Kingsoft Cloud

Kingsoft Cloud

KINGSOFT CLOUD
ESG Report 2020

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About Kingsoft Cloud

About this Report

Corporate Mission

Kingsoft Cloud is committed to empowering enterprises with cloud services. Compared with traditional on-premise IT models, cloud technology offers a wide variety of advantages, including cost reduction, flexibility, scalability and reliability. As a result, there has been a structural shift in global IT spending, from traditional on-premise IT models to a cloud-based model. Taking this wave, the Company has established a leading market position by strategically expanding its footprint into fast-growing verticals. The Company values each and every customer and strives to provide best-in-class enterprise services. In addition to developing advanced cloud technologies, we aim to build and deliver more enabling products and services to all stakeholders. Kingsoft Cloud has been proactively leveraging its technology capabilities to help overcome the challenges of the COVID-19 pandemic by developing countermeasures such as pandemic monitoring and resource management platforms.

We will continue along this path to provide high-quality products and services to our customers in selected verticals.

Business Overview

Being the leading independent cloud service provider in China, Kingsoft Cloud has built a comprehensive cloud platform comprised of extensive cloud infrastructure, cutting-edge cloud products, and well-architected, industry-specific solutions across public cloud, enterprise cloud, and Internet of Things (IoT)-related cloud services. We offer public cloud services primarily to internet companies and offer enterprise cloud services mainly to traditional enterprises and public service organizations.

We intend to maintain strong growth and strengthen our market position in strategically selected verticals, grow our customer base, continue to invest in infrastructure and technology, leverage economies of scale and improve operational efficiency, enhance our strategic partner ecosystem, and prudently pursue international expansion.

This is the first Environmental, Social, and Governance (ESG) Report published by Kingsoft Cloud Holdings Limited ("Kingsoft Cloud", the "Company", "we"). This Report sets out to present, on an objective and fair basis, the ESG performance of Kingsoft Cloud, its subsidiaries and consolidated variable entities and their subsidiaries in 2020. We primarily conduct our business in China. The reporting period is primarily from 1 January to 31 December 2020 ("the reporting period" or "this year").

In preparing the Report, we strive to ensure that the information disclosed herein follows the principles of materiality, quantitative, balance, and consistency.

This Report is available in English at the website of Kingsoft Cloud at http://ir.ksyun.com. If you have any comments or suggestions related to the ESG management of Kingsoft Cloud, please contact us via email at ksc-ir@kingsoft.com. We look forward to receiving your valuable inputs.

ESG Overview

2020 ESG Performance Highlights

Technology Innovation

As of 31 December 2020, Kingsoft Cloud applied for a total of

1,045 patents

Kingsoft Cloud is a gold member of the Cloud Native Computing Foundation (CNCF)

R&D talent accounts for

60% of our total full-time employees

Together with other industry-leading institutions, Kingsoft Cloud published the 2020 Cloud Native Development White Paper

In 2020, Kingsoft Cloud gained approval for setting up a

postdoctoral research workstation

Kingsoft Cloud was a key participant in publishing the 2020 Cloud Native Application Guide

Responsible Operations

In 2020, Kingsoft Cloud obtained Cloud Security Management System certification for compliance with

ISO 27017

In 2020, Kingsoft Cloud achieved a customer response rate of **99%**

In 2020, Kingsoft Cloud's customer satisfaction rate was **95%**

In 2020, the share of employees covered by our data privacy and security awareness was

100%

In 2020, Kingsoft Cloud's overall customer problem resolution rate was **99%**

In 2020, Kingsoft Cloud joined the industry's

Trust and Integrity Enterprise Alliance

And resolution rate within 30 minutes was **95%**

Our People

As of March 31, 2021, the percentage of female employees among management roles of Kingsoft Cloud was

33%

The average training per employee in 2020 was

54 hours

Kingsoft Cloud launched an e-learning platform for all employees called

"Study at Kingsoft Cloud"

Environment

Kingsoft cloud targets

PUE1 lower than **1.3** for upcoming projects

PUE lower than as of the end of 2025 **1.25**

WUE^2 lower than **2.6**

WUE lower than **2.5**

Our main office area was awarded a

Two-star Grade Certificate of Green Building Design Label

under the Beijing Evaluation Standard for Green Building

Supply Chain Management

Kingsoft Cloud conducts

semi-annual supplier conferences

and

weekly supplier meetings led by various business lines

to share standard technical solutions and industry-leading practices

Kingsoft Cloud allowed eligible suppliers to apply for

accelerated invoice payment

during the COVID-19 pandemic to help suppliers alleviate their cash flow pressure

Community Engagement

The Emergency Supply Management System built by Kingsoft Cloud served over

38,000 institutions across over 30 cities and counties

During COVID-19, Kingsoft Cloud supported online courses for

550,000+ students and teachers

Notes
1. Power Usage Effectiveness, a ratio that measures how efficiently a computer data center uses energy.
2. Water Usage Effectiveness, a ratio that measures how efficiently a computer data center uses water.

We believe that strong ESG management is essential to the sustainability of our business. We have attached great importance to ESG-related issues since our inception. We identify our main ESG risks, form response plans, and actively engage various stakeholders to minimize the impact of such risks on our business operations.

This year, we focused on technological innovation, conducting responsible operations, talent development, building a green workplace, and strengthening supply chain management and community engagement.

As a rapidly growing company, we will continue our relentless efforts to improve our ESG governance, build innovative products, set the highest standards of ethics and compliance across our supply chain, attract and retain the best talent, reduce our carbon footprint, improve our suppliers' sustainability performance, and deepen our community engagement.

Stakeholder Engagement

Kingsoft Cloud carefully listens to its stakeholders and actively responds to their concerns. To that end, we have identified and engaged with stakeholders, including shareholders and investors, clients, employees, suppliers, public institutions, regulatory agencies, media, NGOs, and communities. We have collected their key ESG-related areas of focus and established communication channels to ensure continued effective engagement.

Table of Key ESG-Related Areas of Focus and Communication Channels of Stakeholders

| STAKEHOLDERS	KEY ESG-Related Areas of Focus	MAIN COMMUNICATION CHANNELS
Public institutions and regulators	Emissions Climate change Labor standards Privacy & data security Business ethics & anti-corruption Intellectual property rights protection	Policy consultation Official correspondence Event reporting Information disclosure Regular inquiries
Shareholders and investors	Climate change Talent attraction Business ethics & anti-corruption Technological innovation Privacy & data security Intellectual property rights protection	Annual reports Quarterly results announcements News releases Meetings with investors Survey and questionnaire Corporate events
Clients	Customer service Product quality Privacy & data security	Official website Social media platforms Customer service hotline User feedback activities Satisfaction survey
Employees	Employee health & safety Development & Training Diversity & Inclusion Technological innovation Labor standards	Communication meetings Internal announcements Complaint boxes Instant messaging software
Suppliers/partners	Supplier management Business ethics & anti-corruption Privacy & data security	Supplier conferences Communication meetings with partners Business negotiation On-site research Corporation agreement
Media and NGOs	Emissions Use of resources Climate change Diversity & inclusion Supplier management Privacy & data security	Social media Press conferences and news releases Interviews
Community	Emissions Community engagement	Community activities Public welfare activities Social media

Materiality Assessment

In 2020, we conducted a materiality assessment and identified 16 ESG topics that could be material to our stakeholders and the Company. This was done through targeted surveys and questionnaires and continuous engagement with our stakeholders. We will review these topics on an annual basis to evaluate their relevance and ensure that our stakeholders' perspectives are accurately reflected. The assessment provides important guidance for setting our ESG strategy and fostering sustainable operations.

We identified privacy and data security, customer service, technological innovation, talent attraction, development and training, business ethics and anti-corruption, and intellectual property rights protection as "high material topics". Other "material topics" include recruitment, labor standards, diversity and inclusion, employee health and safety, supplier management, climate change, emissions, use of resources, and community engagement. We will discuss each of these topics separately in the following chapters of this Report.

