



创新奇智

Alnovation

Qingdao Alnovation Technology Group Co., Ltd

(A joint stock company incorporated
in the People's Republic of China with limited liability)

Stock Code: 2121



2023

Environmental, Social and Governance Report



Contents

ABOUT THE REPORT	2
1. RESPONSIBLE GOVERNANCE TO ACHIEVE SUSTAINABLE OPERATIONS	4
1.1. ENHANCING CORPORATE GOVERNANCE	4
1.2. ADHERING TO BUSINESS ETHICS	5
1.3. ENSURING MARKETING COMPLIANCE	7
1.4. DEEPENING ESG GOVERNANCE	8
1.5. PROMOTING AI ETHICS	12
2. INNOVATIVE DEVELOPMENT TO DELIVER SUPERIOR QUALITY	14
2.1. PROMOTING INNOVATION AND R&D	14
2.2. PROTECTING INTELLECTUAL PROPERTY RIGHTS	22
2.3. IMPROVING PRODUCT QUALITY	25
2.4. PROVIDING EXCELLENT SERVICES	26
2.5. SAFEGUARDING INFORMATION SECURITY	28
3. COOPERATION WITH PEERS TO BUILD THE INDUSTRY ECOSYSTEM	32
3.1. DEEPENING COOPERATION AND COMMUNICATION	32
3.2. OPTIMISING SUPPLY MANAGEMENT	34
4. PEOPLE-ORIENTED APPROACH TO CREATE A CARING WORKPLACE	37
4.1. PROTECTING EMPLOYEE RIGHTS AND INTERESTS	37
4.2. STRENGTHENING TALENT CULTIVATION	40
4.3. CARE AND COMMUNICATION AT WORKPLACE	44
4.4. PROTECTING HEALTH AND SAFETY	46
5. LOW-CARBON OPERATIONS FOR A SUSTAINABLE FUTURE	49
5.1. ADVOCATING GREEN OFFICE	49
5.2. TACKLING CLIMATE CHANGE	53
6. GIVING BACK TO THE SOCIETY AND TAKING CORPORATE RESPONSIBILITY	54
APPENDIX: ESG REPORTING GUIDE INDEX	56



2023 Environmental, Social and Governance Report

About the Report

Qingdao Alnnovation Technology Group Co., Ltd. (“**the Company**”) hereby publishes the 2023 Environmental, Social and Governance (ESG) Report (the “**Report**”) to describe the Company’s concept, practices and performance in environmental protection, social responsibility and corporate governance. This is the third ESG report released by the Company, and it aims to share with stakeholders the ESG progress and results achieved by Alnnovation.

Reporting Standards

This Report is prepared under the *Environmental, Social and Governance Reporting Guide* (“**ESG Reporting Guide**”) set out in Appendix C2 to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*.

Reporting Scope

Unless otherwise specified, the scope of this Report is consistent with the scope of the annual consolidated financial report and covers the period from 1 January 2023 to 31 December 2023 (the “**Reporting Period**”). Certain parts of the Report either date back to previous years or look forward to future years.

Abbreviations

In the Report, the Company and its subsidiaries are collectively referred to as “**Alnnovation**”, “**the Group**” or “**we**”.

Reporting Principles

- “Materiality”: The Group has identified material ESG issues through stakeholders’ engagement and materiality assessment, and made targeted disclosure of these issues in the ESG Report;
- “Quantitative”: All data used in this Report are from relevant statistical reports and official company documents. Relevant standards and methods adopted in calculation of KPIs have been reported, with a narrative provided to illustrate the purposes and impacts;
- “Balance”: This Report follows the balance principle to objectively present the Group’s ESG performance;
- “Consistency”: Unless otherwise specified, the statistical methods used for data and disclosed KPIs in this Report are consistent with those of previous years, so as to ensure comparability with historical data.

2023 Environmental, Social and Governance Report

Report Availability

This Report is published in both Traditional Chinese and English. Should there be any discrepancy between the two versions, the Traditional Chinese version shall prevail. The Report is available for view or download on the HKEXnews website (<http://www.hkexnews.hk>) and the Group's website (<https://www.ainnovation.com/>).

Contact

All stakeholders are welcome to give their valuable feedback in relation to this report via

E-mail: ir@ainnovation.com

Tel: (86) 1082169566

2023 Environmental, Social and Governance Report

1. Responsible Governance to Achieve Sustainable Operations

Efficient corporate governance is the cornerstone of a company's stable operations and sustainable development. At Alnnovation, we highly emphasise standard corporate governance and strictly abide by the *Company Law of the People's Republic of China*, the *Corporate Governance Code* set out in C1 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, and other relevant laws, regulations and policies. We are constantly refining our governance structure, striving for fair and transparent decision-making, and actively communicating with all stakeholders to explore paths towards sustainable development. In addition, recognising the importance of ethics in the development of artificial intelligence (AI), we have gradually clarified management responsibilities and review procedures related to AI ethics within the Group, to create a more controllable and trustworthy development outlook for the industry.

1.1. Enhancing Corporate Governance

Alnnovation has established a decision-making and operation system comprising the shareholders' general meeting, Board of Directors, Supervisory Committee and senior management. There are three committees under the Board of Directors with clear authorities and responsibilities, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees help the Board of Directors better perform its functions. As of the end of the Reporting Period, the Group's Board of directors consists of 7 directors, including 1 executive director, 3 non-executive directors and 3 independent non-executive directors. During the Reporting Period, the Group held 6 board meetings.

We believe diversity on the Board of Directors is essential to maintaining a competitive advantage. The Group has adopted *Board Diversity Policy*. The Nomination Committee reviews the structure, size and composition of the Board annually and, where appropriate, recommends to the Board changes that complement the Group's corporate strategy and ensure that the Board maintains a balanced and diverse profile. The Nomination Committee is committed to achieving Board diversity at all levels, including but not limited to knowledge, skills, professional experience, gender, age, cultural and educational background, ethnicity, length of service and any other factors to diversify the board of directors and provide a broader perspective on corporate decision-making.

Risk management, as an integral part of corporate governance, is essential to the stable development of the Group. We have established three lines of defence for risk management, consisting of functional departments and business units, the Risk Management Department, the Internal Audit Department, and the Audit Committee. These components work together to identify and respond to risks in a timely manner, effectively ensuring the stable operation of the Company.

2023 Environmental, Social and Governance Report

1.2. Adhering to Business Ethics

Enhanced corporate governance is the cornerstone of sound development of enterprises, and adherence to business ethics is fundamental to the long-term development of enterprises. We strictly abide by the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China* and other related laws and regulations, and formulated *Anti-Fraud Management Policy*. Meanwhile, the Group has incorporated into the *Employee Handbook* the relevant provisions on business ethics such as anti-corruption, anti-bribery and confidentiality obligations that every employee must abide by, aiming to promote the improvement of employees' professional ethics and professionalism.

To standardise and coordinate anti-fraud efforts, we have established an Anti-Fraud Management Office, which is responsible for establishing and maintaining anti-fraud systems, as well as anti-fraud publicity and education. The Office is tasked with preventing behaviours that violate relevant laws and business ethics, such as abusing power for personal gain and accepting bribes. In addition, as the first line of defence in risk management, our functional departments and business units monitor the implementation of the anti-fraud system on a daily basis. In regular internal audits and self-assessments, we also take into account the identification, assessment, and management of fraud risks. We assess risks in management processes related to business, finance, human resources, and information technology, and enhance preventive measures.

In addition to conducting anti-fraud risk assessments in our daily operations, the Group has taken various measures to prevent fraud risks. We have established a system to avoid conflicts of interest involving employees' relatives. Management above L8, personnel in charge of regional companies below L8, and personnel who meet the aforementioned scope after new employment or position change during the performance of their duties, sign the *Performance Confirmation Letter* on a quarterly basis, and promise not to commit any illegal or unlawful acts that infringe the rights and interests of the Group in the course of business activities, such as bribery, corruption and embezzlement.

To ensure fair and just cooperation with suppliers and other partners, the anti-commercial bribery clauses has been incorporated into the contracts we sign with them. This aims to protect the legitimate rights and interests of both parties and establish a fair, transparent, and sustainable business relationship. Should a supplier commit serious misconduct, such as bribery or malicious abandonment of a bid, we will take measures to permanently discontinue their use and place them on a blacklist.

2023 Environmental, Social and Governance Report

Moreover, we adopt various approaches to protect information in business activities. We sign confidentiality agreements with our partners, specifying the scope of confidentiality, the duration, and the liabilities for breaches. Additionally, in our employee training, we emphasise the importance of keeping internal business information, technical data, and Research and Development (R&D) records confidential. We are committed to ensuring that employees strictly adhere to relevant regulations during their work to prevent losses to the Group due to non-compliant actions.

➤ Whistle-blowing Channels and Whistle-blower Protection

Employees and suppliers are encouraged to report any actual or suspected violation of business ethics to the Group's Anti-Fraud Management Office either by reporting email or by letter. During employee orientation, we provide a detailed introduction to reporting channels, emphasising employees' rights to report and the protective measures in place. Furthermore, in contracts signed with suppliers, we specify the integrity reporting email to safeguard the interests of both parties collaboratively.

Reporting Channels:

- Reporting mail: jubao@ainnovation.com
- Reporting acceptance address: Internal Audit Department, Floor 8, Building A, No. 3 Haidian Avenue, Haidian District, Beijing
- Report Delivery Address: Reporting Mailbox in the Office Area

The Group strictly standardises the reporting handling process. Upon receiving anonymous reports involving ordinary employees and middle management, we gather preliminary clues and materials, assess, investigate, and address the situation based on the specifics of the incident. Significant issues are escalated to the Company's board of directors for resolution. Depending on the severity of the case, the board may hire external auditors or other entities to assist with the investigation.

2023 Environmental, Social and Governance Report

To rigorously protect the information of the whistle-blowers, the Group mandates that staff receiving reports or involved in fraud investigations must not disclose the whistle-blower's details or the content of the report to any department or individual without authorization. Personnel who need to access reporting-related information for work purposes are required to register the details of their access. Whistle-blowers assisting in the investigation will be protected, and the Group prohibits any illegal discrimination or retaliation against whistle-blowers. Individuals who breach confidentiality or unlawfully revenge whistle-blowers will face disciplinary actions, such as dismissal or termination of employment contracts. If there is a suspicion of legal violation, the case will be referred to judicial authorities for legal proceedings.

During the Reporting Period, there were no unresolved or concluded corruption lawsuits filed against the Group or our employees.

➤ Integrity Training

We are committed to promoting integrity and anti-corruption awareness among all members of the Group, including board members. During the Reporting Period, we conducted several anti-fraud and business ethics training sessions. Specifically for board members, we organised advocacy courses covering topics such as the integrity responsibilities of directors and anti-corruption obligations. These courses clarified their integrity duties, explicitly prohibited improper benefits, bribery, and other misconduct, and stated our Group's zero-tolerance policy towards corruption and fraud. Additionally, we held two anti-fraud training sessions for new employees to define the concept of anti-fraud, behaviors considered fraudulent, and the investigation process for fraud incidents. Through assessments, we tested and reinforced the new employees' awareness of integrity.

1.3. Ensuring Marketing Compliance

We fully understand that marketing compliance is crucial to the Company's long-term development and market reputation. We seriously comply with the *Advertising Law of the People's Republic of China* and other applicable laws and regulations and have formulated the *AlInnovation Brand Management Policy*. As a result, all employees are required to understand the brand definition, usage guidelines, and licensing requirements, among other things, and exercise strict self-management to maintain the positive brand image of AlInnovation.

As part of our day-to-day work, we continuously raise employees' awareness of marketing compliance. In the onboarding training, we have included sections on marketing compliance and trademark use rules with systematic explanations and case studies. This ensures that employees are fully aware of the importance of marketing compliance from their first day at AlInnovation and understand the relevant requirements they need to follow in their work.

2023 Environmental, Social and Governance Report

1.4. Deepening ESG Governance

➤ ESG Strategy

The Group continues to develop and innovate in areas such as AI products, services and smart business solutions. AlInnovation always adheres to the mission to “Empower Businesses with AI technology”. With in-house endeavours to improve our “technology and products” and efforts in digging deeper into external “industry scenarios”, we spare no effort to contribute our part in industry development, expand the boundaries for technologies, and create value for all stakeholders. We adhere to the original aspiration of “Getting Technology-empowered for Good and Value Creation”, committed to balancing the sound development of environment, society and governance, and realising synergistic enhancement of the Group’s environmental benefits, social benefits and economic benefits.

