



**NetEase 2020  
Environmental, Social and  
Governance Report**

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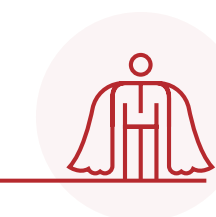
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## About This Report

As a leading internet technology company based in China, NetEase (“We” or “the Company”) is committed to fostering collaboration and realizing people’s aspirations for a better life through technology and innovation. We strive to provide our users the best product experiences in education, entertainment and consumption, among others. Since our inception in 1997, we have worked continuously to fulfill our commitment to users, employees and society at large by incorporating environmental, social and governance (ESG) concepts into our decision-making and development. We have maintained regular communications with stakeholders, both at home and abroad, as part of our efforts for continued, sustainable and responsible actions across all of our ESG initiatives.

Following the release of our first ESG report in 2020, we have continued to improve our ESG efforts in every aspect. This report provides a comprehensive description of our efforts and initiatives in 2020 (the “reporting period”), as well as certain information pertaining to 2021 and activities prior to 2020, and focuses on matters of concern to stakeholders. It draws on the *SASB Standards*, the *NASDAQ ESG Reporting Guide 2.0*, and the *Environmental, Social and Governance Reporting Guide* issued by the Stock Exchange of Hong Kong Limited, as well as the areas of focus of leading global rating agencies: MSCI, DJSI (Dow Jones Sustainability Index) and Sustainalytics, among others. The report was prepared to summarize the Company’s current status in meeting our ESG goals, taking into account the recommendations of investors and ESG professionals.

We prepared this report in accordance with an established process, which includes identifying key ESG issues, determining reporting boundaries and gathering information. The information and examples contained herein are primarily from the Company’s statistical reports and related documents.

We care and value every opinion from stakeholders and readers of this report, and you can contact us via the information below. Your input will help us improve our reporting and our overall ESG performance.

NetEase, Inc.

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# 2020 ESG Performance Highlights

## Corporate Governance



ESG governance



ESG risk management

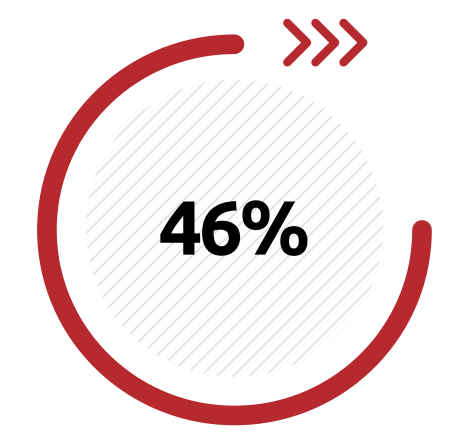


Independent directors

## Talent Management



Staff average age



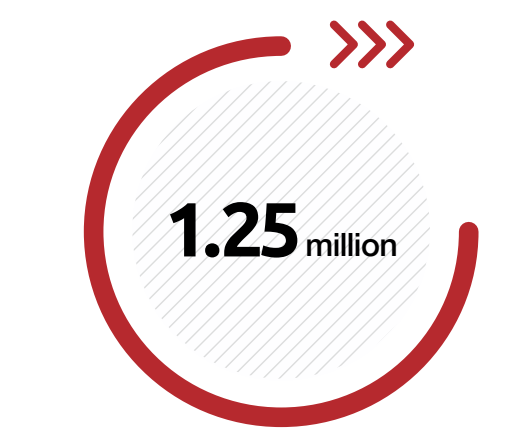
Percentage of entry-level positions held by females in 2020



Two-time winner of "Excellence in Practice" award from ATD<sup>1</sup>

1. Association for Talent Development  
2. Power Usage Effectiveness

## Green Development



KWh of electricity saved from improved servers



Minimum PUE<sup>2</sup> achieved in our data centers

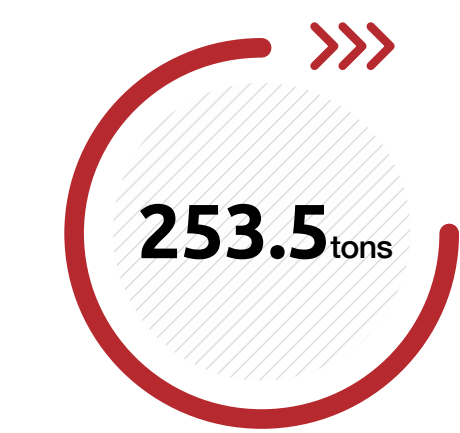


Food waste reduction compared to 2019

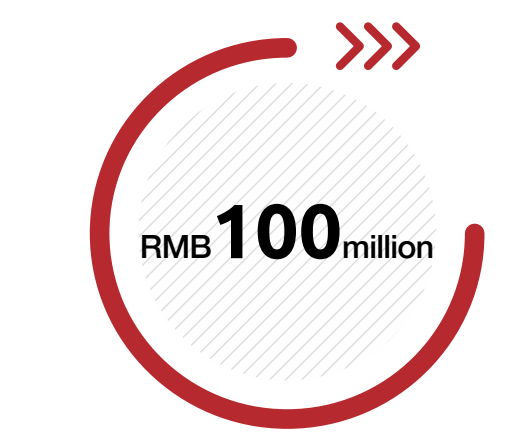
## Responsible Supply



Supply chain management



Rice purchased for charity initiatives



Funds for protective measures and initiatives against COVID-19

## Quality Assurance



Employee cybersecurity training coverage



Cybersecurity risk monitoring



Customer service hotline satisfaction rate

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# NetEase at a Glance

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



“NetEase is deeply committed to nurturing the industry and using the power of technology to enable users to better enjoy products and services that are closely related to key aspects of their lives, including education, entertainment, consumption and food safety. Since the establishment of NetEase in 1997, we have been committed to fulfilling essential obligations to our users, employees and society, which is an important reason why NetEase has maintained its long-term competitiveness in today’s rapidly changing market.”

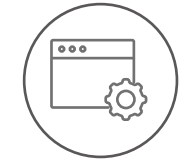
William Ding, Founder and CEO of NetEase, Inc.

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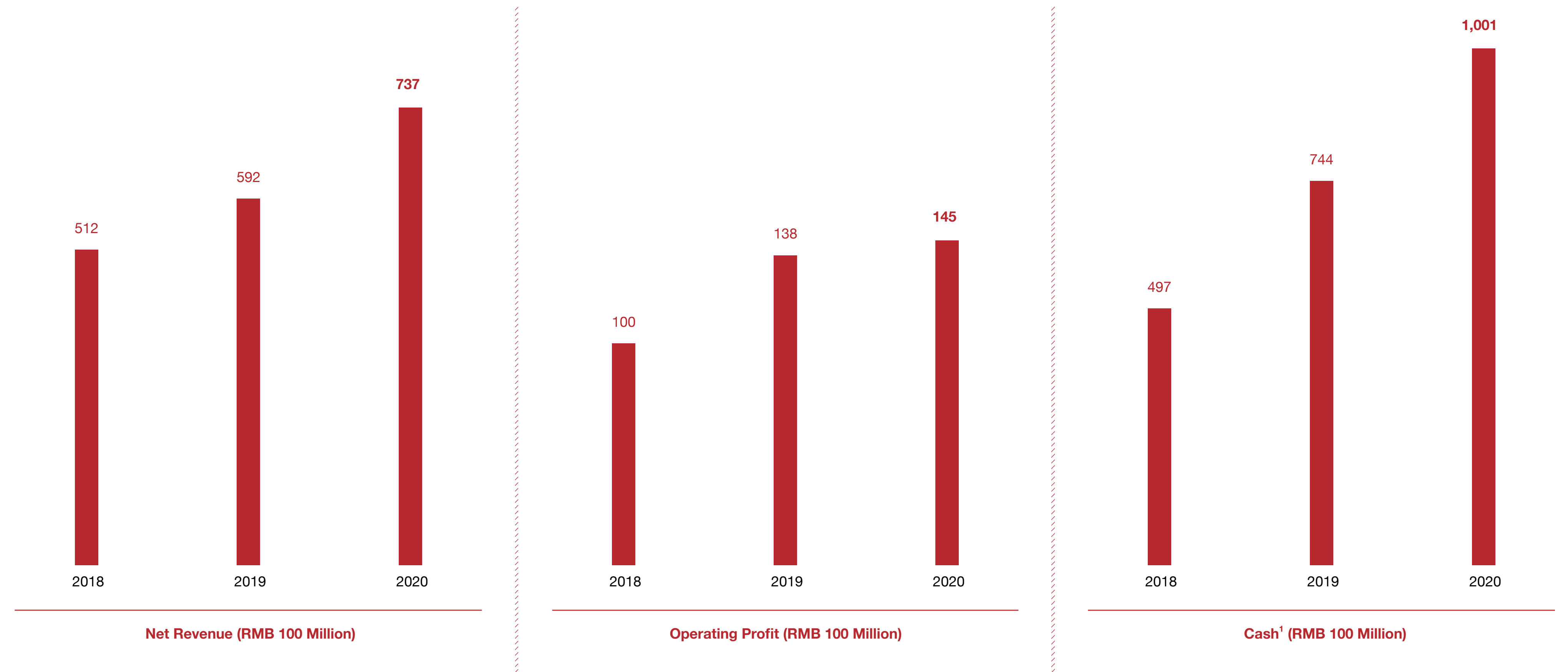


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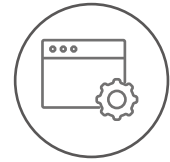


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# Strong and Sustainable Financial Growth across our Businesses



1. Including total cash and cash equivalents, current and non-current time deposits and short-term investments balance



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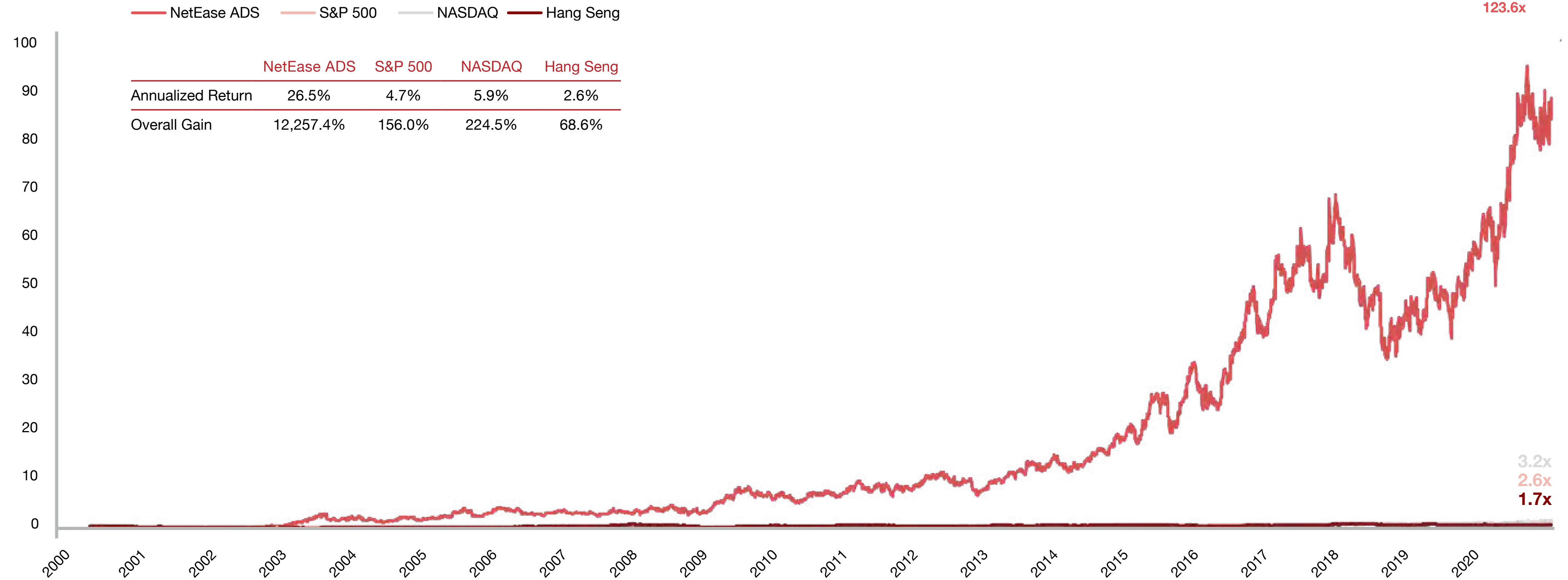
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# Significantly Outperforming the Market, with an Annualized Return of 26.5%

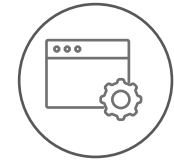
Share Price Performance Since IPO (2000.6.30-2020.12.31)



As of the end of the 2020 reporting period, NetEase's share price had increased more than 120 times, with an annualized return of 26.5%.

Source: Bloomberg

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



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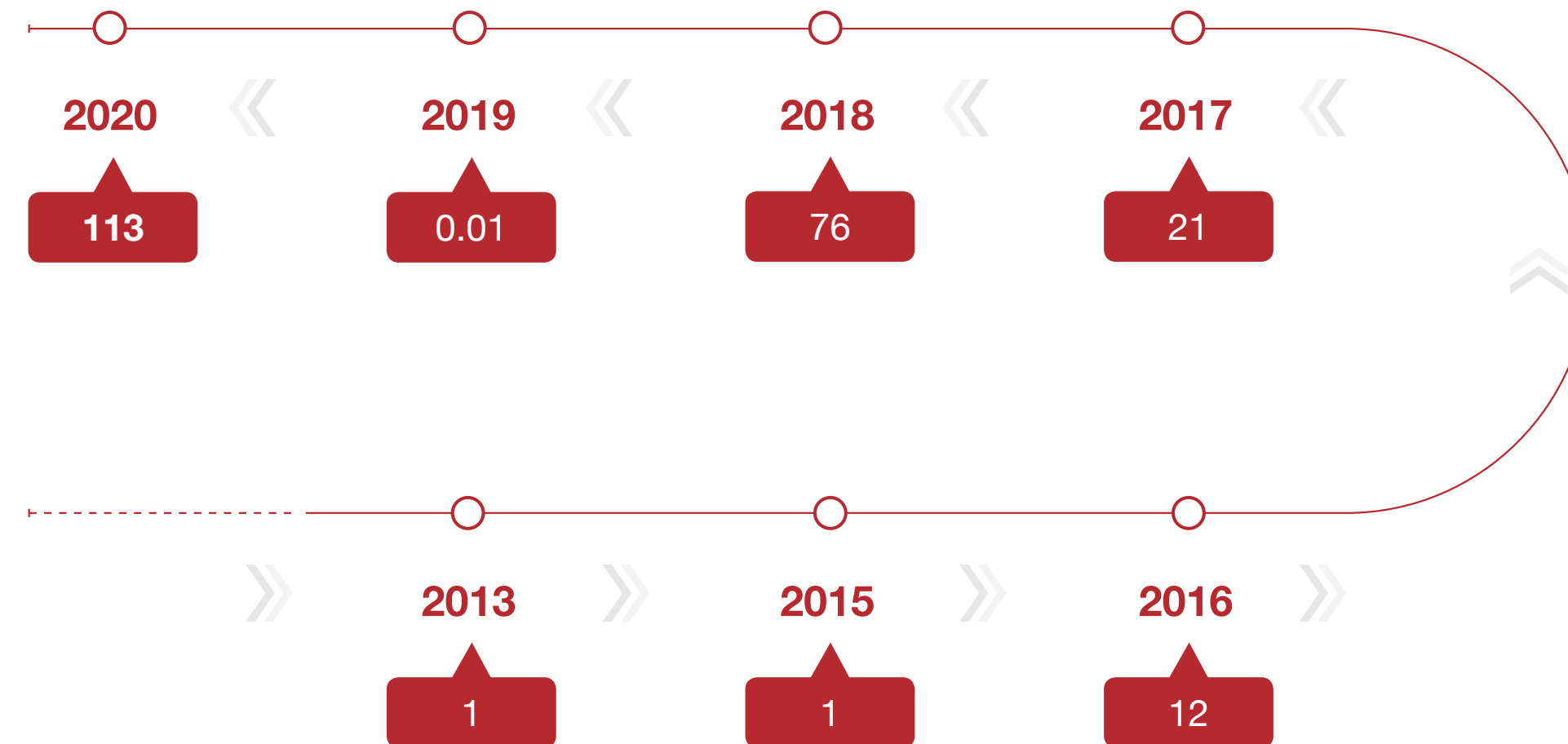


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# Shareholder Return: Dividends & Share Buybacks of RMB~47 Billion

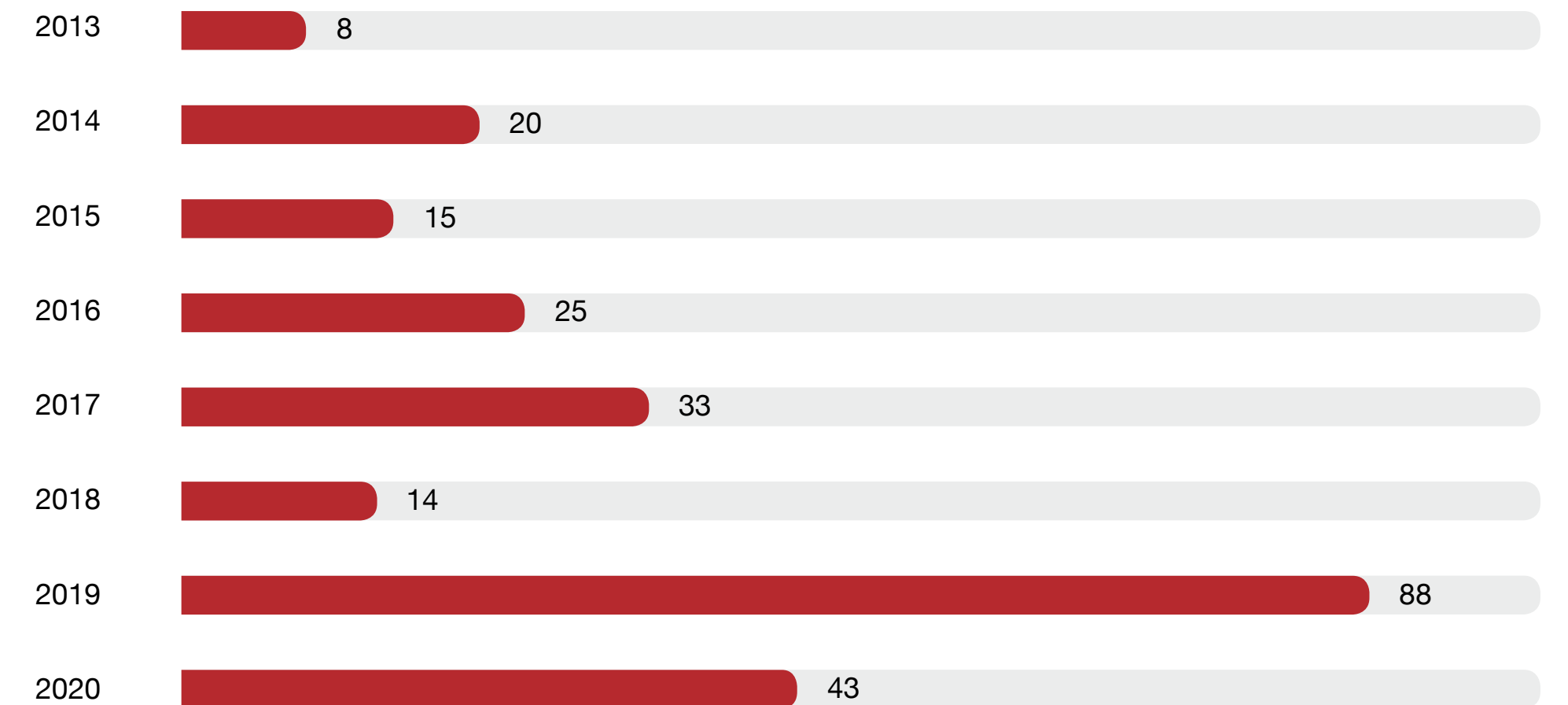
While NetEase has enjoyed strong growth over the past 20 years with the support of our long-term shareholders, we think there is no better way to show our appreciation and gratitude than to share these returns with our shareholders. We are one of the few growth companies in the world that regularly pays quarterly dividends to shareholders. NetEase has been paying dividends since 2013, with a cumulative buyback plus dividends of about RMB47 billion.

Repurchased Shares (RMB 100 Million)



Repurchased nearly RMB22.4 billion worth of shares since 2013

Dividends (RMB 100 Million)



Approximately RMB24.6 billion in dividends have been paid since 2013

Notes:

- In May 2014, the Company's board of directors approved a quarterly dividend policy under which the Company made quarterly cash dividend distributions at an amount equivalent to approximately 25% of its anticipated net income after tax in each fiscal quarter. In the second quarter of 2019, the Company's board of directors determined that quarterly dividends will be set at an amount equivalent to approximately 20% to 30% of the Company's anticipated net income after tax in each fiscal quarter. The Company's board of directors also approved an additional special dividend of US\$0.69 per ADS in the third quarter of 2019.
- Please note that determining the dividend distribution and the amount of such distribution in any particular quarter is made entirely at the discretion of our board of directors and is based upon our operations and earnings results, cash flow, financial condition and other relevant factors. Similarly, any future share repurchase is done at the discretion of the Company's board of directors.





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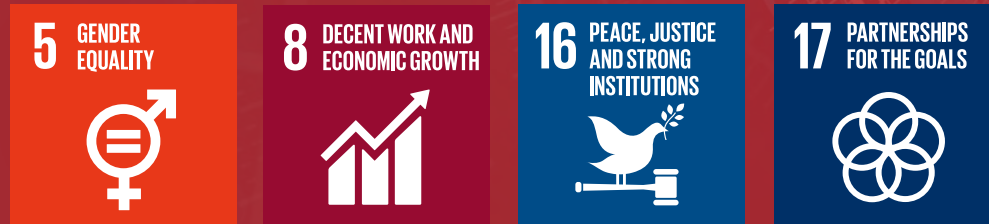
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# Governance

This section covers UN SDGs



At NetEase, we believe that standardized and responsible corporate governance is essential to improving internal management and operating performance. With a sound governance structure in place, we have established strict risk control procedures to ensure compliance at all levels of our organization. We believe that our effective ESG governance policies enable us to set a strong example for other corporations amid our ongoing efforts to fulfill our responsibilities to our user community and society at large.

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## Performance Highlights

- Set up **ESG governance structure**
- Conducted a comprehensive **materiality analysis** and identified 7 material ESG issues
- Aligned annual internal **risk audits with ESG angle**
- Our **Ethics Committee** continued to improve anti-corruption and integrity systems and processes



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# We have a comprehensive ESG strategy and governance structure

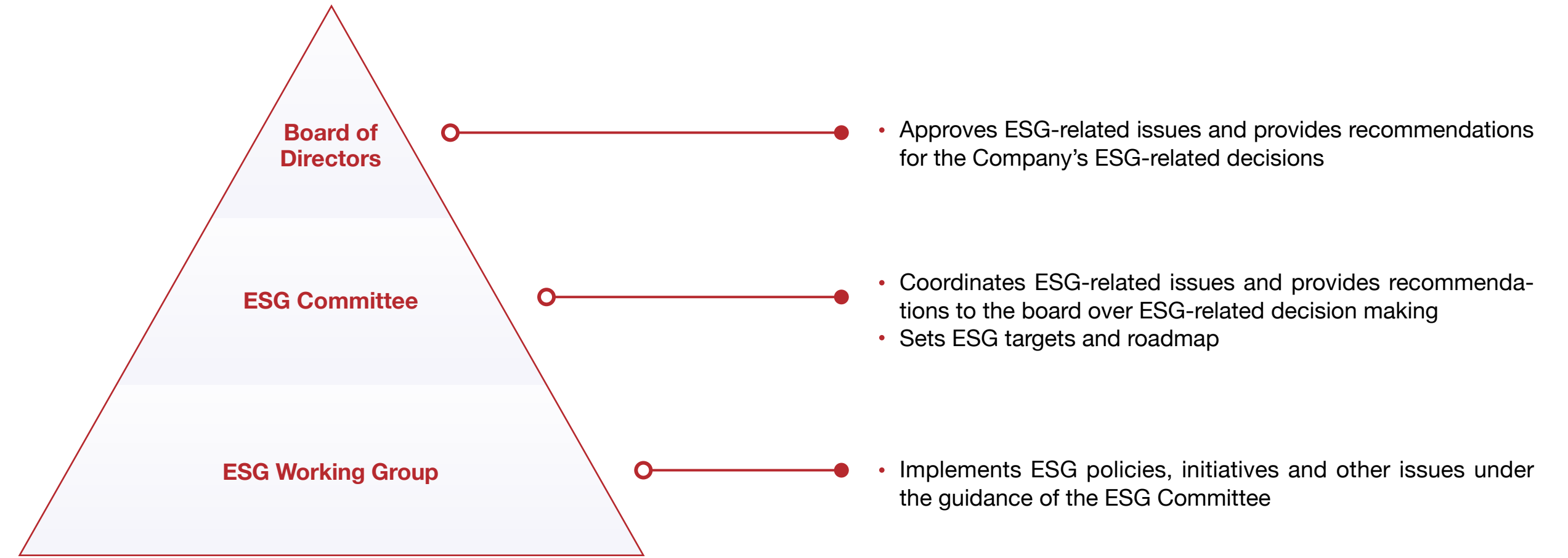
## Our ESG Vision

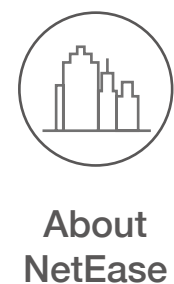
We integrate ESG standards into our daily business operations and are committed to our ESG vision with a focus on five major areas: *corporate governance, environmental protection, quality assurance, talent management, and community service.*



## Clear ESG Governance Structure

Targeting a comprehensive ESG governance structure, we established an ESG working group in 2020 and plan to launch an ESG committee in 2021. Our board of directors oversees the strategy and implementation of ESG initiatives to continuously improve overall transparency on ESG issues.





