



**2022**  
**Sustainability Report**  
IEIT SYSTEMS CO.,LTD.

Boosting Sustainable Development  
with the Power of Technology

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# About This Report

## Overview

The 2022 Sustainability Report (hereinafter referred to as the "Report" or "Sustainability Report") of IEIT SYSTEMS CO.,LTD. (hereinafter referred to as "IEIT SYSTEMS", the "Company" or "We") elaborates IEIT SYSTEMS' management approaches and performance in fulfilling ESG (Environment, Social, and Governance) goals in 2022. IEIT SYSTEMS discloses its ideas, policies, key practices and performance in relation to sustainability to stakeholders by providing accurate, all-embracing, clear, comparable, complete, up-to-date and verifiable information that is prepared in the context of sustainable development. IEIT SYSTEMS has been releasing the Corporate Social Responsibility Report annually since 2014. In 2021, IEIT SYSTEMS started publishing the Sustainability Report instead, in response to stock exchange requirements and sustainable development philosophy.

## Scope of reporting

**Organizational scope:** For the purposes of this report, the organizational boundaries are defined on the basis of the operational control law. This report has the same scope as IEIT SYSTEMS' annual report and includes information about the company and its subsidiaries.

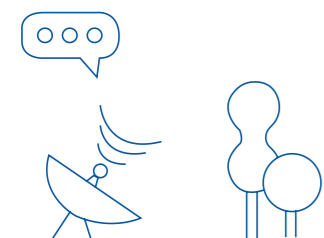
**Time range:** This report covers the period from January 1 to December 31, 2022 (hereinafter referred to as the "reporting period"). To make this report more comparative and forward-looking, we have included in this report some data from previous years or 2023.

## Report release cycle

This report is published annually, following the same cycle as the company's annual report.

## References

- The Global Reporting Initiative (GRI) Standards for sustainability reporting;
- Industry standards for hardware that were issued by the Sustainability Accounting Standards Board (SASB);
- The United Nations Sustainable Development Goals (UN SDGs 2030).



## Data source

Data in this report is taken from the company's internal statistics, documents and audit reports. Some economic data comes from the company's 2022 annual report and has been audited by Hexin Certified Public Accountants LLP (Special General Partnership).

## Data assurance

The data and information in this report have been verified by SGS-CSTC Standards Technical Services CO., LTD, an independent international third-party certification body. Please refer to the appendices for an independent Verification Statement.

## Versions and languages

This report is available in printed and electronic versions. The electronic one can be downloaded from the Shenzhen Stock Exchange website and the company's website ([www.ieisystem.com](http://www.ieisystem.com)).

The report is published in Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.

## Contact information

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# About Us

IEIT SYSTEMS (stock code SZ000977) is a global leader in IT infrastructure products, solutions and services with a presence in over 120 countries and regions. With the belief that "computing power defines productivity and intelligent computing power drives innovation", we are dedicated to promoting the innovation and application of intelligent computing technologies and facilitating the fusion of the physical and digital worlds, thus enabling people to enjoy a better life, businesses to operate more efficiently, social governance to reach a higher level, and humans to live in ever-greater harmony with nature.

By pursuing an innovation-driven development strategy, we provide customers with cutting-edge innovative products and solutions in cloud computing, big data, artificial intelligence, and edge computing. We take an active part in open computing technology innovation to accelerate the openness and integration of computing ecosystems around the world. With a commitment to green and sustainable development, we have been working to revolutionize the way data centers are built and the upgrade of operation modes, and operated to optimize energy utilization and reduce carbon emissions of data centers. IEIT SYSTEMS has been granted over 300 liquid cooling patents, with all of its servers powered by liquid cooling technology. The company has built Asia's largest liquid-cooled data center development and production facility, establishing itself as an industry leader in the delivery of liquid-cooled data centers.

By "putting partners first", we work with partners to develop a symbiotic computing industry ecosystem to provide customers with full-stack, integrated intelligent computing solutions and drive the intelligent transformation of the industry.

In the time of intelligence, we hope to seize opportunities presented by the era and shape a new landscape with you.

# Mission

To advance social civilization by leading the development of information technology.

# Values

**Integrity:** Trust is the coin of the realm, be it a person or a venture. Integrity is the cornerstone of success for both enterprises and individuals.

**Respect:** We respect our customers and partners, and our employees respect each other. We earn respect through hard work and great results.

**Excellence:** Know yourself and your competitors, and develop in a far-sighted and sustainable way. Keep pushing the limits. Start small, do the best at what you do, always innovate, and strive to be better than you are.



# Annual Performance and Recognitions

## Highlights in ESG performance

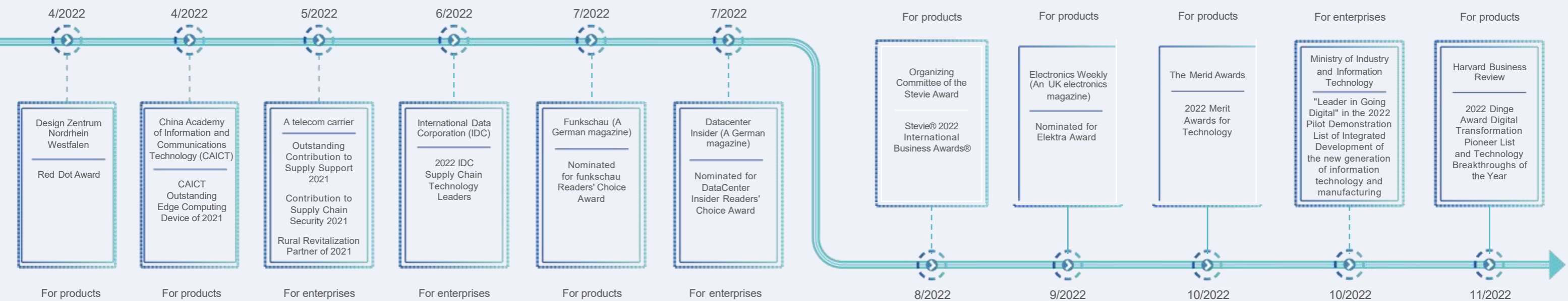
- Wind ESG rating AA
- Included in Hang Seng (China A) Corporate Sustainability Benchmark Index



Economic performance	
Operating income <b>69,525,458,182.69</b> CNY	Total profit <b>2,159,950,464.83</b> CNY
R&D investment <b>3,715,264,521.64</b> CNY	Service coverage <b>70</b> countries and regions
Participation in the formulation of domestic and international standards <b>100+</b>	Membership in global technical organizations <b>70+</b>
Patents granted overseas <b>80+</b>	
Core liquid cooling patents <b>300+</b>	
Environmental performance	
China Energy Conservation Product Certification <b>125</b>	China Environmental Labeling Product Certification <b>39</b>
China Energy Label Certification <b>12</b>	E-Standby Certification <b>70</b>
ENERGY STAR Certification <b>23</b>	Reduction of total waste compared with 2021 <b>705.61</b> tons
Reduction of EPE packaging materials in 2022 <b>330</b> tons	
Social performance	
Total employees <b>7,495</b>	Ethnic minority employees <b>411</b> accounting for <b>5.48%</b> of total employees
Proportion of R&D staff <b>42.07%</b>	Skill training sessions <b>450+</b>
Proportion of employees participating in training <b>100%</b>	Training hours per employee <b>54</b> hours
Industrial accidents <b>0</b>	
Customer complaint resolution rate <b>100%</b>	
Proportion of new suppliers meeting environmental and social criteria <b>100%</b>	



## Awards



## Management system and product standard certifications

Management Systems	
ISO 9001:2015	Quality Management System
ISO 14001:2015	Environmental Management System
ISO/IEC 20000-1:2018	Information Technology Service Management System
ISO 45001:2018	Occupational Health and Safety Management System
ISO/IEC 27001:2013	Information Security Management System
ISO/IEC 27701:2019	Privacy Information Management System
ISO 22301:2019	Business Continuity Management System
ISO 28000:2007	Supply Chain Security Management System
ISO/IEC 38505-1:2017	Data Governance Management System
ISO 50001:2018	Energy Management System
IECQ QC 08000:2017	Hazardous Substances Process Management System
GB/T 29490:2013	Intellectual Property Management System
IECQ ESD	Electrostatic Discharge Protection Management System
ISO/IEC 17025:2017	Accreditation Criteria for the Competence of Testing and Calibration Laboratories
Product Standards	
IEC 61340-5-1:2016	Protection of Electronic Devices from Electrostatic Phenomena
AEO	Customs Standards for Authorized Enterprises (Advanced Certification)
NEBS	Network Equipment Building System
REACH (EC) No. 1907/2006	Registration, Evaluation, Authorization and Restriction of Chemicals
EU-Lot9	EU Declarations for Energy Efficiency in Server Products
Energy Conservation Certification CQC3135-2011	China Energy Conservation Certification (Product Certification)
Customer Service	
CTEAS1001-2017	CTEAS 7-Star After-Sales Service Certificate
GB/T27922-2011	Evaluation System for After-sales Service of Commodity [5-Star]
CCCS	Customer Contact Center Standard System Certification [5-Star]

## I Message from General Manager



As the economy and society become increasingly digital and intelligent, the computing power that underpins this trend is ubiquitous. From the Intelligent EdgeSite on a smart light pole to a company's data center and a city's smart computing center, computing power is continuously delivered to support the efficient operation of the digital economy, digital society and digital government, bringing new levels of convenience and intelligence to our production and our lives.

According to the *2022-2023 China Artificial Intelligence Computing Power Development Assessment Report*, China's intelligent computing power has been growing exponentially and reached 268 EFlops in 2022, surpassing general computing power, and is expected to grow at a compound annual growth rate of 52.3% over the next five years. Digital and intelligent transformation is becoming inevitable as more and more companies and organizations make sustainable and resilient development their goal. As a result, the demand for computing power is growing rapidly and achieving intelligent, efficient and green computing is high on the priority list of organizations.

“  
**Make computing  
 power more  
 accessible and the  
 world better**  
 ”

As a global provider of computing infrastructure products, solutions and services, IEIT SYSTEMS has long been committed to building a digital and intelligent economy and society, leveraging computing power to shape a sustainable future. In 2022, we continued the smart computing strategy to offer intelligent, efficient and green computing products and solutions to meet diversified computing power needs in all scenarios.

Our M6 servers are widely used in financial services, medical security, transportation, Internet services and other scenarios for their higher performance and lower power consumption, acting as a computing power engine that drives users' digital and intelligent transformation. We promote the application of edge computing in utilities, energy and services for efficient production, operation and resource utilization. The edge micro-servers support up to 32 channels of 1080P video decoding with a power consumption of less than 30W. China's first metaverse server MetaEngine provides computing power for the creation and operation of metaverse digital space and enables the modeling, rendering and simulation of buildings, factories, cities and even the whole world, becoming a bridge between the real and digital worlds.

With an intelligent data center as a public computing power infrastructure, computing power can be easily provided to all industries, just like water and electricity. Since proposing the concept of "Intelligent Computing Center", IEIT SYSTEMS has been a pioneer in making computing power and algorithms more accessible by upgrading the infrastructure. We work with partners to introduce the Huaihai Computing Center, the Qingtian Metaverse Intelligent Computing Center and the Qiantang River liquid-cooled Intelligent Computing Center. In 2022, we launched the construction of the Qingtian Metaverse Intelligent Computing Center, the first of its kind in China, to build a metaverse digital asset platform that covers the entire journey from collaborative creation to high-precision simulation, real-time rendering and intelligent interaction.

As China pursues the goals of "carbon peaking and carbon neutrality", building green and low-carbon data centers has become a prevailing trend of the day. Liquid cooling technology provides overwhelming benefits in energy saving and carbon reduction, presenting itself as the solution of choice for modern data centers and intelligent data centers. In 2022, with "All in Liquid Cooling" incorporated into IEIT SYSTEMS' strategy, cool-plate liquid cooling was applied to all four of the company's product line-ups, including general-purpose servers, high-density servers, rack-scale servers, and AI servers. In the same year, the company also built Asia's largest liquid-cooled data center development and production facility, which can roll out

100,000 servers every year. As the first in the industry to deliver rack-scale servers powered by cold-plate liquid cooling technology in large quantities, IEIT SYSTEMS plays an important role in the green and low-carbon development of data centers. Holding more than 300 core patents in liquid cooling, IEIT SYSTEMS participated in the formulation and release of more than 10 technical standards for the design of cold-plate liquid cooling and liquid immersion cooling systems, and led the establishment of 4 standards for core technologies of cold-plate liquid cooling. All these achievements are of great significance to the rapid growth of the liquid cooling industry and the wide application of liquid cooling technology.

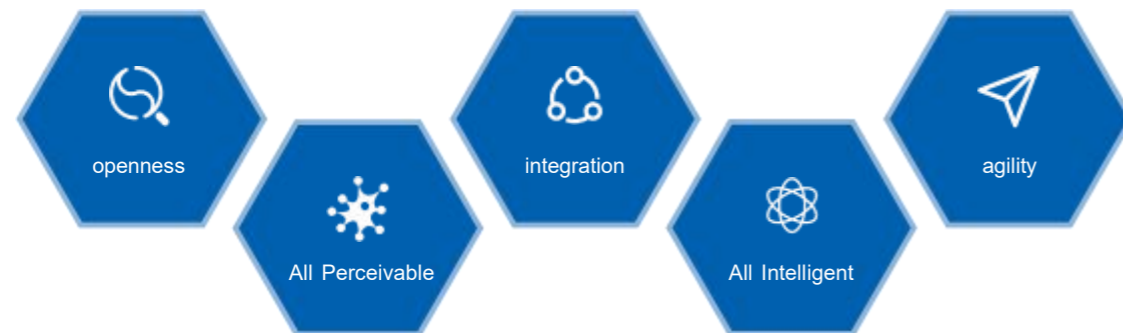
IEIT SYSTEMS is dedicated to enabling the sustainable economic and social development by harnessing the power of computing. By leveraging our strong computing power, the First Hospital of Jilin University uses AI technology to assist medical image recognition, enhancing the therapeutic window with three-minute image data analysis. We helped the Water Department of Hainan Province build an island-wide smart water grid, realizing data-driven decision-making in flood control and water resource allocation and providing better services based on more accurate information. We also helped Guangxi Medical Insurance Bureau create an efficient medical service platform that uses data and computing power to make life less bureaucratic and easier for people.

Digital technology is empowering the transformation across the world, changing the way we produce and live. Sticking to the belief that "computing power defines productivity and intelligent computing power drives innovation," we are dedicated to promoting the innovation and application of intelligent computing technologies and facilitating the fusion of the physical and digital worlds, thus enabling people to enjoy better lives, businesses to operate more efficiently, social governance to reach a higher level, and humans to live in ever-greater harmony with nature.

**Peng Zhen**  
 General Manager of IEIT SYSTEMS CO.,LTD.

## Technological innovations create a new landscape of digital and intelligent society

The world is entering a new era where digital intelligence is the dominant trend. The rapidly evolving new technological revolution has triggered a wave of "All Perceivable, All Intelligent". IEIT SYSTEMS has been an active force behind the digital and intelligent transformation by leveraging its technological expertise. In pursuit of "openness, integration and agility", the company strives to lead the world into a new realm of digital intelligence from which everyone can benefit.