➤ Statement of the Board of Directors

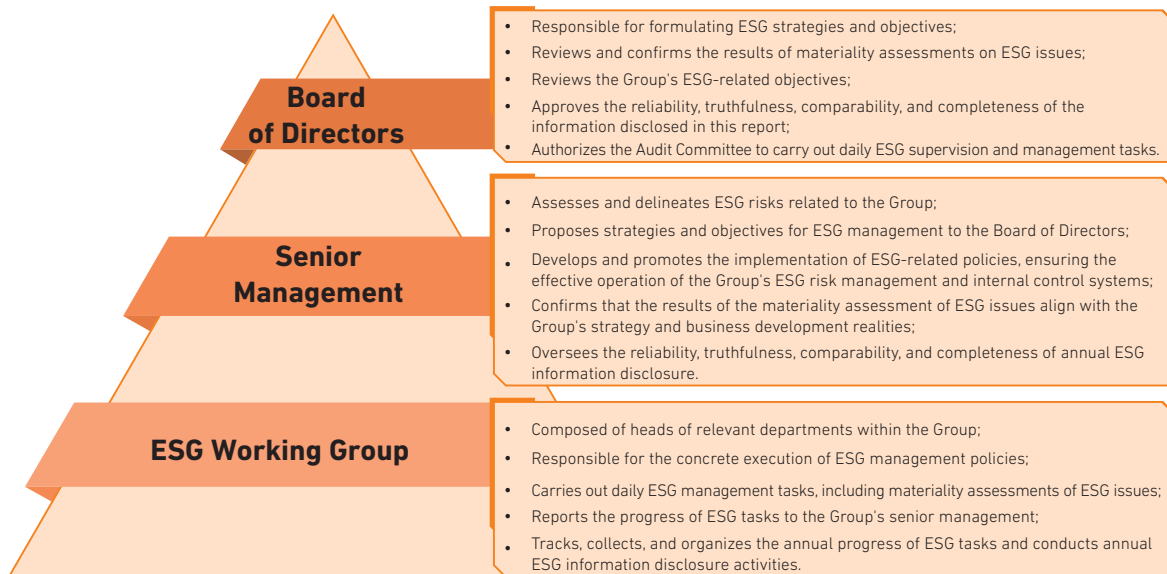
The Board of Directors, as AlInnovation’s top responsible body for ESG management, sets the Group’s ESG management principles and strategies, and guides and oversees the practices and progress of ESG matters. The Board regularly identifies, assesses, and prioritises ESG risks. Taking into account various factors such as stakeholder feedback, external expert opinions, the Group’s operational status, and development strategy, the Board sets ESG goals and work priorities for the next stage. For more details, please refer to the “Stakeholder Communication” and “Materiality Assessment” sections of this chapter.

The Board reviews ESG matters at least once a year to understand the Group’s ESG work and to assess the gap between the current state and the established ESG goals. In addition, the Board evaluates the Group’s ESG performance against industry benchmarks and best practices. To ensure that the Group’s ESG goals are practical and business-oriented, the Board adjusts the ESG working arrangements in a timely manner based on business priorities and strategies. The Audit Committee, as delegated by and on behalf of the Board, provides day-to-day ESG oversight and management. During the Reporting Period, the Audit Committee reviewed the Group’s progress towards ESG goals and the work performance, and found it to be overall consistent with the Group’s ESG philosophy and strategies. Overall, the review revealed that the Group achieved notable progress and achievements. It is expected that the goals will continue to be met in the future.

2023 Environmental, Social and Governance Report

➤ ESG Governance Structure

Alnovation has established a three-tier ESG governance structure, which is composed of the Board of Directors, senior management and the ESG Working Group, and with their functions defined respectively. Meanwhile, the Group is committed to enhancing the ESG professional knowledge and skills of each member of its organizational structure, and invites external institutions to conduct ESG training every year, so as to understand the latest development trends of ESG in the industry, to clarify the requirements of the current ESG norms and best practices, and to combine with its own ESG-related experience, to continuously improve the ESG management work, and to enhance the sustainable performance of the Group.



Alnovation ESG Governance Structure

➤ Stakeholder Communication

Stakeholder engagement is a critical reference for Alnovation's continuous improvement of ESG-related efforts. To address the concerns and expectations of key stakeholders, including government/regulatory authorities, shareholders/investors, employees, customers, business partners and suppliers, communities and the public, we proactively engage in a variety of communication methods such as meetings, satisfaction surveys, and email hotlines. This ensures the timely and effective comprehension of their ESG-related demands and aspirations, offering essential guidance for the adjustment of the Group's ESG development plans and priorities.

2023 Environmental, Social and Governance Report

Stakeholders	Expectations and Requirements	Communication Mechanism
Government/Regulatory Authorities	<ul style="list-style-type: none"> • Compliance with laws and regulations • Tax compliance • Ethical governance of science and technology • Support local development 	<ul style="list-style-type: none"> • Daily management • Meetings • Supervision and inspection
Shareholders/Investors	<ul style="list-style-type: none"> • Shareholder returns • Information disclosure • Investor relations • Corporate governance • Risk control 	<ul style="list-style-type: none"> • Shareholders' meetings • Information disclosure • Activities promoting investor relations
Employees	<ul style="list-style-type: none"> • Salaries and performance evaluation • Comprehensive Training System • Employee Welfare • Fair opportunity for promotion and development • Quality workplace 	<ul style="list-style-type: none"> • Performance appraisal • Talent development • Employee activities and care • Staff meeting • Daily communication
Customers	<ul style="list-style-type: none"> • Adhering to commitments • Innovative products • Quality services • Information security and privacy protection 	<ul style="list-style-type: none"> • Contract performance • Hotline and e-mail • Customer satisfaction survey • Daily communication
Business Partners and Suppliers	<ul style="list-style-type: none"> • Adhering to commitments • Equal, open and fair procurement • Sustainable supply chain management • Win-win development 	<ul style="list-style-type: none"> • Compliant procurement • Contract fulfilment • Industry communication • Daily communication
Communities and the Public	<ul style="list-style-type: none"> • Support for community welfare • Support for youth education • Promote environmental protection • Response to climate change 	<ul style="list-style-type: none"> • Cultivation of skilled talents • Youth development • Green office • Climate risks identification

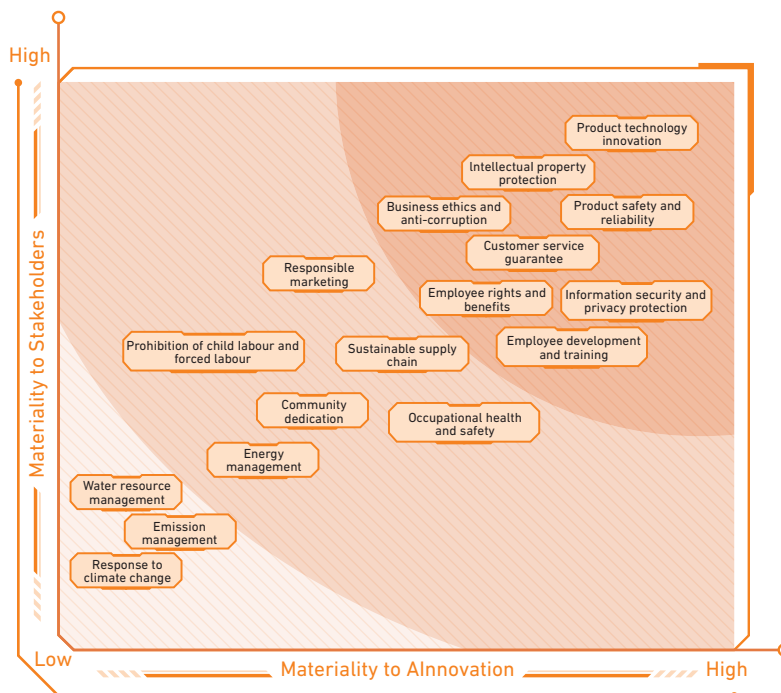
2023 Environmental, Social and Governance Report

➤ Materiality Assessment

To identify ESG topics that are important to the Group and our stakeholders, we take the following steps to conduct a materiality assessment of each ESG topic:

- ❖ **Step 1 — Initial identification of ESG topics:** According to the requirements of the ESG Reporting Guide, we identified 17 ESG topics relevant to the Group based on the Group’s actual business and industry characteristics;
- ❖ **Step 2 — Determination of the materiality of each topic:** Through internal interviews and questionnaire surveys, we conducted our analysis based on two dimensions, namely “Materiality to AlInnovation” and “Materiality to Stakeholders”, and formed a materiality assessment matrix;
- ❖ **Step 3 — Validation of matrix evaluation results:** The Group’s Board of Directors, senior management and ESG Working Group reviewed and confirmed the results of the materiality assessment.

During the Reporting Period, the Group reviewed the ESG topics and their substantive assessment results. We conducted a comprehensive analysis and judgment of each topic, taking into account information from internal stakeholder communication and external expert opinions. The results indicate that the substantive assessment of our Group’s ESG issues in 2023 remains consistent with that of 2022. The specific matrix is as follows:



Innovation Materiality Assessment Matrix

2023 Environmental, Social and Governance Report

1.5. Promoting AI Ethics

Adherence to ethical principles is crucial to the healthy and sustainable development of AI. During the Reporting Period, we proactively prepared and gradually integrated ethics into the entire lifecycle management of AI. Our AI Ethics Governance Committee (“AI Ethics Committee”) was officially established in March 2024 with the promulgation of the *Artificial Intelligence Ethics Committee Charter of Alnnovation*, which provides comprehensive guidance for AI ethics governance work. The AI Ethics Committee will be fully responsible for various matters, such as formulating policies, closely monitoring the legal and regulatory requirements of the places where the Group operates, supervising the compliance of the Group’s AI activities with ethical standards, and providing professional evaluation and consultation for the Group’s related disputes. It is also responsible for establishing a sound ethics-related complaint and appeal mechanism, receiving ethics-related complaints and reports and cooperating with relevant industry regulators in legal review.

The AI Ethics Committee consists of a Governance Committee and an Advisory Committee, with a Secretary Office under the Governance Committee. The Governance Committee includes members such as the Chief Executive Officer (CEO), the Technical Director, the Product Director, and the Secretary of the Board. The Advisory Committee consists of external experts selected by the Group. The AI Ethics Committee rigorously follows governance strategies to better build the AI ethics of Alnnovation. It has set up a dedicated email (alethics.committee@ainnovation.com) to collect feedback and opinions, and to further explore AI ethics with stakeholders.

2023 Environmental, Social and Governance Report

<p>Ethical Principles</p>	<ul style="list-style-type: none"> Ensuring that technology is controllable, data is secure, and ethics are followed; paying close attention to the development of AI ethics and technologies; and constantly updating and improving the rules and standards of ethical review, as well as the ethical standards and responsibility requirements in AI R&D and application; developing and updating ethical guidelines and policies to keep pace with the rapid development of AI technologies and to address emerging ethical challenges.
<p>Culture Development</p>	<ul style="list-style-type: none"> Organising regular and ad hoc training on AI ethics review work for employees and AI ethics training for researchers to increase AlInnovation's awareness of AI design, development and application as well as employees' ability to identify and resolve potential ethical issues, and to promote an "everyone can play a key role" culture of ethical governance.
<p>Review Procedures</p>	<ul style="list-style-type: none"> Establishing robust procedures for reviewing and monitoring potential ethical risks throughout the product and service lifecycle, including project approval, product or service launch, ongoing monitoring of operations, and subsequent iteration of products and solutions; and based on the results, conducting a comprehensive ethical review of all AI projects of AlInnovation, and tracking and overseeing the entire review process as required.
<p>Risk Control</p>	<ul style="list-style-type: none"> Establishing an ethical risk target management mechanism, ethical risk event response mechanism, and ethical governance quality control mechanism to ensure the effective implementation of the AI governance system.
<p>Technologies and Tools</p>	<ul style="list-style-type: none"> Developing a platform with a series of tools and technologies for data governance, algorithm testing, model health check-ups and ethical review to support ethical governance practices.
<p>External Ecosystem</p>	<ul style="list-style-type: none"> Discussing and implementing ethical governance in the field of AI with industry experts, university scholars, and eco-chain partners, in order to function the synergy with scientific research institutions, the industry, government agencies and the general public and to promote the practice and application of AI ethics; and actively participating in the establishment of industry/national standards.