Training Zone of Kingsoft Cloud
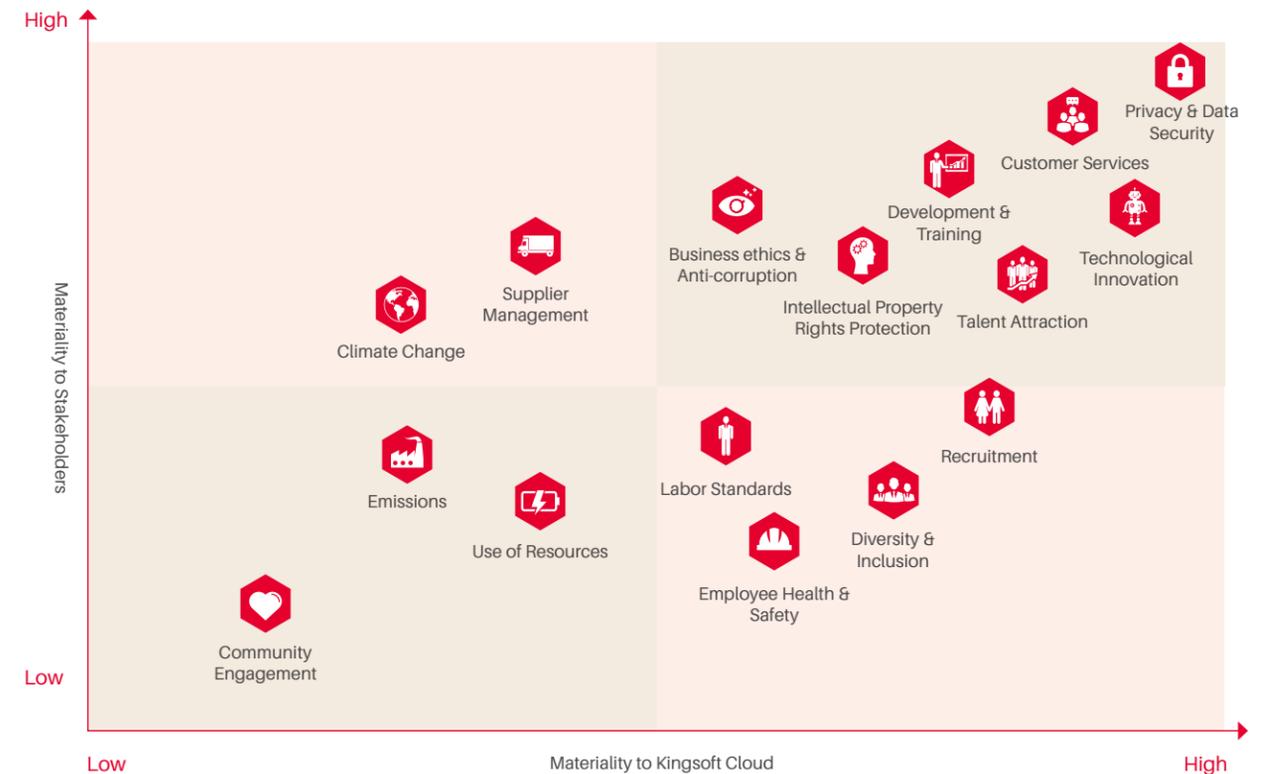
Corporate Governance

We believe sound corporate governance is essential to ensuring efficient and stable business operations. We strictly abide by the Listing Rules of the Nasdaq and other applicable laws and regulations and have established a comprehensive corporate governance structure.

To better protect the rights and benefits of all shareholders, all ordinary shares are of the same class and enjoy the same voting rights and benefits.

Board Independence

The Board of Directors of Kingsoft Cloud sets high standards for the Company's employees, officers and directors. It is the duty of the Board of Directors to serve as a prudent fiduciary for shareholders and to oversee the management of the Company's business.

50% of board members are independent directors	As of March 31, 2021, our board of directors consists of 6 directors, including 3 independent directors.
We have established **3 committees:** an audit committee, a compensation committee, and a nominating and corporate governance committee	As a foreign private issuer (FPI) within the meaning of the rules under the Exchange Act, we may be exempted from certain provisions applicable to U.S. domestic public companies. However, we have established an audit committee, a compensation committee and a nominating and corporate governance committee under our board of directors; and have adopted a charter for each of the three committees, setting forth clear responsibilities, procedures and standards for sound corporate governance.
All committees have at least one independent director	All of our 3 committees have independent directors under the criteria established by the NASDAQ and, as applicable, the SEC. Currently, our audit committee consists of 3 independent directors, under our board of directors.
Separate roles of CEO and chairman	Currently, our CEO does not serve as the chairman of the board.
Diverse professional backgrounds	Our board members have rich industry experience and come from diverse backgrounds, including computer science and technology, business, economics, law, and finance.

Risk Management

We regard strong risk management as a key foundation for our sustained growth. We comprehensively review and assess the risks of the Company and establish and maintain effective risk management and internal control systems to ensure stable and efficient business operations.
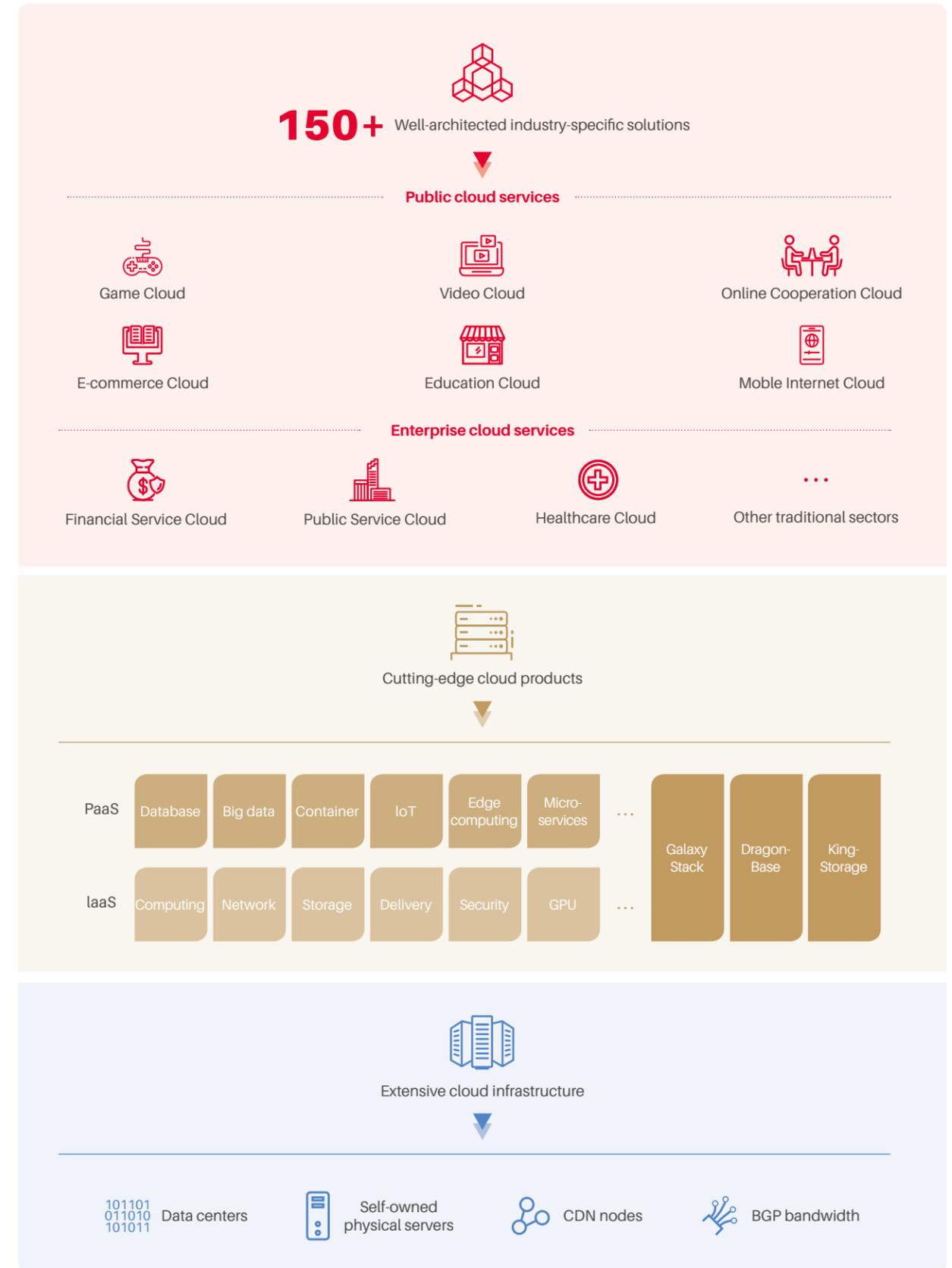
Kingsoft Cloud has established its risk management structure based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, wherein the board of directors takes the overall responsibility for risk management and decision-making.

Business and functional departments	Risk management teams, internal control team	Internal audit team
• Executing frontline risk assessment, identification and control in business operations	• Formulating risk management policies and strategies • Supervising the implementation of risk control measures at the first line	• Evaluating the effectiveness of the Company's risk management systems • Following up on rectification measures against identified problems

We have formulated the Risk Assessment and Management Policy to guide relevant departments in conducting risk management and reporting risk identification results. We perform comprehensive risk identification and assessment at the Company level each year, taking into consideration our business strategy, business operations, ESG factors, financial reporting, compliance, information system security, and other issues.

Technological Innovation

Leveraging our top-notch technology infrastructure resources, Kingsoft Cloud has developed a comprehensive suite of leading cloud computing services, providing solutions to a variety of industries, including media, video, games, education, public services, financial services, healthcare, IoT, etc. Integrating big data, container, edge computing and AR/VR technologies, we are committed to driving cloud computing development and digitalization.

150+ Well-architected industry-specific solutions

Public cloud services

Game Cloud   Video Cloud   Online Cooperation Cloud

E-commerce Cloud   Education Cloud   Moble Internet Cloud

Enterprise cloud services

Financial Service Cloud   Public Service Cloud   Healthcare Cloud   Other traditional sectors

Cutting-edge cloud products

PaaS	Database	Big data	Container	IoT	Edge computing	Micro-services	...	Galaxy Stack	Dragon-Base	King-Storage
IaaS	Computing	Network	Storage	Delivery	Security	GPU	...			

Extensive cloud infrastructure

101101 011010 101011 Data centers   Self-owned physical servers   CDN nodes   BGP bandwidth

Product Portfolio of Kingsoft Cloud

In 2o2o, Kingsoft Cloud was included in the "2020 KPMG China Future Fintech" list and was recognized as the "Most Influential Company of 2020" among HK/US-listed companies by Tonghuashun (10jka.com.cn.), a leading domestic internet financial information service provider. Based on its strong innovation performance and market recognition, Kingsoft was recognized in the Shanghai United Media Group's "Annual Innovation and Development Awards -- Excellent Enterprises of 2020". Kingsoft was also recognized as the "Most Influential New Technology Enterprise" in "Wise 2020" by 36Kr.