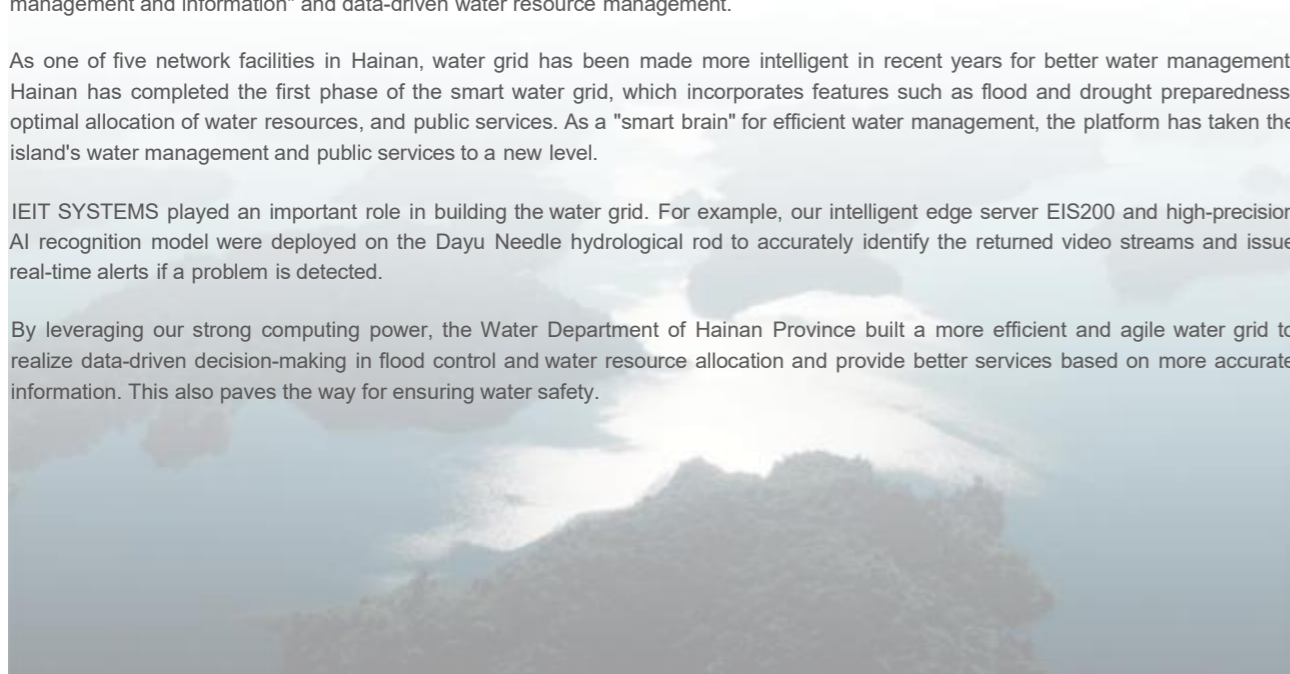
## Empowering the smart water grid

IEIT SYSTEMS helped the Water Department of Hainan Province build the Hainan Smart Water Grid by using cutting-edge technologies with an "End-Edge-Cloud-Digital-Intelligence" technical architecture. The water big data platform shares real-time water resource data across the island with provincial, municipal and county-level government authorities, achieving the integration of networks of "engineer, management and information" and data-driven water resource management.

As one of five network facilities in Hainan, water grid has been made more intelligent in recent years for better water management. Hainan has completed the first phase of the smart water grid, which incorporates features such as flood and drought preparedness, optimal allocation of water resources, and public services. As a "smart brain" for efficient water management, the platform has taken the island's water management and public services to a new level.

IEIT SYSTEMS played an important role in building the water grid. For example, our intelligent edge server EIS200 and high-precision AI recognition model were deployed on the Dayu Needle hydrological rod to accurately identify the returned video streams and issue real-time alerts if a problem is detected.

By leveraging our strong computing power, the Water Department of Hainan Province built a more efficient and agile water grid to realize data-driven decision-making in flood control and water resource allocation and provide better services based on more accurate information. This also paves the way for ensuring water safety.



## Protecting lives with computing power

China has the largest number of people affected by stroke, with more than 3 million new cases each year. Stroke patients account for 66.5% of neurological patients admitted to Chinese hospitals. There is a very narrow window of opportunity for stroke treatment, and for every minute of delay in treatment, 1.9 million brain cells are damaged. The diagnosis and treatment of strokes requires not only technique but also experience. However, physicians in the vast rural areas aren't well enough qualified in terms of both expertise and experience, which is the direct cause of the unsatisfactory treatment of stroke in China.

The AI medical imaging assistant system developed by IEIT SYSTEMS and our partners assists physicians in providing reference diagnostic reports within 3 minutes. The system's AI deep-learning model is trained to learn the diagnostic and treatment techniques of experienced clinical experts and supports automated analysis of multimodal images, including CTA (CT angiography), CTP (CT perfusion imaging) and MRI analysis. This helps clinicians at different levels of hospitals in decision making, regardless of the equipment used.

In addition to the AI computing platform, IEIT SYSTEMS provided AIStation for centralized and efficient management of computing resources, allowing dozens of engineers of our partners to access the computing platform at the same time. The GPU usage has been raised from 30% to 75%, which greatly saves the cost of computing power. The training speed of the main models has been increased by more than 10 times and the training time has been reduced from over 2 weeks to 2 days, which means greater efficiency.

IEIT SYSTEMS has been working to push forward the healthcare industry across the globe. Northwestern University Feinberg School of Medicine and Northwestern Medical Center jointly developed an NLP system by using IEIT SYSTEMS' AI server to identify radiology reports requiring follow-up and track diagnosis and suggestions in the reports. At the same time, alerts can be automatically sent to physicians and patients via the electronic health record system to reduce and prevent the occurrence of high-risk diseases.

With leading AI computing solutions and powerful computing platforms, IEIT SYSTEMS will work with medical institutions or enterprises to create AI tools that benefit both patients and medical workers.



## Building an efficient medical insurance platform in Guangxi

The medical insurance platform is a public service system that is essential to people's wellbeing. Over the past three years, the Medical Insurance Bureau of the Guangxi Zhuang Autonomous Region has been exploring new ways to optimize the medical insurance operations, administration, and service as well as fund supervision, considering the actual local situation. Under the unified planning of China's National Healthcare Security Administration, it built the Guangxi Medical Insurance Platform.

To ensure high standard, elasticity and availability of the platform, IEIT SYSTEMS built a computing platform powered by its general-purpose 2U server NF5280 to provide intensive and efficient computing power for the medical insurance platform. The computing platform meets diverse computing and storage requirements with benefits such as auto-scaling, high concurrency and high reliability and supports massive amounts of data, achieving application-level disaster recovery for 10 sub-systems and data-level disaster recovery for three sub-systems and ensuring business continuity and application/data availability in the event of disasters. At the same time, with dual data centers that run in parallel and back each other up for disaster recovery, the insurance platform supports highly concurrent access requests and real-time transaction requests from more than 52 million insured users, and has the ability to flexibly scale out to meet new requirements brought about by future health insurance reform.

The insurance platform has made available online services such as insurance registration and premium payment, medical benefit fund management, insurance payment, cross-provincial medical expense settlement and cross-provincial insurance affiliation transfer, so that citizens can do everything from home or in a single visit. As a result, people's sense of fulfillment, happiness, and security has greatly improved. The platform also ensures reasonable allocation of medical insurance funds through big data-based supervision, decision-making and analysis.



## Allowing universities to unlock research potential

Friedrich-Alexander-Universitt Erlangen-Nürnberg (FAU) is a leading research-oriented university in Europe that has since its establishment cultivated four Nobel Prize winners and many outstanding scientists, engineers and doctors. As scientific research entails large-scale parallel computing, FAU has been actively promoting the construction of a high-performance computing center and has planned the largest computing cluster "Alex" in its history to support scientific research projects.

The HPC solution jointly developed by IEIT SYSTEMS and MEGWARE was chosen in the Europe-wide bidding for its powerful GPU servers, system integration, and optimized performance. The cluster is among TOP500 and Green500, and is one of the most powerful and energy-efficient cluster systems in the world.

Powered by IEIT SYSTEMS' GPU servers, Alex has been fully put into operation with beyond-expectation performance in the research of machine learning and molecular dynamics, allowing FAU researchers to focus on frontier research efficiently.

## Helping the blind see the world with AI

IEIT SYSTEMS has been working to help visually impaired people lead better lives, become more independent in social activities and enjoy equal access to modern civilization. By introducing multiple algorithm innovations and pre-trained models as well as building basic datasets, we have given a great boost to the research on AI technologies that help the visually impaired.

Institutions led by Carnegie Mellon University built a visual database "VizWiz" for the blind and launched the VizWiz-VQA, the world's top multimodal visual quiz challenge, where pictures taken by the blind and questions uploaded by the blind were presented to the AI model for correct answers. IEIT SYSTEMS provided several model optimization methods to achieve exceptional algorithm accuracy on VizWiz-VQA, 9.5% higher than human performance. From 2020 to 2022, IEIT SYSTEMS won two championships and two runners-up globally in the field of AI-based visual assistance.

When developing the AI-based visual assistance model, IEIT SYSTEMS examined the multimodal mismatch caused by human language errors in reality, and proposed FREC, the first text denoising and inference task for visual grounding, and built FCTR, the first interpretable denoising model for visual grounding, improving the accuracy by 11 percent compared with the traditional model under the same conditions of noisy text. The research can also be widely used in multimodal human-computer interaction and reasoning scenarios such as customer service chatbots, big data retrieval, digital robots and parenting.

Technology for Good aims to enable the sustainable development of human society, where everyone can benefit from information accessibility.

 **9.5%**

achieve exceptional algorithm accuracy on VizWiz-VQA

 **11%**

the traditional model under the same conditions of noisy text





# 01 Sustainable Governance

**01** Corporate governance structure

**02** Governance structure for sustainable development

**03** Board member election and remuneration incentive mechanism

**04** Communication with stakeholders

**05** Analysis of material topics

## Corporate governance structure

IEIT SYSTEMS strictly complies with the requirements of applicable laws and regulations, including the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and normative documents, including the *Code of Corporate Governance for Listed Companies in China*, the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange* and the *Guidelines on the Bylaws of Listed Companies (2022 Revision)*. The company continuously improves its corporate governance structure, optimizes internal control, and regulates business operations, laying a solid foundation for its sustainable development with strong leadership and execution capability.

Based on the modern corporate governance system, the company has established an organizational structure consisting of the General Meeting of Shareholders, the Board of Directors, the Supervisory Board and executive management, which have ownership, decision-making power, supervisory power, and operational and management power respectively. The check and balance of power ensures that all fulfil their duties and keep each other in check and the corporate operation on track.

In 2022, the company held three general meetings of shareholders and approved the work report of the Board of Directors, the work report of the Supervisory Committee, the annual report and summary, the financial accounting plan, and the profit distribution plan for 2021. In addition, a total of 17 proposals were approved, with the subjects including related-party transactions, by-election of non-independent directors, increase in registered capital and amendment of the Articles of Association for 2021. We have strictly fulfilled our responsibilities and obligations for information disclosure as a public company to ensure that shareholders and investors are informed in a timely manner about the company's operations and development strategies.

As of December 31, 2022, the Board of Directors has seven members, three of whom are independent directors. Eight board meetings were held in 2022 to review regular reports, the distribution of profits, related-party transactions, the appointment of auditing body and the revision of the company's Articles of Association in order to ensure proper corporate governance. Under the board, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, and the Strategy and Sustainable Development Committee have been established, which provide advice and recommendations on major decisions of the board to ensure that they are made professionally, efficiently and wisely.

As of December 31, 2022, the Board of Supervisors consists of 3 members. Six meetings were held in 2022 to review the annual report and summary, quarterly reports, adjustment of the exercise price of stock option incentive plan and other proposals. The Board of Supervisors is responsible to the General Meeting of Shareholders and supervises the compliance with laws and regulations by the company's financial officers, directors, general managers and other executives in the performance of their duties to safeguard the rights and interests of the company and its shareholders.

A General Manager, several Deputy General Managers and other executives have been appointed for the company. They exercise the powers granted by the Board of Directors according to relevant policies and manage day-to-day operations of the company.

## Governance structure for sustainable development

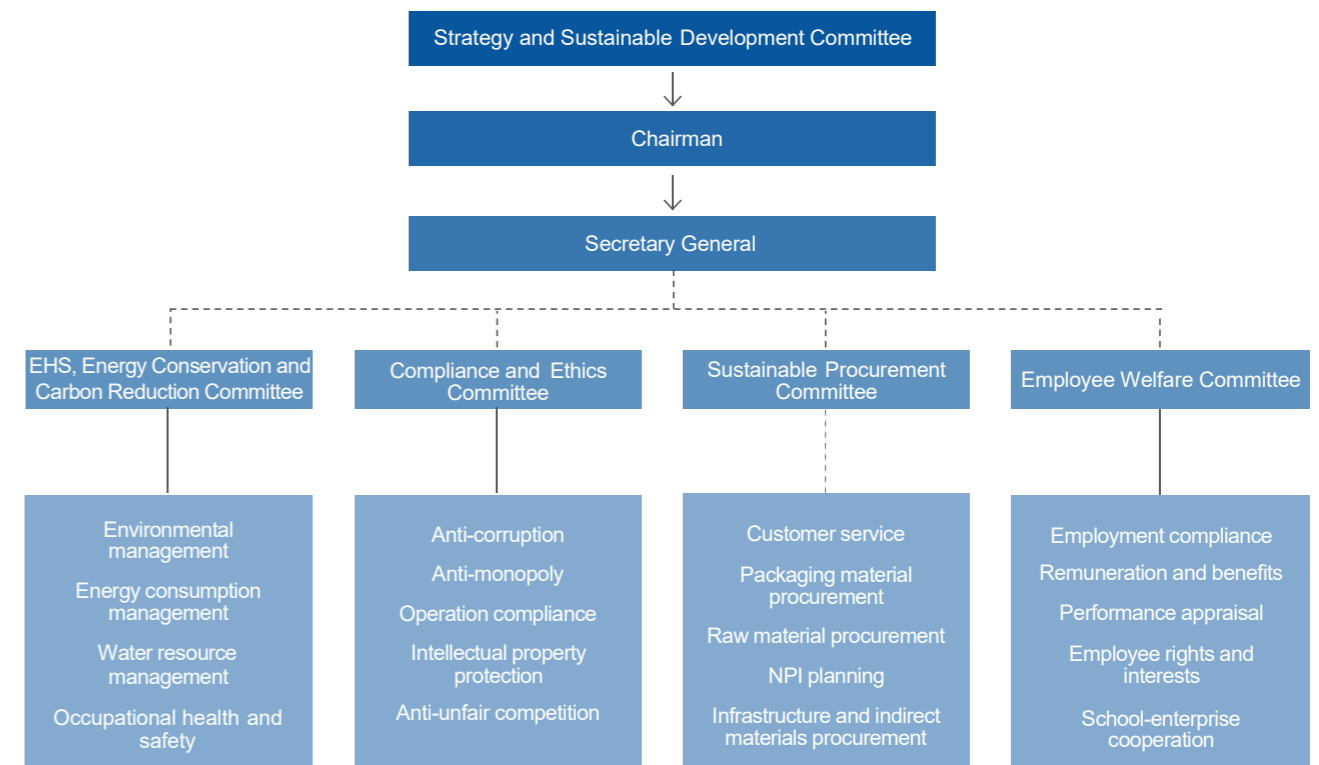
Committed to sustainable development, IEIT SYSTEMS has established a sustainability responsibility management framework in place to ensure an appropriate division of labor and clearly-defined authorities and responsibilities. The Strategy and Sustainable Development Committee under the Board of Directors is responsible for driving the implementation of Environmental, Social, and Governance (ESG) with a top-down mechanism, urging all levels within the framework to fulfill their responsibilities, ensuring that ESG issues are integrated into the duty fulfillment at all levels and improving corporate governance in all aspects.

The Board of Directors oversees decision-making on corporate sustainable development matters, holds the management responsibility, plans and develops the company's sustainable development strategies and adapts the strategies to changes; reviews, decides and approves on key sustainable development matters; ensures that the sustainable development management system and risk monitoring system operate effectively; reviews and approves the company's annual sustainability reports; plans the human, physical and financial resources required for sustainable development efforts.

The Strategy and Sustainable Development Committee is responsible for coordinating sustainable development efforts to ensure that the sustainable development management system functions properly and that related initiatives are implemented effectively. It also regularly revises the sustainability management manual and procedural documents, identifies material issues in sustainable development, maintains communications with stakeholders, designs risk management measures, and prepares and publishes the annual sustainability reports.

Subordinate to the Strategy and Sustainable Development Committee are four committees that deal with special issues and perform specific tasks, including the EHS, Energy Conservation and Carbon Reduction Committee, the Compliance and Ethics Committee, the Sustainable Procurement Committee, and the Employee Welfare Committee. Each committee performs its own duties and is responsible for the management, implementation and advancement of the specific issue-related tasks. The head of each committee reports regularly to the Chairman of the Strategy and Sustainable Development Committee on the progress, goal attainment and risk control of specific issue-related tasks.

Each department is responsible for implementing the company's sustainable development tasks under the guidance and coordination of its manager to ensure that the company's sustainable development initiatives are undertaken smoothly.



## Board member election and remuneration incentive mechanism

In terms of board member election, the Nomination Committee of the Board of Directors is established to review the candidates, and selection criteria and procedures for directors and senior management of the company and to advise the board on the size and composition of the board based on the company's business activities, asset size and shareholding structure; to discuss the selection criteria and procedures for directors and senior management and give advice to the board; to select qualified candidates for directors and senior management; to review and make proposals for the selection of directors and senior management; to advise the current board on candidates for the next board.

Based on the recommendation of the Nomination Committee, the Board of Directors prepares the proposal on director election, which is reviewed and voted on the General Meeting of Shareholders. Candidates for directors provide a written undertaking prior to the General Meeting of Shareholders to accept the nomination and undertake that the publicly disclosed information about the candidates is true and complete and ensure that they will effectively fulfill their duties as directors if elected. The General Meeting of Shareholders adopts cumulative voting for the election of more than two members of the Board of Directors or Board of Supervisors.

The Remuneration and Appraisal Committee decides on the annual remuneration of the members of the Board of Directors and Board of Supervisors, as well as executives based on the established employment and human resource policies, the company's business performance, industry and regional income levels, positions of the personnel, their contribution to the company, their performance of duties, and the performance appraisal results. Sustainability-related metrics have been incorporated into the performance appraisals for directors, supervisors and executives.