Governance Strategy of the AI Ethics Committee

2023 Environmental, Social and Governance Report

2. Innovative Development to Deliver Superior Quality

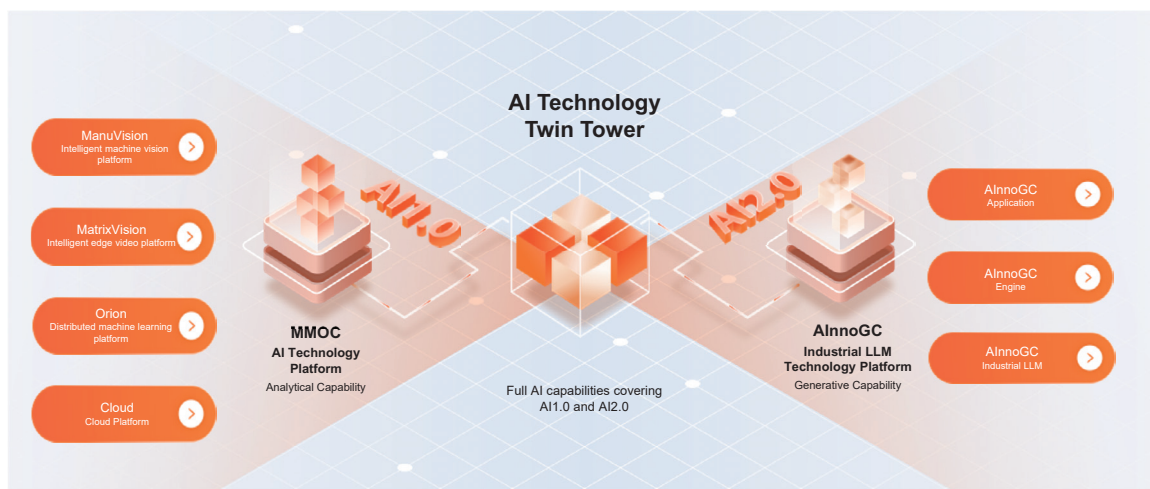
Alnovation maintains an unwavering commitment to technological innovation as a key driver of the Company’s development, recognising it as a critical prerequisite for creating superior products and delivering excellent services. We are always energetic in innovation, seeking to elevate our technological capabilities while firmly safeguarding intellectual property rights and continuously refining our quality management system to enhance customer satisfaction. In addition, we are fully committed to ensuring data security for the Group and customers and driving the healthy development of the industry ecosystem.

2.1. Promoting Innovation and R&D

Cutting-edge AI technology is an important engine for the development of enterprises. We have intensified our R&D efforts to achieve continuous breakthroughs in in-house technology. To lay a solid foundation for technological upgrading and product iteration, we have established a comprehensive innovation mechanism and are focusing on building a high-quality R&D team. We also vigorously cooperate and communicate with suppliers and industry associations, contributing to the advancement of the industry.

➤ Technological Innovation Achievements

Alnovation specialises in two major business sectors: “AI + Manufacturing” and “AI + Financial Services”, and has established AI technology twin tower: “MMOC AI technology platform” and “AlnoGC Industrial LLM technology platform”.



Alnovation AI Technology Twin Tower

2023 Environmental, Social and Governance Report

The “MMOC AI technology platform” is independently developed by the Group. It consists of the ManuVision (an intelligent machine vision platform), the MatrixVision (an intelligent edge video platform), the Orion (a distributed machine learning platform), and the Cloud (a cloud platform). It has successfully delivered digital and intelligent information transformation projects for hundreds of customers. “AlnoGC”, a generative AI platform with large industrial models as its core, was launched by Alnoinnovation in the first half of 2023. It is built on Alnoinnovation Cloud infrastructure, which is mainly composed of three layers of “AlnoGC Application”, “AlnoGC Engine”, and “AlnoGC Industrial LLM”.

AlnoGC Industrial LLM	AlnoGC Engine	AlnoGC Application
AlnoGC Industrial LLM is an industry grand model for industrial and intelligent manufacturing, and is currently updated to Alno-15B version. It supports text generation, data analysis, knowledge questions and other functions.	AlnoGC Engine is an intermediate service layer, connecting industrial LLM and generative AI application, providing data processing, large model fine tuning, large model service, prompt engineering and other life-cycle services to help Industrial LLM landing business scenarios.	AlnoGC Application layer is a ChatX series of generative AI applications for many segments in the manufacturing industry, including ChatBI, ChatRobot and ChatDoc.

As we launch the new technology platform, we remain true to our roots in R&D, with a strong focus on technological innovation. During the Reporting Period, we proposed a new method for fine-grained learning from coarse labels, which was successfully accepted at one of the most prestigious AI conferences, the Conference on Neural Information Processing Systems (NeurIPS). This method has significant practical implications for tasks such as product quality inspection and foreign object detection. It also has broad application prospects in areas such as product identification, defect detection, and security protection.

During the Reporting Period, Alnoinnovation won many awards in R&D competitions. We triumphed in the SnakeCLEF and PlantTraits tracks of the Fine-Grained Visual Classification (FGVC) challenge at the Conference on Computer Vision and Pattern Recognition (CVPR), organised by the Institute of Electrical and Electronics Engineers (IEEE). In addition, our “AlnoGC Industrial LLM” achieved an excellent rating (4+) and passed the compliance verification for the model application module of the *Large-Scale Pre-Training Model Technology and Application Evaluation Method*, becoming one of the first enterprises in China to pass the compliance verification for trustworthy AI large models - model application standards by the China Academy of Information and Communications Technology (CAICT).

Alnoinnovation has outperformed peers in terms of technical capability, business performance, and future strategy for excellent practices in industrial data intelligence across various segments. During the Reporting Period, the Company received recognition from several institutions, as detailed below:

2023 Environmental, Social and Governance Report

Number	Awarding organisation	Awarded prize
1	National Industrial Information Security Development Centre	An excellent case included in the White Paper of AI-Powered Industrial Quality Inspection Application Development
2	China Academy of Information and Communication Technology (CAICT)	High rating of 4+ in the Trustworthy AI Large Model Evaluation - Model Application
3	China Academy of Information and Communication Technology (CAICT)	Top 10 recommended cases by the AI Infra Working Group at CAICT
4	China Academy of Information and Communication Technology (CAICT)	2023 Trustworthy AI Cases - Outstanding Cases of Large Model R&D and Application and Tool Platforms
5	China Academy of Information and Communication Technology (CAICT) - East China Branch	2023 Yangtze River Delta Manufacturing Digital Transformation Pilot Demonstration Enterprises
6	Artificial Intelligence Commission of China Electronics Chamber of Commerce	China AI Golden Goose Award
7	All-China Federation of Industry and Commerce	Top 500 Private Enterprises in China for Invention Patents
8	Department of Industry and Information Technology of Shandong Province	The Seventh Batch of the First Edition of High-End Software in Shandong
9	Department of Industry and Information Technology of Shandong Province	List of Artificial Intelligence Application Scenarios in Shandong
10	Shandong Artificial Intelligence Association	Shandong's Top 20 High-Growth and Innovative AI Brands in 2023
11	Shandong Electronic Information Industry Comprehensive Service Platform - Shandong Electronic Society	Outstanding Enterprises in the Information Industry of Shandong
12	Shandong Federation of Industry and Commerce	Top 100 Private Innovation Enterprises in Shandong
13	Jiangsu Association of Artificial Intelligence	2023 Jiangsu Science and Technology Award
14	Qingdao Jimo District Science and Technology Bureau	Jimo District Artificial Intelligence Full-Stack Empowerment Key Laboratory
15	Qingdao Municipal Bureau of Science and Technology	Qingdao Artificial Intelligence Full-Stack Empowerment Technology Innovation Centre
16	Qingdao Municipal Bureau for Private Sector Development	Specialised and Sophisticated Enterprises in Qingdao
17	Qingdao Municipal Bureau for Private Sector Development	"One Enterprise, One Technology" R&D Centre
18	Qingdao Federation of Industry and Commerce	Top 10 Private Innovative Enterprises in Qingdao

2023 Environmental, Social and Governance Report

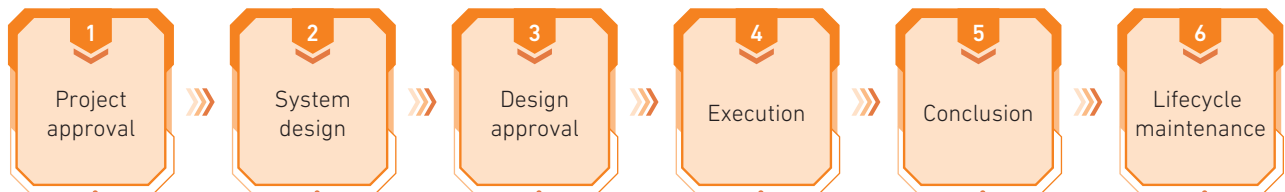
Number	Awarding organisation	Awarded prize
19	Qingdao Artificial Intelligence Industry Association	Excellent Industrial Large Model Products in Qingdao
20	Qingdao Artificial Intelligence Industry Association	Excellent Software Products in Qingdao
21	Qingdao Artificial Intelligence Industry Association	2022 Annual Excellent AI Application Scenarios in Qingdao
22	Qingdao Federation of Enterprises - Qingdao Association of Entrepreneurs	2022 Annual Digital Economy Development Cases in Qingdao
23	Fortune (a prominent global finance magazine)	The Most Innovative Companies (IoT) in 2023
24	Organising Committee of the 2nd New Investment EXPO and the 17th Frost & Sullivan Global Growth, Innovation and Leadership Summit	2023 Leading Specialised and Sophisticated Enterprises
25	International Data Corporation (IDC)	Ranked 3rd for computer vision and 4th for machine learning in the China Artificial Intelligence Software Market Share 2022
26	International Data Corporation (IDC)	Ranked 2nd in the report China's AI-Enabled Industrial Quality Inspection Solutions Market Share in 2022
27	International Data Corporation (IDC)	A leader quadrant vendor, according to the IDC MarketScope: China Computer Vision Solutions Vendor Evaluation 2023
28	IPR Daily (a global integrated intellectual property information service provider)	Ranked 35th in the "List of Invention Patents of China's Artificial Intelligence Large Model Enterprises (Top 50)"
29	IPR Daily (a global integrated intellectual property information service provider)	Ranked 19th in the "List of China's Top 100 AI Industrial Vision Invention Patents"
30	EqualOcean (a science, technology and industry innovation service platform)	2023 Top 50 Vendors for Innovative AIGC Application Scenarios
31	Synced (an AI information service platform)	"AI China", "Most Powerful Technology Enterprises (Top 20)"
32	Synced (an AI information service platform)	Best Large Model Products and Applications (Top 20)

2023 Environmental, Social and Governance Report

Leveraging our technological strengths, we have actively participated in the formulation of national and industry standards, providing the industry with more standardised and mature technologies. We have also strengthened our professional capabilities and influence in the intelligent fields of digital transformation and cloud computing. During the Reporting Period, we co-compiled China's first national standard for digital transformation, the *Integration of Informatisation and Industrialisation - Digital Transformation - Reference Model for Value and Effectiveness* (GB/T 23011-2022), and some group standards, including the *Assessment Specification of Digital Transformation Solutions for Small and Medium-Sized Enterprises* (T/SDSZXJJ 005-2023) and the *Maturity Model for Artificial Intelligence for IT Operations (AI/Ops) of Cloud Computing Part 2: Technical Requirements for Systems and Tools* (T/CCSA 382.2-2023).