2020 KPMG China Future Fintech

Most Influential Company of 2020 among HK/US-listed Companies

Most Influential New Technology Enterprise in Wise 2020

Kingsoft Cloud is a gold member of the Cloud Native Computing Foundation (CNCF), an open source software foundation with over 500 members including the world's largest public cloud and enterprise software companies. Together with other industry-leading institutions, we assisted in the draft and publication of the 2020 Cloud Native Development White Papers and were a key participant in publishing the 2020 Cloud Native Application Guide. We dedicate ourselves to supporting the growth and evolution of the cloud ecosystem together with other industry leaders and stakeholders.

2020 Cloud Native Application Guide

2020 Cloud Native Development White Papers

As of 31 December 2020, we applied for a total of 1,045 patents, of which 979 were patents for invention, and 60% of our employees are R&D talent.

2020 Technology Highlights

Kingsoft Cloud Galaxy Stack

Galaxy Stack is an enterprise-level on-premise cloud product with a high level of security, stability, availability, and flexibility. By taking advantages of Kingsoft Cloud's cloud-native technologies, big data, and other technologies, Galaxy Stack allows customers to deploy a public cloud architecture within their internal IT infrastructure and strongly supports our customers from public services, financial services and other traditional enterprises operations while achieving high-grade information security protection and business continuity.

Dragonbase 2.0

In 2020, Kingsoft Cloud launched Dragonbase version 2.0. Being one of our flagship database products, it supports distributed transactions, distributed computing, disaster recovery, cloud management platform, data migration, etc. With features including a high level of availability, consistency, scalability, reliability, performance, and security, Dragonbase has been applied in many sectors, including financial services and the public sector.

Kingsoft Cloud Elastic Physical Compute

Kingsoft Cloud Elastic Physical Compute offers exclusive native bare metal services, achieves flexible expansion capabilities, unified network services, and service life cycle maintenance and hosting. The server has cloud features and achieves the high performance of physical servers. It supports up to 30 million Packet Per Second (PPS) bare metal native network performance, with a maximum of 50Gbps point-to-point bandwidth between the bare metals, and the CPU Clock Speed has steadily increased by more than 10%.

Kingsoft Cloud Serverless Kubernetes

In 2020, Kingsoft Cloud Serverless Kubernetes (KSK), with full upgrade of Platform as a Service (PaaS), was officially available online. Key features such as flexibility, compatibility with native Kubernetes cluster management approach and other Kingsoft products, strong safe isolation capability bring users a convenient and safe experience and efficient operations. KSK supports online business, offline data processing, and real-time video processing and is highly cost-effective.

Product Awards

Top 1 in UGC (User Generated Content) Subjective Express Comparison——2020 Video Codecs Comparisons at one of the world's leading tech events

This award symbolizes our cloud-based video-encoding services are at the forefront of the industry.

2020 Informatization Innovative Product Award

2020 Informatization Innovative Product Award

Kingsoft Cloud's Elastic Physical Compute won the "2020 Informatization Innovative Product Award" for its outstanding innovation capabilities and user experience.

2020 Excellent Technology Award

2020 Excellent Technology Award

Kingsoft Cloud's Elastic Physical Compute won the "2020 Excellent Technology Award" issued by www.IT168.com. The Elastic Physical Compute forms an important part of Kingsoft Cloud Infrastructure-as-a-Service (IaaS) cloud computing, providing ultra-high-performance computing services.

Cloud for Good

Adhering to the concept of inventing for good, we are committed to leveraging our technology capabilities to address the needs and challenges of the new generations and promote the well-being of all.

Cloud for Health

To help tackle the increasing challenge of processing massive healthcare data faced by the healthcare industry, Kingsoft Cloud released full-stack healthcare solutions covering IaaS, PaaS, and Software-as-a-Service (SaaS) services. Integrating cloud native technologies, IoT, big data and other emerging technologies, Kingsoft Cloud health solution reduces existing workloads by increasing healthcare interoperability for data exchange among healthcare data systems, assisting intelligent diagnosis and treatment, providing strong analytics capabilities while meeting stringent compliance requirements. Currently, our healthcare solutions have been deployed in more than a dozen provinces and cities, contributing to the digitalization of healthcare industries.

Kingsoft Cloud collaborated with the Health Commission of Xiantao City, Hubei Province to build an intelligent healthcare platform that connects systems of hospitals, insurance systems, public health systems, and health commissions. Building on our strong cloud technologies, comprehensive healthcare solutions, and service capabilities, we contribute to the highly efficient utilization of healthcare resources and help institutions meet the complex and evolving digital demands in the industry. In the future, we aim to build more such platforms to drive the informatization of regional healthcare industries.

Educational Support

Contributing to education modernization

The integration of online and offline education and the model of "cloud + education" has become the new normal of college teaching. Since the pandemic, from online education to smart campus development, Kingsoft Cloud has strived to meet the needs of various education scenarios. Kingsoft Cloud has created a complete set of intelligent Kingsoft Cloud education solutions that can be used in many teaching and research scenarios where students and researchers can conduct model training and research on various topics in a safer and more reliable environment. Further, we provide real-time audio and video services and a variety of mainstream deep learning frameworks to help users quickly build learning models that suit their needs. Kingsoft Cloud will continue to help break the wall of time and space and create more advanced teaching experiences for the future.

Haidain Smart Cloud for Education

New technologies such as cloud computing, big data, "Internet plus" bring vast potential for educational reform. In collaboration with the Haidian District of Beijing, Kingsoft helps build the Haidian Smart Cloud for Education. Ushering in smart education 2.0, Kingsoft Cloud will provide educators and students with vast and integrated educational resources, computing resources, various cloud services-related virtualization resources, public cloud video services, and other cloud services. Haidian Smart Education Cloud would serve students from over 300,000 primary and secondary schools.

In the future, Kingsoft Cloud will keep investing in innovation and closely collaborate with Haidian District to build an open education service system, and vigorously promote the development of our domestic digital economy.

Investing in talent

We believe that cloud computing, as an important part of the entire digital economy, has gained unprecedented development opportunities. In line with such trends, we keep increasing investment in R&D and seek to contribute to building a talent base for the industry and drive technological innovation in the IoT, edge computing, blockchain and other new technologies. In 2020, Kingsoft Cloud successfully set up a postdoctoral research workstation. Taking this opportunity, we will ramp up efforts in talent cultivation and constantly create value for the industry and our customers.

Kingsoft Cloud upholds the principles of compliance and integrity in every aspect of its operation. We abide by all applicable laws and regulations in our operations and act by the highest standards. We are dedicated to providing reliable cloud services, safeguarding data security and promoting honest business practices. Together with our stakeholders, we wish to build a fair, honest and transparent business ecosystem.

Responsible Operations

With its full dedication to the cloud business, Kingsoft Cloud is able to avoid potential conflicts of interest with its customers and enhance its neutral position, which in turn gains additional trust from more and more customers.

Data Security and Privacy

At Kingsoft Cloud, data security and privacy are our highest priority. We are committed to providing customers with safe, reliable, stable and high-quality cloud computing services. Maintaining the security and availability of our infrastructure, systems, platform, network, and the security of information we hold is a critical issue for us and our customers. Hence, we put every effort into protecting user privacy and data security.

Kingsoft Cloud strictly abides by all applicable laws and regulations of all the places it operates in. We also keep track of any changes or updates of relevant laws and regulations and make timely adjustments to ensure compliant operations. We have developed systems and processes that are designed to protect customer information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party vendor or customer.

From building sound data security and privacy protection governance structure, developing full data lifecycle management mechanisms, and attaching equal importance to third-party data security management to actively promoting data protection awareness culture, we do our best in all aspects to ensure user data is protected in the most stringent way.

We value transparency in our data management practices and have issued the Privacy Policy, the Cookies Policy and the Kingsoft Cloud Security White Papter on our official website to clarify the way Kingsoft Cloud collects, stores, uses, shares and deletes personal data in relation to Kingsoft Cloud products, services, websites, and other application scenarios. These policies do not apply to the "content" processed, stored, or hosted by our customers using Kingsoft Cloud's services except as required under applicable laws and regulations. Particularly, we clarify customers' rights of data protection and seek their permission and authorization for data collection. We have also formulated a set of internal policies and procedures to guide the Company's data security management such as the Kingsoft Cloud Data Security Classification and Management Specifications, and Kingsoft Cloud Console Internal Account Management Specifications.

