



# 2020 Environmental, Social and Governance Report



浙江大华技术股份有限公司  
ZHEJIANG DAHUA TECHNOLOGY CO.,LTD.



## Mission

Enabling a Safer Society and Smarter Living



## Vision

The World-leading Video-centric  
Smart IoT Solutions and Service Provider



## Core Concepts

Customer-oriented, Employee-based

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## About This Report

This report describes the actual practice of Zhejiang Dahua Technology Co., Ltd. (hereinafter referred to as the Company, Dahua, or Dahua Technology) in fulfilling its social responsibilities while achieving its development in 2020. It also details the Company's efforts at corporate governance, integrity management, the protection of shareholders' rights and interests, technological innovation, environmental protection, and public service activities, which is intended to strengthen the communication and connection between stakeholders and the Company.

### Basis of Preparation

This report is made according to the "Sustainability Reporting Guidelines" issued by the Global Reporting Initiative (GRI) and the "Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies (revised in 2020)", and the Company's actual situations.

### Time Scope

The reporting period is January 1, 2020, through December 31, 2020, and some information may be beyond this scope.

### Report Scope

The report covers the information of Zhejiang Dahua Technology Co., Ltd. and its major subsidiaries.

### Data Source

Information and cases disclosed in this report are mainly from the official documents, reports and relevant open data of Dahua and its major subsidiaries. The Company's board of directors is responsible for the authenticity, accuracy, and completeness of this report.

### Data Description

The Company's financial statements of this year, the related documents, and the company's statistics. Zhejiang Dahua Technology Co., Ltd. reserves the right to interpret this report.

### Release Method

This report can be downloaded from the designated information disclosure website (www.cninfo.com.cn) and the website of Dahua (www.dahuatech.com). For more information beyond this report, refer to the Company's annual report or visit the Company's website.

## Performance Summary 2020

	67263.52 Liter	Gasoline	545530 Ton	Municipal water supply	919163 10k m <sup>3</sup>	Natural gas		
	51583003 °C	Electricity	3.54 kgce/RMB 10k	Comprehensive energy consumption per RMB 10,000 output value	2.82 kgce/RMB 10k	Comprehensive energy consumption per RMB 10,000 output value		
<b>Type of Energy</b>	1702.25 kgce/10k units		Comprehensive energy consumption per RMB 10,000 products		1306.53 kgce/10k units		Comprehensive electricity consumption per RMB 10,000 products	
0.0004 Ton/million revenue	Hazardous waste density	8.56 Ton	Total amount of hazardous waste					<b>Hazardous Wastes</b>
	568.21 Ton	Carton	130.69 Ton	Iron	124.33 Ton	Plastics		
	81.45 Ton	Aluminum	88.37 Ton	Others (cable, power source, etc.)				
200+	Domestic marketing agency	58	Number of overseas branches	26.466 billion yuan	Direct economic value			
1.21%	Direct economic value increase		6	Main stakeholders identified				
22	Critical issues identified		846	Number of new patents and software copyrights during the reporting period				
3380	Cumulative number of patents and software copyrights		2.998 billion yuan	R&D investment during the reporting period				
9000+	Number of products with China Energy Conservation Certification		18000+ People	Number of employees worldwide				
12.50%	Increase in number of employees worldwide compared with 2019		1117	Number of fresh graduate recruited				
8.35 million	Amount of investment in ecological public welfare projects		100%	Safety education coverage				
560,000 hours	Total staff training hours		38 hours	Average staff training hours				
100%	Legal transfer rate of hazardous waste		0 Times	Number of accidents involving excessive emissions and chemical spills				
30000+	Number of materials with RoHS certification reports		93.67%	Coverage of material REACH SVHC information declaration confirmation				
								<b>Indicators</b>

## Statement from the Chairman



Chairman and President: Fu Liqun

In 2020, the COVID-19 pandemic caused an unprecedented impact on the global economy and social operation, triggering a number of "pauses" and "restarts" in the economic and social operation in various countries. At the beginning of the outbreak, relying on its technical accumulation and advantages in infrared thermal imaging and artificial intelligence, Dahua quickly developed the ultra-high-precision thermal imaging body temperature measurement solution to provide protection for various industries, such as transportation hubs, hospitals, schools, enterprises, and municipal institutions. Meanwhile, Dahua jointed hands with its partners to participate in the planning and construction of Leishenshan and Huoshenshan hospitals, so as to ensure their smooth completion, and normal and stable operation. During the pandemic, Dahua continued to provide technological pandemic prevention solutions as well as humanitarian assistance to the best of its ability to global customers, offering strong protection for global pandemic containment, and the resumption of work and production.

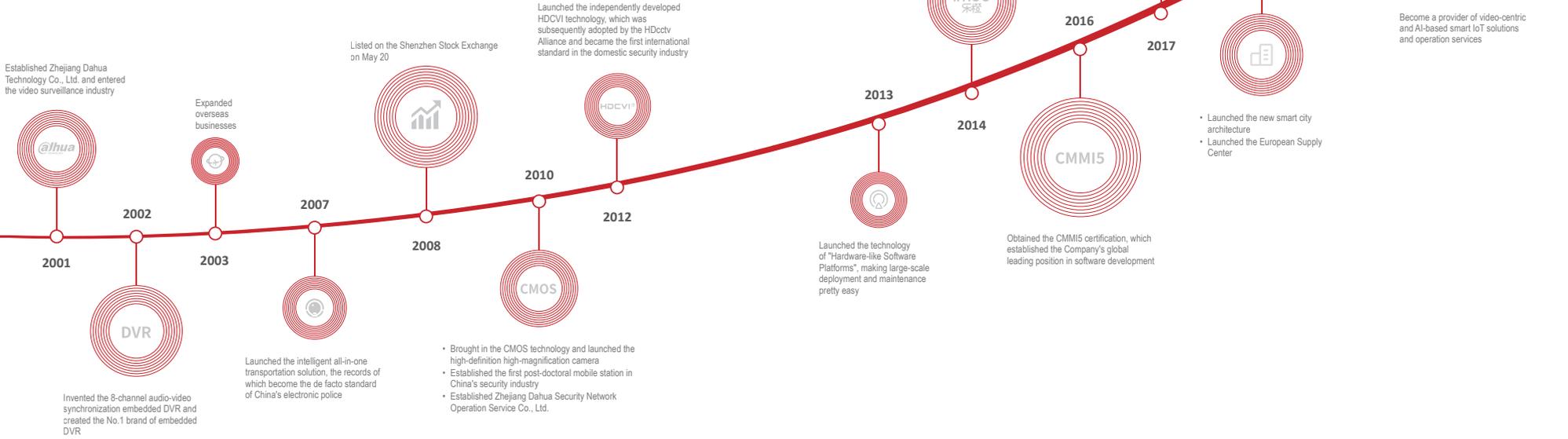
In the meantime, we also note that there is still a long way to go in improving social security around the world, and the degree of digitalization and intelligence still varies from industry to industry, with tremendous gaps. In addition, the degree of intelligence in everyday life is still relatively rudimentary, and information security and privacy protection still need to be strengthened. Therefore, in the past year, Dahua continued to uphold the mission of "Enabling a safer society and smarter living", and more actively involved in building an upgraded "fast track" of industry transformation through visualization, automation, and intelligent technology, facilitating the solution of production and livelihood problems in such fields as high-rise littering, campus safety, pandemic prevention in farming, cultural relic preservation, and pollution prevention and control. The Company was committed to building an efficient and transparent governance system to continuously improve its value and management transparency. We adhered to compliant integrity operation and fully integrated compliance management requirements into all aspects of the Company's production and operation management. In addition, the Company devoted itself to innovation and research, strengthened network security and privacy protection, and focused on the continuous building of core security technology, new privacy technology, and security engineering capabilities. We reinforced the people-oriented caring for employees and continuously enhanced the focus on humanistic values. We adhered to opening up and cooperation, strengthened the collaboration across the global industry chain, and actively involved in the important links of the global industry chain so as to promote more comprehensive and open ecological cooperation. We also practiced green manufacturing, upheld the responsibility to protect the environment, and promoted green manufacturing in all business aspects.

Looking ahead, in the face of the uncertain international environment, rapidly developing new technologies, and mankind's aspiration and demand for a better life, we will adhere to innovation and development to accelerate the promotion and application of new technologies. The Company will persist in opening up and cooperation to promote the ecological prosperity of the industry. We will also uphold green environmental protection to boost ecological environmental protection, and undertake practical work to actively fulfill social responsibility and lead the sustainable development of the industry, so as to strive to make more contributions to the social and economic development and environmental protection.

## About Dahua

Zhejiang Dahua Technology Co., Ltd. is a leading video-centric smart IoT solutions and service provider. Based on technological innovation and giving full play to the value of data, it provides end-to-end security solutions, data services, and intelligent innovation business, continuously creating value for urban governance, enterprise operation, and the life of individuals.

The Company has more than 18,000 employees, over 50% of which are engaged in R&D. Since the launch of the industry's first independently developed 8-channel embedded DVR in 2002, Dahua has devoted itself to technological innovation and been continuously increasing its investment in R&D, with around 10% of its sales revenue invested in R&D every year. Currently, Dahua has established Advanced Technology Research Institute, Big Data Institute, Central Institute, Cyber Security Institute, and Smart City Institute. The company continues to explore emerging opportunities based on its video IoT technologies, and has already expanded its businesses in machine vision, video conferencing systems, professional drones, smart fire control, automotive technologies, smart storage, smart security, and robotics, among others.



- 
**18000+**  
employees
- 
**3700+**  
patents
- 
**180**  
countries covered by our products
- 
**58**  
overseas branches
- 
**200+**  
domestic offices
- 
**No.2\***  
market share in the world

## Global Network

Dahua has a global marketing and service network with more than 200 offices in 32 provinces and cities in China, and 58 overseas branches in Asia Pacific, North America, Europe, and Africa, to provide fast and high-quality services to customers. Its products cover 180 countries and regions worldwide and are widely applied in key areas such as transportation, public livelihood, manufacturing, logistics, retail, finance, and energy. Dahua is also an active participant in major projects such as China International Import Expo, G20 Hangzhou Summit, Rio Olympics, BRICS Summit in Xiamen, ASEAN Summit in Laos, Shanghai Expo, Asian Games in Guangzhou, and Hong Kong-Zhuhai-Macau Bridge.



## Operating Performance in 2020

During the reporting period, the Company continued to increase the investment in R&D with customer demand as the guide and technological innovation as the drive, to provide the foundation for the long-term sustainable and steady development of the Company. The Company continued to promote management reform, balance the improvement of profitability while maintaining steady growth of scale, further realize value creation and win-win results for multiple sides, and constantly create returns for stakeholders.



## Build an Efficient and Transparent Governance System

In strict accordance with relevant laws and regulations such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, and *Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies*, as well as the requirements of regulatory agencies, the Company has built a highly efficient corporate governance structure to protect the interests of shareholders and other stakeholders with the management system, and continuously improve the Company's value and management transparency.



**Shareholders and shareholders meeting:** The Company standardizes the calling, convening, and voting procedures in accordance with the regulations and requirements of the *Regulatory Opinions for the General Assemblies of Shareholders of Listed Companies*, the *Articles of Association* and the *Rules of Procedures of the Shareholders General Meeting*. Associated shareholders shall avoid voting when relevant issues are being discussed during these meetings, and connected transactions are ensured to be fair and rational without harming the interests of shareholders. Treat all shareholders equally to ensure that shareholders, especially minority shareholders, can fully exercise their rights. General meetings of shareholders are convened by the Company's board-of-directors-and-witnessed-by-lawyer(s) on-site.

**Specific members of the committees under the board of directors:**  
**Audit Committee:** Liu Hanlin (convener), Yang Huayong, and Chen Ailing; mainly responsible for communication, supervision and verification of internal and external audits of the Company.

**Nomination Committee:** Yang Huayong (convener), Liu Hanlin, and Fu Liqun; mainly responsible for selecting and making recommendations on the candidates, and selection criteria and procedures for the board directors and managers of the Company.

**Remuneration and Appraisal Committee:** Zhang Yuli (convener), Liu Hanlin, and Zhang Xingming; mainly responsible for studying and reviewing the remuneration policies and plans of the board directors and management of the Company, as well as formulating remuneration policies with regard to the establishment of formal and transparent procedures.

**Strategy Committee:** Fu Liqun (convener), Zhang Yuli, Wu Jun, Zhang Xingming, and Zhu Jiangming; mainly responsible for conducting research and making recommendations on the Company's long-term development strategy and major investment decisions.

**Company and controlling shareholders:** The Company is independent from its controlling shareholders in terms of business, personnel, assets, finance, and organizations. The Company's board of directors, board of supervisors, and other internal institutions operate independently. The controlling shareholders of the Company are able to strictly regulate their behaviors, without any behavior that directly or indirectly interfere with the Company's decision-making and business activities beyond their general meetings, or any non-operational behavior of appropriation of the capital of listed Companies.

During the report period, the Company adopts a variety of meeting forms to ensure the smooth convening of the three important meetings, and actively encourage its directors, supervisors and senior managers to fully perform their duties. In 2020, the Company organized 15 board meetings, 9 supervisors meetings, and 5 shareholders meetings to strengthen the awareness of internal information disclosure compliance, with focus on matters such as foreign investment, related transactions, external guarantees, and external financial assistance. It was awarded the Best Board of Directors of the 11th Tianma Award for Investor Relations of Chinese Listed Companies.

**Directors and board of directors:** The Company currently has eight directors, including three independent directors, all of whom are experts in fields such as the industry, corporate management and financial accounting. The number and composition of the board of directors meet the requirements of relevant laws and regulations and the *Articles of Association*. The board of directors convenes board meetings and implements resolutions of shareholders meetings in strict accordance with the *Articles of Association* and the *Rules of Procedure of the Board of Directors*. All the directors conscientiously perform their due duties and attend board meetings and shareholders meetings, and safeguard the legitimate rights and interests of the Company and shareholders.

During the report period, the independent directors of the Company look closely at corporate operations and perform their duties independently in accordance with relevant rules, laws and regulations, proposing many professional opinions on the improvement of the corporate system and daily operation decisions, and thus playing their due role in perfecting the corporate supervisory mechanism and safeguarding the interests of the Company and shareholders, especially those of public stocks.

**Supervisors and the board of supervisors:** The Company currently has three supervisors, including two employee supervisors. The number and composition of the board of supervisors meet the requirements of relevant laws and regulations and the *Articles of Association*. The board of supervisors convenes supervisor meetings in strict accordance with the *Articles of Association* and the *Rules of Procedure of the Board of Supervisors*. All the supervisors perform their duties conscientiously, and effectively supervise and express independent opinions on the legitimacy and compliance of the performance of the corporate finance, directors and senior managers in an integral, diligent and conscientious manner, to safeguard the legitimate rights and interests of the Company and shareholders.

For more information pertaining corporate governance, please refer to the "Corporate Governance" section of the 2020 Annual Report.

## Adhere to Compliant Integrity Operation

As a global commercial entity, Dahua Technology has always practiced legal and compliant operations with strict adherence to the Code of Conduct, market discipline and international rules in order to further enhance the Company's competitiveness in the global business expansion and continuously guarantee the high-quality and steady growth of the Company's performance, the company-level ethical compliance management organization was updated during the reporting period. The Ethical Compliance Management Organization is composed of the Ethical Compliance Management Committee and the Ethical Compliance Operation Management Executive Body.

The Ethical Compliance Management Committee is responsible for formulating the overall requirements, management strategies and organizational forms of the Company's ethical compliance management, reviewing the operation plans of the Ethical Compliance Management Executive Body, periodically reviewing the implementation of these plans, and making decisions on the major issues related to the Company's ethical compliance.

The Ethical Compliance Operation Management Executive Body is divided into the special compliance group and the business compliance group. Among them, the special compliance group formulates corresponding operation plans from five major directions, namely, export control, cyber security, data protection, product compliance, high-risk behavior control of employees and financial and tax compliance, accumulates professional talents and abilities in their respective fields, establishes systematic management and control standards and promotes the effective implementation of the plans, and carries out special audit in their respective fields and promotes improvement. Based on the business features of marketing, R&D, supply chain, delivery and other major business sectors, the business compliance group formulates corresponding work objectives and plans, and cooperates with each professional compliance group to achieve those objectives in the business sector, so as to ensure the effective implementation of various compliance plans and measures.

The effective operation of Dahua's Ethical Compliance Management Organization has further optimized the corporate governance and internal control, effectively helped the company to prevent and deal with global ethical compliance risks, and provided effective guarantee for supporting the Company's rapid globalization strategy.

### Responsibilities of the Ethics Compliance Management Committee:

1. Review the annual planning and periodic plans for compliance operations based on the Company's overall requirements for compliance management.
2. Review the overall strategy and major matters of compliance operation reported by each executive body.
3. Review the annual compliance targets of first-level departments and the compliance operation management units in branches and subsidiaries, and monitor the implementation of violation prevention management in each unit.
4. Review the handling of major violations.

### Responsibilities of the Compliance Operation Management Executive Body:

1. Formulate annual compliance operation plans and periodic plans for corresponding modules based on the Company's compliance management requirements, and submit them to the Compliance Operation Management Committee for review;
2. Promote process optimization based on the compliance operation targets and periodic plans of the corresponding modules;
3. Manage the implementation of periodic plans of corresponding modules, monitor the violations by first-level departments, and branches and subsidiaries, and carry out special audits in key areas;
4. Continuously identify new issues through research and other means, and facilitate optimization in compliance operation plans for each module/unit on a rolling basis;
5. Report to the Compliance Operation Management Committee on a regular basis.

Dahua requires all employees to be fully aware of compliance, ensures that employees at all levels are well informed of and adhere to compliance requirements through publicity and training, and sign the corresponding

commitment documents. The Company regularly reviews the compliance status of its internal staff, and shall seriously handle any violations in accordance with the regulations.

### Ethics and Integrity

Dahua sticks to honest operation, punishes corruption with "zero tolerance", and continuously strengthens the building of its anti-corruption and anti-commercial bribery management system in four aspects: risk prevention, risk identification, risk response, and post-risk recovery. The Company has formulated normative guidelines including the **Eight Provisions on the Work Style of Dahua Cadres**, the **Code of Conduct**, the **Anti-Fraud System**, the **Administrative Measures for Reporting Corrupt Practices**, the **Administrative Measures for Employees' Acceptance of Gifts, Gratuities, and Other Coupons (Cards)**, the **Administrative Measures for Rewards and Punishments**, the **Administrative Measures for Confidentiality**, and the **Employee Handbook**. Among them, the **Code of Conduct** governs relationships among Dahua employees, including board directors and general employee, as well as its customers, suppliers, shareholders, competitors, and communities where it operates. The Code requires employees to comply with laws, regulations and ethics in all business dealings, and to follow relevant rules of the Company, their department and their business areas. If an employee acts in violation of the **Code of Conduct**, the employee and his/her supervisor shall be subject to corresponding disciplinary punishment. If required by law, Dahua must report the violation to the appropriate government agency, and the employee must cooperate to ensure that the violation is identified and resolved in a timely manner. Meanwhile, exposed internal control loopholes shall be promptly rectified by relevant persons in charge. In addition, the **Administrative Measures for Reporting Corrupt Practices** specifies reporting methods, reporting channels, effective reporting elements, and report handling to encourage employees and related parties to report any behaviors that violate laws, disciplines, regulations, or professional ethics against Dahua or Dahua business, promoting trust and transparency within the Company.

In 2019, Dahua joined the Trust and Integrity Enterprise Alliance, established a clean administration account, and continued to conduct clean administration publicity activities to continuously enhance employees' integrity awareness, and promote their integrity and self-discipline through education, systems, and supervision. In August 2020, the entire procurement staff attended the Company's integrity training, and the integrity and corruption cases that occurred in neighboring companies were shared on the training. All employees signed the new version of the **Integrity and Honesty Commitment**.

In 2020, Dahua continued to write and publicize integrity cases, established a clean administration interview room, further worked with legal institutions to conduct public security and prosecution publicity training, established the corporate integrity day and related activities, and organized deterrent activities such as prison visits. The Company carried out internal anti-corruption propaganda in the form of special reports through the periodical **Compilation of Integrity Cases of Dahua**.