➤ Strengthening R&D Capabilities

To continuously enhance the capacity of knowledge creation and technological accumulation, we have been constantly strengthening our R&D capabilities to stimulate the creativity of employees. Additionally, we have been continuously improving the reward mechanism for innovative achievements, clarifying the cash rewards corresponding to patents of different stages and categories, and further stimulating and nurturing employees' independent innovation capabilities. At the same time, the Group adheres internally to the *Management Measures for Research and Development Products*, establishing a comprehensive product R&D framework with clear R&D processes. This standardises the management of Alnnovation's R&D projects and ensures the legality, standardisation, accuracy, and completeness of related documents for R&D projects. Such measures powerfully drive the enhancement of the Group's core competitiveness.



Product R&D Process of Alnnovation

2023 Environmental, Social and Governance Report

➤ Creating Sustainable Products

We pay close attention to the ESG attributes of our projects, assessing and summarising their potential environmental impacts and corporate social responsibility and work safety performance at the initiation and post-project phases. Bearing in mind the unique social responsibility of a high-tech enterprise, we have leveraged AI products and solutions to drive digital and intelligent transformation for customers across industries, addressing their operational pain points and helping them achieve lower costs, higher efficiency and greater business value. We are also using AI products to facilitate the implementation of national policies related to production safety in factories, energy conservation and emission reduction. Moreover, we support the application of domestic chips, providing comprehensive support for the shared growth of economic, social and environmental benefits.

Case: Assisting Advantech in Realizing Intelligent Analysis of Wear Behaviors Breach to Ensure Safe Production

Alnovation has entered into a deep cooperation with Advantech (China) Co., Ltd. (“Advantech”) to empower the Artificial Intelligence Internet of Things (“AIoT”) ecosystem in the industrial manufacturing sector and explore the industrialization of AI and the industrial Internet of Things (IIoT) platform. This collaboration leverages Alnovation MMOC artificial intelligence technology platform, AlnoGC industrial large model technology platform, and Advantech’s industrial cloud platform to jointly accelerate the digital and intelligent transformation of the industry.

During the Reporting Period, Alnovation assisted Advantech’s Kunshan Board Factory in achieving rapid deployment of a series of models such as detection, tracking, and segmentation without the need for training. This was achieved through the application of the AlnoGC industrial large model-based generative edge video analysis platform, ChatVision. With simple voice interactions, the platform efficiently analyses breaches in wearing behavior in multiple factory surveillance videos, safeguarding safe production.

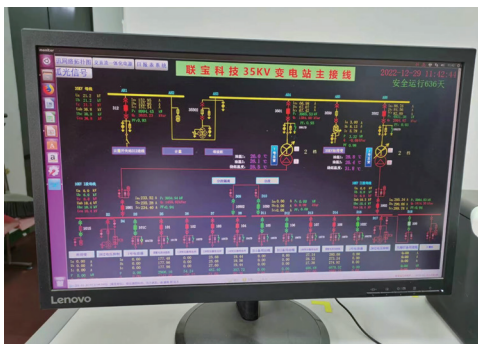
2023 Environmental, Social and Governance Report

Case: Eliminating Power Failure and Lowering Failure Rate of Equipment Without Early Warning to Save Energy and Reduce Emissions

An intelligent computing equipment R&D and manufacturing base, which has made statistics on energy use mainly by manual meter reading, lacks in-depth data analysis to optimise operations. As the service time of equipment increases, the risk of failure continues to rise. However, the base has a huge demand for energy. Once a power failure occurs, it will cause tremendous losses to the base.

To solve this problem, Alnnovation has provided the base with comprehensive solutions. These solutions include energy monitoring and management, energy conservation, and AI operation and maintenance for the power supply system equipment. By using our self-developed Orion distributed machine learning platform, we empower the AIoT platform, energy management system and equipment health diagnosis system to realise multi-dimensional perception and analysis of the base's equipment and environment. Through the Orion platform, we have enabled more accurate analysis on energy consumption and more intelligent investigation on hidden dangers in the power supply system, thus greatly improving the efficiency of operation and maintenance work.

With this solution, we assisted our customers in the effective monitoring and analysis of energy use, the formation of energy saving strategies, and the predictive maintenance of the power supply system equipment. As a result, the probability of risks caused by power failure can be reduced by 30% on average, energy can be saved by 5%-10%, the failure rate of equipment without early warning within the monitoring range can be lowered by 45%, and carbon dioxide emissions can be comprehensively reduced by over 7,000 tonnes/year.



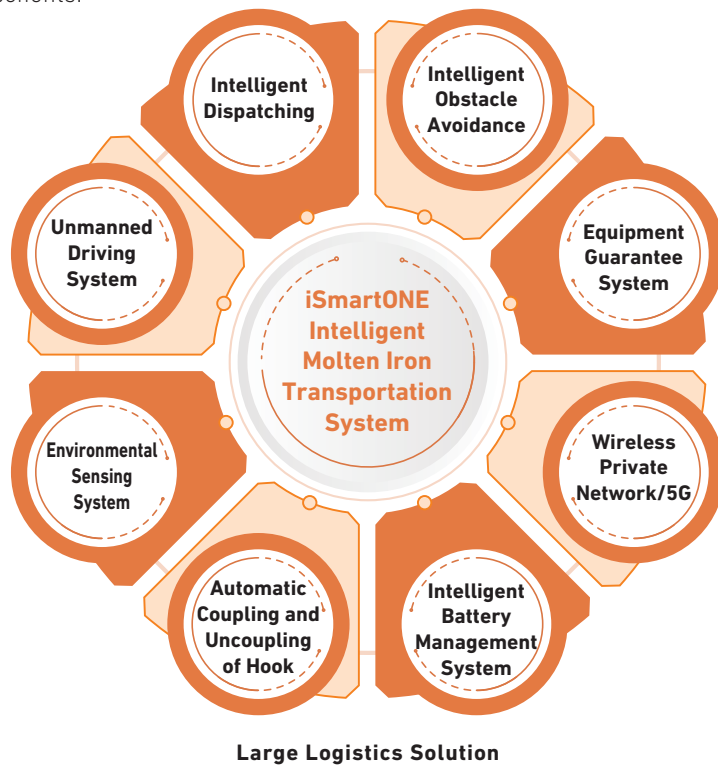
Analysis Based on Multiple Data Sources

2023 Environmental, Social and Governance Report

Case: Applying AI to Large Logistics to Improve the Efficiency of Transporting Molten Iron

An iron and steel group adopts the “one-tank system” mode of transportation. Compared with the intelligent molten iron transportation mode, the “one-tank system” poses new challenges to the installation, protection and operation stability of unmanned equipment, and has difficulties in accurately identifying and tracking the tank number.

Alnovation customized the “iSmartONE intelligent molten iron transportation system”, which solved the problem of identifying and tracking the tank number through fault-tolerant QR code recognition technology for the first time. In addition, Alnovation realised pure electrified unmanned dispatching in the industry for the first time, resulting in collaborate production and efficient control between molten iron transportation and converters in steelworks. The system has helped improve transportation efficiency, achieve zero safety accidents, reduce pollution and carbon emissions, and increase socio-economic benefits.



2023 Environmental, Social and Governance Report

Case: Alnovation Cooperates with Rockchip to Support the Localisation of Chip Technology

For the needs of industrial scenarios, Alnovation takes Rockchip's AI chips as the core, and has developed an intelligent edge computing box that can perform real-time intelligent analysis on a large number of video streams. With the characteristics of high performance, low power consumption, scalability, etc., the computing box can meet the high standards on computing power and stability in industrial scenarios.

To verify and improve the quality of this product, we built a test cluster consisting of more than 100 pieces of equipment. In the test cluster, each piece of equipment is capable of simultaneously processing video streams from multiple scenarios and performing continuous analysis 24 hours a day. With the high-intensity test environment of the test cluster, we have continuously improved our hardware and software. With the improvement, we have achieved remarkable results in time between failures, software availability, number of video streams accessed, code defect reduction and energy efficiency improvement of equipment.

2.2. Protecting Intellectual Property Rights

Protecting intellectual property rights is a direct action to safeguard the Group's innovative achievements and a key strategy to strengthen our corporate core competitiveness. Strictly abiding by the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China* and other relevant laws and regulations, Alnovation has established a complete the *Alnovation Patent Application and Rewarding Standards* to further optimise the declaration and maintenance of intellectual property rights.

The Group has a complete intellectual property management structure. In addition, we have arranged dedicated personnel to keep abreast of the updates of relevant laws and regulations to update internal policies accordingly in a timely manner. In particular, we have set up a technical review committee to ensure that the Company's technical solutions and products are developed and promoted on a legal and compliant basis. This can help protect the Company's innovation results and intellectual property rights while maintaining the Company's competitive advantages and business interests.

2023 Environmental, Social and Governance Report

We actively take various measures to ensure that the intellectual property rights of others are also not infringed. Through a professional retrieval system, we will timely understand the patent-related data and layout of companies within the industry. Once we find potential risks on infringing patents of others, we will organise seminars with professional institutions to conduct an infringement analysis, and adjust the layout of our own patents in a timely manner according to the results. In addition, during the Reporting Period, we regularly publicised to all employees the importance of using licensed software. We also call on all employees to comply with the Group's *Management Rules on the Use of Licensed Software* and to respect and protect the intellectual property rights of others.

Meanwhile, we also cultivate an innovative culture within the enterprise to encourage employees to explore potential patents. It is stipulated that during any stage of the acceptance and advancement of product research and development projects, if the accumulated technological innovations meet the conditions for applying for domestic and foreign patents or if the project achievements meet the conditions for applying for software copyright, the inventor or the project leader must actively contact the intellectual property management department to jointly promote and complete the application process. To shape employees' awareness of intellectual property protection and management, we conducted six patent training sessions during the Reporting Period, including three "Research and Development Results Patent Empowerment Training" sessions and three "On-site Patent Assistance Mining" sessions. These sessions covered patent principles, patent application and review processes, and document drafting, offering knowledge sharing and guidance on patent-related matters.



Employee Intellectual Property Training

As of 31 December 2023, the Group has applied for a total of 1,286 AI-related patents, of which 1,041 are invention patents, accounting for 81% of all AI patents. The number of successfully registered AI-related patents has reached 524. Additionally, we have accumulated 431 copyrights. During the Reporting Period, we focused on patent applications in the direction of large models, with 8 new patent applications in this area and a total of 20 patents granted.

2023 Environmental, Social and Governance Report

Due to the excellent performance in patents, the Company and two subsidiaries of the Group obtained the certification of the national implementing standards on intellectual properties and the *Intellectual Property Management System Certification* during the Reporting Period. The certification indicates that the Group's comprehensive performance in standardised management, protection and application of intellectual property rights has reached the leading level in China. To maintain the competitive advantages of the Company in the market in the future, Alnnovation will continue to deepen the innovation in the field of AI technologies, and strengthen the protection and management of intellectual property rights.



Intellectual Property Management System Certification

Furthermore, Alnnovation has established the *Alnnovation Brand Management Policy* to improve the management of brand trademark usage. We conduct autonomous monitoring for trademark infringement, performing monthly monitoring of trademarks through independent searches. Upon detecting any infringement, we immediately file a complaint with the Market Supervision and Administration Department and cooperate with subsequent investigations and legal procedures. Our new employee training also specifically incorporates content regarding the norms and systems for using the Alnnovation brand, enhancing new employees' awareness of trademark protection and maintenance. This aids in building brand barriers for the Group and enhancing market competitiveness.

2023 Environmental, Social and Governance Report

2.3. Improving Product Quality

The AI solution industry develops rapidly under fierce competition. As such, Alnnovation is committed to providing products and services with the best quality and highest level, so as to continuously consolidate the customer base and support its high-quality development. We strictly adhere to the *Product Quality Law of the People's Republic of China* and other relevant laws and regulations, continuously refine our internal quality management system, and have passed the CMMI Level 3 certification and ISO9001 Quality Management System Certification. Additionally, by formulating and implementing internal regulations such as the *Project Management Process Standards*, we rigorously monitor the implementation of quality management procedures and measures during project processes to ensure that project execution meets quality requirements and standards.



ISO9001 Quality Management System Certification



CMMI Level 3

To ensure product quality throughout the entire process, we implement strict quality control at the design, procurement, and product testing stages.

During the Design Stage

- Design documents are required to undergo quality-related document reviews led by the technical lead responsible for the development, ensuring that significant quality risks are avoided in the design.

