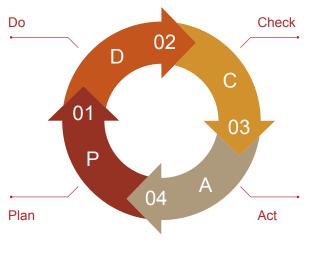
While developing its end-to-end quality control system, digital product management solutions and closed-loop quality management, Yanxuan also took multiple specific actions to ensure the products selected are safe and healthy.

### End-to-End, Closed-Loop, Digital Management of Commodity

In 2021, by leveraging Internet and big data and setting clear internal rules and strategies, we built a closed-loop management system based on the Plan-Do-Check-Act (PDCA) cycle to guarantee the quality of e-commerce products.

### **End-to-End Quality** Control

We improved our product control systems based on the PDCA cycle so as to optimize the entire process from product design, production, quality inspection to sales.



### **Closed-loop Product Quality Management**

We have a closed-loop system in place that help us optimize product quality. To be specific, we collect feedback from Yanxuan users and then send it to our manufacturers to jointly figure out a solution to increase user satisfaction about our products.



#### **Mobile Warehousing Management**

Starting in 2021, we developed a unified mobile system that incorporates product design, development launch, and warehousing quality inspection processes. The system includes various features, such as integrated code scanning and automatic calculation of sampling amount, to facilitate mobile warehousing management, which improves the average efficiency of quality inspection for each order by 20%, demonstrating tremendous potential in function expansion and multi-scenario application.

<sup>8</sup>TVOC: Total Volatile Organic Compounds.

### Hazardous Substances Control

#### **Four Control Principles**

Create a hazardous ubstances list and conduct a mprehensive risk assessmen

### **Management Policies**

Scope of management: textiles, food contact products, toys, cosmetics, household cleaning supplies, furniture, electrical appliances, etc.

**Management standards:** control carcinogenic, mutagenic, and reproductive toxins according to Chinese national standards, EU REACH, ROHS, EN71, OEKO-TEX, LFGB, and FDA regulations.

### **Tightened Control over Hazardous Substances in 2021**



Strictly control formaldehyde and TVOC<sup>8</sup> that may contain in liquid



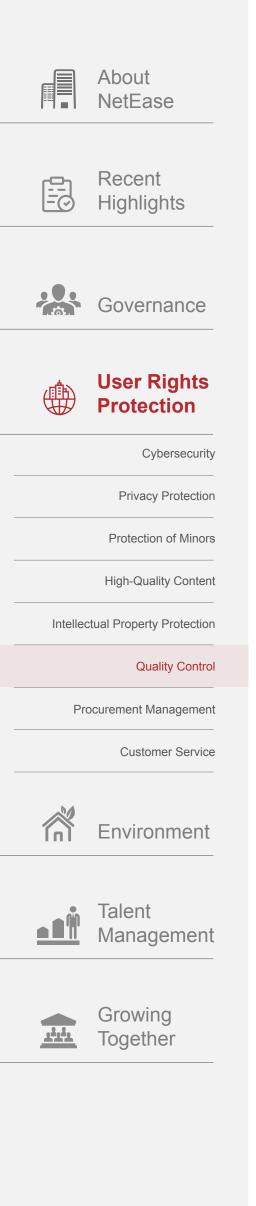
Strictly control bisphenol A that may appear in plastics



Strictly control heavy metal boron that may contain in plasticine







### Promoting Internal Quality Management Through Training Events

Yanxuan has set up a complete training and internal marketing mechanism to create a culture emphasizing quality. Utilizing its Quality Academy project, Yanxuan has developed a quality education system. It also held a number of information exchange events, such as Yanxuan Quality Month, to improve its internal and external quality control capabilities.

### Yanxuan Quality Month

Yanxuan has organized Quality Month for four consecutive years, introducing its innovative quality management practices to employees, users, suppliers, service providers and regulatory authorities. During the reporting period, *Yanxuan* organized 10 internal marketing events. Themed "Each Day is a Quality Day", the activities fell into three categories: original aspiration, innovation and craftsmanship. The offline attendance reached more than 1,100 and online attendance reached over 26,000.

#### **User Activity**

We organized an event called High-Quality Products Show for users. The event, which showcased the quality of Yanxuan products, attracted 8,500+ people.

#### **University-Enterprise Cooperation**

In 2021, we held our first Quality Salon with the School of Management of Zhejiang University and other organizations. The online salon introduced Yanxuan's concepts and achievements in packaging digitization and green practices.

The offline attendance of the Quality Month

1,100+

The online attendance of the Quality Month

26,000+

### Yanxuan Quality Academy

Yanxuan continues to improve its internal quality management through its Quality Academy. Leveraging internal and external resources, the Quality Academy has developed five curriculum modules: professional training, process management training, targeted management training, workplace soft power training and supplier training. During the reporting period, the Quality Academy offered 73 training sessions and the attendance reached over 1,200.



The Quality Academy offered



The attentence of Quality Academy

1,200+









### Promoting Internal Quality Management Through Training Events

### Quality Control Results

In 2021, *Yanxuan* achieved impressive results in responding to user feedback, controlling quality risks and increasing employee efficiency. During the reporting period, the product return rate due to quality issues markedly declined, and 96% of user feedback was positive.

Quick Response to User Feedback

 $\sqrt{}$  Drawing on massive amounts of user feedback, product anomalies can be identified more quickly.

 $\checkmark$  The efficiency of identifying and confirming anomalies from the client-side to the manufacturer side has increased by 77%.

 $\checkmark$  Quality improvements are made within a shorter period of time.

#### Significant Improvement of Work Efficiency

 $\sqrt{1}$  The efficiency of our employees greatly improved compared with 2020, contributing to steady quality management performance.

 $\checkmark$  We optimized our quality management system based on an abundance of experience, making organizational management more efficient.

#### Reliable Quality Risk Control

 $\sqrt{}$  We standardized category and product standards.

 $\sqrt{}$  The return rate due to quality issues continued to decline.

 $\sqrt{1000}$  Positive feedback rate remained at 96%.

### **Quality Approval**

In 2021, Yanxuan's innovative quality management achievements were recognized by the industry. An example is Yanxuan's PDCA-Based Digital End-to-end Closed-loop E-Commerce Product Quality Management System, which was awarded by the China Association for Quality for its outstanding performance.

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发表类别:	质量创新
团队人员:	王燕、胡晓燕、张鑫、韩百川、戴忆凡、田伟、杜明欣、苏醒、李丹、王成建
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Positive feedback rate remained at

96%

The efficiency of identifying and confirming anomalies improved by

77%







### **Procurement Management:** Strengthening Supplier Management for a High-Quality Supply Chain

### Optimizing Management Systems for a Higher Efficiency

We are continuously building a sound supplier management system and optimizing relevant policies. We've established strict rules and best-in-class practices to evaluate suppliers and improve supply chain management.

### **Refined Procurement Management Policies**

In 2021, we made great strides to improve procurement efficiency across our group. Aiming to better regulate procurement management, we updated our procurement policies to standardize procurement and bid invitation procedures in accordance with our current needs, including clearer statements regarding centralized procurement.

### Tightened Supplier Management Standards

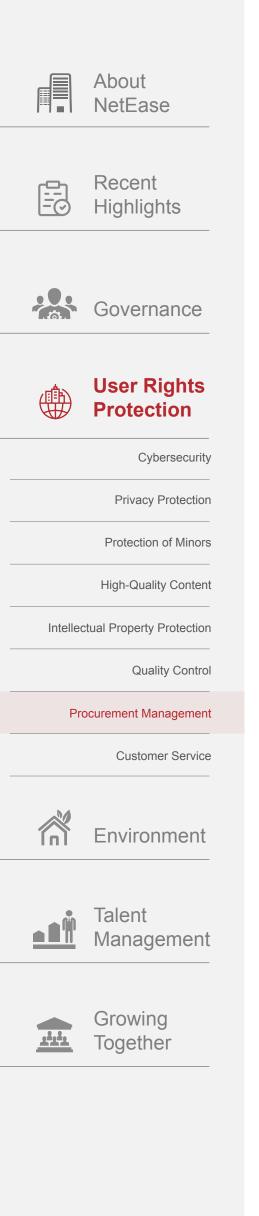
During the reporting period, we included ISO certification as a part of supplier approval. *Yanxuan* also added a notification letter to its supply agreement, requiring suppliers to abide by *Yanxuan*'s requirements on environmental protection and occupational safety. Additionally, all suppliers are asked to execute a "Business Ethics Pledge", and those who seek benefits through bribery or other improper means are permanently blacklisted pursuant to our procurement policies.

We have also determined evaluation methods and frequencies for different product categories to reduce supply-chain risks. For suppliers who fail an evaluation, we will help them make improvements.

Examples of New Supplier Approval Requirements

- "ISO 9001/14001 quality management system certification" is set as one of the requirements in purchasing servers.
- Suppliers are required to present documents that can prove the financial stability of their business (such as financial audit reports or financial statements).





### Ensuring Supply-Chain Sustainability for Equitable Development

### **Continuous Dialogue**

We believe communication is conducive to long-term partnerships, so we have established multiple channels to receive feedback from our suppliers. For example, during the reporting period, Yanxuan drew up a list of key suppliers based on factors such as sales and the amount of goods supplied. We improved communication channels and increased the frequency of communication with these suppliers to motivate them to improve product quality.

Each year, we invite suppliers to express their opinions about the procurement process so as to help us identify weaknesses in our procurement management.

### **Supporting Our Suppliers**

#### **Payment Assistance**

We understand the financial pressure on our suppliers due to the COVID-19 pandemic. Accordingly, we provided assistance with payment terms and settlement methods, such as making prepayments to suppliers and paying them in cash rather than on credit, to reduce their financial burden.

### **Skills Training for Suppliers**

Yanxuan organized seven supplier conferences in 2021, with a total attendance of over 800. They also received training that spanned more than 20 topics, including quality management, label requirements, and other relevant national, industrial or local standards.

### **Training by Industry Experts**

We invited a group of experts from quality inspection institutions and leading suppliers. They offered more than 60 training sessions on supplier quality management, legal requirements, and cutting-edge technologies.

### **Lectures by College Professors**

We invited management professors at Zhejiang University to introduce current practices and trends of supply-chain logistics management to our suppliers online.

NetEase cherishes the win-win, stable and cooperative partnership with each of our suppliers. We have launched several assistance projects to help them grow and thrive with us.



#### **Purchasing Rice to Reduce Poverty**

NetEase assisted our partners in building a poverty alleviation workshop and rice-planting bases to offer impoverished local farmers a steady income. It not only ensured the quality and availability of rice in our staff canteens but also benefited many low-income families and released them from the shackles of poverty.

### Laboratory Testing Training

During the reporting period, Yanxuan assisted many suppliers to ensure quality consistency, with noticeable progress having been made. The one-on-one training and online lectures covered many topics, including how to test product quality, how to conduct batch management and how to improve quality control.





## **Customer Service:**

### Gathering User Feedback to Improve User Experience and Corporate Development

To further increase user satisfaction, we have created many channels to collect user opinions, including our websites, hotlines, and apps. These channels are published on our websites. During the reporting period, we continued to optimize our customer service system and improve customer service. In the following section, we will take Youdao as an example to introduce our process and principles of customer service management.

### Case Study: NetEase Youdao — Enhanced Customer-Service Management for the Best User Experience

Youdao has built a professional customer service team. With a quick response mechanism and an optimized complaint handling system in place, it is able to provide users with professional, thoughtful services. Additionally, Youdao has applied the net promoter score (NPS), which measures the customer service experience, to gauge customer satisfaction with our products. We optimize our products and services based on NPS to increase customer loyalty.

### **Our Service Teams**

We have established a "voice of the customer" (VoC) mechanism to collect user feedback. We're committed to providing users with We have a variety of customer service channels and five service teams. With the assistance of AI algorithms, we give users one-stop, professional, well-considered services. At the same time, we are comprehensive, convenient and warm services through technical innovations. continuously improving our service level to enhance the user experience.

### **First-Line Team**

Handles user feedback from online channels, hotlines, apps, social media accounts, mailboxes, etc.

### **Process Team**

Develops cross-department information communication channels; identifies user needs; investigates root causes; and improves customer services.

### **Training Team**

Provides and optimizes training courses to improve service skills and service standards.

### Second-Line Team

Responds to user complaints; handles special cases; provides emergency solutions; generates early warnings for sensitive events.

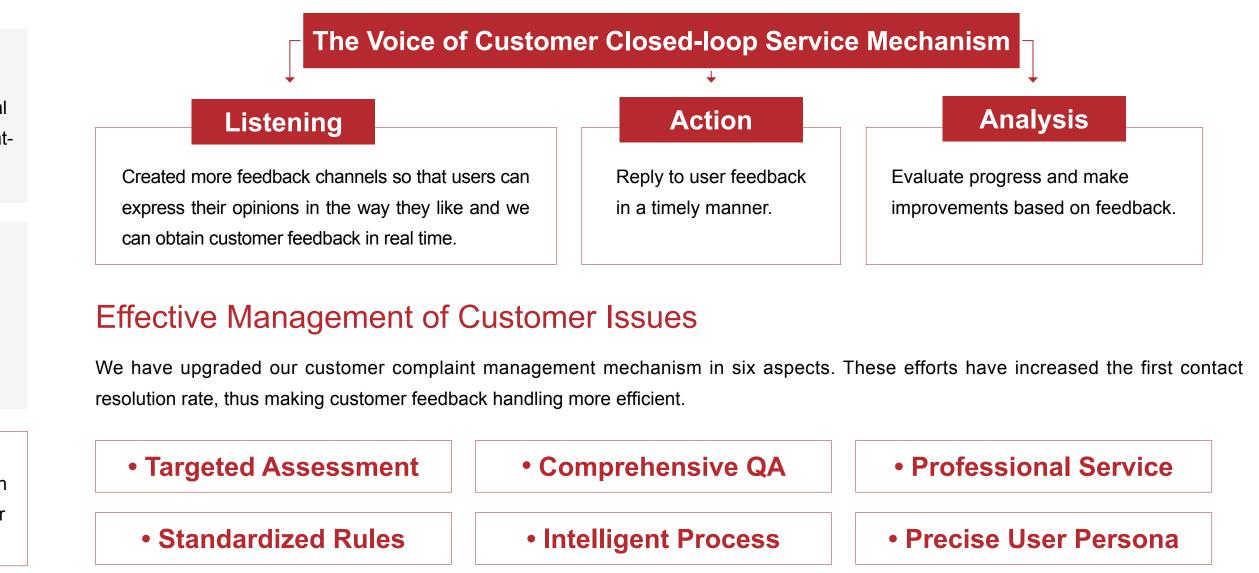
### **Quality Assurance Team**

Identifies key problems with our services in a timely manner based on the QA model and data trends to ensure service quality.