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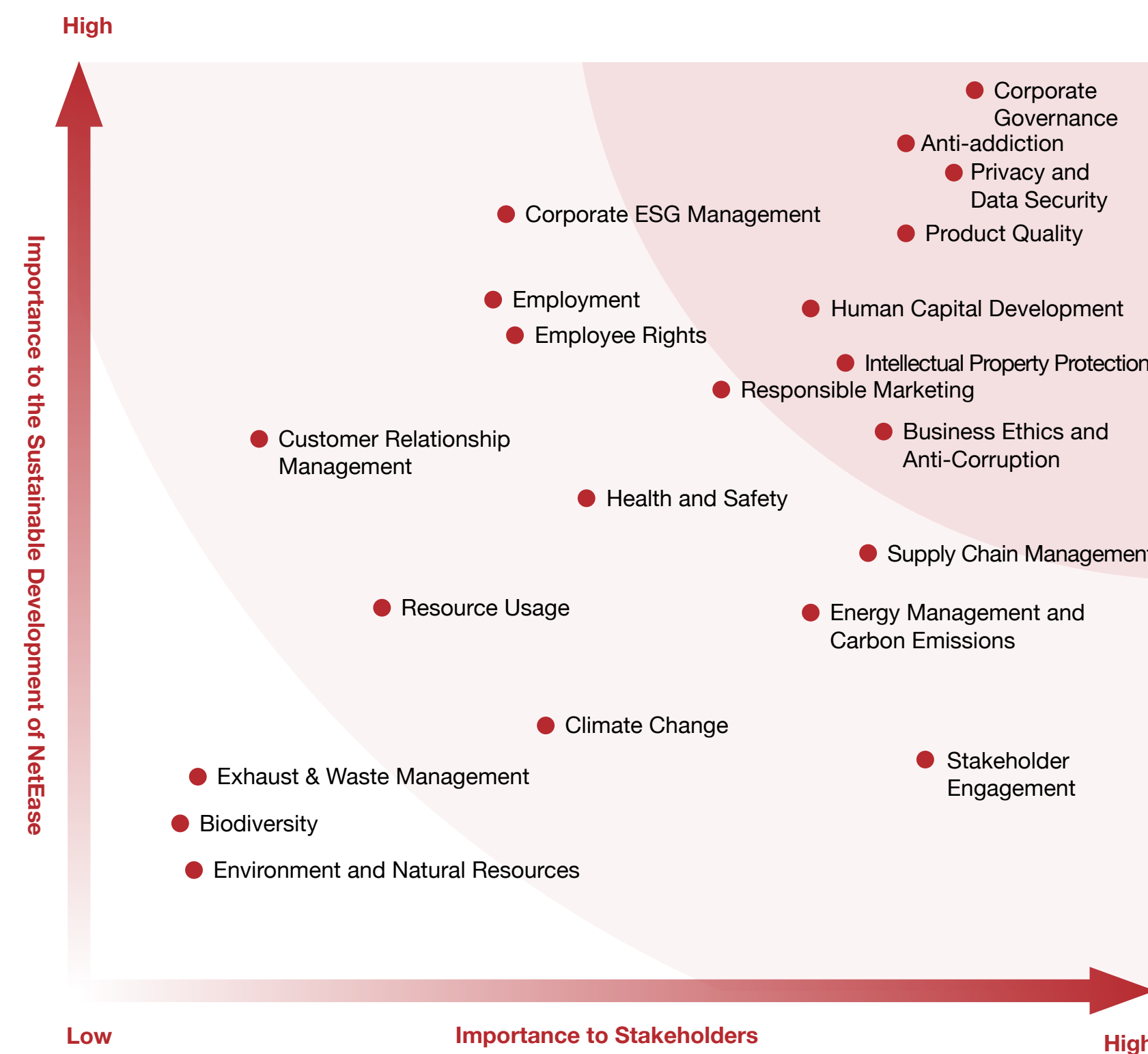
# Materiality Analysis

During the reporting period, we conducted a comprehensive review of ESG topics. This included a review of the ratings from MSCI and DJSI, the ESG guidance from the Stock Exchange of Hong Kong and NASDAQ, and best practices of our peers. We identified **21 ESG issues** of significance to the Company, and we are working swiftly to improve in these areas. After receiving feedback from management and peer benchmarking analysis, we have identified **7 material issues** to steer the future direction of our ESG strategy.

Issues	Notes
<b>Environmental Issues</b>	
Energy Management and Carbon Emissions	Strategies, goals, initiatives, and results met
Climate Change	Climate change risk identification
Resource Usage	Management systems, policies and usage reduction initiatives for water consumption, packaging materials and other resources
Exhaust and Waste Management	Implementation of waste and waste management systems, policies, emissions data and reduction measures
Biodiversity	Taking actions to ensure a positive impact of business activity on biodiversity
Environment and Natural Resources	Actions to manage the significant impact of business activities on environment and natural resources
<b>Social Issues</b>	
Privacy and Data Security	Policies and measures related to data security protection
Human Capital Development	Employee training and welfare
Anti-addiction	Policies and measures to prevent online game addiction for minors
Product Quality	Product quality management and audits, incentives for product quality improvement
Responsible Marketing	Marketing methods meet social responsibility requirements and comply with advertising ethics
Employee Treatment	Policies and measures such as labor diversity, and prevention of child or forced labor
Employee Rights	Employee labor rights
Health and Safety	Policies and occupational health safety measures to protect employees from occupational hazards
Intellectual Property Protection	Policies and measures for the protection of intellectual property rights
Customer Relationship Management	Customer satisfaction improvement initiatives
Supply Chain Management	Supply chain management systems, regulations and related initiatives
<b>Governance Issues</b>	
Corporate Governance	Corporate governance structure and content
Business Ethics and Anti-Corruption Compliance	Company policies related to business ethics
Stakeholder Engagement	Stakeholder communication mechanisms
Corporate ESG Management	Company management and oversight of ESG matters

Material Issues for NetEase

We ranked the importance of the 21 issues by two relevant criteria: importance to NetEase's sustainable development and importance to stakeholders. We then classified them into low, medium and high importance, presented in the following materiality issue matrix.



Materiality Matrix



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# International Awards and Recognition

NetEase continued to fulfill its environmental, social and corporate governance responsibilities with diverse initiatives for the benefit of society. The Company has won widespread international recognition in areas including gender equality and human capital development, in addition to awards for the company as a whole.

Awards and Recognition	Hosts/Organizers
Named to The <i>Forbes Global 2000</i> in 2021	Forbes
Included in the <i>2020 Bloomberg Gender-Equality Index (GEI)</i>	Bloomberg
Included in <i>World Benchmarking Alliance's 2020 Digital Inclusion Benchmark</i>	World Benchmarking Alliance
Awarded ESG Care label	UNESCO HK Association Glocal Peace Centre, Rotary Action Group for Peace, SocietyNext Foundation
Named one of the <i>Forbes 2020 Best CEOs in China</i>	Forbes
Association for Talent Development (ATD) <i>Excellence in Practice Award</i> winner	Association for Talent Development
Included in <i>The World's Best Employers 2020</i>	Forbes
Included in <i>Forbes Digital 100 2019-2020</i>	Forbes
Named to the list of the <i>Most Reputable Companies Worldwide</i> in 2018	Forbes
Included in <i>Forbes Asia's Fab 50 Companies 2018</i>	Forbes
Included in <i>Fortune China 500</i> in 2020	Fortune
Included in <i>Fortune's 100 Fastest Growing Companies</i> in 2018	Fortune



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# We have a sound corporate governance structure with an emphasize on risk management and business ethics

## Sound Governance Structure

The board of NetEase has three committees: the audit committee, the compensation committee and the nominating committee. Each committee is comprised entirely of independent directors.

Supported by these committees, the board provides guidance and monitors the operational and financial performance of the Company. This ensures that the internal audit and risk-management systems are sound, prudent and support the implementation of the Company's major strategic decisions. The charters of the board committees are published on the Company's IR website<sup>1</sup> and will be provided to shareholders upon request.

Type	Name	Role on the Committees		
		Audit Committee	Compensation Committee	Nominating Committee
Independent Director	Michael Leung	✓	✓	✓
Independent Director	Alice Cheng	✓	✓	✓
Independent Director	Joseph Tong	✓	✓	✓

## Board Diversity

NetEase's board of directors attaches high importance to diversity in gender, professionalism and industry expertise.

As of the publication date of this report, the NetEase board of directors comprised six directors, including five independent directors as defined under the rules of the NASDAQ Stock Market. Current directors include one female director and one director with a doctoral degree. All members have extensive industry experience and expertise across a variety of fields, including communications technology, business administration, law and social sciences. This diversity enhances corporate decision-making by providing a comprehensive and integrated perspective and outlook.

Type	Name	Gender	Educational Background	Professional Capacity		
				Industry Experience	Risk Management	Financial Management
Founder/ Director/CEO	William Ding (丁磊)	Male	Bachelor of Science degree in Communication Technology	✓	✓	
Independent Director	Alice Cheng (郑玉芬)	Female	Bachelor of Accounting, MBA	✓	✓	✓
Independent Director	Denny Lee (李廷斌)	Male	Bachelor of Accounting	✓	✓	✓
Independent Director	Joseph Tong (唐子期)	Male	Bachelor of Social Science with honors in Accounting and Statistics	✓	✓	✓
Independent Director	Lun Feng (冯仑)	Male	Bachelor of Arts in Economics; Masters of Law and Juris Doctor	✓	✓	
Independent Director	Michael Leung (梁民杰)	Male	Bachelor of Arts, Social Science	✓	✓	✓

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Independent Directors

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Female Director

1. The charters of the Company's board committees are publicly available at: <http://ir.netease.com/index.php/zh-hans/company-overview/corporate-governance>



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# Strong Risk Control Mechanisms

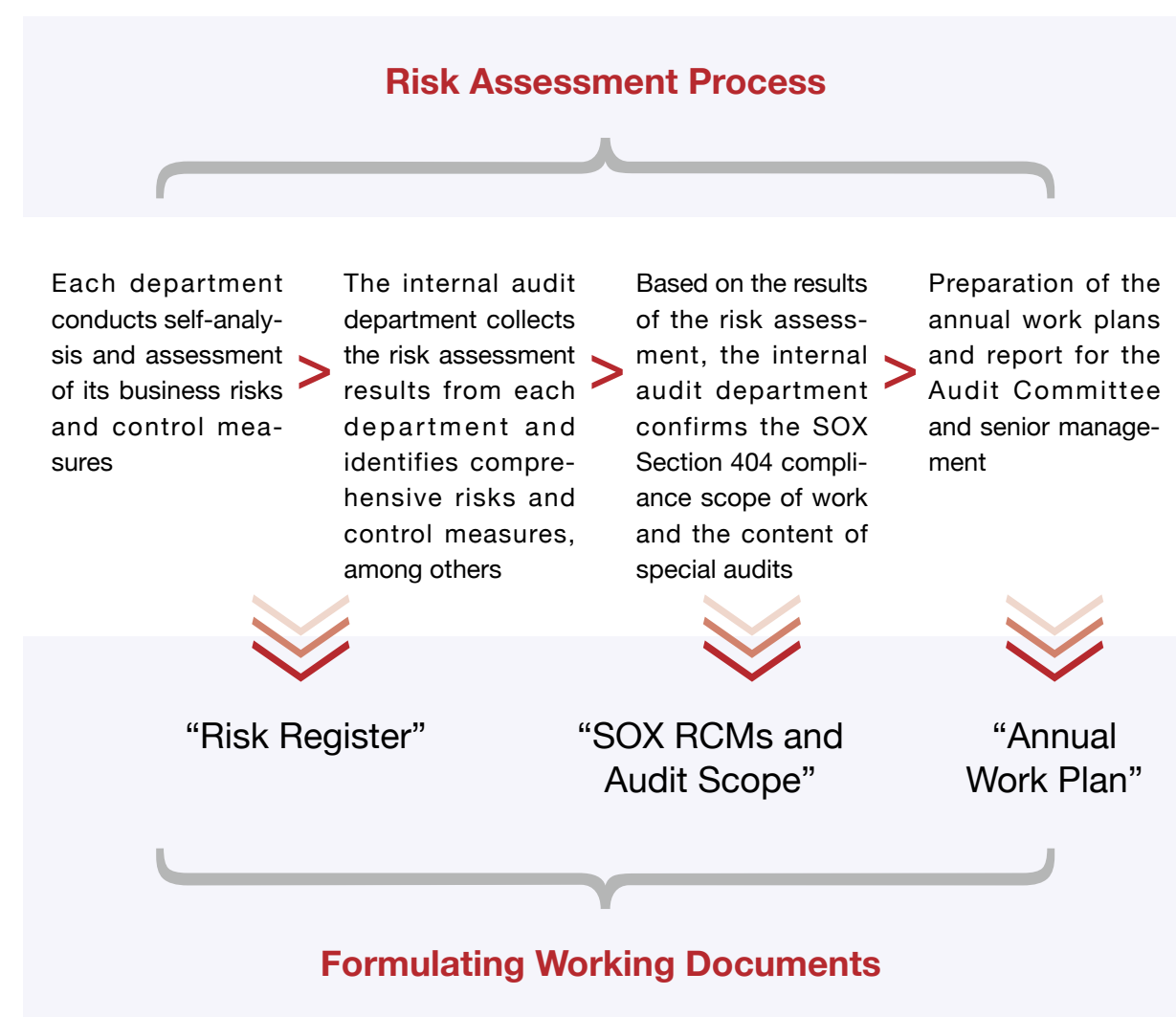
NetEase's board of directors prioritize risk control, and the audit committee's supervision and risk control responsibilities form key components of our overall risk-management protocol. At a day-to-day level, our management guides all relevant departments on how to implement risk management systems and responsibilities to ensure that our Company's business risks are fully understood and securely managed.

## Risk Management System



**Internal Audit Department**

NetEase's internal audit department is responsible for annually assessing the risks associated with our businesses. It also identifies and analyzes the internal and external risks of the Company and each business department and optimizes risk control initiatives, as part of our efforts to strengthen our enterprise risk control capabilities.



NetEase annual risk assessment workflow and output

## Risk Identification, Evaluation and Response

NetEase fully considers areas of each department's potential risk and carries out risk identification and evaluation in a targeted manner:

- Specific audit projects are conducted to evaluate risk monitoring and control
- ESG risks are incorporated into the Company's annual internal assessment, followed by the development of multiple improvements and other measures
- With targeted **anti-money laundering and anti-terrorist financing risk audits** for departments involved in financial transactions, non-compliance risks are assessed from multiple management dimensions, and corresponding measures are formulated to improve management capabilities

Targets	ESG-related Risks	Measures/Plans for Improvement
<b>R&amp;D departments</b>	Technology and product innovation risk	Measures and policies to improve technological capability and product innovation skills
<b>Departments involved in production and manufacturing</b>	Product quality and safety risk	Establish sound standards for product quality and ensure the standards are in compliance with all relevant national and local requirements
<b>Administration department</b>	Employee health and safety risk	Ensure the safety of employees' food, lodging, transportation and travel and provide health protection for our employees
<b>Departments with high consumption of energy, such as IT</b>	Energy consumption risk	Implement green office measures to lower carbon emissions, for example, by reducing the use of paper, arranging employee shuttles, and managing the time and intensity of central air-conditioning use in the office areas
<b>Human Resources department</b>	Employee development risk	Launch training programs in accordance with the Company's talent-development goals and follow up on the implementation of staff-development plans

Examples of NetEase 2020 ESG-related risk assessment



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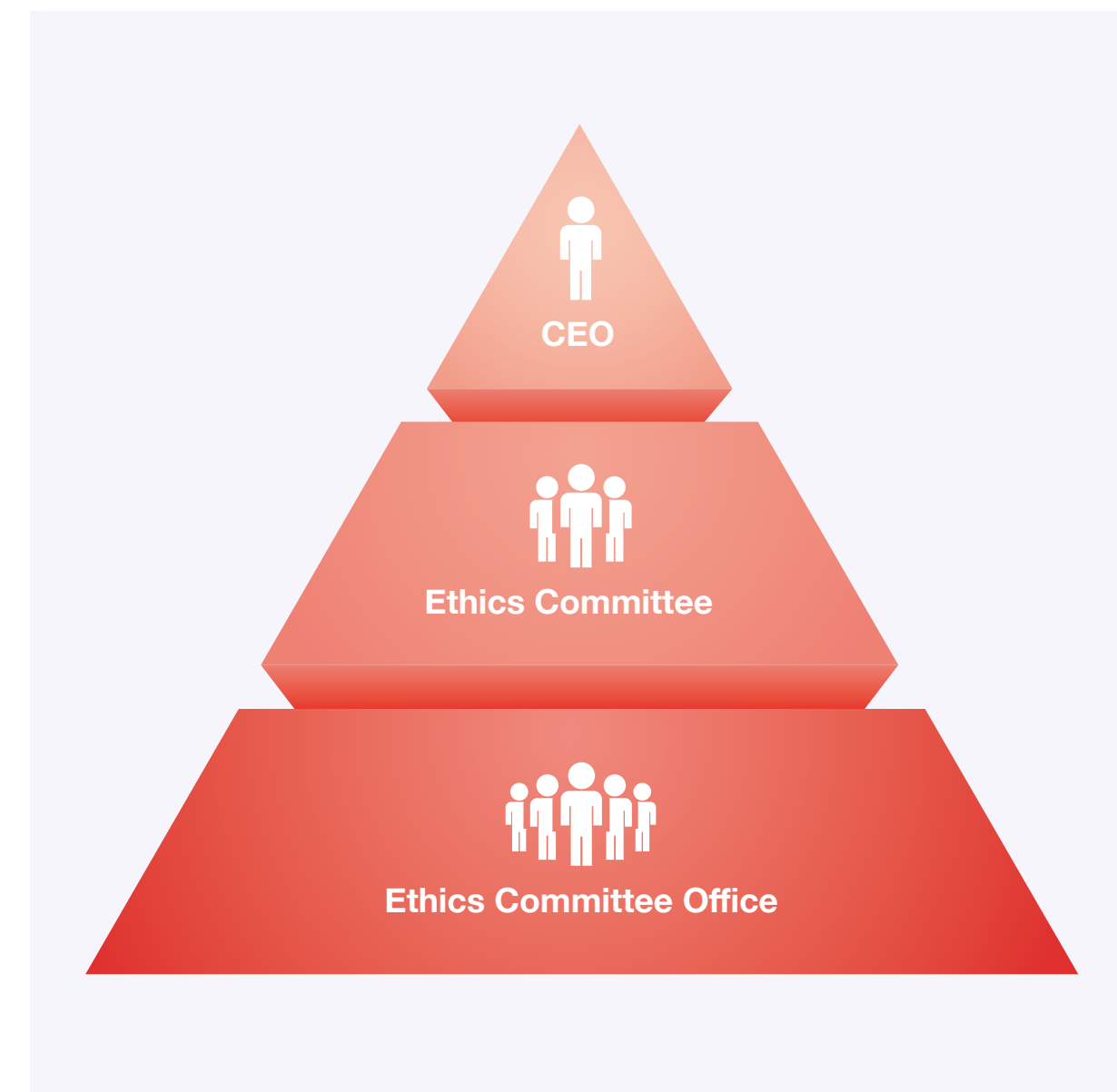
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# Business Ethics and Code of Conduct: Our Internal Policies and Management Structure

Promoting fairness, ethics and integrity for all of our employees is at the forefront of our company governance. The audit committee of the Company's board oversees procedures for employee complaints and concerns and reports regularly to the full board of directors. We have a dedicated Ethics Committee to supervise and ensure appropriate behavior by all employees and the Company as a whole.

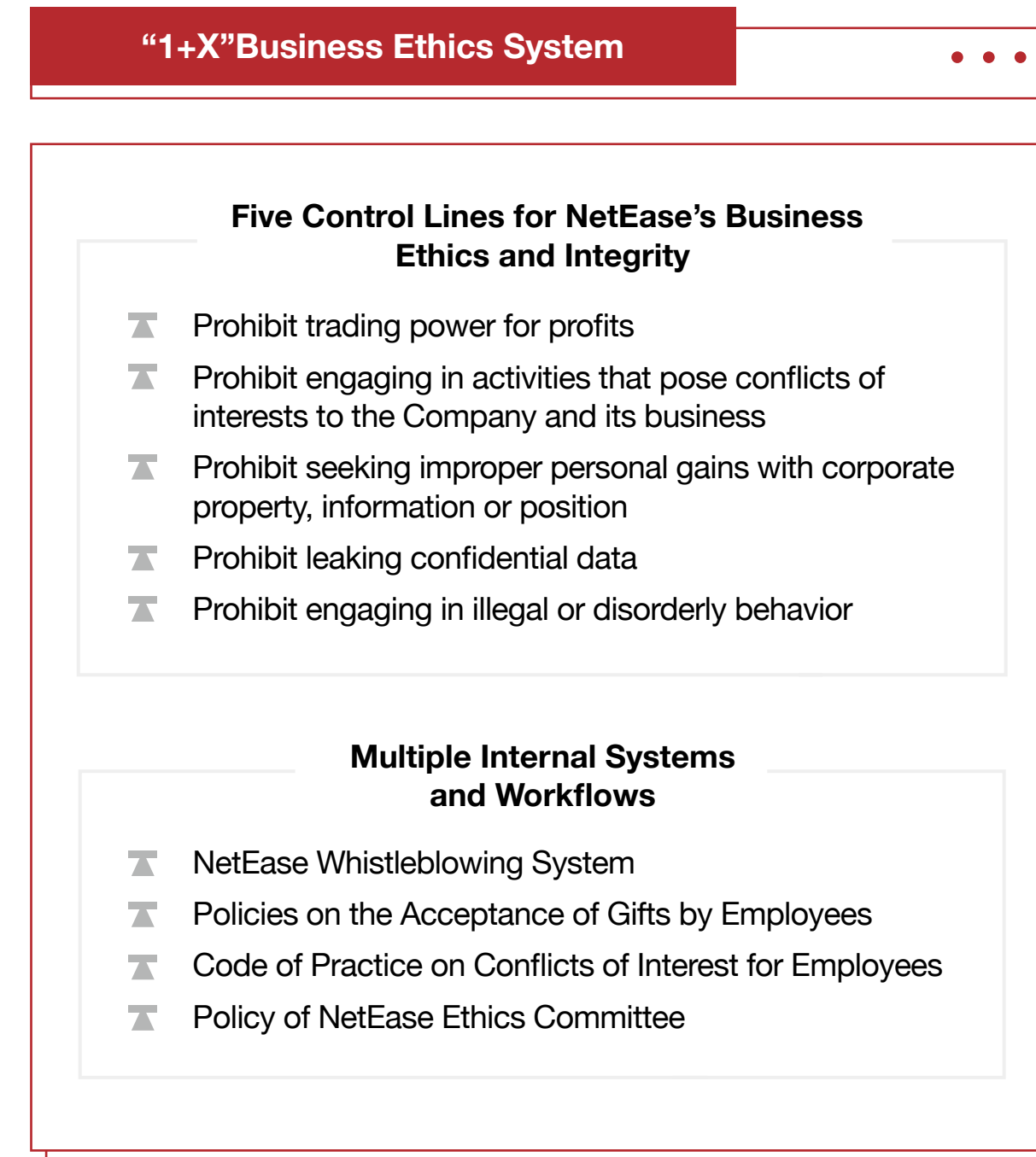
## Anti-corruption Framework

In performing their job duties, NetEase employees are required to always act lawfully, ethically, and in the best interests of NetEase. NetEase has an **Ethics Committee** that is authorized to investigate any and all matters brought to its attention in such manner as it deems appropriate and report its findings directly to the CEO.



## Business Ethics Policies

NetEase established a sound reporting mechanism, with the Ethics Committee office following up on whistleblowing and responding to complaints from employees and business partners. NetEase provides a whistleblower protection mechanism for employees to report misconduct, including an anonymous complaint mechanism and multiple reporting channels, such as a whistleblower hotline, email, etc.