For more details about our Privacy Policy, please visit: https://endocs.ksyun.com/documents/28241

For more details about our Cookies Policy, please visit:https://endocs.ksyun.com/documents/37336

For more details about our White Paper on Kingsoft Cloud Security, please visit: https://endocs.ksyun.com/documents/37238

Management System

A Security and Privacy Committee has been set up for decision-making, management, coordination, execution, and supervision of the Company's data security and privacy protection work. To enhance the professionalism and transparency of our work, we have appointed a data protection officer (DPO) for supervising and advising on data security and privacy protection management of Kingsoft Cloud.
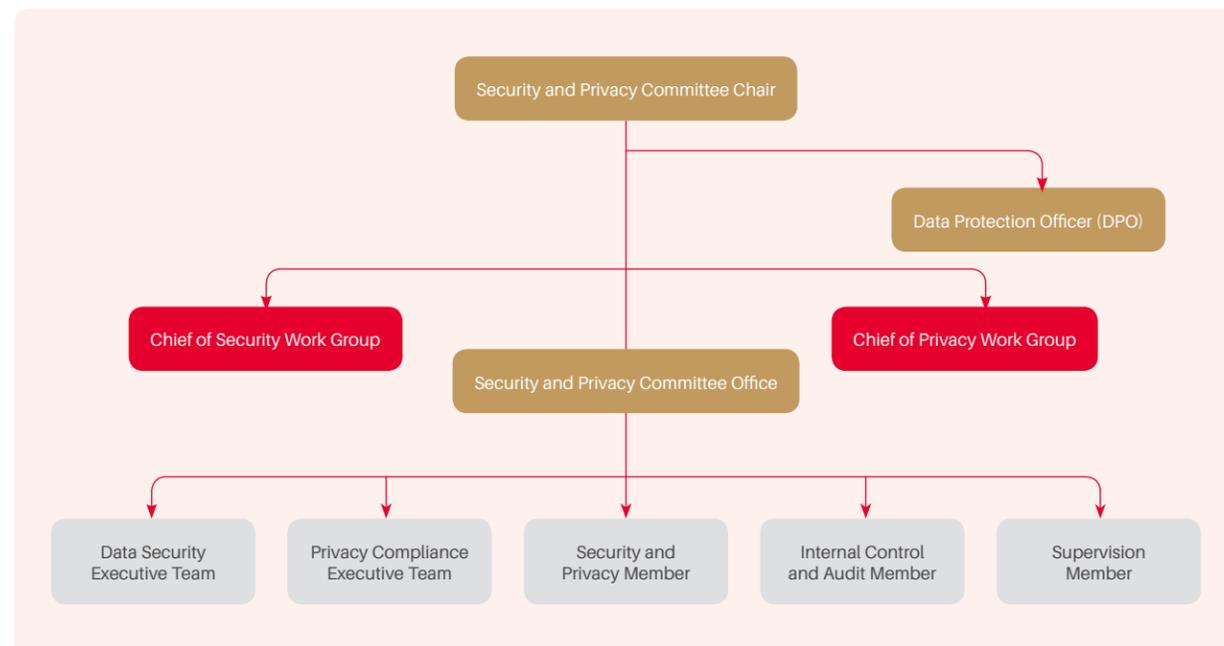
Structure of Security and Privacy Committee

Chair of the Committee	· Leads the overall management of the Company's data security and privacy protection work
Data Protection Officer (DPO)	· Independently oversees and advises on the Company's data security and privacy protection work
Data Security Executive Team	· Establishes technical specifications and standards on data security · Identifies and assesses data security-related risks and forms corresponding solutions
Privacy Compliance Executive Team	· Conducts in-depth research on privacy protection laws and regulations · Drafts, revises, and updates privacy policy and other related documents of the Company
Internal Control and Audit Member	· Oversees the Committee's work in accordance with the Company's internal control and audit requirements · Conducts audits on data security and client privacy
Supervision Member	· Reports and provides relevant materials as required in the event of a data breach, etc.
Security and Privacy Member	· Responsible for the promotion and implementation of privacy and data security concepts and measures

Data Security and Privacy Protection Principles

We adhere to the following main principles in our data security and privacy protection management:

- **Privacy by Design**
  We follow the principle of Privacy by Design and integrate data security and privacy protection technologies and design into our full security lifecycle to strengthen data security and privacy protection.

- **Equal Protection**
  Regardless of whether it is an enterprise customer or an individual customer, Kingsoft Cloud takes the same level of protective measures to ensure customers' data security and privacy are protected at the highest level possible.

- **Obtaining Express Consent**
  Kingsoft Cloud clarifies to customers about how we use their personal data through online privacy policies or other forms and obtains express consent and authorization from customers before accessing their personal data.

- **Minimized Collection**
  Kingsoft Cloud only collects personal data that are necessary for using its products or services. We anonymize and encrypt the collected data and make sure they are deleted or anonymized after the service period.

Full Lifecycle Protection

From data collection, transmission, storage, usage, sharing to data deletion, Kingsoft Cloud protects customer data throughout the data lifecycle.

- **Collection:** We do our best to minimize the type and amount of customer data collected and fully respect customer rights related to data. We inform our customers about the types of data we collect and the purpose of the collection to obtain their permission and authorization.

- **Transmission:** We use HTTPS encrypted channel for public network data transmission and ensure that core data is encrypted and transmitted on our intranet, which effectively prevents data theft during transmission.

- **Storage:** We store customers' personal data on our servers to enable their smooth use of our products and services. We provide a variety of storage methods and protect data security and privacy through encrypted storage, data isolation, access control, authority management, multiple insurances, reducing storage periods, etc.

- **Usage:** We strictly regulate employee access to customer data to prevent unauthorized access. Use of personal data shall not exceed the scope of having a direct or reasonable connection with the stated purpose at the time it was collected.

- **Sharing:** Before sharing personal data and other data with external third parties (such as suppliers), we will ask for clients' permission and conduct assessments on the necessity of the third party's data requirements and their data security protection capabilities. If it involves cross-border transfers of personal data, we will seek customer consent in advance and sign a data processing agreement (DPA).

- **Deletion:** When customers opt to delete their data during the service period or want to destroy their data after the service expires, Kingsoft Cloud will make sure their rights of deletion are guaranteed and clear the disk and memory data on the corresponding physical server.

We have also established emergency response mechanisms for reporting, recording, analyzing, and following up cases of data leakage, cyber-attack, data damage or loss, etc. At the same time, we conduct regular emergency response training and emergency drills to improve our employees' emergency response capabilities.

As of the end of 2020, there had been no cases of data leakage, damage, or loss of personal data at Kingsoft Cloud.

Third-Party Data Security Management

We seek to minimize data security risks brought by third parties (suppliers).

- We add provisions on information security in our procurement contracts and we require third parties to sign the contracts.

- We have formulated the "Kingsoft Cloud Supplier Data Security Questionnaire" and relevant procedures, and require suppliers to provide data compliance information such as data security and privacy qualifications, policies, DPO information, etc., so that we can comprehensively evaluate the supplier's protection of customer data security and privacy during the supplier introduction stage.

- If data acquisition, data development, data mining, or other related activities are involved, we require suppliers to fill a Product Data Security Test Feedback Form and submit testing reports on data security.

Data Protection Training

We expect our employees to maintain a high level of data security awareness. We require employees to participate in various training sessions and activities. We set every June as our "Security and Privacy Protection Month". We offer courses on data security and privacy on our online learning platform "Study at Kingsoft Cloud", and have issued the Kingsoft Cloud Staff Information Security to standardize staff's daily data-related operations, such as account management, code and data use, and cybersecurity.

Certifications

Kingsoft Cloud has obtained various applicable domestic and international certifications on data security and user privacy, representing its outstanding data security management level and capabilities.

DATE	ISO CERTIFICATION	DETAIL
Since 2015	ISO 9001	Quality Management System
	ISO 20000-1	Service Management System
	ISO 27001	Information Security Management
July 2017	ISO 22301	Business Continuity Management Systems
October 2019	ISO 27018	Protection of Personally Identifiable Information (PII) for Public Cloud
August 2020	ISO 27017	Cloud Security Management System
OTHER CERTIFICATIONS		

Capability Maturity Model Integration (CMMI) Certification

Payment Card Industry (PCI) Data Security Standard (DSS) Certification

Advertising Management

Kingsoft Cloud seeks to ensure the authenticity, accuracy and verifiability of all its publicity. We have issued the New Media Specification and Process, Public Relations Specification and Process and other relevant internal policies and procedures to regulate advertising management.

We have established a cross-departmental Publicity Content Review Team consisting of specialists from the Public Relations Department, the Risk Control Department, the Legal Department, and the Investor Relations Department etc. and a well-established review process. All publicity information needs to be sent to the Publicity Content Review Team for strict review following relevant advertising law, national publicity requirements, company policies, etc. before publication.

We also conduct customized trainings for relevant personnel to further improve their management capabilities and risk awareness.

Intellectual Property Protection

Dedicated to providing cutting-edge cloud products and solutions, intellectual property rights protection is of paramount importance to Kingsoft Cloud. Kingsoft Cloud firmly protects its own innovation achievements and also fully respects that of other parties.

Protecting our own Intellectual Property Rights

We strictly follow applicable laws and regulations in respect of intellectual property in our operation and closely monitor international trends. Based on this, we have issued the Company's Intellectual Property Management Policy and established a sound intellectual property management system.

Our legal department takes responsibility for the overall intellectual property management, which includes the management of trademarks, patents, copyrights, domain names, etc. A thorough and comprehensive risk evaluation will be conducted before filing intellectual property applications. Also, we assign dedicated intellectual property specialists to closely work with our product lines that involve R&D such as the cloud product group, digital government division, digital medical division, etc. to assist with opportunity identification, application and protection of intellectual property rights, legal consultation, risk control and intellectual property training. We have a strong internal intellectual property specialist group, two of whom are experts from Beijing Intellectual Property Rights Experts Group and six of whom are professional patent agents.

Particularly, to manage intellectual property rights-related risks brought by open-source codes, we have developed a blacklist and whitelist mechanism where open source code is classified, and corresponding approval and review processes are implemented.