During the Procurement Stage

- Our Centre of Excellence (COE) team conducts qualification assessments on selected suppliers to confirm their technical expertise.
- For suppliers of customized projects, we evaluate their technical delivery capabilities and conduct tests against technical benchmarks. Some suppliers may require on-site visits to assess their production capabilities and technical strength.
- We only purchase software, hardware components, and data annotation services used in the development process of products and solutions from accredited suppliers.

During the Product Testing Stage

- We conduct comprehensive inspections of product samples and their components to ensure they meet the relevant technical requirements.
- Since hardware components need to be assembled on-site for project delivery, we perform tests at the site before handing over the project to the client.

2023 Environmental, Social and Governance Report

Given the highly customized nature of our projects, we do not adhere to a one-size-fits-all quality control policy based on ensuring product quality throughout the process. Instead, we manage and continuously optimise design plans and implementation plans through pre-review, mid-term control, and post-project review. All design documents and test records are properly archived for future reference. During the Reporting Period, Alnnovation experienced no product recalls due to quality or safety issues.

Furthermore, we continuously enhance our team's expertise. During the Reporting Period, the Group organised project management training to improve employees' management level of project delivery quality.

Case: Project Management Policy Training

In September 2023, the Group conducted a Project Management Policy Training session, covering key aspects such as the main business processes of project management, project delivery schedule management, project risk management, project health evaluation, and collaborative division of labour within the Group. The aim was to assist employees in better collaborating to achieve high-quality project deliveries.



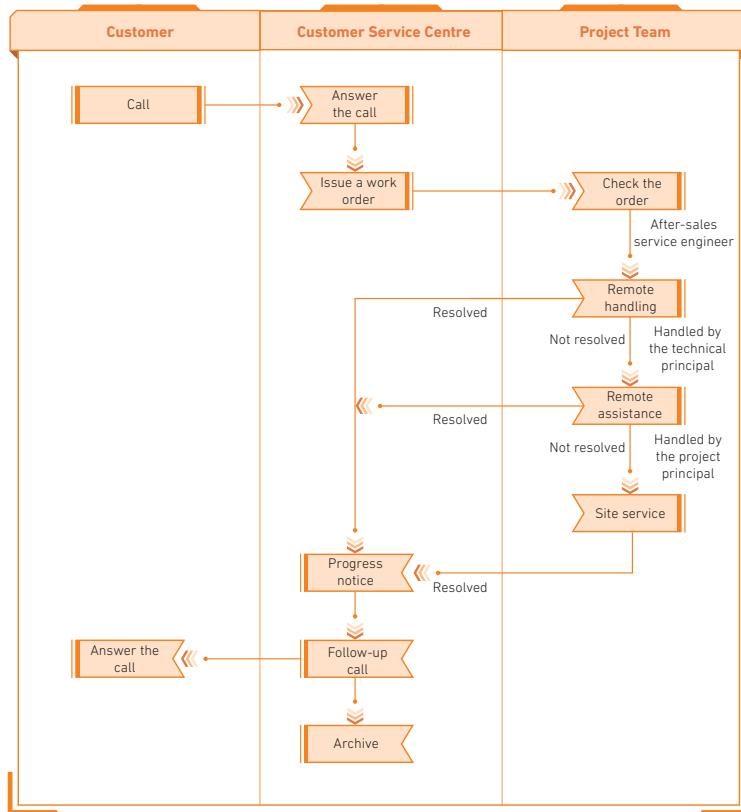
Project Management Policy Training Site

2.4. Providing Excellent Services

Since customer satisfaction is the foundation of our business, we are committed to creating high values and high-quality services for our customers, thus improving customer's satisfactory and trust and achieving a win-win result. We provide warranty service for products and meet the quality requirements of our customers in a more flexible way. During the Reporting Period, we develop the *After-Sale Service Management System* to clarify key positions in the after-sales process and optimise the after-sales service management process.

2023 Environmental, Social and Governance Report

We adhere to the principle of “after-sales issues have the highest priority”. Through the cooperation between the customer service centre and the project team, we provide after-sales services in a standardised, efficient and timely manner. Besides comprehensive after-sales services for projects within the contract warranty period, we have set up relevant after-sales service processes for projects out of the contract warranty period to support the after-sales services for the projects and follow-up visits by customers.



After-Sales Service Procedures for Projects within the Contract Warranty Period

The Group's customer service team provides remote customer services on a 24-hour real-time basis and dispatches work orders that need to be processed to after-sales engineers. Our engineers provide remote and on-site technical support depending on customers' requirements. We also provide system maintenance services for all cloud-based solutions and following the principle of incident importance and urgency, we stipulate the response time regarding failure events at all levels in the service. For customers requiring inspection services during the post-sales period, engineering and technical personnel will visit the site or conduct remote inspections of the system at specified intervals. Upon completion, they will provide feedback and reports to the customer. If any faults or risks of faults are discovered during the inspection, subsequent repairs will be arranged to ensure the high quality and effective operation of the customer's system.

2023 Environmental, Social and Governance Report

We prioritise communication with our customers and aim to enhance customer satisfaction. After the completion of post-sales services, we conduct customer satisfaction surveys focusing on delivery quality, the service attitude of delivery personnel, the technical level and professionalism of delivery personnel, and project progress. We invite customers to provide suggestions for improvement regarding the Group's delivery quality and share the survey results with the service execution team to continuously optimise customer service quality. Moreover, we are committed to improving customer feedback channels and complaint handling processes to ensure that complaints are addressed promptly and appropriately. As of the end of the Reporting Period, we have not received any complaints regarding our products and services.

2.5. Safeguarding Information Security

Alnovation fully recognises the importance of information security in the field of artificial intelligence. We strictly comply with laws and regulations relating to information security, including but not limited to the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, and the *Personal Information Protection Law of the People's Republic of China*. In accordance with relevant standards such as the *Information Security Technology - Information System Security Management Requirements (GB/T20269-2006)* and the *Information Security Technology - Basic Requirements for Information System Security Classified Protection (GB/T22239-2008)*, we have developed the *Information Security Management System*, the *Compliance and Legal Guidelines for Data Access and Services of Alnovation* and other internal policies, to establish a continuous improvement information security management system, ensure compliance in data collection and use, and reduce information security risks as much as possible.

➤ Improving Information Security Management

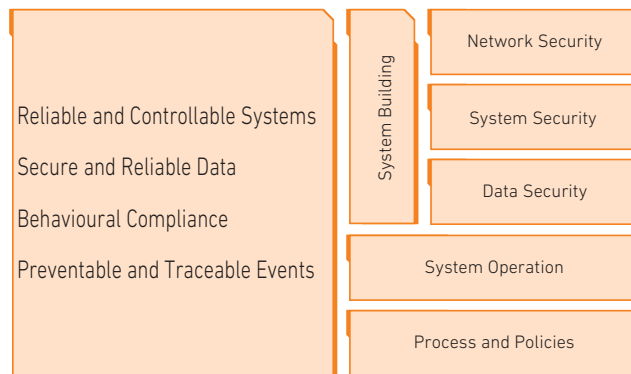
Alnovation has set up an information security management structure and established the Information Security Committee as the highest decision-making body. The Chief Technology Officer (CTO) serves as the head of the Information Security Committee and is responsible for leading, decision-making and supervising information security and data protection. The Information Security Committee includes an implementation department tasked with executing relevant decisions and managing daily activities pertaining to information security and data protection.

2023 Environmental, Social and Governance Report

We have set the overall objective for the information security system. We are committed to building a management system that includes network security, system security and data security, and improving system operation and management of processes and policies. We also have established the information security path of being “unhackable, incomprehensible, unmovable, unchangeable, unescapable and undefeatable” to strengthen the information security system. The Group has obtained the ISO27001 Information Security Management System certification. Under the requirements of the certification, the Group continues to strengthen information security management and review to ensure the effective implementation of the Group’s information security management system.



Information Security Management System Certification



Overall Objective for the Information Security System of Alnnovation

➤ Implementing Information Security Protection

Under the guidance of the information security objective, the Group has set up a series of security control points in five major areas, namely the secure physical environment, secure communication environment, secure area boundary, secure computing environment and secure management centre. The Group has also built a methodology based on the security system to work out the implementation path for the construction of the information security system, and carried out specific security technology measures to build a solid line of defence on information security.

2023 Environmental, Social and Governance Report

Information Security	Examples of Measures on Information Security Protection
Methodology	
Unhackable	Take measures such as physical security management, network security management, and access control to prevent hacking
Incomprehensible	Encrypt data and data transmission processes
Unmovable	Set up network security monitoring and alarm systems, configure firewalls and user behaviour management equipment, and implement data loss prevention policies and access control policies
Unchangeable	Deploy antivirus devices to periodically scan and kill malicious codes
Unescapable	Deploy bastion hosts, build log systems, deploy user behaviour log devices, and conduct regular information security audits
Undefeatable	Implement disaster backup and recovery in terms of system architecture, data security, etc.

Alnovation always prioritises data security protection for customers. In this way, we can not only ensure that customer data is processed in a secure and compliant manner, but also can build trust between the Group and customers. We strictly adhere to the terms of authorisation and scope of application as set out in the customer agreement to analyse and process customer data. We set permissions for the Internet Data Centre (IDC) internally, including establishing physical isolation, implementing the principle of least privilege for employees, and auditing access logs. In our contracts with partners, we make detailed provisions on data protection to ensure the effective implementation of the Group’s data security as well. We require third parties to sign a security responsibility provision or confidentiality agreement and obtain approval of written application before providing access to any information systems for them.

While strengthening Alnovation’s information security infrastructure, we continuously enhance employee awareness of information security. This is not only covered in the orientation training for new employees but is also the responsibility of the Information Security Committee to organise regular training for all staff. During the Reporting Period, we organised a specialised training session on “Methods for Responding to Information Security Issues” based on the comprehensive information security check-up results for the year 2023. This training provided detailed explanations on information security regulations, the results of the information security check-up, risks identified during the check-up, and corresponding measures. It reiterated to all employees the importance of protecting information security.

2023 Environmental, Social and Governance Report



Methods for Responding to Information Security Issues Training Site

2023 Environmental, Social and Governance Report

3. Cooperation with Peers to Build the Industry Ecosystem

The Group is fully aware that the high-quality development cannot be achieved without the collaboration and support of all partners. We actively participate in industry communication and establish deep and open strategic collaboration with industry partners, universities and other external institutions. In addition, we strengthen the management of suppliers and enhance the overall sustainability awareness and influence across the supply chain to jointly promote the sustainable development of the industry ecosystem.

3.1. Deepening Cooperation and Communication

Alnovation has always been actively expanding communication and cooperation with other parties. By integrating and sharing technological advantages, we are jointly creating a future of digital intelligence. During the Reporting Period, Alnovation was elected as the vice president unit of Qingdao Artificial Intelligence Industry Association, demonstrating our positive attitude and sense of responsibility in promoting industrial development and facilitating communication and cooperation. We also have signed strategic cooperation agreements with multiple industrial partners, and promoted cooperation and communication with universities to jointly promote R&D achievements to a new level.

Case: Strategic Cooperation Between Alnovation and Advantech

In the era of large models, the closer integration between AI and the Internet of Things and industrial ecosystem development are the only way to intelligent transformation of industrial manufacturing. In September 2023, we started strategic cooperation with AdvanTech which is deeply engaged in industrial Internet of Things. Both parties give full play to their respective advantages to jointly create the integration of industrial AI and Internet of Things technology (AIoT Ecosystem), and promote the industrialisation of AI and industrial Internet platforms, thereby accelerating the digital and intelligent transformation of the industry.