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# Business Ethics and Code of Conduct: Employee Training

NetEase provides guidance and helps implement its code of ethics through internal communications as well as other channels. We conduct training and internally publicize the topics covered by the code of ethics to raise awareness and prevent violations across our business.

In 2020, NetEase adopted a company-wide, full lifecycle approach to business ethics-related training activities. We conducted both online and offline integrity training for new and current employees. We also organized case study sessions focusing on different types of misconduct, while emphasizing our commitment to preventing corruption, bribery and other illicit behavior. A total of 25,446 employees participated in anti-corruption related training in 2020, covering 97.7% of all employees.

NetEase launched a month-long “Integrity Month” campaign in four locations<sup>1</sup>. To ensure that business ethics training was engaging and attractive, NetEase used a variety of fun approaches to enhance employees’ integrity awareness.

## Integrity Training for all Employees

To strengthen employees’ awareness of integrity issues, the Ethics Committee Office conducted targeted training for NetEase management, as well as individuals in high-risk positions and other employees. The office carried out scenario-based training on relevant regulations through online and offline methods. A total of 25,439 training sessions were organized in 2020, covering approximately 97.6% of our employees.

## Integrity Training for New Hires

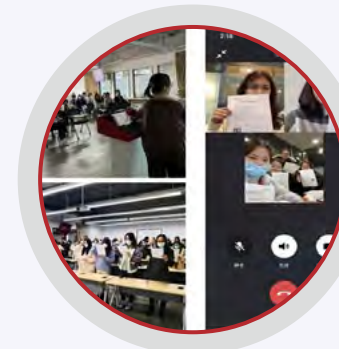
Provides integrity and ethics-related training for new employees, mainly in the form of on-site training. Employees who could not attend the on-site training were required to complete online training. A total of 1,649 new hires were trained on-site in 2020.

## Case Briefing and Reflection Sessions

This focused on departments which had experienced compliance issues. The format involved mainly of-line meetings to inform all employees about cases and reiterate the key integrity requirements.

## Regular Integrity Communications

### Offline Activities



We hosted an offline event for integrity awareness for a business unit and employees were instructed about anti-corruption practices and signed an integrity pledge.

### Online Activities



We produced a short play- “Integrity Man’s Data Security Battle” to promote the concept of integrity.

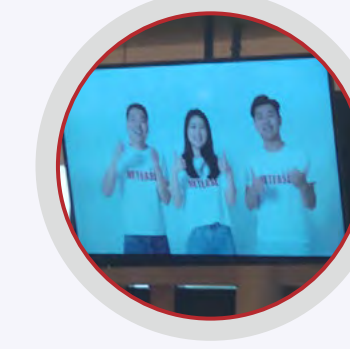
## Integrity Month

### On-site Publicity



We enhanced employees’ awareness through multiple channels, including advertisements and billboards in our office campuses.

### Live-streaming Activities



We interacted with employees through livestreamed trainings, such as by showing employees how to respond to conflict-of-interest situations.

1. NetEase’s offices in Hangzhou, Beijing, Guangzhou and Shanghai.





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## Business Ethics and Code of Conduct: Working with Our Partners

NetEase abides by NASDAQ's ESG Reporting Guide 2.0 with respect to its suppliers and other partners. We actively participate in anti-fraud and anti-corruption alliances and related activities of external parties. We are committed to working with industry partners to create a wholesome business environment.

In 2020, NetEase conducted integrity training for nearly 100 employees from 60 suppliers, with 92 hours spent on training. We also sent a letter to our suppliers which explained our commitment to corruption-free procurement to further strengthen suppliers' awareness of integrity.

As a council member of China's Trust and Integrity Enterprise Alliance and Binjiang Compliance Promotion Association, NetEase proactively collaborates with industry participants to advance anti-corruption concepts and practices.

### Trust and Integrity Enterprise Alliance

NetEase actively participates in corporate exchanges and academic forums held by the Alliance to learn about and share anti-corruption approaches and experiences. For example, in August 2020, NetEase participated in the "Seminar on Anti-Corruption and Compliance Risk Held for Internet Enterprises" to learn about and exchange best practices on anti-corruption management.

### Binjiang Compliance Promotion Association

As a board member, NetEase participates in the Association's monthly communication meetings, exchanges best practices and participates in academic forums and other activities held by the Association. For example, in September 2020, NetEase participated in a seminar on "Fundamentals of Corporate Compliance Governance" to learn about corporate compliance management issues.





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# Environment

This section covers the United Nations Sustainable Development Goals (UN SDGs)



In the process of moving toward a digital economy and society, NetEase is constantly fostering green initiatives and accelerating the development of green innovations. As such, we are committed to promoting environmental values across industries. As part of our corporate strategy, all of our business units adhere to the concept of sustainable development, integrating environmental protection and pursuing green operations across a wide range of business models and scenarios. In doing so, NetEase both promotes sustainable business practices in the regions where we operate and contributes to China's 14th Five-Year Plan goals of green development, supporting the transition to a low-carbon lifestyle and pursuit of carbon neutrality.

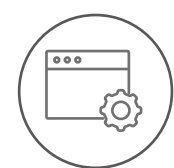
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## Performance Highlights

- Conducted a **climate change risk assessment**
- Achieved **37.4%** renewable power usage in select data centers
- Reduced campus electricity usage by up to **90%**
- Reached **432MWh photovoltaic capacity** at one of our office campuses



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Addressing Climate Change

We are working on climate change risk identification based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have assessed our climate change risks and are progressively exploring strategies and actions for climate change mitigation, adaptation and resilience.

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# We proactively identify climate-related risks and take actions to address them

## Climate Change Risk Identification under TCFD Framework

### Transition Risks

In terms of risk identification, we assessed national and local policies, surveyed technological and market trends, and defined potential transition risks that could have a financial impact on our business.

	Types of Climate Change Risks	Description of Climate Change Risks	Responses
Transition Risks	Policy and Law	Stricter reporting obligations	Continue to promote the management of energy consumption by collecting data on energy consumption in our business and accurately calculating carbon emissions.
	Technology	Failed investments in new technologies	Examine the suitability of new technology investment and their compatibility with our business. Evaluate the results and investment risk in reducing greenhouse gas emissions for NetEase.
		Costs of the transition to low-emission technology	Examine the feasibility of new technology and equipment. Carry out replacements at a reasonable pace.
	Market	Changes from customer behavior	Track the market in real-time to ensure an appropriate share of green attributes in our products.
		Higher procurement costs	Use energy efficiency as a threshold for data center suppliers, and encourage existing suppliers to use clean energy.
	Reputation	Changing consumer preferences	Explore existing suppliers' green products, encourage suppliers to provide green products, and gradually increase the proportion of our green products year-by-year.
Increased concern among stakeholders about the associated impact on their reputation		Disclose the efforts made, results achieved and the Company's future path, as well as plans to build confidence among stakeholders.	

### Physical Risks

For both extreme and chronic physical risks, we assessed the risks to the Company's business from both near- and long-term perspectives (current to 2100) based on the greenhouse gas representative concentration pathway (RCP) 8.5 adopted by the UN Intergovernmental Panel on Climate Change (IPCC).

	Types of Climate Change Risks	Potential Impact on NetEase	
Physical Risks	Acute Risks	Typhoons	Typhoons may damage internet infrastructure, and affect the supply and sales of our products.
		Floods	Flooding may damage internet infrastructure.
		Drought	Droughts can cause water supply shortages, but the impact on NetEase is limited.
	Extreme cold and heat	Extreme cold or heat will increase demand for cooling and heating, and may also affect water supply, but the impact on NetEase is limited.	
Chronic Risks	Extreme fluctuations in rainfall and weather patterns	Extreme precipitation may damage office and operational infrastructure, resulting in increased operating costs.	
	Increase in average temperature	Rising temperatures may increase demand for cooling in summer.	
	Sea level rise	A rise in sea level will increase the threat of flooding and possibly damage offices and internet infrastructure.	



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# Addressing Transition Risks: Pursuing Low-carbon Data Centers

With smart solutions in office, renewable energy, low-carbon travel and other measures, NetEase targets a highly efficient approach for energy consumption that helps preemptively cut the technical risks arising from climate change.

## New Project Construction

- Energy use efficiency target: PUE  $\leq$  1.4
- Philosophy: Modular design
- Methods: Free air-cooled air-conditioning technology + high voltage DC power supply technology
- Results: Improved cooling and power supply efficiency

## Existing Project Optimization

- We are monitoring opportunities to utilize renewable energy while continually optimizing our data center energy structure and increasing the proportion of new energy sources. At present, some of our data centers use renewable energy, mainly **wind power** and **photovoltaics**.
- The average proportion of **renewable energy power used in one of our data centers in 2020 was 37.4%, with the peak proportion reaching 45%**, significantly improving the cleanliness of data center power use and reducing greenhouse gas emissions.

Low Energy Consumption

NetEase has optimized the energy consumption per unit of computing power by adjusting internal resources, initiating the replacement of old servers and decommissioning high energy-consuming data centers. During the 2020 reporting period, NetEase replaced approximately 7,000 old servers, equivalent to the leasing elimination of 500 old high energy-consuming racks, which saved an average of **1.25** million kWh of electricity or **153** tons of standard coal per year.

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Refrigeration is the largest source of energy consumption following the IT load in data centers. NetEase requires all data centers we operate or rent renovate old air conditioning units, replace the original fixed-frequency air conditioners with new energy-saving models, and optimize humidity control equipment in server rooms to reduce energy consumption. We upgraded two server rooms that saved 190,000 kWh as of December 2020, and the rooms' energy consumption was reduced by **10%** after the renovation.

## Technical Upgrades at Data Center

NetEase also reduces energy consumption for cooling by optimizing existing technologies and adopting advanced technology innovations.

Cooling System Upgrades

Part of the server rooms use air-cooled, air-conditioning water, a pre-cooling system to cool the server room, which has an energy-saving effect below 20°C, especially when the temperature is below 10°C.

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Some of our server rooms in Hangzhou use an inverter fluorine pump natural cooling technology for cooling. These units adopt the principle of a closed fluorine system + fluorine pump instead of the existing large server room water system + plate exchange for natural cooling. While achieving maximum use of natural cooling, this new technology also results in zero water consumption. The PUE is about **40%** lower than that of conventional air-cooled air-conditioned rooms.

Through a series of initiatives, the average PUE of some NetEase data centers in 2020 was **1.3**, with the lowest being **1.2**. In the future, we will set lower PUE targets to reduce carbon emissions from our data centers by improving energy efficiency and reducing cooling consumption in order to create a green and efficient environment.

# Addressing Transition Risks: Creating a Low-carbon Workspace

NetEase is committed to using energy as efficiently as possible and reducing carbon emissions by setting clear targets and establishing smart systems, among others.

## “Space-Ease” Smart System

This system supports monitoring energy consumption in our offices in a real-time manner, as well as other environment indexes such as temperature, humidity and carbon dioxide concentration in office areas, server rooms and other spaces. With such data, the system can adjust the temperature of water used for air-conditioners and other facilities such as make-up air systems. The synergy of the smart system and office facilities can reduce the manpower required for floor inspections and provides data support for energy consumption decisions.



### Intelligent Lighting System

- ◆ Under this system, lights are automatically turned on or off when detecting the entrance and exit of people. The system also supports customized projection scenarios.
- ◆ The system is applied in various locations such as garages (reduced power consumption by 90%), sports halls (60%) and office areas (50%).
- ◆ The system is capable of monitoring the energy consumption and length of time a room/ place is used, providing data and information for our energy management decisions.



### Dynamic Ventilation System

- ◆ With real-time data feedback, the frequency of the motor can be adjusted dynamically to save energy.
- ◆ The power saving rate can reach more than 60%.



### Upgraded Air-Conditioning System

- ◆ Through centralized controls, bulk temperature adjustments and switching functions can be realized, making the air conditioning control on large campuses faster and more efficient, which creates a comfortable office environment.
- ◆ NetEase used 1.4 million kWh of electricity for air conditioning during the May to September 2020 cooling season, saving 0.3 million kWh compared with 2019.

## Renewable Energy Use

### Photovoltaic Power Supply in Office

NetEase is proactively exploring new energy technologies and making full use of clean energy. Our Hangzhou office campus has introduced photovoltaic power generation for lighting and other operational purposes. During the reporting period, photovoltaic power-generation capacity reached 432MWh.



## Low-Carbon Transportation

To reduce the carbon emissions of employees traveling to and from work, we provide energy-efficient transportation such as electric buses.



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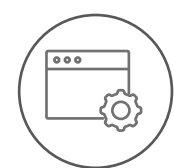
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# Addressing Transition Risk: Tracking our Energy Use and Greenhouse Gas Emissions

NetEase continues to promote the careful management of energy consumption to further improve energy conservation and carbon emission reductions. This lays a solid foundation for efficient management of carbon emissions and pre-emptively responds to policy changes and risks brought about by climate change.

Types of Energy	Unit	Consumption in 2020
Diesel	Liter	10,200.00
Petrol	Liter	18,533.89
Natural gas	Million standard cubic meters	93.95
Electricity	Megawatt hour	94,722.46
Direct energy consumption	Tonnes of coal equivalent	1,281.74
Indirect energy consumption	Tonnes of coal equivalent	11,641.40
Comprehensive energy consumption	Tonnes of coal equivalent	12,923.13
Energy consumption intensity	Tonnes of coal equivalent / person	0.45
<b>Greenhouse Gas (GHG) Emissions <sup>1</sup></b>	<b>Unit</b>	<b>Emissions in 2020</b>
Scope I GHG emissions	Tonnes of carbon dioxide equivalent	2,072.17
Scope II GHG emissions <sup>2</sup>	Tonnes of carbon dioxide equivalent	18,365.96
Scope III GHG emissions <sup>3</sup>	Tonnes of carbon dioxide equivalent	50,224.90
Total GHG emissions	Tonnes of carbon dioxide equivalent	70,633.03

1. GHG emissions from mainly rented data centers and campuses in Hangzhou and Beijing

2. GHG emissions from purchased electricity are calculated with reference to the International Energy Agency (IEA) 2017 database, and GHG emissions from other sources are calculated with reference to the "Guidelines for Accounting Methods and Reporting of GHG Emissions from Enterprises in Other Industries (Trial)" issued by the National Development and Reform Commission of the People's Republic of China

3. Statistics on Scope III GHG emissions from employee travel flights and mainly rented data centers



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# We improve resource utilization & waste management to pursue sustainable workspaces

Our dedicated conservation system actively implements water conservation measures and promotes food conservation concepts to reduce resource waste and improve resource utilization.

## Water Management

NetEase strictly enforces a water conservation system at its offices. We reduce water waste and improve water utilization through various water conservation initiatives.

### Water Saving Initiatives

#### Rainwater Recycling System

Our office campus in Beijing uses a rainwater recycling system with a basic recycling ratio of 5% to 10%. There are 500 cubic meters of storage capacity in our rainwater recycling system.

#### Irrigation Water

We mainly use drip irrigation for watering plants; large-area watering is used only during certain seasons.

#### Conservation Initiatives

We have carried out water conservation activities together with local water conservation authorities. We tested and classified water supply equipment to allocate water resources to ensure their efficient use.

#### Third-Party Water Use

We strictly control the amount of water used by suppliers of our cafeteria, setting a maximum limit for free usage. We also perform a monthly analysis and compile data to compare the amount of water used in different time periods.

### Water Resources Use

During the reporting period, the use of NetEase's water resources<sup>1</sup> was as follows:

#### Total Water Consumption in 2020

**447,263 tons**  
Of municipal water

**600 tons**  
Of recycled water

#### Water Saving Result

Our Beijing office implemented a number of water conservation measures and was awarded the "Beijing Water Conservation Unit" by the Beijing Water Authority.



Beijing Water Conservation Award

1. Statistics for water use in the Hangzhou and Beijing office campuses.

## Food Waste Management

We focus on fully utilizing all food resources within our offices, inculcating in the hearts of all NetEase staff the concept of "no extravagance, no waste." The per capita food waste in the Hangzhou office campus dropped from 165g/person to 148g/person, a reduction of about 10%.

#### Small and Large Portions

Some meals are available in small and large portions to help prevent food waste.

#### Addition of Diverse Meal Options

We offer over ten different meal lines for employees to mix and match, meeting their independent dining choices while avoiding the waste generated from set meals.

#### Menu Adjustment

We observe employees' meal preferences and reduce food waste through menu changes.

#### Food Waste Engagement

We introduced a daily food waste display board and added food saving signs to call on employees to reduce waste.



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# Waste Disposal and Treatment

We believe that recycling is one of the best methods to support an environmentally friendly society, along with reducing waste. At NetEase, we enable sustainable operations through proper recycling and disposal initiatives.


## Waste Management Initiatives



**For retired office electronics and facilities**  
Retired electronic devices recycled are available to employees to purchase at lower prices, to reduce waste and improve resource utilization. Examples include laptops and monitors.



**Hardware that has reached the end of its lifecycle and waste that can be recycled**  
Choose suppliers with recycling qualifications.



**Hazardous waste disposal**  
We designate third parties to ensure proper disposal of hazardous waste such as toner cartridges, ink cartridges and light tubes.

## Total Waste Generated in 2020<sup>1</sup>



1. Statistics for the waste generated in the Hangzhou and Beijing office campuses.





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## Green and Clean Logistics and Distribution

We are committed to introducing optimal green logistics solutions. With this in mind, NetEase actively practices the concept of environmental protection in the logistics and distribution of its products. Leveraging the power of technology and smart devices, we have developed an exciting low-consumption logistics system to continue providing quality services to our customers.

### NetEase Yanxuan Logistics Management

#### Optimized Vehicle Dispatching

- ◆ Our vehicle dispatching system uses its own TMS information technology system to recommend efficient delivery solutions for each logistics order.
- ◆ We pre-plan the optimal path for each logistics order to maximize utilization of vehicles.
- ◆ We encourage logistics service providers to use vehicles that meet higher emission standards or new energy vehicles, etc., and actively practice scientific management of vehicle emission standards across the logistics and distribution chain.
- ◆ Yanxuan's logistics (stock transfer and stock in) have a carpool rate of more than 50%, eliminating more than 1,000 trips throughout the year.

#### Green Logistics

- ◆ We use recyclable (non-disposable) pallets to promote more environmentally friendly logistics equipment.
- ◆ We eliminate unnecessary packaging for logistics and master cartons, and encourage this practice with our logistics carriers as well.
- ◆ We support commodity suppliers to reduce printing and the use of box stickers. We reuse the retired cartons in temporary storage areas.

#### Enhanced Distribution

- ◆ We run an intelligent analysis of Yanxuan orders and develop new modes of direct delivery from the warehouse to the destination.
- ◆ During the 2020 reporting period, we developed direct delivery routes to Beijing, Tianjin, Guangzhou and Hangzhou to reduce distribution transits.

### NetEase Yanxuan Packaging Material Management

#### Intelligent

- ◆ We develop online recommendation systems matching each order with the most suitable and environmentally-friendly boxes and pre-packaging. Based on simulations of historical order data, we optimize the sequence of Yanxuan cartons to maximize the use of box space, and reduce the use of filling and packing consumables.
- ◆ After implementing these online systems, the utilization rate of packaging space increased by 16%, equivalent to saving more than 3,000 tons of raw paper and over 10 million inflatable pillows and cushioning materials.
- ◆ The warehouse management system (WMS) utilizes a “combined order” function, allowing us to combine orders with the same address to reduce packaging materials and deliveries.

#### Lightweight

- ◆ We simplified the entire packaging design process, taking into consideration transport requirements for large and medium-sized pieces and irregular-shaped goods during the development stage. With these measures, we reduced secondary packaging and as of the end of 2020, the proportion of goods shipped in original containers exceeded 20%.
- ◆ We promote light-weight materials by reducing the carton size for commodities and courier shipments, reducing courier bag thickness by more than 20% and also reducing sealing tape width from 60mm to 48mm, etc.
- ◆ We promote simple design and simple packaging materials, such as changing the painting of logistics and master cartons from multi-color ink on all sides to single-color on one side, reducing the use of ink.

#### Recyclable

- ◆ We adopt green packaging programs and promote the use of carefully selected packaging materials that are recyclable or biodegradable. For example, we use recycled plastic boxes instead of cardboard boxes in our warehouses. We have also developed a mechanism for recycling second-hand cardboard boxes, as well as conducted tests on tape-free cardboard boxes and biodegradable courier bags in warehouses.
- ◆ We carefully select suppliers and use courier packaging materials that meet the regulatory requirements for heavy metal and hazardous substances and encourage suppliers to pursue green initiatives. NetEase Yanxuan works with a number of domestic packaging manufacturers that have achieved carbon neutrality.

# We integrate green concepts into our products and promote green awareness

## NetEase Yanxuan: Creating Green Products across the Entire Value Chain

NetEase Yanxuan promotes green concepts. We have formulated design guidelines to introduce green product concepts in six areas: material selection and use, product design, manufacturing processes, packaging processes, use stage, recycling and final disposal. During the reporting period, NetEase Yanxuan obtained ISO 14001 environmental management system certification.

### Supplier Screening

We have strict control over our suppliers to guarantee environmentally friendly and high-quality products.

- We give preference to suppliers with ISO 14001 environmental management system and ISO 5001 energy management system certifications.
- Suppliers must sign NetEase Yanxuan's Notice to Parties Concerned with Environmental Protection and Occupational Health and Safety policy.
- We require suppliers to follow a code of conduct that ensures product safety and environmental protection in the design and development stages, selection of raw and auxiliary materials, production and packaging processes, and other aspects, while taking reference from international regulations and standards such as the requirements of the REACH regulations.
- We actively promote the Hazardous Chemicals Control Program and refer to the leading international regulations of the European Union, the United States, Germany and other international regulations. We also work closely with our suppliers to control hazardous chemicals in logistics and packaging throughout our production chain and require all suppliers to sign a Declaration of Conformity with Hazardous Chemicals.

### Product Screening

We select products that meet environmental standards to ensure that all raw materials and services meet national, local and industry requirements for environmental, safety and health-related laws and regulations. We adhere to the following four principles:

- Prefer environmental-friendly goods
- Prefer goods with noise-reduction designs
- Prefer products that are produced with reduced energy consumption
- Prefer biodegradable products

Under these principles, many products sold by NetEase Yanxuan use environmentally friendly technology to promote a lifestyle with zero impact on the environment.



Garbage bags that can degrade into carbon dioxide and water



Biodegradable PU insoles



Blue jeans made from gas bottles retrieved from the ocean



Safe, environmentally friendly and biodegradable chopsticks made of polylactic acid



Coated pots and pans that comply with EU standards, which strictly limit harmful chemicals potentially contained in the PTFE coating material



EU standards implemented for crawling mats commonly used by infants and toddlers, with strict controls on formaldehyde content



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# NetEase Games: Promoting and Cultivating Green Concepts

NetEase Games continues to promote green, low-carbon concepts as well as environmental protection measures through its established corporate brand, conveying environmental protection messages to more people via its various games.



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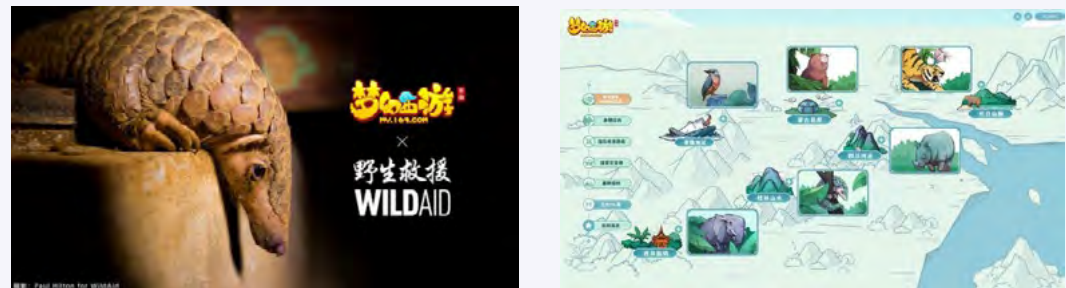
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## Fantasy Westward Journey – Wildlife Preservation

In 2020, NetEase Games announced that its flagship title *Fantasy Westward Journey* would begin public welfare cooperation with WildAid, an international nature conservation organization. Under the collaboration, the companies agreed to work together on wildlife conservation projects, leveraging the healthy and green living philosophy advocated by *Fantasy Westward Journey*. WildAid's animal protection project covers pangolins, sharks, tigers, and other nationally protected animals, while its rich knowledge in animal protection will provide solid know-how for our cooperation. The *Fantasy Westward Journey* mobile game also launched a series of special activities, including *Adventure Journey*, *Explorer Duel*, *Forest Guardian Illustration* and other gaming experiences to help younger generations gain a greater understanding of the importance of protecting wild animals and preserving our ecological environment while enjoying the games.



## Onmyoji – Marine Preservation

The ocean is vital to the future of humankind, but it is becoming increasingly vulnerable because of climate change and pollution. In 2020, *Onmyoji*, together with the One Planet Foundation (OPF) and World Wide Fund for Nature (WWF), launched the *Sea of Azure* ocean protection project to embark on a new journey to protect our ocean environment. Through campaigns like *Sea of Azure* and *Ocean Cleanup Video Relay*, we raised awareness about the importance of protecting marine life and marine ecology.