Preventing intellectual property rights infringement

While proactively building and protecting its intellectual property rights, Kingsoft Cloud strives to prevent the infringement of intellectual property rights from the following dimensions:

- Conduct comprehensive research on and closely monitor the industry technology trends and provide feedback to each product line to help avoid such risks.

- Prepare in advance for patents or technologies with higher risks to prevent patent invalidation or patent infringement litigation.

- Sign a Non-Disclosure Agreement with our suppliers during the product introduction stage if any exchange of technology or intellectual property-related content is potentially involved.

Kingsoft Cloud also develops a coping mechanism to deal with intellectual property rights infringement. Once we receive such a report, we coordinate relevant departments and conduct an immediate evaluation and engage professional help if necessary, to find effective solutions to minimize adverse impact.

We seek to increase employees' intellectual property rights protection awareness and actively carry out intellectual rights protection training. We offer a wide range of training programs with a focus on the value of intellectual property rights, relevant laws and regulations, intellectual property rights protection measures, etc.

In 2020, we organized Intellectual Property Day to promote the rights protection awareness, including a quiz contest, which drew participation from 219 employees from relevant departments.

Ethics & Integrity

Kingsoft Cloud is committed to conducting business legally, ethically, and with integrity. We dedicate ourselves to building a fair and transparent working environment and adopt a zero-tolerance attitude towards corruption, bribery and any other unethical behaviors.

In 2020, there was no legal case regarding corrupt practices or money-laundering brought against the Company or its employees.

Business Ethics and Anti-corruption

Kingsoft Cloud strictly abides by all applicable laws and regulations of all places of operation and has formulated a comprehensive set of policies including the Anti-Fraud Management Measures, the Risk Assessment Management Measures, the Code of Business Conduct and Ethics, Code of Business Conduct for Employees, Regulations on Anti-Corruption, and Regulation on Anti-Bribery to guide ethical management of the Company and cooperation with our partners.

Our Internal Control and Internal Audit Department oversees business ethics compliance across the whole Company. We have established risk identification and response mechanisms associated with anti-fraud and anti-bribery, confidentiality mechanism, whistle-blower protection mechanism, complaints reporting process, filing and reporting process, fraud remedial measures and penalties, etc. and conduct a range of ethics and anti-corruption training campaigns to foster a culture of honesty and accountability.

For more details about our Code of Business Conduct and Ethics, please visit: https://ir.ksyun.com/static-files/c86a22c0-cbd6-4968-9d48-1a077626ab92

Reporting Mechanism

The Company encourages all employees, officers, and directors to report any suspected ethical violations promptly and thoroughly investigates any good faith reports of violations. To that end, we have established multiple channels for reporting corruption-related behaviors. And we do not tolerate any kind of retaliation against whistle-blowers.

Email: FWB@kingsoft.com

Phone: (010) 62927777-6356

Address: Internal Control and Internal Audit Department, Kingsoft Cloud Holdings Limited, Xiaomi Technology Park, Beijing, China (Postcode 100085)

Awareness Raising

Board and Executives

To ensure that Kingsoft Cloud's zero-tolerance attitude is delivered from top to bottom within the Company, Kingsoft Cloud conducts regular training to board members and executives through meetings or e-mails from time to time.

In July 2020, we launched the monthly internal Law Journal. By providing interpretations of laws and regulations, sharing case studies, and warning against typical ways of fraud, we aim to help our management increase anti-corruption knowledge and strengthen anti-corruption awareness.

Employees

Regular employee training on the Business Code of Conduct and related policies are conducted with a focus on requirements of relevant laws and regulations, the Company's anti-corruption and anti-fraud policies and mechanisms, reporting channels, the importance of ethics compliance, etc.

Suppliers

We have taken various measures to promote the application of the ethics standards of the Company by those with whom we do business, including:

- Incorporating integrity and anti-corruption clauses into our contract template that we sign with suppliers or partners.

- Conveying our requirements on anti-corruption and other related issues to employees through sending an official Integrity Notice and email alerts from time to time.

- Conducting annual evaluation and enforcing punishment measures according to relevant policies to suppliers and employees who are identified with misconduct. If major non-compliance were identified, we may terminate cooperation with the parties involved.

Anti-Money Laundering

We are committed to preserving our reputation in the financial community by assisting in full efforts to combat money laundering and terrorist financing.

We have adopted measures to reduce the extent to which the Company's facilities, products and services can be used for a purpose connected with market abuse or financial crimes. Additionally, where necessary, we screen customers, potential customers and suppliers to ensure that our products and services cannot be used to facilitate money laundering or terrorist activities.

Trust and Integrity Enterprise Alliance

阳光诚信联盟
TRUST AND INTEGRITY ENTERPRISE ALLIANCE

In July 2020, Kingsoft Cloud joined the " Trust and Integrity Enterprise Alliance ", an industry alliance aiming to fight against corruption, fraud, fake products, and information security crimes through Internet tools and improve anti-corruption governance of its members. Since we became a member, we have been actively participating in all kinds of seminars and sharing successful experiences in anti-fraud, anti-corruption, risk control and other related topics with industry peers, contributing to the building of a positive and honest working environment.

Customer First

Kingsoft Cloud always puts customers first. We strive to build a healthy and lasting relationship with our customers by delivering best-in-class user experience. Following the principles of professionalism and efficiency, we provide prompt responses and solutions to customer feedback and make constant improvements in product and service quality.
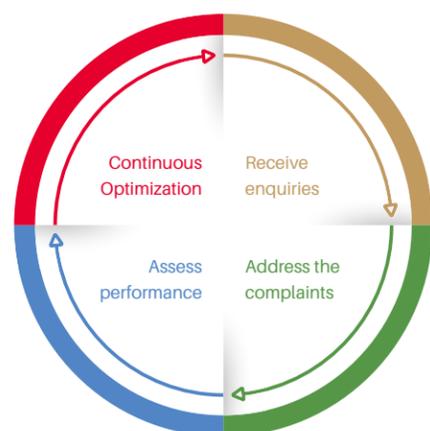
Customer Service

Our customers can be classified into two groups, premium customers that use our product on a mass scale, and customers that use our products on a relatively small scale. We adopt various service models to suit different service needs. For premium customers, we design a project-based service model that engages specialists from multiple departments to address customer needs throughout the servicing period.

- Assign technical customer manager to be responsible for the overall service coordination
- Arrange architects for understanding customer needs and architectural design
- Designate aftersales engineers to promtly answer all kinds of customer quesitons

For other customers, who normally register via the Kingsoft Cloud official website, we build an online working order management system and set a special telephone line to address their needs efficiently.

We have formed a closed-loop management mechanism.

Continuous Optimization
Receive enquiries
Assess performance
Address the complaints

Closed-loop management mechanism

Customer Inquiry and Complaints

Kingsoft Cloud's customer service centers are available across various channels (instant messaging, hotline, email, offline meeting, etc.) on 7/24 to address customer enquiry. A dedicated service team has been arranged for each channel, such that customer inquiries are handled at the highest possible efficiency.

We value customer feedback and have developed the Measures of Handling Customer Complaints to standardize procedures for handling customer complaints, follow-up visits and communication.

On-call response
<90 seconds

We require customer inquiry response in 90 seconds and strive to fix any reported problem in one hour.

Updates in every **15** minutes

Customers are briefed about the repairing progress every 15 minutes.

Formal customer report
<24 hours

A detailed report describing the failure and further improvement plan with a specific timeline within 24 hours after the issue had been resolved.

100% Follow-up visit

We pay follow-up visit to customers during or after the improvement stage to ensure customer satisfaction.

We do our best to ensure quick response and resolution of customer inquiries. During the reporting period, we achieved a response rate of 99% in 90 seconds and a resolution rate of 95% within 30 minutes, both reached industry-leading levels.

We define complaints as cases that have a serious negative impact on the use of products and customer experience. This year, Kingsoft Cloud received no such complaints. In 2020, Kingsoft Cloud's provided a total of over 144,000 times of services, with an overall customer problem resolution rate of 99%, and the customer satisfaction rate reaching 95%.

Performance Assessment

To ensure speedy customer response and problem-solving, the "90-Second Response" and the "1-Hour Fix" mechanisms have been incorporated into the key performance indicators for assessing our service teams.

Continuous Optimization

Customer needs are the non-stop driving force for the continuous optimization of our products and services. We treat each customer enquiry or complaint as a learning opportunity to ensure these challenges do not recur in the future.

We established a special knowledge base to analyse and store frequently asked questions and solutions. When a product failure occurs, it will be shared as a case study through multiple channels within the Company before being sorted into an FAQ and recorded in the knowledge base. As such, we aim to minimize the occurrence of repetitive mistakes, increase compliant handling efficiency and ensure constant optimization. As of the end of 2020, over 1,500 feedback have been analyzed and added to our knowledge base.

Our customer-centric service philosophy enables us to achieve increased brand recognition and gain a loyal customer base.

Service Skills Training

We provide a range of tailored training programs in various forms for our service teams.

- Targeted training at each growth stage of service staff, such as basic knowledge and business skills training at the very beginning, extensive professional technical knowledge training at the middle stage, and a focus on leadership skills training at later stages.

- At least three cases being shared each week within each line of business and at least one weekly meeting is conducted to reflect on issues encountered and improvement steps to take.

- Forms of training include PowerPoint presentation, video learning, practical exercises, case analysis, FAQ explanation, etc.

- Forms of assessment include written tests, face-to-face briefing, case simulation, etc. to ensure continuous improvement of the overall capabilities of our service team.