## Communication with stakeholders

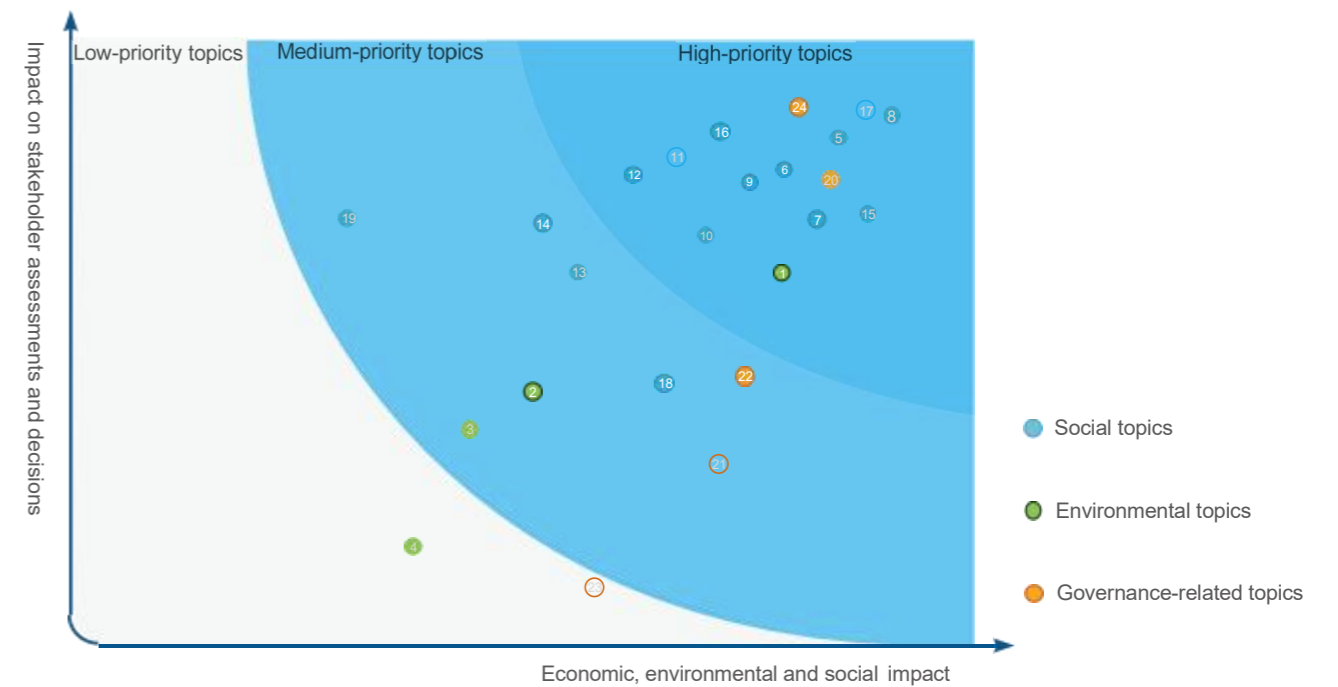
We value communication with our stakeholders and conduct regular and irregular communication with stakeholders with an active and open attitude, unobstructed and diverse channels and an efficient and comprehensive communication mechanism. By fully understanding and responding to stakeholder requirements and expectations in a timely manner, we build mutual trust and share success with stakeholders.

Stakeholder Role	Topics	Communication Channels
 Shareholders and investors	<ul style="list-style-type: none"> <li>Economic performance</li> <li>Governance structure</li> <li>Business ethics</li> <li>Risk management</li> <li>Compliance management</li> </ul>	General Meeting of Shareholders <ul style="list-style-type: none"> <li>Disclosure in regular reports</li> <li>Performance briefing</li> <li>Shenzhen Stock Exchange Easy Interaction (SSEEI) platform</li> <li>Daily communication (phone calls, emails and meetings)</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>Labor management</li> <li>Occupational health and safety</li> <li>Employee rights and benefits</li> <li>Employee training and development</li> <li>Equality, diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>Employee performance appraisal</li> <li>Meetings with employee representatives</li> <li>Employee satisfaction surveys</li> <li>Contracts, training and employee handbook</li> <li>Trade union</li> </ul>
 Customers	<ul style="list-style-type: none"> <li>Product quality and safety</li> <li>Product lifecycle management</li> <li>Information management and privacy protection</li> <li>Customer service</li> <li>Intellectual property protection</li> <li>Technological innovation</li> </ul>	<ul style="list-style-type: none"> <li>Worldwide service platforms</li> <li>Customer visits</li> <li>Quarterly operation meetings</li> <li>Customer satisfaction surveys</li> </ul>
 Suppliers, contractors and other partners	<ul style="list-style-type: none"> <li>Supply chain management</li> <li>Sustainable procurement</li> <li>Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>Periodic assessment</li> <li>Supplier meetings</li> <li>Daily communication (phone calls, emails and meetings)</li> </ul>
 Regulators, exchanges and rating agencies	<ul style="list-style-type: none"> <li>Tax transparency</li> <li>Technological innovation</li> <li>Water resource management</li> <li>Energy management</li> <li>Waste management</li> <li>Response to climate change</li> </ul>	<ul style="list-style-type: none"> <li>Information disclosure</li> <li>Compliance training</li> <li>Regular monitoring and compliant disposal</li> <li>Questionnaires</li> <li>Other activities</li> </ul>
 NGOs	<ul style="list-style-type: none"> <li>Charity and public welfare</li> <li>Better society fueled by technology</li> </ul>	<ul style="list-style-type: none"> <li>Information disclosure</li> <li>Daily communication (phone calls, emails and meetings)</li> </ul>
 Industry associations and companies in the same industry	<ul style="list-style-type: none"> <li>Technological development</li> <li>Intellectual property protection</li> <li>Product quality and safety</li> </ul>	<ul style="list-style-type: none"> <li>Exhibitions</li> <li>International standards</li> <li>Academic activities</li> <li>Industry association meetings</li> </ul>
 Communities, the public and media	<ul style="list-style-type: none"> <li>Economic performance</li> <li>Compliance management</li> <li>Charity and public welfare</li> <li>Better society fueled by technology</li> </ul>	<ul style="list-style-type: none"> <li>Irregular press conferences</li> <li>Community projects</li> <li>Charity and public welfare activities</li> <li>Daily communication (phone calls, emails and meetings)</li> </ul>

## Analysis of material topics

IEIT SYSTEMS has built a library of sustainability material topics through comprehensively considering policy and regulatory requirements, industry trends, the company's operating conditions and stakeholder concerns, referring on international standards such as the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and the Sustainability Accounting Standards Board (SASB) standards), benchmarking against ESG rating concerns such as MSCI ESG and EcoVadis metrics, as well as communicating with experts and consultants.

We analyzed the impact of the topics on stakeholders' decisions and assessments, as well as the company's impact on the environment, society and economy, and then created a matrix of material topics that are divided into high, medium and low priorities. This report covers all the topics, with the emphasis on the disclosure of high-priority topics.



High-priority topics		Medium-priority topics	
1. Response to climate change	12. Equality, diversity and inclusion	2. Energy management	14. Employee rights and benefits
5. Supply chain management	15. Technological innovation	3. Waste management	21. Compliance management
6. Sustainable procurement	16. Better society fueled by technology	13. Employee training and development	18. Intellectual property protection
7. Customer service	17. Information management and privacy protection	19. Charity and public welfare	22. Risk management
8. Product quality and safety	20. Business ethics		
9. Product lifecycle management	24. Economic performance		
10. Labor management			
11. Occupational health and safety			
Low-priority topics			
		4. Water resource management	
		23. Governance structure	

**01** Risk management and internal control

**02** Business ethics

**03** Information management and privacy protection

**04** Intellectual property management and protection

**05** Customer service

## Risk management and internal control

Effective and comprehensive risk management and internal control are essential to an enterprise's sustainable development. IEIT SYSTEMS has established a risk management system based on the *Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s Enterprise Risk Management Framework: Integrating with Strategy and Performance* for overall risk control to ensure that business activities are on track.

In 2022, IEIT SYSTEMS worked to implement the *Overall Risk Management Measures*, and conducted monthly risk identification and reporting at all levels from top to bottom, with results reported to senior management on a bottom-up basis for approval. Meanwhile, quarterly and annual risk reports were prepared. The Legal Department alerts management and the relevant departments to identified operational, litigation and legal risks and prompts them to develop a corrective plan to address the risks at source.

To prevent business interruptions caused by disasters and inadequate management, IEIT SYSTEMS developed risk management policies and systems, taking into account emergency preparedness and response control programs. This enables all departments to identify business interruption risks, develop emergency response procedures for major risks, establish drill plans and programs and conduct regular drills. In May 2022, our manufacturing facility in Jinan achieved certification for ISO 22301(Business Continuity Management Certification), which marks a new step of the company in business continuity and risk management.

Audit is the last line of defense in risk management. With audit placed high on its priority list, IEIT SYSTEMS develops an internal audit plan every year and conducts an audit of all operational activities every three years. In 2022, the company carried out 10 audit projects in line with the annual audit plan, covering key areas such as R&D, supply chain, marketing, finance and subsidiary management. These audit projects enabled us to identify potential management, financial, malpractice and ethical risks.

We also invite external experts to provide internal control training, such as anti-malpractice training, for management and employees. We also collect anti-malpractice materials and interpret external cases of malpractice to our employees every month to keep them vigilant against malpractice and build a stronger anti-malpractice culture.

Through internal audit and internal control training, we are able to fully identify and effectively forestall potential risks. In terms of identified risks, we conduct internal control and improvement in time to effectively prevent the occurrence of various risk incidents.

## Business ethics

We respect business ethics and operational compliance and conform to international conventions and local laws. We oppose all forms of corruption, bribery and unfair competition.

### Anti-corruption and anti-bribery

IEIT SYSTEMS sticks to a "zero tolerance" principle toward corruption and bribery. We design regulations such as Anti-malpractice Policy and Code of Business Conducts for IEIT SYSTEMS Partners, and require all of our employees and partners to respect good business ethics. To foster a strong ethical culture, we provide employees with integrity training regularly, including: integrity training as part of employee orientation; training on the prevention and control of corruption and bribery risks for employees responsible for external coordination at every department; and business ethics training for middle management and above, as well as key functions such as finance and human resources. Educational videos on anti-corruption and anti-bribery are also produced and published via emails and the online sharing platform iLearning for all employees.

IEIT SYSTEMS has established the Ethics Compliance Committee as the highest governance body for business ethics, with the General Manager of the company as the head of the committee. The committee is responsible for building the company's ethical culture and ensuring the company's ethical compliance. Under the committee, the Ethics Compliance Office is established, which implements the company's business ethics policies, handles violations reported through various channels, and submits written reports to the Ethics Compliance Committee based on the investigation results.

In 2022, the company conducted a corruption risk assessment of 39 operations and selected five key operations for audit. No corruption was found.

In 2022, the company

**39**

conducted a corruption risk assessment

**5**

operations and selected five key operations for audit

**No corruption**

was found



## Reporting and investigation

To further identify and eliminate potential violations and to clearly communicate to employees and partners our zero-tolerance for corruption and bribery, we encourage all employees, business partners and stakeholders to, through multiple reporting channels such as email, telephone and QR code, report any unethical behavior and practices that have occurred or are likely to occur among our employees, including corruption and malpractices.

In terms of complaints and reports, IEIT SYSTEMS receives and handles reports, oversees the investigation of reports, provides feedback and conducts strict protection measures for whistleblowers in a centralized manner. We encourage real-name reporting and treat the personal details of whistleblowers and any information they provide in the strictest confidence. If a whistleblower is publicized or rewarded, their details such as name and department cannot be disclosed without their express consent. Discrimination and retaliation against whistleblowers and hostile actions against those involved in the investigation are prohibited. According to the company's relevant policies, we take serious action against anyone who improperly discloses a whistleblower's information or retaliates against the whistleblower. Any case of violation of the law will be referred to the judicial authorities. During 2022, no corruption-related proceedings were brought against any of our employees.

The following channels are available for reporting unethical behavior like malpractices:



QR Code

Tel.: 0531-85104098

Email: jubao@ieisystem.com

## Anti-monopoly and anti-unfair competition

IEIT SYSTEMS developed the *Fair Competition Management Measures* and updated the rules like the *Market Order Management Measures* to promote and protect fair competition and to prevent and deter unfair competition and monopoly. We have put in place the anti-monopoly compliance mechanism, requiring all the departments and employees to abide by the *Anti-Monopoly Law of the People's Republic of China* in all business activities. When conducting business abroad, all employees are required to understand and comply with the anti-monopoly regulations of the country or region in which they engage in business activities, and to consult with the Legal Department or antitrust experts as necessary. In the business implementation, we promote fair competition, prevent unfair competition, regulate the sales behavior of sales personnel, strengthen the management of market order, facilitate healthy and orderly market activities, and protect the legitimate rights and interests of partners and consumers.

In 2022, we held 12 sessions titled "Legal Lecture" and invited external lawyers every month to train our employees on topics such as monopoly identification and risk prevention, brand promotion laws and regulations, and legal risks related to anti-unfair competition and risk prevention.

IEIT SYSTEMS also established the Clean Network Action Committee, which is composed of the Sales Management Department, the Partner & Channel Business Department and the Legal Department and headed by the General Manager. The committee carries out special audits and routine audits, and deals with and investigates reported violations.

During the reporting period, the company carried out centralized audits of operators in multiple projects and found no investigations or penalties related to anti-monopoly or unfair competition.

## Information management and privacy protection

### Information management

IEIT SYSTEMS attaches great importance to the management of business and internal information. With the aim of ensuring R&D security, actively protecting confidential information and optimizing information management, we established the Information Security Committee as the highest decision-making and management body to drive the implementation of information management. We implement the *Information Security Management Manual*, the *Information Security Strategy*, and the *Information Security Management Regulations* to effectively manage information risks and ensure that all employees understand and comply with the system and enhance our information management capabilities.

All products categories of IEIT SYSTEMS are ISO/IEC 27001 and ISO 38505 certified. In addition, we develop information control strategies in accordance with ISO/IEC 27002, applies the PDCA (Plan, Do, Check and Act) model to all processes involving information management, and integrate information management into every process including supply chain, R&D, marketing and sales, and delivery. We also conduct anti-penetration tests from time to time to improve the ability of our systems to defend against data leakage, and ensure the normal operation of the information security management system and optimize it continuously through regular internal audits and third-party security certifications and audits.

In 2022, in order to protect information related to R&D materials, we introduced encryption software and achieved automatic encryption of R&D information like 3D structural design drawings on the intranet. Employees must request decryption before sending any R&D information. The decrypted information is isolated on the intranet, and any delivery of the information to external networks is subject to approval. The strict dual-control measures guarantee the confidentiality of R&D information.

In terms of internet protection management, we monitor network protection in real time, including regularly checking and analyzing firewall traffic to identify, report and resolve unusual traffic; enabling logging for core switches and routers to analyze logs regularly, communicating and resolving exception alerts by working with with relevant maintenance staffs; monitoring operation and exception alerts of production network.

We provide information management training for employees on a quarterly basis. In 2022, the company organized six training sessions and three anti-phishing drills with simulated attacks to improve employee' security awareness on anti-phishing.

In 2022, the company organized

6

training sessions

simulated attacks to improve employee' security awareness on anti-phishing

3

anti-phishing drills



## Privacy protection

We place high value on the protection of privacy and established a Data and Privacy Protection Committee and appointed a Data Protection Officer (DPO) to coordinate and manage the protection of personal information, thereby supporting the company's strategic development, establishing and improving the data and privacy protection management system and facilitating data and privacy protection.

We strictly abide by laws, regulations and regulatory requirements concerning information protection across the world, for example, *The General Data Protection Regulation (GDPR)* and the *Personal Information Protection Law of the People's Republic of China*, and developed such documents as *Personal Information Management Guidelines* and *Personal Information Protection Policy and Strategies*.

We respect and protect the privacy and information security of each employee and partner. We collect and process the personal information of our customers, users and employees in a fair and lawful manner by sticking to the principles of privacy compliance, data minimization, openness and transparency. We keep the user information we collect and use strictly confidential, and strictly prohibit the information from being leaked, tampered with, sold, or improperly disclosed to others.

We established a personal information management system based on ISO/IEC 27701, ISO/IEC 29151, ISO/IEC 27001, and international best practices, and have all product categories certified to ISO/IEC 27701. In implementing the General Data Protection Regulation (GDPR), we conduct "Personal Information Security Risk Assessment" for all business activities involving personal information and data, and employ security technologies and take control measures to ensure the security of personal data.

During the reporting period, we did not receive any complaints or reports of breaches of customer privacy, or of leakage, theft or loss of customer information.