# Responsible Products and Services

This chapter covers United Nations Sustainable Development Goals (UN SDGs)



We are committed to providing strong data security protection for our Company and our users across our product portfolio. We tirelessly pursue a safe and orderly ecosystem that minimizes network and information risks. We endorse the concept of “users first” by practicing efficient product management, protection of users’ rights and interests, and continuous efforts to achieve product innovation.

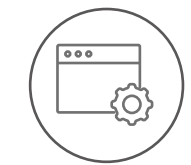
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## Performance Highlights

- Developed a **DDoS protection system** for large traffic attacks
- Fortified personal information protection protocols
- Established **NetEase Game Minors Protection Center**, among the first gaming companies to do so in China
- Invested **RMB10+ billion** in R&D in 2020
- Actively engaged in industry standards discussions and activities



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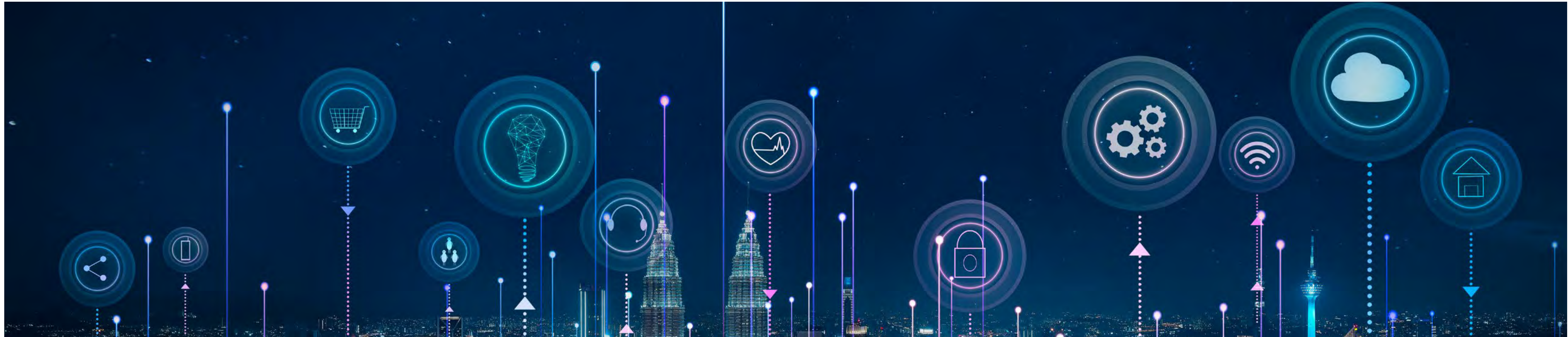
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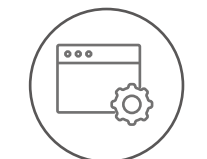
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# We follow strict cybersecurity and data protection protocols to ensure data security for both our Company and our users

Cybersecurity and data protection is a priority at NetEase. We maintain robust cybersecurity systems for all of our operations, which are reviewed regularly to ensure our operations and technology are protected.



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### Cybersecurity and Data Privacy

- Product Quality
- Product Innovation
- Intellectual Property Protection
- Customer Relationship Management



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## Our Cybersecurity Focus

We have formulated internal policies, including a Network and System Security Management System and Network Security Accountability System, to continuously regulate internal management in order to ensure cybersecurity protection in all aspects of our operations. We have also established double-layer protections, based on a network layer and an application layer, combined with its internally developed DDoS high-protection technology, as well as Web application firewall technology. This provides multiple protection measures to ensure stable business operations. NetEase's DDoS high-protection technology received a patent for DDoS alarm automatic learning.



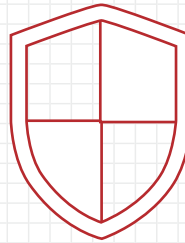
**Network Layer-based Protection**

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



**Application-based Protection**

With browser fingerprint, CC tool identification, and other defense modules, we effectively defend against website attacks and are capable of defending against up to 100V + QPS attacks

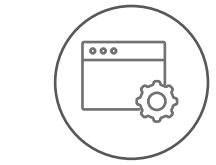


**Advanced DDoS Protection Embedded With Web Application Firewall**

Effective, automatic protection against web attacks, such as trojan horses, BQL injection, Oday lag, and crawlers



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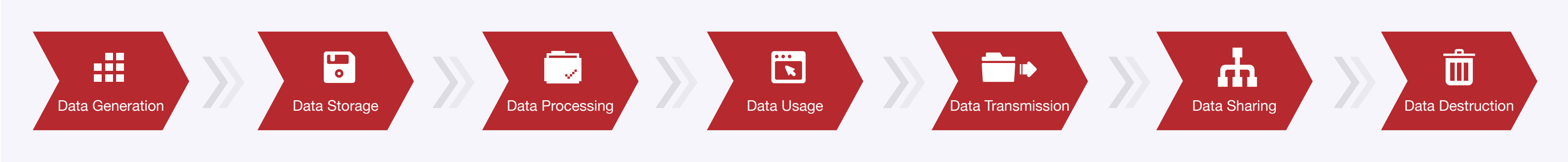
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# Data Security: Our Internal Policies and Controls

## Internal Procedures

We established internal policies such as Policy on Data Security and Access to Data and General Rules of NetEase Data Security Management to strengthen information security across our entire business. We have established the NetEase Information Security Incident Contingency Plan, which clarifies the norms and processes for efficient emergency response deployment in the event of unexpected security incidents.

We established a sound data security management procedure to ensure data are properly handled through their entire lifecycle. We continuously improve our security assessment mechanisms through daily monitoring and supervision, pilot testing at key nodes, and security penetration and vulnerability checks by professional engineers to prevent data risks.



Security Management: NetEase Data Security Lifecycle

## External Initiatives

We carefully select third-party suppliers and partners and require them to receive data security training in addition to signing our Confidentiality Agreement and Security Responsibility letter. We also have several other initiatives currently in place to ensure data security.

**Physical Isolation of Server Rooms**

- ◆ Personnel and materials need to be pre-approved, registered, confirmed on-site, and recorded before they are allowed to enter a server room.
- ◆ Computer room access control is managed by a combination of swipe card and fingerprint identity technology, and authorized by strict reporting and approval protocols.
- ◆ No photos may be taken in the server rooms, which are protected by panoramic video monitoring.

**Internal and External Network Isolation**

- ◆ The on-site network of external parties and intranet in the server room is isolated, and OpenID authentication login for key information equipment is used in the server room.

**Restricting Accessibility**

- ◆ The vendor's network inspection and other activities can only be performed on a specific computer through a restricted account we provide. The computer can be connected only to the intranet network that enables data localization and analysis, in order to strictly prevent data leakage.



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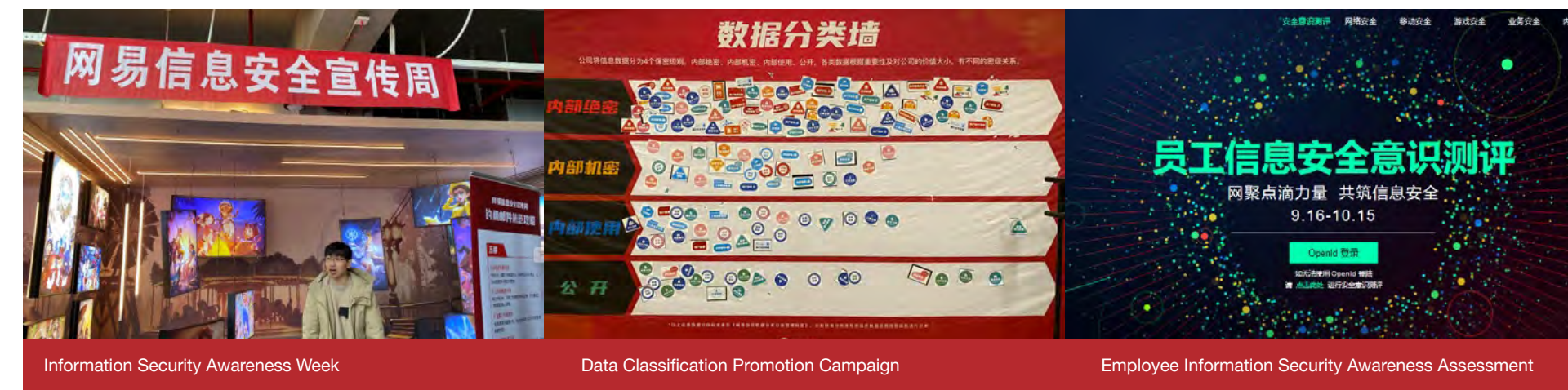
# Data Security: Employee Training and External Certification

## Employee Training

We updated our Employee Information Security Code in 2020 and require employees to sign our Data Protection Agreement. We also established the “Four Control Lines of Data Security” to strengthen employees’ awareness of information protection.



NetEase regularly conducts information security-related training, internal publicity activities and tests for employees to improve their information security awareness and knowledge.



NetEase Data Security Training and Publicity Work

- Cybersecurity and Data Privacy level protection (DJCP), a practice to protect information and information carriers according to the level of importance, exists in China, the U.S. and many other countries in the field of information security.
- In information security management, the British standard ISO27000:2005 has become the world’s most widely used and typical information security management standard, developed under the guidance of the BSI/DISC’s BDD/2 Information Security Management Committee.
- TRUCS is jointly organized by the Data Center Alliance (the Alliance) and the Cloud Computing Development and Policy Forum (the Forum), the only authoritative certification system for the trustworthiness of cloud services in China.
- The Payment Card Industry Data Security Standard (PCI DSS) is a data security standard for the third-party payment industry, created by the PCI Security Standards Council (PCI SSC), which was formed by the founding members of the PCI SSC (American Express, Discover Financial Services, JCB, MasterCard Worldwide, and Visa International).

## Information Security Certification

As of the end of the 2020 reporting period, several business divisions and products, including NetEase Mail, NetEase News, NetEase Yanxuan, NetEase Payments, NetEase Cloud Classroom, Youdao Dictionary, Youdao Logic English and Youdao Cloud Notes, had completed the Graded Protection of Information Security Certification<sup>1</sup>.

NetEase’s digital technology and cloud service division obtained ISO 27001 Information Security Management System Certification<sup>2</sup> and obtained Trusted Cloud Certification<sup>3</sup>. And NetEase Payment obtained PCI DSS Certification<sup>4</sup>.



NetEase digital division: ISO27001 Certification



NetEase digital division: Information Security Level Protection Certification



NetEase cloud hosting and other Services: Trusted Cloud Certification



NetEase e-pay: PCI DSS Certification



NetEase Mail: Information Security Level Protection Certification



NetEase e-pay e-wallet: Information Security Level Protection Certification





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# Our Privacy Security Focus

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

## Our Policy and System



### Dedicated Team for Personal Information Protection

NetEase regards the protection of user privacy as a key responsibility and has formulated "Management Measures for the Security Protection of NetEase Users" and other policies. Our privacy policies are posted on our websites<sup>1</sup>. NetEase has established a dedicated team for personal information protection to receive complaints and reports about privacy and security issues. Users can submit complaints about privacy protection by email or telephone, and the Company pledges to respond within 15 working days after verifying the user's identity.

## Our Efforts Overseas

As NetEase Games has a variety of products released globally, we focus on personal data protection in these international markets and keep a close eye on developments in data protection laws in different countries and regions.

At an early stage of product design, following the principles of personal data processing stipulated by the European Union's General Data Protection Regulation (GDPR) which is one of the strictest and most detailed data protection laws currently in effect, we make sure the game products process user data lawfully, fairly and in a transparent manner and only collect user data to the extent necessary and for limited purposes. In our key overseas markets such as Japan, US and EU, we have engaged significant internal and external resources to support our efforts to comply with the local data protection laws. We have a special customer service team to respond to users' data requests (such as right of erasure under GDPR). The privacy policy of our game products is also updated from time to time based on our product designs and the local law requirements to help users understand our handling of their data.

## Our Initiatives

We have adopted policies and procedures related to privacy and data protection information in several business divisions, requiring user permission before information can be used. The following are some of the initiatives carried out by NetEase Yanxuan and Youdao.

**Youdao** understands the importance of safeguarding user privacy. It strictly limits access to servers that handle or store user information and internal data and sets up firewalls around user information to prevent potential hacking attacks.

Youdao also employs a data encryption system designed to ensure the secure storage and transmission of user information to prevent accessing or using company or user information in an unauthorized manner.

**NetEase Yanxuan** has strict measures to protect customer privacy, including standardizing the process of acquiring sensitive data and strengthening the management of system accessibility, strictly enforcing the segregation of permissions, and standardizing the management of permissions of various information systems.

In the customer operation center, the department that engages most frequently with users, NetEase Yanxuan launched a system that can precisely allocate information access according to the position of the staff requesting access to our data, avoiding the risk of access abuse resulting from any turnover of customer service personnel.

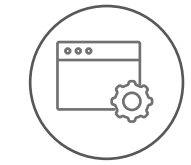
1. The link to the official website of the NetEase Group Privacy Policy: <http://gb.corp.163.com/gb/legal.html>.

# We remain committed to assuring product excellence and reliability

Guaranteeing the reliability and quality of our products is a key responsibility we owe to our users and represents one of NetEase's long-held philosophies. As part of our commitment to protecting the rights of our users and consumers, we strictly abide by all relevant laws and regulations and manage both the content of the NetEase platform and the quality of third-party products. The following pages introduce the product assurance initiatives of NetEase Games, Youdao and NetEase Yanxuan in detail.



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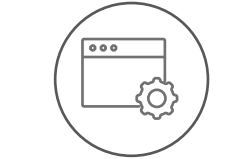
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# NetEase Games: Offering a Responsible and Fair Gaming Environment

We proactively collect and analyze players' feedback and take measures to stop cheating and unethical behavior that conflict with the rules of our games and can damage the game ecosystem, including game plug-ins, match-fixing, malicious refund and account hacking and fraud.



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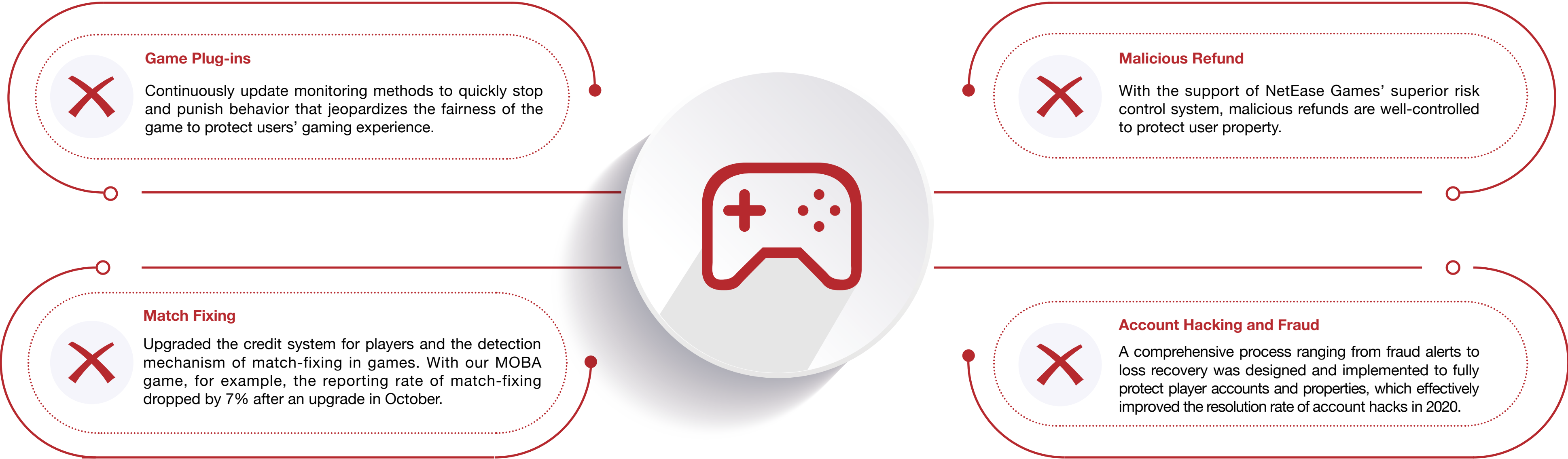
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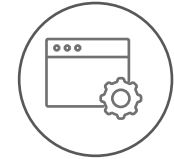


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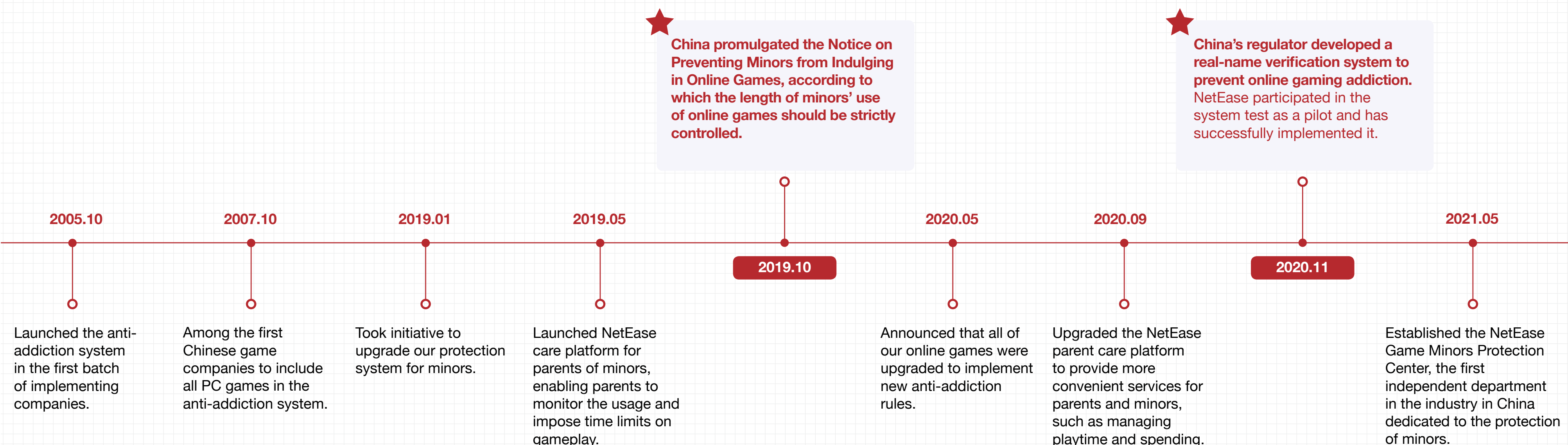
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# NetEase Games: Pioneering Anti-addiction Measures for Minors, Setting Industry Benchmarks

To ensure the healthy growth of young minds and prevent minors from becoming addicted to online games, NetEase Games upgraded its anti-addiction system for all of its online games under operation in China and joined hands with stakeholders to help protect our younger generation.



**2005**

Long before the introduction of national anti-addiction policies, NetEase implemented an anti-addiction system in two of its games in 2005, taking the initiative for the responsible protection of minors

### Internal Anti-addiction Efforts

NetEase established an anti-addiction system in our games to actively respond to regulatory development in China and upgraded the system accordingly. The upgraded products have implemented the real-name system for online game accounts and effectively managed the gaming behavior of underage users, including time and spending limits for underage users.

### Industry Engagement

During the reporting period, NetEase Games actively participated in the development of game industry group standards, such as **the Parental Guardianship Platform Guidelines, Game Enterprise Content Self-Auditing Process Guidelines, Game Age-Appropriate Tips Guidelines and Online Game Terminology**. We made use of our rich experience in the field of protecting minors' online safety to help the Chinese game industry build a more standardized and mature online ecology for minors.



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# NetEase Yanxuan: Supplying High-quality Products


As a lifestyle brand focused on the middle-class, product quality assurance is a top priority for NetEase Yanxuan. Our robust product management programs cover product screening, quality checks and traceability procedures, with support from big data applications, AI algorithms and other technologies. We also introduced publicity activities inside the company to strengthen the platform's reliability and integrity, and elevate NetEase Yanxuan's reputation.

## Product Control and Procedures



**Product Screening Management**

- ◆ **Product planning stage:** Utilize external database and review industry trends when screening a potential product.
- ◆ **Product development stage:** Every product is tested by users before it is introduced to our platforms to ensure that all of our products meet users' core needs. We collect feedback to guide the appearance and function of our products.
- ◆ **Product turnover stage:** Empower our decisions on new orders with an analysis of sales performance, user feedback, return rates, inventory and feedback from supply chain and sales channels.



**Product Quality Management**

- ◆ **Forward:** In the product development stage, NetEase Yanxuan investigates customer needs and studies standards for the industry and internally to appropriately consider users' needs and risks while setting quality standards. We also conduct multiple quality inspections to ensure the final products meet our expectations.
- ◆ **Reverse:** Real-time data tracking and analysis of user complaints help us identify issues with product quality. Through our Error Cause Removal (ECR) system, which includes recording, follow-up, improvement and verification processes to guide product improvement, abnormalities can be found immediately and improved in as soon as nine days. We also improved our risk assessment for new products by identifying and avoiding quality risks of similar products sold by third parties.



**Product Traceability Management**

- ◆ **Traceability:** We are building a robust product traceability system covering all categories in NetEase Yanxuan's warehouses, laying a solid foundation for its supply chain traceability capabilities.

## Quality Control Examples

### Product Quality Management Reverse Management Program

We collect complaints and opinions from our customers and the general public in real-time with a Diting-ECR system. We categorize the feedback through AI and send it to quality engineers and suppliers to immediately investigate, analyze and address those issues. Rectifications are then developed, implemented, tracked and verified to secure solutions. From the process launch in 2018 to 2020, NetEase Yanxuan's rate for products with quality problems was reduced by 43.1%.

### Product Expiration Date Management

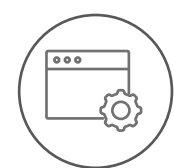
Netease Yanxuan introduced the SOP YX-WP-747 Commodity Expiry Control Standard to identify the expiration date for each type of item and use it for compulsory shelving, physical transfer operations, and the scrapping of expired goods in the warehouse product system, which improved our overall quality assurance.

### Product Traceability Management Solution

NetEase traces and tracks data throughout the full process. With the help of a third-party information management platform, we provide customers with information on product sourcing and raw material and third-party testing reports, reinforcing NetEase Yanxuan's brand as reliable, honest, safe and responsible.



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# NetEase Yanxuan: Employee Training on Quality Control

To raise the quality of our products and quality awareness among employees, NetEase Yanxuan adopted a combination of training and cultural publicity. Most notably, we established a “Quality Academy,” where we introduced the “zero-defect” quality management concept. This is now deeply integrated into our business systems and processes with supporting structures that reinforce this core principle such as “Quality Month” activities, which ensure quality assurance actions are implemented at every step of our employees’ operations.

## Training and Activities

### NetEase Yanxuan “Quality Academy”

In 2018, NetEase Yanxuan opened the “Quality Academy.” During the 2020 reporting period, the Academy organized 85 training sessions with 1,611 courses taken

#### Training Topics

Quality management concepts, quality laws, regulations and standards, cutting-edge technology in various industries, quality management-related skills, quality tools and methods, quality management systems, and other related topics.

#### Training Methods

In addition to on-site lectures, we organized activities for employees to experience the quality inspection process, allowing for a more intuitive experience with respect to the importance of product quality management.

### “Yanxuan Quality Month” Activities

For the third consecutive year, NetEase organized “Yanxuan Quality Month” activities. During the reporting period, we organized four events, including live broadcasts and online and offline classes.

#### Internal Publicity

Communicated customer-oriented work values to employees and optimizing work goals that enhance the customer experience.

#### External Communication

Conveyed the concept of quality craftsmanship to customers.

#### Best Practice Display

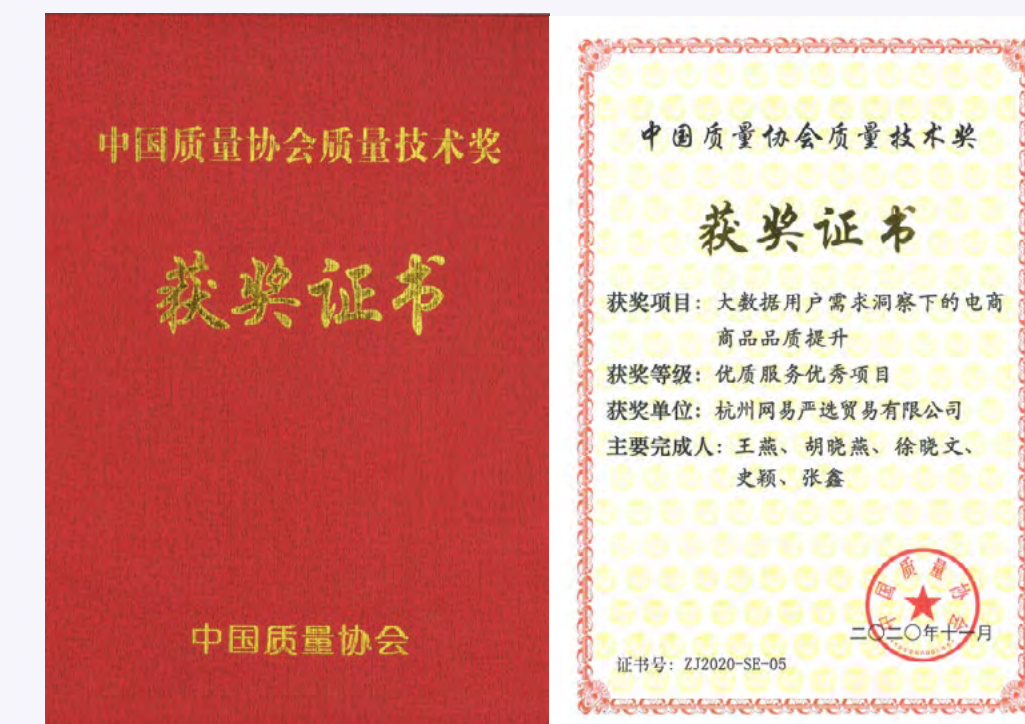
Showcased to employees specific examples of our efforts to improve product quality, such as success in developing a new product in the first attempt.