- When training is completed with assessment formally passed, the participant would receive relevant certifications. This year, 100% of our service employees completed service training and over 90% of employees successfully obtained relevant certifications.

Our People

We regard our employees as the most valuable assets for the Company. We respect the freedom and fundamental rights entitled to employees, ensure equal opportunities for all employees and job applicants and continually look for ways to further diversify our workforce and strengthen our culture of inclusion.

Developing fast, Kingsoft Cloud wishes to grow together with its employees. We provide a range of training programs and incentive mechanisms for employees worldwide, all aiming to help employees improve their all-around capabilities.

Recruitment and Employment

Kingsoft Cloud complies with all applicable labor laws of all the places it operates in. Following the principles of efficiency, effectiveness, and transparency in employment, we have issued the Employee Manual, Code of Professional Conduct and other policies to guide recruitment, compensation and performance, benefits and care, attendance and leave, grievance procedures, integrity, and self-discipline, etc. We require all employees to sign a confirmation letter of the Manual when they join the Company and conduct regular training on each of these topics to ensure our employees understand and follow relevant policies.

We strictly prohibit child labor and forced labor and have established relevant procedures and remediation measures. We respect the human rights of our employees and partners and have formulated Kingsoft Human Rights Policy based on the United Nations Guiding Principles on Business and Human Rights (UNGPs), International Covenant on Economic, Social and Cultural Rights (ICESCR) and other internationally recognized human rights principles.

Diversity and Inclusion

We believe that innovation and sustainable growth are built on a culture of diversity and inclusion. We embed such values in our daily business operations. As of March 31, 2021, 33% of our management roles were held by female employees.

We do not discriminate against employees or job candidates on any grounds, including gender, age, disability, sexual orientation, race, nationality, religion, etc., and forbid any form of harassment or bullying. We have put in place non-discrimination and non-harassment policies, established reporting channels and conduct relevant awareness-building activities frequently to create a more inclusive and diverse working environment.

Salary and Promotion

Kingsoft Cloud provides employees with competitive salaries and a variety of performance-based bonuses such as project commission, seasonal and year-end awards. To ensure our salary levels match with employees' overall performance and stay competitive in the market, the Company reviews and adjusts the Company's salary system twice every year, with the increase ranges from 6%-30%. We also conduct annual industry salary research in collaboration with third-party professional agencies and continuously optimize our salary system.

We offer employees a dual career development path. Employees can either pursue a professional development road or seek to assume management roles as they advance with their careers. To assist that process, we have established robust appraisal and promotion mechanisms. We conduct comprehensive and multi-level employee performance evaluations every half-year, including employee self-review, review by the direct leader and senior leader, and HR specialists. The results will be used for deciding salaries and promotions.

Promotion happens in April and October of each year. Promotion decisions are based on comprehensive considerations of individual applications, qualifications assessment and performance review results. We also offer official grievance channels for employees who find their evaluation results fail to represent their performance and address such cases fairly and transparently according to relevant procedures.

Benefits and Work Environment

We offer employees a diversity of benefits including paid leave, festive gifts, free physical examinations etc. and encourage a healthy lifestyle. In addition to providing free physical examinations and other health benefits, we have built a free fitness club to encourage employees to exercise and a nursing room for female employees. We want our employees to feel as comfortable at the office as they do at home.

Fitness Club in Kingsoft Cloud's main office building

The Nursing Room in Kingsoft Cloud's main office building

Employee Communication Channel

We also provide employees with diversified channels such as official emails, a hotline for internal communication and feedback. Also, we assign a Human Resource Business Partner (HRBP) to each department to assist with internal communications and address any potential conflict. Such efforts enhance the cohesiveness of our teams and employees.

Employee Health and Safety

The health and safety of our employees always remain our top priority. We strictly abide by applicable laws, regulations and internationally recognized practices in conducting our operation and continue to invest in building a more robust protection system for all our employees.

We emphasize the importance of fire safety management in our workplace. We conduct regular safety inspections, fire drills, training and educational campaigns as well as other activities to enhance employees' safety awareness and emergency response skills. As of the end of 2020, we had no work-related injuries or fatalities.

In May and November 2020, we conducted fire drills in our office park. Our staff were given the opportunity to learn to use fire-fighting equipment such as fire extinguishers and fire prevention and evacuation knowledge. These activities enhanced our employees' emergency response skills and safety awareness.

Protecting employees during COVID-19

We designed special staff care policies and measures during the outbreak of the pandemic to minimize the risk of infection.

- During the early outbreak of COVID-19, our staff could work from home with full wage payment.

- We care for and closely track our staff's health conditions; set entry health checkpoint and strictly apply disinfection measures at the workplace.

- Employees who have been to areas with middle or high infection risks are required to work from home and/or provide Nucleic Acid Testing Report in strict accordance with company policies.

- Physical distance is strictly maintained by limiting elevator capacity, controlling distance at canteen and offices.

- Daily supplies including masks and disinfection sprays were provided.

- Pandemic prevention and control reminders can be found everywhere inside the workplace.

Talent Development

As a rapidly growing tech company, we recognize the importance of training and incentivizing talent and have made significant investments in employee development.

Kingsoft Cloud has established a robust training mechanism. Besides assigning a coach for each new employee to help them quickly adapt to the new environment, we provide a range of tailored training programs and design training assessments for our employees. Also, we have established an e-learning platform and work with professional educational institutions to jointly develop training programs. Further, we encourage employees to obtain external professional vocational certifications and cover the application fees for eligible employees.

Planning

At the end of each year, the Human Resources Department makes an annual strategic training plan for the next year, based on business needs and priorities.

Implementation

In 2020, Kingsoft Cloud developed five main training modules that focus on management training, new employee training, business skills training, open course and platform building.

Table of Training Modules

TRAINING MODULE	PROGRAM	TARGETED PARTICIPANTS	TRAINING CONTENT
Management training	EMBA	Senior managers	Attend EMBA courses
	Middle Management Development Program	Middle managers	Overall leadership skills training including strategic management, communication skills, performance management, team management, human resource management, etc.
	New Manager Training Camp	New managers	Assist role-adapting through courses on communication skills, recruitment management, performance management, team management, etc.
	Departmental Training	All managers	Targeted team integration projects, management improvement projects, etc.
New employee training	"Start from Cloud- New employee training"	New employees	Orientation and introductions on • Products and business introduction • Company policies and regulations on human resources, IT, safety and compliance • Communication skills training
	"Start from Cloud- Lingyun Project"	Campus recruiting staff	The 1-year training aims to build all-round capabilities through various training courses.
	Management trainee Project	Management trainee	The 4-year training is divided into the rotational period, growth period and transition period with a focus on leadership and all-round management skills.
Professional training	"Should Know, Should Learn"	All staff	Company and department introduction, industry analysis, knowledge of products, company policies and internal procedures etc.
	Product manager training	Product managers	Market analysis, product design, product functions, advertising and roadshow guidelines.
	Tailored training	Business-related positions	Professional skills such as financial knowledge, sales skills training etc.
Knowledge database	Online open courses	All staff	Open online course on cloud technology, products, general knowledge, etc.
Platform construction	E-learning platform	All staff	Provide functions such as course study, online examination, data analysis

Management training

New employee training

Professional training

Open online course

Platform construction

Evaluation and feedback gathering

After each training, evaluation in various forms such as quizzes will be conducted to ensure the effectiveness of the training modules. Also, a satisfaction questionnaire will be sent to the trainees to gather feedback, which will be summarized by the Human Resources Department for making further improvements.

By proactively supporting talent in developing all-around capabilities, the Company's organizational vitality is stimulated and maintained, continuous innovations are made, and a talent base is developed for the company's sustainable development.

Incentive Schemes

To attract talent and drive the high-level performance of our employees, we have designed diversified forms of incentives based on our strategic plans and business scenarios of the Company.

- **Performance-related bonus:** We provide diversified position and performance-related annual, semi-annual or seasonal bonuses to boost individual performance.

- **Share option schemes:** We have developed various share option schemes to reward employees for their contribution to the Company and/or help recruit and retain high-caliber employees. Under our equity incentive plan, Kingsoft Cloud may grant eligible participants options or restricted share units ("RSUs"). As of March 31, 2021, options to purchase a total of 83,962,324 ordinary shares, and 103,108,815 awards, have been granted and are outstanding.

Employee Activities

We advocate work-life balance and actively carry out various recreational activities to enrich employees' daily life. Programmers' Day, Badminton Competition and Electronic Sports Competition are some of our signature activities. Our employees relax and bond more closely via these group activities.

Activities in 2020 Programmers' Day

Every October 24th is the day we celebrate with our programmers for their hard work. This year, featuring the cartoon image "Little K", we distributed gifts and sent wishes and encouragement to our hard-working programmers.

The 6th Badminton Competition of Kingsoft Cloud

In November 2020, the 6th Badminton Competition kicked off with a total of 85 participants companywide. This year, we added 3V3 game rules in addition to the original single /doubles rally, providing our employees with more fun experiences.

The poster of the Electronic Sports Competition of Kingsoft Cloud

In December 2020, we organized the fourth Electronic Sports Competition of Kingsoft Cloud, which lasted for 23 days, drawing participation from 34 teams with a total of 204 participants. Such an event offered an exciting opportunity for our staff to bond with each other, build team spirit and have fun together.

Awards

Kingsoft Cloud's effort as an employer was widely recognized by the industry and society.