Integrity training, publicity, and prison visits organized in the Company

### Complaint and Reporting Channel:

Email: jbrx@dahuatech.com

Tel: 86-0571-28816326

Under no circumstances will Dahua allow any retaliation against any reporter who, in good faith, believes that certain actions may violate applicable laws, rules and regulations. Any superior or other employee who threatens or impose sanctions on any reporter will be subject to penalties including disciplinary action and even dismissal.

### Customer Data and Privacy Protection

Dahua pays great attention to data security and privacy protection, and takes it as one of the guiding principles. Dahua has always been positive and practical in developing strategies in response to **Cybersecurity Law of the People's Republic of China**, **GB/T 35273 Information Technology - Personal Information Security Specification**, **General Data Protection Regulation (EU GDPR)**, and **California Consumer Privacy Act (CCPA)**, and has established data security and privacy protection special committee responsible for closely following global laws and regulations, conducting compliance audit and positively promoting compliance construction.

After being the first batch receiving the Protected Privacy IoT Product certification and the Protected Privacy IoT Service certification of German TÜV Rheinland, Dahua also passed the ETSI 103645 certification (IoT Network Security and Data Security Standard), ISO 27701 Privacy Information Management System certification, and ISO 27018 Cloud Privacy Protection certification, successively, during the reporting period. In December 2020, Dahua was awarded the BSI Privacy Strategy Contribution Award for its outstanding contribution to data security and privacy protection.

In addition to such certificates, to further enhance the privacy protection level of products and services and better realize compliance for customers, Dahua has formulated **Dahua Personal Data and Privacy Protection Standard** based on product privacy requirements, privacy design principles, personal information security specifications, and GDPR rules and regulations, and introduced the privacy baseline at the stage of product demand and design to provide overall specification and guidance on data processing at links including privacy policy, privacy preference setting, data acquisition, data transmission, and data storage and deletion. Dahua also integrates data desensitization, data encryption, face obstruction, trusted computing and other privacy protection technologies and applications into the products.

Under guidance from the data security and privacy protection special committee and DPO, a data security incident response handling mechanism has been established to realize timely protection and decisive handling. Dahua has also established a special contact-responsibility mechanism to provide professional answers to any questions or suggestions on personal data processing from customers. Data Protection Incident Response Team (DPIRT), as the only outlet for disclosure of data security incidents, is responsible for receiving, handling and reporting data security incidents.

Within the reported period, we haven't received any punishment from regulatory bodies due to violation of data protection laws and regulations all over the world.



### Trade Compliance

Focusing on export control compliance, trade compliance has made comprehensive planning for export control compliance measures, formulated the Company's **Export Control Compliance Manual**, and built guidelines to build up the Company's internal export control compliance system according to eight sub-modules - management commitment, risk assessment, transaction authorization, compliance training, screening mechanism, documentation retention, inspection and audit, and violation and correction.

The Company's export control compliance system covers aspects including the inspection of sanctions lists at home and abroad, the determination of material and product control attributes, the management of regulated product sales processes, the risk assessment of regulated product procurement, and the risk assessment, audit, and compliance improvement of cooperative project development. This system has incorporated compliance requirements in various business systems of the Company to achieve automatic control. Based on the annual internal audit, a variety of mechanisms are established to ensure that no violations occur, and continuous improvements are made to control processes and methods, so as to continuously enhance compliance control.

### Tax Compliance

Tax compliance focuses on establishing a standardized global tax compliance system for the Company's global business operations, and on the overall management of tax risks. In order to effectively achieve compliance with tax requirements, we have carried out corresponding process development, including the standardization and formation of a fixed process of tax calculation templates, and the documentation of daily tax work operation manuals and procedures. The relevant information system construction is also being continuously optimized, including the global tax platform, related transaction pricing system, reconciliation system, and invoicing system, to ensure the tax process implementation and continuous update are in place according to regulations. Meanwhile, by establishing and improving

our electronic file management system, we have effectively managed tax compliance-related documents to meet compliance requirements. In addition, we regularly identify tax risks and continuously follow up on their resolution. We effectively respond to and manage all kinds of tax disputes that may occur globally, achieving penalty-free settlement. In response to the complexity and distinctiveness of compliance in each country and region, we have set up a special team to build the top-level compliance framework in a dedicated form so as to gradually realize the improvement of the global tax compliance system.

### Product Compliance

Product compliance management is coordinated and managed by the Product Compliance Unit, which is responsible for formulating the overall product compliance strategy, establishing and improving product compliance mechanisms and processes, building an internal cross-department product compliance management platform, promoting the implementation of product compliance requirements in various business lines, and realizing visible and controllable product compliance management. Product compliance requirements run through the entire product life cycle. The requirements of product compliance are already covered in the demands of setting up a new product project; in the product design, testing and verification, product compliance requirements are implemented in business processes and specifications; in the process of product manufacturing, inspection and testing are strictly conducted in accordance with product compliance requirements; when the product or the standard is changed after sales, product testing reports and certifications, among other qualifications, are updated as required in accordance with compliance requirements. Dahua not only pays attention to the product compliance of its own brand, but also attends to the product compliance of its suppliers and customers, with corresponding certification processes and specifications issued to achieve all-round product compliance control. The implementation of these key initiatives has provided strong guarantee for Dahua's products sold to the global market in compliance.

### Fair Competition

Dahua advocates fair competition and fair transactions, complies with anti-unfair competition and anti-monopoly laws and regulations applicable when conducting business at home and abroad, and actively performs anti-trust review that its business may involve. By publishing the **Code of Conduct**, Dahua always seeks fair and honest competition, and aims to develop its competitive edge through quality products and services rather than unethical or illegal business practices. In order to continuously abide by laws and regulations on its business, the Company maintains close contact with local law firms at places where its business is conducted, and operates according to their professional advice and guidance. As of the date of this Report, Dahua has not had any lawsuits involving unfair competition or violation of antitrust laws. In its overseas investment projects, the Company strictly fulfills its antitrust review obligations in accordance with the requirements of various governmental institutions.

### Risk Management

Based on the COSO-ERM framework and BCM business continuity management system, the Company has established a "risk-oriented, system-based, process-bonded, control-enabled, and IT-supported" risk management system framework to provide excellent support for the realization of corporate strategies. Through identifying risks and evaluating their levels in terms of severity, likelihood and effectiveness of existing measures, we improve the hierarchical decision-making authorization system according to the acceptable level of risks, establish or optimize systems and processes, promote the IT-supported processes and other control activities, and establish process systems such as the **Risk Assessment Management Procedures**, the **Operational Guidelines for the Company's External Guarantees**, the **Internal Operational Guidelines for the Company's External Financial Assistance**, the **Contract Management Measures**, the **Risk Management Process**, and the **Response Mechanism for Handling Major Accidents**, to comprehensively address the internal and external risks that may be foreseen in production and operation activities. In addition, the Company emphasizes the cultivation of risk awareness and regularly organizes risk management training for all departments, so as to strengthen the Company's risk warning and handling capabilities and develop the risk control awareness among all staff.

Figure Risk Management Framework

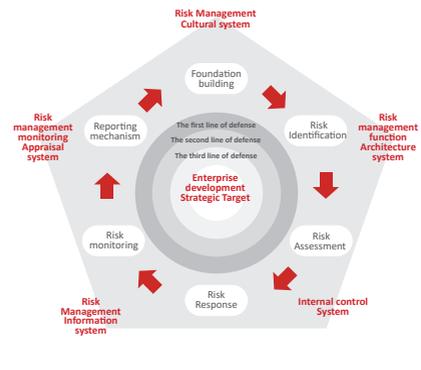


Table Risk Management Mechanism

Risk Category	Preventive Measures
<b>Organizational Guarantee</b>	<ul style="list-style-type: none"> <li>The Company has set up risk control groups such as the Strategic Decision-making Committee, the Audit Committee, the Information Security Committee, the Safety Production Committee, the Compliance Committee, and the Corporate Pandemic Containment Team.</li> <li>The Company has set up a model of three lines of defense against risks (business department, internal control department, and internal audit department) to build a risk-oriented internal control framework.</li> <li>The main business functions at the corporate level and branches and subsidiaries designate department-level contact persons for internal control.</li> </ul>
<b>Risk Identification</b>	<ul style="list-style-type: none"> <li>Identify and review risks at the corporate level, branches and subsidiaries through interviews, special reports on internal audits, special surveys on related issues, reviews of major issues and special surveys on key control points in various fields, among others. Build and continuously enrich the risk database of each business segment and department in line with the actual situation, and chart the risk map. Meanwhile, constantly and dynamically identify the dynamic changes of risks according to the latest business adjustments and planning.</li> </ul>
<b>Risk Assessment</b>	<ul style="list-style-type: none"> <li>Based on the risk database, through the introduction of various sources of risk information such as regulatory tips, industry risks, research, audit findings, and feedback from managers, evaluate the likelihood of risk events, the degree of impact caused, and the vulnerability of countermeasures in terms of risk level, and then conduct an overall evaluation by combining the major risk categories to achieve comprehensive risk analysis and evaluation.</li> </ul>
<b>Risk Response</b>	<ul style="list-style-type: none"> <li>Determine response strategies to risks based on risk assessment results, including risk reporting, risk undertaking, risk avoidance, risk mitigation, and risk transfer strategies, specifically:                             <ul style="list-style-type: none"> <li><b>Risk response compliance:</b> Consolidate internal control management support in accordance with the internal control requirements for companies listed on the Shenzhen Stock Exchange.</li> <li><b>Scenario-based risk response:</b> Conduct in-depth assessment of processes and internal controls in high-risk areas such as marketing, delivery, and procurement, and adopt different risk management models for different business scenarios.</li> <li><b>Risk response by levels:</b> Promote the review of high-risk matters in various fields, and gradually establish a hierarchical and graded authorization mechanism, with clear authorized details at each level, and clear approval and authorization procedures for each matter, to achieve the matching of authority and responsibility, reduce ambiguity, optimize the distribution of power, enable senior management to direct energy on the management capability development of the Company, and balance operational risks and development efficiency.</li> <li><b>Risk response specialization:</b> For high-risk business, establish company-level and department-level internal control specialization to closely and effectively integrate internal control with business processes to avoid or reduce the occurrence of risks.</li> </ul> </li> </ul>
<b>Risk Monitoring</b>	<ul style="list-style-type: none"> <li>A risk monitoring mechanism is established to routinely monitor and check the response to risks and ensure that the outcomes of risk response are guaranteed both in the design of response plans and in their implementation. For example, the risk response is monitored through the review of matters such as large receivables, large inventory losses, and large returns.</li> </ul>
<b>Information Communication</b>	<ul style="list-style-type: none"> <li>Regular training on risk awareness and capability: Strengthen the awareness of internal risk control through the sharing of classic cases, special training, and the establishment of internal control risk mailboxes to form an atmosphere of consistent emphasis on internal control, so that every employee understands and consciously participates in internal control.</li> <li><b>Reporting mechanisms:</b> In order to better manage risks, a risk reporting mechanism is established in the form of regular routine reports, special risk reports, and major risk/emergency risk reports, to reflect the substantive risk status faced by the operation and management of each branch, subsidiary, and department in a comprehensive, timely, and objective manner during the reporting period.</li> </ul>

## ESG Management



2020 Evergreen Award for Innovation in Sustainable Development



Outstanding contribution to COVID-19 prevention and control by the Wuhan Charity Federation



Innovative Product Award of the Shenzhen AI Anti-pandemic Symposium & Scientific and Technological Achievements Exhibition 2020

### Sustainable Development Strategies

As a world-leading video-centric smart IoT solutions and service provider, Dahua is committed to bringing excellent technical services to every corner of the world and to building a green, Eco-friendly, safe, and smart world. It aims to create greater value for customers and play a greater role in the sustainable development of society. These are captured by the our mission of "Enabling a safer society and smarter living" that it advocates and makes great effort to realize.

Dahua fully integrates sustainable development into its overall development strategy. In September 2015, world leaders adopted the 2030 Agenda for Sustainable Development at the United Nations Summit. The agenda includes 17 sustainable development goals, which came into effect on January 1, 2016. According to its sustainable development strategies, Dahua has developed detailed action plans based on the 17 goals, making sure that the sustainable management goals are fully implemented. The Company's sustainable development management committee reviews the performance.

Sustainable Development Goals	Dahua's Actions
<b>No poverty</b>	<ul style="list-style-type: none"> <li>Establish a social security system for Dahua's employees and improve their welfare</li> <li>Advocate public welfare activities to alleviate poverty, carry out charitable activities to help needy students, donate clothes every year, and participate in the activity of "10,000 enterprises helping 10,000 villages" in Hangzhou.</li> </ul>
<b>Zero hunger</b>	<ul style="list-style-type: none"> <li>Provide a variety of healthy and safe meal options for employees.</li> <li>Sponsor public welfare programs, carry out fundraising activities for flood relief, help disaster-stricken areas in Ningguo of Anhui Province, and donate mineral water, eight-treasure porridge, rice, cooking oil and other supplies.</li> <li>Hold famous chef contests that keep the entire cooking process visible.</li> <li>Provide China Grain Reserves Group a cooperative smart storage scheme to safeguard food security.</li> </ul>
<b>Good health and well-being</b>	<ul style="list-style-type: none"> <li>Provide smart hospital solutions to manage the hospital in an efficient and intelligent way, improve the management of hospital operations, and help with the hospital's intelligent upgrade. During the epidemic, the ultra-high precision thermal imaging body temperature measurement solution was launched to facilitate epidemic prevention and control.</li> <li>Create a good working environment, set up staff physiotherapy rooms, carry out systematic EHS management training, and reduce casualties.</li> </ul>
<b>High-quality education</b>	<ul style="list-style-type: none"> <li>Provide smart education solutions. Provide a comprehensive campus informatization solution covering smart security, smart logistics, smart teaching and campus big data.</li> <li>Develop a good training system, set up a special committee, build a training base, and guide employees to improve their abilities. Carry out the dual empowerment mode of "external training" + "internal training", establish an independent internal training system and carry out relevant training at the same time on the Elearning platform.</li> <li>Carry out university-enterprise cooperation by building technological innovation platforms, joint training bases, innovation practice centers to promote the integration of higher education and industrial development and enable technology to empower industrial development.</li> </ul>
<b>Gender equality</b>	<ul style="list-style-type: none"> <li>Increase female representation in both management- and primary-level positions.</li> <li>Provide equal training sessions and resources to male and female employees.</li> </ul>
<b>Clean water and sanitation facilities</b>	<ul style="list-style-type: none"> <li>Provide smart ecological solutions, build a comprehensive "air and earth integration" intelligent monitoring and perception system, and realize the flat, intelligent and refined business integration application of ecological monitoring and protection.</li> <li>Provide Dahua's river visualization monitoring system solution, implement river monitoring and water quality monitoring and ensure the availability of safe drinking water and sanitation facilities to reduce water pollution and conduct water resource management</li> <li>Increase the use rate of recycled water.</li> </ul>
<b>Affordable clean energy</b>	<ul style="list-style-type: none"> <li>Provide intelligent energy solutions to promote environmental protection and energy conservation with technology. Improve enterprises' security control, production, control and management, and help energy enterprises realize intelligent upgrades.</li> <li>Improve the energy efficiency of production bases based on the actual needs of the production process and other scenarios of energy enterprises.</li> </ul>
<b>Decent work and economic growth</b>	<ul style="list-style-type: none"> <li>Provide high-quality jobs and increase investments in job creation.</li> <li>Protect labor rights and interests.</li> </ul>

Sustainable Development Goals	Dahua's Actions
<b>Industry, innovation, and infrastructure</b>	<ul style="list-style-type: none"> <li>Provide smart manufacturing and logistics solutions</li> </ul>
<b>Reduce inequality</b>	<ul style="list-style-type: none"> <li>Democratic management</li> <li>Human rights governance</li> </ul>
<b>Sustainable cities and communities</b>	<ul style="list-style-type: none"> <li>Provide smart community and business park solutions</li> <li>Realize the intelligent upgrades of the security and office applications in business parks to and improve the security and office productivity of enterprises. Facilitate the digital transformation of enterprises in every aspect to improve safety, enhance work efficiency and reduce management costs.</li> </ul>
<b>Responsible consumption and production</b>	<ul style="list-style-type: none"> <li>Provide intelligent fire protection solutions, apply them to scenarios such as fire prevention and control, fire fighting and rescue, and team management, integrate IoT products in fire safety, special fire-fighting equipment, intelligent video products, and business application platforms at all management levels, etc., and build a comprehensive, visualized and intelligent fire protection safety management and control system.</li> <li>Strengthen waste recycling in production</li> </ul>
<b>Action on climate change</b>	<ul style="list-style-type: none"> <li>Provide intelligent ecological solutions to monitor environmental quality and address problems through the atmospheric quality monitoring system, combining data and video footage.</li> <li>Reduce carbon emission</li> </ul>
<b>Underwater creatures</b>	<ul style="list-style-type: none"> <li>Provide smart ecosystem solutions</li> <li>Dahua's deep-sea camera can dive as deep as 10,000 meters underwater and unveil the secret there. It integrates digital technology with ocean-related activities, provides an ocean-scenario-based intelligent solution, facilitating the exploration of the vast, deep blue world.</li> </ul>
<b>Terrestrial creatures</b>	<ul style="list-style-type: none"> <li>Provide smart ecosystem solutions</li> <li>Protect wild animals on land, realize intelligent detection, analysis and counting of wild animals in conservation areas, and facilitate the close observation and study of the migration of rare wild animals. Dahua participated in the development of intelligent ecological protection system in Qinghai's "ecological window" program.</li> </ul>
<b>Peace, just and strong institutions</b>	<ul style="list-style-type: none"> <li>Provide smart policing, traffic control, transportation, judiciary, and emergency solutions.</li> <li>Implement human rights policies and declarations for upper-stream supply chain partners.</li> </ul>
<b>Partnerships that promote the achievement of goals</b>	<ul style="list-style-type: none"> <li>Establish a comprehensive all-channel partner management system.</li> <li>Establish industrial ecology and provide industrial solutions.</li> </ul>

### Sustainable Development Policy

Respect the value of the Company, business partners, and employees, and comply with regulations, international standards, and internal rules and regulations. Strive to create value in corporate governance, social issue handling, environmental protection, talent development, and public welfare investment.

### Sustainable Development Management System

In order to promote sustainable development of the Company's strategy execution and target achievement, Dahua introduced a sustainable development management system. Based on internal and external environments, Dahua pays close attention to the needs of interested parties to realize the closed loop management of the sustainable development goals and improve the satisfaction of all interested parties in the five aspects of planning, organization, process operation, performance evaluation and continuous improvement.

Guidelines regarding sustainable development management system stipulate the overall framework structure of the system, clarify the responsibilities, rights and relations between the management level, in all departments and on all posts, and standardize all kinds of operation procedures and record management. Driven by the management system and guidelines, Dahua's quality, health, safety and environmental management are implemented in an orderly manner.

### Duties and Operations of the Sustainable Development Management Committee

To ensure the completion of the sustainable development strategy, Dahua has developed a sustainable development management mechanism. A company-level management system for sustainable development is developed to promote fair trade, supply chain ecosystem, enterprise security and health protection, labor management, environmental management, and social contributions, etc. Dahua has established a company-level management committee as the executive body of sustainable development management.

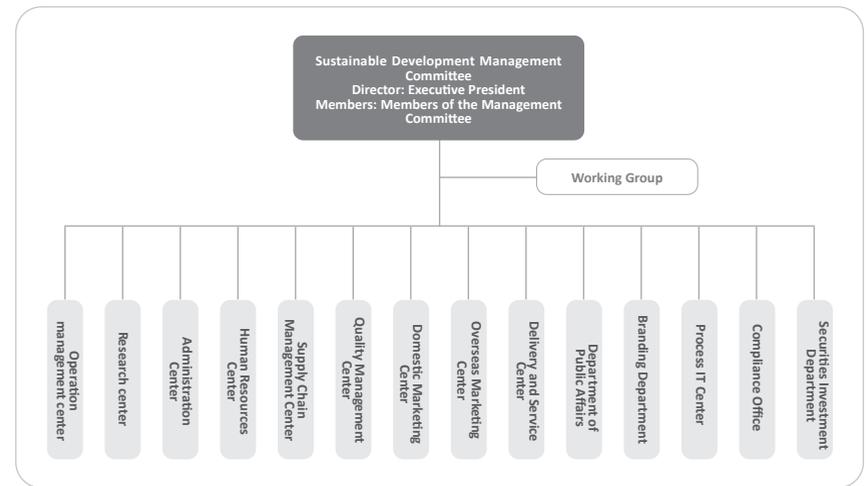
The sustainable development management committee is composed of more than 10 leaders from the operation management center, R&D center, administration center, human resources center and other departments. The director of the committee is Dahua's executive president. The executive team under the committee is mainly responsible for the implementation and coordination of the committee's daily work and the realization of the objectives listed in the sustainable development strategy.