#### Ongoing Efforts

NetEase Yanxuan plans to set up a WeChat account to further introduce its quality management practices and values to the public.

## Industry Recognition

NetEase Yanxuan’s product quality management solution won the “2020 China Quality Association Quality Technology Award for Outstanding Service Project” and the “2020 China Quality Technology and Innovation Achievements Publication Competition” awards for its technological innovation and quality control efforts, awarded by the China Association for Quality.



NetEase Yanxuan’s Product Quality Management Solution Awards



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# Youdao: Offering AI-powered, Customized Learning Resources for Curious Minds

Youdao's online courses and advanced AI learning technology brings users access to quality resources at a lower cost. We continue to improve our product quality and are committed to delivering remote learning experiences to curious minds in China.

## Faculty Upgrades

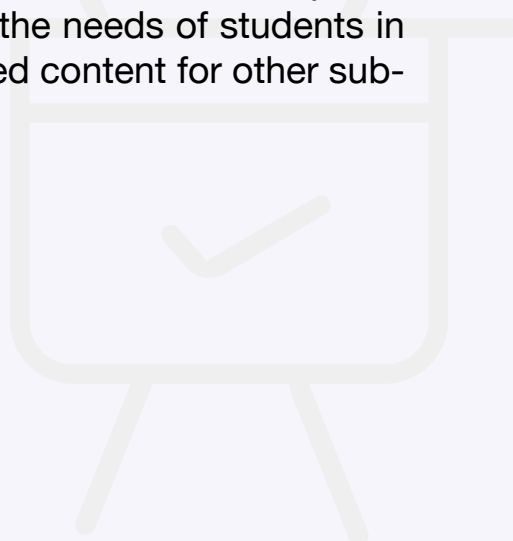
To provide high-quality courses, Youdao incubates highly skilled educators to ensure best-in-class teaching teams. We employ outstanding teachers who have graduated from some of the most prestigious universities around the world, including Peking University and Tsinghua University. At the end of our reporting period, Youdao had 3,786 well-trained tutors, ensuring high-quality teaching and education services.



## Course Content Optimization

In 2020, Youdao Premium Courses continued to develop and diversify its content library, refining its strategy with a focus on middle and high school education.

- ◆ The high school business of Youdao Premium Courses meets the diverse needs of students by building a multi-tiered teaching system and continuously improving the teachers' training system.
- ◆ Youdao has endeavored to include localized content in the courses we offer. Take junior high school Chinese as an example. Youdao launched 31 versions of junior high school Chinese, meeting the needs of students in 31 different provinces. Localized content for other subjects are also in progress.



## Recognition

With its high-quality content and services, Youdao Premium Courses was awarded the 5A "Online Education Service Certification" by the China Quality Certification Center in 2020, becoming one of the first four online education institutions to receive this certificate.

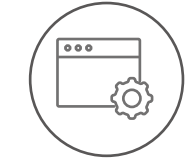


# We prioritize innovation to build well-crafted, user-centric products

We adhere to application-oriented R&D. Innovation is the foundation of the Company and is deeply rooted in each business units. Our innovation has helped millions to play more joyfully, learn more efficiently and connect more easily.



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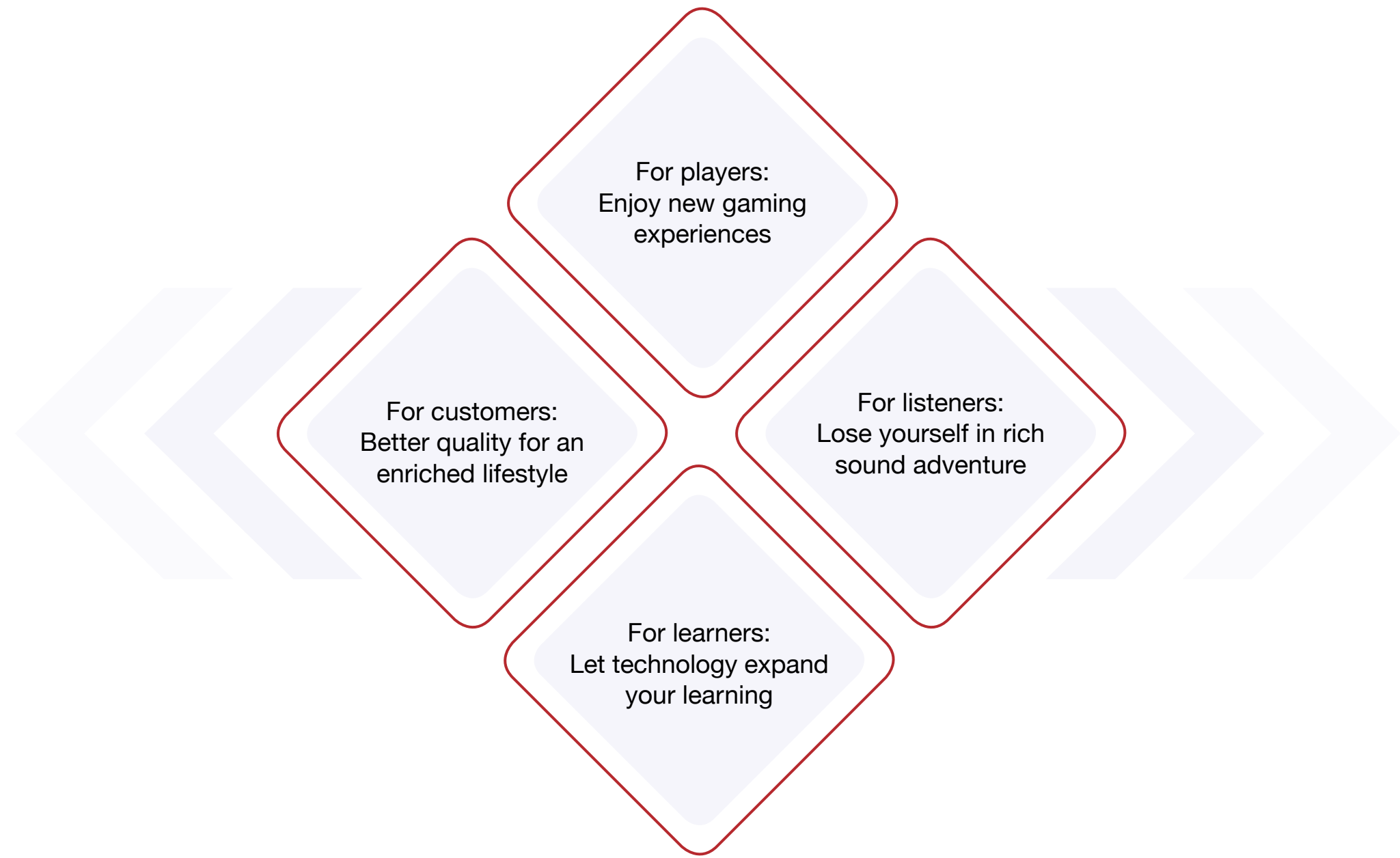
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Our Objectives for Innovation

### In 2020

NetEase R&D staff accounted for approximately 50% of its workforce. With more than RMB10 billion invested in R&D in 2020, NetEase was ranked one of the top three companies in China for R&D input by the China Enterprise Confederation and the China Enterprise Directors Association on the “2020 China Top 500 Enterprises List.”

Approx. **50%**

R&D staff as a percentage of total staff

> **RMB 10 billion**

R&D Investment in 2020




# NetEase Games: Leading the Market through Constant Innovation

Innovation is the driving force behind our game portfolios. As part of our pursuit to continuously improve the player experience and leverage our understanding of user needs and market trends, we have brought many innovative products to game lovers. Numerous iconic NetEase Games products have become the benchmarks for new categories.


***Invincible***  
Created the new SLG Vertical “Invincible-like”

The 2015 launch of *Invincible* created the “Invincible-Like” SLG subcategory with its unique seasonal geographical strategy gameplay, which is thought-provoking and highly interactive. Players can turn their ideas into action and even create their gameplay.




***Onmyoji***  
Iconic ACG-themed Card RPG Masterpiece

*Onmyoji* is a turn-based Japanese-style fantasy card Role Playing Game (RPG). A player’s epic adventure starts in the Heian period of Japanese history, a time when humans and demons co-existed. Our launch of *Onmyoji* in 2016 was one of the major factors in turning ACG into a mainstream game genre in China. As the market’s very first ACG-themed blockbuster, *Onmyoji* has accumulated over 400 million loyal followers globally.




***Identity V***  
Pioneer of the Asymmetric Battle Arena Games

*Identity V* pioneered the asymmetric battle arena games category in China. Launch in 2018, *Identity V* features dystopian gothic graphics, thought-provoking storylines, and exciting 1V4 confrontation gameplay. We have built a multi-level e-sports tournament system across various regions, such as Identity V Championship Japan Summer 2020.



***LifeAfter***  
Pioneer of Doomsday Survival Games

Launched in 2018, *LifeAfter* has been the pioneer of doomsday survival games in China. Its unique doomsday setting attracted millions of young players and opened up a new category. We have gradually improved the culture and style aesthetic of the game through episodic version updates. The human returning to the city, the great migration, the volcanic eruption...these exciting stories, which are created and played by millions of survivors, constitute the ever-changing apocalyptic world of *LifeAfter*.



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# NetEase Games: Inspire Players with the Charm of Culture, Science and Technology

During the 2020 reporting period, NetEase Games reinforced its commitment to offering players games that bring them joy while fully experiencing the charm of different cultures and technology.

## *Fantasy Westward Journey*

Our flagship title *Fantasy Westward Journey* links Chinese users with traditional cultural heritage, such as ice carvings and oil-painted paper umbrellas. It also promotes national musical instrument-making skills and integrates Dunhuang culture, allowing players to explore the charm and value of passing on traditional culture from generation to generation.



## *Westward Journey*

Adding to the classic and popular fashions in the *Westward Journey* series, the first high-quality hanfu “Gilt Like Dream” was launched in the game, combining the craftsmanship of three masters – Zhou Shuangxi, a national master of Nanjing Cloud Brocade, Yang Xue, a master of Su embroidery, and Li Zhengyun, a master silversmith – thus promoting high-quality hanfu through classic games.



## *All About Jianghu*

The costumes in *All About Jianghu* are branded with the legacy of the Liangzhu culture, integrating elements such as body tones, human and animal face patterns, and jade accessories. These aspects improved the gaming experience and promoted outstanding Chinese traditions and culture.



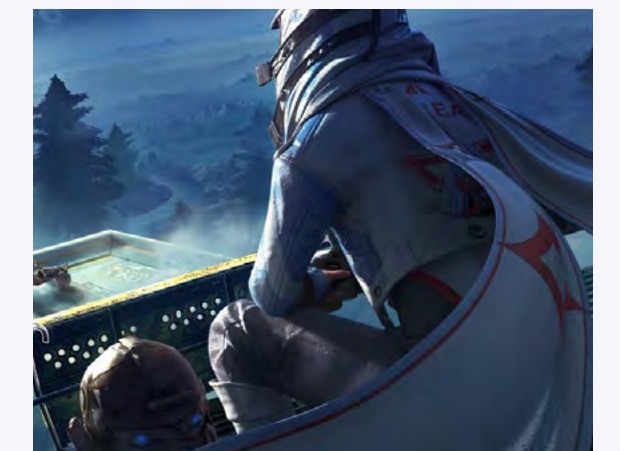
## *Justice*

Using the latest technology to showcase the classics and traditional Chinese opera, *Justice* incorporates the most prestigious traditional opera artists, promoting tradition in a way that can now be appreciated by young generations.



## *Knives Out*

Working with China Science Daily, which is attached to the Chinese Academy of Sciences, *Knives Out* has planned popular science activities such as “China’s Aerospace Achievement Tour” and “Wilderness Space-Liftoff Plan”, integrating science and technology in the game and offering players enjoyable learning experience. Xu Ying, a scientist with the BeiDou Navigation Satellite System, was invited as an advisor.



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# NetEase Cloud Music: A Superior Experience for Music Lovers

NetEase Cloud Music pioneered a number of trendsetting features and services that have led industry innovations for the exploration and creation of music content and social interactions in China.

## Iconic Playlists

- ◆ Among the first online music platforms in China to promote playlists, with one of the largest user-generated playlist libraries

## Personalized Recommendation

- ◆ Leverage advanced AI and machine learning technology to inspire music discovery and develop music trends

## Phenomenal Comment Section

- ◆ One of the first online music platforms to extensively and successfully develop, utilize and popularize comments section in China

## Continuously introducing new experiences that enrich sharing and connection

**Listen Together**  
 Users can invite their friends or strangers to listen to the same song together, transcending physical distance.

**Cloud Village**  
 Users can review, create and share various forms of music and music-inspired content (e.g. Mlogs), and interact with other users.

**Music Moments of the Year**  
 A personalized “year in review” report for each user based on their past music listening footprint

Since its inception, Cloud Music has introduced innovative features and experiences for music lovers. In the past year, it pioneered several industry-leading features in content creation, community sharing and entertainment formats, such as AI composition, listening together and Mlog.



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# Youdao: Leveraging Technology to Make Online Learning More Efficient

Youdao continues to develop and innovate technology to bring users a more convenient and efficient learning experience.

## Content Innovation

### Youdao innovatively launched the Star Instructors Interactive Large Classes

**Interactive Sessions Assisted by Smart Products**

In the classroom, the teacher sets the pace of the lesson according to the attention span of the students and provides a finer insight into the students' mastery of the content through interactive assessment questions.

**More Efficient Teaching Methods**

Compared with the method of "teachers being merely lecturers and students listeners," Youdao's class advocates a teaching method in which the teachers' role is to encourage, inspire and guide students to think and explore with their own initiatives, which enhances the students' learning experience and effectiveness.

## Product Innovation

### Youdao Dictionary Pen 3 Innovative Features

**New Offline Function:** no need to access Wi-Fi to achieve word search, making it suitable for school environment without a network.

**New "Interactive Reading" Function:** expands the age of users in the dictionary pen category down to 3 years old.

**Enriched Learning Scenarios:** this function allows users to read after real-person pronunciations sentence-by-sentence, with AI-scoring available. For some picture books, interactive Q&A settings are available to encourage users to think about the content after reading, leaving a deeper impression and a more effective learning experience.

**Explore AI Functions:** incorporates our independently-developed, world-first super-sensing optical system, which is compatible with the automatic judgment and recognition of two AI technologies, OCR (Optical Character Recognition) and OID (Optical Identification Code). It can also simultaneously recognize infrared light and visible light.

**Improved Accuracy:** The product carries an offline neural network that operates 20% faster than the original pen, making recognition even faster. The recognition accuracy has also improved significantly, with an average recognition accuracy rate of 98.3%.




# NetEase Yanxuan: Innovative Products for a Better Lifestyle

NetEase Yanxuan values product innovation through user-centric design and branding strategies. Our talented team from the Yanxuan innovation design center, along with our partners, continuously explores product innovation to achieve design excellence for customers.


### Calabash Brothers Cosmetics Series

In March 2020, NetEase Yanxuan collaborated with the Shanghai Fine Arts Film Studio to launch cosmetics collections based on the classic Chinese cartoon of Calabash Brothers. The collaboration not only presented the commercial and cultural value of this well-known tale in China, but also displayed Yanxuan's ability to utilize traditional Chinese themes with new vitality and innovative design.




### Mid-autumn Series: "Persimmon with Delight"

In October 2020, we launched the "Persimmon with Delight" mid-autumn series tea set, digging into historical stories from China's traditional culture. The name of the series in Chinese is pronounced the same as "everything goes as you wish," and we expect to bring the good wish to customers, especially during the difficult time of COVID-19.



### Christmas Series: Aurora Snow Monster

For Christmas 2020, NetEase Yanxuan followed a new trend in millennial culture by embracing youthful designs for its new snow monster series of products, successfully showcasing how to integrate an attractive lifestyle with trending culture and fashion.

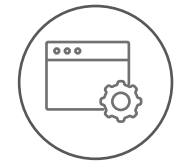


### Awards for New Products

During the 2020 reporting period, NetEase Yanxuan invested in and produced more than 500 new products. We won several award for creative designs, including the "Taiwan Golden Pin Design Award" and the "China Red Star Design Award."




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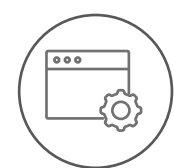
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# Protecting our intellectual property is a critical component of our innovation, and we take proactive measures to prevent infringement risks

NetEase has established detailed policies on the management, use and protection of IP rights, such as patents, trademarks and copyrights. The Company is formulating the NetEase Brand Use Rules and the NetEase Brand Use Permission Rules to provide clear guidelines and furthermore standardize the use of brands.

## Fostering IP Innovation among Employees

We conducted 35 IPR-specific training sessions during the reporting period. For employees who have made a substantial contribution to the Company's IP, NetEase launched various initiatives, such as incentives, to encourage IP innovation.

## Proactive Registration of IP Rights

NetEase systematically registers its key patents, trademarks and copyrights in the jurisdictions where it operates to proactively prevent infringement and protect its IP and brand value.



### > Patents

We vigorously defend our patent rights, while respecting the rights of others.



### > Trademarks

To protect its brand image, NetEase continuously monitors multiple platforms to identify unauthorized use of its trademarks or the use of trademarks by third parties which may confuse the market.



### > Copyrights

NetEase has built up a deep portfolio of copyrighted content and attaches great importance to copyright protection, and has been successful in protecting these rights.



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# We insist on high-quality communication and responsible marketing as basis for positive user experiences

## High-quality Customer Communication

NetEase listens and responds to users' feedback quickly as part of our efforts to ensure the highest possible user satisfaction.

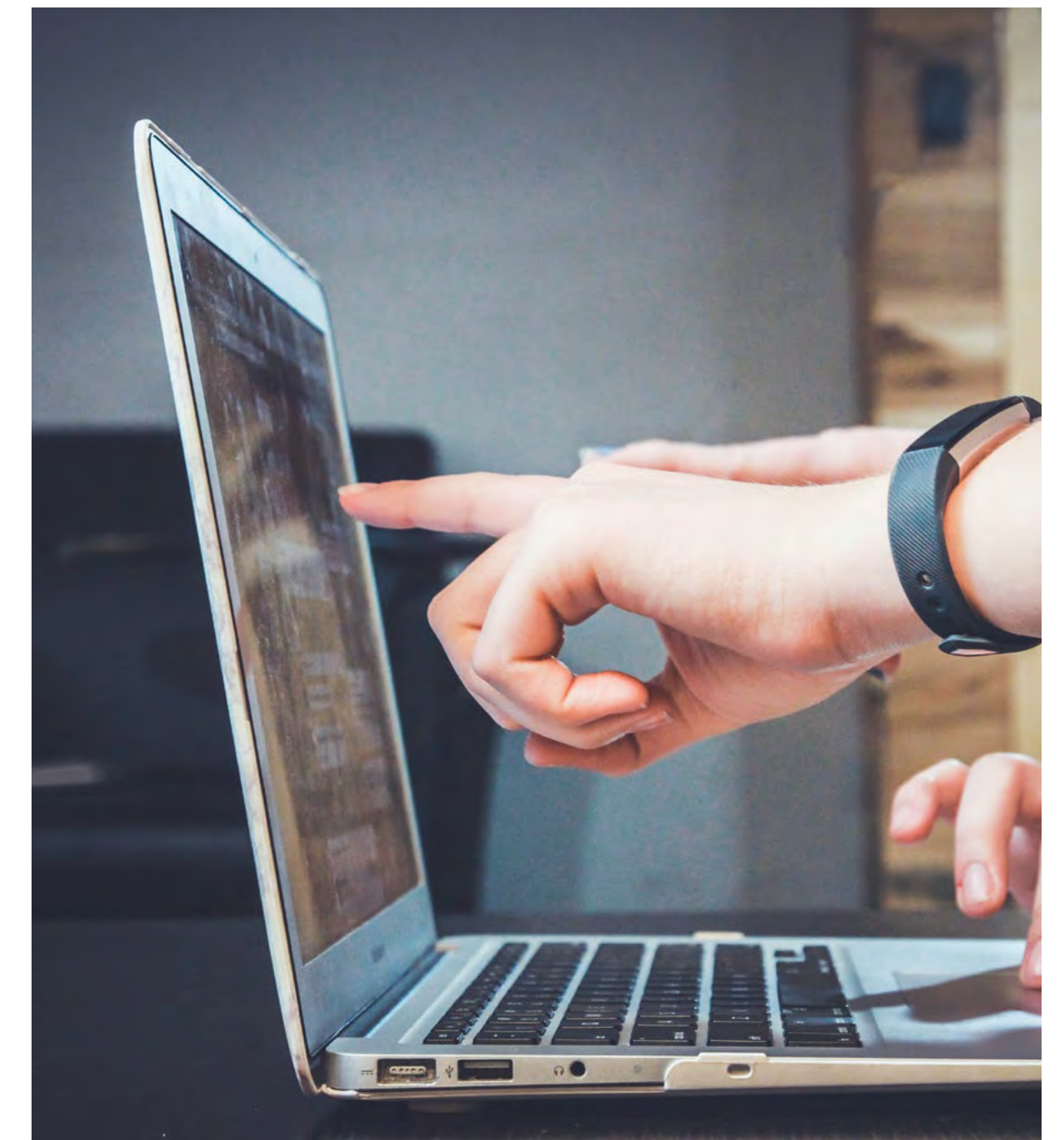
### Focus on Technological Innovation to Improve Customer Relationships

In 2020, we continued to increase our investment in customer relationship management, providing users with a more convenient and effective service experience. Through **technological innovation, system optimization and service upgrades**, we have improved our customer satisfaction and problem resolution rates in 2020.



### Provide Diversified Solutions to Enhance User Experience

During the reporting period, we adopted smart customer service solutions to further streamline and optimize our workflow. Our customer relationship management starts from not only when a request is raised by our users, but also when we notice room for improvement. We also launched **smart systems** to keep up-to-date on user needs, improve service response efficiency and enhance customer satisfaction on multiple dimensions. We have achieved an overall improvement in **user payment, retention and activeness**.





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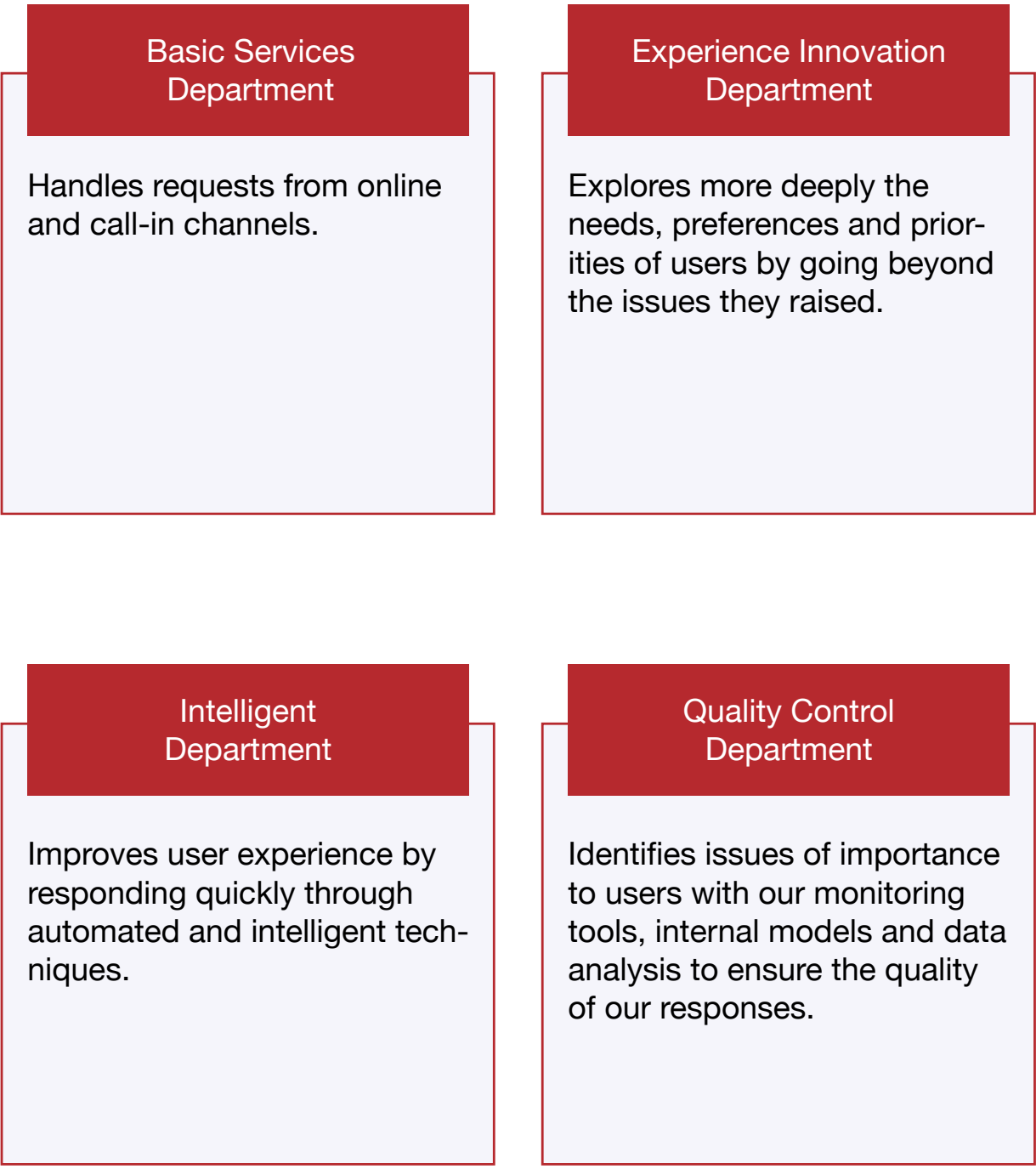


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# NetEase Games: Leveraging AI and Other Technologies, our Teams Offer Customized Services to Users Around the Clock

NetEase Games provides 24/7 customized services with four major service departments and a multi-channel mode, offering users one-stop, professional and user-friendly assistance supported by our AI solutions.