## Intellectual property management and protection

### Inspiring innovation by protecting intellectual property

IEIT SYSTEMS has long been committed to investing in R&D and promoting technological innovations to expand our list of proprietary intellectual property. By the end of 2022, IEIT SYSTEMS holds over 80 patents overseas and over 10,000 patents in China. We understand that respecting and protecting intellectual property rights is of great significance to innovations and place intellectual property management high on our agenda.

In 2022, we released a series of intellectual property management measures about high-quality development of intellectual property, to ensure the high-quality development of patents and protect our proprietary intellectual property.

A dedicated intellectual property management team and diverse investment mechanisms and platforms are established to pave the way for intellectual property protection. The company has also been certified for the Intellectual Property Management System in China.

We promote an intellectual property innovation culture that encourages employees to innovate. We launch special programs on establishing the culture of innovation in intellectual property every year and multi-dimensionally recognize teams and individuals for their contribution to intellectual property, thus ensuring high-quality development and inspiring innovation.

Training sessions on intellectual property empowerment are also organized regularly. In 2022, we held several training sessions on intellectual property to raise employee awareness of intellectual property protection and to strengthen understanding and learning of professional knowledge.



#### [Case 1] Trademark training

We implemented a comprehensive trademark training program to equip employees with knowledge ranging from the basics of trademarks to the proper usage of trademarks.



#### [Case 2] Patent training

We provided patent protection training to increase intellectual property awareness and expertise of R&D personnel for high-quality patent development.



## Respect the intellectual property rights of others

IEIT SYSTEMS focuses on the protection of own intellectual property and respect the intellectual property rights of others. We prohibit employees from improperly obtaining or infringing the intellectual property rights of others.

In 2022, we conducted a patent risk analysis, achieved the overall use of genuine software, and respected and legitimately used the copyrights of software vendors and the public. We established the external response team for dealing with right protection requests from external software vendors. According to the actual situation of the company, we designed guidelines on the use of external software and provided promotion and training for employees. We also organized all employees to sign the *Guidelines on the Use of Office Computers and Company Networks* and the *Guidelines on the Use of R&D Computers and Networks*, to regulate the use of external software, to prevent legal risks of software infringement and to protect the intellectual property rights of software owners. We also conduct quarterly security checks to ensure compliant software usage, and take a series of measures to improve employees' IP literacy and strengthen our IP innovation culture.

## I Customer service

IEIT SYSTEMS keeps customer-centric by delivering high-quality products and services for customers and responding quickly to our customers' needs. We emphasize the communication with clients and work to provide customers with professional services through efficient customer communications and an ever-improving global customer service system.

We provide a range of after-sales services, including consulting, installation, maintenance, debugging and upgrading of purchased products, to customers in 70 countries and regions worldwide.

An intelligent service platform has been built upon our global call centers, allowing us to provide customers with after-sales service for full range of products and help customers solve technical and hardware issues during their use of our products. With the 400 hotline, WeChat Official Account, APIs, email, chatbots and O&M platform always available, customers can enjoy 24/7 service from hundreds of diagnostic experts. Based in China, our global call centers serve customers around the world. In 2022, we added two more global call centers, bringing the total number to six. These centers, together with more than 50 directly affiliated service agencies, provide customer services in multiple languages, including Chinese, English, German, Korean, and Japanese.



Overseas Call Center in Dalian

### [Case Study] IEIT SYSTEMS intelligent customer service chatbot

With our large language model Yuan that boasts excellent performance in language understanding, data analysis, and independent learning, we developed the intelligent customer service bot "Yuan Knows". As a customer service expert designed specifically for data center products, Yuan Knows has been intensively trained with more than 20,000 product documents and manuals, hundreds of thousands of logs and tickets, and millions of chats between customers and customer service personnel. Capable of multiple rounds of human-like conversations with customers, it works with the intelligent service platform to perform intelligent maintenance and diagnosis of authorized equipment, and to intelligently manage and allocate resources such as experts and spare parts.

Yuan Knows supports after-sale service of all-generation data center products across eight product lines of IEIT SYSTEMS, including servers, storage and edge computing. It can answer 92% of end-user questions and resolve more than 100 professional issues related to technology, products, defects, and service, and handles nearly 1,000 customer service cases daily.

Unlike traditional customer service bots that deal with simple queries and conversations, Yuan Knows has a strong understanding of expert knowledge and natural language. It can provide intelligent guidance and accurate center questions location for complex data center technical enquiries, delivering professional answers that are highly reliable, understandable and specific. Yuan Knows can solve up to 80% of common data center issues, like system installation, Raid configuration, and part faults, greatly reducing the service hours for complex technical issues and improving our overall service efficiency.

Instead of being trained manually based on FAQs, our intelligent customer service bot can independently learn original product and technical documents, increasing our service team's man-hour productivity by 30%. At the same time, Yuan Knows can intelligently analyze previous chats and effects to allow the autonomous evolution of capabilities.

Rather than using a traditional underlying architecture driven by multiple knowledge bases and models, Yuan Knows is built on our intelligent customer service brain, changing the capability and way intelligent customer service bots serves customers. In 2022, IEIT SYSTEMS was included in the Dingke Award Digital Transformation Pioneer List and won the Breakthrough Technology of the Year for the intelligent customer service bot.



IEIT SYSTEMS delivers digital and intelligent services by upgrading service model and leverages the Internet of Things to achieve intelligent transition of all scenarios. Our first-tier spare-part warehouses and hundreds of second-tier spare-part warehouses around the world allow us to quickly respond to concurrent requests from customers in different countries and regions.

The feedback and suggestions from customers help us improve the quality of products and services. IEIT SYSTEMS actively reviews and responds to all customer feedback, including complaints related to products or services. In 2022, we received 74 complaints, all of which were valued and resolved quickly. The complaint resolution rate is 100%.





# 03 Sustainable Products

01 Green products

02 Product quality

03 Product lifecycle management

## Green products

### Green data center center

Driven by the "carbon peaking and carbon neutrality" and "controlling the amount and intensity of carbon emissions" initiatives, it is imperative for data centers to reduce its own energy consumption while improving the supply efficiency of computing power through large-scale operation to promote energy saving and emission reduction of the whole society.

We promote the upgrade of computing power through technological innovation and apply liquid cooling and other cutting-edge technologies to create new green and efficient forms of computing for the future.

All of our products, including general-purpose servers, high-density servers, rack-scale servers, and AI servers, are powered by liquid cooling technology. We also reduced the Power Usage Effectiveness (PUE) of liquid-cooled data centers to below 1.1, contributing to the green and low-carbon development of data centers. We have built Asia's largest liquid-cooled data center production and R&D base "Tianchi", which marks a further step toward carbon neutrality.

We have the ability to implement turnkey projects of green energy-saving data center for users in all aspects from outdoor primary liquid cooling loop, to indoor CDU, liquid trap, secondary liquid cooling loop, and liquid-cooled servers. We can also adapt data centers to local geographical conditions with natural cooling sources and direct supply of green electricity, maximizing energy saving and carbon reduction. For example, IEIT SYSTEMS and JD Cloud data center jointly launched the rack-scale server ORS3000S in 2022. The product was deployed across the data center on a large scale, ensuring the supply of basic computing power for the traffic surge and red envelope-grabbing interactions during the 618 and Double 11 shopping festivals and the CCTV Spring Gala. It resulted in a 34% - 56% performance improvement and helped JD Cloud data center to reduce PUE and achieve low-carbon energy saving.

We play an active role in the development of green standards and evaluation systems for better and faster adoption of green technologies in data center. IEIT SYSTEMS participated in the formulation and release of more than 10 technical standards related to the design of cold-plate liquid cooling and submerged liquid cooling systems. We also took the lead in developing the first batch of core component standards in China for cold-plate liquid cooling data centers. The project has been verified and approved by the Open Compute Technology Committee (OCTC). The standards cover components including cold plates, connection systems, CDUs, and monitoring systems, closing the gap in standards on cold-plate liquid-cooled data centers. The development of technical specifications for four key components of cold plate liquid cooling data centers will enable component manufacturers to quickly get up to speed in the design, processing and production of key components involved in liquid cooling technology, and promote healthy competition and development of the industry; provide server and storage manufacturers with the technical references for the selection of liquid cooling components to optimize the overall cost; enable end users to make quick and accurate decisions on the selection of systems and equipment to be used in liquid cooled data centers without the hassle of comparing different solutions; promote rapid development of liquid cooling industry and the large-scale popularization of liquid cooling technology. and advance the development of the industry.



### Green packaging

Our servers and components are sold in large quantities to all over the world, which is also accompanied by a large number of product packaging materials. We keep innovating our product packaging to improve material performance, save cost, and reduce negative environmental impact.

We pioneered buffered airbag packaging for high-performance server shipments. This packaging offers benefits of low cost, small size and low material usage.

Since the mass production of airbag packaging for our first M4 1U server in 2018, airbag packaging has been extended to all our mainstream 1U, 2U and 4U servers and components packaging. As a result, 330 tons of EPE was reduced in 2022. Over the past four years, we have reduced the cost of buffer packaging material by 20% and reduced the use of EPE foam by 960 tons, which is equivalent to 13,536 tons of CO2 emission reduction. This is equivalent to planting 737,692 trees, if we assume that a single tree takes up 18.3kg of CO2 per year, which demonstrates the company's contribution to the carbon peak and carbon neutrality goals.



### Green testing

We have adopted simulation testing to replace traditional physical testing. In 2022, we optimized the mechanical simulation model for server structure design and compared it with physical testing results to ensure the accuracy and feasibility of mechanical simulation. This facilitates the application of simulation testing and avoids the disadvantages of physical testing. Take the seismic testing of a single server rack, for instance. Since the introduction of simulation testing, the development cycle has been shortened by 70% and energy consumption reduced by 60%, with no electronic waste generated, which truly achieves the whole process of green R&D, green design and green test digitization.

Testing Method	Estimated Duration	Energy Consumption	Scrapped Materials
Physical testing	Prototyping 15 days+transportation 2 days+testing 1 day=18 days	120 KWh	1 server rack
Simulation testing	Modeling 3 days+computing 1 day=4 days	48 KWh	None

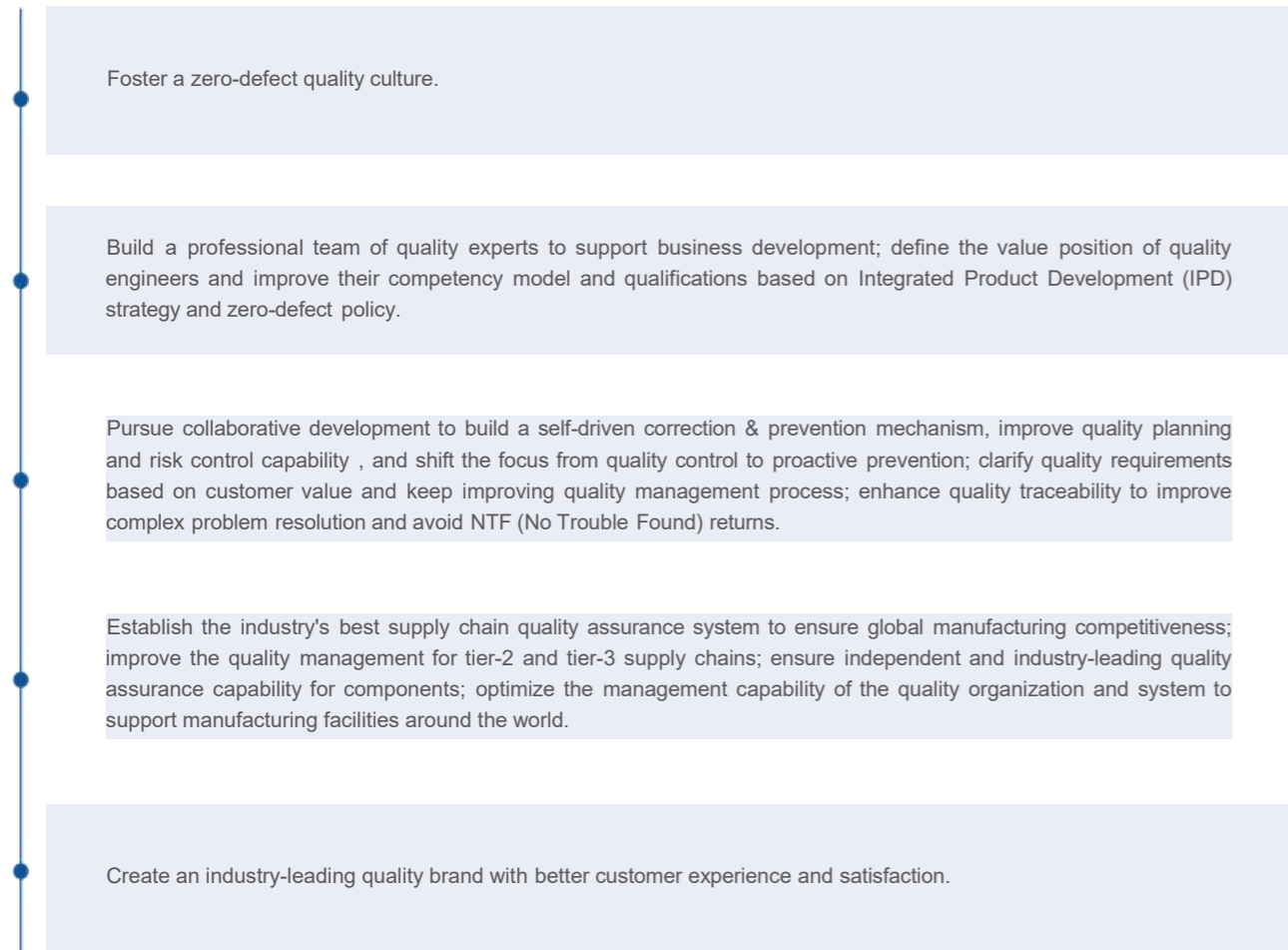
We are also working on digital prototypes and building a huge 3D model library. This will allow us to simulate scenarios such as prototyping and production with virtual digital technologies, eliminating the costs associated with physical processing and testing, and making the process more flexible and efficient.

# I Product quality

## Product quality assurance

Product quality is the key to our competitive advantage and is at the top of our agenda. We continue to raise awareness that "quality is the lifeblood of our business", promote a culture of "continuous improvement and zero defects", and integrate quality commitment and development into our overall strategy. Under the leadership of the Chief Quality Officer, all departments fully implement the company's quality development strategies by strictly adhering to established workflows and standards and by improving services and sense of responsibility to realize the vision of "Building an industry-leading quality operation system with the best customer loyalty".

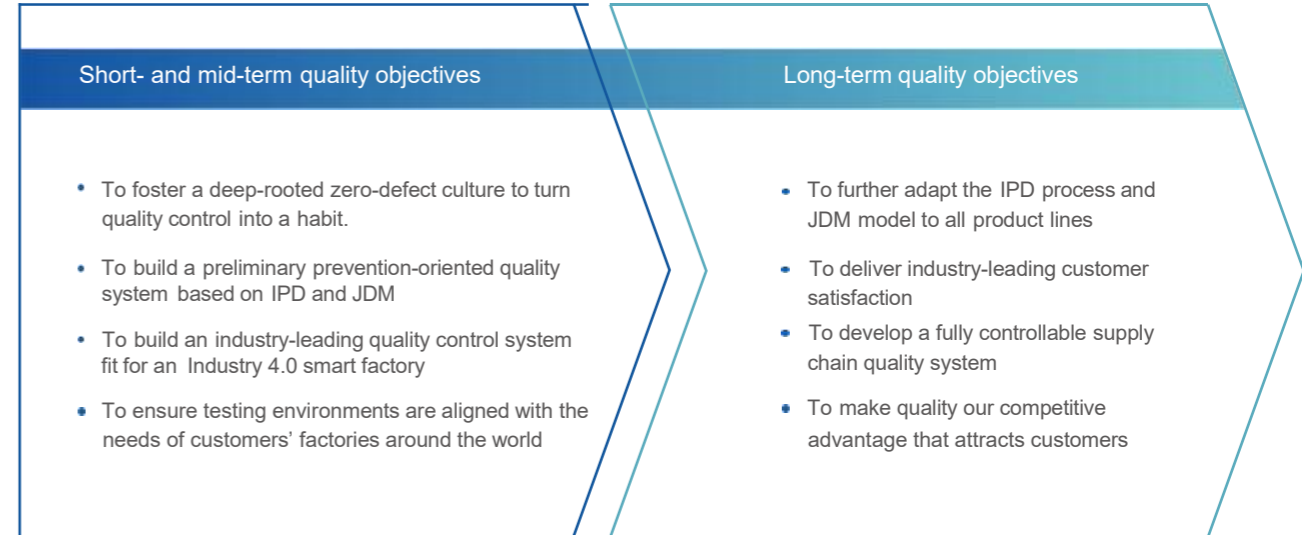
Five quality strategies:



We identify short-, medium- and long-term quality development objectives based on quality development strategies, and break down key tasks, establish performance indicators, designate departments and people responsible for the relevant tasks, and carry out regular assessment to ensure that the quality objectives are achieved.