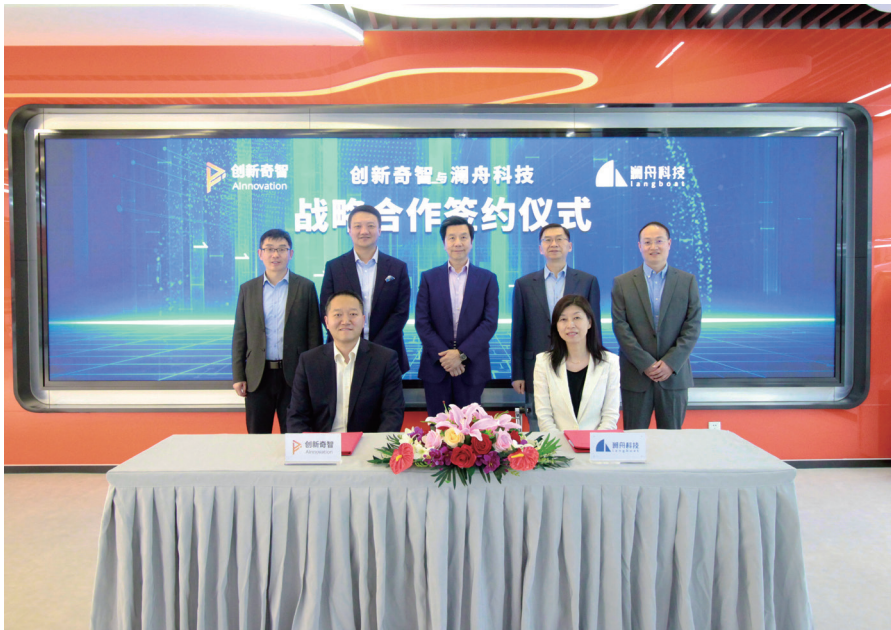


Signing Ceremony for Strategic Cooperation Between Alnovation and Advantech

2023 Environmental, Social and Governance Report

Case: Strategic Cooperation Between Alnovation and Langboat Technology

In March 2023, Alnovation established a strategic partnership with Langboat Co., Limited. ("Langboat Technology"). The two parties will leverage their respective strengths in computer vision, machine learning and natural language processing technology. With such a strong alliance, we will jointly build a complete AI 2.0 technology map, and explore the commercialisation of the AIGC technology in industries such as manufacturing and finance. Through the above strategic cooperation, Alnovation not only has expanded the R&D vision and resource network, but also further strengthened the leading position in the field of AI and industrial Internet.

**Signing Ceremony for Strategic Cooperation Between Alnovation and Advantech**

2023 Environmental, Social and Governance Report

Case: Research and Exchange Conducted by Tsinghua University

Alnovation leverages three proprietary AI platforms: machine vision, edge video intelligence, and distributed machine learning, to empower digital and intelligent transformation across various industries and scenarios, with successful applications in manufacturing, finance, retail, and more. In July 2023, Alnovation engaged in a research exchange with the “Zhi Hua Qing Hui (智化清輝)” team from Tsinghua University. The meeting focused on discussing the application of artificial intelligence in the chemical industry and other intelligent application scenarios. This collaboration not only promoted the academic application but also broadened Alnovation’s developmental perspectives.



On-site Research and Exchange of Tsinghua University’s “Zhi Hua Qing Hui (智化清輝)” Team

3.2. Optimising Supply Management

Our group’s supplier management is comprehensively overseen by the COE, which is responsible for suppliers’ qualification collection, review, follow-up evaluation, grading and management. We formulate and strictly abide by the *Supplier Management Policy*, the *Supplier Management Implementation Rules* and other guiding documents to manage procurement. These documents ensure the quality of purchased products and standardise the entire lifecycle management process of suppliers.

2023 Environmental, Social and Governance Report

Alnovation abides by “the five appropriate” principle (appropriate price, appropriate time, appropriate location, appropriate quantity and appropriate quality). Based on the principle, we select in top suppliers who offer an appropriate price, make a delivery on time, locate at a nearer place, meet the supply quantity requirement and supply high quality goods for cooperation. For new suppliers introduced to Alnovation, we conduct rigorous screening and evaluation, mainly focusing on their business qualifications, related products and services, and financial status. In particular, we pay close attention to whether suppliers hold certifications from the International Organization for Standardization (ISO) to further assess their business capabilities, quality control, and other management levels. Suppliers that meet the requirements and are successfully onboarded are subject to annual comprehensive assessments. We promptly phase out suppliers with lower composite scores or those found to have violated regulations, ensuring the resilience and healthy development of our supply chain.

Supplier selection

- Investigate suppliers before including them into the pool to ensure that they meet the Group’s basic requirements for supplier qualification (registered for more than 2 years with registered capital of more than RMB 2 million); issue the *Supplier Qualification Investigation Registration Form* to suppliers and obtain relevant information; include suppliers into the pool only after submitted information is reviewed;

Supplier management

- Regularly maintain and update the information of suppliers (name, contact information, etc.) in the pool;

Supplier assessment and review

- Conduct annual year-end assessment of suppliers in terms of quality, cost, delivery, service and technology. If the comprehensive score of a supplier is lower than 60, it is considered ineligible, and will not be allowed to bid for any project within 2 years;

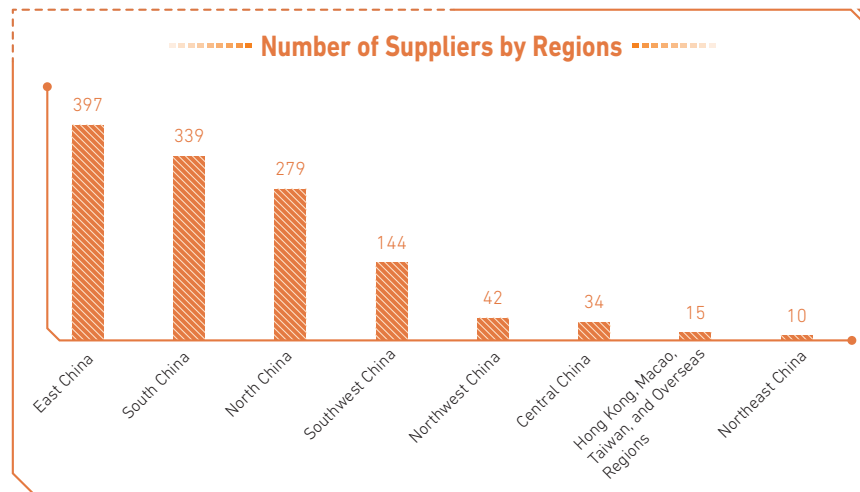
Inactive or removed suppliers

- Suppliers will be classed as removed if they have no cooperation with the Group within 2 years or fail to meet the selection requirements when their statuses are updated;
- Those who need to be re-used will be re-included in the pool after the latest materials are reviewed;
- Suppliers with complete materials but have no cooperation with the Group within 2 years will be marked as inactive.

2023 Environmental, Social and Governance Report

To enhance the green operational performance of our supply chain and to encourage suppliers to adopt more environmentally friendly products and services, Alnnovation prefers to establish cooperative relationships with suppliers who possess a sense of social responsibility and awareness of environmental protection. We also integrate ESG factors into supply chain management, empowering the sustainable construction of the supply chain with our ESG practice experience. We conduct in-depth analyses of the nature of the purchased materials, identify and assess environmental and social risks faced at each stage of the supply chain, and simultaneously urge suppliers to adopt effective measures to address these risks and implement risk prevention.

During the Reporting Period, the Company had a total of 1,260 suppliers. The number of suppliers by geographical region is as follows:



Note:

East China includes: Shanghai, Jiangsu, Zhejiang, Shandong, Anhui; South China includes: Guangdong, Guangxi, Hainan, Fujian; North China includes: Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia; Southwest China includes: Sichuan, Chongqing, Guizhou, Yunnan, Tibet; Northwest China includes: Shaanxi, Gansu, Xinjiang, Qinghai, Ningxia; Central China includes: Hunan, Hubei, Henan, Jiangxi; Northeast China includes: Liaoning, Jilin, Heilongjiang

2023 Environmental, Social and Governance Report

4. People-Oriented Approach to Create a Caring Workplace

We believe that talents are the most important core competitive advantages of Alnnovation and advocate the people-oriented approach and strive to achieve equity and harmony in workplace for the common progress of both the Group and the employees. The Group spares no effort to protect employees' legitimate rights and interests and offers competitive remuneration and benefits. Meanwhile, we have established a clear and transparent promotion mechanism and a comprehensive training system to attract and retain talents. While exploring employees' potential and supporting their development, we implement employee safety management and actively listen to the employees to create a comfortable and reassuring workplace.

4.1. Protecting Employee Rights and Interests

➤ Compliant Employment

We strictly abide by laws and regulations such as the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labour*. We legally sign labour contracts with all employees and have developed and continuously improved internal management regulations such as the *Employee Handbook* to support the healthy development of every employee.

We adopt a "Zero Tolerance" attitude towards child labour and forced labour. We require new joiners to provide personal documents and academic certificates to prevent the recruitment of child labour by mistake; if child labour is identified, we immediately terminate the employment contract and take relevant personnel to their legal guardians. In addition, the Group strictly follows the statutory working hours to guarantee a better balance between employees' personal life and work. Should any instances of forced labour be discovered, Alnnovation will strictly handle the situation immediately in accordance with regulatory requirements and take measures to prevent similar occurrences in the future. During the Reporting Period, the Group had no child or forced labour violations.

➤ Equity and Diversity

Alnnovation adheres to the principle of equal employment and incorporates related policies into the *Employee Handbook*, striving to create a diverse and inclusive work environment. In all aspects such as recruitment, hiring, training, compensation, promotion, and employee transfers, we consistently base our decisions on the professional skills of the individual and the actual needs of the position at Alnnovation. We pledge not to discriminate against any candidate or employee based on ethnicity, race, gender, skin color, age, family background, religious beliefs, physical condition, or nationality, nor to limit their career development, enabling every employee to fully realise their potential in an equal, diverse, and inclusive setting.

2023 Environmental, Social and Governance Report

➤ Remuneration and Benefits

Alnovation implements a comprehensive, performance-oriented compensation policy to optimise the allocation of corporate resources and stimulate employee motivation. Before joining, we determine the compensation package for talents based on factors such as job category, rank, and employee capabilities, which includes basic salary and performance bonuses. To ensure our compensation remains competitive within the industry, we annually evaluate the reasonableness of the compensation for existing employees and develop salary adjustment strategies based on employee performance and the Group's annual results.

We tailor performance assessment plans for employees based on the annual performance assessment scheme, using OKRs (Objectives and Key Results) as a performance management tool to ensure scientific and reasonable assessments. During the Reporting Period, in accordance with the *2023 Performance Appraisal Plan*, employees and their direct superiors communicated and agreed upon individual task objectives and evaluation criteria. Employee performance assessments are conducted from three dimensions: business objectives, business management, and team management, comprehensively and objectively evaluating work results and core competencies based on actual performance. Assessment results serve as an important basis for salary adjustments and promotion decisions.

To enhance employee well-being and practice a people-oriented approach, we provide paid annual leave, comprising statutory annual leave and annual welfare leave. Employees are also entitled to sick leave, marriage leave, bereavement leave, maternity/paternity leave, and injury leave in accordance with relevant laws and regulations. We also offer exclusive benefits for female employees, such as a half-day leave on Women's Day and 30 minutes of breastfeeding time in the morning and afternoon within a year of childbirth. Furthermore, the Group provides social insurance and commercial insurance for employees, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund, to better guarantee employees' life and work.

During the Reporting Period, thanks to our outstanding employer brand image, we were awarded the "2023 Annual Worth-Going Employer Award" by the professional networking platform MaiMai, recognizing our efforts in protecting employee rights, career development, and benefits.



MaiMai 2023 Annual Worth-Going Employer Award

2023 Environmental, Social and Governance Report

As of the end of the Reporting Period, the Group had 1,051 employees, and the proportion of full-time employees reaches 100%. The details of the employee structure and employee turnover rate are as follows:

	Category	Number of Employees	Employee Turnover Rate ¹
Gender	Male	769	24%
	Female	282	23%
Age	Aged under 30	399	26%
	Aged 30 to 40	509	22%
	Aged above 40	143	26%
Area	East China	667	22%
	Southwest China	127	16%
	North China	117	38%
	Central China	67	4%
	South China	42	49%
	Northwest China	30	14%
	HK, Macau, Taiwan and overseas	1	0%
Educational Background	PhD	6	—
	Master's degree	139	—
	Bachelor's degree	823	—
	Below Bachelor's degree	83	—

Note:

1. Employee turnover rate = Annual cumulative number of resignations in this category / (annual final number of employees in this category + annual cumulative number of resignations in this category) * 100%

2023 Environmental, Social and Governance Report

4.2. Strengthening Talent Cultivation

Alnovation emphasises employee career development, focuses on exploring the potential of employees and conducts talent pool building. We provide our employees with customized and diversified career development paths based on their career development goals. We also encourage employees to continuously improve their professional quality, vocational skills and knowledge to promote the development of employees and the enterprise.