### Duties of Sustainable Development Management Committee

- Formulate the Company's sustainable development strategy, objectives, policies and systems, and supervise the implementation.
- Coordinate the establishment, implementation and continuous improvement of the sustainable development management system to ensure that Dahua's sustainable development management complies with relevant laws and regulations and customer requirements.
- Guide the establishment, operation and improvement of the Company's EHS management system, and be responsible for handling major EHS issues.

### Responsibilities of the Working Group

- Release the decision-making mechanism of the committee.
- Responsible for the implementation, coordination and follow-up of daily work.



Sustainable Development Management Committee

### Risks and Opportunities in Sustainable Development

We have integrated sustainable development risk management into its scope of management, adopted comprehensive risk and opportunity management measures and internal control, enhanced risk resistance capacity, and provided operational guidance for the incorporation and application of these measures in the quality and environmental management system as well as for the evaluation of the effectiveness of these measures. It is important to identify all potential sustainable development risks and opportunities as we refer to them when carrying out annual strategic planning, which drives us to formulate specific goals and work plans.

The major opportunities and challenges in the external environment at present are the differences in technology application capabilities of different countries and regions in the world, which is not conducive to the synchronous and balanced development; personalized and scenario-based intelligent applications are required for industry segments and specific groups. Dahua has seized opportunities and faced up to challenges by actively participating in the global strategic cooperation, completing the planning and design together, providing customized services and application solutions for customers, jointly developing an application development platform which is easy to use, and striving to bring Dahua's extraordinary technologies and services to every corner of the world.

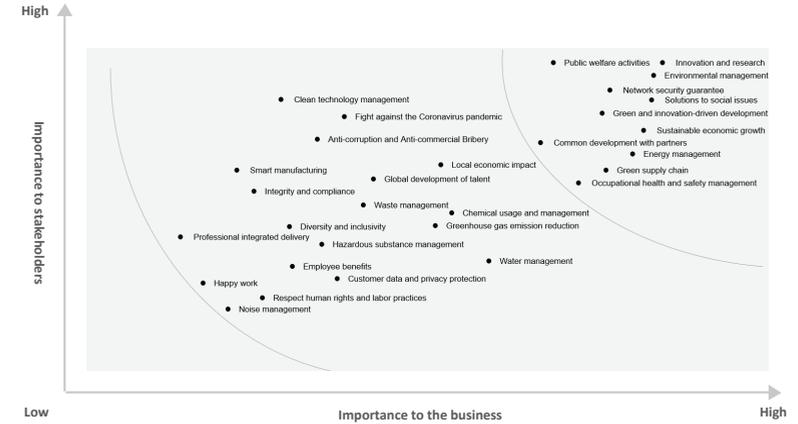
### Interested Party Participation

The main interested parties of Dahua include customers, partners, employees, governments, investors, etc. Interested party participation is the first step in ESG management. Understanding interested parties' expectations of the Company and the major ESG issues of concern can help the Company plan for its long-term sustainable development. Therefore, we actively work on building the bridge of communication with interested parties, and identifies and responds to the expectations of interested parties in multiple dimensions and through multiple channels.

Interested Party	Main Concerns	Communication Channels	Dahua's Strategy
Customer	<ul style="list-style-type: none"> <li>Product safety and service quality</li> <li>Customer health and safety</li> <li>Cyber security and user privacy protection</li> <li>R&amp;D and innovation</li> <li>Scenario-based customer solutions</li> </ul>	<ul style="list-style-type: none"> <li>400 customer service Hotlines</li> <li>Customer satisfaction survey</li> <li>Customer meeting</li> <li>Customer evaluation, research and cooperation projects</li> </ul>	<ul style="list-style-type: none"> <li>Insist on customer-centric, quality-backed craftsman spirit that seeks opportunities from customer demands and boost the success of customers</li> <li>Establish a strict product safety control mechanism, implement strict product safety standards, and provide consumers with safe and reliable products and services</li> <li>Integrate sustainability requirements into the whole life cycle of products and advocate circular economy</li> <li>Regard cyber security and user privacy protection as an important guiding principle for the Company</li> </ul>
Employee	<ul style="list-style-type: none"> <li>Health and safety at work</li> <li>Compensation and welfare</li> <li>Career development</li> <li>Humanistic care</li> </ul>	<ul style="list-style-type: none"> <li>Employee representative communication meeting</li> <li>Employee survey</li> <li>Manager feedback</li> <li><b>Dahua Staff</b> electronic magazine</li> <li>Complaints, suggestions, reports and complaints for receiving complaints, suggestions, reports and complaints</li> </ul>	<ul style="list-style-type: none"> <li>Establish sound management and safeguard systems for employee health and safety</li> <li>Adhere to the striver-awarded principle, encourage all kinds of talents to make the greatest contribution at the best time at the best position, and ensure they get the biggest returns</li> <li>Establish a sound training system and a clear path for career development</li> <li>Pay attention to diversification, establish good work conditions, and create a healthy work atmosphere</li> </ul>
Partner	<ul style="list-style-type: none"> <li>Win-Win cooperation</li> <li>Training and empowerment</li> <li>Integrity and trustworthiness</li> <li>Supplier management</li> <li>Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Field Investigation</li> <li>Supplier conference</li> <li>Supplier training</li> <li>Channel conference</li> <li>Cloud business platform</li> </ul>	<ul style="list-style-type: none"> <li>Adhere to ethical and transparent procurement and zero tolerance for bribery and corruption</li> <li>Conduct supplier training and coaching and carry out supplier development program</li> <li>Adhere to the sinking strategy, continuously empower partners and achieve co-construction and sharing</li> </ul>
Governments and Regulators	<ul style="list-style-type: none"> <li>Compliance with law</li> <li>Employment and wealth creation</li> <li>Safe production</li> <li>Green production</li> <li>Tax payment according to law</li> <li>Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Periodical reports/Temporary announcements</li> <li>Governmental meetings</li> <li>Fill in various forms as required and attend related trainings and meetings</li> <li>Field investigation</li> </ul>	<ul style="list-style-type: none"> <li>Abide by business ethics, international conventions and relevant laws and regulations of various countries</li> <li>Engage local labor force in employment process and local suppliers in procurement process, and pay taxes in accordance with laws</li> <li>Step up campaigns on production safety and strengthen oversight</li> <li>Make effort to reduce total emissions of industrial pollution</li> <li>Reduce carbon emissions, advocate circular economy and increase the use of renewable energy</li> </ul>
Shareholder/Investor	<ul style="list-style-type: none"> <li>Performance growth</li> <li>Sustainable operation</li> <li>Information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Periodical reports/Temporary announcements</li> <li>Investor meetings, field research, strategy meetings, investor presentations, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Information transparency and timely disclosure</li> </ul>
Community	<ul style="list-style-type: none"> <li>Communication with communities</li> <li>Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Community activities</li> <li>Interviews and investigations</li> </ul>	<ul style="list-style-type: none"> <li>Community activities</li> <li>Waste classification in the park</li> <li>Rectification and treatment of sewage discharge</li> </ul>

### Focus on Substantive Issues

Dahua conducts materiality assessment through media research and interested party surveys. Issues are prioritized from the perspective of internal and external interested parties, and key sustainability management issues are reviewed, to identify issues for the Report. The identified issues will be evaluated in accordance with the GRI Standards Guidelines and prioritized to ensure the balanced content of the Report.



## Digital Intelligence Empowerment, Technology for Good Deeds

Upholding the mission of "Enabling a safer society and smarter living", Dahua actively advocates a culture of responsibility, vigorously supports national and local public welfare programs, encourages and supports employees to carry out charity activities for the public good. Through continuous public welfare activities, Dahua plays the role of a good "business entity" while shouldering the responsibility of a "member of the society".

2020 was an extremely eventful year. At the beginning of the year when the pandemic broke out, the Chairman of Dahua took the lead in setting up a dedicated team that successfully developed anti-pandemic products in 7 days, and immediately donated equipment and targeted supplies to hospitals and governments. In just 3 months, Dahua released 6 holistic solutions and won 4 social awards, building a scientific and technological defense line to contain the pandemic.

In addition, in the face of the pandemic, Dahua gave full play to its social attributes as an enterprise and immediately donated 10 million RMB to fight the pandemic (of which 5 million RMB in cash was donated to Wuhan Charity Federation and 5 million RMB worth of anti-pandemic equipment was donated to Zhejiang Provincial Government). Dahua also organized forces to participate in the construction and support of Huoshenshan and Leishenshan Hospitals, as well as the donation activities of charity associations and Red Cross societies at all levels including Zhejiang Province, Hangzhou City and Binjiang District.



### Technology-Enabled Anti-Pandemic Efforts, Braving the Adversity

#### United Fight Against the Pandemic, Despite the Hardships and Dangers - Dahua's Anti-Pandemic Efforts with Technology

Since the outbreak of the COVID-19 pandemic in late 2019, Dahua has always been fighting on the front line with science and technology, implementing an ultra-high-precision thermal imaging body temperature measurement solution to quickly build strong defense for life protection in various industries and settings, including railway stations, high-speed trains, hospitals, schools, finance and enterprises; meanwhile at the backside of anti-pandemic services, every Dahua employee has been showing warm and firm support, giving more people the courage and power to beat the pandemic!

#### Contributing to the Fight Against the Pandemic with Contactless High-Precision Thermal Imaging Temperature Measurement

Body temperature screening is the first gateway to pandemic containment, and also the key weapon to win this battle. On January 21, 2020, Dahua's R&D team was commissioned in the face of danger, giving up their Spring Festival vacation and reunion, to develop supporting devices. After overcoming a variety of difficulties such as lack of manpower and shortage of materials and equipment, they successfully completed the development of a number of devices such as the human thermal imaging temperature measurement device within a short period of time, and optimized the temperature measurement to  $\pm 0.3^{\circ}\text{C}$  accuracy, enabling the thermal imaging body temperature measurement to be used throughout the country, and effectively curbing the spread of the pandemic in various places.

#### Supporting Communities to Surmount Difficulties

Dahua's at-home community quarantine personnel control solution set up intelligent body detection areas by deploying intelligent guard cameras in quarantine areas. When a person under quarantine went out, the body detection was immediately triggered, coupled with sound and white light reminders, and supervisors could timely voice intercom with the person to dissuade him/her, which effectively enhanced the precautionary awareness of home quarantine personnel in communities and improved the containment efficiency.

#### Safeguarding the "Two Hospitals"

In order to ensure the smooth completion and stable operation of the Leishenshan and Huoshenshan Hospitals (hereinafter referred to as the "two Hospitals"), on January 22, 2020, Dahua formed an emergency response team in the first instance and joined hands with partners to participate in the protection planning and construction of the two Hospitals, committing itself to the smokeless battle together with the state and people. In order to guarantee the operation of hospitals with clear movement lines for medical care, patients and logistics, and separate flow of clean and dirty items without mutual interference, Dahua provided

intelligent safety control devices in wards, reception rooms, ICUs, medical technology department, network rooms, supply storage rooms, garbage storage rooms and ambulance decontamination rooms to achieve no-dead-end, multi-angle and all-round guarding.

#### Helping Enterprises and Institutions to Fight the "Pandemic" Online

After the work and production resumed gradually across China, online conference has become a new choice for many enterprises and institutions in order to prevent the outbreak in mass gatherings, thus affecting normal production and operation activities. In response to the national call of "zero contact", Dahua developed a video conferencing system based on intelligent devices such as its intelligent conference terminal, intelligent tablet, 4K ultra-HD camera, and thermal imaging, integrated with advanced technologies such as AI, big data, and intelligent algorithms, and relied on its advanced cloud platform, realizing the application in various scenarios such as remote office, command and scheduling, remote diagnosis, and remote condolence, and creating an efficient contactless online communication platform for enterprises and institutions to resume operation during the pandemic.

During the pandemic, Dahua also joined hands with China Telecom to co-develop and launch the E-Cloud conference platform based on their advantages in video conferencing technology and mobile Internet service capability, serving the information center of SASAC, Ministry of Industry and Information Technology, many local health care commissions, government institutions, and various enterprises, helping them resume work and production safely during the pandemic.

#### Helping the World's Oldest Amusement Park Resume Operations Amidst the Pandemic



Facing the urgency of the continued spread of the COVID-19 around the world, European countries have introduced strict measures to contain the pandemic. Dahua helped the world's oldest amusement park, Bakken Amusement Park in Denmark, deploy a flow restriction solution so that it could accurately count and control the number of people in the park during the pandemic, and thus restart the operation smoothly. Moreover, the intelligent analysis feature of the solution can continue to provide powerful data support for the daily operation of the amusement park after the pandemic is over, helping customers explore more business value. In addition to the Bakken amusement park, Dahua also assisted many retail companies around the world to operate safely, making its contribution to the resumption of work and production across the globe.

### AI Intelligent Identification, Leaving High-Rise Littering Nowhere to Hide

With its profound accumulation in the field of artificial intelligence and advanced algorithms, Dahua has taken the lead in launching a real-time intelligent alarm solution for high-rise littering after unremitting research and testing, enabling all-weather intelligent monitoring of littering events. Once an object (as small as a cigarette butt) is found to be falling from a high place, the camera can detect it in real time through the algorithm, and transmit the alarm information to the back office in the monitoring center in the first place, which will be displayed in a pop-up window with sound alarm. It can also display the trajectory of the object and calibrate the floor so as to help administrators quickly locate the perpetrator. The alarm event and intelligent video can also be played back afterwards to locate the perpetrator, without the need to review the video frame by frame, which is time-consuming and laborious, thus greatly reducing the workload of administrators. With advanced algorithms, efficient arithmetic power and back-end support, Dahua's real-time intelligent alarm solution for high-rise littering forms an overall closed loop from real-time monitoring to activating alarms, then to notifying administrators in real-time for handling.

### Intelligent Security, Powering Hospital Operations



With 165 years of operation, the Royal Portuguese Hospital in Pernambuco, Brazil, is the most comprehensive medical center in the northern and northeastern regions of Brazil. Dahua's intelligent medical solution deploys a comprehensive intelligent surveillance system for the hospital, combined with an intelligent parking lot management solution to effectively manage the flow of people and vehicles entering the hospital. It also facilitates the full consolidation, control and integrated operation of security resources for the hospital's surveillance staff. The project has successfully applied the intelligent video surveillance system to the hospital environment, improving the overall security of the hospital while providing better service to visitors and patients, meeting customers' needs for quality, reliability and scalability, and facilitating the rapid advancement of Royal Portugal Hospital towards "Hospital 4.0".

### Smart Campus, Safeguarding Students and Teachers

Campus violence, theft, on-campus traffic safety and the current pandemic have led to an increased focus on campus safety, with more and more schools adopting intelligent technologies to enable proactive defense and improve management efficiency. Founded in 2005, Jadara University is an international university with global standards of excellence in teaching, research, creativity, community service and leadership. Jadara University regards "providing a safe environment for students" as a key component of its overall success. With Dahua's smart education solution, it provides three strong lines of defense for students and teachers, enabling 24/7 all-around security, reducing damage and theft on campus, significantly enhancing the overall security of Jadara University, and becoming an effective way to monitor the classroom efficiency and quality of teaching staff.

### AI-Powered Education, Protecting Students' "Home"

In order to eliminate the existing dormitory security hazards, the development of a dormitory security management system is imminent. Dahua's intelligent gate machine, as a necessary pass for entering and leaving dormitories, is a hard-hearted guard indispensable for guaranteeing students' safety. Its strong data collection feature can accurately and quickly distinguish allowed/disallowed entry into/exit from dormitories, so as to keep possible and hidden dangers out and make dormitories the safest home for students in campus. With the adoption of Dahua's intelligent dormitory management system, dormitory managers can easily grasp the situation of students returning late or not returning, always keep students safe at school, take responsibility for students, and make campus dormitories safer!



### Protecting Women and Children, Creating Intelligent and Safe Public Transportation

Public safety incidents on buses have been frequent in India over recent years, threatening the personal safety of passengers. In order to protect the safety of women and children taking buses, a city in India actively responds to the national policy and focuses on building the safest bus system in the country. Through Dahua's bus solution, an integrated bus video surveillance system is established to improve the safety of bus travel. The control center can view the situation in the bus in real time as soon as it receives an alarm, and learn more about the situation through voice intercom communication to handle any emergencies in a timely manner. Meanwhile, through the positioning of vehicles and the setting of bus routes, it regulates drivers to follow designated routes, greatly reducing violations such as illegal detours by drivers. The solution also offers O&M features such as route map layers and on-time statistics, which can help bus operators better manage bus routes and drivers while improving safety.

### Holographic Monitoring of Electricity Supply, Guarding Lights That are On In Every Household

Dahua applies visible light and infrared thermal imaging cameras and inspection robots, combined with various fusion technologies, to implement intelligent IOT perception, monitoring and analysis for substation equipment, and comprehensively improve the substation inspection efficiency. Through video holographic perception, Dahua boosts the intelligent upgrade and digital transformation of the power industry, realizing full perception of power equipment status, full online corporate management and full control of operation data, enhancing the operational risk control, production command penetration and emergency response of electricity enterprises, and effectively guaranteeing the stable operation and reliable supply of the power system.



### Building Smart Hospitals to Protect the Safety of Doctors and Patients

Utilizing its own products and technical advantages, Dahua's intelligent quarantine solution eliminates the need for manual checking of temperature and health code, and realizes the quick self-service passage by simply scanning the ID card or health code or face, which effectively relieves the work pressure of medical staff and also reduces the chance of cross-infection.



Dahua's intelligent security check solution facilitates the building of safe hospitals, transforming and upgrading the security check process at the entrances and exits of hospitals, and utilizing the advantages of information technology and intelligent analysis algorithms to realize the functions of alarm linkage, human-package integration and mobile disposal, so as to achieve source containment with the security detection of various people entering hospitals and guarantee the safety in hospitals.

### Intelligent Empowerment of Firefighting, Technology Protection of Renowned Cities



Built long ago, the Old Town of Lijiang features an overall wooden architecture, small and dense building spacing, and huge flows of people as an open tourist attraction, which makes it difficult to manage and highly susceptible to fires, so there is a strong demand for intelligent firefighting construction here. Dahua partners with the World Cultural Heritage Management Bureau of the Old Town of Lijiang to jointly build the Lijiang intelligent fire information construction project. Targeting the pain points faced by Lijiang, Dahua uses its own product technology and solution advantages to integrate a number of features, such as IoT monitoring, video linkage, equipment and facility inspection, training and practice, and emergency command, to achieve intelligent, visualized and traceable fire management. The integrated fire safety control, featuring rapid perception and linkage handling, creates a new model of "Internet of things + emergency command" for fire management in the old city.

### Intelligent Care to Effectively Improve Farming Safety and Efficiency

Facing the severe situation of the national resumption of pig production and the containment of African swine fever in breeding enterprises, Dahua has combined its own products and technical advantages to quickly introduce biosecurity control solutions and continuously providing the solutions to a number of new and established pig farms under many head enterprises, assisting them in standardizing personnel workflow, effectively preventing African swine fever and reducing enterprise losses. Meanwhile, Dahua continues to cultivate the field of intelligent farming, and through a series of intelligent products and applications such as pig inventory, pig temperature measurement, pig detection, protective clothing detection, and intelligent inspection of pig barn, it has formed a complete set of mature solutions for group management and intelligent operation, helping enterprises significantly reduce costs and improve efficiency.