Employ AI customer service to answer basic questions and requests from customers, such as self-service work tickets, making customer service much more efficient.

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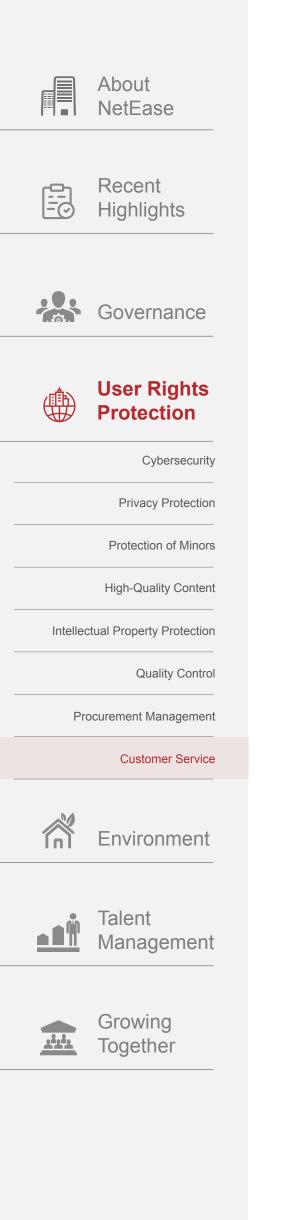
### The Customer's Voice



NetEase 2021 ESG Report







### Case Study: NetEase Youdao — Enhanced Customer-Service Management for the Best User Experience

Prioritizing NPS Data to Continuously Increase User Satisfaction



Integrate data and collect user expectations

- NPS research
- Product-experience research
- Service-innovation research
- Course-effectiveness research
- Customer personas and labels
  - Classification of customer demands
  - Precise identification of customers

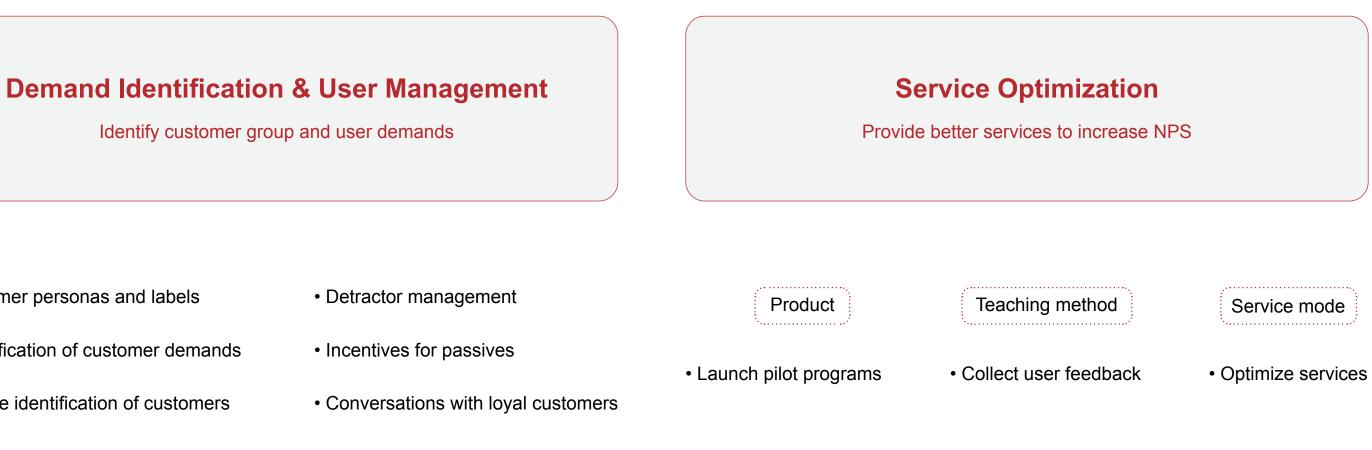
### **Our Service Achievements**

830,000

98%

Hotline service recipients

Hotline service satisfaction

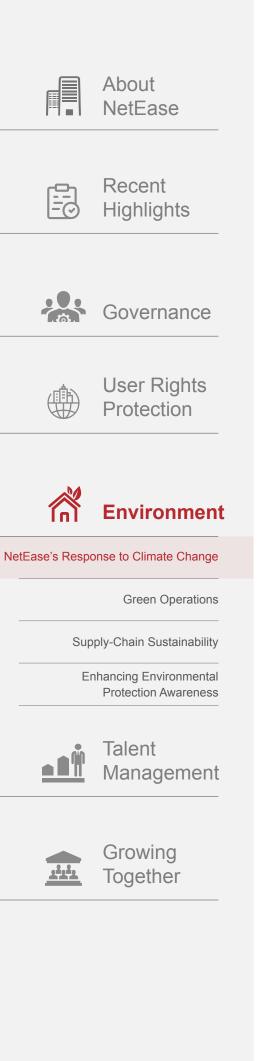




## 03 Environment

As climate change is a global challenge of our time, we believe we have the responsibility to take immediate and decisive actions to join China's efforts in reaching peak carbon emissions by 2030 and carbon neutrality by 2060. As part of our devotion to energy conservation and emission reduction, we call on our ecosystem partners to accelerate their shift toward a sustainable future by leveraging the power of our brands, products and services.





## **NetEase's Response to Climate Change: Risk Identification and Comprehensive Carbon-Emission Management**

### Identifying and Eliminating Risks to the Climate and Environment

Since 2020, we continued to identify possible transition and physical risks to our sustainable development under the guidelines of the Task Force on Climate-Related Financial Disclosures (TCFD), analysis of the Representative Concentration Pathway (RCP) 8.5, and requirements of local regulators. We have also taken emerging technologies and market trends into account to ensure long-term sustainability.

### **Transition Risks**

Туре	Climate-Related Risk	Measure	Risk Type		Potential Impact
Policy and Legal	Enhanced emissions reporting obligations	Implement more refined energy management, and precisely calculate carbon emissions based on data collected on a regular basis.		Typhoons	Typhoons might destroy the Internet infrastruc and postpone our product or service delivery.
	Unsuccessful investment in new technologies	Assess the reasonability to invest in new technologies and their compatibility with corporate operations. Evaluate their contributions to carbon emission reductions		Floods	Floods might destroy the Internet infrastructure destabilize our operations.
Technology	and the investment risks.	Acute	Droughts	Droughts could cause water shortages, but h	
	Costs to transition to lower emissions technology	Assess the feasibility of new technologies and devices, and replace the older ones in batches.		Extreme temperatures	limited impacts on our operations. Extreme temperatures could lead to incre
	Changing customer behavior	Track market changes in real time to ensure the share of green products across our entire product portfolio.			heating/cooling load and strain water resources, have limited impacts on our operations.
Market	Increased cost of raw materials	Select data center suppliers based on energy efficiency, and encourage current suppliers to use clean energy.		Changes in precipitation patterns and extreme variability in weather patterns	Heavy rainfall might destroy the Internet infrastruc and destabilize our operations.
	Shifts in consumer preferences	Explore green products in suppliers' offerings, encourage suppliers to provide green products and increase the share of green products year by year.	Chronic	Rising mean temperatures	A warming climate could result in higher energy consumption for cooling.
Reputation	Increased stakeholder concern or negative stakeholder feedback	Disclose efforts, achievements and roadmap to increase their confidence.		Rising sea levels	Rising sea levels could cause floods and desour facilities and the Internet infrastructure, the destabilizing our operations.

At NetEase, we remain steadfast in our commitment to sustainability. In 2021, we deployed a host of measures at scale to mitigate identified risks. We ran greenhouse gas (GHG) inventories to better understand our carbon footprint across and beyond group-wide operations. On top of this, we prioritized areas wherever possible to reduce our carbon footprint in office campus, data center and supply chain scenarios. We also leverage our industry influence to encourage the entire value chain to participate in the cause of environmental protection.











### Setting up GHG Inventories to Track Our Carbon Footprint Across Operations

We have a group-wide GHG inventory mechanism to help us better understand and manage our carbon footprint. We collected and analyzed data on our energy consumption during the reporting period. We invited China Environmental United Certification Center to audit our Scope 1, 2, and 3 emissions in line with the ISO 14064-1:2018 standard to ensure the accuracy of our results<sup>9</sup>. What we have done lays the groundwork for our future endeavors — creating a roadmap to reduce our carbon emissions as part of our long-term commitment to sustainability and environmental protection. Our energy consumption and total GHG emissions in 2021 are shown below<sup>10</sup>:

Greenhouse Gas Emission	Unit	Emissions in 2021
Scope 1	Metric tons of CO <sub>2</sub> e	6,855
Scope 2	Metric tons of CO <sub>2</sub> e	32,213
Scope 3	Metric tons of CO <sub>2</sub> e	273,506
Total	Metric tons of CO <sub>2</sub> e	312,574
Per Capita Carbon Emissions from Operations (Scope 1 + 2)	Metric tons of CO <sub>2</sub> e/Person	1.22
Energy Consumption <sup>11</sup>	Unit	Consumption in 2021
Diesel	kg	52,334
Gasoline	kg	18,851
Liquefied Petroleum Gas	kg	4,336
Natural Gas	10,000 m <sup>3</sup>	135
Electricity	MWh	48,944
Direct Energy Consumption	MWh	15,478
Indirect Energy Consumption	MWh	48,944
Comprehensive Energy Consumption	MWh	64,422
Per Capita Energy Consumption	MWh/Person	2.01

<sup>9</sup>The GHG emission results cover (1) NetEase's office campuses in Hangzhou, Beijing and Guangzhou, (2) NetEase Weiyang pig farms, (3) leased data centers, (4) leased offices, warehouses, classrooms, stores, and other venues, and (5) NetEase Yanxuan's purchased packaging materials and logistics services.

<sup>10</sup> Emission factors are from the "2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories" published by the International Panel on Climate Change and the "2011 and 2012 Average Emission Factors for Regional Power Grids in China" published by China's National Development and Reform Commission (the latest regional grid factors), etc.

<sup>11</sup> NetEase's energy consumption in 2021 was calculated based on the data of NetEase-owned offices that are under NetEase's control and the data of NetEase Weiyang pig farms.



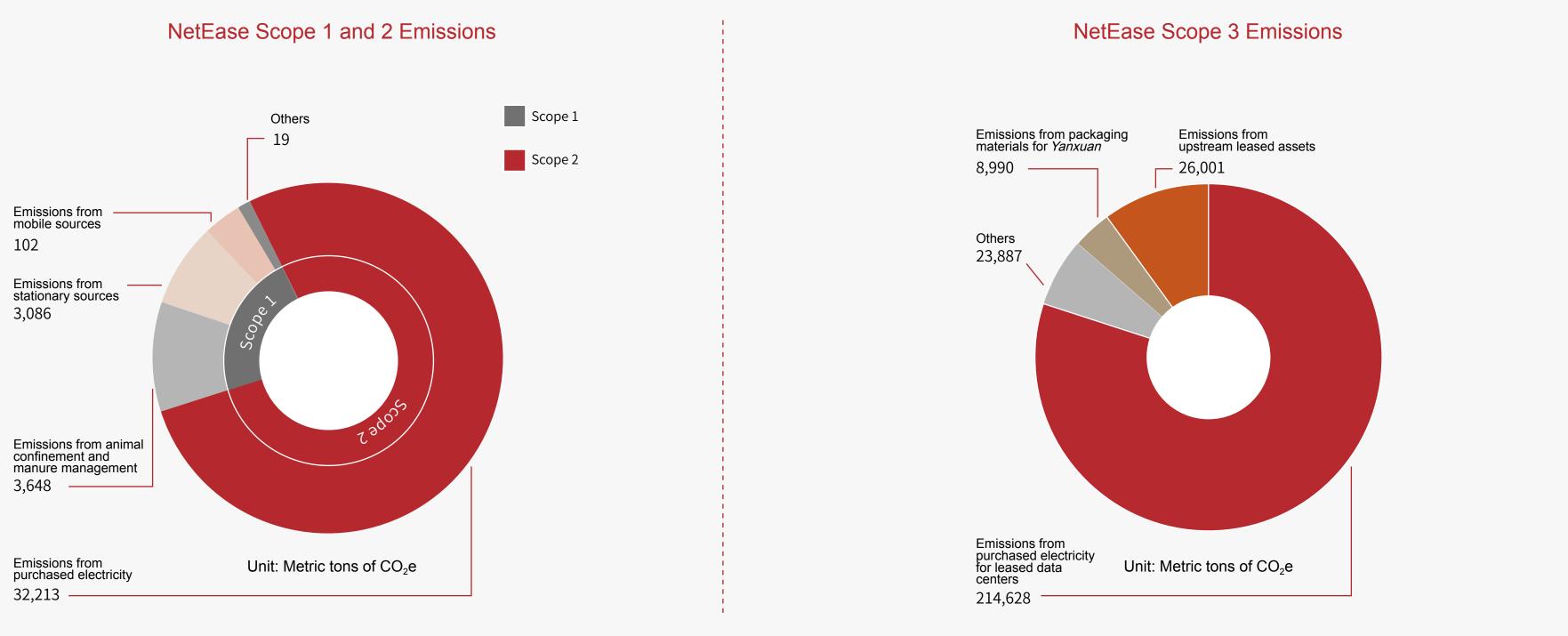




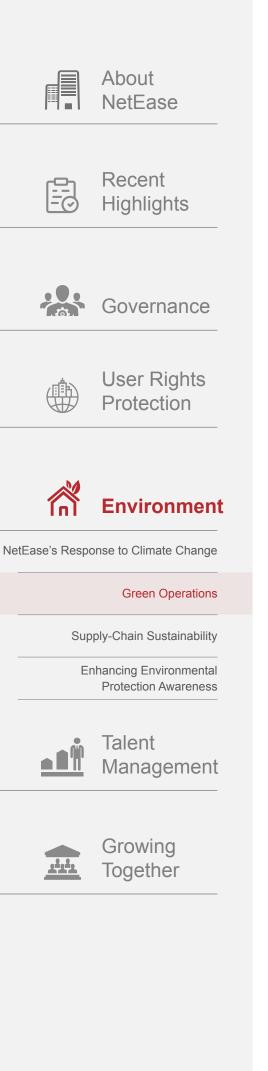
### Setting up GHG Inventories to Track Our Carbon Footprint Across Operations