Table of Awards in Employment

AWARD	ISSUER
Top Employer	Maimai ,a widely-used professional networking platform in China
Best Informatization Practice	Moka, a professional human resource management solutions provider in China
Top Human Resources Management	51job,a leading human resource solutions provider in China
Best COVID 19 Response	BOSS Zhipin, a professional Chinese recruiting site
Top Employer	Lagou, a professional Chinese recruiting site

Human Resources Key Performance Indicators

1. Total Workforce

INDICATORS[1]		2020	
		Number	Percentage
Total number of employees worldwide		2,509	
By Gender	**Male**	1,786	71%
	Female	723	29%
By Employment Type	**Full-time employees**	2,139	
	Part-time employees	200	
	Contract employees	170	
By Age	**Under 30 years old**	1,028	
	Between 30 and 50 years old	1,476	
	Over 50 years old	5	
By Region	**Mainland China**	2,501	
	Hong Kong, Macao, Taiwan regions of China	1	
	International (outside Greater China)	7	
By Employee Category & Gender	**Management**	92	
	Male	62	67%
	Female	30	33%
	Non-Management	2,417	
	Male	1,740	71%
	Female	677	29%

2. Training Participation

INDICATORS		2020
Percentage of trained employees by gender (%)	**Male**	100%
	Female	100%
Percentage of trained employees by employee category (%)	**Management**	100%
	Non-Management	100%
Total training hours completed by full-time employees		117,043
The average training hours completed per employee		54
The average training hours completed by gender	**Male**	54
	Female	54.1

Notes 1.The scope of the training participation data covers the full-time employees of Kingsoft Cloud.

Environmental Protection

Climate change is a global challenge for every business worldwide. In September 2020, China announced that it would bring carbon emissions to a peak by 2030 and achieve carbon neutrality by 2060. As a responsible corporate citizen, Kingsoft Cloud constantly reflects on the best way to contribute to the mission and has been taking proactive actions to achieve the transition to low-carbon development.

Reducing Kingsoft Cloud's environmental impact throughout business operations has become one of our priorities towards sustainable development. As a cloud service provider, the operation of offices and data centers forms the most significant sources of our carbon emissions. We aim to minimize our carbon footprint through enhancing overall environmental management, improving energy efficiency and building green workplaces.

Sustainable Data Center

What We Target

For Upcoming Projects,

PUE lower than **1.3**, WUE lower than **2.6**

Long-Term Goal,

PUE lower than **1.25**, WUE reach **2.5** as of the end of 2025

Serving as the main storage and computing location of mass data, data centers are considered areas of high energy consumption in the tech industry. At Kingsoft Cloud, energy consumption in data centers accounts for approximately 89% of our total energy use. Thus, delivering green information service has been our focus since day one.

Energy Saving

We implement strict environmental management and widely adopt energy-saving, low-carbon technologies and products in our data centers. We follow green building standards such as the Design Standard for Energy Efficiency of Public Buildings and Evaluation Standard for Green Data Center to build our own data centers. From site selection, construction and design to operation, we make every effort to squeeze more out of every watt of power we consume.

Site Selection

We intend to choose locations with rich renewable resources, cool climate, and relatively low operating costs and take full advantage of natural resources such as water and wind cooling to reduce energy consumption while ensuring a stable energy supply.

Technologies

Table of Clean Technologies Applied in Data Center of Kingsoft Cloud

TECHNOLOGY	TYPE	ADVANTAGES
Efficient centrifuge chillers	Efficient Cooling	Increase the temperature of backwater and improve the coefficient of performance (COP).
Rack-level cooling	Efficient Cooling	Reduce the energy consumption of cooling water pumps.
Precision computer-room air-handler (CRAH)	Efficient Cooling	Ensure high efficiency in motor speed control with the EC (Electrical Commutation) fan.
Non-negative pressure water supply	Efficient Cooling	Make full use of municipal water pressure to save energy.
Waste heat recovery	Efficient heating	Reduce direct energy consumption in winter with the help of a water source heat pump recovering heat generated by a data center.
Cabinet Server	IT	Improve the heat dissipation efficiency and enhance overall system energy efficiency.
ARM processer	IT	Reduce energy consumption per node.
GPU hardware acceleration	IT	Reduce energy consumption per cabinet compared to traditional processers.

Operations

- Smart control of coolers according to the change of outdoor temperature to utilize natural resources in surroundings.

- Adjust operating frequencies for primary and primary-secondary pumps as well as the cooling tower fan to save energy.

- Reduce airflow short-circuit and close cold passages to reduce energy waste.

- Shut down facilities or switch them into energy-saving mode timely to reduce unnecessary energy waste.

Energy-saving performance and water-saving performance are also important criteria for Kingsoft Cloud when renting data centers. Moreover, in all our data centers, we use residual heat for the park's office and living areas in winter, thus reducing the heating sources needed. LED bulbs have been installed to save electricity. We also disseminate environmental protection knowledge to our employees frequently to enhance their environmental protection awareness.

What We Achieved

1.39 PUE

PUE reached 1.39 or below in our self-built data center in Beijing in 2020, which is below the design standard of 1.4.

260,000kWh Electricity Saved

Saved electricity power consumption by about 260,000 kWh in 2020 as compared to a PUE of 1.4, which is about 185 tons of carbon dioxide equivalent.

IDC Center of Kingsoft Cloud in Tianjin

IDC Center of Kingsoft Cloud in Beijing

Servers and Cabinets in Kingsoft Cloud's IDC Center

Use of Water Resources

We fully consider water-saving features of equipment used in data centers and actively promote efficient use of water.

- Select cooling equipment with a low drift rate, high thermal dissipation performance, and excellent water collection performance with a cooling tower rehydration rate of less than 1.2% to reduce water waste.

- Closely monitor and assess water usage indicators across data centers.

- Set up rainwater storage ponds in the data center park for recycling purposes to reduce the consumption of tap water.

Noise Control

Many components of our buildings' heating, ventilation and cooling systems are potential noise and vibration sources. We adopt a variety of measures to reduce noise and vibration produced by the mechanical and electrical systems in our data centers.

We purchase equipment that produces low noise levels during operations and widely install shock-absorption devices and sound insulation and absorption facilities such as soundproof doors to reduce vibration or noise.

Green Workplace

We strictly abide by applicable laws and regulations of all our business destinations and have formulated internal policies such as Workplace Environmental Management Policy to regulate environmental management.

At Kingsoft Cloud, we embed our sustainability principles throughout daily operations at all our workplaces.

The main steps we take to promote green operations include:

- Elevator hall lights and the corridor lights on each floor would be turned off at 20:00. Starting from 21:00, lights would also be turned off for the areas where no staff is working during night patrol to save electricity.

- All bathrooms are equipped with automatic induction faucets to save water.

- Reclaimed water is used for toilets and urinals.

- The effectiveness of the sensors in urinals and faucets is examined twice a week; the water supply pipeline and valves are examined monthly.

Main Office of Kingsoft Cloud

Waste Disposal

We ensure 100% compliant waste disposal and seek to minimize waste generated from data centers and worksites. We actively advocate waste sorting and have established a comprehensive waste disposal and recycling scheme.

- **Non-hazardous waste disposal:** Our non-hazardous waste mainly consists of domestic waste. To facilitate garbage sorting, all trash bins are labeled "recyclable waste" or "others" on each floor of the office building. Waste collected by separate bins is transported to the waste transfer station by cleaners for disposal. For equipment such as a server, network equipment, or a hard disk that is no longer suitable for office use, we hand over to qualified processors. Before that, we make sure data is removed and relevant deletion records are kept to ensure data security.

- **Hazardous waste treatment:** Hazardous waste of Kingsoft Cloud comprises mainly of used lead-acid batteries from data centers and toner cartridges and ink cartridges generated in office, which are collected separately and recycled by printing suppliers or disposed of by processors with relevant qualifications.

Climate Actions

To minimize the adverse impact of climate-change-related issues on our business operations, we continuously identify related risks and develop counter-measures.

Table of Risk Identification and Response

RISK TYPE		POTENTIAL RISKS	RESPONSE
Physical Risks	Acute	• Our data centers and offices spread across China and some in other locations globally. Some of our data centers are more inclined to suffer from damage caused by acute physical risks such as natural disasters or extreme weather. These could halt our operations, affect business continuity, increase repair and relocation cost and lose revenue.	• Ensuring business continuity is central to Kingsoft Cloud. We assess physical risks during site selection and daily operations. Further, we develop emergency response plans with fully tested backup facilities to ensure speedy restoration of services in case of emergencies. • We conduct regular drills and ensures remote data backup and storage.
	Chronic	• Most of our data centers rely on water for cooling effect, thus we face chronic risks such as drought and an increase in temperature. These could influence our access to fresh water, increase operating costs and interrupt our business and customer service.	• We monitor weather and precipitation patterns in each operating region. • We adopt extensive water-saving and energy-saving measures such as collecting rainwater, increasing the COC (cycle of concentration) of cooling water and use highly efficient cooling equipment.
Transition risks	Legal	• Tighter national regulations on environmental protection, energy conservation such as setting stricter PUE standards may affect or restrict the operation of our data centers and increase compliance costs.	• We closely follow the latest trends in domestic and international standards and regulations and make timely adjustments. • In response to national regulations on greenhouse gas emissions and ozone depletion, air conditioning systems used in our Internet Data Center (IDC) projects have been equipped with environmentally friendly refrigerants with low ozone depletion potential (ODP) and low global warming potential (GWP). • We adopt a wide variety of energy-saving measures as specified in section 5.1 Sustainable Data Center such as lowering PUE to 1.39 in preparation for potentially stricter policies in the future.
	Reputation	• Environmental performance has gained increasing attention from investors globally. As a Nasdaq-listed company and a key player in the cloud service industry, our environmental performance is likely to affect investment decisions. If we are perceived as not making strong enough efforts, we may lose business opportunities.	• Our risk control departments have incorporated climate-change-related risks into risk assessment models and tentatively examine possible implications for our reputation and form next-step actions. • As a newly listed company, we are actively building a transparent disclosure mechanism to better convey our efforts and goals relating to ESG to our stakeholders.