### Contributing to Fishing Ban on Yangtze River for Future Generations

Dahua's intelligent fishing ban solution has created a three-dimensional fishing ban supervision system to achieve refined management of banned areas and deliver good results. Using drones for daily patrol, the solution can quickly cover the prohibited fishing river section and make up for the patrol and event handling in areas that cannot be reached quickly by human vehicles and boats, for example, by carrying video + call-out system, the system can quickly give warning to and illegal fishing persons and dissuade them from continuing, improving patrol inspection efficiency. The use of video IoT technology and video AI + radar perception enables automatic detection and capture of vessels passing through prohibited fishing areas, and realizes vessel identification and classification, so as to achieve all-weather supervision and precise crackdown on illegal fishing vessels; meanwhile, the system monitors and warns against illegal anglers on shore embankment, notifies drones and patrol enforcement officers to the scene to educate and persuade them to leave, and warn and punish those involved in multiple violations captured by the system. The pilot fishing ban project and its effectiveness provide a strong technical guarantee system to facilitate the implementation of the local 10-year fishing ban on the Yangtze River.

### Intelligent Protection of Lush Mountains and Lucid Waters, to Build a Beautiful Ecology

Dahua has fully participated in the forest fire prevention pilot in Yuxi, Dali, and Chuxiong, among others, in Yunnan Province. Through intelligent analysis and comparison of satellite remote sensing images, aerial fire patrol and reconnaissance by drones, all-weather monitoring by high tower thermal imaging, and ground control of man-made fire sources, Dahua has formed an integrated forest fire prevention monitoring and sensing system from the sky and tower to the ground, effectively contributing to the "early prevention, reduction and elimination" of fire hazards in southwest forest areas, and committing to biodiversity protection through effective actions.

### Intelligent Supervision, to Protect the Safety of "Food Baskets"

Dahua joins hands with ecological partners to build intelligent farmers' market solutions that facilitate the intelligent transformation of supervision systems on farmers' markets in Hangzhou, Ningbo and Huzhou, fully realizing the efficient and convenient detection of body temperature of incoming and outgoing personnel, operational analysis of incoming and outgoing passenger flow statistics, real-time AI supervision of illegal parking of vehicles in the entrance and exit areas, internal roadside business, smoking behavior, and improper dress code. Through the intelligent transformation and upgrading of farmers' markets, Dahua's solution eliminates blind spots in management, improves the efficiency of supervision and inspection, realizes a long-term management mechanism that turns passive into active, and ensures the safety and efficient supply of "food baskets".

### Intelligent Pollution Control, Guarding the Blue Sky and White Clouds

Dahua employs the infrared thermal imaging camera to conduct 360° and 7x24 automatic monitoring of fires. Detection of such incidents will be immediately reported to the central platform, and the fire alarm message will be instantly sent to the law enforcement department in the corresponding area for timely handling. When the system is completed, it will transform the fire detection model of the straw burning monitoring from manual patrol to automatic camera inspection, thereby greatly improving the efficiency of control and handling.

#### Public Welfare Activities

##### Passing on Love and Voluntary Blood Donation

Every year in July or August, Dahua regularly holds blood donation activities, and the total amount of blood donated for 5 consecutive years is 311,825 ml. Donate blood to help those in need, pass on hope with true heart of love, and cheer for life with passion. "Pass on the light of life with love". On July 21, 2020, Dahua's labor union organized the annual blood donation activity for the public welfare season, with a total of 360 people donating blood and 105,130 ml of blood donated.



##### [Love + Clothing] Clothing Donation to Deliver Warmth

Dahua donates clothes every year. For six consecutive years since 2014, more than 7,000 pieces of clothes have been donated. From November 4 to 6, 2020, Dahua employees rushed to make donations with love and warmth, part of which was allocated by Dahua to Shanyangtuo Village, Longping Township, Jianshi County, Enshi City, Hubei Province.



##### Donation for Poverty Alleviation

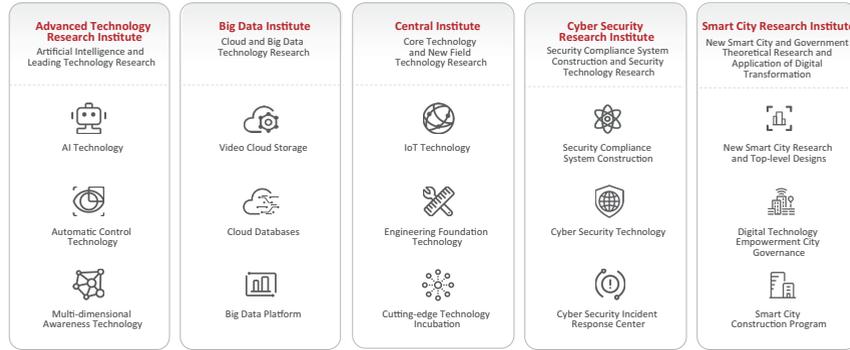
The outbreak of the pandemic in 2020 posed a new test for the poverty alleviation work of Shanyangtuo Village in Longping Township, Jianshi, Enshi, Hubei Province, the poverty-stricken village paired with Dahua. After helping the village complete the street lighting project and the safe village project in 2019, Dahua sent three laptops to the poverty-stricken village at the beginning of the work resumption, for villagers unable to go out to realize online employment and e-commerce promotion. On the occasion of the Mid-Autumn Festival, Dahua paid condolences to the poor households in the village, in conjunction with the clothing donation activity organized by Dahua's labor union during the public welfare season. Dahua also made continuous contributions by first addressing the needs of the impoverished village.



# Intensive Operation, For High Quality Development

## Innovation and Research

Innovation is a key driving force and core competitiveness for the development of Dahua. We annually invest 10% of sales revenue in research and innovation to secure our leading position of the industry technology development in order to satisfy ever-changing demands of customers. Dahua Technology has built five research institutes covering advanced technology, big data, central, cyber security and smart city and possesses a national post-doctoral scientific research workstation. As the state-accredited enterprise technology center and national pilot innovative enterprise, Dahua continues to make breakthrough contribution and leads industry development.



## Working on Innovation and Research

Innovation and research capability is one of our most important core competitiveness and also a solid guarantee for sustainable and robust growth of our core business. Through years of researches and practices, Dahua has not only accumulated a series of internationally leading core technologies and patented technologies, created a research process and operation platform supporting its vision and business development, and established a research troika with supporting solutions, products and technologies (SDT/PDT/TDT). Dahua has accumulated rich experience in research and patent application and registration, and fostered effective research management capability. These advantages have been successfully applied in the research practice of Dahua, laying a solid foundation for long-term sustainable development, and becoming core competitiveness.

## Research Strategy and Strategic Target

In regards to technological innovation and product research, we adhere to IPD core concept, and build a strategic management mechanism of strategy planning (SP), business planning (BP), implementation and monitoring, performance evaluation with market and technology as two driving factors. With continuous optimization of Dahua's IPD process, we coordinate with resources of all departments based on research to ensure continuous competitiveness of Dahua products and solutions. In realization of solutions and products, we have strengthened quality control over all research stages from project initialization to product launch, so as to make sure every launched solution and product meets market and customers' requirements. With years of accumulation and input of our research system, we have built nine research centers to improve research quality and efficiency.

## Industry-University-Research Cooperation

Dahua takes the lead in building post-doctoral scientific research workstation in the industry to set up high-end talent cultivation base, and facilitate external resource utilization by introducing international advanced technologies, cooperating with customers and suppliers as well as universities and colleges, and introducing informationized software. Dahua has established cooperation with national well-known universities, and set up joint laboratories with domestic and overseas well-known enterprises on the basis of strategic partnership of "Resource Sharing and Win-win Cooperation", to jointly promote new technological revolution and positively promote product, technology and management innovation, boosting rapid development.

## Engineering Experiment Center

In 2020, Dahua Engineering Experiment Center was established as a strong support to enhance Dahua's technological innovation capability and guarantee for technology evaluation, technology introduction and technology absorption.

Covering an area of about 5,000 square meters, the Engineering Experiment Center conducts basic research and engineering experiments in all fields. The Center comprises 31 laboratories, including Reliability Lab, EMC Darkroom, Immunity Lab, OTA Darkroom, RF Lab, Safety Lab, Comprehensive Structure Lab, Thermodynamics Lab, Acoustics Lab, Packaging Lab, Industrial Design Lab, Image Lab, and Motion Control Lab, enabling all basic studies on materials, components, single boards and whole machines, to guarantee product quality in all aspects and continuously drive product innovation. Based on this cluster of labs, 148 experimental capabilities have been constructed, including 68 research-based capabilities, such as natural aging assessment capability of materials, physical failure analysis capability of devices, and cellular RF conformance analysis capability, and 80 test-based capabilities, such as infrared lamp performance testing capability and product radiation conduction harassment testing capability.

The research capability of the Engineering Experiment Center also accelerates new technology breakthroughs and industrialization. For example, the breakthrough of high emissivity material tops the industry, with its emissivity of 0.98±0.1°C higher than the industry level of 0.97±0.2°C, and successfully applied to thermal imaging temperature measurement products; the self-developed industry-first 60G compliance band millimeter wave radar has an active detection distance of 70 meters and achieves automatic video fusion calibration. Based on the integration of the competence set of the Engineering Experiment Center, Dahua has won the honor of "Zhejiang Province Key Laboratory" in the field of visual IOT fusion application technology.

In addition, through the internal refinement management and continuous improvement of testing capabilities, the competence of the Engineering Experiment Center has been recognized by numerous authoritative institutions. For example, the Reliability Lab has obtained the CNAS certification from the national CNAS institution; the Safety Lab has established a strategic partnership with a world-renowned third-party authority.



## Participating in Standard Preparation and Release

Dahua Technology prepared HDCVI specification which has been accepted by international HDcvtv organization and AT standard is released based on such specification. It becomes the first specification in the security industry of China to be incorporated into international standards.

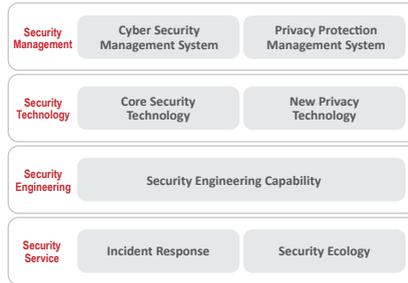
Dahua has led and participated in the preparation of 2 international standards, 25 national standards, 89 industry standards, 42 local standards, and 18 group and Zhejiang manufacturing standards. Within the reporting period, Dahua has obtained a variety of achievements in patents and software copyrights.

Category	Unit	Quantity
New Patent	Patent for Invention	232
	Utility Model	274
	Design Patent	120
	Total	626
New Software Copyright		80
New Registered Trademark		140
Accumulated Patent	Patent for Invention	686
	Utility Model	827
	Design Patent	605
	Total	2118
Accumulated Software Copyright		708
Accumulated Registered Trademark		554

### Cyber Security

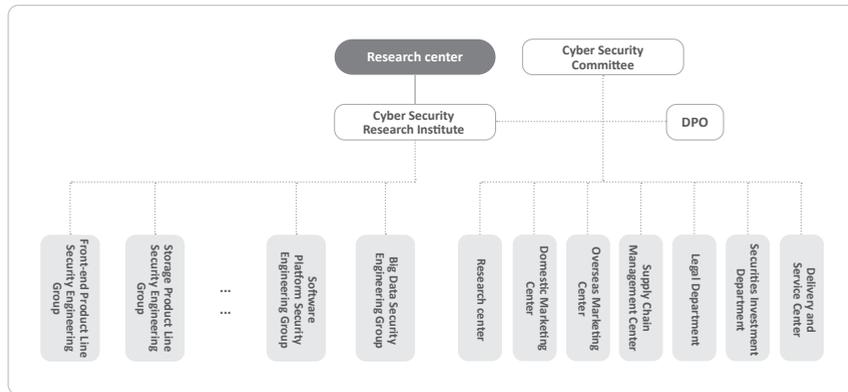
The integrated development of the five core technologies, namely, cloud computing, big data, IoT, artificial intelligence and 5G, pushes human society into the era of AIoT. While emerging technologies are advancing human progress, the open network architecture also generates new threats and challenges. Dahua has always taken cyber security and privacy protection as one of its top agendas, and faced the challenges of cyber security with a positive, open, responsible and cooperative attitude and philosophy.

In order to provide global customers with continuous leading technology and service experience in security and privacy, during the reporting period, Dahua officially changed its Cyber Security Product Line to Cyber Security Research Institute, with more focus on the continuous development of core security technologies, new privacy technologies, and security engineering capabilities, dedicated to providing customers with more secure products and solutions and fast security emergency services.



### Systematic Professional Security Team

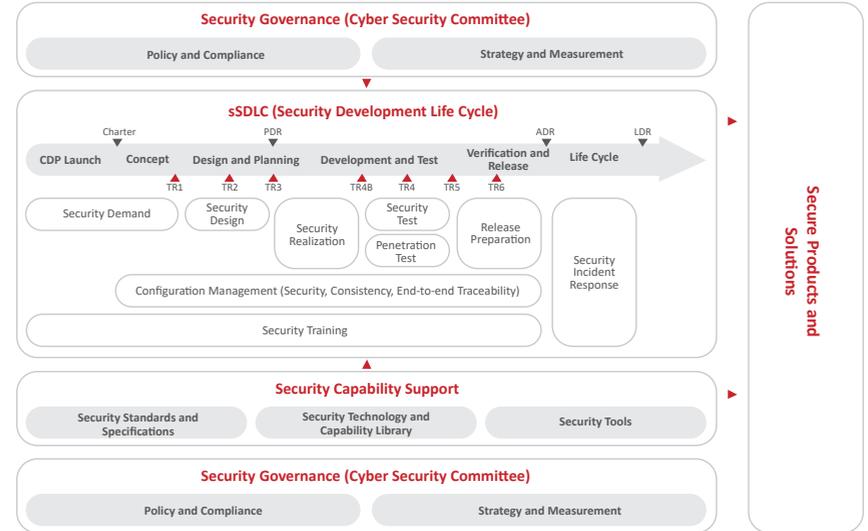
Dahua has established a systematic professional security team to secure cyber security in all execution units through the hierarchical organization structure, covering R&D, market, supply chain, and delivery and service.



- As a supreme decision-making organization of cyber security, our cyber security committee is the leadership decision-making institution of cyber security under the leadership of the Board of Directors and is responsible for overall planning, coordinating, guiding and monitoring cyber security work at a strategic level.
- As a joint executive team across business, the cyber security execution group is responsible for leading discussion and formulating mechanisms and strategies relevant to cyber security at a tactical level, and for developing, tracking and processing daily cyber security at an executive level. It covers research, market, supply chain, delivery and service, and legal service, and quickly implements Dahua's cyber security resolutions in every of its business systems.
- The Cyber Security Research Institute is an entity organization for security and privacy technology research, security development process development, and building security engineering capacity. It is responsible for the implementation of security and privacy requirements, security and privacy risk assessment, security and privacy design, penetration testing, vulnerability management and emergency response, as well as the design of security process systems and security compliance systems.
- A cyber security engineering group is set up for every product line to closely interact with the Cyber Security Research Institute, so as to achieve the rapid implementation of security standards and regulations, security and privacy technologies, and vulnerability repair and handling across all products.

### Processed Management of sSDLC Security Software Development Life Cycle

With reference to the best security practices in the industry, Dahua has established a full set of sSDLC security development process systems, and fully implemented them in the R&D center. Through efforts of the professional security team, the capabilities on the whole process covering security demand, assessment, design, coding and testing of products and solutions are improved and the security strategies are implemented to ensure that all products are developed in compliance with high-standard security requirements and pass rigorous offensive and defensive testing and verification.



### Continuously Evolved and Comprehensive Security Baseline

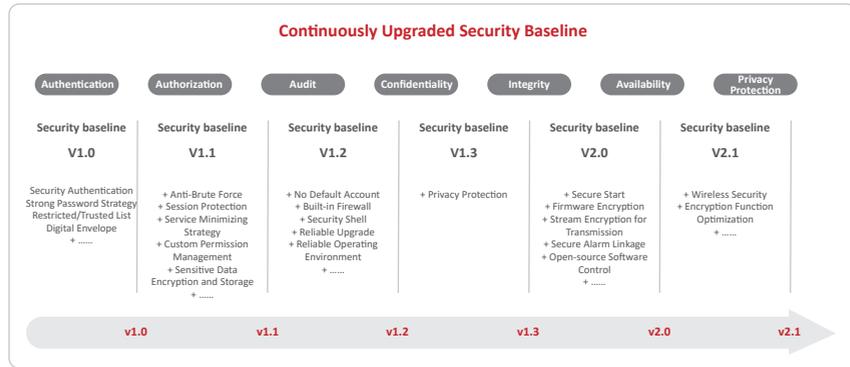
Since the launch of the "Security Baseline" plan in 2016, Dahua has been adhering to the core principles of "Security by Design" and "Security by Default", digging deep into product security technologies, dedicating to "Providing best feature experience with default security technology guarantee for users."

With the security baseline based on and practicing the design principle centering on security and privacy, Dahua has constructed a product security layout of "AAA+ CIA+P", forming a systematic security framework covering physical security, system security, application security, data security, cyber security and privacy protection.

The "AAA+ CIA+P" security elements are laid out as follows:

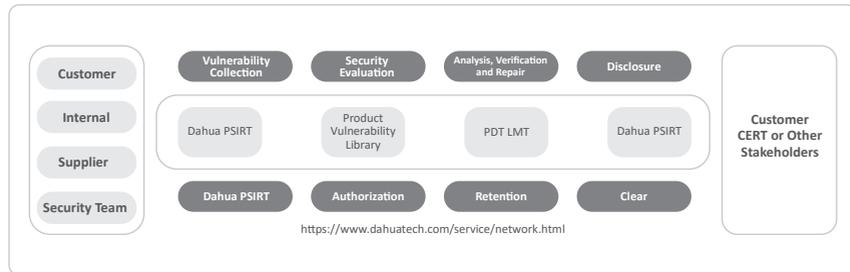
- AAA: Authentication, Authorization, Audit
- CIA: Confidentiality, Integrity, Availability
- P: Privacy Protection

As one of the important enterprise standards of Dahua, the security baseline is an integral part of Dahua management process of security development life cycle, and has been deeply integrated into the product quality assurance system to make sure default security technology guarantee for the full series of products.



**Professional Product Security Incident Response Team**

Dahua Product Security Incident Response Team (PSIRT) is responsible for the management of the security environment and product vulnerabilities in accordance with the industry practices. We offer 7\*24 service to respond to global security issues and timely provide security notice and reinforcement services. Ensure that security issues reported to Dahua through official channels can be responded to within 24 hours, or 48 hours at the latest.



As for the management of security issues, Dahua PSIRT adopts SN (Security Notice) and SA (Security Advisory) for customer communication to make sure that customers are properly informed of such issues at different stages.

Dahua PSIRT constructs disclosure processes for security vulnerability, security advisory and security notice for all products in accordance with ISO/IEC 30111:2013 Vulnerability Handling Processes, ISO/IEC 29147:2018 Vulnerability Disclosure and other standards, and encourages end customers, partners, suppliers, government bodies, industry organizations and independent researchers who identify any potential risk/vulnerability to positively report the security vulnerability to Dahua.

Dahua PSIRT actively participates in various industry and public activities, and keeps a positive and open attitude about exchange and communication with government CERT, customer CERT/PSIRT, other suppliers, researchers, and third-party coordination units. By joining the Forum of Incident Response and Security Teams (FIRST), CVE Numbering Authorities (CNAs), China National Vulnerability Database of Information Security (CNNVD), China National Vulnerability Database (CNVD), China Cyber Threat Governance Alliance (CCTGA), Industrial Information Security Incident Services Support Unit, and other information security organizations, Dahua plays its full role as a member in realizing the working mechanism of cyber threat information sharing and mutual collaboration.

Dahua has developed a worldwide after-sales team. Cyber security issues have high handling priority in after-sales services. Dahua's Cyber Security Committee and PSIRT offer timely incident handling services through the worldwide after-sales system once security issues occur.

**Positively Build Security Capability Facing End Customers**

Securing cyber security is a systematic project, requiring the support from both technology and management. Dahua Technology takes effort to offer products and solutions with optimized security state together with partners and customers. As a device manufacturer, Dahua takes effort to offer more secure products for customers; meanwhile, it works to guide downstream partners and customers to correctly use these security functions.

Dahua routinely carries out basic security skill trainings and tests on global pre-sales and after-sales technology personnel, to make sure that Dahua security strategies can be accurately passed on to end customers.

Dahua also conducts relevant security training and communication with partners to ensure that partners can reasonably enable security features and formulate complete security policies when integrating or using Dahua products, so that end customers can enjoy default and improved security protection. For example, Dahua recommends configuring strong passwords, periodically changing device passwords, enabling access control policies, and timely updating firmware and client software, in order to improve the security protection of the cyber environment and the device itself, and reduce the risk of cyber attacks.