➤ Promotion and Development

The Group has constructed comprehensive promotion channels and development paths for talents and set out the relevant contents in the *Employee Handbook* for the convenience of employees' understanding and inquiry. According to the business characteristics and the nature of the position, we divided positions into technical series (T series), business series (B series) and management series (M series) horizontally, and we classified each series into 13 levels vertically according to employees' experience and competence. The evaluation criteria for each series vary. For example, the T series mainly considers employees' R&D capability, while the M series focuses on all-around management ability. According to their personality traits and strengths, employees can freely choose suitable development channels. The Company will provide them with space for personal development.

Technical series (T series)	Business series (B series)	Management series (M series)
<ul style="list-style-type: none"> Including positions relating to technology R&D, products, solution, project management and other technical positions; 	<ul style="list-style-type: none"> Including sales, pre-sales, functional departments and other non-management positions; 	<ul style="list-style-type: none"> Management positions with management roles.

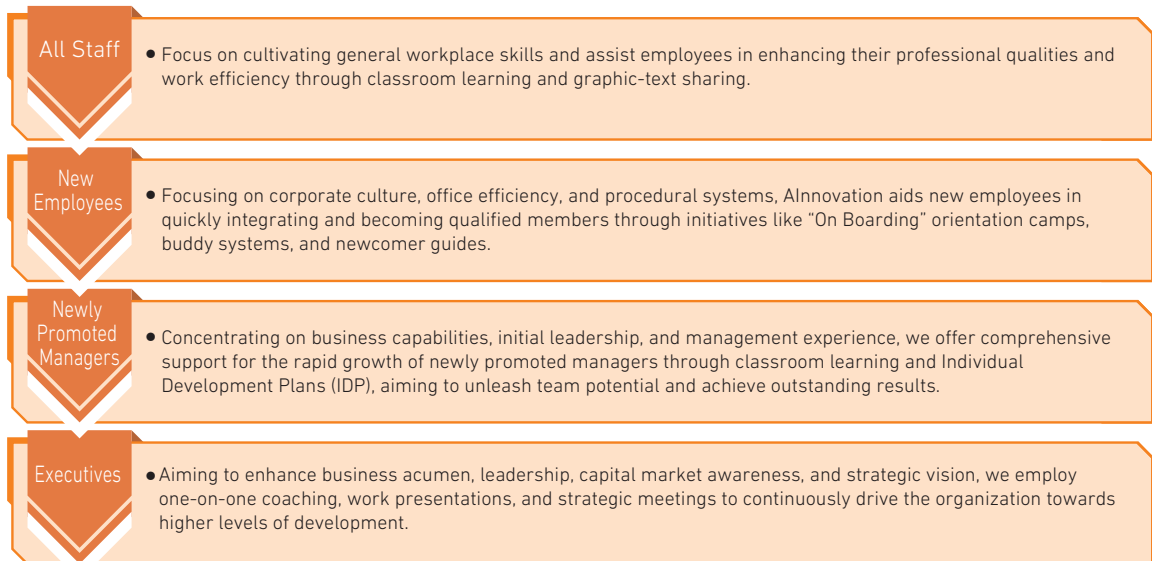
Alnovation's System of Promotion Channel

During the Reporting Period, in order to promote the efficient development of the business, we carried out the talent inventory action. Considering overall factors such as employees' performance, potential (including physical power, brain power and mind power) and experience accumulation, we thoroughly sorted out the talent team of each department, giving suggestions on the application of talent teams, and building a better talent pool for the Group's long-term development in the future.

2023 Environmental, Social and Governance Report

➤ Talent Cultivation

Based on the business objectives needs of Alnnovation and the career development needs of our employees, combined with the results of talent inventory, we match employees at all levels and career development stages with corresponding capability enhancement resources. We actively develop internal training capabilities to create a variety of training programs aimed at improving employee competencies. To foster a learning organization culture, we also conduct internal mentor selection to enhance cross-departmental knowledge and experience sharing, promoting the transfer and transformation of knowledge. Mentors are required to engage with mentees at least once every three months through meetings, mini-lectures, and other forms of interaction to impart knowledge and alleviate stress.



Alnnovation's Talent Development Framework

2023 Environmental, Social and Governance Report

Internal training can better transmit the accumulated and iterated knowledge and experience of the enterprise, and also make the training more closely aligned with the actual business situation. We fully tap the internal teaching resources to undertake training courses for managers, new employees, and all staff. Based on the current needs of employees in areas such as management skills, professional quality, and technical abilities, we have established a series of distinctive training programs, including the "Workplace Elite Training Camp", "Agile Programme" and others.

Workplace Elite Training Camp

With the enhancement of the general ability at the workplace as the core, we carry out a series of courses focusing on the three key points of "think thoroughly, speak clearly, and do well". These courses include "*The Seven Habits of Highly Effective People*", "*Structured Thinking*" and "*Communication Skills - The Dual Circulation of Listening and Speaking*". By combining in-class training and graphic learning, we help employees develop good professional habits, improve their communication skills and collaboration ability.



Workplace Elite Training Camp Site

2023 Environmental, Social and Governance Report

Agile Programme

We make full use of internal lecturer resources to empower the Company's core and high-potential personnel by focusing on management ability cultivation and professional ability accumulation. Through offline intensified training, co-reading of classic books and online self-study, we help employees improve their abilities of target management, planning and coordination, incentive coaching, and communication and collaboration.

**Agile Programme Training Site**

Developing an online learning platform is a crucial initiative to meet talent development needs. By advancing training digitalization, Alnnovation continually enhances the diversity and efficiency of our training programs, significantly improving our enterprise's talent competitiveness. Consequently, we are progressively perfecting the construction of our online learning platform. Within our Enterprise Resource Planning (ERP) system, we've established an online learning platform and uploaded all training materials, allowing employees to review them anywhere at any time, facilitating flexible learning and mastery of relevant knowledge. During the Reporting Period, we developed the "Learning Cloud" platform for the Company's management team and high-potential individuals, providing them with channels for self-directed learning. This platform not only consolidates and accumulates the essence of internal knowledge through courses on managerial role cognition, influence enhancement, and leadership development but also introduces over 1,000 standard courses across six major categories: organizational construction and development, leadership and management, human resources management, marketing and sales, professional role training, and professional ethics and skills, meeting the diverse learning demands of employees.

2023 Environmental, Social and Governance Report

During the Reporting Period, the total training time of the Group's employees counted 16,901 hours. The specific training percentage and average training hours of employees are shown in the following table:

	Category	Percentage of trained employees	Average hours of training for employees
Gender	Male	73%	16
	Female	27%	16
Class of Position	Management staff (Level 8 and above)	5%	33
	Junior staff (below Level 8)	95%	15

4.3. Care and Communication at Workplace

Alnovation is dedicated to creating a caring work environment for all employees, addressing their needs proactively to resolve potential issues, and actively planning and offering a variety of employee care and welfare activities, including holiday events. With respect and honesty at our core, we engage in diverse communication channels with employees to truly understand their thoughts and enhance their sense of well-being.

We strive to foster a warm corporate atmosphere, fully considering employee feelings. For example, we assign onboarding buddies to new hires to help them acclimate to the work environment and business processes, answering their questions promptly to improve the onboarding experience. For lactating employees, we've set up a "Mother and Baby Room." During the Reporting Period, we organised various activities to boost employee happiness on different holidays, including book gifts for International Women's Day, breakfast on Labour Day, exquisite afternoon tea and fun zongzi-making activities for Dragon Boat Festival. Additionally, we held celebration events for the Lunar New Year kickoff and the 5th anniversary of the Group's establishment, enhancing employees' sense of belonging to the Company.

2023 Environmental, Social and Governance Report



Mother and Baby Room



New Year Kickoff Celebration



Dragon Boat Festival Activity



5th Anniversary Celebration of the Group

Alnovation 2023 Employee Welfare Projects

While advocating a work-life balance with various activities, we are providing a platform for employees to communicate smoothly. The Group is governed democratically. Every year, we hold a Staff Representative Meeting at which the employee representatives of each company review and supervise systems and policies that are practically related to the interests of employees. During the Reporting Period, we held a Staff Representative Meeting, reviewed and approved the revised 2023 version of the *Employee Handbook*, the *2023 Performance Appraisal Plan of Alnovation*, and the *2023 Sales Planning and Assessment & Incentive Scheme of Alnovation*, etc. These systems and policies have further promoted equal communication between the Company and employees, and also enhanced the participation and sense of belonging of employees.



2023 Staff Representative Meeting Site

2023 Environmental, Social and Governance Report

To more promptly listen to the voices of our employees, we held quarterly All Hands Meetings during the Reporting Period, aiming at building a communication bridge between management and staff, and strengthening mutual trust. In these meetings, the CEO and senior managers presented current business progress, internal key issue reports, and future business strategies to all employees, and responded to employee views, suggestions, and questions collected beforehand through the ERP "Question Collection" section. The All Hands Meetings not only encourage employee initiative, but also provide them an opportunity to actively participate in the development and planning of the Group and offer management a platform to widely accept opinions and suggestions, set goals, and make improvements.



2023 All Hands Meeting Site

4.4 Protecting Health and Safety

Alnovation prioritises the health and safety of its employees as a fundamental responsibility and strictly complies with the *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other national occupational health related laws and regulations. We have obtained the ISO45001 Occupational Health and Safety Management System certification, ensuring the occupational health and safety of our employees in a scientific and efficient manner. Regarding the supervision of occupational health and safety, for existing employees, we offer annual health check-up services, continuously monitoring and maintaining their health; for new hires, we arrange pre-employment medical examinations to screen for and prevent diseases, aiding in better health management.

2023 Environmental, Social and Governance Report

To support employees in maintaining physical fitness and improving their health levels, we have established a fitness area within the office space, equipped with a range of professional fitness equipment, encouraging employees to engage in moderate exercise during work breaks.



Alnovation ISO45001 Occupational Health and Safety Management System Certification



Office Fitness Area

In addition to our routine health and safety management practices, we take a proactive approach by developing *Emergency Preparedness and Response Control Procedure* to prevent occupational health and safety incidents. Through regular knowledge dissemination, periodic safety training, and targeted emergency drills, we continually enhance our employees' ability to respond to sudden emergencies and various incidents. Our goal is to ensure that in times of crisis, the entire organization can respond quickly and effectively to emergencies, reducing personal injury and property loss. During the Reporting Period, we organised fire drill activities in our Beijing and Shanghai offices to reinforce employees' knowledge and skills of fire safety.

2023 Environmental, Social and Governance Report

Over the past three years, there were no work-related fatalities within the Group, and there were no work-related injury incidents during the Reporting Period.

Case: Fire Safety Drills

To enhance employees' awareness of fire safety, self-protection abilities, and familiarity with the use of fire-fighting equipment, Alnnovation's subsidiaries in Shanghai and Beijing, in collaboration with the property management of their respective buildings, conducted fire drill activities in November and December 2023. The activities included familiarization with evacuation routes, understanding different types of fire extinguishers and smoke detection devices, educating on effective fire extinguishing methods, and hands-on practice with fire extinguishers and fire hoses. These drills have heightened the entire staff's awareness of fire safety, laying a solid foundation for preventing fires and ensuring the occupational health of employees.



Shanghai Office Fire Drill



Beijing Office Fire Drill

2023 Environmental, Social and Governance Report

5. Low-Carbon Operations for a Sustainable Future

Alnovation actively fulfills its environmental protection responsibilities. Due to the nature of our industry, Alnovation's operations do not typically involve the pollutant emissions associated with traditional industries or the consumption of fossil fuels. Nonetheless, we continue to enhance our green operational model by adopting energy-saving and consumption-reducing measures in our daily office operations to actively address the impacts of climate change-related risks. Additionally, leveraging our AI technology advantages, we support various industries in achieving low-carbon and efficient operations, contributing to the creation of a green and sustainable future.

We strictly comply with relevant laws, regulations and institutional requirements such as the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, the *Water Law of the People's Republic of China* in our operation activities. We have successfully passed the ISO14001 Environmental Management System Certification and established procedural documents such as the *Environmental Factors Identification and Significance Control Procedure* to effectively analyse and control significant environmental factors, ensuring that our operational processes have minimal impact on the environment.