Scope 1 and 2 show our carbon emissions from operations, 17.5% were direct emissions (Scope 1) from our directly controlled assets. These mainly include emissions from stationary sources, emissions from animal confinement and manure management in the NetEase Weiyang pig farms, and emissions from mobile sources. The other 82.5% of carbon emissions (Scope 2) came from purchased electricity.

Scope 3 shows carbon emissions from the value chain. The three main sources include emissions from purchased electricity for data centers, emissions from upstream leased assets, and emissions from packaging materials for Yanxuan. These major emission sources will be our key areas for reducing carbon footprint in the near future.







## **Green Operations: Reducing Consumption and Developing Earth-Friendly Practices**

At NetEase, we use energy and resources wisely. We implement strict energy and resource management and have implemented a smart system to track our performance to reduce waste. At the same time, we properly recycle waste generated during operations to maximize resource efficiency.

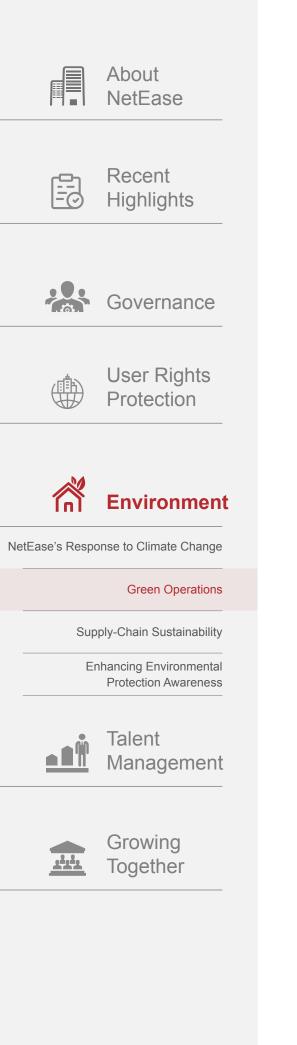
### Office Campuses

At the core of NetEase's strategy to build green campuses is to promote the use of distributed renewable energy. We have built a rooftop solar power system on our second campus in Hangzhou. Emboldened by this success, we have mapped out a bigger plan to equip other office campuses with this system. We continue to pursue smarter energy management at our campuses, ensuring energy sufficiency and efficiency. We have also paid great attention to improving resource utilization across our operations. For example, we take various approaches to determine how we can better conserve water. By properly disposing of and recycling office waste, we maximize the efficiency of our resources. We also promote green travel, paperless offices, recycled paper, the Clean Your Plate campaign and other ways to help NetEase go greener.









### **Office Campuses**

### Smart Carbon Management for Lower Waste and Greater Efficiency

We have upgraded our prior SpaceEase Smart System to a new Smart Carbon Management System. The new system can monitor the amount of electricity generated and consumed on our campuses. The massive energy consumption data it crunches are translated into operational strategies for data-based energy management. With the Smart Carbon Management System, we implemented more refined management at our campuses in 2021. We also popularized it among a wider community outside of our group based on our experience, including in offices, factories, farms, healthcare centers and other locales.

#### Leading the way in renewable power

The Smart Carbon Management System fuels the standardization of IoT-based photovoltaic systems. It collects operating data of power converters in real time, monitors photovoltaic conversion efficiency and quickly fixes detected issues, thus accelerating the transition to low-carbon energy. This system has been outfitted at our Hangzhou campuses, and we are planning to deploy it on all the other NetEase campuses along with the rooftop solar power system.

#### **Reducing power consumption**

The Smart Carbon Management System detects temperature, humidity and CO<sub>2</sub> concentration in offices, public areas, server rooms, power distribution rooms, chiller rooms and boiler rooms in real time. It is interconnected with our smart illuminating system and heating, ventilation and air conditioning systems to reduce electricity consumption. The energy consumption data it collects provides the basis on which our energy management decisions are made.

The Smart Carbon Management System is comprised of various sub-systems, such as the illuminating system, the heating, ventilation and air conditioning system, and the energy consumption management system. They together empower the energy conservation and emission reduction on our campuses.

### **Empowerment**

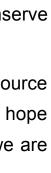
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energy and reduce carbon emissions more efficiently. In 2021, we made our Smart Carbon Management System an open source platform accessible by everyone and built the NetEase TianGong Carbon Neutrality Open Source Community. This community allows enterprises to intelligently manage their carbon emissions by simply embedding open source code into their existing hardware. We hope these tools can empower small and medium-sized enterprises with their hardware ecosystems so more enterprises can achieve carbon neutrality. Through these steps, we are contributing to global efforts to achieve carbon neutrality through energy conservation and decarbonization applications.



Openness and practicability are the distinctive characteristics of our Smart Carbon Management System. We have partnered with many hardware manufacturers to conserve









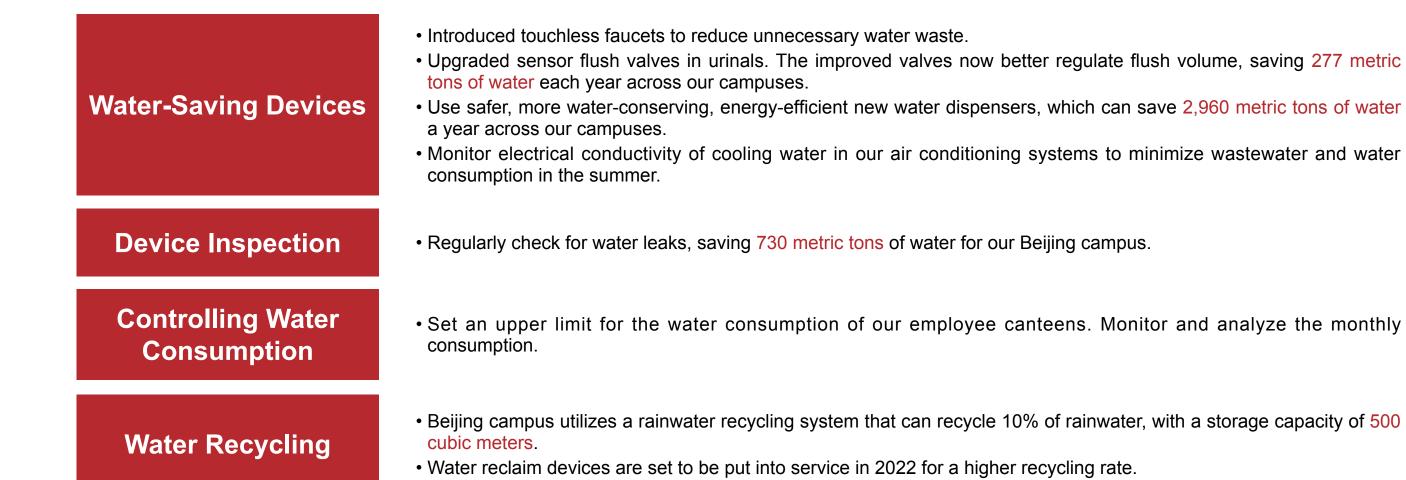
### Office Campuses

### **Green Travel**

NetEase has always been a proponent of green travel. We have electrified all the commuter buses across our campuses as part of our commitment to carbon reduction. We encourage employees to choose public transport and electric vehicles. To facilitate commuting by electric vehicles, we retrofitted our campus infrastructure. In addition to 19 existing charging stations, we have installed 26 more stations during the reporting period. We also grant a subsidy of RMB 0.2 per kWh to our employees who use these charging stations.

### **Boost Water Efficiency**

We have explored all possible avenues to maximize water efficiency. During the reporting period, our Beijing campus was awarded the "Beijing Water Conservation Unit" by the Beijing Water Authority.



The following table details our water consumption during the reporting period:

Item	Unit	Consumption in 2021
Total Water Consumption	Metric tons	410,188
Per Capita Water Consumption	Metric tons/Person	12.79

• Use safer, more water-conserving, energy-efficient new water dispensers, which can save 2,960 metric tons of water

• Set an upper limit for the water consumption of our employee canteens. Monitor and analyze the monthly

### **Reduce Food Waste**

We oppose extravagance and waste. During the reporting period, we took various measures to encourage our employees to save food. As a result, we saw the volume of our kitchen garbage down by roughly 8% in 2021.

Kitchen garbage generated on our Hangzhou campuses

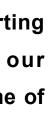
**18%** year-over-year

#### Monitor food waste

Provide personalized meals with appetite options

### Call for saving food

Food Management Measures









### Office Campuses

### **Optimized Waste Disposal**

We carried out a management process to help handle and dispose of hazardous and recyclable waste properly. For example, we encourage our employees to recycle retired electronic devices that still function for personal use before sending them to our eligible suppliers for disposal. We are also working on new solutions to repurpose waste into usable resources, thus driving the shift to a circular economy.

The following table details the amount of waste we generated during the reporting period:

Waste	Unit	Amount of Waste Generated in 2021
Kitchen Waste	m³	3,935
Other Waste	m³	14,353
Total	m³	18,288
Per Capita Waste	m³/Person	0.57

### **Data Centers**

We strive to improve energy efficiency and reduce the carbon emissions of our data centers. To achieve this, we analyzed our data centers' energy consumption and upgraded many of them with leading technologies during the reporting period in a bid to reduce their energy consumption.

Saved about In 2021, we saved about 2.25 million kWh of electricity at our data centers, a huge decrease in energy consumption that was empowered by technology upgrades. 2.25 million kWh of electricity a year

### Leading Innovation

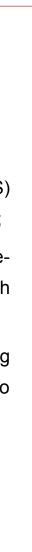
In 2021, our Beijing campus was awarded by the Beijing Association for Electric Power Industry for our innovative practices in power distribution.

Upgraded Energy-Management **Technologies**  • Improved power supply efficiency: Our server rooms are equipped with a high-efficiency uninterruptible power supply (UPS) and a high-voltage direct current (HVDC) system. They combine to reduce energy loss and improve power supply efficiency;

• Lowered cooling energy consumption: Devices such as high-efficiency variable-speed drive centrifugal chillers, variablespeed pumps, electrical commutation fans, and fluoride pump air conditioning systems are installed to cool server rooms with less energy consumption;

• Al-powered energy conservation technology: Our server rooms make use of Al technologies to introduce free cooling in winter and increase the utilization of free cooling in transitional seasons. Cold aisle containment systems are also implemented to achieve accurate air cooling with less energy consumption.









## **Supply-Chain Sustainability:** Green, Low-Carbon Warehousing, Packaging and Logistics

E-commerce brings convenience, but it also brings environmental concerns. In response, Yanxuan sought various means to decarbonize warehousing, logistics, packaging and other operational processes in 2021. Our goal is clear: to build a green supply chain.

### Green Warehousing

In 2021, we rolled out a Smart Warehouse Monitoring System to keep track of warehouse temperature and humidity automatically and get feedback in real time. When detecting temperature or humidity in warehouses below the preset threshold, the system triggers an alarm and sends emails or text messages to remind the warehouse keeper to intervene. This enables us to protect our people and warehouses efficiently. At the same time, we are planning to deploy smart temperature and humidity monitoring systems to analyze and adjust warehouse conditions in real time. We hope this feature can achieve the most energy efficient warehouse management possible.