**Service System**

Dahua has transformed from the traditional after-sales service to the one-stop after-sales service system, establishing 140+ after-sales service networks worldwide, gradually adding 4 call centers and 16 single-country service hotlines, covering 180 countries and regions worldwide, providing maintenance, online technical support and spare parts services during the product life cycle. Dahua has set up repair training centers and repair support centers for authorized repair providers worldwide to respond to customer needs in real time and enhance its after-sales service capability.

**Building Omni-Channel Multi-Media Service Channels**

Build a domestic technical support system to deliver services mainly by hotlines, supplemented by omni-channel multimedia network services including WeChat, QQ, official website, APP and mailboxes, with an annual growth of 10% in hotline services, 34% in robot self-service and 2% in Internet services.

**Optimizing the Layout of Customer Service Technical Support**

Optimize the ITR problem handling process and capacity building, build a unified technical support service website, and load multi-dimensional technical materials such as service policies, intelligent robots, knowledge base, multimedia teaching videos, and tools, to help customers learn about and solve their daily problems.

**Managing the Technical Support Fusion Transformation**

The technical support fusion transformation integrates the processes and capabilities of regional technology, call center, ITR, and PDT in the technical support modules of original different positions, with customer problems as the main line, to quickly and efficiently solve customer problems layer by layer, and to form reverse data analysis and feedback for product development and improvement.



# People Orientation

While making business innovation and undertaking responsibilities for shareholders and employees, Dahua Technology always remembers to shoulder the social responsibility. It stresses the importance of increased focus on human values during management, emphasizes enterprise's contribution to environment, consumers, and society, and continuously puts these perspectives into action. Dahua is committed to the "customer-centric and striver-oriented" core value, constantly improving the talent development and training system, and the compensation incentive system. In the meantime, Dahua has actively organized a series of activities on "Dahua People-Health Star" and "Happiness Star", promoting healthy work and happy life of employees and caring for every Dahua striver. In 2020, Dahua was awarded the "Most Influential Employer Award", "Diversified Extraordinary Employer", "Boat of Kings", "Most Popular Employer Award", and "Best Employer in Hangzhou", among others.

## Employment Overview

Dahua always believes that employees are one of the most valuable assets, respects and pays attention to the hard work of every employee, protects their rights and interests, clarifies the goal and vision, and strives to create a comfortable and inviting working environment for employees so that they can grow together with Dahua.

## Human Rights Management

In business practice, Dahua values principles of human rights as stipulated in *Universal Declaration of Human Rights*, *International Conventions on Economic, Social, and Cultural Rights*, *International Conventions on Civil and Political Rights*, and *United Nations Guiding Principles for Business and Human Rights*. The *Internal Social Responsibility Management Manual* is developed according to policies and objectives listed in SA8000 International Standard and Social Accountability, and efforts are made to incorporate these regulations into daily workflow and policies, so as to improve the value of Dahua's overall business activities. The company respects employees' rights of freedom of association and collective bargaining that are in accordance with national laws and under voluntary conditions, protects employees' personal information and privacy, and clearly prohibits all possible illegal employment practices such as employment of child labor, forced labor, and restraint of freedom.

In order to maintain the harmonious and stable development and protect the rights and interests of employees, Dahua has established the Dahua Labor Union, to actively organize activities to motivate the employees, and to act as a bridge between Dahua and the employees, to listen to their opinions and protect their rights and interests.

As of December 31, 2020, Dahua had a total of 18000+ employees worldwide.

## Recruitment

Dahua builds an international talent team in line with its development strategy through external talent introduction and internal talent cultivation. Based on strivers, we continue to optimize the talent structure and establish care plans in different career cycles of employee selection, cultivation, employment and retention, so as to ensure the "right people for the right job to the best of their ability", to boost employee satisfaction and motivation as much as possible, and to provide a good development platform for employees. The ultimate goal is to achieve win-win results for both Dahua and the employees, and to realize the benign and sound development of human resources.

In 2020, the employment of college students nationwide was heavily affected by the pandemic. Dahua fully fulfilled its social responsibility and responded to the call of the Ministry of Education by proposing a recruitment plan of fresh graduates for the next three years. Dahua changed from the previous offline campaigns in various universities to an online recruitment mode featuring online communication, online presentation and online interview. In addition, Dahua launched the "Two 100" campaign, i.e. covering 100 key target universities and developing 100 campus recruitment ambassadors to convey the vision, mission, values and "Star Power" of Dahua to universities. In the end, 1,185 fresh graduates (with 53.42% of them holding a Master's degree or doctoral degree) matching the culture and job requirements of Dahua were selected from more than 1,800 global universities in 2020.



### Global Campus Recruitment

Dahua's recruitment plan radiates to more than 1,500 universities worldwide and covers over 100,000+ students



### Open Day (D-Day)

Dahua Campus D-Day is open to students and faculty worldwide. Through in-depth visits to Dahua, visitors can communicate with elite workplace professionals.



### Campus Innovation Competition

The Campus Innovation Contest is open to college students worldwide and is dedicated to providing a stage for students to showcase and exchange ideas and helping them gain a deeper understanding of businesses during the learning process. An elite program is launched in the follow-up to the contest, to help the elite winners to get a head start in the workplace.



### Campus Club (D-Club)

Dahua Campus Club creates a closer connection between the employer and potential future employees.



### Experts into Campus

In order to better enable students to understand cutting-edge technologies and enhance their workplace competence, Dahua Campus regularly organizes specialists in R&D and functions to campus to communicate with students.

## Compensation and Welfare

Dahua always dedicates itself to constant improvement of the comprehensive incentive system that takes full consideration of employees' material and spiritual needs, as well as short-term and long-term needs, providing them with competitive salaries and comprehensive welfare guarantees. Dahua advocates "strivers-orientation", and encourages resources to be directed to strivers. Some of the outstanding key employees are also entitled to stock option incentives and innovative business follow-on investment plans. In accordance with relevant national and local laws and regulations, Dahua pays employees' labor compensation in full and on time, and provides them with legal benefits such as "five social insurances and one housing fund", as well as additional work benefits including supplementary holidays, supplementary medical insurance, meals, communications, and interest-free loan for house purchase.

In terms of talent incentive, we strive to share the fruits of the Company's development with employees who grow with and continue to contribute to the Company by creating a continuous material incentive system through stock option incentive, year-end bonus and venture capital platform. For employees with excellent performance, the Star of Endeavor award is also set up for them, together with written publicity and experience sharing, to continuously create a motivated and upbeat organizational atmosphere.

In addition, the Company continues to improve the quality of life of its employees through interest-free loan for house purchase, annual health check-up, meal allowance, high temperature allowance and communication allowance. To solve the problem of difficult parking for employees, the Company has funded the construction of a parking building, which can accommodate nearly 1,000 employee vehicles.

The Company has allocated special funds for team building and set up commemorative awards for employees according to their time of joining the Company. The headquarters zone has opened leisure facilities such as physical therapy rooms, coffee bars and gymnasiums, and regularly holds various featured activities and club activities to enrich the spare time of employees.



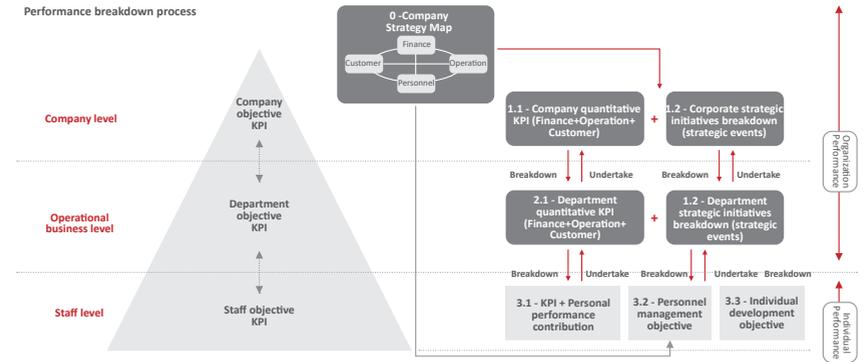
Canteen

Cafeteria

## Performance Management

The Company has established a reasonable and comprehensive performance management system, which closely integrates strategic planning with performance management and forms a closed virtuous cycle system through several processes, such as assessment plan formulation, process counseling, performance evaluation, assessment result application, and performance improvement cycle. Through scientific management methods, the individual performance of employees and the overall performance of the Company are organically combined to closely follow Dahua's strategic development direction.

### Performance breakdown process



The Company carries out performance appraisal based on the principles of fairness, openness, impartiality, scientificity, clarity and objectivity, and evaluates the actual achievement of the performance target of the appraised based on key results and performance by a combination of absolute and relative evaluation. The absolute evaluation is the "ratio to targets", scored by direct superiors and project managers, while the relative evaluation is the "ratio to others", in which employees of the same position and rank are compared and ranked together on the basis of the absolute evaluation, to generate a certain proportion of normal distribution and evaluate the performance level, so as to inspire employees to catch up with each other and strive to become best performers.

## Employee Growth

Dahua regards talent as valuable assets. Talent strategy is an integral part of the Company's strategy, and also a key cornerstone and guarantee for the long-term development of the Company. "Breaking the boundary of ability and cultivating more talent" is the main keynote of staff training and development in Dahua. The development of Dahua is inseparable from the efforts and contributions of all Dahua employees. While growing, Dahua strives to improve the platform and mechanism for talent development, so that employees can develop faster and create more values for Dahua and also for themselves, achieving a state where stars gather and talents emerge.

**Career Development**

The company has established a sophisticated mechanism for talent training and development, a qualification management system, guiding employees on career planning. Employees can grow, both in the management channel and in the technology channel.

In addition, the Company offers multiple talent development solutions to help employees with their career development, such as: Leaders Program, Reserve Cadre Pool Project, Starburst Program (High Potential), Dandelion Program, and Internal Talent Market.

• Give Full Play to Employees' Potential and Initiatives

In order to establish itself as a learning-based organization, the Company has built an employee qualification mechanism to prompt employees to continuously learn and take the initiative to exert their strengths. With explicit job responsibilities and full authorization, employees are guided to work creatively and independently to give full play to their potential.

• Establish a Multi-Channel Talent Training System to Provide Employees with Opportunities for Learning and Development

According to the different abilities, hobbies and characteristics of various positions of employees, Dahua provides two channels for their career development: the channel of technology, and the channel of management, so as to get them fully motivated.

Based on the dual channels of development, Dahua sets up posting standards and learning resources to enhance the competence of employees. Meanwhile, the Company adopts the mode of separated evaluation and employment, and provides development opportunities for employees on the basis of their abilities shown through job performance, in the form of organizational nomination, competitive recruitment, internal recruitment, and various resource pools.



• Employee Career Development Guidance

The Company conducts career development planning and design for employees, jointly formulates career development goals and action plans for employees, and provides corresponding support, such as performance guidance and open competition.

**Training**

In terms of the career development of employees, the Company provides dual channels of management and expertise, and constantly develops a qualification system with "ability" as the core, a job appointment and removal procedure with "responsibility" as the core, and a job matching procedure with "contribution" as the core. Dahua also provides timely incentives through the salary system, so as to fully enable employees to develop their abilities, undertake responsibilities and realize values, and obtain continuous improvement. The Company continues to enhance the build-up of professional atmosphere. Through the establishment and operation of Professional Committee/Technical Committee, the Company plans for the development of its professional/technical system, precipitates its knowledge and experience, and provides employees with clear professional competence standards and learning resources, so as to continuously and comprehensively improve the professional/technical competence of employees, and lay a solid foundation for them to undertake "responsibility" and continue to "contribute" on their posts.

During the reporting period, the Company launched the Dandelion Plan for the mobility of technical staff. The Dandelion Plan fully respects the will of employees and adopts a voluntary application model, with the encouragement and support of established regulations on the company level.

During the reporting period, the Company launched a number of differentiated development programs for different employees to fully cover their development needs. For example, the "Dandelion Plan", based on the will of employees, aims at the mobility and rotation practice of technical staff; the "Leader Plan", supporting the breakthrough development of experts in various fields; the "Cadre Reserve Plan", aiming at the development and training of excellent managers; and the "Starburst Program", aiming at high-potential employees.

The Company emphasizes staff training and practice, and upholds the "business success-oriented, organization development-centered, and personal growth-based" training concept, with managers at all levels actively participating in the development and teaching of training sessions, and "cultivating better people with the best people".



The Company employs a combination of "learning, training, practice and examination" to develop employees' ability and experience in a multi-dimensional manner. Based on the qualification system and business development, the Company shares learning resources through learning platforms to achieve 496,000 hours of independent learning during the reporting period, 106,000 hours of learning through live streaming on online learning platforms during the pandemic, and 179,000 hours of learning through offline intensive training. During the reporting period, the total training hours of Dahua employees reached 580,000 hours, and the total training cost was RMB 2.08 million.



**Employee Care**

With concern for the physical and mental health of every employee, Dahua creates a good working environment for its employees, respects them, encourages them to actively participate in all aspects of Dahua's operation, maintains good communication channels, and inspires them to recognize the mission and value of work. Dahua actively promotes and implements democratic management, and safeguards the democratic rights of employees.

The company continues to innovate format of democratic management, provide employees with relevant information through more channels, and enable immediate interactions and feedbacks. When setting up rules and regulations related to attendance appraisal, performance appraisal, employee rewards and punishments, salary payment, social insurance, welfare treatment, labor contract, and safety production, the company will seek inputs from labor union and employee representatives by making information public on company office system or in written format.

It sets up electronic bulletin boards at eye-catching positions of canteen, elevators and floors, and regularly updates the content according to the actual situation of each department, including latest events, operation and management updates, and development status of Dahua. A public platform

at company level has been set up on the company's internal website. Messages such as important announcements, personnel appointment and dismissal, system release, and enterprise news are published to all members of the company, information such as technology, quality, and rationalization proposals can also be queried thereon. At the same time, an employee forum is launched, facilitating employees to express their views, and participate in online communications and discussions. And also the company culture are promoted to employees in ways that are welcomed by them. The Company has also launched the project of "Proposing Once at Most", which facilitates employees to express their opinions, suggestions and feelings, and responds to their problems and difficulties at work in the first time. It also enables senior leaders to understand the real demands of employees quicker and more efficiently.

The female employee committee safeguards the legitimate rights and interests of female employees according to the law, focusing on the protection of female employees during their menstrual period, pregnancy, maternity period, and lactation period, as well as their special interests such as forbidden labor, health care, and maternity insurance. In addition, the Company continues to pay attention to and help out employees in difficulties due to unexpected problems in their families.



Care for female employees



Consolation for employees not going home during the Spring Festival



Consolation for employees working in outdoor high temperature

• Exciting Activities to Care for Dahua Strivers

Dahua is dedicated to building its cultural atmosphere, and keeps experimenting with more diversified platforms and innovative media interactions. The employee culture system ranging from offline to online, headquarters to regions, and local to global, has been gradually established, enabling more Dahua fellows to feel and practice the "customer-centered and striver-oriented" corporate culture.

"Fight in the same boat, and stay healthy together". Each striver is the wealth of Dahua. In 2020, the Company continued to hold activities of the "Health Season and Striving Season" series, and started the "Dahua People - Happiness Star" series. This will draw more attention of employees to healthy life and work, becoming a healthy and happy Dahua member.

By the end of 2020, Dahua had set up such clubs as soccer, basketball, badminton, running, singing and dancing, and Tai Chi, and held various sports and cultural activities from time to time to enrich the spare time of employees.



**Health Season Series**  
The health season series of activities cover various health lectures, sports theme projects, monthly voluntary consultation by Chinese medicine experts, and independent physical therapy room services in the park. The self-help psychological health test service was also launched in 2020, allowing employees to focus on health in all aspects, from self-awareness to health knowledge acquisition, and to physical and mental exercise.

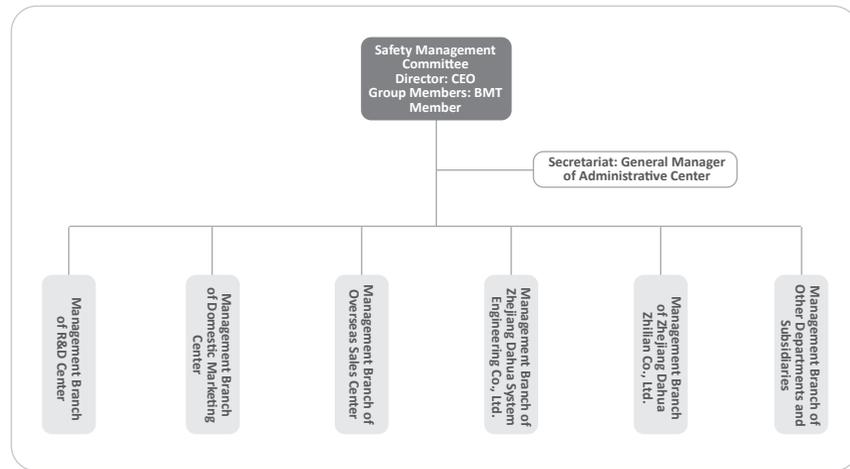
**Happiness Season Series**  
We continue to focus on employees' personal and family health and well-being through our happiness program for their families launched in 2020. Various activities are carried out in the areas of networking for single employees, marriage communication counseling, family education, and family health.

### Occupational Health

Dahua always cares about the health and safety of employees, and strictly abides by the *Labor Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Management Method of Occupational Health Inspection* and other relevant national and local laws and regulations on occupational health. Through the establishment of ISO45001 Occupational Health and Safety Management System, regular internal and external audits and management reviews, effective control of occupational health and safety risk factors and related operational activities, and effective use of resources and energy, we have fundamentally eliminated or reduced occupational health and safety risks and ensured compliance with the requirements of occupational safety and health management policies and objectives.

Dahua regularly commissions third-party institutions to conduct checks on all occupational disease hazards, equips relevant employees with labor protection supplies and organizes regular occupational health checks. Dahua carries out corresponding operation guidance for all employees using chemicals, and posts occupational hazard notification cards and hanging safety instruction signs at the production site to clarify the protection requirements and emergency handling requirements; the coverage percentage of safety education for Dahua's on-the-job personnel, the percentage of special operators holding certificates and the percentage of occupational hazard factor detection have all reached 100%.

Meanwhile, we continue to optimize the production processes and reduce or avoid employees' direct exposure to occupational disease hazards through intelligent transformation. During the reporting period, no cases of occupational accidents were reported in Dahua. In the meantime, Dahua has ranked the first batch of National AAAAA-Class Enterprise with Good Standardizing Practice and Grade II Qualification of Safety Production Standardization, achieving management standardization, field standardization, as well as operation standardization, and continuously reinforcing its achievements.



Organizational structure and system development for occupational health & safety management

Dahua has a safety management committee that strictly observes the relevant provisions of national and local laws and regulations, to strengthen occupational health, safety and environmental management, consistently improve the management mechanism, and protect employee safety and company property. The company strictly follows relevant regulations, and has formulated corresponding rules and regulations such as "DH-QP-020 Environmental Health Operation Management Procedures", "Safety Production Management System", "DH-BPR-BS-463-501 Company Safety Management System", and "DH-BPR-BS-463-G01 Safety Management And Prevention Guidance", which have clear requirements, as well as distinct reward and punishment standards, consistently improving the ability of safety production and environmental management. At the same time, the working committee of safety production was established to consistently improve the management organization. All personnel have signed the responsibility statement of safety production at different levels, with clear safety objectives and responsibilities detailed to individuals. Annual assessment is conducted. In addition, the company increases surveillance on high-risk sites through reinforced management of technical safety measures at production site. As a result, safety production is in sound condition and under continuous improvement. No safety production accidents have occurred in the past three years.

The company adheres to the policy of "Safety first, prevention centered, and comprehensive treatment" to carry out safety production management, establishing a harmonious, safe and enlightened production environment.

### Safety Production System Construction

Dahua strictly abides by the *Law of the People's Republic of China on Work Safety*, the *Regulations on Work Injury Insurance* and other related laws and regulations, focuses on the management of work safety, and always implements the production safety policy of "safety first, prevention oriented, and comprehensive management". It firmly implements the production safety responsibility system, comprehensively carries out the investigation and treatment of hidden dangers in production safety, and extends the safety technology from production sites to the whole process of R&D, procurement and product life cycle management.