### Four strategic objectives

- To foster a zero-defect quality culture
- To develop a prevention-oriented quality system based on IPD and JDM
- To ensure optimal quality assurance for the supply chain
- To create an industry-leading quality brand



We continuously improve the quality management system, with quality standards developed for all product lines based on applicable laws and regulations and market requirements. The quality standards cover all operational processes, including marketing, development, supply chain, manufacturing, customer experience, testing and service, with a comprehensive and effective accountability and evaluation mechanism. Meanwhile, a multi-level matrix of quality prevention mechanisms has been established to improve the quality system in prevention, rectification and interception, and to promote our quality improvement in an all-round and systematic manner.

We strictly control product quality by performing reliability testing to detect potential problems as early as possible and improving the design accordingly to minimize the failure rate. Certified by China National Accreditation Service for Conformity Assessment (CNAS) and recognized by International Laboratory Accreditation Cooperation (ILAC), our test center boasts guaranteed test capacity and provides fair and effective test data and reports that meet the requirements of ISO/IEC 17025.

We strive to improve product quality by complying with local laws and regulations as well as product labeling and marketing requirements, and develop and promote products based on higher standards. There were no violations of product labeling regulations during the reporting period. We strengthen control of environmental risks, including safety risks, chemical hazards and energy consumption associated with product use, and have all our products certified to ISO 9001 standards. We also actively work on the certification of environmentally friendly and energy-saving products, with 125 products certified by Energy Conservation Certification, 39 by China Environmental Labeling, 13 by China Energy Label, 23 by E-Star, and 70 by E-standby. We will continue to deliver on our commitment to provide more responsible, higher-value products.



## Product security assurance

With customer concerns in mind, we have established and implemented an end-to-end product security assurance system to promote product security, and deliver secure and reliable products and services to our customers to the best of our ability.

The input side of the end-to-end product security system is the security needs of various customers and other stakeholders, and the output side is to meet their security needs through the delivery of safe and reliable products, solutions and services. The product safety assurance system covers security policy and process, engineering process safety, safety technology, organization and personnel safety and other multi-dimensional areas, so as to build a product life-cycle safety assurance system.

### Product security strategy and management code

Security is one of the basic attributes of our products. To ensure product security, we formulated an overall product security strategy that sets out the basic requirements for product security, which we call "security baselines". We also developed and published supporting security management specifications, processes, standards and guidance manuals to enable all business units to carry out product security engineering activities in accordance with the unified standards and to output corresponding results and records as evidence for third party audits.

### Development security

IEIT SYSTEMS IPD product development process is a common process followed in the product development field. While pursuing efficient development, we pay more attention to product security. We incorporate security practices throughout the product lifecycle, from product planning through requirements analysis, design, development, verification, release and maintenance to ensure a reliable product engineering process.

### Independent security measurement

In addition to security testing during product development, we have established an independent security evaluation team to conduct independent security evaluation, from a third-party perspective, thus building a second security barrier for product security verification. We also work with third-party product testing/certification organizations and personnel to provide objective and fair evaluation of our products.



Supply security

As a global leading provider of IT infrastructure technologies, products, solutions, and services, IEIT SYSTEMS has suppliers all over the world. Due to its complexity, supply chain security requires partners throughout the industrial chain to work together to address cyber protection risks. Based on international standards, industry best practices as well as our current situation, we implement a range of cyber protection control measures in aspects including supplier selection, material procurement, production, warehousing and logistics to ensure the integrity, availability and authenticity of products and reduce the risk of tampering and counterfeiting.

Delivery security

Inadequate security during deployment or maintenance at customer sites can compromise the security of the end product, even if the security of the product design and development is assured. Therefore, ensuring the delivery security is also an essential part of the security assurance system throughout the product lifecycle. We keep improving our technologies and management to maximize the delivery security of our products and services. Our technical measures include verifying the integrity and authenticity of firmware or software, updating patches, and troubleshooting etc.; and management measures include establishing delivery processes and specifications, providing guidance on secure configuration, and improving staff security skills and behavior specification etc.

Security incident response

Due to a variety of objective factors and evolving threats, it is impossible to completely eliminate the vulnerability inherent in products. When potential risks become security incidents, we need to respond quickly and effectively and work with customers and stakeholders to recover the failed system rapidly and securely and to minimize the negative impact of security incidents. Adhering to the principles of openness and transparency, and following international standards in security incident/vulnerability resolution, we have established a comprehensive security incident response mechanism to ensure the timely disclosure of product vulnerability information and the provision of effective solutions to product vulnerabilities.

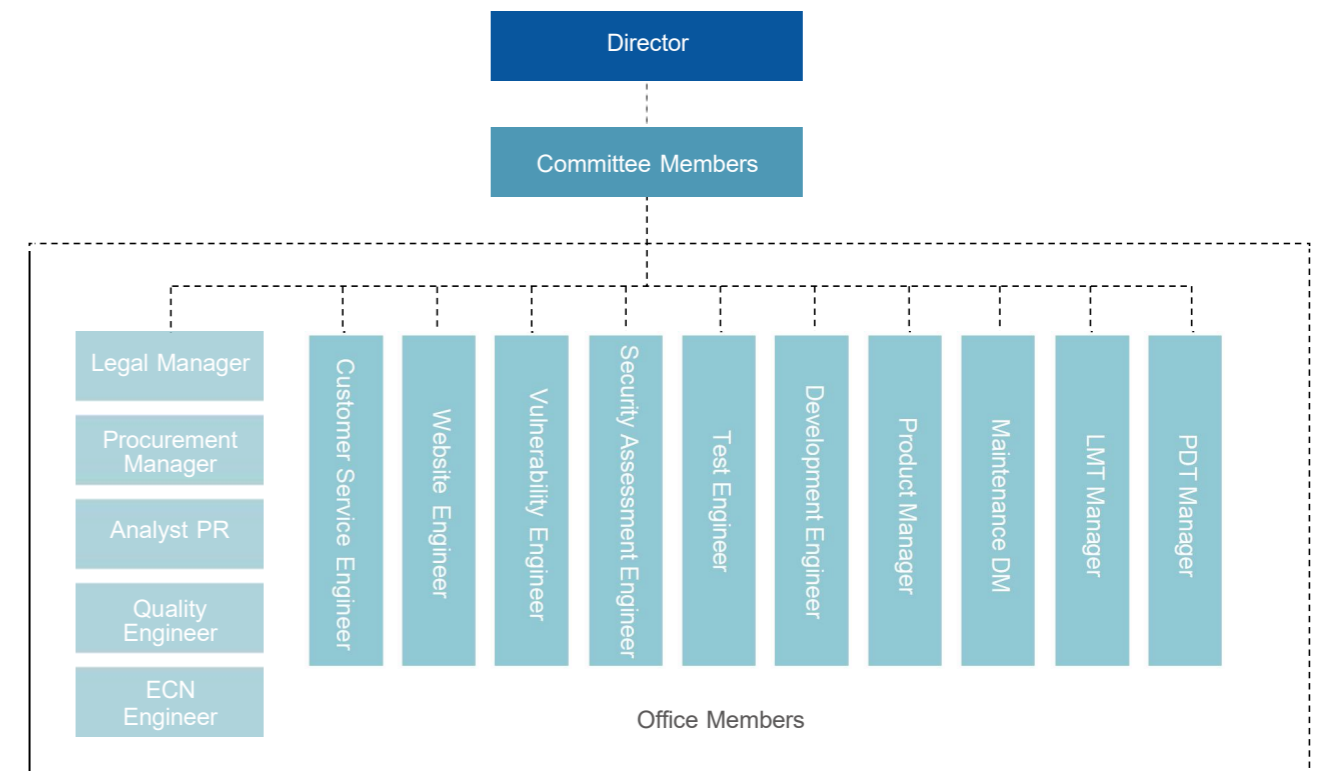
Organizational and security capability assurance

The organizational environment, IT system and personnel are important driving force behind product security, in particular inadequate security awareness and skills of personnel will directly affect the effectiveness of product security. We have established comprehensive information security and privacy protection systems, which have been certified to ISO/IEC 27001 and ISO/IEC 27701 standards. The well-designed training and certification system ensures that key personnel can continuously improve their security awareness and skills. We work with third-party agencies to evaluate our product security assurance system and relevant activities based on security standards and industry best practices to drive continuous improvement efforts.

In 2022, we focused on optimizing process specifications for personnel security, production logistics, service security, open-source governance, and data security to further meet regulatory requirements for security compliance. We established the Product Security Incident Response Committee to meet international security incident/vulnerability response standards (e.g., ISO /IEC 29147, ISO /IEC 30111), improve our security incident response capability, and ensure that emergency response is on track.

The Product Security Incident Response Committee is composed of a director and multiple members and is responsible for key activities related to product security incident response, reviewing and making decisions on the issues that lead to the incidents, and overseeing the resolution of incidents. Under the committee is the Office of Product Security Emergency Response Committee, which is responsible for specific tasks involved in incident response, including receiving reported incidents, analyzing and verifying issues, developing solutions, and issuing security notifications.

Organizational Structure of Product Security Incident Response Committee



We established a comprehensive security incident response process to ensure that product vulnerabilities are disclosed in a timely manner and effective solutions are provided. Throughout the process, our Product Security Incident Response Team (PSIRT) receives, handles, and discloses product security vulnerabilities and incidents and works with third parties for faster response. In 2022, we resolved 13 product security incidents, helping our customers reduce security risks.

In 2022, we resolved

**13**

product security incidents



# I Product lifecycle management

## Raw materials

We maintain comprehensive and effective control of hazardous substances in raw materials through rigorous process management and supervision throughout the process. We introduced IECQ-Hazardous Substance Process Management (HSPM) system (IECQ QC080000: 2017) in 2021, and manage hazardous substances in compliance with industry standards and high management standards, for example, *HJ 2507-2011 Technical Requirement for Environmental Labeling Products—Servers*, Restriction of Hazardous Substances, and EU Waste Electrical and Electronic Equipment Directive (WEEE), to ensure effective control of hazardous substances throughout the process from product design, to production, to product use, and to waste disposal.

IEIT SYSTEMS was certified to the IECQ QC080000: 2017(Hazardous Substance Process Management System) at the end of February 2022. As the most systematic and authoritative hazardous substance control system in the world, IECQ-HSPM emphasizes the application of a common “process management” model to meet diverse hazardous substance management requirements.

We work to procure certified and green materials and products from suppliers. When signing cooperation agreements, suppliers are required to comply with China RoHS (*The Administrative Measures for the Restriction of the Use of Hazardous Substances in Electrical and Electronic Products*) and other environmental regulations at home and abroad, including Restriction of Hazardous Substances Directive 2.0 (RoHS2.0), the REACH Directive, and the Waste Framework Directive (WFD) on restricted substances, as well as the requirements of the EU Battery Directive, the Directive on Packaging and Packaging Waste, and the Toxic Substances Control Act (TSCA) on prohibited substances. When introducing materials, the R&D Department also requires suppliers to provide environmental certifications and to notify any changes in hazardous substances or material sourcing for frequently sourced products in a timely manner.

The Quality and Security Management Department conducts on-site inspection and audit of potential suppliers based on the *Quality Support and Assurance (QSA) Checklist* and the *Supplier Social Responsibility Management Evaluation Form* and presents reports. We have a supplier evaluation system to

assess and rate supplier performance on dimensions such as technology, quality, responsiveness, delivery, cost and corporate social responsibility, and the evaluation results will eventually affect the cooperation or depth of cooperation between them and the company. . The supplier social responsibility evaluation covers suppliers' corporate social responsibility system, labor management, environmental protection, health and safety, sustainable procurement, and business ethics.

We established the *Code of Business Conducts for IEIT SYSTEMS Partners* (the “Code of Conducts”), which requires our partners to obey the Code of Conduct and other internal control standards, fulfill social responsibilities, respect human rights stipulated in the UN International Bill of Human Rights and *ILO Declaration on Fundamental Principles and Rights at Work*, and not engage in or support violations of human rights. Our partners should protect the legitimate rights of their employees in privacy, health, and safety, and take necessary measures to protect the lawful rights and interests of female employees and other special groups.

Our partners are required to establish relevant mechanisms and systems to effectively identify and track the source of raw materials so that they do not purchase, use or support the use of conflict minerals including Gold, Tin, Tantalum, Tungsten, Cobalt, and other rare metals. Together with some tier-1 suppliers, we conduct sustainability assessments of tier-2 suppliers to identify risks associated with tier-2 suppliers and evaluate the maturity of tier-1 suppliers' social responsibility management systems. We provide social and environmental training for procurement staff; regularly audit and supervise suppliers on the protection of workers' rights and interests, health and safety at work, and the medical records of workers at risk of occupational disease; and assess all partners for compliance with the Code of Conduct. In 2022, there were no reported violations of the Code of Conduct.

Proportion of new suppliers screened by environmental or social standards

**100%**

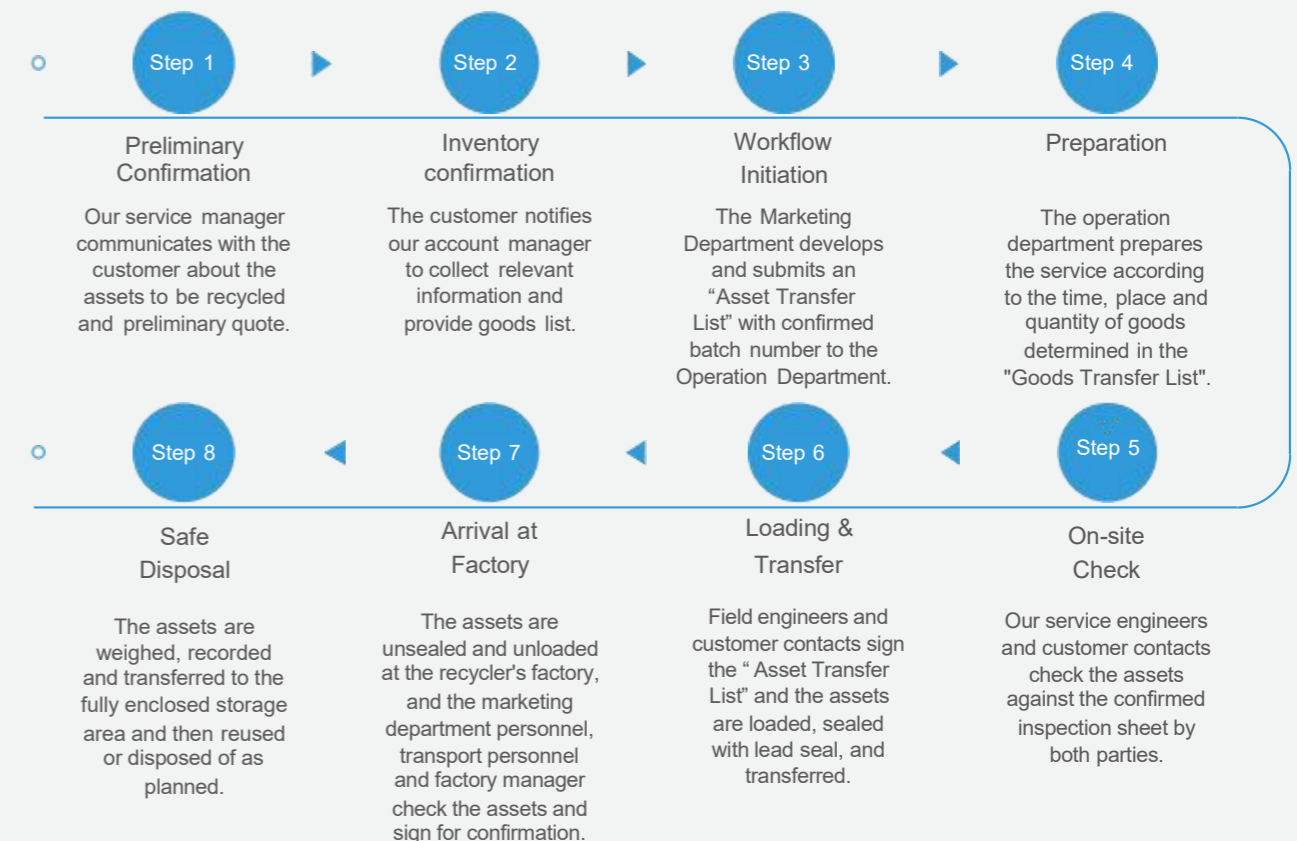
## Product disposal

Our long-term goal is to be a responsible manufacturer. We provide customers with sensible and efficient asset recycling services to improve their IT operations and maximize the residual value of IT equipment at the end of its lifecycle, thereby maximizing customer benefits.