### **Green Logistics**

In 2021, we adopted greener delivery solutions to fulfill orders by lifting emission requirements for delivery vehicles, optimizing space usage of containers and increasing the number of electric vehicles:

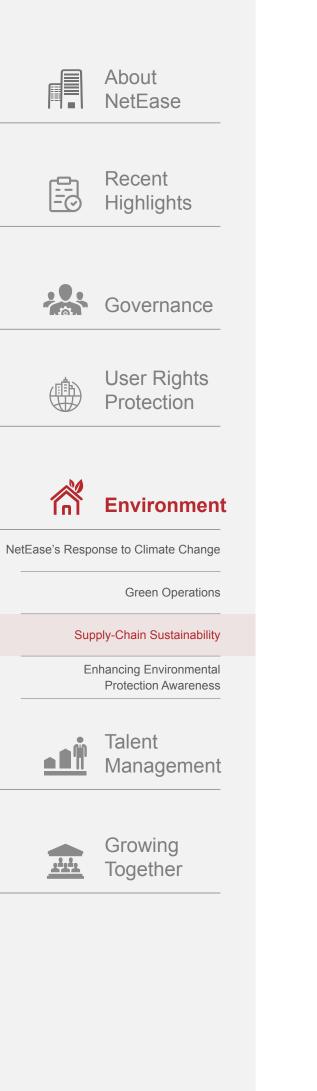
- We tightened fixed-route delivery vehicles' emission standards.
- We consolidated different cargos to fully load over 1,600 vehicles in 2021. This practice reduced exhaust emissions.
- Our courier service providers utilized big data to optimize vehicle schedules, reducing 30% of inefficient vehicle arrangements.
- in Beijing with electric vehicles.

We also worked to reduce consumables across our logistics networks.

- We increased our paper utilization rate by 30% by using fewer paper shipping labels. We also optimized the design of documents to scientifically minimize the use of paper.
- The utilization rate of reusable pallets at our logistics centers reached 90%.
- At our express distribution centers, bulk bags are attached with radio-frequency identification tags so that we can trace and recycle these bags over 100 times.

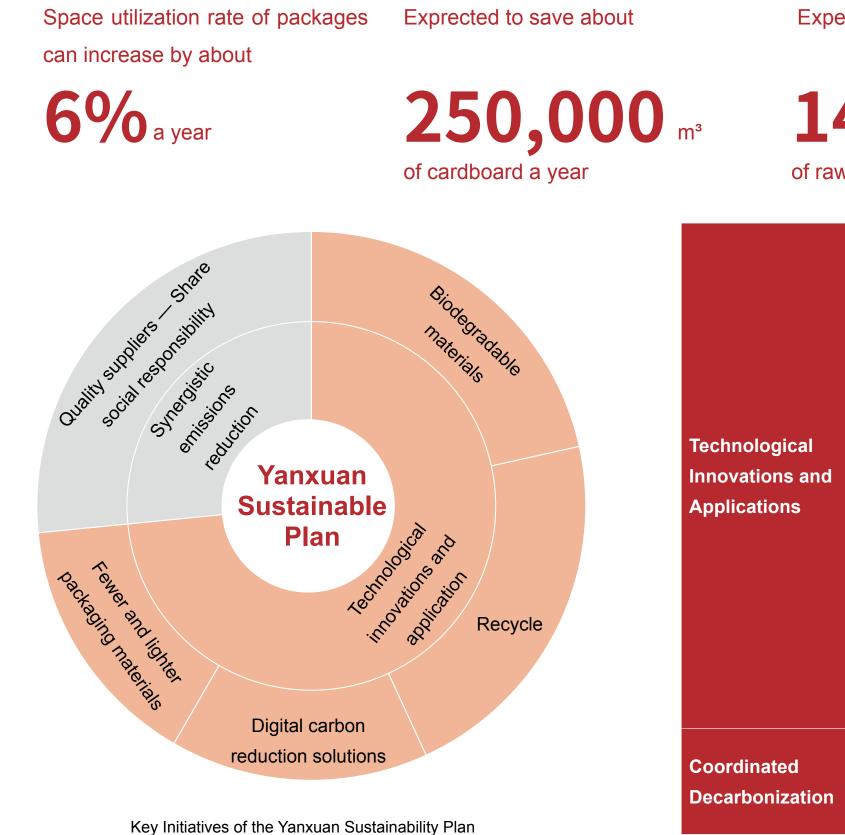
• Since 2017, we and our courier service providers have invested in over 12,000 electric vehicles powered by lithium-ion batteries in more than 50 cities in China. During the reporting period, we have replaced all of our proprietary vehicles





### **Green Packaging**

At NetEase, we are committed to delivering better products to customers with less carbon footprint. In 2021, we launched the Yanxuan Sustainability Plan. This Plan is a statement of our determination and focuses on innovation in fueling the circular economy. We choose lighter plastic bags, smaller packing tapes, recyclable bubble wraps, biodegradable shipping bags, reusable boxes in B2B transactions and carbon-neutral cartons. In terms of innovation, we developed a smart system to help us make better packaging choices, and we strive to deliver orders in the original packaging to reduce waste. This system, built with the integer programming algorithm, can work out packaging solutions for 10 items in just 100 milliseconds. The merit of the system is its capacity of filling flexible items in packages with limited space, which is the first of its kind in the e-commerce industry. With this system, we saw our utilization rate in packaging volume increase by 6%. This approach has benefited not just us but also the environment. We expect to save about 250,000 m<sup>3</sup> of cardboard, 147 metric tons of raw paper and at least 18 million plastic inflatable pillows each year. With the help of fewer and lighter packages as well as our digital decarbonization solutions, our carbon emissions in 2021 dropped by 3,879 metric tons.



#### Expected to save about

Expected to save about

With the help of fewer and lighter packages as well as our digital decarbonization solutions, our carbon emissions in 2021 dropped by

3,879 metric tons

**147** metric tons of raw paper a year

**18** million

plastic air fillers a year

• Thinning package bags from 65µm to 50µm. Fewer and Lighter Packaging • Narrowing packing tapes from 48mm to 45mm. • Adopted a smart system using a proprietary algorithm to optimize packaging solutions. **Digital Decarbonization** • Printing shipping labels on packages and split orders, and delivering in original packaging to reduce package waste. • Use recyclable polyethylene (PE) packaging. • Recycle all types of used cartons. Package Recycling • Choose B2B reusable boxes that can be recycled over 50 times without producing pollution and can be folded over 20,000 times without being broken. The raw materials are 100% recyclable, and the overall cost is around 15% to 30% lower than that of traditional packaging materials. • Package bags, made of biodegradable plastics, can disintegrate naturally into water and carbon dioxide. Degradable Packaging • Bubble wraps are partially made of degradable materials. Cellular mailers, made of pure kraft paper, can provide cushion and be recycled. CGP (China Green Product) • We use CGP-accredited cartons to ensure our products are delivered to our customers green and safe. accredited Carton **Carbon Neutral Carton** • We communicate to our customers what we are doing through every carbon-neutral carton delivered.















## **Enhancing Environmental Protection Awareness: Special Events to Convey Our Environmental Commitment**

#### **Fantasy Green Dream**

In 2021, we initiated the Fantasy Green Dream project to encourage more people to embrace a greener lifestyle. Using the themes of "World Earth Day" and "plastic reduction," the project is an innovative step to draw public attention to environmental protection. Partnering with the charity WildAid in its "Earth Aid" event, we leveraged the scale of our popular product *Fantasy Westward Journey* mobile game to mobilize our game players to integrate environmental awareness into their daily lives. "Earth Aid" presented inspiring ideas on environmental protection such as sustainable food, green travel and ecological restoration. We incorporated these ideas into the travel pet gameplay to promote people's environmental awareness and encourage them to lead a green, sustainable life.







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We are honored to leverage the great influence of the online game industry and call on our game players to join in our philanthropic environmental protection projects.

#### **Guard the Blue Ocean**

In 2021 around the International Oceans Day, *Sky* initiated a series of activities with the theme of "Guard the Blue Ocean" with the Blue Ribbon Ocean Conservation Association (BROCA), a non-profit organization dedicated to ocean education and awareness, to call on people to protect the oceans. We held thematic forums on marine ecology protection and mounted an art exhibition using recycled materials at Hainan University. After that, we cleared a total of 1.15 metric tons of ocean waste in five coastal cities as our first batch of destinations. We also made a donation to BROCA for marine protection. We hope the public can see the beauty of the oceans through our events so more people will take real and immediate actions.



#### "Budding Forest" Tree Planting Campaign

In March 2021, the *Onmyoji: Yokai Koya* team worked with the China Green Foundation in rolling out the Budding Forest event to heighten our game players' awareness of forest conservation. Aspiring to make desertified regions green, we donated partial proceeds of the sale of a new skin bundle to fund the forestation project in Alxa League, Inner Mongolia. We hope our efforts will trigger big changes in this cause.





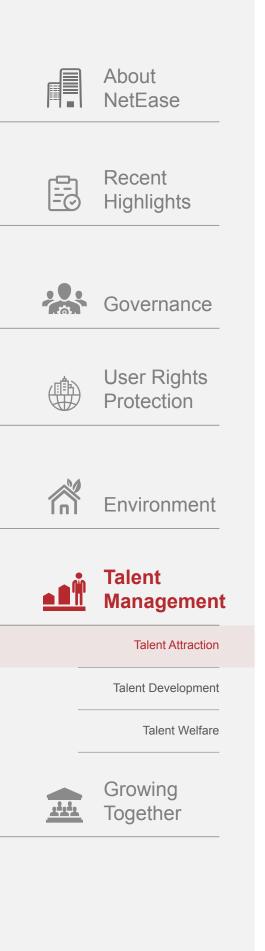




# O Talent Management

At NetEase, we cherish each and every employee. We protect the rights of our people to empower them to achieve their fullest potential. We endeavor to create a workplace where everyone is treated with respect and has a sense of belonging. We believe that as our people thrive, our company will too.





## **Talent Attraction:**

### **Ensuring Diversity, Inclusion and Equal Opportunity**

### Building a Diverse Team and Protecting Employees' Rights

We remain focused on building a sustainable talent pipeline that promotes diversity and inclusion in the workplace. We adhere to all relevant laws and regulations to ensure the rights of candidates and employees are fully protected.

### **Talent Attraction**

We attract talent through multiple channels. In order to strengthen NetEase's communication with college students, we held a number of job fairs and offered free training to students in 2021. Concurrently, we look to expand our experienced, multiskilled workforce through recruiting and internal referrals. We believe that each employee has untapped potential, so we provide internal job transfer opportunities to get the right talent in the right roles.

### **On-Campus** Recruiting

- On-campus recruiting is an important channel for us to attract future employees. We have launched diverse programs, such as recruitment campaigns and university-enterprise cooperation, to identify and attract high-potential students. In 2021, we provided global and Chinese graduates from over 600 colleges with more than 2,500 jobs to help them display their talents in their areas of expertise.
- In terms of campus job fairs, we offered the Hey, Newcomers Operation for students who will be joining us, aiming to help them break the ice and learn about NetEase's business and culture. NetEase Games also provided career path support and newcomer growth journeys to attract and engage future employees, helping them discover our strengths and work environment.
- In terms of university-enterprise cooperation, we have developed a range of courses with several renowned universities. For example, NetEase Games cooperated with the China Academy of Art and Nanjing University to help students gather hands-on experience in game development. It also launched the T Star Program which provides China's first charitable online technical art courses to college students. In 2021, we hired more than 40 students from 409 participants in this program. In addition, we have established strategic cooperations with many colleges to recruit talent. For example, in 2021, the Zhejiang Province Digital Music and Artificial Intelligence Institute created by *NetEase Cloud Music* entered into a strategic cooperation with the Zhejiang Conservatory of Music and the Communication University of Zhejiang. We will work with these institutions to foster talent cultivation, industry cooperation, hands-on training, skills contest, etc.

Social Recruiting

- We attract talents through a variety of recruitment channels. We also provide employment opportunities for minority groups. For candidates of about the same ability, we will give priority to minority groups such as veterans and people with disabilities. In 2021, NetEase recruited talents from 32 countries worldwide, including the U.S., the U.K., Canada, Australia and Japan through social recruitment channels.
- At NetEase, internal referrals also open doors for job-seekers. In 2021, we organized team games to promote teamwork and internal reference. NetEase Games also made great efforts to make the referral process more precise and effective.

### Internal Job Transfer

• We always aim to maintain a flexible and sustainable talent pool. We initiated our Y Program to facilitate internal job transfers within our group and help employees discover their untapped potential.





### Building a Diverse Team and Protecting Employees' Rights

We place a high value on the protection of the rights of our employees. We strive to create a workplace where employees feel respected and equally treated. We also continuously focus on pursuing diversity within our workforce as we believe that this is a critical part of our success.

### **Protection of Rights**

We take compliance with all applicable employment laws as a fundamental principle of NetEase. To protect employees' rights, we have developed a set of employment management systems, such as the "NetEase Recruitment Policy."

### **Eradication of Unlawful Employment**

We strictly prohibit any sort of unlawful employment. We do not use child labor and have a commitment never to do so. We thoroughly verify workers' identities upon onboarding to guarantee that the employment is compliant with our policies and employees' rights are effectively safeguarded.

### **Anti-Discrimination and Unfair Competition**

We take a zero-tolerance policy against any kind of discrimination and unfair competition. We aspire to build a workplace in which every person feels secure, heard and welcomed without judgment, regardless of age, gender, race or any other distinguishing characteristic or trait.

#### **Anti-Harassment**

We do not tolerate any form of workplace harassment, including but not limited to offense, insult, gender or racial derogation and sexual harassment.

We outperformed the global averages in the following indicators according to the latest data from the Bloomberg Gender-Equality Index (GEI).<sup>13</sup>

<sup>12</sup> The number of employees with disabilities and employees from ethnic minorities are calculated based on the group's data as of December 31, 2021, excluding those who departed in December. <sup>13</sup> There are differences in employees' job grades and types between NetEase Group and NetEase's joint ventures, so employees of NetEase's joint ventures are not included.