Dahua obtained OHSAS18001 Occupational Health and Safety Management System Certification in 2010, which was upgraded into the ISO45001 international standard in 2019. In 2017, Dahua was rated as "Grade II Enterprise of Safety Production Standardization". To ensure the effective operation of the system and to control or eliminate potential environmental impacts and occupational health and safety hazards, on one hand, a series of policies, such as "Safety Production Management System", "Production Operation Specification", "Equipment Safety Management System", and "Hazardous Chemicals Management System", are utilized to detail safety standards and work specifications to guide employee for standardized operations. On the other hand, the matrix organizational management model is adopted, so that the safety management committee of the base implement various of safety-related working responsibilities specific to each post, to organize regular safety meetings, regular safety inspections, fire drills, and other safety themed activities.

During the reporting period, Dahua's system operated smoothly and the overall safety risks were under control. Dahua continuously strengthened safety publicity and training, and organized a series of diversified emergency drills to enhance the safety awareness of employees.



### Safety Management and Prevention

The company attaches great importance to safety production and increases the investment on management resources. Regular activities for employees, such as occupational safety education and training, emergency drills, joint defense between the police and enterprises, fire drills, safety activities, knowledge communication, and hazard identification, are carried out to advocate early hazard identification and prevention, as well as effective hazard management.

June 2020 is the 19th "Safety Production Month" in China. Dahua labor union, together with the safety committee of Dahua Smart (IoT) Industrial Park, organized a series of activities for 2020 "Safety Production Month" in the production base. Centering on the theme of "Eliminating hidden dangers and strengthening safety lines", various forms of activities, such as safety knowledge training and communication, safety knowledge essay competition, demonstration of identified mechanical hazard, scanning QR code to answer questions, were organized in order to reinforce safety awareness, strengthen perception on safety production, and motivate all employees to pay attention to safety production and participate in safety supervision. These efforts led to environment safety improvement in the park and its surroundings, as well as increase of safety production level and continuous stability of safety production condition in the park.



• Perceive Potential Hazards and Ring the Safety Alarm

Carried out fire knowledge training, drills, and rescues to improve fire safety awareness and self-rescue ability through professional guidance.



• Perceive Potential Hazards and Ring the Safety Alarm

Simulated potential hazards, such as electric shock and crush that may occur in the production process, to establish safety awareness through employees' personal experience.



• Dahua Intelligent Clinic Provides Daily Health Services

Dahua intelligent clinic is composed of all-in-one intelligent mobile medical machine, intelligent medicine cabinet, and online and offline monitoring service system, providing long-term diagnosis and treatment of common diseases and basic physical examination for employees at the park.

**Vehicle**

- Entrance and exit vehicle management
- Parking lot vehicle management
- Automatic dispatch of warehouse vehicles and goods

**People**

- Automatic visitor control
- Automatic control of production station and environment
- Intelligent access control and consumption management

**Material**

- RFID warehouse access management
- Machine room environment monitoring (temperature and humidity, UPS, etc.)
- Automatic control of hazardous goods warehouse

**Management**

- Electronic inspection system
- Control center dispatch (stereoscopic management and control)
- Park and production data control

**Safety Management Monitoring System**

Safety management system is an important branch of safety governance. Based on the dynamic management of "five elements", namely, people, machine, material, environment, and management, a safety management system is established in compliance with requirements such as safety standardization and EHS, offering real-time, highly integrated, and classified management and enabling timely warning of dangers to quickly locate the exception and reduction the scope and level of dangers.

In 2020, in the face of the pandemic, the Park Safety Committee formulated detailed preventive measures according to relevant government policies. For example, the cafeteria adopted separate tables and batches of dining to avoid unnecessary risks when dining; outgoing employees and employees living outside of the park needed to show green code, had temperatures measured, and track checked daily at work; during the pandemic, dormitories, cafeteria, public areas and production workshops were disinfected once a day, stocked with anti-pandemic supplies such as disinfectants, hand sanitizers, independent quarantine rooms, masks, and tents; when employees had fever, cough, and other abnormalities, special vehicles were arranged to send them to hospitals.



• Dining in Separate Groups and Tables



• Face Recognition and Temperature Measurement



• Network Identification of Health Code

# Win-Win Cooperation Sustainable Development

## Responsible Sourcing

### Supplier Management

Following the principles of "win-win cooperation, transparency, and compliance", we established and maintained a good relationship with suppliers, banks, and other related parties through contract-based strategic cooperation. As of the end of 2020, the Company has included more than 1547 suppliers worldwide in its resource pool for qualified suppliers, which covers material suppliers and service suppliers.



2019 Supplier Conference

### Green Sourcing Practice with Good Faith

To ensure the rapid launch of products and healthy development of the Company, we are committed to building a high-quality, efficient, safe, and reliable supply chain system. We develop and manage suppliers based on the concept of "support, company, and growth" and have established a transparent and green supplier collaboration platform, which realized the information exchange and sharing and efficient cooperation among suppliers on the supply chain. As of the reporting period, Dahua has established a cooperation relationship with 902 suppliers.

#### Supplier development — Open and transparent incorporation process

- Customize supplier development strategies by category, establish a hierarchical management mechanism based on category, and define the incorporation threshold standard, with the red line one vote veto
- Clarify environmental protection qualifications, social responsibility, integrity, and confidentiality requirements, and sign environmental protection, integrity, and confidentiality agreements
- Establish the collective on-site review mechanism of three parties of technology, quality, and procurement, to incorporate suppliers in the IT system monitoring of the whole process

#### Supplier cooperation — IT-supported networked whole process

- Suppliers participate in the early development and verification of new devices, and assist in the whole process of certification
- SCP/SRM supports the whole process tracking of orders and improves the satisfaction rate of delivery
- IT system supports the key process parameters, production, delivery, and quality data of suppliers' devices
- Build a cost model to achieve cost coordination between suppliers and demanders



#### Supplier improvement — Fair and continuous improvement and exit mechanism

- Provide lean guidance for suppliers with poor performance, and incentives for suppliers with good performance, to motivate suppliers and achieve win-win results
- Implement a strict supplier exit mechanism, that replaces or phases out suppliers who violate the red line or remain incompetent after guidance in time
- AVL library and potential supplier library guarantee the supplies of the resource pool

#### Supplier management — Fair and comprehensive management

- Establish supplier profiles in an all-round way, give early warning of supplier risks, and systematically track the risk decision-making plans
- Combine regular routine audits, surprise checks and QBR, and develop restricted and trusted lists to motivate suppliers
- Automatically calculate quotas to ensure fair treatment of suppliers

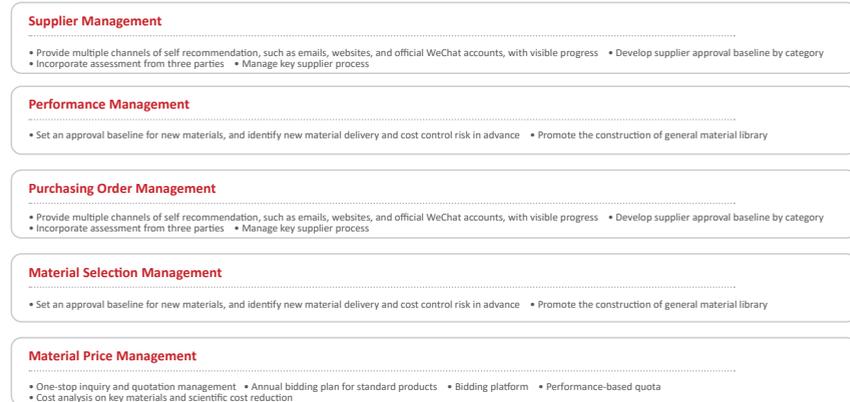
**Green mutual development**

In the face of the uncertainties of the changing market, supply security has become a strategic action item of the supply chain. We carried out all-around lean sourcing through contract commitments, diversification of supplied resources, fine supply management, and optimized supply and demand schemes and tried our best to handle the uncertain supply environment with a defined standard code of conduct for sourcing.



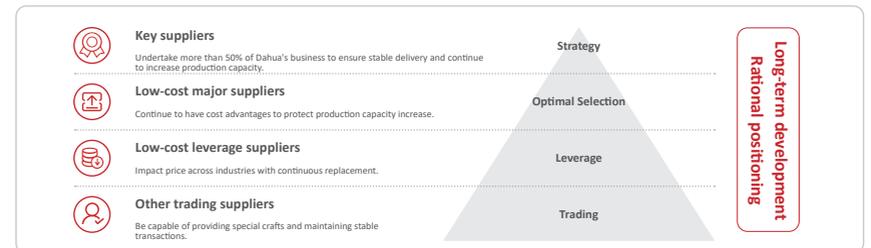
**Transparent Platform Businesses**

With the help of the Supplier Collaboration Platform and the Supplier Relationship Management Platform, we constantly released internal purchase information, deepened the information exchange with suppliers, realized the standardization of all the purchasing processes and information-based operations, avoided idling, and reduced compliance risks. The material import speed improved by 25%. Through the support plan, the number of Grade C and D (needing improvements) suppliers reduced from 24 to 10.

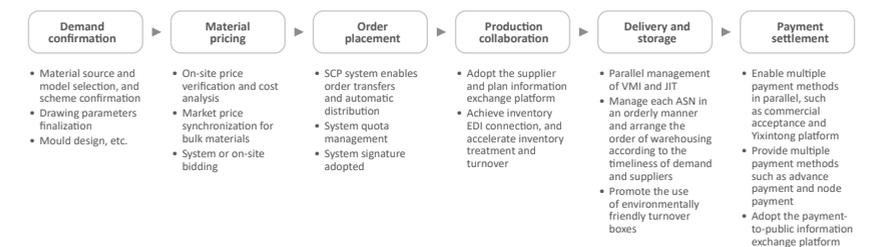


**Stable and Consecutive Supply**

Dahua is always committed to establishing a sound, sustainable, and stable cooperation relationship with suppliers. Half of the suppliers have maintained cooperation with Dahua for more than 5 years. It mainly owes to the timely fulfillment of duties for each process (from the determination of material requirements and cost accounting to the placement of purchase order, delivery, and payment). Business units can timely communicate with suppliers in terms of cost, planned capacity, and funds, and balance the purchase cost of the company and the material delivery by suppliers.



As of the reporting period, up to 50% of the suppliers have maintained cooperation with the Company for more than 5 years. Based on the concept of stable operation, the Company fully analyzed all the processes from the determination of material requirements and cost accounting to the placement of purchase order, delivery, and payment. Duties for each process can be timely performed. Business units can timely communicate with suppliers in terms of cost, planned capacity, and fund, and balance the purchase cost of the company and the material delivery by suppliers.



### Environment-friendly and Harmonious Sourcing

Dahua is creative and vigorous, advocating a harmonious society, and pursuing harmony between different people and between man and nature. It's a responsible enterprise seeking orderly development.

#### Preliminary evaluation report and on-site audit

- Suppliers provide preliminary evaluation report
- Review the environmental system, operating personnel and production process documents
- Carry out on-site audit of supplier production
- Review the compliance of raw materials and secondary materials suppliers

#### Product sampling inspection and surprise checks

- Perform sampling inspection on materials provided by suppliers to see whether they meet the environmental requirements
- Perform irregular surprise checks on suppliers to see whether the working environment and on-site management of personnel meet the requirements of the agreement

#### Agreement signing

- Sign the "Environmental Protection Commitment Letter"
- Sign the "Supplier Social Responsibility Agreement"

#### Summary and improvement

- Solve problems identified which can be improved
- Corresponding changes shall be made to the agreement if it is found to be incomplete
- In case of serious non-compliance, the supplier shall be punished accordingly

- In terms of the environment, Dahua requires all the suppliers to follow the requirements of the ISO14000 environment management system and strictly implement RoHS2.0 for all the materials (including process production). All the suppliers shall sign a Commitment on Environmental Protection. A red threshold is set for suppliers with no system management and not satisfying the basic terms on environmental protection. We also implemented a training plan to help our partners improve their source allocation capacity;

- In terms of humanity, Dahua emphasizes equality among different people and races. Handicapped persons have the priority for humanistic care and suitable jobs to give play to their social value. While being self-disciplined, we also require all the partners to fulfill their responsibilities and sign the Agreement on Suppliers' Social Responsibilities. Meanwhile, we also increased the purchase of materials manufactured and processed by the Bureau of Reform-through-Labor Work and other social education institutions, and irregularly implemented support and training plans to let part of people in the society grasp advanced technologies to create value and realize self-breakthrough;

- In terms of society, Dahua focuses on safety. It requires all the partners to carry out safe production and operations and sign an EHS commitment, avoid intentional delay of salary payment, avoid harsh working environment, and take the lead to build a safe and stable social business environment. Regional linkage and penetration into the locality.

#### Regional linkage and penetration into the locality

As a forerunner for the concept of a world economic community, Dahua enhanced cooperation with worldwide material suppliers and processing plants. The Company implemented traceability label management for the purchased materials, classified and graded different materials and the capacity of different regions, reasonably allocate resources and supplies in different places, so as to promote the coordinated development of the whole economy.

Moreover, as a leading technology enterprise in Hangzhou, Dahua is also committed to promoting the local and surrounding economic ecosystem, giving full play to the features of the local economy, obtaining local materials for processing and production, and reducing waste caused by the allocation of resources from far places. In this way, the surrounding ecosystem can realize the maximization of economic benefits for resources and the highest use ratio of energy. For example: Major suppliers for packing materials, injection-moulded materials, and die casting components are controlled within the 4-hour supply cycle and the Just-in-time (JIT) mode is effectively implemented.

### Control of Conflict Minerals

Conflict minerals refer to tin (Sn), tungsten (W), tantalum (Ta), gold (Au), and other minerals derived from the Democratic Republic of Congo (DRC) and surrounding countries. The mining and sales of such minerals often go with severe human rights abuses and environmental crises, and may provide financial support to persistent illegal armed groups and regional armed conflicts in these countries.

Dahua keeps fulfilling its social responsibility as an enterprise citizen, adheres to ethical sourcing, and promotes the sustainable development of the industry chain.

All purchasing and using conflict minerals is our corporate social responsibility. We will do our best to make sure that we only purchase and use conflict-free minerals in the supply chain in a commercially reasonable range. According to Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas issued by the Organization for Economic Cooperation and Development (OECD), Dahua continuously and comprehensively manages any potential risks in the supply chain, and assists the suppliers in purchasing and using conflict-free minerals with the help of the "conflict minerals plan" and the relevant resources provided by Responsible Minerals Initiative organizations to jointly fulfill the corporate social responsibilities.

We ask suppliers to:

- Sign Declaration of Minerals Conflict-Free to make sure that the products supplied to Dahua and its Affiliates contain no conflict minerals or metals.
- Fill in Conflict Minerals Reporting Template (CMRT) to disclose information about origins of minerals, used smelting plants, refineries, and their downstream supply chains.
- Make due diligence plans for themselves, and policies of conflict-free minerals purchasing.
- Provide conflict-free minerals compliance documents of the products as required by Dahua.

Dahua carries out periodic investigations on the suppliers. If any information provided by the suppliers fails to be verified or suppliers do not take effective measures to comply with the conflict minerals policy of Dahua, Dahua reserves the right to terminate cooperation with the suppliers.

Dahua guarantees supply from the conflict-free smelters. We also offer training and guidance on the supply chain to further raise their awareness on the conflict minerals laws and regulations, and effectively avoid any conflict minerals to be used in the supply chain through cooperation with customers, business partners and the government and by promoting smelters to join in Responsible Minerals Assurance Process (RMAP).

### Management System for Conflict Minerals:

#### Management of conflict minerals

In consideration of the possible compliance risks or influence brought by the conflict minerals, Dahua has included the conflict minerals in the centralized management of the Product Compliance Committee, formulated control strategies, and monitors the operational risks.

The supply chain and the relevant departments are responsible for promoting the implementation of the control strategies and requirements and regularly reviewing the control requirements for conflict minerals according to the dynamic updates of laws and regulations related to conflict minerals.

Control points for key risks:

##### Supplier review:

The control of conflict minerals is taken as one of the base lines for the import of suppliers and is included in the Management Process for the Import of Suppliers. The sources or purchase channels of the raw materials of relevant minerals shall be verified and confirmed as one of the on-site review items for the import of suppliers.

##### Supplier import:

All the suppliers are required to sign and comply with the "Declaration of Minerals Conflict-Free" in the Framework Agreement on Sourcing.

##### Due diligence for the supply chain:

Dahua conducts annual due diligence for the supply chain and carries out recycling and inspection.

In the reporting period, Dahua has distributed the "Questionnaire on the Conflict Mineral Cobalt - CRT\_2.11" and the "Questionnaire on the Conflict Minerals (gold, tantalum, tungsten, and tin) - CMRT\_6.01" to complete the due diligence. The response rate of suppliers is 100%. Meanwhile, data is summarized according to the types of materials, which can be used in improving the efficiency of subsequent due diligence and the analysis of issues. Violations of Dahua caused by conflict minerals.

##### Supplier collaboration:

Through the supplier coordination channels, we assist them in building the capacity for the control of conflict minerals and jointly fulfill corporate social responsibilities with them.

#### Handling mechanism for conflict minerals

Dahua will consecutively and strictly implement the control of conflict minerals. We offer training and guidance on the supply chain to further raise the awareness on laws and regulations related to conflict minerals, and effectively avoid the use of any conflict minerals in the supply chain through cooperation with customers, business partners, and the government and by promoting smelting plants to join the Responsible Minerals Assurance Process (RMAP).

To handle the possible risks of conflict minerals, Dahua has formulated the corresponding contingency plans and defined the response mechanism and handling processes for issues in connection with conflict minerals to further improve the emergency handling capacity for risks of conflict minerals.

#### Risk warning in advance

Interpret relevant regulations on conflict minerals for each supplier in advance, and publicize the impacts of using conflict minerals. If a supplier is found to have illegal use, immediately carry out the suspension investigation of its products and identify and warn early potential risks resulted.

#### Emergency settlement in the middle of an event

- Stop using current materials of non-compliant suppliers, make rectifications, and adjust the quota of its new products;
- The illegal products shall be destroyed from the market and replaced by reliable products;
- In case of serious impacts on the Company or customers, suppliers should be held legally accountable.

### Summary and improvement afterwards

Summarize the reasons and fundamental problems of illegal use of conflict minerals, and make adjustment to the relevant product design standards or supplier management regulations to avoid similar risks during new material selection or supplier selection in the future.

### Efficient Logistics Management System

In the rapid-developing logistics era, customer satisfaction is closely related to the timeliness ratio of product delivery. A complete logistics system with a rapid response is an important link that supports the supply chain. In the reporting period, Dahua established three main overseas supply centers and N sub-warehouses. Supported by local logistics resources, the logistic time reduced from 12 days to 5 days. We set up VMI warehouses to reduce the warehouse area for materials, improve the turnover rate of materials, enhance the response capacity for emergencies, and reduce supply risks.

#### Before warehouse setup



- Timeliness of material purchasing: 3-5 days from the order to Dahua warehouse
- Susceptible to factors such as holiday flight logistics and weather, thus affecting the timeliness of delivery service
- Frequent deliveries of suppliers, and low efficiency of personnel

#### After warehouse setup



- Reduce the procurement time, with the bonded warehouse as the supplier warehouse to provide on-demand deliveries according to the production consumption
- Stock in advance in the bonded warehouse, reducing the logistics timeliness from 24H to 4H
- Reduce and fix the delivery frequency



## Mutual Growth

### Growth of Suppliers

Every year, we will make a list for suppliers who need mentoring according to the performance of suppliers in the previous year. The purchase department will organize the quality department and R&D department to form a mentoring group specialized for the suppliers.



Targeted on-site guidance to suppliers

- Strategic Cooperation with Suppliers

The purchase department constantly deepens the cooperation with strategic suppliers through regular high-level reciprocal visits, strategic cooperation agreements, and joint development of products.

### Growth of Distributors

The Company takes "empowering joint cultivation, joint construction and sharing" as the concept for the cooperation with distributors and always takes mutual growth with distributors as a strategic focus. The company has built a complete training certification system for distributors to enhance their technical capacity. Training rooms have been established in 32 provinces and regions nationwide. In 2020, we accomplished training and certification for a total of 2023 people, which covered 551 distributors. As to operation management, the Company regularly organizes core distributors to have collective research, discussion, and empowerment. In this way, the overall operational capacity of distributors can be effectively improved from multiple dimensions such as financial management, contract management, customer management. This is how we make contributions to the overall improvement of distributors in operations.