By providing recycling service for discarded electronic products, we ensure that electronic products are recycled and reused in a safe and environmentally-friendly manner. We strictly abide by the Ban Amendment to the Basel Convention which prohibits the export of discarded electronics to non-OECD countries. We entrust professional, nationally-certified recyclers to provide safe and efficient asset recycling services to our customers by strictly adhering to our asset recycling requirements and standard procedures and by using sophisticated dismantling equipment. The recyclers also provide our customers with professional door-to-door services for discarded and solve the problems related to recycling of used electronic assets faced by customers conveniently and professionally on the basis of ensuring the security of customer data and information. They manually remove the labels or identification from our customers' property

or assets to maximize the residual value of the equipment, use sophisticated testing tools to ensure high availability of the equipment or component after resale, and use professional devices for data destruction and erasure to ensure data security and no leakage of customer information.

We require recyclers to implement a full range of security measures for all their tools to protect customers' products and intellectual property rights. Personnel not involved in the data destruction process are prohibited from entering the work area. Operators cannot enter or leave the isolation area of a storage room until they are screened by a metal detector. They must change into pocketless overalls outside the isolation area before entering and must not carry bags, lighters or metal objects. We require recyclers to employ staff with no criminal record and train them in their skills and professional ethics, install monitoring equipment at entry and exit points, material processing areas and storage areas to provide 24/7 surveillance, and retain clear video records for 30 days, and ensure that all materials collected from our customers are disposed of safely without entering the market in their original form.



# 04 Sustainable Environment



01 Materials management

02 Energy consumption management

03 Response to climate change

04 Water resource management

05 Waste management

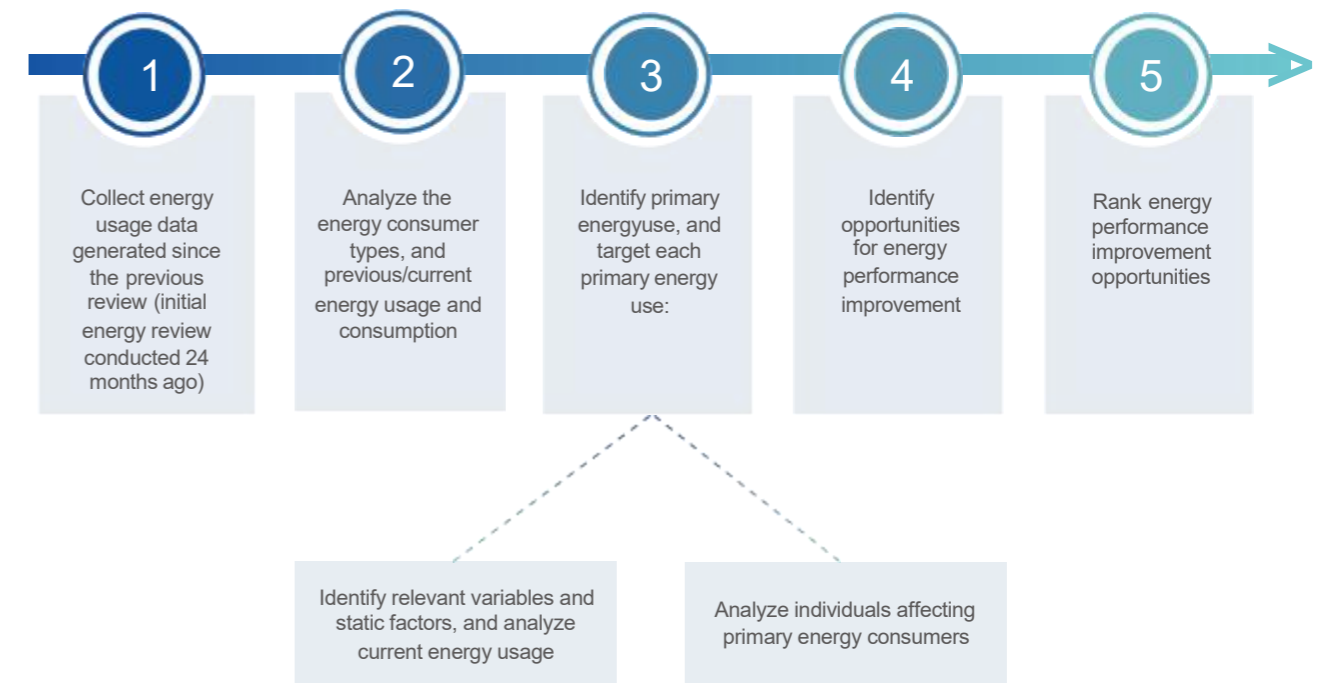
06 Environmental management system

## I Materials management

We stick to standardized materials management by following our established material management guidelines throughout all stages including packaging, laboratory R&D, and warehousing, as well as management of expired materials, scrapped materials, and stagnant materials.

Our labs inspect incoming R&D materials monthly. For the materials from such sources as factory prototyping or sample procurement, the lab managers check with the relevant handlers to verify the data of materials. Our labs ensure that more than 99.9% of materials are accepted accurately and on time by the warehouses, which is a significant improvement. In addition, our system automatically publishes the details of inactive materials on a weekly and monthly basis, allowing us to efficiently manage inactive materials and track the status of materials in stock. This increases the utilization of materials and minimizes dead stock. At the same time, project managers can learn about actual material requirements and make material requests as needed to reduce unnecessary material costs. Our labs exercise strict control on outgoing and scrapped materials by rigorously checking the documentation of all outgoing materials. If the reason for delivering outgoing materials does not conform to the *Lab R&D Materials Management Guidelines V3.0*, the request for outgoing delivery is rejected. With an established process for outgoing delivery and scrapping of materials, all scrap requests, approvals and accounting matters are completed systematically to ensure the data accuracy and compliance.

Our product packaging strictly complies with the requirements of Packaging and Packaging Waste Directive 2005/20/EC.



Flow Chart for Identifying Opportunities for Major Energy Use and Energy Performance Improvement

## I Energy consumption management

Our dedicated energy management team collects data on energy consumption, usage and efficiency, as well as production and output value from key energy-consuming areas, equipment, systems and processes, and identifies and provides feedback on opportunities to improve energy performance. By publishing and implementing the *Guidelines for Energy Baseline and Energy Performance Indicator Management*, the *Guidelines for Data Collection, Monitoring and Measurement*, and the *Energy Review Guidelines*, we ensure that the energy benchmark and energy performance parameter EnPI are in line with the actual situation of the company from the system and specification level, and to supervise and promote the continuous improvement of energy performance of all departments. In 2022, our Jinan facility was certified to ISO50001 energy management system certification.

We also perform systematic analysis of energy data and prepare energy review reports. The energy review is a systematic evaluation based on our organizational structure, production processes, energy measurement, energy-consuming equipment, and actual consumption. By analyzing and comparing current data with previous data, we identify potential opportunities for energy performance improvement and develop a monitoring, measurement, analysis and evaluation plan to provide the data basis for the design of energy management scheme and energy targets. Based on the energy review report, we develop the energy improvement strategies, implement energy management programs, define the responsibilities of the departments and individuals involved, and allocate resources appropriately to ensure that energy-consuming departments can cooperate in the measurement and monitoring of energy management programs. In addition, we analyze and compare energy consumption before and after the implementation of the scheme and determine the tendency of variation in order to identify improvements in energy performance and the completion of energy target indicators.

## I Response to climate change

### Green operation

Our commitment to the environment is reflected in our green production, green workplace and green operation. We seek to save energy and reduce emissions in every aspect of production and development by introducing new equipment and technologies, using clean energy in some offices and production facilities, and increasing the recycling rate of materials. We aim to create green paperless offices by moving finance, IT, HR and administrative functions to the cloud data center. We promote green commuting by providing shuttle buses for our employees. We are also stepping up educational efforts to guide our employees towards a low-carbon lifestyle and sustainable development.

Our Suzhou intelligent facility has realized harmless materials, clean production, waste recycling and low-carbon energy. A series of energy-saving measures are taken for air conditioners, cooling towers, air compressors and nitrogen systems to save energy, improve energy use efficiency and reduce carbon emission.

The new R&D lab in Jinan is well designed for the introduction of green energy and energy recycling. Specifically, the PV area is increased to meet the basic lighting needs of the lab. At the same time, the heat energy from data center servers is recovered and used for heating in winter; lab benches are designed with hot and cold isolation, with cooling energy recovered and used for air conditioner cooling. These measures will significantly improve energy use efficiency and reduce GHG emission.



### [Case Study] Hot/Cold Air Segregation Solution for Lab Benches

The existing lab benches have a series of problems in the processing of hot/cold air. The hot air coming out of servers cannot be directed in the same direction. This prevents the hot air from being concentrated and discharged in a centralized way. The cooling holes on some servers are directed at the high and low current panels, causing the panels to overheat and trigger a tripping response (the automatic protection response for high current). The serious interference between hot and cold air results in an unsatisfactory cooling rate of the air conditioner, leading to low air conditioning distribution and wasted power. The inability to properly control the ambient temperature in the laboratory results in high temperatures in certain areas during the summer, forcing the equipment fan to run at high speed and causing serious noise pollution.

We have come up with the following solution to above-mentioned problems: The back of a lab bench is fitted with a hot air channel that is connected to the hot air outlets of the servers. The hot air coming from the hot air outlets is concentrated within the channel and directed to the return air inlet of the air conditioner through the hot air duct connected to the return air inlet. This prevents the hot air from spreading to other areas. A hot air channel has an independent control valve. If an air conditioner fails, the hot air duct valve of the nearest air conditioner is opened for cooling. The benches and hot air channels can be assembled on a modular basis.

The solution is expected to increase air conditioning efficiency by 30%, reduce air conditioning failure frequency by 40%, bring down the annual power consumption per lab by 20,000kWh, and greatly save the air conditioning costs. At the same time, it will ensure that the ambient temperature in the lab stays around 26°C during peak operation, and the overall noise level of the laboratory is expected to be reduced by 10db.

Fig. 1: Structure Diagram

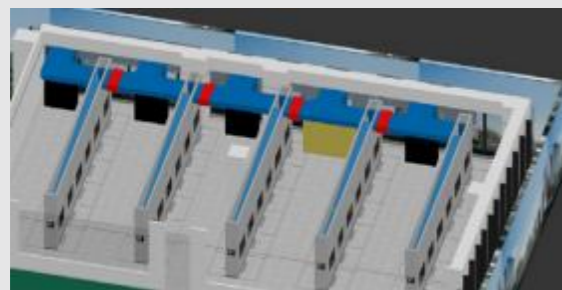
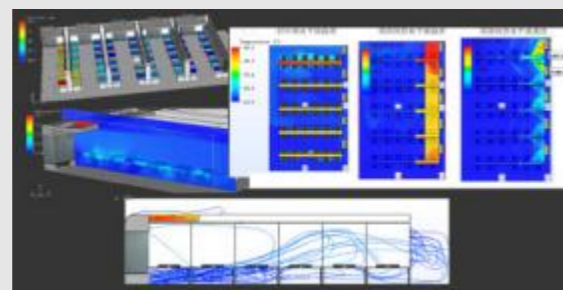


Fig. 2: Simulation Effect



## Empowering low-carbon transformation

Data centers are the critical infrastructure for the digital transformation of enterprises and play a fundamental role in building a digital world. Driven by the strategies of "carbon peaking and carbon neutrality" and "controlling the amount and intensity of carbon emissions", reducing energy consumption and carbon emissions is more urgent than ever for data centers, which are major consumers of energy. As a world-leading computing infrastructure provider, IEIT SYSTEMS not only focuses on its own technological innovation, but also hopes to promote the transition to green and low-carbon data centers through its own efforts.

We keep innovating in liquid cooling technologies such as direct and indirect cooling for data centers, and look for ways to solve the high energy consumption and low efficiency of traditional heat dissipation techniques to improve overall energy efficiency. We are making a difference in the industry chain based on breakthroughs we have made in technology, paving the way for the evolution of liquid cooling systems by leveraging All-in-Liquid Cooling intelligent manufacturing. Compute-intensive AI deep learning is one of the largest workloads in data centers, placing huge demands on computing power of data centers. AI Station can increase the computing efficiency of deep learning operations and improve overall resource utilization through a variety of methods. This effectively reduces overall power consumption per unit of production throughput, helping data centers save energy and reduce emissions.

We also actively engage in the development of energy-saving products to help reduce emissions and empower the low-carbon transformation with the power of technology. In 2022, we achieved mass production of PCIe 4.0 SSD, which boasts industry-leading performance and energy efficiency ratio. Thanks to its multi-level cache and IO aggregation technology, our PCIe 4.0 SSD lowers computing requirements on hardware, and significantly improves energy efficiency ratio, with power consumption 12%-37% lower than its competitors.

## Water resource management

We use municipal water mainly for consumption in the workplace. Our production activities do not generate any industrial waste water. We are always looking for new ways to improve the use of water and to ensure that the water resources used for domestic/office needs are safe, clean, economical and efficient.

## Waste management

We place a high priority on compliant waste management, ensuring that all waste is sorted, collected and disposed of according to local laws and regulations.

Our production waste, mainly recyclable waste such as paper and plastic packaging for accessories, is collected and disposed of on a regular basis by professional and qualified third-party waste management contractors, which are selected through qualification assessment and tendering. A comprehensive hazardous waste management system has been established to regulate the identification, reporting, registration, collection, storage, diversion and labeling of hazardous waste as well as relevant training and emergency response. We also maintain industrial solid waste management records to record the type, quantity, destination, storage, utilization and disposal of waste to ensure data traceability and facilitate data retrieval. In addition, preventive and control measures are taken to prevent environmental pollution from industrial solid waste that is caused by improper management or operation.

At IEIT SYSTEMS, general waste is classified and is collected by category. Hazardous waste, including discarded electronic parts, is stored and segregated in a special manner and diverted by qualified third-party waste management agencies for harmless disposal. We also provide regular training on waste management to raise awareness among employees and improve their waste disposal skills for more effective waste management.

## Environmental management system

IEIT SYSTEMS has established and implemented an Environmental Management System (EMS) in accordance with GB/T 24001-2016 idt ISO 14001:2015 standards, with our facilities in Jinan and California certified to the Environmental Management System Certification.

In order to develop an environment-conscious workforce, we provide employees with training on the implementation of certification and environmental protection, covering a wide range of topics including the initiation of environmental system construction, initial environmental review, EMS documentation, and the implementation of management procedures. Based on the ISO 14001 standard, which sets out specific requirements for training awareness and competence, we have designed our system-related training from both depth and breadth. In terms of depth, our training provides knowledge of standards, the requirements of applicable laws and regulations, the basics of environmental protection and important job expertise and special skills, so that trainees can gain an in-depth insight on environmental management. In terms of breadth, employees at all levels, including management, are required to receive the training. The basic environmental awareness of employees is fundamental to the rigorous implementation of EMS requirements, ensuring the continuous and effective operation of the system.

We strictly abide by the laws and regulations concerning exhaust gas, wastewater, and noise management through regular inspection and real-time monitoring. In 2022, our Jinan facility passed water quality and factory boundary noise tests conducted by independent qualified third parties. The exhaust gas, mainly from our Suzhou factory, is absorbed by secondary activated carbon before emission, and is subject to real-time VOC monitoring to prevent excessive emissions. During the reporting period, no violations of environmental laws and regulations were found within the company.

# 05 Sustainable Society



01 Employment compliance

02 Employee training and development

03 Employee remuneration and benefits

04 Occupational health and safety

05 Employee benefits and care

06 Win-win industry cooperation

07 Charity and public welfare

## I Employment compliance

By putting people first, IEIT SYSTEMS strives to create a comfortable and inspiring workplace where every employee has the opportunity to grow with their colleagues and the company.