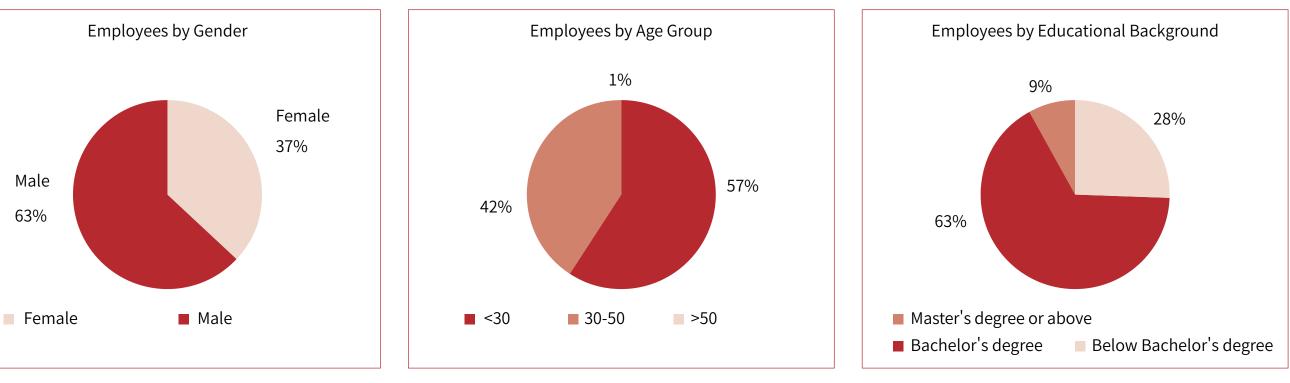
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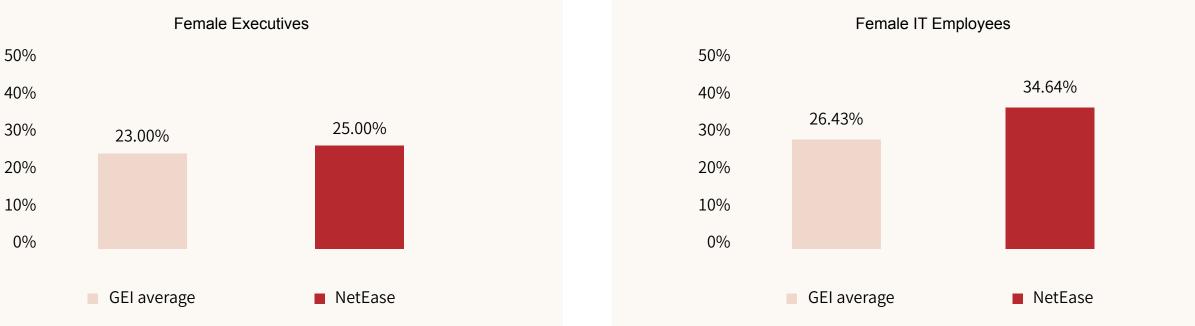
### Diversity

We believe that an inclusive workplace fuels creativity, innovation and corporate development. We pledge to build a workplace where people from different backgrounds feel equally empowered to bring their authentic selves to work.

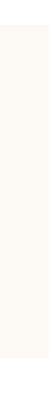
By the end of the reporting period, NetEase had a total of 32,064 full-time employees from 39 countries and regions, including 187 with disabilities and 1,311 from ethnic minorities.<sup>12</sup>

Employee composition is shown as follows:













### Providing Employees with Competitive Compensation and Enhanced Benefits

We always believe that our people make NetEase, and every inch of our progress is attributed to their unwavering dedication. We offer our staff competitive salaries and comprehensive benefits. We conduct industry wage surveys annually and improve our compensation and benefits system regularly. We also have an attractive incentive system to reward exceptional performance.

#### **Fixed Pay**

- Base Salary
- Year-End Double-Month Pay

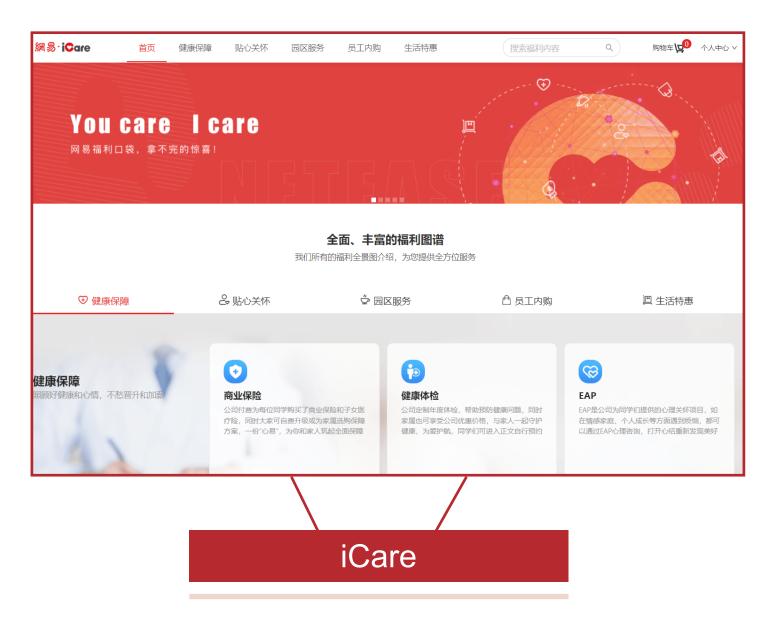
In 2021, we launched our iCare platform to provide better services for our employees. The platform provides information on group-wide employee benefits in five modules: health services, employee care, campus services, employee discounts and special offers.

#### **Bonus**

- Performance-Linked Bonus
- Project Bonus

### **Long-Term Incentives**

- RSUs and Options
- Other Share-Based Compensations



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In 2021, we introduced more employee benefits to appreciate their contribution.

### Children's Insurance

Firm-wide medical insurance coverage for children of eligible employees.

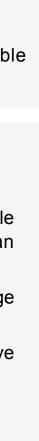
### **Upgraded Leave Benefits**

- We upgraded the paid leave policies to cover a wider applicable scope: personal sick leave as well as companion care for an employee's spouse, parents or children.
- We offer childcare leave for employees so with kids under the age of 3. The length of leave is subject to local policy.
- We extended maternity and paternity leaves. The length of leave is subject to local policy.

### **Free Shuttles**

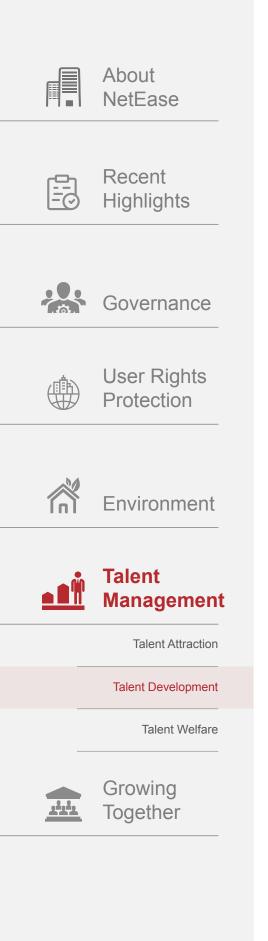
We launched new shuttle routes and optimized the location of bus stops based on transport planning and the demand of employees working at our new campus in Guangzhou. The new scheme can satisfy the transportation needs of most employees.











## **Talent Development:** A Sustainable Training System to Cultivate Employee Growth

### Personalized Training for Skill Improvement and Enhanced Capabilities

We place tremendous importance on talent development. We have improved our internal training mechanism and developed personalized training programs in an effort to build a comprehensive talent team. NetEase staff spent a total of 430,861 hours in training throughout the reporting period.

### Talent Development System

We have built a multidimensional talent training and development system. We provide personalized courses for employees at different positions, job grades and professions to help them succeed in their areas of expertise and achieve career advancement. Our training covers all NetEase employees, including interns.

In addition, NetEase encourages employees to acquire professional qualifications. For those who intend to obtain such certificates, we provide various forms of assistance, such as free training, to help them achieve self-improvement.

Upper Manageme

Middle and Junior Management

High-Potential **Employees** 

**New Employees** 

ent	

Provide leadership acceleration projects to hone leadership skills and qualities. For example, the BEYOND Project.

Provide leadership primer projects to help them understand the responsibilities of leaders, develop a systematic leadership mindset, and learn leadership theories and skills. For example, the L-UPS Project and the NEXT Project.



Provide training courses to strengthen soft skills and key competence to get them prepared for management positions. For example, the **ENERGY** Project.

Provide training courses tailored for skilled new employees, fresh graduates, and interns to help them familiarize their teams and jobs. For example, the Ease Project and the FAST Project.







### Personalized Training to Improve Skills and Capabilities

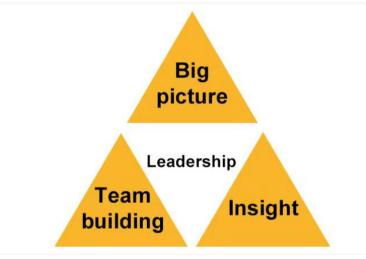
### Highlighted Training Programs

We provide training programs for employees at different stages of their careers.



Soft Skills Development — "Ten Doors" Employee Capability Development Project

We started the "Ten Doors" Employee Capability Development Project in 2021. It aims to enhance employees' soft skills in 10 workplace scenarios, such as year-end job review, objective management and case review.



Leadership Development — BEYOND Leadership Acceleration Project



Training for Graduates — FAST Acceleration Training

The BEYOND Leadership Acceleration Project provides three-dimensional leadership analysis and personalized training to senior management. Training topics include business thinking, team management, etc.

Ease Project is a crash course for fresh graduates to quickly learn NetEase's culture, systems and milestones.

FAST Acceleration Training is an extension of Ease Project. It is designed to retain fresh graduates with great potential. We invest more resources on the top 30% trainees based on performance reviews and team output.

In 2021, the attendance on the online learning platform totaled over 27,000.

### Achievements and Honors

We provide diverse training courses to improve our talent development system, which has won honors and recognition from many organizations. The training program of *NetEase Games*, among many, has won ATD Excellence in Practice Awards for two consecutive years and won the 2021 ATD BEST Award.



2021 ATD Excellence in Practice Award & 2022 ATD BEST Award



Best Talent Acquisition Team in 2021 LinkedIn Talent Awards

2021 Digital Human Resources (DHR) **Excellence in Practice Awards** 







### Systematic Performance Management to Thrive with Our Employees

We have comprehensive performance management systems and policies as well as attractive perks to ensure that employees' hard work is worthwhile.



NetEase Performance Management System

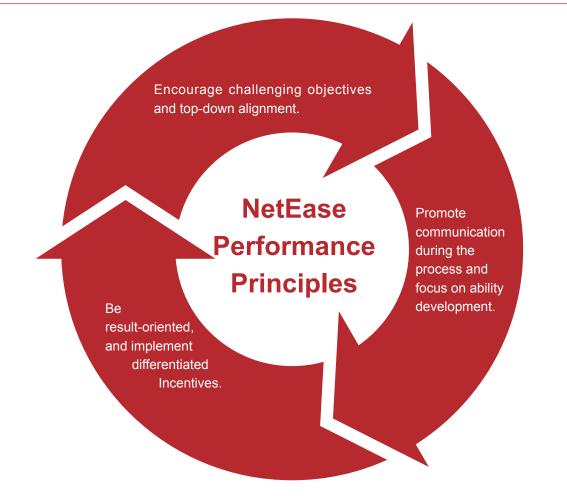
In 2021, we created new incentives based on performance results and channeled more resources toward high performers to boost high performers' satisfaction and retain key members of the team.

#### Objective

- Encourage employees to set challenging performance objectives and constantly push selves to a higher level.

#### Result

- Be result-oriented. An effective implementation process should be one that produces good results.
- Create incentives based on performance results and channel more resources towards high performers.





• Align performance objectives from the top down across the team and with collaborators to ensure the organizational objectives can be reached.

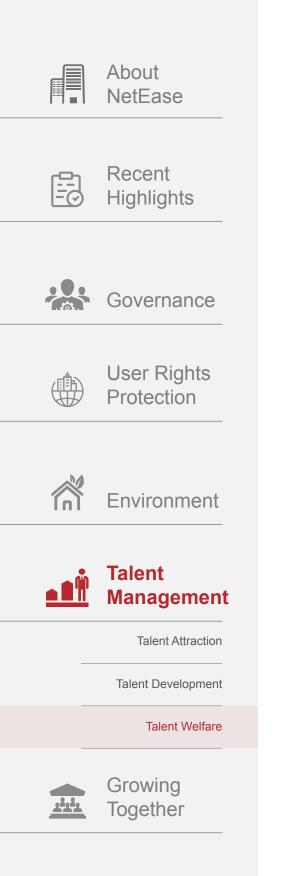
#### Process

- Advocate frank communication and feedback through timely, effective performance coaching and process management.
- Emphasize competence improvement and sustainable development. Motivate employees to practice constant self-improvement.

**Result-Oriented and Differentiated Incentives** 



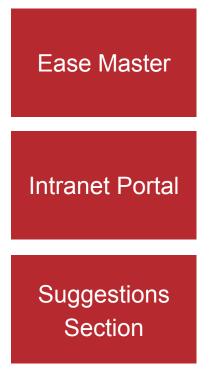




## **Talent Welfare: Creating a Caring, Uplifting Work Environment**

### Healthy Organization Development and Two-Way Communication

We care about our people, listen to their needs and act on their feedback. We are committed to creating an ongoing dialogue so as to provide employees with a better working environment.



We regularly award our employees for their contributions to knowledge sharing, talent cultivation, and charitable work. In 2021, we expanded the channels for them to obtain awards. In addition, we launched a new badge system to award employees for their long-term contributions and commitment to our values. It includes seniority badges, culture badges and integrity badges. These badges are the witness of employees' growth along the way.

We offer official information and employee services on the intranet portal. In 2021, we added a voting tool on the website. Here, employees can vote for the winners of the Innovation Award, BU of the Year, etc. This intramet portal enables employees' contribution to be seen by more people in the company and grant them a sense of achievement.