Alnovation ISO14001 Environmental Management System Certification

5.1. Advocating Green Office

We insist on promoting the green office concept. In pursuit of “environmental protection, energy saving, emission reduction, and water conservation”, we encourage all employees to actively participate in environment protection and make contributions to creating a green society.

2023 Environmental, Social and Governance Report

The Group has preferred buildings certified by the Leadership in Energy and Environmental Design (LEED), the WELL Building Standard, the Building Environmental Assessment Method-Plus (BEAM Plus), etc. as the offices. In this way, we promote the building sustainability at the workplace and enhance the environmental benefits:

- The building where our Beijing office is located has obtained the LEED and WELL gold certifications;
- The building where our Shanghai office is located has obtained the LEED gold certification;
- The building where our Singapore office is located has obtained the LEED platinum certification;
- The building where our Hong Kong office is located has obtained the LEED gold pre-certification, the BEAM Plus temporary platinum certification for new buildings, the CGBL-2 (CGBL, China Green Building Label) star-rated building certification, and the WELL Building Standard certification.



Innovation Office Buildings Obtaining Green Building Certifications

2023 Environmental, Social and Governance Report

Alnovation is committed to green and environmentally friendly operations. We implement various green office measures in equipment management, resource conservation, and consciousness shaping to reduce carbon emissions:

Energy Conservation

- Alnovation extensively uses LED lighting in office spaces and turns off unnecessary lighting during non-working hours to further reduce electricity consumption.
- The central air conditioning system is set at a constant temperature to ensure it operates in a low power consumption mode, minimizing energy waste.

Resource Recycling

- We set up classified garbage bins to promote waste sorting and resource recycling, advancing the realization of circular utilization.
- We advocate for double-sided printing and the reuse of waste paper to reduce paper waste.

Consciousness Shaping

- Environmental protection notices are posted throughout the office to constantly remind employees to conserve resources.



Electricity Saving Notice at Office

Sorting Bins

Paper Conservation Notice at Office

Below are our key environmental performance indicators (KPIs) for the Reporting Period. Unless otherwise stated, such key performance indicators cover the Group’s offices in Beijing, Xi’an, Chongqing, Chengdu, Jiaying, Nanjing, Qingdao, Hefei, Guangzhou, Shenzhen, Shanghai and Bengbu.

2023 Environmental, Social and Governance Report

KPI ^{1,2,3,4,5}	2023	2022
Total GHG emissions (tons of CO ₂ equivalent) ^{6,7}	531.57	586.86
Including: Indirect GHG emissions from energy consumption (Scope 2) (tons of CO ₂ equivalent) ⁷	531.57	586.86
GHG emission intensity (tons of CO ₂ equivalent per m ²) ⁸	0.03	0.02
Total energy consumption (MWh) ⁷	932.08	1,029.03
Including: Total indirect energy consumption (MWh) ⁷	932.08	1,029.03
Energy consumption intensity (MWh per m ²) ⁸	0.05	0.04
Total water consumption (tons) ^{9,10}	2,711	2,016
Water consumption intensity (tons per m ²) ¹⁰	0.14	0.08

Note:

- Emissions produced in our operation mainly include a small amount of domestic wastewater. Such wastewater has no material impact as they are discharged into municipal pipelines. Therefore, KPI A1.1 (Emissions' category and corresponding data) is not disclosed in the Report.
- Hazardous waste generated in our operations mainly consists of small amounts of used toner cartridges and ink cartridges produced by office printing equipment, which are recycled and disposed of by the suppliers without any material impact. Therefore, KPI A1.3 (Total hazardous waste produced and intensity) is not disclosed in the Report.
- The non-hazardous waste generated in our operations is small amounts of office waste. The office waste is handed over to the property management company for disposal and has no material impact, therefore, KPI A1.4 (Total non-hazardous waste produced and intensity) is not disclosed in the Report.
- A3 (Environmental and natural resources) and A3.1 (Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) is not applicable as we do not use other environmental and natural resources during operation, thus such information is not disclosed in the Report.
- As we do not use packaging materials in our operation, therefore, the KPI A2.5 (Total packaging materials used for finished products and per unit produced) is not applicable.
- Based on the operational characteristics, our greenhouse gas emissions mainly come from indirect GHG emissions of purchased electricity (Scope 2). Greenhouse gas emissions are presented as CO₂ equivalent and accounted for according to the *Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Public Building Operators* (for Trial Implementation) issued by the National Development and Reform Commission. The GHG emissions data for 2023 were calculated using the latest national published average CO₂ emission factors for the power grid by the Ministry of Ecological Environment. Additionally, to ensure data comparability, we also recalculated and presented the relevant data for the year 2022 using the updated emission factors.
- During the Reporting Period, the total GHG emissions and overall energy consumption of the Group decreased compared to 2022. This was caused by our efforts to streamline the workspace area, resulting in a decrease in overall energy consumption.
- During the Reporting Period, the greenhouse gas emission intensity and energy consumption density of the Group increased compared to 2022. This increase was caused by our efforts to streamline the workspace area and improve the utilization efficiency of office space.
- Our water sources are supplied by municipal water, and we have no issues in obtaining suitable water resources. The total water consumption mentioned only covers the office locations in Xi'an, Chongqing, Qingdao, Hefei, Guangzhou, Shenzhen, and Shanghai. The water bills for other office locations are borne by the property management companies, and the water consumption cannot be separately measured.
- During the Reporting Period, the water consumption and water consumption intensity of the Group increased. This was due to the optimization of data collection methods, which included the inclusion of water consumption data from our office location in Shenzhen.

2023 Environmental, Social and Governance Report

5.2. Tackling Climate Change

Climate change poses new challenges and opportunities to the society, driving the transformation of corporate value chains towards sustainability. Alnnovation is fully aware of the urgency of addressing the climate crisis and remains vigilant to the climate risks we face. However, the optimization and upgrading of various industrial structures driven by climate change factors have also prompted more application scenarios for AI technology, presenting new market opportunities for us.

In response to the potential extreme weather brought by climate change, we have developed emergency response plans related to abnormal weather conditions such as heavy rain, dense fog, heavy snow, thunder and lightning, and freezing. We closely monitor the weather conditions in our operational locations and issue warning reminders to employees through emails, WeChat, and other channels. We diligently prepare for prevention and emergency response, and in the event of disastrous extreme weather, we will follow the weather emergency policies of the local government to ensure the safety of our employees' lives and property.

While actively tackling the risks of climate change, we firmly grasp the opportunities related to climate change under the national "Carbon Peaking and Carbon Neutrality" goals, and use the AI technology to help enterprises save energy and reduce emissions. In the wind power field, Alnnovation has helped wind power plants realise unmanned panoramic intelligent inspections and control for wind farms based on the MatrixVision intelligent edge video platform, with the new structure of "cloud management, edge computing, end collection, cloud + edge + end seamless collaboration" as the core concept. This not only reduces the on-site operation workload, but also realises real-time monitoring of the wind farm, improving the detection and the timeliness ratio of early warning, and greatly increasing the reliability of wind farm operations. Meanwhile, the platform helps greatly improve the safety of personnel and equipment and reduce a lot of reporting work for managerial personnel. In addition, we also provide business support in a variety of energy-intensive scenarios, such as traditional energy industry and the manufacturing industry, to help them build production models of low-carbon operation and maintenance. For more cases, please refer to the section headed "2.1 Promoting Innovation and R&D- Creating Sustainable Products" in the Report.

2023 Environmental, Social and Governance Report

6. Giving Back to the Society and Taking Corporate Responsibility

As a rapidly developing provider of enterprise-level AI solutions, AlInnovation is deeply aware of the importance of innovative exchanges and basic knowledge popularization. During the Reporting Period, we actively fulfilled our corporate social responsibilities, empowered the cultivation of high-tech talents in society with our professional technology and rich industry understanding, and continuously carried out AI education projects for young people, sharing industry applications and development trends in AI, information technology, and other fields, thus contributing to talent development and popularization of AI knowledge.

Case: Industrial Robot Innovation Centre & Talent Cultivation Programme

In March 2023, the AlInnovation Industrial Robot Innovation Centre (the "Innovation Centre") was officially established in Chengdu. The Innovation Centre will gather leading industrial robot enterprises to jointly build an industrial robot innovation centre which is "first-class in China and leading in Western China". The Innovation Centre will help the intelligent manufacturing industry in Chengdu improve quality and efficiency, and is committed to training and offering high-quality technicians for the industry. In this way, the training base can help the entire intelligent manufacturing industry improve quality and efficiency.



Launching Ceremony of the AlInnovation Industrial Robot Innovation Centre

2023 Environmental, Social and Governance Report

Case: Youth Artificial Intelligence Practice Activity

With the rapid development of artificial intelligence technology, the national emphasis on youth AI education continues to increase. In February 2023, AlInnovation was awarded the title of “Youth Artificial Intelligence Education Practice Base” by the Jimo District of Qingdao City. We aim to empower youth education with innovative cutting-edge technologies, integrating artificial intelligence and information technology into teaching and building a bridge between campuses and the forefront of technology. Moreover, AlInnovation also provides practical opportunities for the youth, actively organizing various science and technology innovation practice activities, encouraging young people to think deeply and innovate, safeguarding the cultivation of future top technology talents.

**Youth Artificial Intelligence Practice Activity Site**

2023 Environmental, Social and Governance Report

Appendix: HKEx ESG Reporting Guide Index

Aspects	Descriptions	Chapter
A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.1.Advocating Green Office
A1.1	The types of emissions and respective emissions data.	5.1.Advocating Green Office
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1.Advocating Green Office
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1.Advocating Green Office
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1.Advocating Green Office
A1.5	Description of measures to mitigate emissions and results achieved.	5.1.Advocating Green Office
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5.1.Advocating Green Office
A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.1.Advocating Green Office
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.1.Advocating Green Office
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.1.Advocating Green Office
A2.3	Description of energy use efficiency initiatives and results achieved.	5.1.Advocating Green Office
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5.1.Advocating Green Office
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable

2023 Environmental, Social and Governance Report

Aspects	Descriptions	Chapter
A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Not applicable
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable
A4	Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.2.Tackling Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.2.Tackling Climate Change
B1	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1.Protecting Employee Rights and Interests
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1.Protecting Employee Rights and Interests
B1.2	Employee turnover rate by gender, age group and geographical region.	4.1.Protecting Employee Rights and Interests
B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.4.Protecting Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.4.Protecting Health and Safety
B2.2	Lost days due to work injury.	4.4.Protecting Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.4.Protecting Health and Safety

2023 Environmental, Social and Governance Report

Aspects	Descriptions	Chapter
B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2.Strengthening Talent Cultivation
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.2.Strengthening Talent Cultivation
B3.2	The average training hours completed per employee by gender and employee category.	4.2.Strengthening Talent Cultivation
B4	Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1.Protecting Employee Rights and Interests
B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1.Protecting Employee Rights and Interests
B4.2	Description of steps taken to eliminate such practices when discovered.	4.1.Protecting Employee Rights and Interests
B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.1.Deepening Cooperation and Communication
B5.1	Number of suppliers by geographical region.	3.2.Optimising Supply Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.2.Optimising Supply Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.2.Optimising Supply Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.2.Optimising Supply Management

2023 Environmental, Social and Governance Report

Aspects	Descriptions	Chapter
B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.3.Improving Product Quality 2.5.Safeguarding Information Security
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.3.Improving Product Quality
B6.2	Number of products and service-related complaints received and how they are dealt with.	2.4.Providing Excellent Services
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.2.Protecting Intellectual Property Rights
B6.4	Description of quality assurance process and recall procedures.	2.3.Improving Product Quality
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	2.5.Safeguarding Information Security
B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.2.Adhering to Business Ethics
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.2.Adhering to Business Ethics
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.2.Adhering to Business Ethics
B7.3	Description of anti-corruption training provided to directors and staff.	1.2.Adhering to Business Ethics
B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Giving Back to the Society and Taking Corporate Responsibility
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Giving Back to the Society and Taking Corporate Responsibility
B8.2	Resources contributed (e.g. money or time) to the focus area.	6. Giving Back to the Society and Taking Corporate Responsibility



人工智能
赋能商業價值
Empower Businesses
with AI Technology