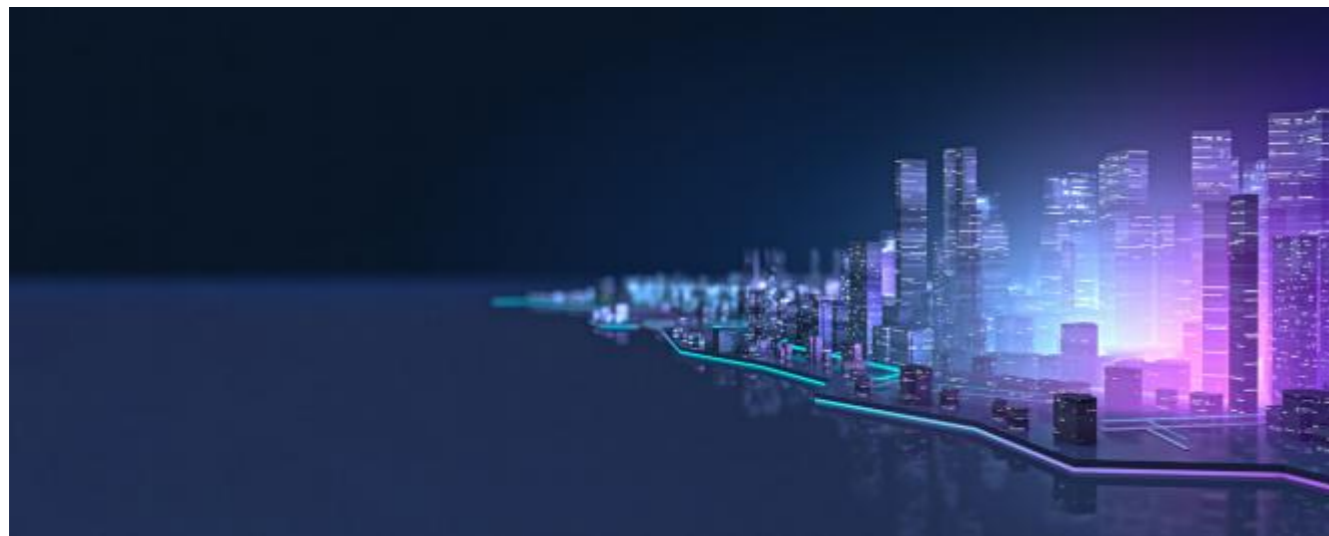
We strictly abide by laws and regulations such as the *Labor Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China* and have clearly-defined recruitment policies and well-designed employment management procedures in place. We value open and fair competition in recruitment practices to select the best candidates. We do not discriminate on the basis of race, color, age, gender, sexual orientation, ethnic origin, religion or belief, genetic characteristics, marital status, disability, place of birth, nationality, political affiliation, or membership of an association. Any form of sexual harassment, corporal punishment, mental/physical oppression, verbal abuse or threat of such behavior is strictly prohibited. We enter into an employment contract with employees according to local laws, manage working hours and leave based on internal policies, pay agreed remuneration to employees in full and on time, and provide benefits such as social security, striving to create a comfortable, fair, diverse and non-discriminatory workplace for employees.

We strictly prohibit child labor and forced labor and have relevant policies and precautionary and remedial measures in place in recruitment and employment. During the reporting period, no cases of child labor and forced labor were found within the company.

We take a series of measures to prevent the employment of child labor. To ensure the authenticity of employee information and compliance of recruitment and employment procedures with laws and regulations, we strictly verify applicant information and require new employees to submit valid ID, degree certificates/diplomas, photos, original severance agreement, and medical examination reports before signing the employment contract. We verify employee information again when applying for a salary account and paying social security and (or) individual income tax for an employee. Appropriate remedies are also available to deal with the employment of child workers identified within the company, including, but not limited to, immediately terminating their employment, arranging for a health examination, returning them to their original place of residence, requiring their legal guardians to resume their education, and providing financial assistance, if necessary, to enable them to receive a school education until they become legally of age.

All forms of forced labor (including indentured labor, bonded labor, military labor, slave, prisoner labor and any form of human trafficking) are prohibited within the company and throughout the supply chain. We work to provide every employee with comfortable and decent working conditions and protect their legitimate rights and interests. The seizure of their IDs, passports, work permits, temporary residence permits, and other personal belongings is not permitted. Any kind of forced labor, including the restriction of personal freedom and disguised punishment, is also prohibited.

To the extent permitted by applicable laws in the countries/regions in which we operate, we respect the right of employees to join or form unions of their choice, to participate in collective bargaining, or to refuse to participate in such activities.



## I Employee training and development

We work to create a platform that provides employees with access to diverse training courses and equal opportunities for promotion to enhance their skills and pave the way for their career development. A targeted training mechanism that integrates operations, resources and policies is implemented to meet the diverse development needs of employees.

For new employee orientation, we provide 'Chao Xiao Xi' mentorship program, which aims to guide new employees recruited from universities to deal with problems in work and life through one-on-one training by mentors and coordinators so that they can quickly integrate into the corporate community.

As a learning organization, we provide internal and external training on professional skills on a regular basis, both online and offline. The training topics include management ability, professionalism, general skills, products, marketing skills, and worker skills. A multi-level leadership training system is implemented to help management at all levels improve their leadership skills. Our professionalism training focuses on improving employees' professional skills to qualify them for key positions. In 2022, we organized 450 training sessions with 100,000+ participants, and the employee satisfaction rate was 4.8 out of 5.

To build a professional workforce that is well matched to job requirements, we encourage all employees to participate in certification training and testing that is aligned with our strategies and position development. We provide convenience for employees who participate in certification training and pay for training materials, courses and exams to help them improve their professional skills for further career advancement. Notably, we maintain a 100% pass rate in Agile Certified Practitioner (ACP) certification.

We help employees improve their academic and professional qualifications so they can move up the career ladder. All new employees are assessed and granted a rank during their induction period. The company offers two career paths, either from operator to chief technician or from general staff to executive president.

During the annual professional title appraisal from Sept to Dec, we evaluate individuals based on factors such as skills and contribution to the company and motivate the motivation and creativity of front-line employees through performance incentives, productivity incentives, sprint incentives, quality awards and excellent employee recognition, support employee development and progress.

organized

**450** training sessions

**100,000+** participants

the employee satisfaction rate was

**4.8**

out of 5



## I Employee remuneration and benefits

At IEIT SYSTEMS, employee remuneration includes monthly base salary plus variable salary, quarterly/annual bonuses, short-term incentives (including R&D and sales incentives), medium- and long-term incentives, benefits in kind and other forms of monetary and non-monetary remuneration. The performance-based bonus scheme demonstrates our commitment to fairness and keeps employees motivated. Employees can submit any questions or doubts regarding remuneration and performance appraisal results to the company's OA system or Human Resource Business Partner (HRBP) for resolution.

In 2022, we optimized our remuneration system by gathering feedback to make it more scientific and reasonable. We also launched the medium- and long-term incentive scheme, including stock options, and introduced enterprise annuity plan.

We provide our employees with a comprehensive benefits package that includes health care, living assistance, team building, festive gifts, staff dormitory, and employee development opportunities to create a better working and living environment for them. In addition to statutory benefits, we offer supplemental benefits for employees. For example, our employees are entitled to not only statutory parental leave but also the leave to celebrate their children's entry into higher education.

## I Occupational health and safety

We have established the Workplace Safety Committee as the highest safety management body. Chaired by the General Manager, the committee has a Production Safety Office and brings together the heads of departments for workplace safety management. At the same time, a dual prevention system for hierarchical risk control and potential risk identification and management has been established.

We strictly abide by the *Law of the People's Republic of China on Work Safety*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and the *Guideline of China occupational safety and health management system*. According to applicable laws and regulations on health and safety, we developed 52 safety management documents, including *Production Safety Accountability Guidelines*, the *Safety Training and Education Guidelines*, the *Safety Inspection Guidelines*, and the *Production Accident Management Guidelines*. We keep improving our occupational health and safety management system, with the Jinan facility certified to ISO 45001 standards.

In terms of security risk identification and assessment, our regulations and institutions require to carry out comprehensive inspections of factories on a monthly basis and track identified risks in closed-loop management. We also conduct quarterly safety risk identification and evaluation, prepare accident risk assessment reports and rectify problems in a timely manner. In 2022, we identified 115 safety risks, which have all been rectified. In addition, we organize workplace occupational disease risk assessments every year and occupational health examinations for the staff involved. During the reporting period, there were no suspected or confirmed cases of occupational diseases within the company.

Each year we formulate and implement safety training plans that encompass educational training, emergency drills, risk identification and team leader skills development. We also develop specific training programs for areas where improvements are needed, based on a review of previous work. Our safety training is provided at three levels - company, department and team. Team leaders provide safety training or give reminders before the start of each shift.

The main occupational health and safety risks we face are fire, electrical shock, mechanical injury and forklift accidents, for which we have established preventive measures and prepared emergency kits. For years we have maintained a record of zero accidents at work. In 2022, the most common cause of work-related injuries was traffic accidents while commuting, and the number of lost working days was 113.

## I Employee benefits and care

We value employees' physical and mental health and strive to improve employee well-being, strengthen team building, integrate employees into the organization and increase their sense of belonging by organizing diverse activities.

We offer a range of preferential policies and help employees secure social benefits. In 2022, we helped more than 600 employees successfully apply for social subsidies. We listen to the voice of employees by regularly gathering feedback and organizing open days and quarterly seminars that allow face-to-face communication between employees and management.

In 2022, our trade union organized various cultural and sporting activities to enrich the lives of our employees, including staff clubs for basketball, football, badminton and table tennis, and interest groups for calligraphy, singing and dancing. The trade union serves the employees by giving gifts on festivals (International Working Women's Day, Dragon Boat Festival, Mid-Autumn Festival and Spring Festival), organizing employee care activities (giving heatstroke prevention supplies in summer and cold protection supplies in winter) and holding various events (Mother's Day, Parent-Child Bonding Day and Chinese Valentine's Day). All these are aimed at protecting the legitimate interests and rights of its members, as well as stimulating motivation and innovation among members and employees.



2022 Parent-child cultural activities

# Win-win industry cooperation

## Promoting industry standardization

IEIT SYSTEMS steps up its contribution to industry standardization by joining technical associations and participating in the development of industry standards. In 2022, we led or participated in the formulation of 25 external standards on servers, storage, cloud computing, big data, data centers, and AI. We are also working on over 100 standards on IT infrastructure, servers, cloud computing, blockchain, and more domains. Our standardization efforts cover all of our core technologies and products, enabling us to achieve sustainable success in standards development.

In addition to leading the development of Chinese standards for servers, we participated in the development of global industry standards. In 2022, IEIT SYSTEMS continued its role as a member of the Open Systems Steering Committee of the Standard Performance Evaluation Corporation (SPEC OSSC) and Chairman of the SPEC OSG Machine Learning Technical Committee and led the development of AI benchmarking specifications. As a key member of Open Compute Project (OCP), Open Data Center Committee (ODCC) and Open19, the world's top three open computing organizations, IEIT SYSTEMS led or participated in the development of a number of technical standards for servers in the areas of edge OTII, OAI, and liquid cooling, and launched dozens of advanced open computing products in six categories, including rack-scale servers, high-density servers, edge computing, and accelerated heterogeneous computing. IEIT SYSTEMS is a member of more than 70 technical associations worldwide and works to increase its presence in technical organizations at home and abroad by actively participating in related activities.

### Associations/organizations to which IEIT SYSTEMS belongs

No.	Association/Organization	Role
1	National Information Technology Standardization Technical Committee (TC28)	Corporate Membership
2	IEEE Standards Association (IEEE SA)	Corporate Membership
3	(Open Compute Project Foundation , OCP)	Platinum Membership
4	MLCommons Association	Founding Members
5	Open Data Center Committee (ODCC)	Platinum Membership
6	Standard Performance Evaluation Corporation (SPEC)	SPEC OSSC Executive Member, SPEC OSG ML Chairman & Development Manager

### [Case 1] IEIT SYSTEMS led the development of liquid cooling patents and standards

As the industry places a high priority on building green, standardized data centers, promoting the establishment and application of liquid cooling standards is of great significance. In recent years, IEIT SYSTEMS has been playing an active role in the development of liquid cooling patents and standards to promote liquid cooling industrialization. In 2022, more than 100 core patents in liquid cooling technology were added to our list of patents. IEIT SYSTEMS also took the lead in developing China's first standards for the key components of data centers powered by cold plate liquid cooling technology. The project has been verified and approved by Open Compute Technology Committee(OCTC), closing the gap in standards on cold plate liquid-cooled data centers and marking a breakthrough in liquid cooling standards.

### [Case 2] General Specification for Modular Data Centers approved and released

On Oct. 14, 2022, the Standardization Administration of China (SAC) announced that the General Specification for Modular Data Centers, a national standard on digital infrastructure whose development was led by IEIT SYSTEMS, was approved. According to the announcement, the standard (GB/T 41783-2022) will come into force on May 1, 2023.



As a joint effort by IEIT SYSTEMS and over 30 upstream/downstream enterprises and academic institutions, the standard takes into account China's realities and includes practical procedures that focus on the characteristics and technological potential of modular data center products in the market. It provides consistent guidelines for the technical specifications, architecture and technical parameters of modular data centers, and a unified standard for the entire design process of data centers, from purchase and deployment to management and operation. It also defines unified methods and standards for energy efficiency testing to help improve equipment utilization and promote healthy market growth.

# Charity and public welfare

As part of our long-term commitment to sharing our success with the communities we operate in, we actively participate in public welfare and charity projects such as rural revitalization and education support. We also encourage employees and their families, customers and partners to volunteer their time to fulfill social responsibilities and bring our company closer to more people.

In 2022, IEIT SYSTEMS made donations to rural areas like Huanan County in Heilongjiang Province to support their poverty alleviation and revitalization; made donations to the Ocean University of China Education Foundation and participated in an educational aid program in Shaanxi Province to help impoverished students gain admission to universities; donated electronic devices to Shuangma Elementary School in Dongming County, Shandong Province and Ziyun Middle School in Tanggu District, Tianjin to improve their multimedia teaching.

In Mar. 2022, our volunteer young engineers visited a rural elementary school in Jinan and explained AI to the children in simple terms by using scenario-based videos, opening a door to the world of AI for the children and inspiring them to study hard for future technological advancements.



# Annual Key Performance Indicators

## Environmental performance

Indicator	Unit	2020	2021	2022
<b>GHG emissions</b>				
Scope 1 emissions	tCO <sub>2</sub> e	-	54.55	40.53
Scope 2 emissions	tCO <sub>2</sub> e	-	27145.79	36718.55
<b>Total emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>-</b>	<b>27200.34</b>	<b>36759.08</b>
<b>Emission intensity</b>	<b>kgCO<sub>2</sub>e/ 10,000 yuan output</b>	<b>-</b>	<b>3.99</b>	<b>5.29</b>
<b>Waste generation</b>				
General recyclable waste	t	3082.91	2768.52	2038.65
Hazardous waste	t	48.41	54.52	78.78
<b>Total waste</b>	<b>t</b>	<b>3131.32</b>	<b>2823.04</b>	<b>2117.43</b>
<b>Energy consumption</b>				
Direct energy consumption				
Diesel	L	-	6112.00	5923.15
Natural gas	GJ	-	385.60	447.50
Indirect energy consumption				
Purchased electricity	KWh	-	33610895.45	61798782.02
Purchased heat	GJ	-	68329.43	15562.69
<b>Water consumption</b>				
<b>Total water consumption</b>	<b>t</b>	<b>133028.23</b>	<b>120218.02</b>	<b>225398.05</b>

Note:

1.The environmental data in the report was collected from our production facilities and offices in Jinan, Suzhou, Guizhou, Nanning, and Zhengzhou.

2.GHG emissions include direct emissions from diesel and natural gas consumption, and indirect emissions from purchased electricity and heat (Scope 3 emissions are excluded). The calculation methods are based on the Guidelines for Accounting and Reporting Greenhouse Gas Emissions from China Electronic Equipment Manufacturing Enterprises and ISO 14064-1:2018 Greenhouse Gases: Specifications with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

3.General waste refers to recyclable waste such as waste paper packaging and pallets produced at the production facilities in Jinan, Suzhou, Guizhou, Nanning, and Zhengzhou.

4.Hazardous waste refers to discarded electronic products, chemicals and solid waste produced at the Suzhou production facility. No hazardous waste was produced at other facilities.