We opened the Suggestions section on the intranet portal for employees to speak their minds. Upon receiving any suggestion, the operation personnel will request relevant departments to follow up on it and reply under the thread within 24 hours. The result will also be posted under the thread.

Key Communication Channels for NetEase Employees

In 2021, we continued to conduct our group-wide annual employee engagement & satisfaction survey, seeking genuine input and feedback from employees so we can tackle common issues and make positive changes. Prior to the survey, we optimized the entire process to motivate employees to participate in it.

### **Dimension and Question**

We optimized the questions and put an emphasis on issues that employees care about most — factors that lead to a good business, a good team and good compensation. We also added questions relating to spiritual motivation.

The most recent survey results showed that the top 3 most attractive characteristics of NetEase are "corporate culture and work environment," "welfare and benefits," and "openness to innovation." Among these three, nearly half of the respondents voted for "corporate culture and work environment." At the same time, employees also pointed out areas for improvement. We asked each department to take at least one improvement measure in 2022 according to the results, and the implementation will become an important indicator of the department's overall performance.

In 2021, the Suggestions section received more than **790** suggestions, most of which are about workplace facilities and office software. The average handling time was 6.5 days. Among 99% of the suggestions that have been handled, **60%** are adopted, which strengthens employees' sense of belonging at NetEase

#### Focus

We care whether employees can get a sense of growth and achievement at NetEase.

#### Format

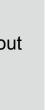
We put on comics on the intranet and communicate with all business units about the survey. These efforts increased employees' awareness of the survey.

Updated Content of the 2021 NetEase Employee Engagement & Satisfaction Survey



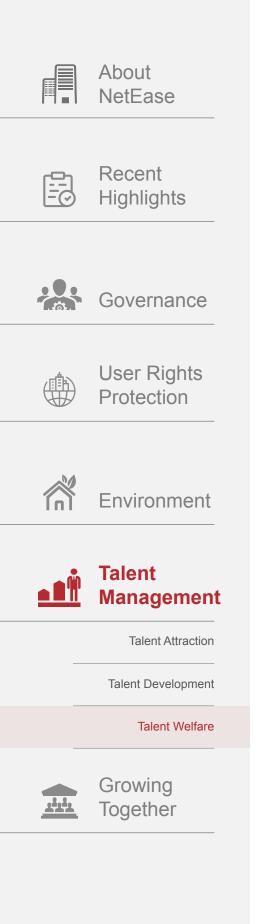












### Enhancing Team Cohesion with Compassion and Care

NetEase is resolute in creating a warm and supportive work environment for our employees. Each year, we hold a number of events to bring us closer as a team.

### Women's Day Campaign — "Shero"

On International Women's Day in 2021, we organized a group-wide care event for all female employees named "Shero." On that day, we gave roses and drinks to these "sheroes" and organized celebrations to pay our tribute to them. These events promoted communication among female employees and, more importantly, instilled in them greater self-confidence.







### Employee Hobby Development — Cloud Village Guitar Club

We provide music classes in the Cloud Village Guitar Club for music lovers. It covers music theory and weekly guitar or bass lessons delivered by our instructors to improve their skills and boost their passion for music. In 2021, the club had a total of 108 members, including two bands that have made frequent appearances at internal and external events, such as "IPO Night," "Music for Love Charity Performance" and "Grassland Music Festival." They have even written, recorded and released two original singles.















### Helping Employees Maintain Good Health and Vitality

Employee health is a top priority in our business operations. We strictly abide by all laws and regulations on safety in the workplace, including the Law of the People's Republic of China on Production Safety and Fire Control Law of the People's Republic of China, to ensure employees' well-being.

### Teambuilding and Fitness Events

We organized a number of fitness events to help employees balance work and life.



### **Fitness Camp**

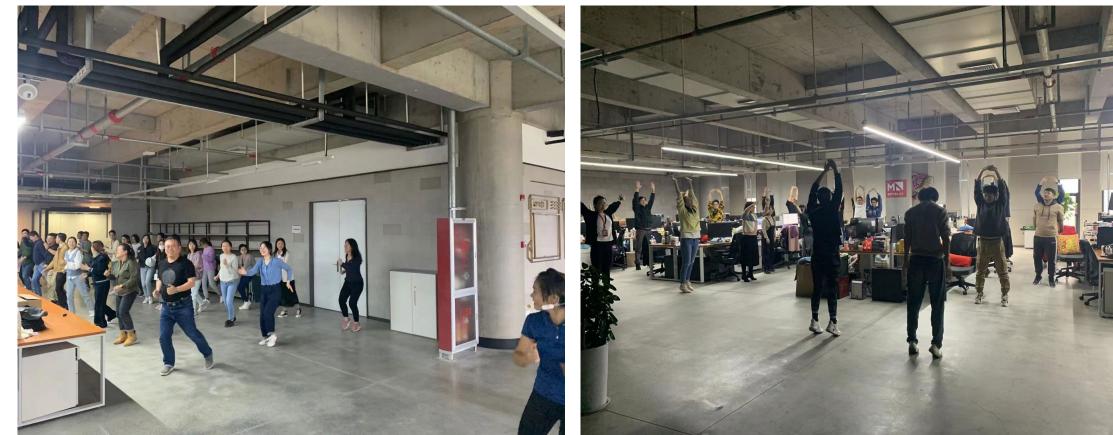
In 2021, we launched a fitness camp for employees to encourage them to lead a healthy life. The camp included 12 courses and more than 1,000 people participated in it. The participant who lost the most weight was awarded free personal fitness courses.





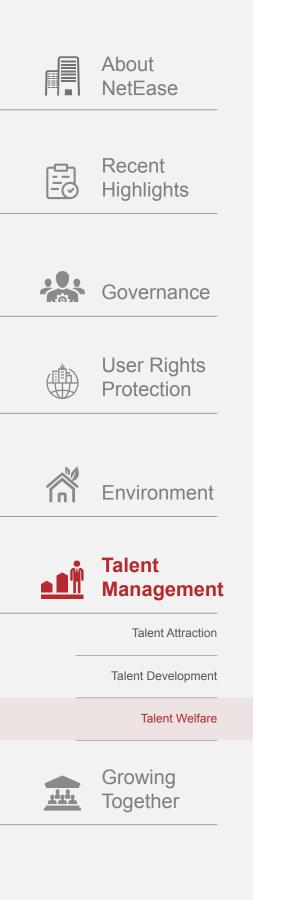
### Workspace Exercise

The cubicle exercise is a new addition in 2021 to NetEase's fitness exercise programs which aim to help employees relax in a cheerful atmosphere. This program became popular immediately, and over 5,000 employees joined the event in 2021.









### Helping Employees Keep in Good Health and Vitality

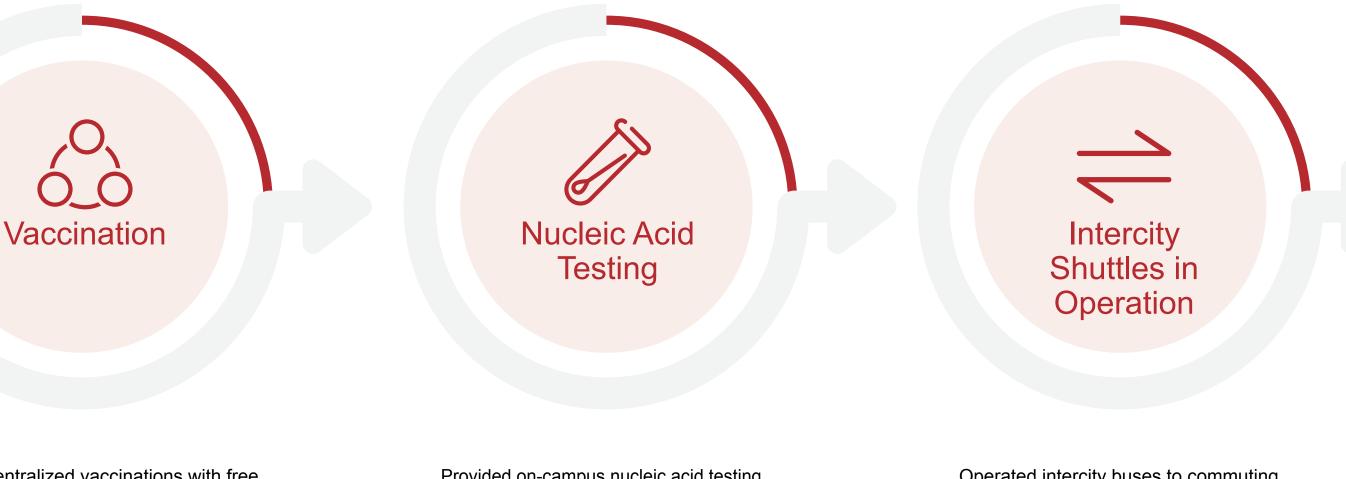
### **Pandemic Prevention and Control**

We have taken numerous steps to protect our employees during the COVID-19 pandemic, including the provision of masks and regular disinfection of office premises. We strictly abide by the national and local pandemic prevention regulations and adjust our policies accordingly. Not a single pandemic safety incident occurred on NetEase's campuses in 2021.

Pandemic Prevention Policies

Released notice on anti-pandemic policies and reminded employees to take all necessary measures to protect themselves from COVID-19.

Organized centralized vaccinations with free shuttle buses.



Provided on-campus nucleic acid testing services to employees.

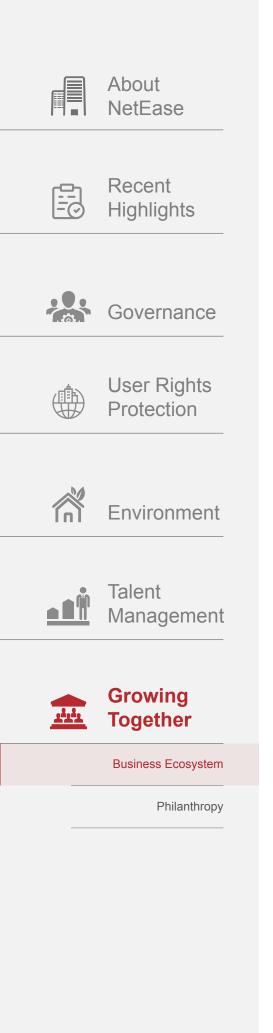
Operated intercity buses to commuting employees in Covid affected cities.



## 05 Growing Together

NetEase is committed to create greater value for society by fulfilling our social responsibilities. Acting on this belief, we place a high value on partnerships and collaborations with all parties and make significant investments to boost industry development and promote philanthropy.





### **Business Ecosystem: Developing Innovative Minds for a Bright Tomorrow**

We are strongly committed to sharing our resources and expertise with the industries we are engaging in so we can grow together. In 2021, NetEase carried out broad cooperation programs and schemes to promote common development. NetEase Games cooperated with a number of universities to help game enthusiasts realize their dreams. NetEase Cloud Music invested significant resources to support original music producers, while Yanxuan and NetEase Media shared NetEase's best practices with the e-commerce and media industry partners.

### NetEase Games: Encouraging Innovation Among College Students

### **Cooperation with Universities**

For many years, NetEase Games has been proactively engaging in university-industry collaborations. We've hosted a number of video game contests and seminars on campuses in an effort to attract more brilliant minds to the industry. Moreover, we're working to increase the educational value of games. To help students better understand the interplay between games and their expertise, we held six college video game competitions and offered many game-related courses at renowned universities in 2021. A total of more than 100,000 students from over 500 colleges in China and abroad participated in 16 different cooperative initiatives this year.

In 2021, we offered for the second time a five-week game design course "Life Science and Visual Communication" at the School of Life Sciences of Peking University. For the final group project assignment, students were asked to design and produce a new game based on what they had learned about life sciences. By the end of the course, students had developed seven intriguing games that used cell science, food molecule and parasitic virus knowledge in the storyline, plot and gameplay.

**NetEase Games** The School of Life Sciences, **Peking University** 

Life Sciences and **Visual Communication** 



### Industry Exchanges

NetEase has always been a facilitator and a key exponent bridging the gap between gamers, developers, and the gaming industry. A number of keynote speakers from NetEase have been invited to discuss their best practices in game design and development at public events. In 2021, we had seven public open days with a variety of exchange activities geared toward game enthusiasts and game developers.

"Inheritance – Insight – Ingenuity" was the topic of the *NetEase* Games Developer Summit in 2021. At the summit, key players in game development and design offered their insight regarding the industry. We expect to meet with more outstanding game producers and enthusiasts around the world. Together we can lead the videogame industry to a better future.



In 2021, we set up a special column on the official website of *NetEase Game DevCamp*. Here, we provide game enthusiasts with first-hand knowledge and practices from our core members, helping them gain fresh insights into the industry.











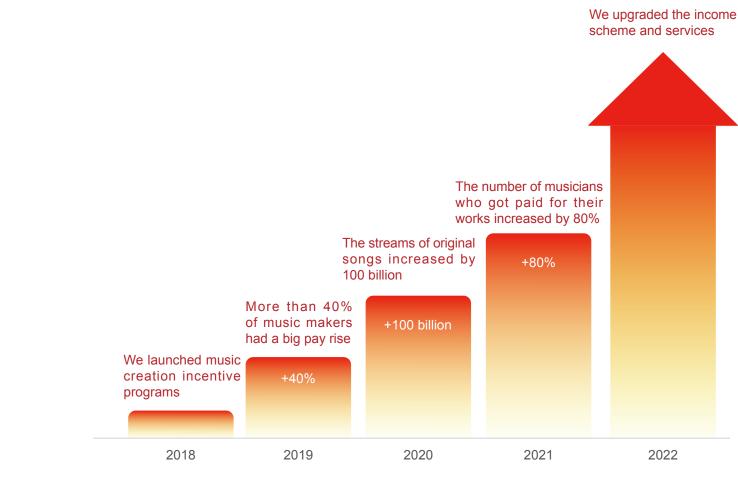


### NetEase Cloud Music: Supporting Independent Artists and Their Original Music

Our appreciation for the uniqueness of musical expression inspired us to create *NetEase Cloud Music*. For the past nine years, we have been dedicating to creating a platform that supports independent artists. As the largest online incubator for independent artists in China, we are committed to protecting independent artists' rights, helping them achieve their musical aspirations. By the end of 2021, we were serving more than 400,000 registered independent artists, contributing **1.90 million** music tracks to the platform.