### Strategic Cooperation

The Company has attached importance to the relationship with partners and has established a strategic partnership with them through signing strategic cooperation agreements. For example, the Company is working with Hangzhou Municipal Government to build "The First City for China's Digital Economy". It has signed a cooperate cooperation agreement with Chint Group Co., Ltd. to establish a new structure for the integrated development of digital technologies and industries; signed a strategic cooperation agreement with The Third Research Institute of the Ministry of Public Security to carry out all-round cooperation in the intelligent sensing of information related to police missions, big data of police missions, and talent cultivation and accelerate the building and application of smart policing.

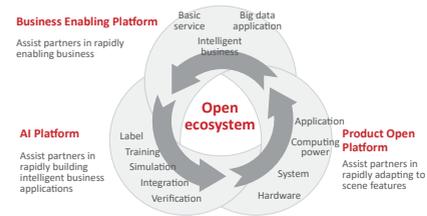
### Strategic cooperation agreements signed in 2020 (Part)

No.	Strategic partner	Cooperation orientation
1	Hangzhou Municipal Government	Promote the development of Hangzhou's digital economy industry and work with the government to build "The First City for China's Digital Economy"
2	Insigma Technology Co., Ltd.	Promote the digital, information-based, and intelligent development of the industry with high quality and level
3	Chint Group Co., Ltd.	Jointly establish a new structure for the integrated development of digital technologies and industries
4	East China Inventory and National Institute of Planning Institute of National Forestry and Grassland Administration	Jointly promote the ecological protection of forests and grasslands
5	Pinrong Holdings Group Co., Ltd.	Start from smart buildings, promote work in all areas by drawing upon the experience gained from smart buildings, activate the high-quality resources of both parties to the largest extent, jointly promote the in-depth integration of IoT, artificial intelligence, and big data into the smart industry, to empower the development of the industry
6	China Design Group	Comprehensively deepen the establishment of one-stop comprehensive service capacity in the comprehensive application of the smart industry and jointly promote the application of IoT, artificial intelligence, and big data in industrial development, public services, and city management
7	DBAPP Security Co., Ltd.	Create smart IoT products and solutions with higher security capacity and jointly build an industrial security ecosystem to empower the healthy development of the smart IoT industry
8	China Unicom Gansu Branch	Jointly explore the integrated application of 5G, IoT, big data in smart cities, government-enterprise ICT, digital life, and other fields and create smart services for different scenarios
9	Hakim Unique Internet Co., Ltd.	Jointly promote the innovative development of smart city scenarios
10	The Third Research Institute of the Ministry of Public Security	Carry out all-round cooperation in terms of the smart sensing of information related to police missions, big data of police missions, network security, talent cultivation and accelerate the construction and application of smart policing
11	Greentown Technology Industry Group Co., Ltd.	Jointly build a united lab for the smart park, explore the intelligent management and innovative application of AI and other new technologies in industrial parks, office buildings, communities, and other fields



### Open Ecosystem

Centering on customer value, the Company widely invited partners to jointly build an open ecosystem, with a closed-loop formed by the smart platform, business platform, and open product platform for the ecological chain of value. The AI platform can provide whole-process capacity from labeling to online test to help partners rapidly establish smart business applications; the open platform for hardware products can provide open application businesses, computing power, hardware resources to help partners rapidly match the scenario features; the open business-enabling platform can provide basic services, smart business, and big data applications to help with the rapid enabling of partners.



- The Establishment of a Global Service Ecosystem

Establish a global service ecosystem centering on the To SMB/To B business strategy to realize local delivery, support the transformation of the Company's solutions, and realize the reform from "equipment sales" to "the sales of equipment and service schemes". Comprehensively establish a service ecosystem from actions such as the import of the ecosystem, certification, contract-signing, authorization, order assignment, settlement, to realize the coverage of nationwide cities and the grid-based deployment of the ecosystem abroad. Effectively support the local delivery of projects, improve the delivery efficiency and timeliness, reduce the delivery cost, relieve the labor shortage of the company, and set the technical and delivery personnel from a large amount of small and medium projects. Currently, more than 500 domestic companies have signed a contract for the ecosystem and more than 200 overseas service providers have signed a contract. The ecosystem has realized 100% coverage of cities in China and grid-based deployment abroad. More than 4000 orders have been assigned from the ecosystem, which effectively supported the delivery of and services for more than 1000 projects. The ordinary response time of the business process based on the service ecosystem is within 24 hours, which can effectively ensure the timely and efficient delivery of businesses. The target customers have been expanded from businesses to customers.

### Industry Association

Industry association	Details
China Information Technology Industry Federation	Executive member
China Security and Protection Industry Association	Vice chairman
Hangzhou Trade in Services Investment Promotion Council	Executive member
Zhejiang International Digital Trade Association	Member
China Software Industry Association	Executive member
Zhejiang Software Industry Association	Vice chairman
Hangzhou Computer Institute	Executive member

Industry association	Details
Zhejiang Association for IoT Industry	Vice chairman
CCPIT Hangzhou	Vice chairman
China Chamber of International Commerce	Executive member
China Enterprise Confederation	Executive member
Zhejiang Provincial People's Association for Friendship with Foreign Countries	Executive member
Shanghai Wenzhou Chamber of Commerce	Ordinary member
Hangzhou Federation of Industrial Economics, Hangzhou Enterprise Confederation, Hangzhou Enterprise Director Association	Standing executive vice chairman
Zhejiang Innovation and Service Platform for IT Application	Ordinary member
Zhejiang Internet Industry Federation	Executive member
China Council for International Investment Promotion	Executive member
Hangzhou People's Association for Friendship with Foreign Countries	Executive member
Zhejiang IT Application Innovation Alliance	Vice chairman
Hangzhou Artificial Intelligence Industry Alliance	Vice chairman
Kunpeng Computing Industry Alliance of Zhejiang Province	Vice chairman
Zhejiang New Infrastructure Industry Innovation Alliance (intelligent infrastructure field)	Vice chairman
Zhejiang City Brain Industry Alliance	Executive member
International Chamber of Zhejiang Federation of Industry and Commerce	Vice chairman or executive member
China Real Estate Chamber of Commerce-City Renewal and Existing Building Remodeling Branch	Executive member or executive member

### Integrated Supply Chain

The supply chain of Dahua is committed to establishing an efficient, intelligent, and reliable supply system for the global market. Being "customer-centered and people-oriented", we build our supply capacity combining the Company's strategic planning, the market and environment insight and analysis while fulfilling the delivery responsibilities. Centering on the construction of infrastructure, the integrated information-based system gradually implements digital operation and improves the automation application of industrial manufacturing. Taking excellent green manufacturing as the goal of development, Dahua reduced its impact on the environment, improved its social influence, and made full use of resources in the whole end-to-end business process from the design, sourcing, manufacturing, packaging, transportation, use of products to the recycling of used ones.

- Build an Advanced Smart (IoT) Industrial Park

Dahua Smart (IoT) Industrial Park is an intelligent manufacturing industrial base and modern logistics center of Dahua, specialized in providing global customers with high-quality intelligent products with high technical content. In 2020, it expanded the scale of production. Phase II area of the park implemented the "three simultaneous constructions". It covers an area of 250 acres, with a floorage of 330,000 m<sup>2</sup>, and will be put into operation in 2022. After being put into operation, the annual output can exceed 75 million sets of products. The park is planned with dormitories, canteens, basketball court, training center, cinemas, supermarkets, clinics, entertainment centers, ATMs, and other supporting facilities to improve the sense of belonging of employees, enrich their life and reduce the safety risks brought by going out.

**Expand the Arrangements for the Supply Chain Industry**  
Overseas strategic supply deployment is made for the supply chain to better serve global customers. In the reporting period, Dahua deployed a supply network centering on Dahua Smart (IoT) Industrial Park and has integrated more than 700 suppliers, 3 supply centers, 14 regional warehouses, forming the global supply network of Dahua to deliver global services to customers. We rapidly and efficiently satisfied the product delivery requirements of customers, provided jobs to local residents, exchanged with and learned from partners, and created an atmosphere of win-win cooperation.



**Establish an Integrated Information-based System**  
Dahua insisted on uniform planning for the digital supply chain, with the participation of internal and external upstream and downstream manufacturers. Different systems can fulfill the duties according to the business processes, and enhanced functions, focus on the specific fields and achieve deep integration. In a broad sense, high-level end-to-end collaboration for the supply chain and intelligent framework and system establishment have been generally completed.

**Research Automation Applications for Industrial Manufacturing**  
In the current environment, enterprises are facing many difficulties and challenges in intelligent manufacturing. First, the demographic dividend is disappearing and there is a talent shortage. Second, based on the requirements of the modern manufacturing concepts and internal reform of the Company, it satisfies the development requirements of the Company to promote intelligent manufacturing technologies, which is not driven by government policies and other external factors. For example, currently, most manufacturing enterprises have a weak automation foundation, emptiness in automation and informatization, hindrance in integrated integration, poor quality in standardization and data, difficulties in the reform of business modes and processes, inadequate fine management. These problems severely restricted the true application of intelligent manufacturing technologies in factories.

Based on the implementation of the "Made in China 2025" strategic planning, Dahua Smart (IoT) Industrial Park has constructed a sample for intelligent future factories. To point out an important development path for future manufacturing factories, the park applied intelligent technologies in manufacturing and services. Not only its own factories got benefits from intelligent manufacturing, but also the upstream and downstream enterprises are provided with advanced technical solutions for intelligent manufacturing. The whole industry is making strides towards intelligent manufacturing.

Since its establishment in 2016, the park has consecutively invested in automatic production equipment and has formed an automation development team with 200 members who will lead the way for the intelligent manufacturing of the security industry, provide advanced manufacturing schemes that satisfy the status of enterprises, provide and implement hardware, software and information-based solutions for intelligent manufacturing. The advanced flexible production lines and the unmanned testing production lines have realized integrated production from assembly to packing. While enhancing the production efficiency and reducing the loss in transportation, they reduced the labor intensity for employees, improved personal safety, enhanced the production benefit, effectively strengthened the advantage of enterprises in cost, quality, and the competition with peers, and benefited the employees.

Taking the production lines for front manufacturing as an example, the simple manual production lines are optimized into automatic one-stream production lines. While reducing the labor intensity for employees, the lines can effectively improve the output, which brought a large increase in the per capita total output value. By integrating the man-machine integrated automatic manufacturing concept on this basis, tollsone and repeated work is handled by automatic equipment. Man-machine collaborated production can further improve the per capita total output value and product quality while reducing the workload of employees.



**Glories of the Supply Chain**  
In December 2020, a list was published for the first batch of twelve "future factories" in Zhejiang Province. With its digital layout and practice in the field of intelligent manufacturing, Dahua Smart (IoT) Industrial Park is elected as one of the "future factories". Meanwhile, with the all-in-one advantage of the supply chain, it's evaluated as a champion-type "host factory of the supply chain".



In September 2020, Hangzhou Municipal Bureau of Culture, Radio, TV and Tourism elected "Ten Tourist Attractions of Hangzhou for Digital Economy". As a one-stop smart park on the leading edge of smart IoT, Dahua Smart (IoT) Industrial Park is elected as one of the ten tourist attractions due to its digital layout and practice in intelligent manufacturing and smart park.

## Practice the Responsibility for Green Development

Dahua has received ISO 50001 Energy Management System Certification, and ISO 14001 Environmental Management System Certification. By establishing and running a complete recycling management system for energy management, Dahua has established an effective and documented energy management system. "Process Approach" and "PDCA Model" are adopted for the energy review of all processes involved in the corporate operation, and are continuously improved for their effectiveness.

Dahua Technology has adopted a series of energy management measures to define energy-saving controls over the entire consumption of energy such as electricity and natural gas in the main production process, supporting production process and auxiliary production process. A decision system based on objective data is established to comprehensively and meticulously improve energy efficiency from the macro to the micro, management to implementation. Refined energy management is practiced to further enhance energy management and reduce production and operation energy consumption.

### Shaping A Pro-Environment Culture

Dahua strives to create a green, safe, and harmonious environment, since the corporate sustainable development is inseparable from the enhancement of employees' environmental protection awareness. An energy-saving and emission-reduction atmosphere is created through ways such as announcing its environmental management strategy through the corporate portal, uniformly setting up office computer screen savers to publicize its pro-environment policy, releasing energy conservation and consumption reduction initiatives, optimizing equipment operating parameters, and setting up energy-saving and consumption-reduction administrators, to help employees improve their awareness of environmental protection in a subtle way, and enable employees to work in a robust and sound environment.



In the meantime, Dahua Technology actively explores and experiments in effective environmental control schemes, as well as set up green product management platform (GPM) to make green production and hazardous substance management intelligent and informatized. Dahua thoroughly identifies relevant laws and regulations of environmental protection, and actively promotes environmental protection education for all employees and external suppliers to foster a green working environment and atmosphere.

### Environmental Guideline

**"Advocate green intelligent Internet of Things and lead the innovative development of environmental protection"**  
Advocate green policy and set up green mechanism to comprehensively improve the awareness on environmental compliance of employees and suppliers. Incorporate environmental protection requirements into product research and development, product manufacturing, and intelligent Internet of Things solutions, promoting research and development of green technologies, and ensuring the continuous and effective operation of the hazardous substances process management system in the process of full range industry penetration and expansion, so as to practice green manufacturing and lead green development;

**"Continue to meet customer demands and undertake global social responsibility with courage"**  
Attach great importance to the sustainable co-development of human and environment. In the process of global market expansion and business upgrade, observe strictly with various national and regional environmental laws and regulations, international conventions, and diversified customer demands for environmental protection, improve customer's comprehensive service ability, and ensure product compliance. Minimize the adverse impacts on environment and human health and safety while making profits to be accountable to shareholders and assuming legal responsibility.

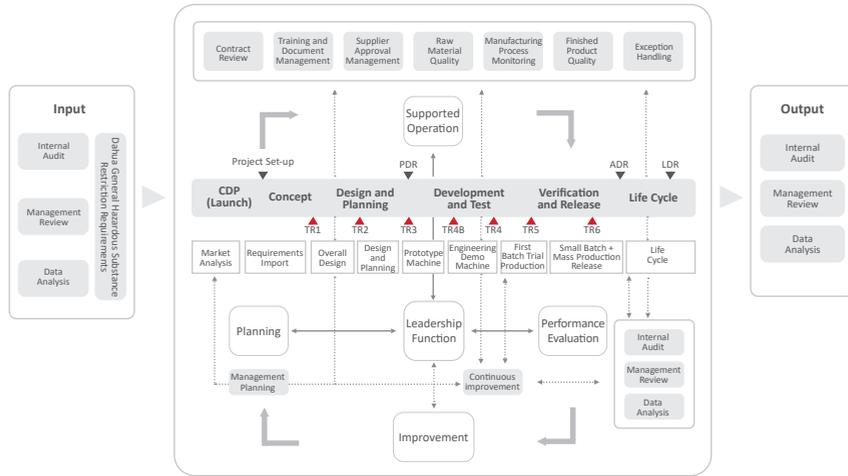
### Green Development Strategy Innovative Development and Global Layout Based on Environmental Protection

As the global industry leader, Dahua is committed to improving the overall competitiveness of the enterprise through continuous investment and cultivation of technological innovation power. While focusing on technological innovation, Dahua takes environmental compliance as one of the five major compliance baselines of products and also the important foundation for business operation. The Company makes unremitting efforts to satisfy customer demands with high-quality products and services. In the process of active exploration of the overseas market, Dahua continues with its global layout by utilizing its comprehensive advantages in technology research and development, project design, service support, and green operation, further realizing its green expansion and business upgrade in the global market.

**Green Development Strategy**  
Dahua is always committed to environmental protection and production of green products. While focusing on providing quality products and services, Dahua introduced and established environmental and occupational health management system, and hazardous substances process management system, to safeguard employee health, protect environment, produce green products, and minimize the adverse impacts on environment from production activities, fully assuming its social responsibility of green and sustainable development.

### Environmental Compliance Management System

By establishing the Hazardous Substances Process Management System (HSPM) and the environmental certification scheme, Dahua has strictly followed the requirements of QC080000 the Hazardous Substances Process Management System Standards and made active approach to offer sufficient response to the regulations of the use of hazardous substances in electrical and electronic products required by customers in the global market represented by the European Union and other environment protection related regulations, fully implementing the end-to-end environmental compliance business requirements. The operation of the system adheres to the practical and realistic principle, and the management and control procedure is systematic and standardized in coordination with GPM platform, enabling the upstream and downstream to be synchronous, transparent, and efficient.



Environment-friendly product development and design	Dahua thoroughly identifies relevant laws and regulations from the beginning of product design and production, and attaches great importance to the requirements of hazardous substances limit requirements as listed in certain instructions related to environmental compliance, such as <b>RoHS (Restriction of Hazardous Substances)</b> and <b>REACH SVHC (Registration, Evaluation, Authorization and Restriction of Chemicals)</b> .
Supply chain environmental protection risk identification and management	Supplier environmental protection requirements: In order to be included as official suppliers, all suppliers shall be inspected by SQE, procurement, and R&D on the site for supplier environmental protection review and sign <b>EHS and Environmental Protection Commitment</b> when being introduced into the supply chain. The on-site inspection includes but is not limited to whether environmental protection management requirements of raw materials, and consumable materials applied in the manufacturing process and key technologies meet the environmental protection requirements, and the implementation of other internal environmental protection management process of the supplier.
Establishment of inspection laboratory	Professional inspection: Dahua has founded a professional laboratory for the inspection of hazardous substances, including physical testing and chemical testing, which is mainly composed of XRF (X-ray fluorescence spectrometry), GC-MS (gas chromatography-mass spectrometer), and other core device. The experiment operators can only operate after receiving a series of training in standards, operation, and safety awareness, and passing the examination. In order to ensure the accuracy and effectiveness of internal test results, it is required to tightened internally the standard limit requirements, increase the quality control samples, and irregularly carry out the blind sample comparison tests in third-party laboratories.
Environmental protection sampling inspection and control of critical process (CCP)	On the premise of full assessment of the environmental protection risks of materials, Dahua has developed an efficient sampling inspection mechanism for incoming materials. Meanwhile, Dahua has conducted environmental compliance monitoring of the processes of high risk and relevant consumables in the production process to eliminate environmental compliance risks of mass production to the greatest extent.
Improvement of environmental compliance awareness	Establish internal and external environmental compliance standard libraries respectively, conduct training on management requirements for relevant employees in the environmental compliance management system, and reinforce the education on external suppliers at the same time to jointly enhance internal and external environmental compliance awareness.
Green sustainable management	Professional internal auditor mechanism: In strict accordance with the Environmental Compliance Management System QC080000:2017, conduct internal review and regular management review every year according to the review plan and correct the non-conformance items and items to be improved. There are more than 40 certified internal auditors in Dahua.
Environmental protection information update and self-declaration	The Company independently developed the Green Product Management Platform (GPM), an environmental protection system, forming an environmental compliance management mechanism from the material source. Trigger the update mechanism: Update the environmental protection information of the materials which are still in mass production and delivery every two years. Compliance declaration mechanism: Establish compliance declaration procedure based on different regulations to complete the collection and confirmation of substance information and compliance status.