Climate Actions

1. Emissions

Table of Emission Indicators

INDICATORS	2020
Total GHG emissions (Scope 1 and 2) (tons)	20,489.39
Direct GHG emissions (Scope 1) (tons)	130.90
Indirect GHG emissions (Scope 2) (tons)	20,358.49
Total GHG emissions in offices per floor area (tons per square meter)	0.065
Compliance disposal rate of hazardous waste (%)	100%
Non-hazardous waste (tons)	110.74
Non-hazardous waste per employee (tons per employee)	0.0246

2. Energy and resources consumption

Table of Energy and Resources Consumption Indicators

INDICATORS	2020
Total comprehensive energy consumption (MWh)	28,745.28
Direct energy consumption (MWh)	99.13
Indirect energy consumption (MWh)	28,646.15
Total energy consumption in offices per employee (MWh per employee)	0.096
Running water consumption (tons)	70,734.80
Running water consumption per employee (tons per employee)	29.41

Notes

1. Due to its operational features, the significant air emissions of Kingsoft Cloud are GHG emissions arising mainly from electricity generated by burning fossil fuels and direct burning of diesel and gasoline. According to Measures for Administration of Carbon Emissions Trading (For Trial Implementation) issued by the Ministry of Ecological and Environment of the People's Republic of China, the inventory of GHG includes carbon dioxide, methane, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons, perfluorocarbons and nitrogen trifluoride. Kingsoft Cloud's GHG inventory includes carbon dioxide, methane and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent and the calculation is based on the 2019 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the People's Republic of China, and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Edition) issued by the Intergovernmental Panel on Climate Change (IPCC).

2. The total amount of comprehensive energy consumption is calculated according to the power consumption and the conversion factors set out in the General Rules for Calculation of Comprehensive Energy Consumption, the national standard of the People's Republic of China. Direct energy consumption arises from the consumption of diesel and gasoline during Kingsoft Cloud's operation. Indirect energy consumption arises from the consumption of purchased electricity during Kingsoft Cloud's operation.

3. Kingsoft Cloud's water resources consumed come from the municipal water supply and the reclaimed water supply. In 2020, the Company had no issues in sourcing water.

We seek to grow together with our suppliers following the principles of fairness, integrity, co-prosperity and transparency. We consider suppliers' ESG performance at every stage of selecting, operating and evaluating suppliers. We believe the stable operation and quality delivery of our suppliers are key to our own stable operation. Based on this philosophy, we actively invest in supplier capacity-building and support our supplier community. Our main supplier categories include suppliers of servers and accessories, network equipment, security equipment, storage, wire, software licensing, software development services, etc.

Supply Chain Management

We have formulated a series of company policies including Measures for Procurement, Measures for Bid Invitation, Policy on Supplier Life Cycle Management, and Supplier Performance Evaluation Specifications to guide the lifecycle management on supplier introduction, evaluation, rating and exit. In particular, we adopt a zero-tolerance attitude for human rights violations in the supply chain. We require suppliers and partners to:

- Prohibit the use of child labor and forced labor.

- Eliminate unlawful discrimination by employees to ensure equalization of job opportunities.

- Provide a safe and healthy working environment for employees.

- Respect employees' right to freely choose to participate in legal associations and trade unions.

Selecting New Suppliers

In selecting new suppliers, we assess candidates on product quality, compliance information, ESG performance, operation stability and other dimensions through research and on-site audits. Particularly, hardware equipment manufacturers are required to have the "China Energy Conservation Product Certification", " Attestation of Chinese Environment Mark Product Certification" or other certificates that can demonstrate their solid environmental performance.

Evaluating Suppliers

We have established comprehensive supplier evaluation and appraisal systems to promote consistent quality delivery of our suppliers. We conduct a quarterly evaluation for the operations maintenance providers and quarterly or semi-annually evaluation for server providers. We expect our suppliers to adhere to all applicable local and international standards. Key ESG issues such as quality of products and services, timely response for aftersales, operation compliance, as well as labor management in suppliers are integrated into our evaluation system to fully reflect supplier sustainability from a long-term perspective.

Rating and Appraisal System

We have also developed a rating mechanism for all our suppliers based on their performance in terms of technology, products quality, overall cost and other factors in social and governance aspects. Suppliers will be rated from level A to C accordingly. Incentives such as increasing orders are given to high-rating suppliers to promote progress and rectification measures are required for underperforming suppliers. During the rectification stage, we provide necessary coaching and training.

Growing Together

While expecting our suppliers to adhere to our sustainability philosophy, we seek to grow together with our suppliers by actively sharing industry trend and knowledge with our suppliers, offering a wide variety of training sessions, holding supplier meetings, and providing financing support in special times such as during the pandemic.

For new entrants

- We make rectification requirements for suppliers according to on-site audit result and we conduct regular visits to monitor the progress once or twice a year.

- We provide manufacturers with industry-standard solutions to help them improve product competitiveness and overall quality standards.

For long-term partners

- A monthly quality reporting system is established to help suppliers examine potential quality deviation, send early warning and monitor quality improvement.

We invite all business partners along our supply chain to participate in our weekly meetings held by various business lines. We create such an opportunity to discuss each other's needs and where possible, send business forecast along the supply chain to help suppliers in storage, production, logistics etc. We also provide suggestions and standard solutions to the difficulties our suppliers encounter.

Supplier Conference

We also conduct semi-annual supplier conferences in January and July to:

- review the overall performance of our core suppliers

- align customer needs with suppliers' strategies and plans

- offer a platform for suppliers to discuss problems encountered during the cooperation and provides viable short-term and long-term solutions

- share industry-leading practices

Helping suppliers during COVID-19

To better help our business partners go through such difficult times, we allowed manufacturers with a good history of cooperation to apply for advance payment during the pandemic, which helps them increase cash flow and reduce payback pressure.

Community Engagement

Webpage of "2020 Public Welfare Step Donation"

In September 2020, based on a public welfare donation platform, we initiated a campaign to help children in remote areas. A total of 463 of our staff participated in this event with a donation of a total of 26,545,952 walking steps. The fund raised from step donations would be used to buy free lunch for poor children in remote areas. Step donation not only helps convey our love and warmth to remote mountain areas, but also serves as a good way of promoting a healthy lifestyle for our employees.

COVID-19 Response

At the special moment when all sectors of society face a variety of challenges brought by the pandemic, Kingsoft Cloud proactively shoulders its social responsibility by donating pandemic prevention supplies and providing strong technical support in epidemic prevention and control, education and many other fields, receiving wide recognition from users and society.

Kingsoft Cloud Pandemic Prevention Platform

Facing the acute pandemic control challenges in the early outbreak of the pandemic in 2020, we developed the "Kingsoft Cloud Pandemic Prevention Platform" for pandemic data reporting, consolidation and analysis. The platform consolidates employees information to facilitate the mandatory reporting around COVID-19, such as temperature check. As such, the platform greatly facilitated the efficient dispatch of medical resources, the mobilization of frontline staff as well as the smooth restoration of business operations of enterprises.

Emergency Supply Management System

To facilitate information collection on emergency supply needs and speed up supply distribution during the early stage of the pandemic, Kingsoft Cloud launched the "Emergency Supply Management System". Based on our strong cloud computing technology development capabilities, the system timely grasps the consumption and inventory situation of medical supplies and helps make timely and accurate distribution decisions. As of the end of 2020, this system had served more than 38,000 institutions across over 30 provinces, cities and regions.

Online Teaching

In response to the significant demand for e-learning during the COVID-19, Kingsoft Cloud collaborated with a live broadcast service platform to offer free technical support for online teaching such as free courses, online check-in and smart calendar scheduling features.

During the early stage of the pandemic, Kingsoft Cloud actively supported some areas in the northwest regions to move teaching to the cloud by sending technical personnel to assist with testing work, identifying the risk points of network broadcast technology and formulating risk prevention plans. Our efforts effectively ensured the smooth implementation of live teaching campaigns for 550,000 teachers and students in the region.

Besides fully leveraging our technology to build products and services for the good, we are also dedicated to engaging with communities through volunteer efforts and make utmost efforts in getting through the COVID-19 together with our communities.

2021 Outlook

The world has experienced global challenges and digital transformations during the past year. As a responsible corporate citizen, Kingsoft Cloud is doing its best to take a wider role in confronting climate change and COVID-19, fulfilling corporate social responsibility and promoting the building of a healthy business ecosystem.

Looking ahead, we will endeavor to contribute to the development of society by offering innovative products and services, actively address climate change by reducing our carbon footprint, and strive to empower enterprises and society with more enabling products and services. Ultimately, we wish not only to make an impact on the technology industry but to contribute to the sustainable future of the planet.