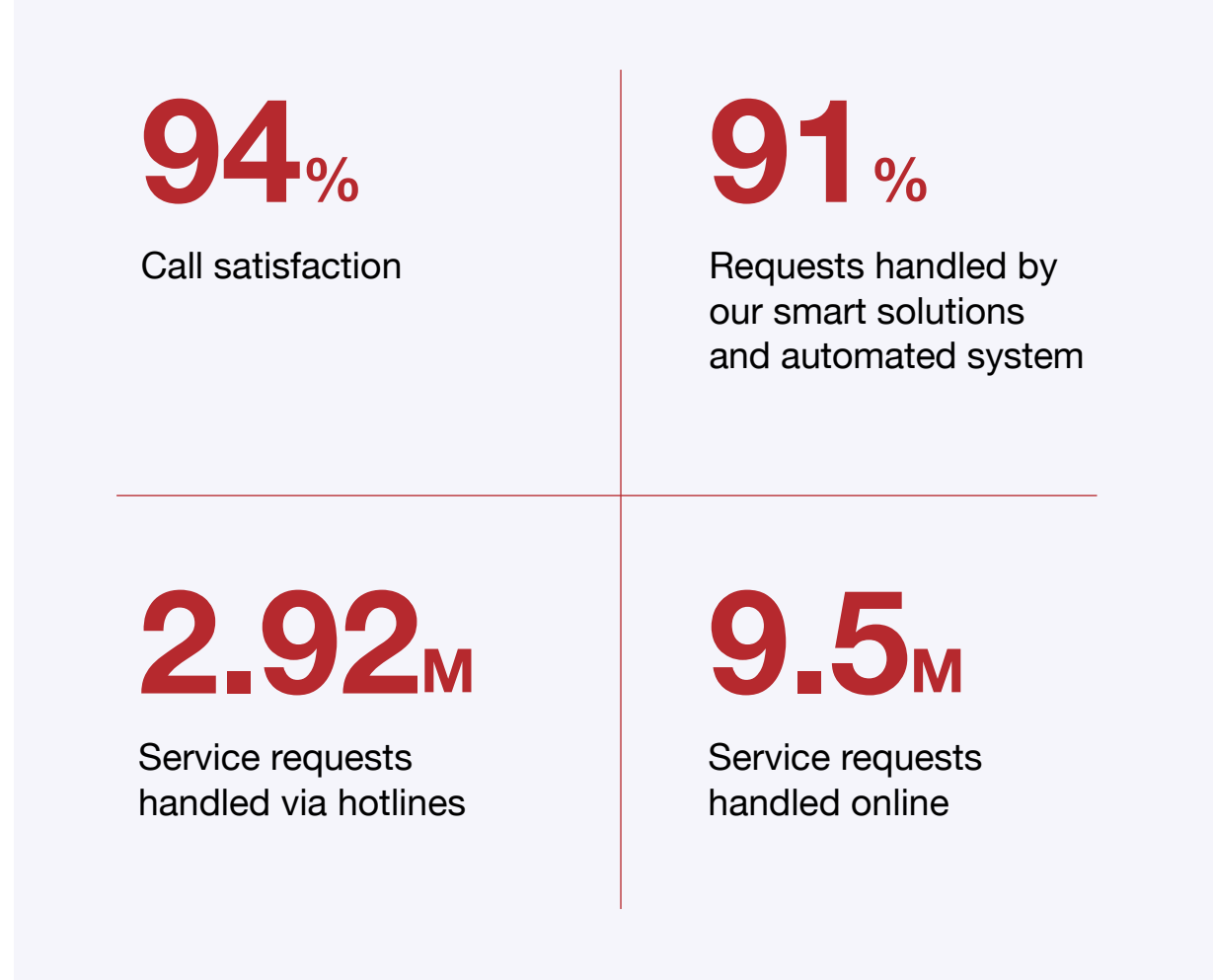
## Four Service Departments



## Customer Service Strategy

- Take Initiative:** We identify user behavior with support from CRM (Customer Relationship Management) and BI (Business Intelligence). We also provide instant support to users and carefully listen to their feedback to ensure a premium user experience.
- Upgraded Service:** We offer diverse forms of responses, such as picture, text and voice forms to users to meet their needs based on their culture, habits, characteristics and other factors.
- Smart Service:** We solve users' problems quickly via smart facilities and automated tools, with automated systems processing 91% of the inquiries and providing 55 million answers to users' questions each year.
- Service from all Channels:** With our monitoring tools, internal models and data analysis, we aim to improve the user experience in all of our channels.

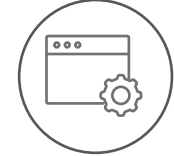
## Customer Service Performance







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- Cybersecurity and Data Privacy
- Product Quality
- Product Innovation
- Intellectual Property Protection
- Customer Relationship Management**

# NetEase Yanxuan: A Dedicated Customer Service Team and Robust After-Sales Support

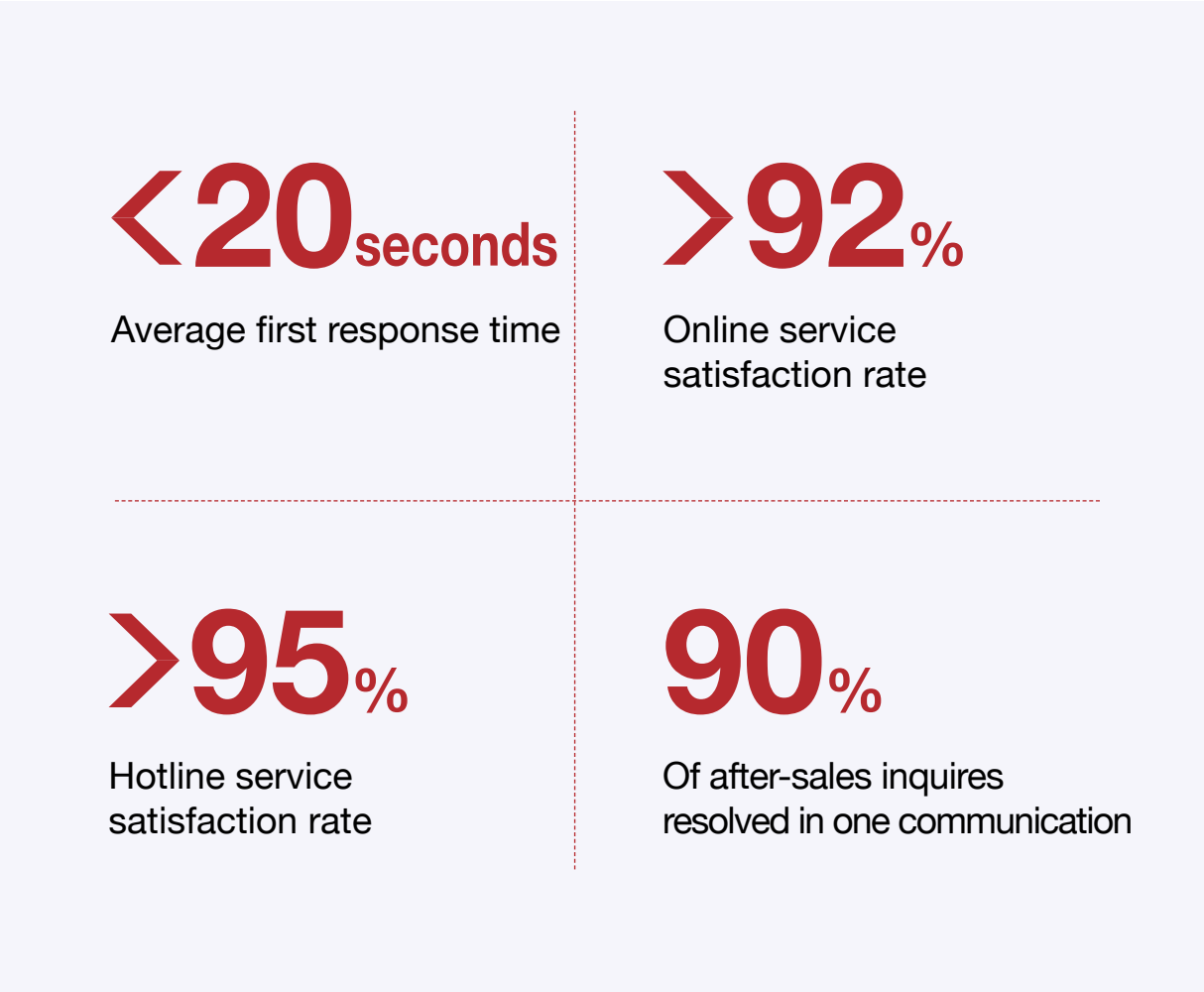
NetEase Yanxuan has taken a series of measures to improve customer satisfaction, including technological innovation, internal procedure optimization, and service upgrades.

## NetEase Yanxuan's Initiatives

<p><b>Measures to Improve After-sales Experience:</b> We use a Standard Operating Procedure (SOP) in standardizing the entire after-sales system to improve our efficiency in after-sales services. We closely monitor after-sales complaints to ensure we engage and intervene in a timely manner.</p>
<p><b>Measures to Improve Customer Experience:</b> We monitor the frequency of user inquiries and unsatisfied problems and follow up to resolve them in a timely manner. We use the voice of the customer (VOC) approach to handling reported problems, analyzing reports and solving internal problems from the source.</p>
<p><b>Emergency Response Team:</b> For urgent situations, we have a response mechanism to respond within 30 minutes and resolve within 1 hour.</p>
<p><b>Real-time Service Monitoring:</b> We perform spot checks of the repair and replacement of defects and service deficiencies in real-time, together with follow-up reviews.</p>
<p><b>Core Customer Service Strategy:</b> customers can apply for hassle-free returns within 30 days after receipt for products in good condition, with some exceptions (food, undergarments, etc.).</p>
<p><b>Full link Customer Service:</b> Through risk monitoring of the whole service chain, we established a forewarning monitoring system and took proactive measures to capture and create work orders for intervention in real-time. At present, the system covers three categories: frequent consultation users, unsatisfied evaluation users, and complaint-prone users.</p>

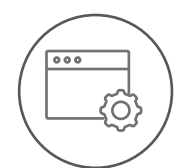
NetEase Yanxuan monitors industry trends, media reviews, and feedback from public channels to improve customer satisfaction at all levels. Our goal is to provide users with an excellent shopping experience while protecting their rights.

## Customer Service Performance





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## Responsible Marketing to Users

NetEase strictly regulates the advertisements and content on its platforms and is committed to offering informative and factual information to users.

### Case Study: NetEase Media – Offering Responsible Content

In order to create a pleasant and inviting atmosphere and improve our platform’s ability to offer quality content, NetEase Media has adopted strict measures on content approval and review. It abides by related laws and regulations including China’s anti-trust law and advertising laws, to ensure content quality to users.

#### Our Measures

##### For Advertisers on our Platform:

NetEase Media has established a series of policies to regulate the content of third-party advertisers on its websites, including policies addressing the review of content and qualifications of advertisers to ensure that advertisements on our platforms are truthful. We also launched a blacklist system for third-party advertisers to prevent misinformation on our platforms.

##### For Content Posted on our Platform:

NetEase Media has a series of content review measures and protection measures for minors.

##### Daily Inspection

NetEase Media has a dedicated team responsible for monitoring the quality and reliability of content from third parties and takes action with respect to content that violates its policies.

##### Dedicated Action

We carry out special inspections to identify and remove unhealthy or illegal information which may cause harm to minors. We implement strict and efficient inspections, especially targeting obscene, violent, cult-related and other content harmful to the physical and mental health of minors.

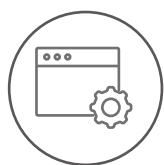
#### Our Training

NetEase Media regularly organizes training regularly covering content improvement, such as the handling of content that is frequently a target of complaint by our users or regarded as harmful to users’ experience.





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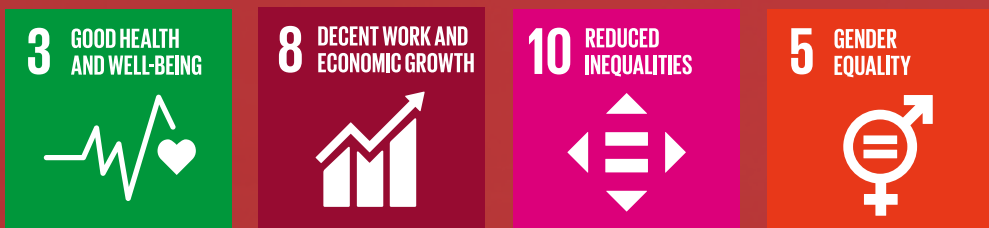
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# Employee Development

This chapter corresponds to the United Nations Sustainable Development Goals (UN SDGs)



We value the development of our employees, supporting each individual to overcome challenges and trials along their career path and realize personal and professional growth. We focus on creating a fair and caring office atmosphere that fully protects the rights and interests of our employees. This is part of our commitment to our people: fostering an environment where the Company and employees can grow together.

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## Performance Highlights

- NetEase Game Academy won the *ATD Excellence in Practice Award* for two consecutive years
- The average age of our staff is approximately **29**
- **46%** of entry-level positions held by female employees in 2020
- Staff provided with **12 employee benefits** cover all aspects of work and life



# Our User-Oriented Corporate Culture



## Our Values

Passion is the internal motivation that has driven NetEase in every step of its development and has helped the NetEase family overcome many difficulties and move forward. User-centric is the belief that NetEase has followed since its foundation. We believe that while 0 to 1 (pure innovation) is important, 1 to 1.1 (incremental innovation) is also crucial. This philosophy guides our creative development. NetEase always advocates bold innovation, encouraging its employees to continuously find ways to improve, no matter from minor to major steps, to achieve and grow together with the company.

## Employee Engagement in Our Values

We spread our mission, vision and corporate values through various methods so that they take root throughout the Company's business operations. Through a series of internal and external activities, we encourage all employees to be engaged in the growth of the company.

How it was shaped	How it was engaged	Cultural heritage
<p>In 2020, we held several workshops, interviewed nearly 100 senior employees and collected feedback from executives and management to help shape a clear statement of our values.</p>	<p>NetEase has created a strong message explaining what "passion" means in our corporate culture via a series of activities, such as through videos and distributing over 30,000 culture-themed shirts to all employees.</p>	<p>At an event to launch our corporate culture initiative, NetEase invited a number of employees who are particularly well-versed in and committed to our culture to share their day-to-day practices with other employees.</p>

 <p>Mission &amp; Vision</p>	<ul style="list-style-type: none"> <li>To foster collaboration and realize people's aspiration for a better life through technology and innovation</li> </ul>
 <p>Values</p>	<ul style="list-style-type: none"> <li>Dedication with passion</li> <li>Being user-centric</li> <li>Keep innovating (from 0 to 1 and also from 1 to 1.1)</li> </ul>



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# Our Fair, Diverse and Attractive Workplace Atmosphere Fuels our Talent Pipeline

## Building a Healthy Workplace Together

NetEase fully protects the rights of its employees in strict accordance with all relevant laws and regulations in the territories where we operate. We take pride in what we have built: a healthy, equal and free workplace environment for employees via effective management and various supportive measures.

### Employee Rights

We abide by all relevant laws and regulations and have established our own internal rules and policies for employment that includes respecting our employees and protecting their rights.

- Labor Law of the People's Republic of China*
- Labor Contract Law of the People's Republic of China*
- Social Insurance Law of the People's Republic of China*
- Regulation on Work-related Injury Insurances*
- Provisions on Prohibition of Using Child Labor*
- NetEase Recruitment Policy
- NetEase Employee Handbook



### Anti-discrimination and Harassment

We look solely at the merits of each individual and strive to provide development opportunities for them. The principles of fairness and non-discrimination is a top priority, and we do not tolerate bias or unequal competition in any form. Candidates who meet the requirements of relevant positions are given an equal opportunity to interview and will not be treated differently based on age, gender, race, nationality, marital or family status, health status or religion. We oppose all forms of harassment.



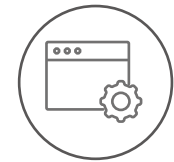
### Against Illegal Employment

We forbid any form of illegal employment. When signing labor contracts, we carefully check the identities of employees to ensure there's no child labor involved. The rights of our employees are clearly stated in the NetEase Employee Handbook. In the event of an alleged violation of an employee's rights, we will conduct an in-depth investigation and handle the situation in a timely manner, while also reviewing and improving our systems and management processes, if necessary.





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## Multi-channel Talent Recruitment

Utilizing different channels, including external recruitment and internal transfers, our talent pool has effectively bolstered our rapid business growth and helped us meet our long-term manpower requirements.

### Social Recruiting



We have established new studios and operational teams in Canada, Japan and Singapore, while also attracting international experts to join our local team in China, including nearly 100 top international gaming experts.



We have seen an increasing adoption rate of online education in China due in large part to the structural effects of the COVID-19 pandemic. As a result, the market developed at a rapid pace, marked by fierce competition. During the reporting period, Youdao built teaching and research centers in Nanjing, Chengdu, Xi'an and other cities, in addition to current ones in Beijing and Hangzhou, and recruited thousands of education, research and operation specialists.

### Campus Recruiting

NetEase attaches great importance to recruiting new graduates, and has attracted and fostered the professional development of large numbers of high-quality graduates with its professional recruitment and training system. At NetEase, every fresh graduate is mentored by a veteran or senior supervisor and encouraged to grow and mature through comprehensive training programs, such as MINI programs, which are specifically designed for fresh graduates. As of the end of the reporting period, nearly 200 games/products have been developed through MINI programs, and nearly 20 of them have been launched or are scheduled to be launched in the market for NetEase's users.



### Internal Transfer

We are committed to building a flexible, dynamic, sustainable and talented workforce. For this reason, we have initiated a flexible internal transfer program for employees - the Y Program. It helps employees grow quickly while enriching NetEase's talent base.

We set up a dual development path for employees through CPP (Competence Promoting Program) and CS (Competence System) approaches. We conduct a comprehensive evaluation every year to promote employees who meet a specific set of requirements, allowing them to grow through regular reviews and self-reflection.

We pay close attention to our employees' growth while providing them with a wide range of career guidance on how to improve their capabilities. We fully recognize and motivate employees who have been promoted and encourage them to make continuous progress.

# A Young and Diverse Workforce

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

**Background Diversity:** Our diverse team of talent comes from a rich background of disciplines, including cosmology, brain science, fine arts, among others.

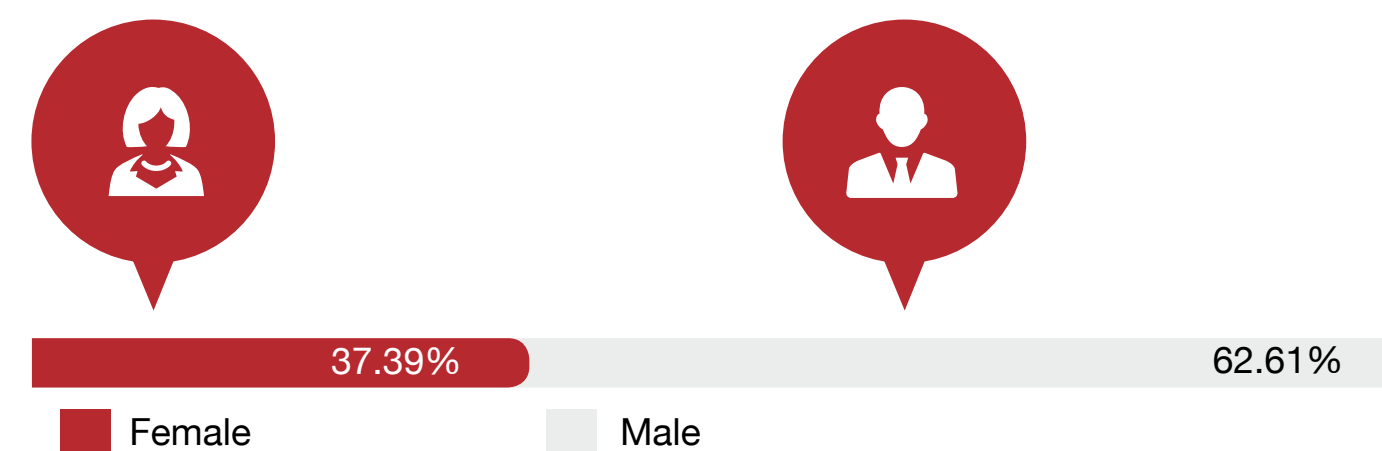
**Age Diversity:** The average age of our staff is approximately 29. Our young and talented team members contribute innovative energy while our veteran staff forms a solid backbone of experience and expertise that supports the Company's development.

**Gender Diversity:** We value workplace equality and boast a higher percentage of female employees in multiple categories than the industry average.

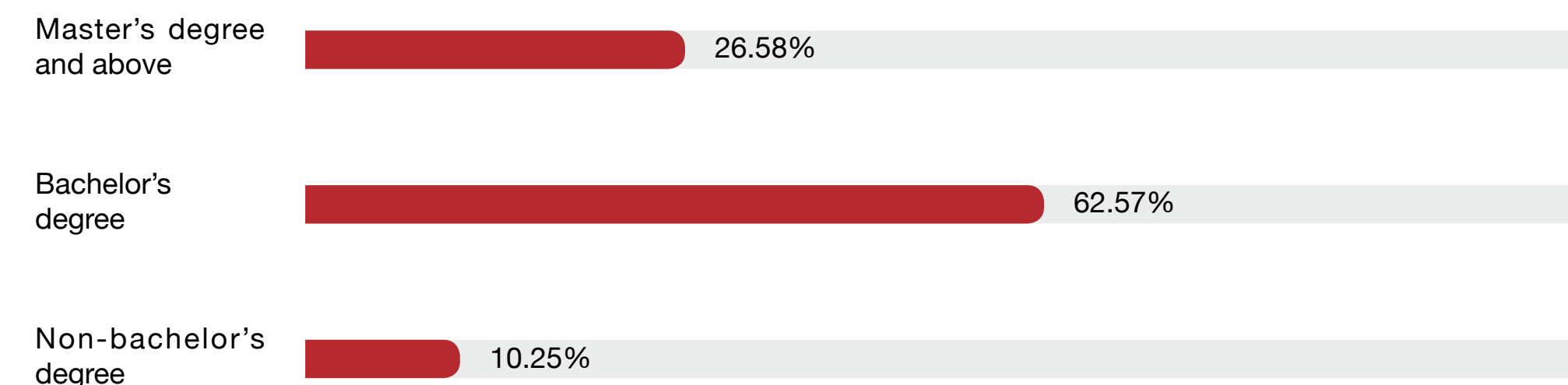
**Regional Diversity:** Our employees come from more than 30 countries and regions.