## Social performance

### Staff composition

KPI	2020		2021		2022		
	Count	Proportion to total employees	Count	Proportion to total employees	Count	Proportion to total employees	
Total employees	7131	100%	7421	100%	7495	100%	
Minority employees	-	-	-	-	411	5.48%	
Number of employees by sex	Male	5260	73.76%	5473	73.75%	5459	72.84%
	Female	1871	26.24%	1948	26.25%	2036	27.16%
Number of employees by category	Managerial	380	5.33%	388	5.23%	629	8.39%
	Technical	2861	40.12%	3002	40.45%	3153	42.07%
	Others	3890	54.55%	4031	54.32%	3713	49.54%
Number of employees by age	<30	3494	49.00%	3165	42.65%	2786	37.17%
	30-50	3545	49.71%	4137	55.75%	4549	60.69%
	>50	92	1.29%	119	1.60%	160	2.14%

### Turnover rate

KPI	Unit	2022
Total employee turnover	/	772
Turnover rate	%	10.35



## Employee development and training

KPI		Unit	2022
Training hours per employee		hour	54
Percentage of trained employees by sex	Male	%	100
	Female	%	100
Average hours of training per employee by sex	Male	hour	54
	Female	hour	54
Percentage of trained employees by category	Managerial	%	100
	Technical	%	100
	Others	%	100
Average hours of training per employee by category	Managerial	hour	49
	Technical	hour	55
	Others	hour	54

## Occupational health and safety

KPI	Unit	2020	2021	2022
Workplace fatalities	/	0	0	0
Workplace fatality rate	%	0	0	0
Number of lost working days	day	-	-	113



## Parental leave

KPI		Unit	2021	2022
Number of employees entitled to parental leave	Male	/	5473	5459
	Female	/	1948	2036
Number of employees on parental leave	Male	/	203	207
	Female	/	156	108
Employees who returned from parental leave in the reporting period	Male	/	202	207
	Female	/	107	71
Employees who retained 12 months after returning from parental leave	Male	/	171	205
	Female	/	88	70
Return rate	Male	%	100	100
	Female	%	96.4	98.6
Retention rate	Male	%	84.65	99
	Female	%	82.24	98.6

## Partner management

KPI	Unit	2020	2021	2022
Tier-1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent	/	8	52	44
High-risk Tier-1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent	/	0	0	0
Number of non-conformances in Tier-1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent	/	49	245	244
Critical non-conformances corrected	%	100	95	100
Minor non-conformances corrected	%	91	68	93.1

## Business ethics

KPI	Unit	2020	2021	2022
Corruption lawsuits against the company and employees	/	0	0	0
Economic losses incurred	CNY	0	0	0

# Global Reporting Initiative (GRI) Standards Index

Statement of use	IEIT SYSTEMS has reported in accordance with the GRI Standards for the period from Jan 1,2022 to Dec 31,2022.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD/OTHER SOURCES	DISCLOSURE	LOCATION
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	About Us
	2-2 Entities included in the organization's sustainability reporting	2022 Annual Report P86
	2-3 Reporting period, frequency and contact point	Scope of reporting, Report release cycle, and Contact information
	2-4 Restatements of information	No restatements of information during the reporting period
	2-5 External assurance	Verification Statement
	2-6 Activities, value chain and other business relationships	About Us
	2-7 Employees	Sustainable Society — Employment compliance Annual Key Performance Indicators — Social performance
	2-8 Workers who are not employees	There are no workers who are not employees in the company
	2-9 Governance structure and composition	Sustainable Governance — Corporate governance structure
	2-10 Nomination and selection of the highest governance body	Sustainable Governance — Board member election and remuneration incentive mechanism
	2-11 Chair of the highest governance body	2022 Annual Report P24
	2-12 Role of the highest governance body in overseeing the management of impacts	Sustainable Governance — Corporate governance structure
	2-13 Delegation of responsibility for managing impacts	Sustainable Governance — Governance structure for sustainable development
	2-14 Role of the highest governance body in sustainability reporting	Sustainable Governance — Governance structure for sustainable development
	2-15 Conflicts of interest	2022 Annual Report P23
	2-16 Communication of critical concerns	Sustainable Governance — Communication with stakeholders Sustainable Governance — Analysis of material topics
	2-17 Collective knowledge of the highest governance body	2022 Annual Report P24
	2-18 Evaluation of the performance of the highest governance body	Sustainable Governance — Board member election and remuneration incentive mechanism

GRI STANDARD/OTHER SOURCES	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-19 Remuneration policies	Sustainable Governance — Board member election and remuneration incentive mechanism
	2-20 Process to determine remuneration	Sustainable Governance — Board member election and remuneration incentive mechanism
	2-22 Statement on sustainable development strategy	Sustainable Governance — Corporate governance structure
	2-25 Processes to remediate negative impacts	Sustainable Society — Employment compliance
	2-26 Mechanisms for seeking advice and raising concerns	Sustainable Operation — Business ethics
	2-27 Compliance with laws and regulations	Annual Key Performance Indicators — Social performance
	2-28 Membership associations	Sustainable society — Win-win industry cooperation
	2-29 Approach to stakeholder engagement	Sustainable Governance — Communication with stakeholders
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainable Governance — Analysis of material topics
	3-2 List of material topics	Sustainable Governance — Analysis of material topics
Economic performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	2022 Annual Report P10
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	2022 Annual Report P65
	201-4 Financial assistance received from government	2022 Annual Report P150
Procurement practices		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable Products — Product lifecycle management
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable operation — Business ethics
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Sustainable Operation — Business ethics
	205-2 Communication and training about anti-corruption policies	Sustainable Operation — Business ethics
	205-3 Confirmed incidents of corruption and actions taken	Annual Key Performance Indicators — Social performance
Anti-competitive behavior		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable Operation — Business ethics
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Sustainable Operation — Business ethics
Materials		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable Products — Green products
GRI 301: Materials 2016	301-3 Reclaimed products and their packaging materials	Sustainable Products — Green products



GRI STANDARD/OTHER SOURCES	DISCLOSURE	LOCATION
Energy		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Environment — Energy consumption management
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	Annual Key Performance Indicators — Environmental performance
	302-2 Energy consumption outside of the organization	Annual Key Performance Indicators — Environmental performance
	302-3 Energy intensity	Annual Key Performance Indicators — Environmental performance
	302-4 Reduction of energy consumption	Annual Key Performance Indicators — Environmental performance
	302-5 Reduction in energy requirements of products and services	Sustainable Products — Green products
Water and Effluents		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Environment — Water resource management
<b>GRI 303: Water and Effluents 2018</b>	303-5 Water consumption	Annual Key Performance Indicators — Environmental performance
Emissions		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Environment — Response to climate change
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	Annual Key Performance Indicators — Environmental performance
	305-2 Energy indirect (Scope 2) GHG emissions	Annual Key Performance Indicators — Environmental performance
	305-4 GHG emissions intensity	Annual Key Performance Indicators — Environmental performance
	305-5 Reduction of GHG emissions	Annual Key Performance Indicators — Environmental performance
Waste		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Environment — Waste management
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	Sustainable Environment — Waste management
	306-2 Management of significant waste-related impacts	Sustainable Environment — Waste management
	306-3 Waste generated	Annual Key Performance Indicators — Environmental performance
	306-4 Waste diverted from disposal	Sustainable Environment — Waste management
	306-5 Waste directed to disposal	Sustainable Environment — Waste management
Supplier environmental assessment		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Products — Product lifecycle management
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	Sustainable Products — Product lifecycle management
	308-2 Negative environmental impacts in the supply chain and actions taken	Sustainable Products — Product lifecycle management

GRI STANDARD/OTHER SOURCES	DISCLOSURE	LOCATION
Employment		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Society — Employment compliance
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	Annual Key Performance Indicators — Social performance
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainable Society — Employee remuneration and benefits
	401-3 Parental leave	Annual Key Performance Indicators — Social performance
Occupational health and safety		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Society — Occupational health and safety
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	Sustainable Society — Occupational health and safety
	403-2 Hazard identification, risk assessment, and incident investigation	Sustainable Society — Occupational health and safety
	403-3 Occupational health services	Sustainable Society — Occupational health and safety
	403-4 Worker participation, consultation, and communication on occupational health and safety	Sustainable Society — Occupational health and safety
	403-5 Worker training on occupational health and safety	Sustainable Society — Occupational health and safety
	403-6 Promotion of worker health	Sustainable Society — Occupational health and safety
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainable Society — Occupational health and safety
	403-8 Workers covered by an occupational health and safety management system	Sustainable Society — Occupational health and safety
	403-9 Work-related injuries	Annual Key Performance Indicators — Social performance
	403-10 Work-related ill health	Annual Key Performance Indicators — Social performance
Training and education		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Society — Employee training and development
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	Annual Key Performance Indicators — Social performance
	404-2 Programs for upgrading employee skills and transition assistance programs	Sustainable Society — Employee training and development
Diversity and equal opportunity		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Society — Employment compliance
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	Annual Key Performance Indicators — Social performance
Non-discrimination		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Society — Employment compliance
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	Sustainable Society — Employment compliance

## SASB Index — Hardware


GRI STANDARD/OTHER SOURCES	DISCLOSURE	LOCATION
Freedom of association and collective bargaining		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Society — Employment compliance
Child labor		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Society — Employment compliance
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	Sustainable Society — Employment compliance
Forced or compulsory labor		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Society — Employment compliance
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Sustainable Society — Employment compliance
Local community		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Society — Charity and public welfare
Supplier social assessment		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Products — Product lifecycle management
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	Sustainable Products — Product lifecycle management
	414-2 Negative social impacts in the supply chain and actions taken	Sustainable Products — Product lifecycle management
Customer health and safety		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Products — Product quality
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	Sustainable Products — Product quality
Marketing and labeling		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Products — Product quality
<b>GRI 417: Marketing and Labeling 2016</b>	417-2 Incidents of non-compliance concerning product and service information and labeling	Sustainable Products — Product quality
Customer privacy		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Sustainable Operation — Information management and privacy protection
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainable Operation — Information management and privacy protection

SASB Topic	SASB Code	Indicator	Category	Value/Section
<b>Product security</b>	TC-HW-230a.1	Description of approach to identifying and addressing data security risks in products	Discussion and analysis	Sustainable Products — Product quality
<b>Employee diversity &amp; inclusion</b>	TC-HW-330a.1	Percentage of female representation for management	Quantitative	22.32%
		Percentage of female representation for technical staff	Quantitative	19%
		Percentage of female representation for all other employees	Quantitative	34%
<b>Product lifecycle management</b>	TC-HW-410a.1	Percentage of products by revenue that contain IEC 62474 declarable substances	Quantitative	/
	TC-HW-410a.2	Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent	Quantitative	/
	TC-HW-410a.3	Percentage of eligible products, by revenue, meeting ENERGY STAR® criteria	Quantitative	/
	TC-HW-410a.4	Weight of end-of-life products and e-waste recovered, percentage recycled	Quantitative	/
<b>Supply chain management</b>	TC-HW-430a.1	Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent	Quantitative	44
	TC-HW-430a.1	High-risk Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent	Quantitative	0
	TC-HW-430a.2	Percentage of Tier 1 suppliers with non-conformances audited in the RBA Validated Audit Process (VAP) or equivalent	Quantitative	0
	TC-HW-430a.2	Critical non-conformances corrected	Quantitative	100%
	TC-HW-430a.2	Minor non-conformances corrected	Quantitative	93.1%
	<b>Materials sourcing</b>	TC-HW-440a.1	Description of the management of risks associated with the use of critical materials	Discussion and analysis
<b>Activity metric</b>	TC-HW-000.A	Number of units produced by product category	Quantitative	/
	TC-HW-000.B	Area of manufacturing facilities	Quantitative	/
	TC-HW-000.C	Percentage of production from owned facilities	Quantitative	/

## IEIT SYSTEMS' Commitment to UN Sustainable Development Goals (SDGs)

SDGs	IEIT SYSTEMS' Actions
	We hold responsibility on public service and keep conducting various public service programs, to provide help for disadvantaged groups.
	We place a high priority on the occupational health and safety of our employees and partners and control various safety risks through a dual prevention system consisting of hierarchical risk control and the identification and management of potential risks. In 2022, we identified 115 safety risks, which have all been rectified.
	We work to provide employees with comprehensive and diversified training opportunities. A training system that integrates operation, resources and policies has been developed to meet the different development needs of different employees and to make our training programs targeted, sustainable and specialized. Our average training hours per employee reached 54 hours in 2022.
	We strictly prohibit any form of gender discrimination and will take severe action against any form of sexual harassment. We strive to protect the interests and rights of female employees. In addition to legal benefits, we provide welfares in terms of maternity and leave, and facilitate their work and life.
	We provide a comfortable, safe and non-discriminatory workplace, offer equal opportunities for employment and promotion, and have clearly-defined and reasonable remuneration and benefits programs in place.
	We are committed to promoting social innovation and development and work on innovative R&D throughout our business architecture. In 2022, we participated in the development of 25 international, Chinese, industry and group standards. We hold over 80 patents overseas and over 10,000 patents in China.
	We strictly comply with China RoHS (The Administrative Measures for the Restriction of the Use of Hazardous Substances in Electrical and Electronic Products) and environmental regulations in procurement, the requirements of Restriction of Hazardous Substances Directive 2.0 (RoHS2.0), the REACH Directive, and the Waste Framework Directive (WFD) on restricted substances, as well as the requirements of the EU Battery Directive, the Directive on Packaging and Packaging Waste, and the Toxic Substances Control Act (TSCA) on prohibited substances. We have material management guidelines in place throughout all stages including packaging, laboratory R&D, and warehousing, as well as management of expired materials, scrapped materials, and inactive inventory.
	We pursue the strategy of "carbon peaking and carbon neutrality" by promoting energy conservation and providing energy-saving products with our IT expertise to contribute to green economic and social development.
	We respect business ethics, operate with integrity, and abide by international conventions and local laws. We oppose any form of corruption, bribery or unfair competition, and comply with trade controls. During the reporting period, no cases of child labor and forced labor were found within the company.
	We drive the integration of virtuality and reality to enable digital transformation across various industries.

## External Verification Statement



### ASSURANCE STATEMENT

**SGS SGS-CSTC'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE IEIT SYSTEMS CO., LTD. SUSTAINABILITY REPORT FOR 2022**

**NATURE OF THE ASSURANCE/VERIFICATION**  
 SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD. (hereinafter referred to as SGS) was commissioned by IEIT SYSTEMS CO., LTD. (hereinafter referred to as IEIT SYSTEMS) to conduct an independent assurance of the IEIT SYSTEMS Co., Ltd. 2022 Sustainability Report (hereinafter referred to as the Report).

**INTENDED USERS OF THIS ASSURANCE STATEMENT**  
 This Assurance Statement is provided with the intention of informing all IEIT SYSTEMS's Stakeholders.

**RESPONSIBILITIES**  
 The information in the Report and its presentation are the responsibility of governing body, CEO and the management of IEIT SYSTEMS. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all IEIT SYSTEMS's stakeholders.

**ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE**  
 The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognised assurance guidance and standards including the principles and reporting processes contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) GRI 1: Foundation 2021 for report quality, GRI 2: General Disclosure 2021 for organisation's reporting practices and other organizational detail, GRI 3 2021 for organisation's process of determining material topics, its list of material topics and how to manage each topic, and the guidance on levels of assurance contained within the AA1000 series of standards.

The assurance of this report has been conducted according to the following Assurance Standards:

- SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)

Assurance has been conducted at a moderate level of scrutiny.

**SCOPE OF ASSURANCE AND REPORTING CRITERIA**  
 The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

- GRI Standards 2021 (Reference)
- SASB

**ASSURANCE METHODOLOGY**

The assurance comprised a combination of pre-assurance research, interviews with relevant employees onsite at headquarters located in Jinan City, Shandong Province of IEIT SYSTEMS Co., Ltd., interviews remotely of some relevant employees located in other subsidiaries; documentation and record review and validation with external bodies and/or stakeholders where relevant.

**LIMITATIONS AND MITIGATION**

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

Data tracing on headquarters level, not including original data of all subsidiaries.

The assurance process only involved interviews with the heads of relevant departments and certain employees of headquarters and consultation with relevant documents. No external stakeholder involved.

**STATEMENT OF INDEPENDENCE AND COMPETENCE**

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from IEIT SYSTEMS, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

**FINDINGS AND CONCLUSIONS****ASSURANCE/VERIFICATION OPINION**

On the basis of the methodology described and the verification work performed, the specified performance information included in the scope of assurance is accurate, reliable, and has been fairly stated.

The assurance team believes that the Report with reference to the GRI Standards 2021.

**Principles****Accuracy**

IEIT SYSTEMS's information in the report was accurate, enable to release more qualitative and quantitative information with indicators for stakeholders.

**Balance**

The Report followed the balance principle and truthfully disclosed the positive and negative information.

**Clarity**

The Report was presented different ways with words, charts, graphics and pictures, also described with actual cases to ensure the stakeholders understanding easily.

**Comparability**

IEIT SYSTEMS had disclosed performance indicators in 2022, previous data of partial indicators were disclosed, which could help stakeholders to understand and compare the improved performance year by year.

**Completeness**

The Report included coverage of material aspects and boundaries, to reflect significant economic, environmental and social impacts and enable stakeholders to assess the organization's performance in the reporting period.

**Sustainability Context**

The Report included coverage of material aspects and boundaries, to reflect significant economic, environmental and social impacts and enable stakeholders to assess the organization's performance in the reporting period

**Timeliness**

Verification shown that the reported data and information was timely and effective. IEIT SYSTEMS disclosed its first CSR report in Mar. 2015 and has disclosed it annually since then, which indicates good timeliness.

**Verifiability**

The data and information can be traced and verified.

**Management Approach**

The Report had disclosed the management approach of identified material topics.

**General Disclosures**

The general disclosures were partly presented in accordance with GRI 2: general disclosures 2021.

**Topic-Specific Disclosures**

IEIT SYSTEMS's topic-specific disclosures related to the material topics in economic, environmental, and social areas were in accordance with GRI Standards.

**Findings and recommendations**

Good practices and recommendations for sustainability report and management process were described in the internal management report which has been submitted to the management of IEIT SYSTEMS for continuous improvement.

Signed:



For and on behalf of SGS-CSTC

David Xin

Sr. Director – Knowledge

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Mar. 24, 2023

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