Establish a sound environmental compliance management system	<p>Dahua has established a cross-department environmental compliance management group led by senior leaders in person to formulate environmental guidelines and reduction targets in the medium and long term. Environmental Compliance Group: Responsible for following up the interpretation, update, process transformation, and implementation of all environmental regulation and requirements. The Procurement Department, SQE, and other relevant functional departments are responsible for the formulation and implementation of the overall environmental compliance requirements of the supplier, as well as regular review and revision of environmental compliance management policies. It is also required to proceed with relevant procurement operations in strict accordance with requirements. Identify risks on the spot as early as possible.</p> <p>Supplier introduction: The review group, composed of Procurement Department, R&amp;D, SQE, and other departments, shall grade the assessment requirements, including environmental compliance requirements, according to the classification of suppliers, which can be included in the supplier system after passing the review. All suppliers are required to sign and comply with the relevant provisions of <b>EHS and Environmental Protection Commitment</b> in the <b>Procurement Framework Agreement</b>.</p> <p>Material import: Each material in the material management system has its independent environmental protection label. In addition to providing the necessary RoHS inspection report and completing REACH substance declaration requirements, material introduction shall carry out sampling inspection by the third party according to the environmental protection risk level. After the delivery of mass production, the internal laboratory shall undertake the inspection of incoming materials for verification.</p> <p>HSPM management system review mechanism: Combine the Hazardous Substances Process Management System with the Quality Management System, formulate annual internal audit plan, conduct cross-departmental audit by professionally trained auditors, and fully verify the effectiveness of the system operation.</p> <p>Establish a unified business interchange window for environmental compliance, and at the same time connect with external environmental compliance requirements, suppliers' technical support, and internal process management consulting as the supplement to the compliance management system.</p>
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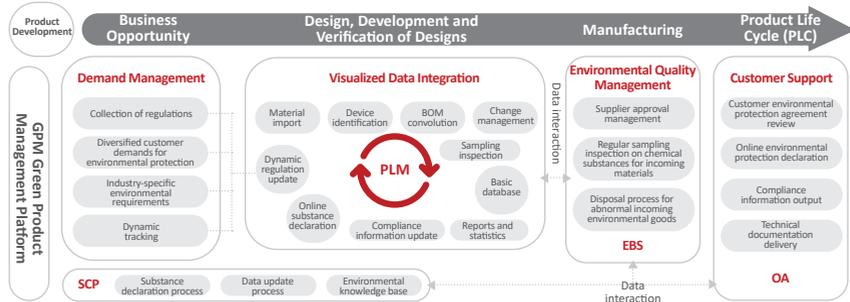
### System Certification

In terms of environmental compliance management, Dahua has received IECQ QC080000: 2017 Hazardous Substances Process Management System Certification. Moreover, it has also received green product certifications, such as Five Star Certificate of Green Supply Chain Assessment, China Environmental Labelling Certification, and the title of "China Environmental Labelling Outstanding Enterprise".



### Green Product Management Platform

The Green Product Management Platform (GPM) is a cross-platform IT system independently developed by Dahua Technology, dedicated to more effectively and comprehensively managing the green pro-environment features of products. This tool has fully realized the transition from the previous passive, manual and fragmented environmental protection management to an intelligent and open environmental management platform fully integrated with existing business processes, greatly promoting the standardization and systematic process of environmental protection design, avoiding negligence caused by manual operations, improving the efficiency of green product management, reducing the risk of excessive harmful substances in products, lowering management costs, and enhancing customer satisfaction.



**Product Environmental Quality**

Dahua adheres to comprehensive management of hazardous substances from the source of upstream materials. Based on the comprehensive assessment of environmental protection risks of manufacturing process and raw materials, Dahua continuously updates and optimizes basic environmental protection and hazardous substance information combined with internal whole-process environmental protection management based on life cycle. Meanwhile, Dahua horizontally expands environmental certification requirements in order to achieve overall environmental compliance of products.

Hereby transfer the uncertain environmental protection risks from the single result demonstration to process management to improve the management capabilities of all environmental protection processes to the greatest extent, and continuously reduce the environmental compliance risks.

During the reporting period, more than 40,000 kinds of raw materials applied by Dahua have RoHS reports. The RoHS rate of self-developed products exceeded 99%, and the REACH declaration coverage rate of various materials reached 100%. The overall recovery rate indicated in WEEE (Waste Electrical & Electronic Equipment of European Union) is required to be more than 10%.

According to 2020 internal audit, the Hazardous Substances Process Management System (HSPM) has been running well. There are no major non-conformance items, all relevant processes and management measures have been operated effectively, and there are no recalls or customer complaints caused by abnormal product environmental compliance.

**Environmental Compliance Promotion**

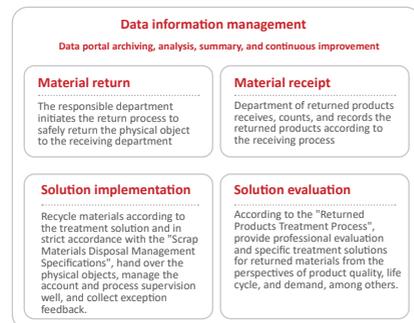
Dahua Technology attaches great importance to jointly fulfilling corporate social responsibility with its supplier partners. While promoting green sustainable development, it also drives the supply chain to jointly contribute to the sustainable development of society. During the reporting period, Dahua has established internal and supplier environmental compliance standard libraries respectively on the internal portal and GPM Green Product Management platform, and has exchanged and learned regulations together with the internal personnel and external suppliers. Meanwhile, Dahua has compiled environmental compliance journal for key requirements, which has not only conveyed the rigorous concept of environmental compliance but also further improved the business skills of relevant parties. Moreover, Dahua has also organized production suppliers to participate in the online special live training on environmental protection to jointly improve the environmental compliance awareness.

**Packaging Material Management**

All packaging materials including packing straps and tapes are regulated for hazardous substances according to the requirements of the EU94/62/EC Packaging and Waste Packaging Directives to ensure that the total content of lead, mercury, cadmium, and hexavalent chromium therein do not exceed 0.01% (100 ppm). Carton products shall strictly follow the relevant requirements of GBT 39084-2020 Green Product Assessment-Packings for Express Service.

**Material Recovery**

In order to reduce environmental pollution, waste generation, and operation cost, and improve product reuse, Dahua has set up a team to establish a complete *Scraping and Recovering Process* to fulfill the plan and responsibility of product recovery. Dahua has carried out comprehensive monitoring in five aspects: material return, material receiving, processing scheme evaluation, processing scheme execution, and data information management.



**Green Packaging Design**

Standardized and structural design of packaging

In response to the shipment requirements of export spare parts and characteristics of multiple categories of materials, different specifications, great loss of consumables, and low space utilization rate, Dahua has designed and developed a Lego-style structural and standardized scheme in which 18 basic materials are used for multi-modular combination to satisfy the shipment requirements of spare parts with different structures. This scheme, which is applicable to 74 products, is highly compatible with the structures of all spare parts. It also provides different assembly solutions through lining combination to solve the problems of large resource investment, long cycle, low material versatility, complicated assembly, and other issues which have bothered the shipment of spare parts for a long time.

Design of variable EPE packaging lining

According to the material characteristics of EPE pearl foam, Dahua has implemented the variable lining design concept. Based on current packaging materials and without changing the production process, Dahua has changed current packaging forms only by changing the design mode to improve the versatility of lining, reduce consumption of packaging materials, and reduce the energy consumption of production, transportation, and storage.

During the reporting period, the Packaging Design Improvement Group adopted reduction design to continuously reduce consumption of packaging materials and improve the reusability rate of packaging.



Blue Planet Product Sustainable Development Silver Award of 2019 China Packaging Innovation Forum (CPIF)

**Energy Reseration and Consumption Reduction**

Dahua takes energy saving and consumption reduction, and maximization of benefits as its core objectives, adheres to the sustainable development concept of low energy consumption, low emission, and recycling, comprehensively plans and implements energy saving and emission reduction from a strategic perspective of long-term development. Through the improvement of management, technology progress, and industrial structure adjustment, Dahua has achieved continuous and feasible reduction of overall energy consumption, provided comprehensive benefits of energy saving and emission reduction, and recycling economy, and maintained continuous improvement. Dahua has established a favorable social image of observing laws and disciplines and became the benchmark of energy consumption. The Company is dedicated to making greater contribution to promote the development of the enterprise and the common development of local economy.

During the reporting period, Dahua has always insisted on the sustainable development concept, and energy saving and consumption reduction to promote intelligent production aiming to build the green and intelligent factory. In order to enable the Company to follow the principle of continuous improvement of energy performance and the systematization of energy management system, Dahua has established an energy management system and formulated *Energy Review Management Procedure*. All departments shall compile *Identification Table of Energy Management Factors* according to the actual situation, implement the responsibility system for energy consumption reduction, and regularly invite qualified third party to identify and check energy management factors.

We propose to post energy saving and consumption reduction signs in the park, advocating "Achieve multiple use of water to reduce waste from the source", "Save energy by turning off lights to reduce residential electricity consumption", "Promote double-sided printing to reduce waste from the source", and "We are in action for low carbon service". In addition, the Company also proposes to carry out multiple energy saving and consumption reduction projects, aiming to build a green and intelligent park.

- Air-source heat pump**  
The dormitory area uses 10 sets of air-source heat pumps to supply hot water. The annual comprehensive utilization of renewable energy is 2,216,718 kWh, and annual coal saving capacity is 731.52 tce.
- Water-cooling chiller air conditioner**  
The air conditioning design area is 30,000 square meters, and the air conditioning load per square meter is 140-150 w/m<sup>2</sup>. The water-cooled chiller is selected, which costs RMB 372,960 less than multi-split air conditioner, saving 20.6% of the operation cost.
- 4MW photovoltaic power generation project**  
The total construction scale of the project is 4 MWp. It is planned to select the electricity consumption mode of "self-generation and self-application, surplus power included in the grid". The average annual power generation of the photovoltaic power station is 3,685,800 kWh, and the average annual utilization hour is 921.46 h.
- Energy conservation transformer**  
Amorphous alloy dry-type transformer SCB15 is selected to reduce no-load loss and improve energy efficiency.

Meanwhile, we are promoting the Energy Management System of Dahua Smart (IoT) Industrial Park, which can achieve the online unified data collection of electricity, water, gas, waste discharge in the park. This platform can conduct online park energy consumption assessment management and data analysis according to the region, energy consumption, and time to make the efforts of energy saving and consumption reduction more convenient, scientific, and reasonable.

**Power and Environment Supervision System:** In addition to the basic functions of electricity and gas consumption metering, billing, and statement analysis, the system also provides online real-time monitoring of energy consumption, energy consumption diagnosis and analysis, and other functions to offer comprehensive energy consumption management to managers, improve the efficiency and level of energy consumption management, and reduce operation cost.

**Energy Management Center:** Dahua Smart (IoT) Industrial Park has established the *Intelligent Park Integrated Management Platform* to monitor the electricity and water consumption in real time and check the energy consumption data of key equipment on the platform. It facilitates the reduction of energy cost and the establishment of a decision-making system based on objective data, and provides users with more in-depth functions and services from two perspectives of energy saving control and energy consumption management.

The Company enables functions such as electricity and gas energy consumption metering and billing, report analysis, constant online monitoring of energy consumption, and energy diagnosis and analysis, providing managers with comprehensive energy management services, to improve their efficiency and level of energy management and reduce operation and maintenance costs. The monitoring and measuring equipment required for energy management are calibrated and maintained in accordance with the *Monitoring and Measuring Equipment Control Procedures*, and relevant records shall be saved, to ensure that the data provided by these equipment for monitoring key features is accurate and reproducible.

As an industrial enterprise, energy consumption is of great importance. Dahua shall focus on strengthening energy management, fully tap into enterprise's potential in energy saving and consumption reduction, and effectively improve resource utilization, so as to put energy saving and emission reduction into practice. Dahua has conducted thorough investigation on the public electrical devices and facilities, formulated energy-saving renovation plans or suggestions to gradually carry out the renovation, which has made outstanding achievements. The electricity consumption per capita in 2020 decreased by about 16.18% compared with that in 2019:

- The lighting of garage, passageway, hall, elevator hall, and stairway shall be divided into lighting for the day time and night time. The number of lamps used shall be reduced as much as possible on the premise that the overall lighting requirements and complete and orderly style can be ensured.
- Strengthen the patrol inspection of high-power electromechanical equipment to ensure the motor is in good operation and improve efficiency. Increase the maintenance of control equipment, reduce the number of overspeed shutdowns of high-power equipment, and reduce power consumption.
- Do a good job in repairing old parts and reusing the waste. Repair the replaced items such as documents, lamps, and ballasts. Reduce the use of new parts through repairing old parts by replacing components or reassembling.

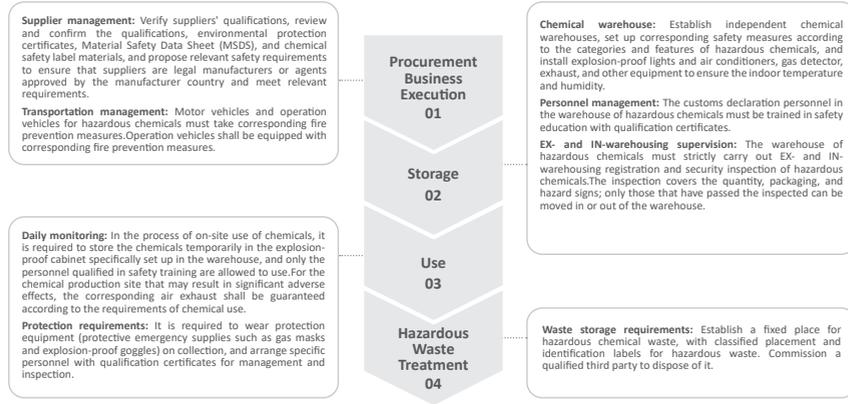
Dahua Technology has established a strict water management system in accordance with the production process and relevant local laws, regulations and standards, to use water in a scientific and rational way, and improve the efficiency of water utilization comprehensively. The Company actively adopts advanced water-saving technologies, selects water-saving equipment and appliances, installs water-saving and spill-proof devices, to reduce water consumption and increase the reuse rate of water resources. Meanwhile, the Company also actively advocates the water-saving culture and creates the water-saving atmosphere, to further strengthen the conservation of water-saving resources.

The Company starts with staff awareness by training all its new and old employees on water-saving awareness and methods, and continuously promoting energy conservation and emission reduction within the Company. In the meanwhile, designated persons are assigned for patrol so that any problem once found can be rectified in a timely manner. The wastewater of the Company is mainly domestic sewage and the canteen oily wastewater is discharged to the municipal water pipe network after being treated in oil separation tanks according to the **Integrated Sewage Discharge Standard**. The discharged water body is annually detected and analyzed by the Binjiang Water Quality Analysis and Monitoring Station, and all indicators turn out to meet the relevant national standards.

### Reasonable Emission

Dahua Technology is a high-tech research and development enterprise, and uses international advanced equipment and technology for production. Its workshops are equipped with exhaust systems to collect waste gas uniformly. Testing agencies regularly conduct on-site inspections and output the **Industrial Exhaust Gas Inspection Report**, showing that all indicators have met national relevant standards. Dahua has installed fume purification devices certified by the environmental protection department to deal with oil fumes from canteens, which is fully processed before being discharged.

The measures adopted by Dahua to eliminate pollution sources are in accord with industrial policies, and clean production requirements. The pollutant emission meets the corresponding national standard. Therefore, the quality of the environment is not affected, and the ecological environment will not be changed.



### Solid Waste Management

Dahua has specifically formulated the exclusive site management system for hazardous wastes and account management system according to **Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste** to ensure the reasonable, standardized, and effective management of hazardous wastes.

Dahua has formulated a recycling plan for waste electronics and electrical appliances generated due to quality issues and product expiration to minimize the generation of electronic waste and reduce operating costs. The recycling process of electronic/electrical waste, including material return, material acceptance, disposal evaluation, disposal process, and scrap management has been standardized to achieve full control of the entire recycling process.

### Hazardous Chemicals Management

According to **Regulations on the Control over Safety of Dangerous Chemicals**, Dahua has established specifications of daily receiving, delivery, and storage management of hazardous chemicals in order to improve the Company's safety production management capability, enhance the management of hazardous chemical storage, in and out of warehouse management, and realize the safety production guideline of "comprehensive governance, full participation, and continuous improvement".

## Attachments

### Attachment 1: Enterprise Honor

Name	Registration Authority	Name	Registration Authority
ZICERT Cooperation Support Unit	National Computer Network Emergency Response Technical Team/Coordination Center of China, Zhejiang Branch Center	Zhejiang Provincial Key Laboratory of Visual Internet of Things Fusion Application	Zhejiang Provincial Department of Science and Technology
2019 Top 100 Enterprises in Comprehensive Competitiveness of Software and Information Technology Service	China Information Technology Industry Federation	2020 Top 100 Enterprises in Comprehensive Competitiveness of Software and Information Technology Service	China Information Technology Industry Federation
2019 (33th) China Top 100 Electronic Information Enterprises	China Information Technology Industry Federation	2020 Radio and Television Internet of Things Application Innovation Competition First Prize --The Video Cloud Platform based on 5G and Edge Computing	Wasu Digital TV Media Group
Outstanding Promotion Unit at 40th Anniversary of Total Quality Management Promotion	China Association for Quality	Outstanding contribution to COVID-19 prevention and control	Wuhan Charity Federation
China Environmental Labelling Outstanding Enterprises	China Environmental United Certification Center Co., Ltd. (CEC)	Hangzhou Hi-tech Zone (Binjiang) Internet of Things+Industry Association	Hangzhou Hi-tech Zone (Binjiang) Internet of Things+Industry Association
Hangzhou Credit Management Demonstration Enterprise	Hangzhou Administration for Market Regulation Publicity Department of the Communist Party of Hangzhou Hangzhou Development and Reform Commission Hangzhou Municipal Committee for the Construction of Spiritual Civilization	Top 500 New Economy Enterprises in China	China Enterprise Evaluation Association
Zhejiang Trade and Brand Demonstration Enterprise	Zhejiang Administration for Market Regulation	China Top 500 Private Enterprises	All-China Federation of Industry and Commerce
Zhejiang Provincial Leader in Benefits per Mu	Economy and Information Technology Department of Zhejiang	TOP 10 Enterprises with the Best Technical Strength	www.jiqizhixin.com
2019 Hangzhou Tax Payment Outstanding Enterprise	Hangzhou Municipal Government	Bronze Award in 2020 Hangzhou High-value Intellectual Property Intelligent Product Innovation Competition - Multiple Media Self-adaptive Long-distance Transmission Monitoring System	Hangzhou Municipal Government
2019 Top 10 Industry Distinguished Enterprise in Fuyang District, Hangzhou	CPC Fuyang District Committee of Hangzhou People's Government of Fuyang District, Hangzhou	No. 48 in "2020 Top 100 Zhejiang Private Enterprises"	Zhejiang Administration for Market Regulation
Zhejiang Digital Empowerment Smart City Development --Innovation Achievement Award	Zhejiang Provincial Economy and Informatization Smart City Planning Research Institute China Info 100 Case Study Center	Zhejiang Federation of Industry and Commerce	Hangzhou Municipal Government
China Internet of Things Industry Conference --Top 10 AI Applications	secu.hc360.com	Zhejiang Software Industry Association	Zhejiang Software Industry Association
China Internet of Things Industry Conference Top 10 Import and Export Control Brand	secu.hc360.com	Outstanding Contribution Enterprise	Zhejiang Enterprise Credit Promotion Association
China Intelligent Building Brand Awards --2019 Top 10 Intelligent Security Brands	www.qianjia.com	Zhejiang Province Credit Management Demonstration Enterprise	Zhejiang Enterprise Credit Promotion Association
"AI China" Top 10 Enterprises with the Best Technical Strength	www.jiqizhixin.com	Zhejiang City Brain Industry Alliance Executive member	Information Development Center of Zhejiang
Zhejiang Dahua Technology Co., Ltd, No.363 in 2019 China Top 500 Private Enterprises	All-China Federation of Industry and Commerce	Zhejiang Famous Export Brand	Department of Commerce of Zhejiang Province
2020 Zhejiang Private Listed Enterprises High-quality Development Innovation Case	Zhejiang Private Enterprises High-quality Development Intelligence Forum (Taizhou)	2020-2021 Key Export Contact Enterprise of Zhejiang Province	Department of Commerce of Zhejiang Province
Top 100 National Quality and Credit Benchmarking Enterprise	China Association for Quality Inspection	2020 Outstanding Contribution Award of Zhejiang Service Trade Enterprises in Fighting against the Epidemic	Zhejiang International Digital Trade Association
2020 Zhejiang's Top 50 Multinational Private Enterprises	Zhejiang Zhijiang Multinational Enterprises Research Institution, Zhejiang Outbound Investment Enterprises Association	The first member company of Asia-Pacific Economic Cooperation (APEC) China Business Council Digital Economy Committee	APEC China Business Council
		Executive Vice President Unit	Hangzhou Federation of Industrial Economics Hangzhou Federation of Entrepreneurs Hangzhou Association of Entrepreneurs

# Attachments

## Attachment 2: Sustainability Reporting Guidelines (GRI Standards) Index

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