With this in mind, we are working with industry partners to create a healthy music ecosystem and boost the sustainable growth of China's music industry.

When we launched the Independent Artists Support Project in 2016, our goal was to make it easier for independent artists to get their music published and heard by the public. This commitment has never changed. We continued ramping up efforts toward this goal in 2021. In July, we first hosted Galaxy Album Music Camp to recruit outstanding independent artists and provide them with comprehensive production training and workshops. Project Cornerstone IV, an annual sponsorship program for independent artists, was launched in September 2021. Participants enrolled in this project will receive long-term support and exposure. Our Musician Training Class was inaugurated in October 2021, with the help of expert music mentors, in order to nurture the talented independent artists. In November 2021, we launched Project Cloud Ladder 2022 and decided to give away all the advertising proceeds to independent artists. We've also implemented a new enforcement tool to safeguard their intellectual property.



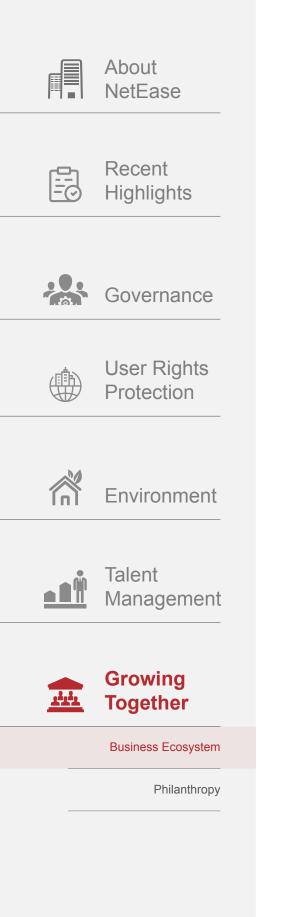
The number of registered independent artists

400,000+ 1.90 million

The number of music tracks contributed by independent artists

We are also committed to providing more resources for music enthusiasts. We have introduced millions of pages of licensed sheet music from nkoda, the world's largest digital library of sheet music. In November, we pioneered the sheet music function in the industry and users can access renowned works created by the great masters including Bach, Mozart, Beethoven, Chopin, Liszt and Debussy. Soon afterward, we upgraded the function, allowing users to upload sheet music and use these resources free of charge.





### NetEase Yanxuan & NetEase Media: Enhancing the Industry with Best Practices



In 2021, Yanxuan was invited to the CPRJ Plastic Packaging Forum and gave a keynote speech on our quality management concepts, principles and measures to more than 1,000 industry experts.



seminar.

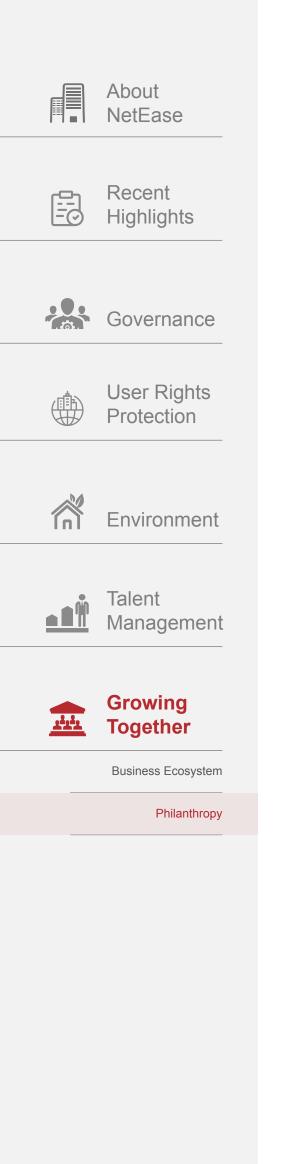
Our Yanxuan Sustainability Plan was covered by numerous media outlets. Our green and digital packaging practices were acknowledged by the government, and we were invited to deliver a keynote speech at the 2021 International Packaging Innovation Forum in China. More than 20,000 people participated in the online



In September 2021, NetEase Media organized a think tank seminar at the Chaka Salt Lake in Qinghai Province. A group of renowned advertising experts were invited to exchange the latest information on the advertising industry, as well as ideas on future trends and new marketing philosophies. These insights will serve to guide the advertising industry in enhancing the brand ecosystem.







## **Philanthropy:**

### Helping the Needy and Benefiting the Common Good

### Bringing Relief to Those Affected by COVID-19 and Natural Disasters

As the effects of COVID-19 continue, containment and prevention of the pandemic have become the norm across all sectors in China. Youdao helped schools to reduce the impact of the COVID-19 pandemic on students' academic achievement in various ways. Moreover, in December we donated RMB10 million to residents of Xi'an to assist with their basic necessities of life during the guarantine.

- Youdao Smart Cloud provided a free distance-learning system to more than 2,500 schools and training organizations, covering 2 million students in the country.
- students. Over 152,000 specialized and public courses have been opened on the platform.

In July 2021, Henan Province was devastated by catastrophic floods. NetEase swiftly donated RMB50 million to help aid the relief operations, including the provision of emergency supplies and assistance in city reconstruction. In October, the same misfortune fell upon Shanxi Province, and NetEase donated RMB20 million to help local people in need. Each of our business units also contributed to the revival of the local economy.

NetEase News: NetEase News immediately opened a dedicated channel on its app to collect information about people waiting for rescue. People needing help could send posts in the channel to seek support from residents nearby and learn about self-rescue techniques.

NetEase Games: Several NetEase games including Justice and New Ghost made donations to the affected areas and invited players to express their best wishes to local people in the games.

NetEase Media: NetEase Media organized a charity concert with many colleges, foundations and media agencies. With all earnings going to the Zhengzhou Red Cross, the performance was streamed live on NetEase News, NetEase Cloud Music and other platforms. The same day, the NetEase game Westward Journey Online donated relief materials to the stricken area as well. A total of more than RMB 1.1 million was collected from the concert and donation for post-disaster restoration.

Beijing NetEase Foundation & Youdao: Beijing NetEase Foundation sponsored school campus reconstruction in cooperation with Youdao and the China Social Assistance Foundation. We provided 10 affected schools with epidemic prevention products and school supplies, including pulse-jet thermal foggers, disinfectants and desks, to help them get back on track as soon as possible. We also rolled out the Campus Radio Broadcaster campaign to assist children's emotional recovery. In this campaign, we collected healing and uplifting audio recordings from our users and broadcast them on campuses, hoping to encourage the children with a touch of gentleness and energy.

NetEase Cloud Music: On August 3, NetEase Cloud Music released the charity record Zhong (literally meaning "crowd of people") with China's largest official news agency Xinhua News Agency. We hoped to boost people's morale through this song and let them know that as a member of this community, we stand together with them in rebuilding their homes. The single had over 1 million streams on its debut day alone.

When COVID-19 swept across China in January 2020, NetEase Youdao was the first online learning platform that provided free online courses to primary and secondary school students in China.

China University MOOC offered over 9,500 free courses on the platform and provided teaching services and learning data to more than 1,000 universities. As of now, we have served more than 500,000 teachers and more than 9 million

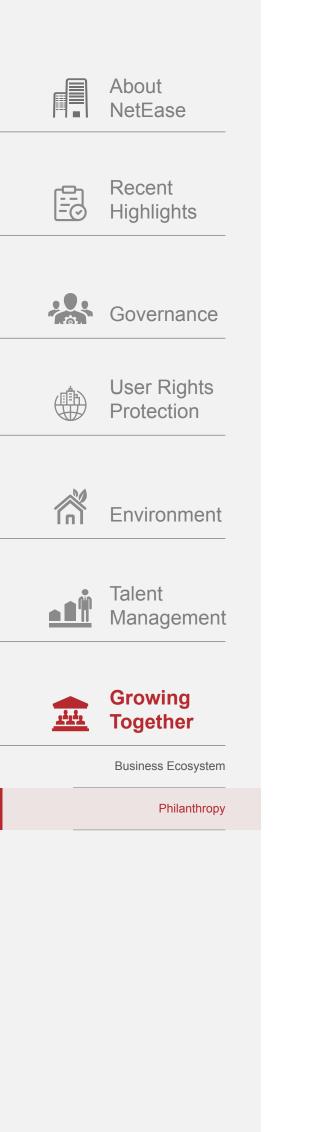












### Using Technology to Promote Education in Rural Areas

We continuously remind ourselves that many rural Chinese students are not able to enjoy good education at this time, and we must steer high-quality educational resources to impoverished regions. By the end of 2021, we've built up a comprehensive support program covering all stages of education, including providing quality secondary educational resources and supporting students' financial needs. We also provide career counseling for high school students and hold workshops for local educators to stay abreast of the most recent educational developments. More than 200,000 students in six western provinces have benefited from these activities. Additionally, we've committed tens of millions of RMB to expanding the availability of good educational resources on our Cloud Classroom service.

### **One Screen Program**

One Screen is a non-profit education program initiated in 2018 by William Ding, founder and CEO of NetEase. This program was created to provide high-quality education resources to impoverished areas by taking advantage of our digital products. Over the past four years, we have provided a great number of smart hardware, high-quality courses and online learning platforms to rural schools. These efforts will promote the balanced development of education.

Our achievements in 2021:

- Wushan, Chongqing: After seven months of field research on students' needs, we brought a series of smart education resources to 15 schools in Wushan County in January 2021. These include smart lecture recording systems, Youdao Smart Learning Terminals and Youdao iCode's programming courses that benefit nearly 13,000 students at the compulsory education stage.
- Zheng'an, Guizhou: In April 2021, we provided a multidimensional smart education solution for 11 primary and middle schools in Zheng'an. The brand new hardware, software and platforms make high-quality resources available to local teachers and greatly improve teaching efficiency.
- Bailang, Tibet: In October 2021, we brought smart learning solutions to schools in Tibet, making qualitysmart educational resources accessible to local teachers and students.
- Zhengzhou, Henan: In October 2021, One Classroom Program was debuted in Zhengzhou. This is the version 3.0 of One Screen. In addition to upgraded hardware, software and services, it included a wall decorated with Lego bricks which is the undoubted highlight for many children. The models can be changed freely, which is conducive to children's creative and cognitive development.

Furthermore, we strongly support national scientific research and talent development. In 2021, we donated RMB66 million to the Beijing S.T. Yau Science Foundation, which was created by renowned mathematician and academician Shing-Tung Yau, to support mathematics research, talent development and global exchanges.

### **Education Investment**

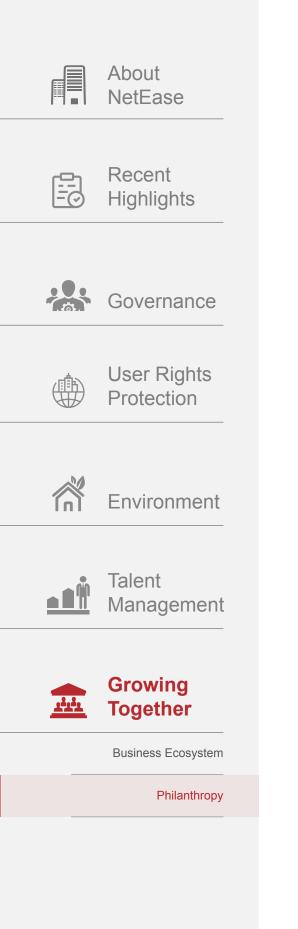
- In March 2021, Youdao released the Champion Program which will provide RMB1 billion for outstanding students from impoverished homes. Third-year high school students with excellent academic standing will receive scholarships covering their tuition fees at colleges.
- On May 20, 2021, CEO William Ding provided 30,000 Youdao dictionary pens to English teachers in rural areas.
- In June 2021, Youdao donated more than RMB300,000 to the Yellow House Aesthetics Enlightenment Project of the China Red Cross Foundation. The money was used to construct two art classrooms for rural children.
- In 2021, our game *Tianxia III's* team cooperated with Baiyi Planet, a public welfare organization, donated five fine-art classrooms in Ya'an, Luding, Kangding, Yajiang, and Litang to help children discover the beauty of art with better teaching facilities.











### Supporting and Caring for the Vulnerable Groups

We at NetEase believe that all individuals are born equal. Accordingly, we provide vulnerable groups with equal access to employment, training and career development. We also call on all sectors of society to join us in the quest for equality.

### Jobs for the Vulnerable

We believe that everyone is talented in their own way, and the contributions of individuals with disabilities should be recognized by society. Youdao has provided flexible jobs for the disabled since 2019 in cooperation with our partners. In 2021 alone, together with our partners, *Youdao* created approximately 1,000 jobs for persons with disabilities. We have developed comprehensive training and promotion systems to elevate each of them to their full potential and make them feel safe and recognized at NetEase.

On December 18, 2021, Youdao was named the "CSR Practitioner of the Year" in the CSR and Public Welfare Forum for its valuable assistance to the vulnerable.