As of the end of the 2020 reporting period, the Company had 28,239 employees. The following is a breakdown of our staff members by gender, education and age<sup>1</sup>:

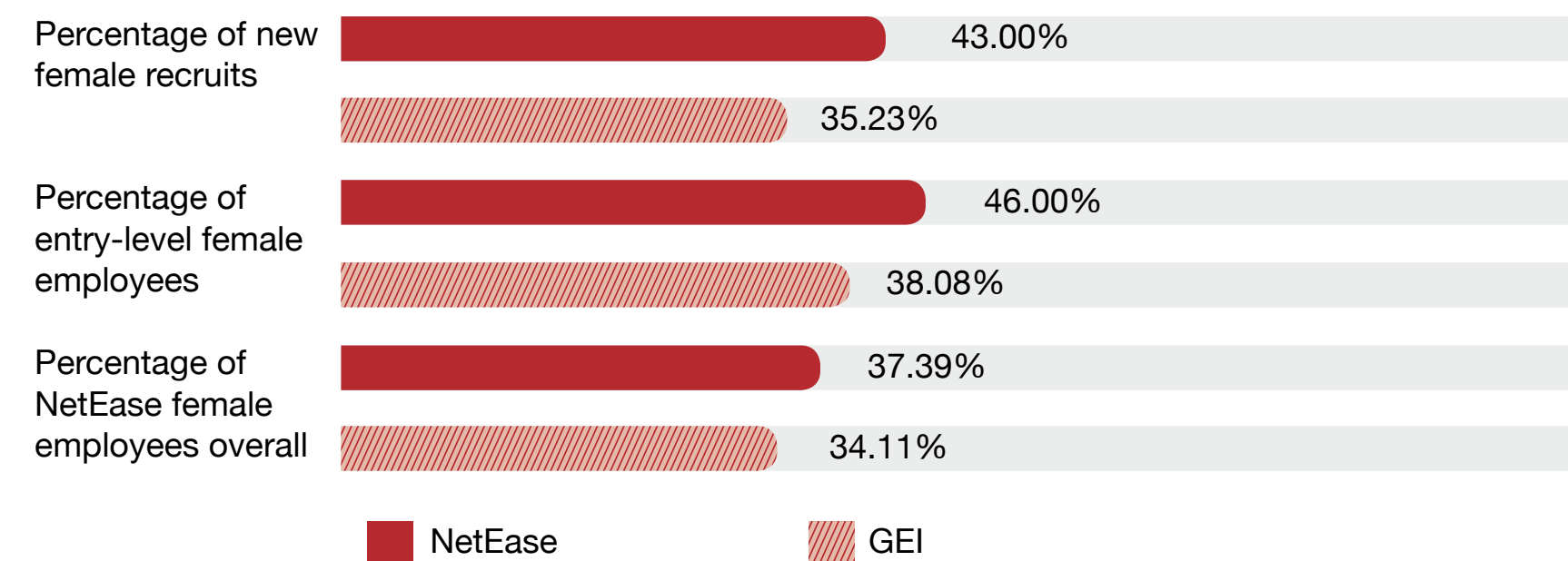
Number of Employees by Gender



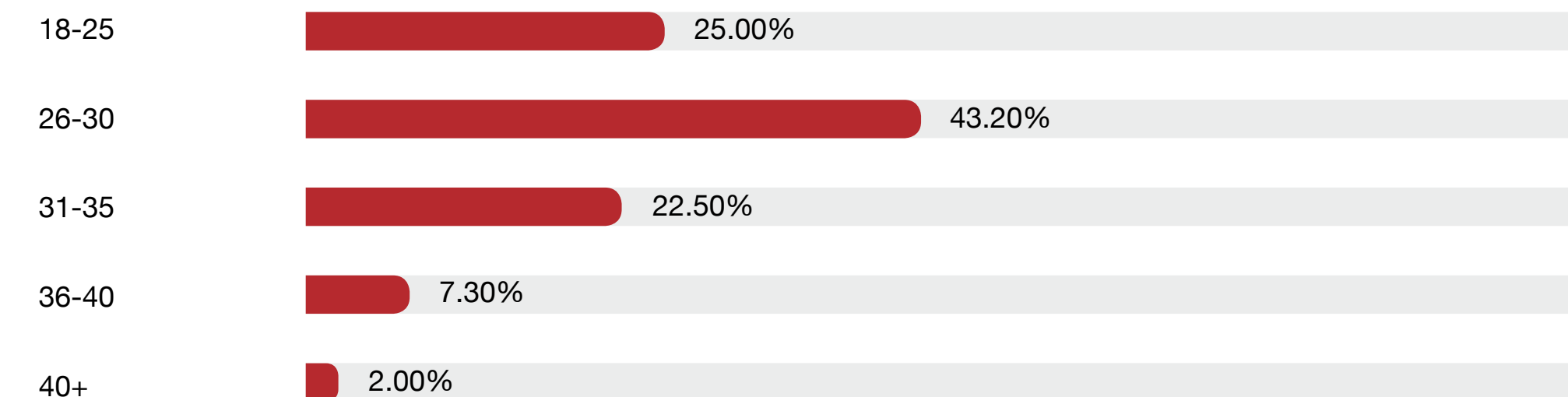
Percentage of Employees by Education



Percentage of Female Employees by Category



Percentage of Employees by Age



1. Data does not include some joint ventures

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# Attractive Compensation and Benefits

We believe that every employee's efforts deserve to be taken seriously. For this reason, the Company carries out industry-wide salary research every year and provides employees with competitive salary packages. In addition, we have a comprehensive compensation and benefits system, as well as a reward system, which serves as a win-win incentive mechanism for both employees and the Company.

## Performance Review Management

To ensure a reasonable link between pay and performance, NetEase has developed a comprehensive performance management system.



## Setting Performance Targets

### Evaluation Improvement

We have designed and implemented practical programs to help managers identify areas for improvement while enhancing the rationality of performance evaluations. Such events include: "Tackling Obstacles," "Performance Officer who Rides the Wave," and "Performance 101."

### Objectives and Key Results (OKR) Activities

After the introduction of our OKR system, we've been able to align our mission, vision and strategy with employee's career development and help team members clearly understand the direction of the organization. We listen to the needs of users and collaborators and identify the value of individual contributions to our organization while encouraging team members to grow and achieve.

### Internal Coaching

Best practices of management behavior identified during the performance management process is presented in the form of cartoons, long diagrams and other lively presentations on our internal learning platforms, as well as public forums.







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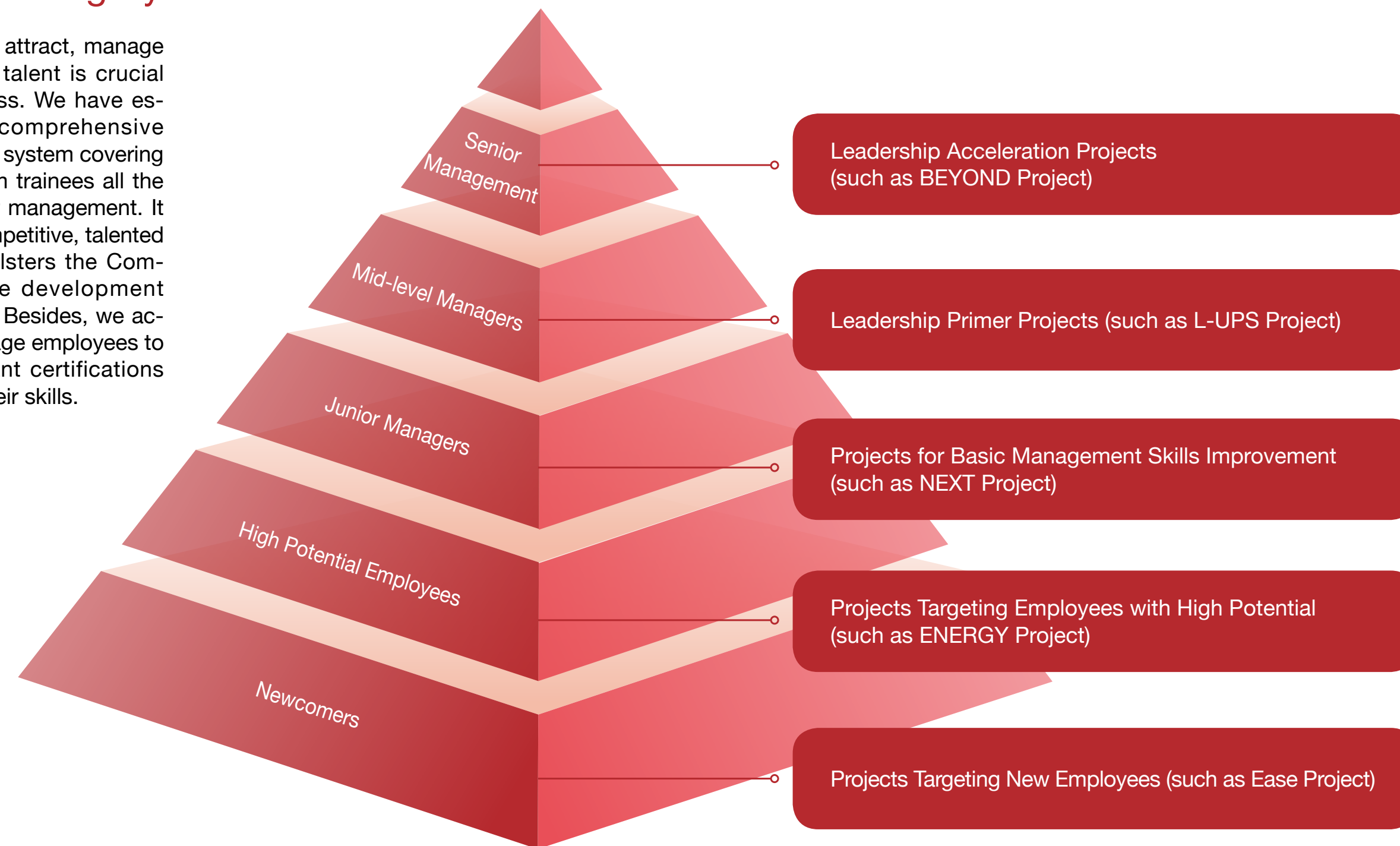
# Our Extensive Talent Training Programs Ensure Professional Development, and are Available for Each Employee

## Unique Talent Development System

NetEase utilizes a comprehensive talent training system for employees to provide a constant source of momentum for the long-term development of the Company.

### Talent Training System

The ability to attract, manage and develop talent is crucial to our success. We have established a comprehensive talent training system covering everyone from trainees all the way to senior management. It creates a competitive, talented team that bolsters the Company's future development and strength. Besides, we actively encourage employees to obtain relevant certifications to improve their skills.



### Achievements and Awards

NetEase has won numerous training awards and received recognition from several organizations and institutions for its comprehensive talent training system and diverse competency enhancement activities. Utilizing our knowledge-management platform together with our talent training system, we've created customized training courses for employees who come from different experiences and backgrounds at different levels in the Company, beginning with new interns. During the 2020 reporting period, NetEase conducted 214,008 hours of employee training.



NetEase has won awards and recognition from multiple organizations and institutions.



# Talent Development: Examples of Our Training Programs

NetEase provides customized enhancement courses for employees at different levels through wide-ranging training programs.

### Fresh Graduate Training – Ease Project

A training project for fresh graduates

- ◆ Helps young candidates quickly understand the Company's culture, operational system and development.
- ◆ Creates an exciting learning and growth atmosphere particularly suitable for fresh graduates.
- ◆ Accelerates their transformation and reduces the talent turnover rate, significantly supporting healthy development of the Company's overall operations.
- ◆ Carefully considering the mindset of the post-90s generation, we package the program in a 3-part form of: breakthrough, experience and gaming.
- ◆ The above is combined with training content and growth requirements, establishing nine links to stimulate the younger generation's enthusiasm and interest in learning.



### Training Project for Experienced Hires

A training project for experienced hires


- ◆ Helps new employees integrate into the Company as soon as possible.
- ◆ The training program is divided into three parts: a *buddy program*, *online courses* and *offline courses*.
- ◆ Provides an introduction to the Company's history, culture training, and product design.
- ◆ During the 2020 reporting period, the training coverage rate of the program was 99.9% of experienced new hires.



### NEXT Project for Junior Managers

A training project for entry-level managers

- ◆ A combination of online and offline methods are used to help managers strengthen their self-awareness, achieve role transition, supplement systematic management theories, enhance overall management skills and strengthen participants' team management capabilities.



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# NetEase Games Academy: Two-Time Winner of ATD Excellence in Practice Award

NetEase Games has established the NetEase Game Academy to train our employees on practical problems of business operations by integrating game-based teaching into programs.

## Game-based Teaching

NetEase Game Academy uses gamification and scenario-based approaches for training. It incorporates diversified game elements to provide a deep and enjoyable learning experience.

The Academy also designs customized solutions for different teams based on differentiated models, so that the talent-development programs always respond to the Company's business-development needs and effectively support the Company's business strategies.

## Successful Cases

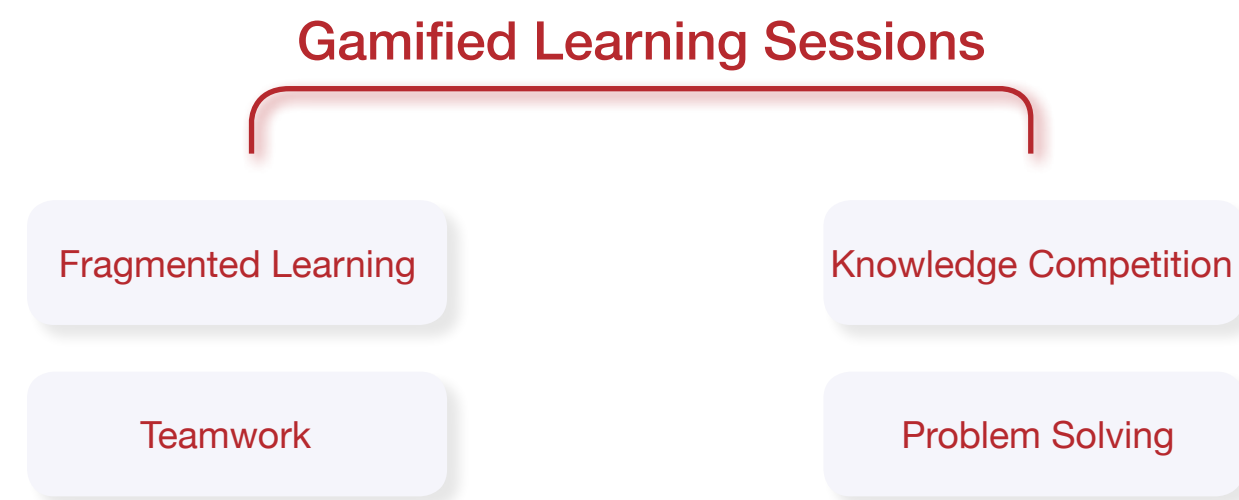
The earliest success case was "The Trumpet Soars - Dreams Set Sail: MINI Training Program for Newcomers." Subsequent learning programs developed and expanded on the game-based teaching method and gradually matured, forming a sustainable training system.



### Trumpet Soars – Dreams take off: Newcomer MINI Training Program

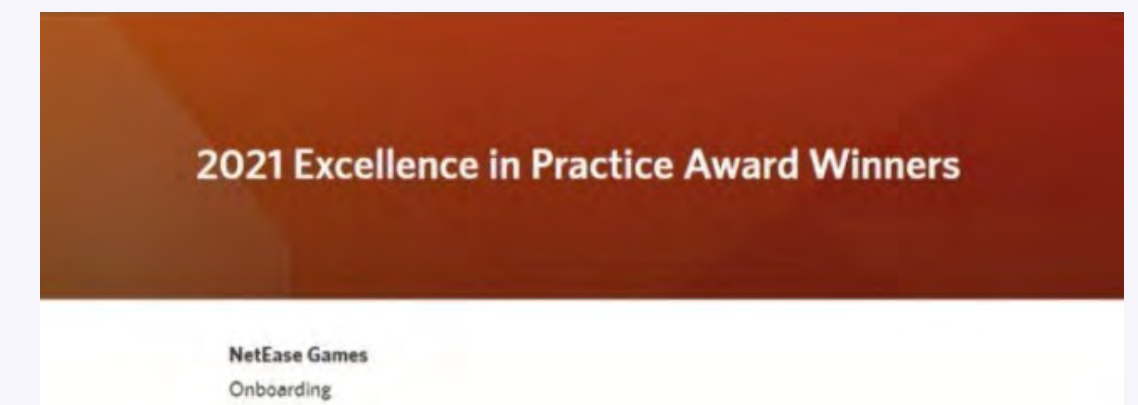
This program is targeted to train the R&D skills for new recruits of NetEase Games with a "1-3-2" training system:

- ◆ One year of "-1" training to help new recruits master skills before joining the Company.
- ◆ Three months of MINI training, with game development practice + systematic courses + mentoring, to help new hires become familiar with the R&D process and adapt to multi-post collaborations.
- ◆ Two years of follow-up on the development of newcomers, customized training and one-on-one coaching to help newcomers integrate and grow more effectively.

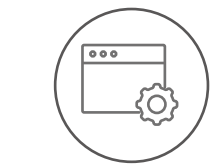


## Award Recognition

During the reporting period, NetEase Games Academy stood out among competitors and was awarded the first batch of "China Model Corporate University" certifications. In addition, the training programs of the NetEase Games Academy have been widely recognized by professional organizations for talent development at home and abroad, winning the **ATD Excellence in Practice Award** in 2019 and 2020.



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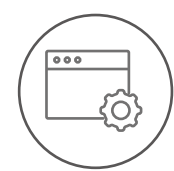
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# We encourage happy, healthy and balanced work

## Enjoyable and Supportive Workspace

NetEase provides employees with comprehensive welfare programs and communication channels that foster a satisfying work environment.

### Employee Welfare

#### Healthy Meals

Free healthy, nutritious meals from early morning to late at night for employees.

#### Free Shuttle Buses

Free shuttle bus, solving the problem of commuting to and from work.

#### Birthday Gifts

Gifts and warm wishes for employees on special occasions.

#### Festival Surprises

Exclusive gifts are offered to employees and their families on holidays such as the Dragon Boat Festival and Mid-Autumn Festival.

#### Childbirth Care

Gift cards and maternity benefits for new mothers.

#### Internal Purchases

Yanxuan and Weiyang offer an exclusive staff discount with low prices for quality goods.

#### Lifestyle Extras

A coffee bar, small post office, laundry room, and comprehensive low-cost, convenient amenities, among others.

#### Employee Holidays

Holidays, marriage leave, maternity leave, paternity leave, breastfeeding leave, paid annual leave, paid sick leave, and others.

#### Housing Loans

Low-interest home purchasing loans for employees who meet certain criteria.

#### Talent Attraction

Policies to attract talent in accordance with local regulations and policies.

#### Risk Protection

Critical illness insurance, term life insurance, accident insurance, and overseas travel insurance.

#### Subsidies

The Company provides a one-time personal care subsidy in case of deadly natural disasters, major illnesses or emergency family situations.

### Employee Communication

We believe that “A good NetEase is built by its people“. NetEase is devoted to raising employee engagement and satisfaction levels by providing a platform for communication and feedback.

#### Our Communication Platforms



“Ease Master” is an online system designed and implemented to motivate employees to grow together with the Company. It enhances employees’ sense of identity and belonging to the organization and encourages everyone to contribute to the growth of the Company.

The NetEase intranet portal provides a feedback platform for employees. Two months following its launch, it had collected 150+ suggestions from staff, resulting in improvements in various areas, such as the canteen, shuttle bus, parking spaces and networks.

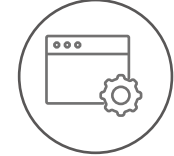
### Employee Engagement

**Our 2020 annual employee engagement survey showed that NetEase scored high in employee engagement and workplace atmosphere, and its score in internal communication and encouraging innovation has improved year-over-year.**





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# Work-life Balance

NetEase provides employees with wide-ranging activities and a superb health-protection system, offering comprehensive physical and emotional care to help employees achieve work-life balance.

## Employee Activities

We organize a variety of activities, such as sports events, annual gathering parties, holiday parties and family open days for the NetEase family. We encourage employees to develop their hobbies and interests and organize various clubs and training courses, such as archery, tennis, ACG-themed makeup courses, and flower-arrangement as well as pastry workshops. As of the end of the reporting period, NetEase had 15 sports and cultural interest clubs, with more than 6,000 participating employees.



Halloween Party: A festival theme party integrating performances, interactive games and delicious food tasting.



Sports Season: It's NetEase's largest and the most lasting annual event with employees participating in soccer, basketball, badminton, table tennis, tennis, football, archery, and kendo competitions. The event has attracted more than 1,000 participants and over 10,000 audiences.



Open Day for Families: NetEase organized tours that showcased its achievements, work environment and company benefits to employees and their families, enhancing their sense of identity and belonging to the Company. In 2020, 300 families and more than 900 individuals participated in the activity.



Association Activities We organized exciting association activities for employees, creating a satisfactory work-life balance.

## Employee Wellness

NetEase always pays attention to the physical and mental health of its employees and strictly abides by the *Law of the People's Republic of China on production safety*, the *Fire Control Law of the People's Republic of China*, and other laws and regulations related to workplace safety in order to protect the health and wellbeing of employees.

Annual Physical Examination and Medical Insurance

Seminar on Health

Medical Clinic and Gym

"Fat Loss Bootcamp"

Employee Assistant Program (EAP)



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# Social Endeavors

This chapter focuses on the United Nations Sustainable Development Goals (UN SDGs)



We take corporate responsibility seriously and continuously optimize our supplier management systems, drive industry development, promote industrial exchanges, and promote charity causes to provide greater benefits for society.

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## Performance Highlights

- Improved **supply chain management** systems and procedures
- Purchased 253.5 tons of rice in staff canteens from poverty-stricken families
- Led industry leading practices and actively promoted **industry standards**



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**Sustainable Supply Chain**

Industry Engagement  
Corporate Citizenship  
and Philanthropy



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# We strive to operate a sustainable supply chain in close partnership with our suppliers

## Sound Supply Chain Management Systems and Procedures

### Suppliers Management System

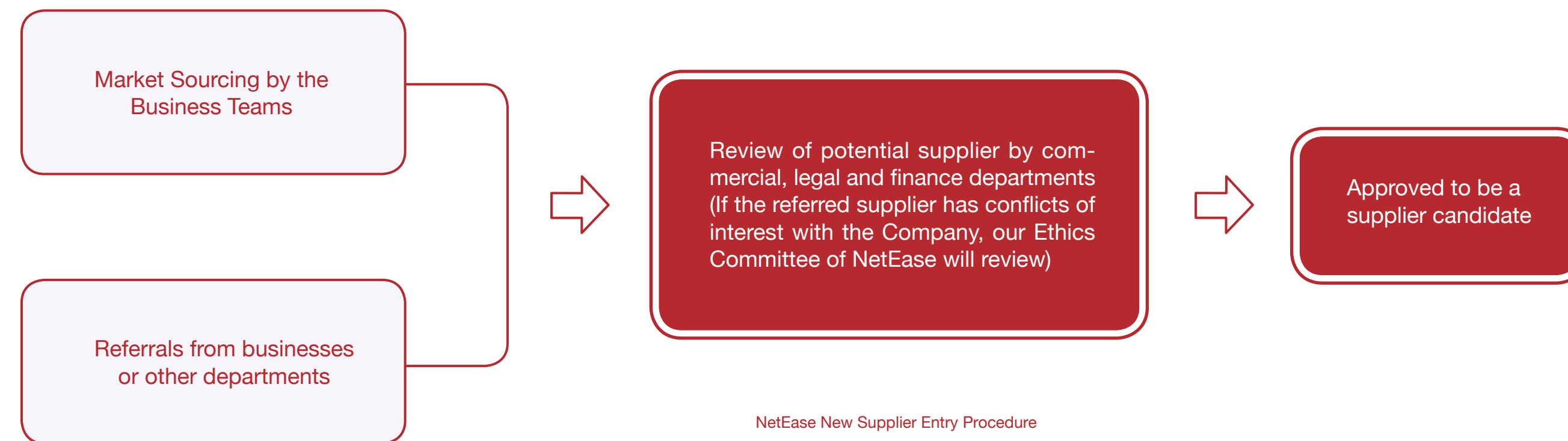
To ensure compliance with our business procurement policies, we formulated internal policies over supplier management and outsourcing systems. Together, these set the framework for all aspects of procurement. We also formulated targeted procurement policies for our business units. We have included audit provisions in our commercial procurement system to provide further assurance.

### New Supplier Entry Procedure

We adopt different entry standards and review processes for suppliers from different channels. We strictly follow the non-discriminatory principles of “good faith and fair trade” and “fair competition” when selecting suppliers. With such measures, we can minimize the risk of the misconducts in the procurement process.

### Suppliers Management Procedures

We have developed an online system to manage our procurement procedures with a more systematic, transparent and traceable approach. The system now covers almost all of the Company’s suppliers<sup>1</sup> and improves the efficiency and transparency of the Company’s procurement.



1. Some joint venture suppliers are not yet covered.

#### Supplier Online Registration

Suppliers can register online through the NetEase Supplier Management System, and then are entered into the database after being reviewed by the relevant departments at NetEase.

#### Product Online Inquiry and Quotation

NetEase employees can initiate a request for quotations online and suppliers then provide quotes accordingly.