### Care for People with Depression Suffers

#### The Power of Music:

On the World Mental Health Day 2021, NetEase Cloud Music dedicated the single Qianyong (literally "Diving") to people dealing with depression. Empathizing with their suffering, we hope this song could bring warmth to this group and arouse public attention on mental health.

### Support for Kids with Autism

### **Raising Funds with Games:**

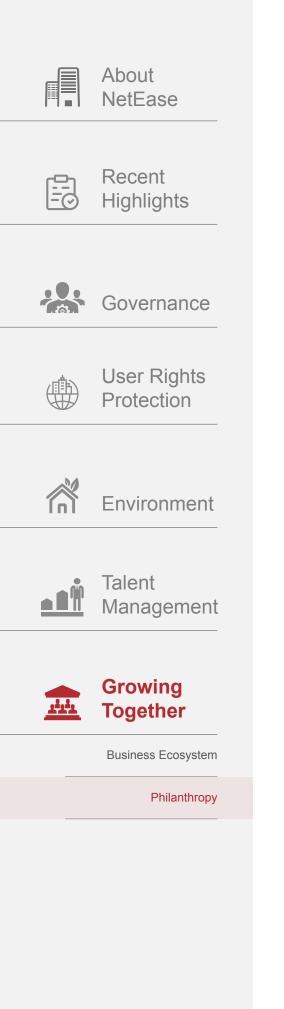
In January 2021, Onmyoji: The Card Game held a goodwill activity to raise funds for autistic children. During the event, the game launched a limited character skin, with all proceeds going to an autism support center to foster the enrichment of autistic children.











### Lifting Rural Areas out of Poverty with Technology

As part of our social responsibility, Yanxuan is committed to advancing rural revitalization and common prosperity. Our Poverty Alleviation Partnership Program assists individuals and businesses in Leishan County, Guizhou Province to adapt to consumers' needs in the physical and digital realms. In 2019 and 2020, Yanxuan set up a dedicated marketplace to introduce rural produce and specialties to urban citizens. The products were directly purchased from local farmers, thus increasing their profitability.

In 2021, Yanxuan continued to promote rural revitalization by leveraging our data and technical capabilities. Luochuan apple, kiwi, and many other high-quality agricultural products were snapped up on the platform, helping alleviate local farmers out of poverty.



### **NetEase Yanxuan: An E-commerce Ecosystem to Promote Agriculture**

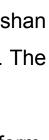
As part of our long-term commitment to society, we strive to explore quality fruit in rural areas and let them be accessible to more customers. In 2021, NetEase Yanxuan has arranged the purchase of apples from Luochuan, Shaanxi province, as benefits for our employees. In addition, the produce also hit the shelves on Yanxuan, with 8,000 packages sold on the first day. During the hugely popular Double 11 shopping festival, 250 metric tons of high-quality Shaanxi fruit were sold on Yanxuan, with a sales volume of over RMB100 million. Additionally, we put a card in each parcel to encourage on customers to give support to local farmers to the extent possible.



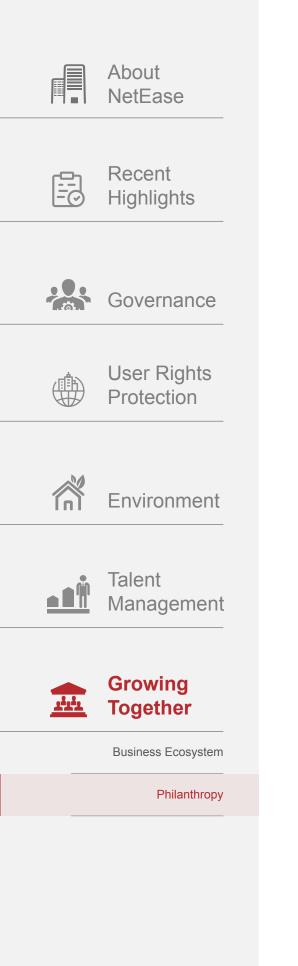


Puchased metric tons of Luochuan apple for employees

A total of 250 metric tons of Shaanxi fruit were sold







### Volunteering in Community Service and Contributing to Social Welfare

At NetEase, we encourage our employees to devote meaningful time to helping people in need. NetEase employees can find out more about philanthropic projects in which they can participate on the NetEase Public Welfare website, and we grant awards to recognize their charitable work. Subsequently, NetEase employees initiated many volunteer activities in 2021.

### Missing Persons Information System for the Flood in Henan

On July 20, 2021, Zhengzhou, the capital of Henan Province, was hit by a disastrous rainstorm. Heavy flooding caused many residents' whereabouts to be unknown, leaving their family and friends in overwhelming anxiety and fear. However, their requests for help were quickly drowned in the sea of online information. At noon on July 22, *DigitalSail* received a request from rescue volunteers to develop a help information platform. *DigitalSail* employees immediately responded and successfully set up a preliminary system in 1.5 hour and optimized it in the following 12 hours. By noon on July 23, the system had collected more than 130 pieces of information about missing persons. During its eight-day operation, over 410 pieces of information were recorded by the system, and consequently 240 people were found.

### The Little Snail Library Program

In 2021, NetEase Public Welfare and NetEase Snail Library launched a program to build charitable libraries for rural schools. Over 1,000 NetEase employees participated in the project and devoted in ways including donating books, reading stories for kids and helping children with their technical expertise. Through active collaboration, they developed an app and a management console for the libraries, which will efficiently facilitate rural digitalization and poverty reduction. In 2021, we built 20 Little Snail libraries and donated 43,000 books to more than 6,400 students in rural primary schools.

>1,000 employees participated in the Little Snail Library Program Donated

**43,000** books

**410+** pieces of information about missing persons were recorded

240 persons were found with the help of the system

Benefited 6,400+ students





## **Appendix 1: NetEase's Environmental Performance in 2021**

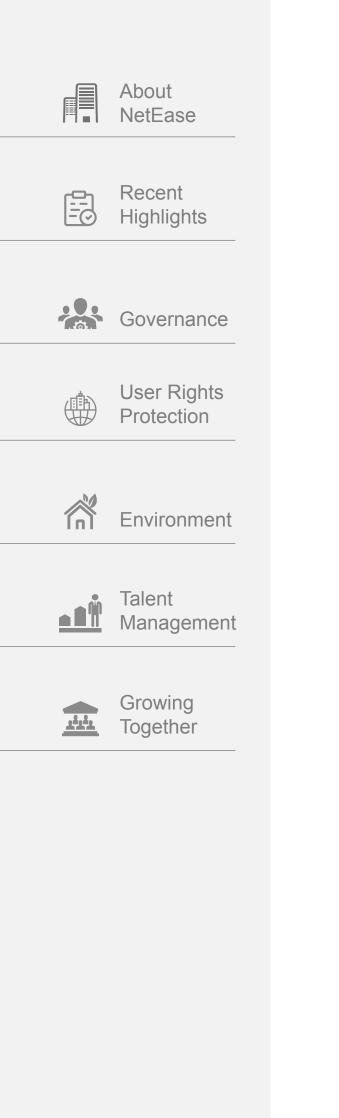
Greenhouse Gas Emission <sup>14</sup>	Unit	Emissions in 202
Scope 1	Metric tons of CO <sub>2</sub> e	6,85
Scope 2	Metric tons of CO <sub>2</sub> e	32,21
Scope 3	Metric tons of CO <sub>2</sub> e	273,50
Total	Metric tons of CO <sub>2</sub> e	312,57
Per Capita Carbon Emissions from Operations (Scope 1 + 2)	Metric tons of CO <sub>2</sub> e/Person	1.2
Energy Consumption	Unit	Consumption in 202
Diesel	kg	52,33
Gasoline	kg	18,85
Liquefied Petroleum Gas	kg	4,33
Natural Gas	10,000 m <sup>3</sup>	13
Electricity	MWh	48,94
Direct Energy Consumption	MWh	15,47
Indirect Energy Consumption	MWh	48,94
Comprehensive Energy Consumption	MWh	64,42
Per Capita Energy Consumption	MWh/Person	2.0
Waste	Unit	Amount of Waste Generated in 202
Kitchen Garbage	m <sup>3</sup>	3,93
Other Waste	m <sup>3</sup>	14,35
Total	m <sup>3</sup>	18,28
Per Capita Waste Discharge	m <sup>3</sup> /Person	0.5
Water Consumption	Unit	Consumption in 202
Total Water Consumption	Metric tons	410,18
Per Capita Water Consumption	Metric tons/Person	12.7

<sup>14</sup> The statistics were audited by the China Environmental United Certification Center in line with the ISO 14064-1:2018 standard.



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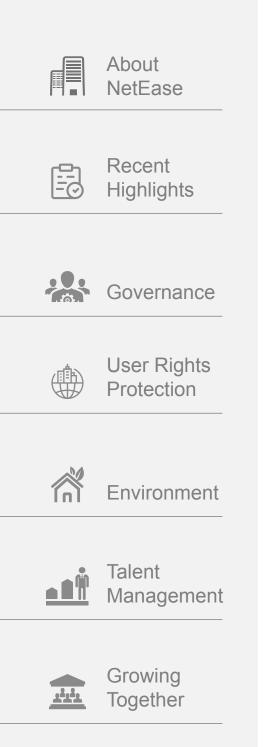
## **Appendix 2:** Relevance of This Report to the UN Sustainable Development Goals (SDGs) for 2030



		SDGs				
13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND				
10 REDUCED INEQUALITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	<b>17</b> PARTNERSHIPS FOR THE GOALS				







## **Appendix 3:** HKEX ESG Reporting Guide Content Index

#### Subject Areas, Aspects, General Disclosures, and KPIs

A. Environmental		
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Operations
KPIA1.1	The types of emissions and respective emissions data.	Green Operations
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	NetEase's Response to Climate Change
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operations
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Green Operations
KPI 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).	NetEase's Response to Climate Change
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Operations
Aspect A4	Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	NetEase's Response to Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Green Operations

#### Chapter/Section



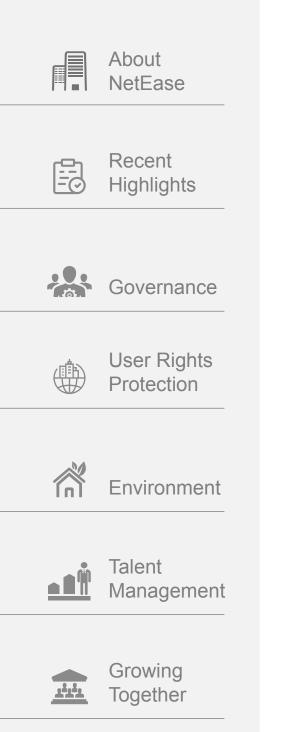




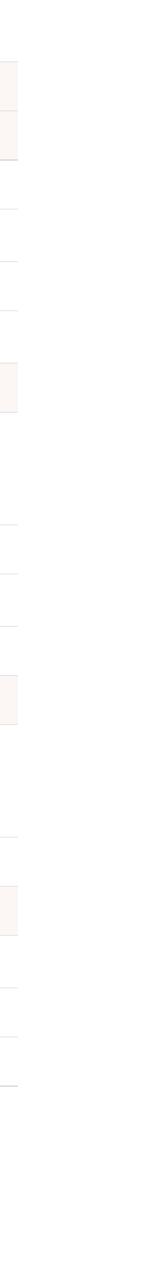
Subject Areas, Aspects Genera	al Disclosures, and KPIs	Chapter/Section
B. Social		
Aspect B1	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Talent Attraction
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Talent Attraction
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Talent Welfare
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Talent Welfare
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Talent Welfare
Aspect B4	Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Talent Attraction
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent Attraction
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Attraction



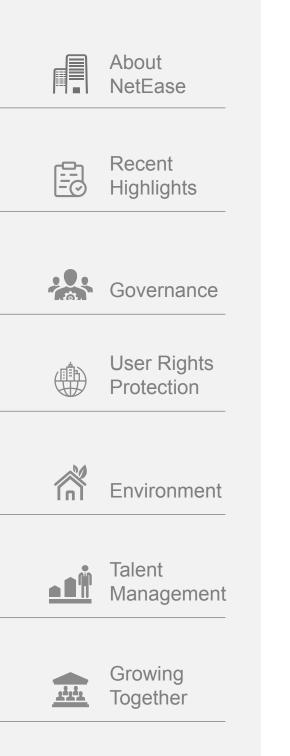




Operating Practices		
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Procurement Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Procurement Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Procurement Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Procurement Management
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	User Rights Protection
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Protection
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy Protection
Aspect B7	Anti-Corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Governance
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Governance
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Philanthropy
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Philanthropy
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Philanthropy







## **Appendix 4:** Sustainability Accounting Standards Board (SASB) Index for Internet Media & **Services Industry**

Торіс	Accounting Metric	Code	Chapter/Section
Environmental Footprint of Hardware Infrastructure	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	TC-SI-130a.1	NetEase's Response to Climate Change
	<ul><li>(1) Total water withdrawn,</li><li>(2) total water consumed, percentage of each in regions with high or extremely high baseline water stress</li></ul>	TC-SI-130a.2	Green Operations
	Discussion of the integration of environmental considerations into strategic planning for data center needs	TC-SI-130a.3	Green Operations
Data Privacy & Freedom of Expression	Description of policies and practices relating to behavioral advertising and user privacy	TC-SI-220a.1	Privacy Protection
Data Security	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	TC-SI-230a.2	Cybersecurity
Recruiting & Managing a Global, Diverse & Skilled Workforce	Employee engagement as a percentage	TC-SI-330a.2	Talent Attraction
	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	TC-SI-330a.3	Talent Attraction
Managing Systemic Risks from Technology Disruptions	Description of business continuity risks related to disruptions of operations	TC-SI-550a.2	Cybersecurity