#### Supplier Rating Assessment

Purchasers at NetEase can manage different supplier rating criteria and assessments in the supplier management system

#### Product Delivery and Logistics Update

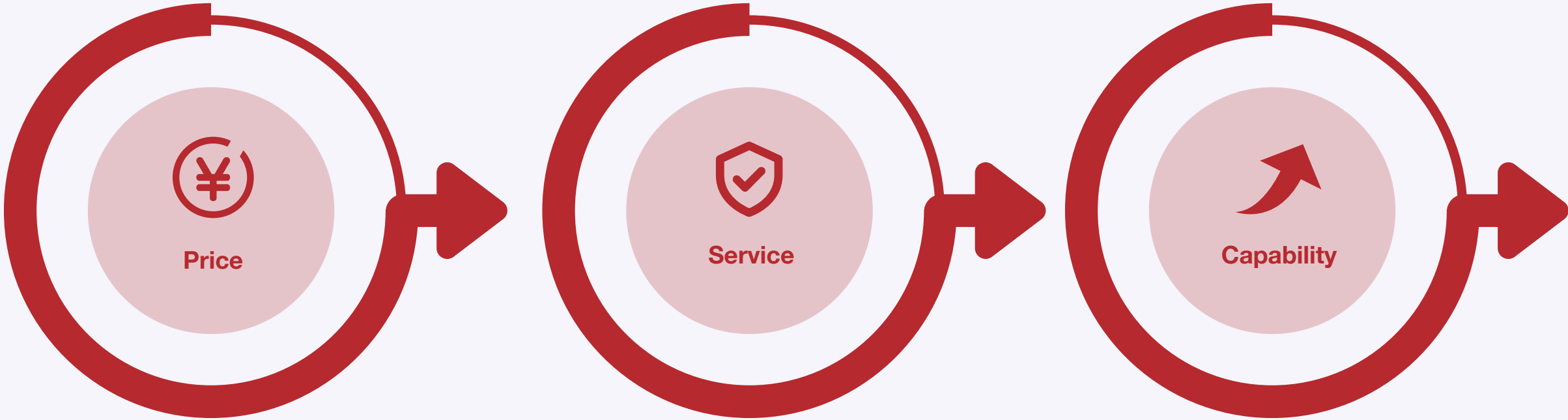
Suppliers can update the logistical information of their products in the order placement system and synchronize the shipping status in real-time.

# Supplier Assessment System

We use a comprehensive and holistic supply assessment approach to perform quantifiable assessments of suppliers and identify key suppliers.

## Supplier Assessment Criteria

We have formulated supplier selection criteria and qualification requirements with regard to environmental protection. These focus on reviewing the environmental protection practices of suppliers, in accordance with our sustainability goals and our pursuit of green procurement. We then discuss the assessment results with suppliers while reviewing and rectifying any assessment deficiencies to improve the overall quality of the supply chain.

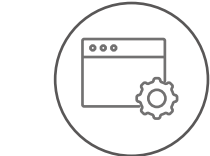


## Key Supplier Screening

We identify and screen key suppliers based on annual procurement volume and other criteria. By focusing on key suppliers and adjusting the procurement model, we can continually optimize supply chain management quality and ensure the stability of all procurement activities.



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## Supporting our Suppliers

We are committed to establishing a win-win relationship with suppliers. We achieve responsible procurement through effective communication and support for suppliers while fulfilling our social responsibilities and ensuring supplier stability, as well as procurement process quality.

### Supplier Communications

We pay close attention to suppliers' suggestions. We invite suppliers to rate various aspects of NetEase's procurement process in order to identify deficiencies in procurement management and seek ways to continuously optimize the procurement process. This allows us to enhance supplier satisfaction and establish a mutually beneficial and sustainable cooperative relationship. During the reporting period, the overall satisfaction rating by suppliers in certain NetEase categories was 97.65%.

### Supplier Support

In 2020, NetEase initiated a poverty alleviation campaign that involved purchasing rice from poverty-stricken areas and reducing the financial burdens on poor households. These efforts provided employment for the households to generate income, which reflects on our corporate social responsibility efforts.

#### Rice Procurement Initiative

In 2020, NetEase launched a campaign that purchased 253.5 tons of rice from poverty-stricken families.

NetEase and its partners have established poverty alleviation workshops and planting bases. Our campaign aims to promote the local rice industry and help solve the employment problem of less fortunate households.

This plan has the capacity to benefit more families in need, as well as enabling them to achieve better financial security by leveraging their own resources.

NetEase also benefits from this arrangement by being able to serve healthier, reasonably priced rice in staff canteens.

#### Policies to Support Clothing, Shoes and Accessories Enterprises

In February 2020, NetEase Yanxuan launched an initiative to facilitate cooperation between NetEase Yanxuan and various manufacturing enterprises in Zhejiang Province, as part of our efforts to support partners in addressing the effect of Covid pandemic.

This collaboration establishes a medium- to long-term strategic partnership between NetEase Yanxuan and the manufacturing enterprises.

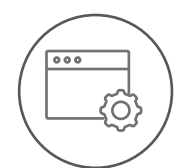
NetEase Yanxuan cooperates with those manufacturers to introduce their merchandise onto its e-commerce platform, under the private label model. This ultimately helps the development of Zhejiang manufacturers.

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## We actively participate in industry standards development to reach shared goals

### NetEase Games: Promoting the Development of Industry Standards

As a leader in the gaming industry, NetEase Games continually enhances its ability to generate innovative and inspiring content while taking a proactive role in the development of industry standards.

In 2020, NetEase Games participated in the framing of game industry standards, including the parental guardianship platform guidelines, the game enterprise content reviewing guidelines, the gamers age alert guidelines, and the online game terminology, which have been actively promoted by the China Audio-visual and Digital Publishing Association in order to create a more standardized and mature Chinese gaming industry.

### NetEase Yanxuan: Helping Independent Manufacturers Thrive

As a responsible e-commerce platform, NetEase Yanxuan is always concerned about the needs of its partners, especially small and independent manufacturers, and we leverage our advantages to empower their development.

In 2020, NetEase Yanxuan launched the “Spring Plan” to support 12 independent manufacturers and artisan studios that focus on products related to and inspired by intangible cultural heritage. We provided them with marketing and user resources through crowdfunding efforts. Following the first phase of the campaign, NetEase Yanxuan received more requests from other manufacturers and continued to promote collaboration to help independent manufacturers overcome difficulties.

### NetEase Cloud Music: Leading the Online Music Industry

In 2020, NetEase Cloud Music has taken a leading role in promoting the development of China’s online music industry. Our support of original music and the promotion of online live shows yielded impressive results.

#### Fostering the Development of China’s Original Music

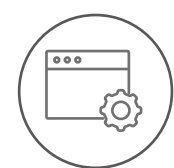
During the reporting period, we upgraded our initiatives to support independent musicians in all aspects, including content creation, exposure and monetization to actively promote the development of China’s original music. In 2020, we launched a new one-stop songwriting assistant service to help lyricists and composers obtain professional services and realize commercial value. In 2020, the number of independent musicians on NetEase Cloud Music exceeded 230,000. This initiative has successfully cultivated numerous young independent musical talents who have become well-known among listeners.

#### Promoting the Development of Online Liveshows

In October 2020, NetEase Cloud Music launched “Cloud LIVE,” an online live show brand focusing on the online concerts of popular artists. NetEase Cloud Music will give full play to its platform advantages to help empower the entire music performance industry. We believe this will, in turn, lead China’s performance sector into a new era of online and offline integration.



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## We promoted public welfare projects in education, health, and other fields in 2020

### “Little Artists in the Country” Program

NetEase Games joined hands with the Beijing NetEase Public Welfare Foundation to launch the “Little Artists in the Country” points-based public welfare program.

This program provides art education courses to 50 primary schools in Gansu province. Under this plan, gamers can donate their NetEase Games Membership points to the NetEase Public Welfare Education Program, so as to help provide quality educational resources for children living in less-developed areas.

### “One Screen” Program

On September 22, 2020, a donation ceremony for the “One Screen” educational poverty alleviation pilot program was held at the Yutian Middle School in Shaoyang County, Hunan Province. The NetEase Public Welfare project - “One Screen” created a donation model of “smart hardware + software + platform,” covering 10 primary and secondary schools across Shaoyang county, benefiting more than 12,000 students. Through the power of Internet technology, NetEase Public Welfare hopes to give every child equal access to quality educational resources “To make knowledge flow without a hierarchy, and to establish a school district everywhere throughout China.”

### Youdao “Foreign Language Reading Corner” Project

In September 2020, Youdao launched the “Youdao Foreign Language Reading Corner” public welfare project, which supports schools and public welfare organizations that serve children. This is achieved by building foreign language reading corners, which provide smart hardware, foreign language books, and funds, to help rural and migrant children enjoy quality educational resources. It also cultivates an interest in English learning and improves the study abilities of children in need. To date, 30 foreign language reading corners have been established, benefitting nearly 30,000 children.

In addition, nearly 7 million users of Youdao Dictionary participated in this public welfare project. For every 10 million “loves” collected, Youdao helps public welfare organizations or schools set up a foreign language reading corner. This project was successively established in Sichuan, Hubei, Shaanxi, Yunnan, Guizhou, Hebei, Inner Mongolia, Hubei, Gansu, Anhui, Zhejiang, Henan, and other regions.

### AI World Youth Competition Programming Challenge

In July 2020, CodeCombat and NetEase Fuxi jointly launched a charity project, the Kouda Cup Global Youth Programming Challenge. This free competition adhered to the long-held “AI World Youth Competition” philosophy of contributing to public well-being and the popularization of science, offering preliminary competition learning materials to the public for free.

The organizing committee and other educational charity organizations jointly donate the same amount for basic AI courses to rural schools based on the number of participants in the competition, which helped promote programming and basic AI education in poorer areas.

### Cloud Village “Comments Healing” Program

In 2020, NetEase Cloud Music joined hands with professional organizations and psychologists to launch the Cloud Village *Comments Healing Plan*, which is designed to help people suffering from depression by infusing the NetEase Cloud Music Platform with warm and healing undertones. They also set up the *Cloud Village Healing Page* in our App. In addition, NetEase Cloud Music upgraded the Cloud Village’s policies to remove false or abusive content. The group also recruited 10,000 music reviewers and launched a contest to encourage caring and the posting of informative music comments.



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# Pandemic Response

This section focuses on the United Nations Sustainable Development Goals (UN SDGs)



The COVID-19 pandemic in 2020 adversely affected millions of people around the world. We rapidly implemented numerous initiatives to protect the safety of our employees and maintain normal Company operations. NetEase, together with a group of different partners across various industries, worked swiftly to leverage our strengths to help fight the battle against the virus.

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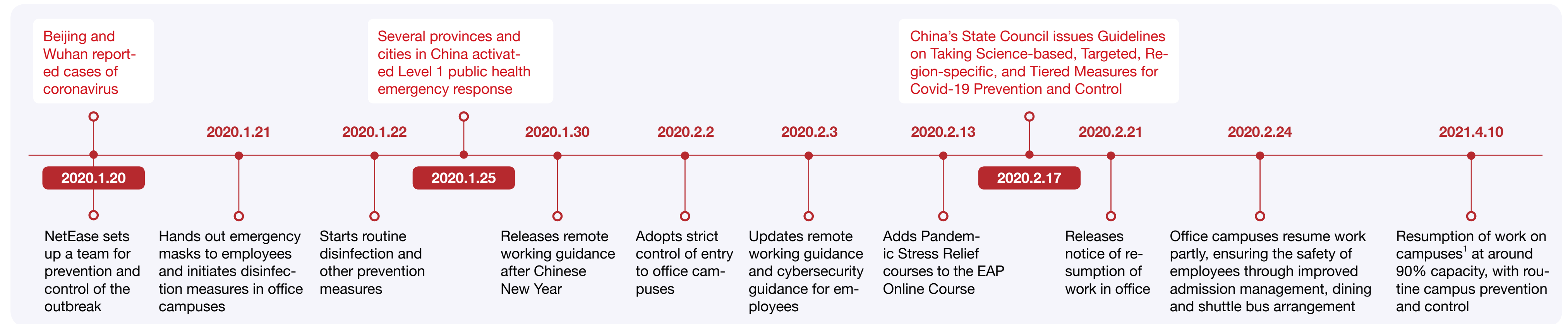
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# Prompt Response: Establishing a Pandemic Prevention and Control Team Immediately to Ensure the Health of Employees and Company Operations

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

## NetEase Anti-pandemic Timeline



## Specific Epidemic Prevention Measures

- To promote effective prevention and control of the pandemic, we issued an emergency policy across our office campuses, along with 35 internal emails in 2020
- 14 pandemic prevention-related articles were released internally, such as articles to introduce healthy tips and disinfection methods
- Released five videos on prevention, such as “Precautionary measures,” “Advice on protection for returning to work,” “Proper wearing and handling of masks,” etc.
- Released a documentary introducing NetEase’s epidemic prevention measures to employees and designed and posted in workplaces over 100 posters on epidemic prevention in 2020.

1. Take NetEase Hangzhou Park office building as an example

## Innovative Recruitment and Remote Support

NetEase was the first in China to introduce a contactless recruitment policy as well as an innovative onboarding process that makes it much more convenient and efficient for fresh graduates to participate in the recruitment process. NetEase’s contactless recruitment has received widespread attention and acclaim from media as well as within the industry.

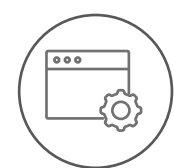
- Apply Online, Remote Interview ✓
- E-contracting, Remote Orientation ✓
- Remote working ✓

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## Each of our businesses took immediate actions, leveraging their unique know-how

While implementing successful internal prevention initiatives, NetEase leveraged its advantages as an internet company to promote disease prevention knowledge and provide assistance in a wide variety of forms through its major business platforms.

In January 2020, we set up a special RMB 100 million pandemic prevention and control fund, donating various supplies across China to care for the “most courageous, selfless workers” on the front lines of the pandemic prevention, ensuring the resumption of work and school. We also donated 600,000 masks to various partners, communities and hospitals in the U.S., Canada, the U.K., South Korea and Japan to assist in the fight against the viral outbreak overseas.

### NetEase Games

#### Short Films to Give Precautionary Advice

In November 2020, to protect the public from Covid-19, *Fantasy Westward Journey* mobile game worked with The First Affiliate Hospital of Guangzhou Medical University to launch a series of dedicated animated short films to publicize precautions in a vivid way, such as physical distancing, wearing a mark, avoiding crowds and cleaning hands.

### NetEase Cloud Music

#### “Hello, Tomorrow” Large-scale Online Concert

In March 2020, NetEase Cloud Music and People’s Daily New Media hosted the “Hello, Tomorrow” online concert. 14 musicians were invited to present 38 heartfelt, healing songs that were broadcasted across the network, attracting nearly 4 million viewers during the 2.5-hour performance.

### Youdao

#### Online Courses Supporting Remote Learning

Youdao set up a nationwide, RMB5 million full scholarship, provided free remote learning systems to primary and secondary schools and training institutions nationwide, and donated Youdao dictionary pens to the national medical aid team in Hubei to acknowledge their efforts.

### NetEase Yanxuan

#### Provided Pandemic Prevention Supplies to Users and Suppliers

NetEase Yanxuan contacted factories and supply chains soon after the first reports of the COVID-19 outbreak and provided nearly 200,000 protective masks to residents in Hubei Province, the pandemic center, for free. In addition, 50,000 disposable alcohol pads, hand sanitizers and other prevention supplies were quickly offered online, free of charge for users nationwide. NetEase Yanxuan provided 40 million masks across the nation at the original MSRP while the nation faced a dire shortage of masks, benefiting over 750,000 people, including 300,000 students. NetEase Yanxuan also launched 10 initiatives to help suppliers address the challenges during the pandemic.

### NetEase Media

#### Special Reporting Mechanism after the COVID-19 Outbreak

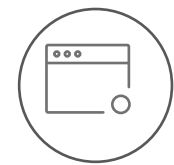
NetEase Media launched a special event reporting mechanism and was among the first news portal in China to launch the “Covid Epidemic Channel,” which aggregated breaking news, feature reports, exclusive interviews, prevention measures and rumor clarifications. It also provided a pandemic map and a search tool to monitor Covid cases on the road.

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## Future Prospects

2020 has been a challenging year, with the COVID-19 outbreak affecting different industries around the globe. Facing uncertainties and emerging trends, NetEase delivered solid results across online games, online education and its other innovative businesses. The post-COVID era may be different but also presents unique growth opportunities. NetEase will continue to help our community and empower people with innovations and technology in areas such as education and entertainment.

With our long-term commitment to ESG governance, we plan to establish an ESG management structure in 2021 to provide sustainable development advice to the Company's various departments and set ESG work targets, as well as implementation paths. As a Company deeply concerned with environmental and social issues, we will continue to promote low-carbon operations and strive to achieve carbon neutrality through green initiatives. Within our offerings, we will continue to provide innovative experiences while strengthening security management and protection of user privacy. At the same time, we will work hard to provide quality products and services to uphold NetEase's reputation throughout the industry. To promote social development, we will continue to play a leading role, linking upstream and downstream industries to achieve win-win scenarios while always paying attention to social issues and leveraging NetEase's strengths toward social development.


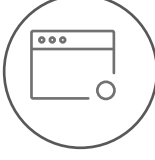





On our path, we will not forget where we started and what has propelled us on this amazing journey. Empowered by technological advantages, we will contribute our strengths and forge ahead to create greater value for our stakeholders and the community at large.



# Appendix 1

## Relevance of This Report to the UN Sustainable Development Goals (SDGs) 2030

Chapter	SDGs
Governance	   
Environment	      
Responsible Products and Services	 
Employee Development	   
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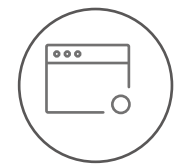
# Appendix 2

## HKEX ESG Reporting Guide Content Index

Key Categories, Aspects, General Disclosures and Key Performance Indicators		Disclosure section
<b>A. Environment</b>		
<b>Aspect A1</b>	<b>Emissions</b>	
General Disclosure	With respect to exhaust and greenhouse gas emissions, discharges into water and on land, and the generation of hazardous and non-hazardous waste, it includes: (a) policies; and (b) Information on compliance with the laws and regulations that have a significant impact on the issuer	Environment Addressing Climate Change Resources and Waste Management
KPI A1.1	The types of emissions and respective emissions data	Environment Resources and Waste Management
KPI A1.2	Total greenhouse gas emissions (in tons) and, where appropriate, intensity (e.g., per unit of production volume, per facility)	Environment Addressing Climate Change
KPI A1.3	Total hazardous waste produced (in tons) and, where appropriate, density (e.g., per unit of production volume, per facility)	Environment Resources and Waste Management
KPI A1.4	Total amount of non-hazardous waste produced (in tons) and, where appropriate, density (e.g., per unit of production volume, per facility)	Environment Resources and Waste Management
KPI A1.5	Description of the measures to reduce emissions and the results obtained	Environment Addressing Climate Change Resources and Waste Management
KPI A1.6	Description of handling hazardous and non-hazardous waste, measures to reduce generation and the results obtained	Environment Resources and Waste Management
<b>Aspect A2</b>		
<b>Use of Resources</b>		
General Disclosure	Policies for the efficient use of resources (including energy, water and other raw materials) Resources can be used for production, storage, transportation, buildings, electronic equipment, etc.	Environment Addressing Climate Change Resources and Waste Management
KPI A2.1	0Direct and indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '00s) and intensity (e.g. per unit of production volume, per facility).	Environment Addressing Climate Change



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Key Categories, Aspects, General Disclosures and Key Performance Indicators		Disclosure section
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment Resources and Waste Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment Addressing Climate Change
KPI 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.	Environment Resources and Waste Management
KPI A2.5	Total packaging material used for finished products (in tons) and if applicable, with reference to per unit produced.	To be disclosed
<b>Aspect A3</b>		
<b>The Environment and Natural Resources</b>		
General Disclosure	Policies that reduce the issuer's significant impact on the environment and natural resources	Environment
KPI A3.1	Description of the significant impact of activities on the environment and natural resources and the action taken to mitigate the impact.	Environment
<b>Aspect B1</b>		
<b>Employment</b>		
General Disclosure	With respect to compensation and termination, hiring and promotion, hours, leave, equal opportunity, diversity, anti-discrimination, and other treatment and benefits, it includes: (a) Policies; and (b) Information on the relevant laws and regulations that have a significant impact on the issuer.	Employee Development Talent Attraction and Retention
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Development Talent Attraction and Retention
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	To be disclosed
<b>Aspect B2</b>		
<b>Health and Safety</b>		
General Disclosure	With regard to providing a safe working environment and protecting employees from occupational hazards, it includes (a)Policies; and (b) Information on compliance with the relevant laws and regulations that have a significant impact on the issuer	Employee Development Employee Welfare
KPI B2.1	Number and rate of work-related fatalities	To be disclosed
KPI B2.2	Lost days due to work injury.	To be disclosed



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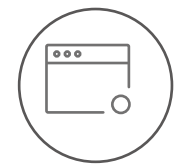


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Key Categories, Aspects, General Disclosures and Key Performance Indicators			Disclosure section
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.		Employee Development Employee Welfare
<b>Aspect B3</b>			
<b>Development and Training</b>			
General Disclosure	Policies related to enhancing the knowledge and skills of employees to perform their job duties. Description of training activities. Training refers to vocational training and may include internal and external courses paid for by the employer.		Employee Development Human Capital Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		To be disclosed
KPI B3.2	The average training hours completed per employee by gender and employee category.		To be disclosed
<b>Aspect B4</b>			
<b>Labour Standards</b>			
General Disclosure	With respect to the prevention of child labor or forced labor, it includes: (a) Policies; and (b) Information on compliance with the relevant laws and regulations that have a significant impact on the issuer.		Employee Development Talent Attraction and Retention
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.		Employee Development Talent Attraction and Retention
KPI B4.2	Description of steps taken to eliminate such practices when discovered.		Employee Development Talent Attraction and Retention
<b>Aspect B5</b>			
<b>Supply Chain Management</b>			
General Disclosure	Environmental and social risk policies for managing the supply chain		Social Endeavors Sustainable Supply Chain
KPI B5.1	Number of suppliers by geographical region.		To be disclosed
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.		To be disclosed
<b>Aspect B6</b>			
<b>Product Responsibility</b>			
General Disclosure	With respect to health and safety, advertising, labeling, privacy matters and remedies for products and services offered, it includes (a) Policies; and (b) Information on compliance with the relevant laws and regulations that have a significant impact on the issuer.		Responsible Products and Services Cybersecurity and Data Privacy, Product Quality



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Key Categories, Aspects, General Disclosures and Key Performance Indicators		Disclosure section
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	To be disclosed
KPI B6.2	Number of product- and service-related complaints received and how they are dealt with.	Responsible Products and Services Customer Relationship Management
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Responsible Products and Services Intellectual Property Protection
KPI B6.4	Description of the quality assurance process and recall procedures.	Responsible Products and Services Product Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Responsible Products and Services Cybersecurity and Data Privacy
<b>Aspect B7 Anti-corruption</b>		
General Disclosure	With respect to the prevention of bribery, extortion, fraud and money laundering, it includes: (a) Policies; and (b) Information on compliance with the relevant laws and regulations that have a significant impact on the issuer.	Governance Corporate Governance
KPI 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.	To be disclosed
KPI B3.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Governance Corporate Governance
<b>Aspect B8 Community Investment</b>		
General Disclosure	Policies on engagement to understand the needs of the communities in which it operates and to ensure that its business activities take into account community interests	Social Endeavors Corporate Citizenship and Philanthropy
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture and sport).	Social Endeavors Corporate Citizenship and Philanthropy Environment Green Products Responsible Products and Services Product innovations
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Social Endeavors Corporate Citizenship and Philanthropy Pandemic Response Caring for Community and Society

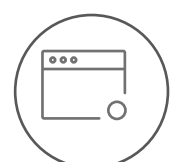
## Appendix 3

# Sustainability Accounting Standards Board (SASB) Sustainability Accounting Standard

Topic	Accounting Metric	Code	Disclosure section
Environmental Footprint of Hardware Infrastructure	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	TC-SI-130a.1	Environment Addressing Climate Change
	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	TC-SI-130a.2	Environment Resources and Waste Management
	Discussion of the integration of environmental considerations into strategic planning for data center needs	TC-SI-130a.3	Environment Addressing Climate Change
Data Privacy & Freedom of Expression	Description of policies and practices relating to behavioral advertising and user privacy	TC-SI-220a.1	Responsible Products and Services Cybersecurity and Data Privacy
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected	TC-SI-230a.1	To be disclosed
	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	TC-SI-230a.2	Responsible Products and Services Cybersecurity and Data Privacy
Recruiting & Managing a Global, Diverse & Skilled Workforce	Employee engagement as a percentage	TC-SI-330a.2	Employee Development Talent Attraction and Retention
	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	TC-SI-330a.3	Employee Development Talent Attraction and Retention
Managing Systemic Risks from Technology Disruptions	Description of business continuity risks related to disruptions of operations	TC-SI-550a.2	Responsible Products and Services Cybersecurity and Data Privacy, Product Quality



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